zenterio

Year end report
January-December 2014

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October – December 2014

- Deployed license base
  - The VAS (value added services) enabled license base grew by 150% in the fourth quarter, adding some 890 thousand licenses to the accumulated base of 1.5 million
  - The total license base grew by 50% in the fourth quarter, adding some 920 thousand licenses to the accumulated base of 2.7 million
- Average monthly VAS revenue per deployed license (ARPU) SEK 0 (0)
- Net sales in the quarter increased 174% to SEK 31.5 million (11.5 million)
- EBITDA in the quarter were SEK -18.0 million (-24.0 million)
- Net result in the quarter was SEK -25.7 million (-28.4 million)
- Zenterio continued to roll-out the new IPTV solution for Telekom Romania that was initiated in the third quarter 2014
- The Zenterio OS was supplemented with third party features, e.g. Zenterio joined the RDK community, entered a strategic partnership with Metrological and integrated Ekioh's HTML5 TV browser
- On December 17, Zenterio completed two share issues of approximately SEK 80 million in total, whereof approximately SEK 60 million in cash
- On December 18, Zenterio acquired Systemagic, a Linköping-based software company

January – December 2014

- Deployed license base
  - The VAS enabled license base grew by 400%, adding some 1.2 million licenses to the accumulated base of 1.5 million
  - The total license base grew by 100%, adding some 1.4 million licenses to the accumulated base of 2.7 million
- Average monthly VAS revenue per deployed license (ARPU) SEK 0 (0)
- Net sales in the year increased 38% to SEK 80.3 million (58.3 million)
- EBITDA in the year were SEK -79.1 million (-62.4 million)
- Net result in the year was SEK -105.4 million (-90.6 million)

Important post-closing events

- On April 1, 2015, Zenterio announced that the Board of Directors of the company has appointed Jörgen Nilsson as CEO as of April 2, 2015, and that the company plans for an IPO during 2015.
- On March 20, 2015, Zenterio announced a new partnership agreement with the specialist digital agency. AdScribe, whereby Zenterio has also become a strategic investor in the company.
- On January 30, 2015, Zenterio acquired the assets and liabilities of software development and consultancy firm VTilt Digital, now Zenterio Inc.

CEO Comments

It has been a very busy and exciting quarter and year for Zenterio, and I am proud to see what we have accomplished. But before I summarize our latest quarter, I would like to take this opportunity to comment on our announcement regarding change of leadership. Effective April 2, 2015, and on my own initiative, Jörgen Nilsson will step up as new CEO and I will become Chief Business Development Officer. I feel good about this change and am confident that Jörgen is the right person to lead Zenterio. I also get the opportunity to focus on the next important step in Zenterio's development: Converting the installed base of Zenterio OS to a customer base that generates a recurring monthly revenue (ARPU) to Zenterio. It goes without saying that this is an area which is central for shareholder value creation and it is also an area that I have always been passionate about.

Zenterio's investment into a partner driven distribution model for our software has started to pay off. Our VAS (value added service) enabled license base has grown by nearly 150 per cent, reaching 1.5 million, in the last quarter and some 400% since the beginning of the year. A majority of the volume has come through our previously established and newly signed partners in 2014, such as Viaccess-Orca, Huawei, Ericsson, Technicolor, Pace and Mstar.

In 2014 Zenterio partners sold contracts to large Pay TV operators in 5 continents and marks the year we gained global reach. Today, all our partners are selling integrated and interactive software solutions, combined with Zenterio OS, to pay-TV operators all across the world, and we see a continuous inflow of new business opportunities.

In order to manage this demand and the expected continued strong growth in coming years, Zenterio has during 2014 significantly boosted our delivery capacity, both through organic growth and through the acquisition of some of the best skilled companies in our business field. With 27M, Labatus, Systemagic and the acquisition of the US-based consultancy firm VTilt Digital in January, we have been able to reduce our dependency on external consultants as well as strengthened our offering.

With these new additions, Zenterio forms a company with a market leading technology combined with best in class know-how in an area increasingly important to Pay TV operators.

At year-end, Deutsche Telekom selected Zenterio as their preferred client Software vendor after an extensive procurement process, and will be the first customer to fully benefit from Zenterios extended capabilities. A group wide harmonization program has been initiated and Zenterio has already in three countries enabled Deutsche Telekom to achieve significant cost savings. Following the latest and successful project in Romania, Zenterio is targeting to roll out its OS to the Deutsche Telekom's remaining six TV markets during 2015 and 2016. In addition, we expect that Deutsche Telekom will start integrating and offering the VAS solution that Zenterio has been working on at some point during 2015. This shows Zenterio's capability to deliver a future proof and independent platform where operators can offer new interactive services that the consumers demand on a large scale. Deutsche Telekom is an important reference customer for us and our partners.

As previously communicated, Zenterio is committed to start offer all our customers and partners a comprehensive Application, Data Analytics and Advanced Advertising service during 2015.

In December, we raised SEK 60 million from our largest shareholders. The capital was ear marked for two now completed acquisitions, i.e. Systemagic and VTilt Digital. The acquisition of VTilt Digital, now Zenterio Inc, allows us to be present both directly and as a support to our partners in North America which is the most advanced Pay TV market. The second acquisition, Systemagic, is an important step into the Application world and adds one of the most experienced Application development teams in our Industry, expanding Zenterios portfolio of services to Pay TV operators.

We are happy for the support that we have from our shareholders and our Board and we are looking forward to yet another busy year ahead with Jörgen as our new CEO.

Robin Rutili, CEO

Zenterio appoints Jörgen Nilsson as CEO and prepares for Initial Public Offering

Zenterio, a provider of an independent software platform for interactive TV, announced today that the Board of Directors has appointed Jörgen Nilsson as Chief Executive Officer, effective April 2, 2015, and that the company prepares for an Initial Public Offering during 2015.

During the past year, Zenterio has gone from 100 to 200 employees by acquiring four companies and growing organically, as well as developed a more complete solution for the TV operators, including value added services. This journey has taken Zenterio to the next phase, hence changing the leadership requirements.

“After an extensive search process, we are very pleased to announce Jörgen Nilsson as Chief Executive Officer who we believe is the perfect match when Zenterio is now moving into the next phase. We are leaving the entrepreneurial start-up phase and transforming into a larger and more established company. Jörgen Nilsson has a proven track record of growth leadership within our industry and his experience will be very beneficial for Zenterio going forward”, says Olli-Pekka Kallasvuo, Chairman of the Board.

Jörgen Nilsson has more than 30 years’ of experience from Senior Executive roles within telecom, IT and technology at leading companies including Ericsson, Hewlett Packard and Acision. At Ericsson he worked for over 10 years as the Executive Vice President and General Manager of Vodafone’s Global Customer Unit. As Chief Executive Officer at Acision, Jörgen lead the transformation of its core business to a profitable and industry relevant position. Lately he has had held several non-executive advisory roles for technology companies.

“I am very excited to join Zenterio at this time and believe the position Zenterio has established, in the center of a complete industry transformation, constitutes a formidable opportunity to continue the formation of an extraordinary company”, says Jörgen Nilsson.

Robin Rutili will continue in the company as Chief Business Development Officer, focusing on Zenterio’s value added services business.

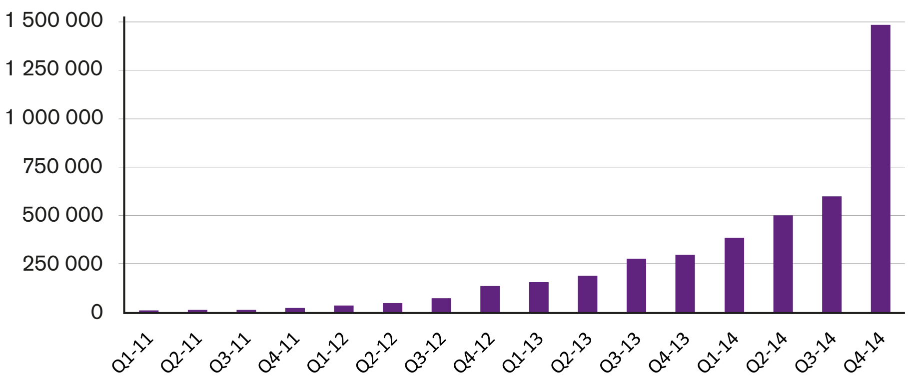
As a function of these changes, Zenterio is currently considering additional funding to strengthen its balance sheet in preparing for the IPO during 2015. Zenterio’s largest shareholder, Scope, is committed to the process and Zenterio has the intention to communicate any measures to be taken within the month of April 2015.

Fourth quarter and full year 2014 comments

Value added services enabled installed license base

By the end of December 2014, the total license base reached 2.7 million, which is an increase 1.4 million compared to the end of the fourth quarter 2013. Zenterio's value added services enabled license base increased to 1.5 million by the end of 2014, in-line with guidance, showing a growth of 400% year-on-year. The growth in the value added service enabled installed license base was primarily driven by a migration project for a European operator harmonizing its infrastructure. There were also initial volumes towards several operators that Zenterio just finalized project delivery towards.

Value added service enabled installed license base



Zenterio intends to start to offer advertising solutions, applications, and services – such as Netflix, HBO Go, and YouTube – to operators that run Zenterio OS. The revenue model from such reseller agreements will be recurring monthly and documented as average service revenue per user (ARPU) in Zenterio's reporting. Because Zenterio has yet to launch its initial value added service revenue package, the current average service revenue per user (ARPU) is SEK 0.

Given the current growth projections of the value added services enabled installed license base, Zenterio expects that it will begin to offer these services during 2015.

Business review

Q4

Zenterio continued to deliver within the existing strategic partnerships and previously won deals during the fourth quarter as well as continued handling incoming business opportunities.

During the fourth quarter, we continued the rollout that was initiated at the end of the third quarter of a new IPTV solution for Telekom Romania. The Zenterio OS platform, forms a key component of the solution, which is the foundation for Telekom Romania's offering of new interactive TV services. Telecom Romania now has the software solution that large TV operators need to deliver future TV experiences to their customers.

In addition, Zenterio continued to invest in its delivery capacity through the acquisition of Systemagic in December 2014. During the period Zenterio has also recruited several system developers, further increasing the capacity of the company.

The development of the Zenterio OS continues and during the quarter, Zenterio further strengthened its offering and operating system by implementing features and technologies from third parties. For example, Zenterio announced that the company joined the RDK community. RDK is a software bundle, such as components or interfaces, developed by Comcast. Zenterio also entered a strategic partnership with Metrological, a leading TV application store provider. By combining Zenterio OS and Metrological's product suite, the companies can offer an attractive combined service revenue package to TV operators. In addition, Zenterio integrated Ekioh's HTML5 TV Browser, which improves the user experience as well as lower the development costs for television operators, and Broadpeak Technologies QoE agent, which increases the quality of services and the experience for consumers by making the solution faster and decrease the response time for example when switching channels.

Furthermore in November, Zenterio was named one of Sweden's hottest IT companies when Computer Sweden announced its HIT list. This annual award recognizes companies that can combine smart technology with growth. Zenterio ranked second on the 2014 list.

2014

During the year Zenterio entered several strategic partnerships, which means that Zenterio's OS is now available for half of the world's largest software platforms for TV.

In August, Zenterio added yet another global system partner, Viaccess-Orca, an Orange subsidiary with 20 years in the industry and presence in 35 countries. This partnership got off with a flying start with the commercial Telekom Romania deal. In addition Zenterio entered into a strategic partnership with Pace around platform delivery.

Throughout 2014, the company has been very active in several markets in which the transition from analogue to digital TV broadcasting is occurring.

During the year we have delivered our second and third project for Deutsche Telekom: Telekom Romania and Magyar Telekom (Hungary). Three years ago, Deutsche Telekom initiated a program to harmonize the technology used to distribute TV on all nine European markets in which Deutsche Telekom offers pay-TV services. A key component has been to harmonize the highly fragmented software environment in the customer base. Zenterio has delivered solutions for Deutsche Telekom in Hungary, Slovakia, and Romania and the company expects that sales to Deutsche Telekom will continue to increase in coming years and that Deutsche Telekom will be a very important reference for Zenterio and for Zenterio's partners.

During the year Zenterio signed its first deal with TV-operator M7 and rolled out IPTV services for the Netherlands. Zenterio also completed a number of new deals in different markets including, Latin America, South East Asia and Africa.

Zenterio has seen increased involvement of several of its partners, and Zenterio expanded, by acquisitions and recruiting, its delivery capacity to meet increased demands. Continued strong demand for Zenterio's OS is expected, and the subsequent growth will form a solid foundation for a successful 2015.

Financial highlights

Q4

SEK million	Q4/2014	Q4/2013	Change
Net Sales and other operating income	31.5	11.5	174%
Total costs	-68.2	-49.1	39%
EBITDA	-18.0	-24.0	-25%
Net result	-25.7	-28.4	-10%

Sales amounted to SEK 31.5 million in the fourth quarter 2014, representing a year-on-year growth of 174%. Sales for the core business, adjusted for comparable units (i.e. excluding hardware sales and acquisitions) increased by 208% year-on-year. There were no hardware related sales in the quarter, whereas license and integration revenue continued to grow and were SEK 26.1 million in the quarter versus SEK 6.2 million in the fourth quarter 2013.

In the fourth quarter 2014, total costs rose to SEK 68.2 million compared to SEK 49.1 million in the fourth quarter 2013. Acquisitions added costs of SEK 6.5 million in the fourth quarter 2014 (SEK 0 million in fourth quarter 2013) and cost of goods sold were SEK 1.5 million in the fourth quarter 2014 (SEK 4.8 million in the fourth quarter 2013).

EBITDA in the fourth quarter 2014 amounted to SEK -18.0 million compared to SEK -24.0 million in the fourth quarter 2013. The improved EBITDA was primarily due to higher license and integration revenues.

2014

SEK million	2014	2013	Change
Net Sales and other operating income	80.3	58.3	38%
Total costs	-216.8	-166.4	30%
EBITDA	-79.1	-62.4	27%
Net result	-105.4	-90.6	16%

Sales amounted to SEK 80.3 million in 2014, representing a growth of 38%. Sales for the core business, adjusted for comparable units (i.e. excluding hardware sales and acquisitions) increased by 65%. The hardware sales ended during the third quarter 2014, whereas license and integration revenue continued to grow and were SEK 59.8 million in 2014.

In 2014 total costs rose to SEK 217 million compared to SEK 166 million in 2013. Acquisitions added costs of SEK 8.6 million in 2014 (SEK 0 million in 2013) and cost of good sold were SEK 15.2 million in 2014 (SEK 26.0 million in 2013).

EBITDA in 2014 amounted to SEK -79.1 million compared to SEK -62.4 million in 2013. This trend is aligned with the overall plan, and the loss is aligned with planned investments for new customers and partners.

Shares

Zenterio completed four share issues in a total aggregate amount of SEK 252 million during 2014, whereof SEK 175 million in cash, SEK 57 million non-cash issue and SEK 20 million related to a convertible loan issued in 2013. The capital raising resulted in an issue of 13 549 547 new ordinary shares. The total number of Zenterio shares on December 31, 2014, equaled 50 333 691.

Personnel

Zenterio had 208 employees at the end of 2014, representing 25 different nationalities. The employee turnover has continued to be low. Three out of four Zenterio employees are directly engaged in the company's engineering efforts, such as R&D, customer integration, testing or managing customer projects. The remaining quarter of the employees are involved in sales & marketing or general & administrative tasks.

Financial position

On December 31, 2014, cash and cash equivalents amounted to SEK 47.0 million compared to SEK 1.8 million on December 31, 2013. Zenterio also had unused overdraft facilities of approximately SEK 35 million at the end of 2014.

Financial position SEK million	Dec 2014	Dec 2013
Gross cash	47.0	1.8
- interesting bearing liabilities	5.9	0.2
Net cash	41.1	1.6
Equity	203.9	46.7
Total assets	270.9	99.3

Annual General Meeting: Nominating Committee

In accordance with the principles resolved by the Annual General Meeting 2014 for appointment of nominating committee, Andreas Ossmark (appointed by Scope), Ulf Lindberg (appointed by Fredrik Danielsson), Scott de Mercado (appointed by Adam Nordin) and Timo Mäkelä (appointed by Ari Salmivouri) have been appointed, together with the Chairman of the Board of Directors Olli-Pekka Kallasvuo, to form the nominating committee for the Annual General Meeting 2015.

The nominating committee is to prepare proposals for decisions at the Annual General Meeting in 2015 regarding the Chairman of the meeting, Chairman and other members of the Board of Directors, auditor when applicable, remuneration for the Board of Directors and auditor, and principles for appointment of the nominating committee.

The period in office of the nominating committee runs until a new nominating committee is appointed in accordance with decisions on appointment of a nominating committee at the annual general meeting in 2015.

Important post-closing events

Acquisition of VTilt Digital

On January 30, 2015, Zenterio acquired the assets and liabilities in the well renowned software development and consultancy firm VTilt Digital. VTilt Digital, now Zenterio Inc., is based in Atlanta, US, and has been a trusted Zenterio partner in many complicated migration projects.

Besides adding valuable expertize and eleven highly experience system developers in areas that are business-critical for Zenterio, the acquisition gives Zenterio a presence in Atlanta, the stronghold of the TV industry and a business-critical center for global digital TV trends, and a base of operations for further expansion into both Canada and Latin America.

The deal, worth SEK 12 million, was part of Zenterio's expansion strategy, which was communicated in December 2014, for meeting increased demand for its interactive TV software solutions

Other events

After year-end, Zenterio has launched its cooperation with content discovery service provider XroadMedia. XroadMedia's software Ncanto finds relevant content, based on the consumers' behavior, interests and social profiles. With Zenterio and XroadMedia's software, TV operators and content owners will be able to maximize their revenue streams by tailoring offerings according to the preferences of individual users.

On March 20, 2015, Zenterio announced that the company enters into a strategic partnership with AdScribe, a cutting-edge agency working with brands and content owners to exploit opportunities on digital distribution platforms. The partnership, which also includes that Zenterio becomes a strategic investor in AdScribe, will further strengthen Zenterio's value added service offering as they actively work with pay TV operators to create new revenue streams.

Leadership change

On April 1, 2015, Zenterio announced that the Board of Directors of the company has appointed Jörgen Nilsson as CEO as of April 2, 2015. Robin Rutili will continue in the company as Chief Business Development Officer, focusing on Zenterio's value added services business.

Zenterio's business model and its market

Zenterio's business model

At a time when linear TV viewing decreases, great need exists for operators to upgrade their pay-TV offerings with new, interactive services. But innovative efforts get complicated because up to 100 different operating systems are used in the operators' hardware.

Zenterio sells licenses to system integrators, STB providers, and pay-TV operators. With Zenterio's software, operators can more quickly offer new, more sophisticated services to their customers at lower cost. Zenterio's OS allows operators to harmonize their operating environment with a standardized software platform, which simplifies operation, maintenance and administration significantly.

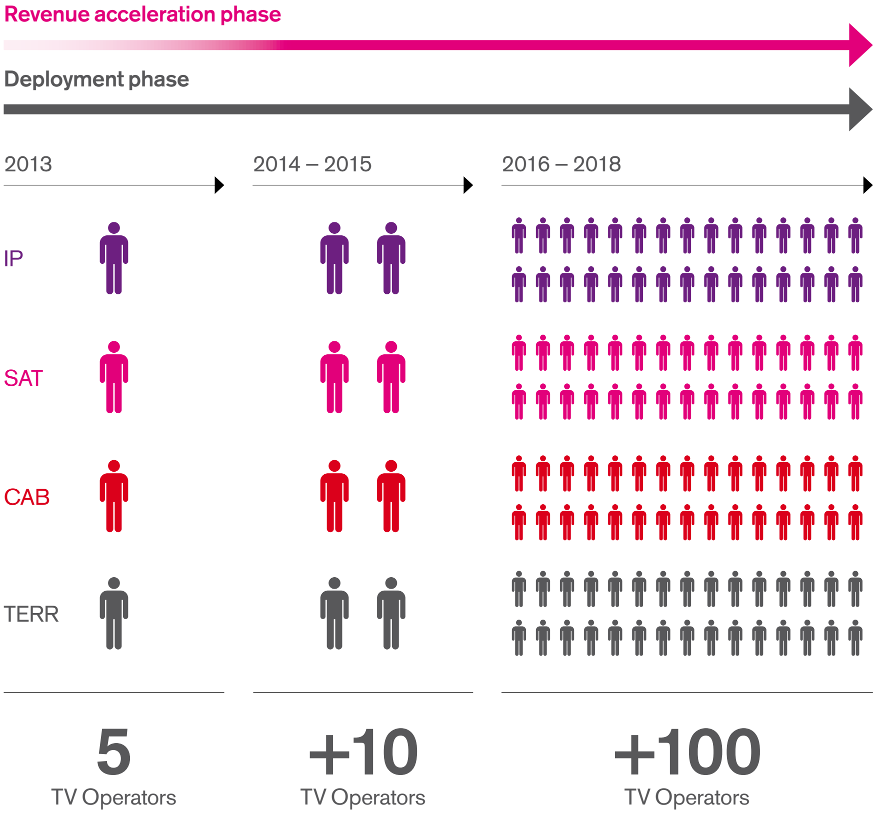
With Zenterio's independent solution, operators can offer specific interactive TV services that consumers demand – and a flexible software platform on which operators can develop the next generation of interactive services and new pay-TV offerings in the future.

The pace at which Zenterio deploys its OS depends on the number of pay-TV operators that select the company's software. To reach as many operators as possible, Zenterio has chosen a unique, partner-structure-based distribution model, which the company uses with several key partners. Zenterio's partners include three out of five of the world's largest system integrators – Ericsson, Huawei, and Viaccess-Orca; two of the world's leading hardware manufacturers – Pace and Technicolor, and the world's largest chip manufacturer – MStar.

Being selected to become a global partner validates Zenterio's strength, its software capabilities, and its partners' trust in its technical capabilities and scaling capacities. 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. These dynamics result in long-term partnerships with strong product commitment to the Zenterio OS – once it's selected and integrated. Partners normally offer Zenterio OS as part of their total offering to pay-TV operators.

The driving forces behind Zenterio's business include the number of installed licenses for the Zenterio OS, integration, consulting, plus maintenance and support – including upgrades and revenue generated from value added services per installed license (ARPU).

Once critical mass is reached in its installed license base, which generates software license and maintenance fees for Zenterio, the company will start reselling a package of attractive services from leading application companies, resulting in recurring monthly income for Zenterio. Zenterio expects to reach a critical mass with its installed license base in 2015; at that point, it will be launching its first package of value added services that will include an advertising solution integrated into pay-TV operators' user interfaces.



Zenterio's market

The global number of pay-TV subscribers is currently over 900 million and is expected to reach 1.1 billion in 2019, according to ABI Research (2014).

The highly fragmented market uses various operating systems. Hundreds of different operating systems flood the TV market – unlike the PC and mobile-device markets that only use a few. Each new service, such as a video streaming service or pop-up advertising, must function with all the hardware (e.g., set-top boxes (STB), TV screens, and tablets), which currently has separate operating systems.

Lack of a single standard inhibits rapid application and product development for the TV market, which hasn't taken off in the same way as the PC and mobile-device markets have. A fragmented software environment has been one of the operators' main challenges in terms of developing and launching new TV services.

For the new TV services and applications market to rapidly develop, there must be a market-wide standardization of operating systems. With Zenterio's OS, TV operators and STB suppliers get a standardized software platform that allows for easier, faster development of interactive TV services and applications, which are compatible with all existing hardware. Industry stakeholders also strive for this situation.

Zenterio's independent OS significantly improves TV operators' opportunities to increase revenue by launching new services for their customers (e.g., video-on-demand and interactive advertising applications) at lower cost and with better time-to-market.

By reducing development and deployment complexity, Zenterio's independent solution enables operators to offer their customers much richer TV experiences in which TVs, tablets, smartphones, and other devices are integrated. This capability offers Zenterio's customers enormous advantages.

Zenterio's solution is well positioned to become a global software standard for interactive-TV service deliveries.

Financial statements

Consolidated statement of profit or loss

Amounts in KSEK	Oct-Dec 2014	Oct-Dec 2013	Jan-Dec 2014	Jan-Dec 2013
Net sales	30,115	11,351	78,047	57,034
Capitalized research & development	11,251	8,915	34,501	29,687
Other operating income	1,382	163	2,265	1,222
Total revenue	**42,748**	**20,429**	**114,813**	**87,942**
Cost of good sold	-1,461	-4,810	-15,163	-25,975
Personnel expenses	-34,791	-19,963	-92,470	-67,496
Other external expenses	-23,587	-19,410	-84,282	-54,787
Depreciation, amortisation and impairment of assets	-7,499	-4,642	-22,850	-16,017
Other operating expenses	-876	-256	-2,036	-2,089
Total expenses	**-68,213**	**-49,081**	**-216,802**	**-166,364**
Operating profit (loss)	**-25,465**	**-28,652**	**-101,989**	**-78,422**
Finance income	644	320	409	138
Finance costs	-973	-76	-4,011	-12,363
Net finance income (costs)	**-329**	**243**	**-3,602**	**-12,225**
Profit (loss) before tax	-25,795	-28,409	-105,591	-90,648
Income tax expense	119	0	150	0
Profit (loss) for the period	**-25,675**	**-28,409**	**-105,442**	**-90,648**
Earnings per share, basic and diluted	**Neg.**	**Neg.**	**Neg.**	**Neg.**

Profit (loss) is attributable entirely to owners of the parent company.

Consolidated statement of comprehensive income

Amounts in KSEK	Oct-Dec 2014	Oct-Dec 2013	Jan-Dec 2014	Jan-Dec 2013
Profit (loss) for the year	-25,675	-28,409	-105,442	-90,648
Other Comprehensive Income:				
Items that may be reclassified subsequently to profit or loss				
Foreign currency translation differences	0	0	-27	11
Other Comprehensive Income for the period	**0**	**0**	**-27**	**11**
Total Comprehensive Income for the period	**-25,675**	-28,409	**-105,469**	**-90,637**

Total Comprehensive Income (loss) is attributable entirely to owners of the parent company.

Consolidated statement of financial position

Amounts in KSEK	Note	31 Dec 2014	31 Dec 2013	1 Jan 2013
				Note 3
ASSETS				
Non-current assets				
Intangible assets				
Goodwill	2	71,077	15,952	15,952
Capitalised development costs		76,165	60,788	46,833
Other intangible assets	2	22,325	0	0
Total intangible assets		**169,567**	**76,739**	**62,785**
Tangible assets				
Property, plant and equipment		3,382	880	933
Total tangible assets		**3,382**	**880**	**933**
Financial assets				
Other non-current receivables		760	560	9
Total financial assets		760	560	9
Total non-current assets		**173,710**	**78,179**	**63,726**
Current assets				
Inventory, etc.				
Raw materials and consumables used		0	0	2
Advance payments to suppliers		28	0	7,717
Total Inventory		**28**	**0**	**7,719**
Current receivables				
Trade receivables		36,660	10,398	11,704
Current tax assets		2,360	881	640
Other receivables		4,220	2,131	1,425
Prepaid expenses and accrued income		6,880	5,895	4,281
Total current receivables		**50,121**	**19,305**	**18,050**
Cash and cash equivalents		**47,041**	**1,814**	**3,810**
Total current assets		**97,191**	**21,119**	**29,578**
TOTAL ASSETS		**270,900**	**99,298**	**93,305**

Consolidated statement of financial position, cont.

Amounts in KSEK	Note	31 Dec 2014	31 Dec 2013	1 Jan 2013
				Note 3
EQUITY				
Equity				
Share capital		1,678	1,226	1,058
Other capital contributions		561,879	299,636	227,326
Reserves		133	160	150
Retained earnings (loss)		-359,770	-254,328	-163,681
Total equity		**203,920**	**46,694**	**64,852**
LIABILITIES				
Non-current liabilities				
Liabilities to credit institutions		5,921	168	289
Deferred tax liabilities		6,304	0	0
Total non-current liabilities		**12,224**	**168**	**289**
Current liabilities				
Liabilities to credit institutions		6,300	58	10,079
Trade payables		15,121	6,616	7,278
Derivative instruments		0	12,889	0
Current tax liabilities		10	150	744
Other liabilities		8,089	20,906	1,936
Accrued expenses and prepaid income		25,236	11,818	8,126
Total current liabilities		**54,756**	**52,436**	**28,163**
TOTAL EQUITY AND LIABILITIES		**270,900**	**99,298**	**93,305**
Pledged assets		**28,900**	**7,000**	**22,400**
Contingent liabilities		**24,069**	**9,003**	**3,895**

Consolidated statements of changes in equity

Amounts in KSEK	Note	Share capital	Other capital contributions	Reserves	Retained earnings (loss)	Total Equity
Balance at 1 January 2013		**1,058**	**227,326**	**150**	**-163,681**	**64,852**
Impact of change in accounting policy upon transition to IFRS	3	0	0	0	0	0
Restated balance at 1 January 2013		**1,058**	**227,326**	**150**	**-163,681**	**64,852**
Profit (loss) for the year		0	0	0	-90,648	-90,648
Other Comprehensive Income for the year		0	0	11	0	11
Total Comprehensive Income		**1,058**	**227,326**	**160**	**-254,328**	**-25,785**
Payments of issued shares		168	71,774	0	0	71,942
Warrants		0	536	0	0	536
Total transactions with owners, recognised directly in equity		**168**	**72,310**	**0**	**0**	**72,478**
Balance at 31 December 2013		**1,226**	**299,636**	**160**	**-254,328**	**46,694**
Balance at 1 January 2014		1,226	299,636	160	-254,328	46,694
Profit (loss) for the year		0	0	0	-105,442	-105,442
Other Comprehensive Income for the year		0	0	-27	0	-27
Total Comprehensive Income		**1,226**	**299,636**	**133**	**-359,770**	**-58,775**
Payments of issued shares		355	195,048	0	0	195,403
Warrants		0	828	0	0	828
Issue of ordinary shares related to business combination		96	66,367	0	0	66,464
Total transactions with owners, recognised directly in equity		**452**	**262,244**	**0**	**0**	**262,695**
Balance at 31 December 2014		**1,678**	**561,879**	**133**	**-359,770**	**203,920**

Consolidated statements of cash flows

Amounts in KSEK	Note	Oct-Dec 2014	Oct-Dec 2013	Jan-Dec 2014	Jan-Dec 2013
Cash flows from operating activities					
Operating profit (loss)		-25,465	-28,652	-101,989	-78,422
Adjustments for items not affecting cash flow		7,897	4,642	23,248	16,017
Interest received		867	693	409	138
Interest paid		-965	-296	-4,224	-1,141
Income tax paid		-9	625	-9	-241
Exchange losses		-92	0	-92	0
Other non-affecting cash flow items		-897	221	-891	221
Cash flows from operating activities before changes in working capital		**-18,664**	**-22,767**	**-83,548**	**-63,429**
Change in working capital		**-7,089**	**-5,344**	**-8,733**	**9,240**
Net cash from (used in) operating activities		**-25,753**	**-28,111**	**-92,280**	**-54,189**
Cash flows from investing activities					
Acquisition of subsidiary, net of cash acquired		-13,301	0	-12,824	0
Acquisition of tangible assets		-1,820	-189	-2,572	-238
Acquisition of intangible assets		-11,251	-8,915	-34,501	-29,687
Sale of inventories		93	0	93	0
Acquisition of financial assets		0	0	-37	0
Deposits provided		0	-551	0	-551
Net cash from (used in) investment activities		**-26,279**	**-9,655**	**-49,841**	**-30,475**
Cash flows from financing activities					
Change in credit facility		3 406	6	3,400	0
Proceeds from issue of convertible notes		0	20,000	0	20,000
Proceeds from issue of share capital		60,000	-6,635	175,000	72,479
Borrowings		0	0	26,466	0
Repayment of borrowings		-837	-39	-17,518	-9,810
Net cash from (used in) financing activities		**62,569**	**13,332**	**187,348**	**82,668**
Decrease/increase in cash and cash equivalents		**10,537**	**-24,434**	**45,227**	**-1,996**
Cash and cash equivalents at 1 January		36,504	26,248	1,814	3,810
Translation differences in cash and cash equivalents		0	0	0	0
Cash and cash equivalents at 31 December		**47,041**	**1,814**	**47,041**	**1,814**

Parent company income statement

Amounts in KSEK	Note	Oct-Dec 2014	Oct-Dec 2013	Jan-Dec 2014	Jan-Dec 2013
Net sales		21,134	11,097	68,010	56,267
Capitalized research & development		11,143	8,915	34,330	29,687
Other operating revenue		1,494	100	2,750	1,218
Total revenue		**33,771**	**20,113**	**105,089**	**87,171**
Cost of goods sold		-1,195	-4,625	-14,898	-25,812
Personnel expenses		-23,932	-19,404	-76,598	-65,352
Other external expenses		-29,808	-22,654	-91,342	-58,006
Depreciation, amortisation and impairments of assets		-6,796	-4,622	-21,911	-15,945
Other operating expenses		-592	-250	-1,667	-1,273
Total expenses		**-62,323**	**-51,555**	**-206,415**	**-166,387**
Operating profit/loss		**-28,552**	**-31,442**	**-101,326**	**-79,216**
Profit (loss) from investments in subsidiaries		-195	0	-195	0
Interest income and similar income items		76	137	76	136
Interest expenses and similar loss items		-1,048	227	-4,687	-1,021
Net finance income (costs)		**-1,167**	**364**	**-4,805**	**-884**
Profit (loss) after net finance income (costs)		**-29,718**	**-31,078**	**-106,131**	**-80,100**
Tax on profit (loss) for the period		0	0	0	0
Profit (loss) for the period		**-29,718**	**-31,078**	**-106,131**	**-80,100**

There are no items for the parent company recognised in Other Comprehensive Income; Total Comprehensive Income therefore corresponds to profit (loss) for the period.

Parent company balance sheet

Amounts in KSEK	Note	31 Dec 2014	31 Dec 2013
ASSETS			
Non-current assets			
Intangible assets			
Capitalised development costs		73,589	60,788
Total intangible assets		**73,589**	**60,788**
Tangible assets			
Property, plant and equipment		2,701	673
Total tangible assets		**2,701**	**673**
Financial assets			
Investments in group companies	2	88,254	1,180
Other non-current receivables		597	560
Total financial assets		**88,851**	**1,740**
Total non-current assets		**165,141**	**63,200**
Current assets			
Advance payments to suppliers		28	0
Total Inventory		**28**	**0**
Current receivables			
Trade receivables		24,913	10,336
Tax assets		1,612	844
Other receivables		2,903	2,113
Receivables due from group companies		13,009	9,032
Prepaid expenses and accrued income		6,509	5,628
Total current liabilities		**48,946**	**27,953**
Cash and bank balances		**34,726**	**1,524**
Total current assets		**83,700**	**29,477**
TOTAL ASSETS		**248,841**	**92,678**

Parent company balance sheet, cont.

Amounts in KSEK	Note	31 Dec 2014	31 Dec 2013
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital		1,678	1,226
Non-restricted equity		5,040	5,040
Total restricted equity		**6,718**	**6,266**
Non-restricted equity			
Share premium reserve		544,899	294,699
Retained earnings		-258,999	-178,899
Profit (loss) for the year		-106,131	-80,100
Total non-restricted equity		**179,768**	**35,699**
Total equity		**186,486**	**41,966**
Non-current liabilities			
Liabilities to credit institutions		7,054	0
Total non-current liabilities		**7,054**	**0**
Current liabilities			
Liabilities to credit institutions		6,300	58
Trade payables		12,084	6,580
Liabilities to group companies		18,077	9,704
Tax liabilities		0	156
Other liabilities		2,635	22,521
Prepaid expenses and deferred income		16,204	11,694
Total current liabilities		**55,302**	**50,712**
TOTAL EQUITY AND LIABILITIES		**248,841**	**92,678**
Pledged assets		**22,400**	**7,000**
Contingent liabilities		**24,069**	**9,003**

Note 1 Summary of key accounting policies

1.1 Basis of preparation of the financial statements

This is the first financial report prepared by Zenterio AB in compliance with IFRSs (International Financial Reporting Standards). The consolidated financial statements for the Zenterio AB group have been prepared in compliance with IFRSs, IFRIC Interpretations as adopted by the EU, the Swedish Financial Reporting Board's Recommendation RFR 1 Supplementary Accounting Rules for Groups and the Swedish Annual Accounts Act. Historic financial information has been restated as of 1 January 2013, which is the date of transition to IFRS reporting. Explanations related to the transition from previously applied accounting policies (previous GAAP) to IFRS and the effects that restatements have had on profit or loss and equity are provided in Note 3.

These accounting policies differ from those applied in previously published annual reports and the forthcoming annual report will be prepared in compliance with IFRSs. Descriptions of key accounting policies are therefore provided below.

This is the first interim report for the group prepared in compliance with IFRSs, covering the fourth quarter of 2014. The interim report was prepared in compliance with IAS 34, Interim Financial Reporting. The interim report for the parent company was prepared in compliance with Ch 9 of the Annual Accounts Act and the Swedish Financial Reporting Board's Recommendation RFR 2 Accounting for Legal Entities.

The interim report was prepared using the historical cost method, other than with regard to financial assets/liabilities measured at fair value through profit or loss. The most important accounting policies applied when this interim report was prepared are presented below. Unless otherwise stated, these policies have been applied consistently to all presented years.

The parent company's financial statements are prepared in compliance with RFR 2 and the Annual Accounts Act. When the parent company applies accounting policies that differ from those applied by the group, this is specified separately at the end of this note. The transition to RFR 2 has had no effect on the parent company.

Unless otherwise noted, amounts are stated in SEK and amounts in brackets refer to the corresponding values in the preceding year.

1.1.1 Changes in accounting policies and disclosures

A number of new standards and interpretations that will become mandatorily effective for annual periods beginning after 1 January 2014 have not been applied in the preparation of this financial report:
IFRS 9 Financial Instruments covers the classification, measurement and reporting of financial assets and liabilities. It replaces those parts of IAS 39 that cover classification and measurement of financial instruments. IFRS 9 retains a mix of measurement approaches, but simplifies the approaches in certain respects. IFRS 9 provides for three measurement categories for financial assets: amortised cost, fair value through Other Comprehensive Income and fair value through profit or loss. How an instrument should be classified depends upon the entity's business model and the characteristics of the instrument. Investments in equity instruments should be recognised at fair value through profit or loss but there is an option, in connection with initial recognition, to recognise financial instruments at fair value through Other Comprehensive Income (OCI). In this case, there will be no reclassification to profit or loss when the instrument is disposed of. The classification and measurement of financial liabilities is unchanged except when a liability is reported at fair value through profit or loss based upon the fair value option. The standard is effective for annual periods beginning on or after 1 January 2018 (not yet adopted by the EU). Early application is permitted. The group has not yet assessed the effects of implementation of the standard.
IFRS 15 Revenue from Contracts with Customers regulates how revenues must be recognised. The principles upon which IFRS 15 is based are intended to provide more useful information to users of financial statements about the entity's revenues. Under the expanded disclosure obligation, the entity must provide information about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. Under IFRS 15, revenue must be recognised when control of the good or service sold is transferred to the customer and the customer obtains the benefits arising from the good or service. IFRS 15 replaces IAS 18 Revenue and IAS 11 Joint Arrangements and the related SICs and IFRICs. IFRS 15 is effective for annual periods beginning on or after 1 January 2017 (not yet adopted by the EU). Early application is permitted. The group has not yet assessed the effects of implementation of the standard.

1.2 Consolidated financial statements

Subsidiaries
Subsidiaries are all companies over which the group has controlling influence. The group controls an entity when it is exposed to or has the right to variable returns from its stake in the company and has the opportunity to affect returns through its control over the entity. Subsidiaries are included in the consolidated financial statements as of the date controlling influence is transferred to the group. They are excluded from the consolidated financial statements as of the date controlling influence no longer exists.

Acquisition accounting is used to report the group's business combinations. The consideration for the acquisition of a subsidiary consists of the fair value of transferred assets, liabilities that the group incurs to the previous owners of the acquiree and the shares issued by the group. The consideration also includes the fair value of all assets or liabilities arising from an agreement on conditional consideration. Identifiable acquired assets and assumed liabilities in a business combination are initially measured at fair value on the acquisition date.

Acquisition costs are expensed as they arise.

Goodwill is initially measured at the amount by which the total consideration transferred exceeds the fair value of identifiable acquired assets and assumed liabilities.

Internal group transactions, balance sheet items, revenue and transaction costs between group companies are eliminated. Profit or loss arising from internal group transactions and not recognised in assets is also eliminated. Where applicable, the accounting policies of subsidiaries have been revised to ensure consistent application of consolidated accounting policies.

1.3 Translation of foreign currency

Functional currency and presentation currency
Items included in the financial statements of the various entities in the group are measured in the currency used in the primary economic environment in which the respective entity operatcy.

Transactions and balance sheet items
Transactions denominated in foreign currency are translated using the spot conversion rate to the functional currency on the date of the transaction, or on the date balance sheet items are remeasured. Exchange differences (gains or losses) arising upon settlement of such transactions and in connection with translation of monetary assets and liabilities at the closing rate are recognised in profit or loss.

Exchange differences arising from loans and cash and cash equivalents are recognised in profit or loss as finance income or finance costs. All other exchange differences are recognised in profit or loss under either 'Other operating income' or 'Other operating expense'.

Group companies
The results and financial position of all group companies whose functional currency is other than the presentation currency are translated to the group's presentation currency as follows:

(A) Assets and liabilities for all statements of financial position/balance sheets presented are translated at the closing rate on the respective reporting date;
(B) Income and expenses for each income statement are translated at the average rate (provided that this average rate constitutes a reasonable approximation of the cumulative effect of the exchange rates in effect on the date of the transaction; otherwise, income and expenses are translated at the exchange rate in effect on the date of the transaction), and
(C) All exchange differences are recognised in OCI.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as part of the assets and liabilities of the foreign operation and are translated at the closing rate. Exchange differences are recognised in OCI.

1.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reports submitted to the chief operating decision maker. The chief operating decision maker is the function responsible for allocating resources to and assessing the performance of the operating segments. Within the group, this function has been identified as the Executive Management team that makes strategic decisions. Zenterio has only one operating segment that consists of development, sales and support of Zenterio OS.

1.5 Intangible assets

Goodwill
Goodwill arises upon acquisition of a subsidiary and refers to the amount by which the consideration transferred exceeds Zenterio's share of the fair value of identifiable assets, liabilities and contingent liabilities in the acquiree.

To test for impairment, goodwill acquired in a business combination is allocated to each of the acquirer's cash-generating units (CGU), or groups of CGU, that are expected to benefit from the synergies of the combination Each CGU or group of CGU to which goodwill is so allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill is tested for impairment annually or more often if events or changes in circumstances indicate a possible decline in value. The carrying amount of goodwill is compared with the recoverable amount, which is the higher of its value in use and its fair value less costs of disposal. Any impairment is immediately recognised as an expense and is not reversed.

Capitalised development costs
Capitalised development costs are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the asset so that it will be available for use.
- The entity intends to complete the asset and use it or sell it.
- The entity is able to use or sell the asset.
- The entity is able to demonstrate how the asset will generate future economic benefits.
- Adequate technical, financial and other resources to complete the development and to use or sell the asset are available.
- The expenditures attributable to the asset during its development can be measured reliably.

Directly attributable expense capitalised as a part of the asset includes employee benefits expenses and a reasonable portion of indirect expenses.

Other development costs that do not meet these criteria are expensed as they are incurred. Development costs that have been previously expensed are not recognised as an asset in subsequent periods.

Assets are amortised on a straight-line basis over the estimated useful life of the asset taking its residual value into account. The amortisation period for capitalised development costs is five years.

Trademarks/brands and customer relationships
Trademarks/brands and customer relationships acquired through a business combination are recognised at fair value on the date of acquisition. Trademarks/brands and customer relationships have a determinable useful life and are carried at cost less accumulated amortisation. Amortisation is taken on a straight-line basis to allocate the costs of trademarks/brands and customer relationships over their estimated useful life of five years.

1.6 Non-current assets - tangible

Property, plant and equipment are carried at cost less depreciation. Cost includes expenses that can be directly attributed to the acquisition of the asset.

Subsequently incurred costs are added to the carrying amount of the asset or carried as a separate asset, depending upon which is appropriate, and then only when it is probable that the future economic benefits associated with the asset will flow to the group and the cost of the asset can be measured reliably. The carrying amount for a replaced part is derecognised. All other forms of repairs and maintenance are recognised as costs in profit or loss during the period in which they are incurred. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the asset is depreciated separately. In order to systematically allocate the cost of the asset down to the estimated residual value over the estimated useful life of the asset, assets are depreciated on a straight-line basis at the following rate:

- Property, plant and equipment
  5 years

The residual value and the useful life of assets are reviewed at the end of each reporting period and adjusted as needed. The carrying amount of an asset is immediately impaired to its recoverable amount if the carrying amount of the asset exceeds its estimated recoverable amount.

Gains and losses on disposal of non-current tangible assets are determined through comparison of the proceeds and the carrying amount and are recognised in profit or loss under other operating income or other operating expense.

1.7 Impairment of non-financial assets

Intangible assets with an indefinite useful life (goodwill) are not written down, but are instead tested annually to assess whether there is any indication that the asset may be impaired. Assets that are impaired are assessed with respect to decline in value whenever events or changes in circumstances indicate that the carrying amount might not be recoverable. An impairment loss is then recognised on the asset in the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of the fair value of the asset less costs of disposal and value in use. Assets assessed for indication of impairment are grouped according to the CGU, which is the smallest identifiable group of assets that generate cash inflows that are largely independent from the cash inflows from other assets or groups of assets. Assets (other than goodwill) for which a previous impairment loss has been recognised are assessed at each reporting date to determine whether a reversal of the impairment loss should be made.

1.8 Financial instruments

1.8.1 Classification

The group classifies its financial instruments in the following categories: financial assets/liabilities at fair value through profit or loss; loans and receivables; and other financial liabilities (see Trade payables, Note 1.13 and Borrowings, Note 1.14). The classification depends upon the purpose for which the financial instrument was acquired. Executive management designates the classification of financial instruments upon initial recognition.

(a) Financial assets/liabilities at fair value through profit or loss

Financial assets/liabilities measured at fair value through profit or loss are financial assets/liabilities held for trading. A financial asset/liability is classified in this category if acquired primarily for the purpose of selling in the short term. Derivatives are classified as held for trading in this category. Instruments in this category are classified as current assets if they are expected to be settled within twelve months; otherwise, they are classified as non-current assets or non-current liabilities.

(B) Loans and receivables

Loans and 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 items whose maturity date is later than twelve months after the end of the reporting period, which are classified as non-current assets. The group's loans and receivables comprise Trade receivables (see 1.10), other receivables and cash and cash equivalents in the statement of financial position.

1.8.2 Recognition and measurement

Purchases and sales of financial instruments are recognised on the trade date – the date the group commits to buying or selling the instrument. Financial instruments are initially recognised at fair value through profit or loss plus transaction costs, which applies to all financial instruments that are not recognised at fair value through profit and loss. Financial assets/liabilities measured at fair value through profit or loss are initially recognised at fair value, while directly attributable transaction costs are recognised in profit or loss.

Financial instruments are derecognised when the contractual rights to receive the cash flows from the instrument have expired or been transferred and the group has transferred substantially all the risks and rewards of ownership of the asset. Subsequent to the acquisition date, financial assets/liabilities at fair value through profit or loss are measured at fair value. Subsequent to the date of acquisition, loans and receivables are measured at amortised cost using the effective interest method.

Gains and losses consequent upon changes in fair value in the category of financial assets/liabilities at fair value through profit or loss are recognised as profit or loss in the period in which they arise and are included in the statement of comprehensive income under 'Other operating income' or 'Other operating expenses' for currency-related derivatives or 'Finance income' or 'Finance costs' for interest-related derivatives, depending upon the nature of the financial instrument.

1.8.3 Embedded derivatives

An embedded derivative is a component of a hybrid contract that also includes a non-derivative host contract, with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. An embedded derivative must be separated from the host contract and accounted for as a derivative in the statement of financial position when the financial characteristics of the embedded derivative are not closely related to those of the host contract.

1.9 Impairment of financial assets

At the end of each reporting period, the group assesses whether there is objective evidence of impairment of a financial asset. A financial asset is impaired, and impairment losses are recognised, only if there is objective evidence as a result of one or more events (an 'impairment event') that occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset, which can be reliably estimated. Objective evidence of impairment includes indications that a debtor is experiencing serious financial difficulty; default or delay in payments of interest or principal; probability that the debtor will enter into bankruptcy or other financial reconstruction.

For the loans and receivables category, the impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is impaired and the impairment loss is recognised in the consolidated statement of profit or loss. If the impairment declines in a subsequent period and the decline may be objectively attributed to an event that occurred after the impairment loss was recognised (such as, for example, an improvement in the debtor's credit rating), a reversal of the previously recognised impairment loss is recognised in the consolidated statement of profit or loss.

1.10 Trade receivables

Trade receivables are financial instruments comprising amounts that are to be paid by customers for services sold in the course of ongoing operations. If payment is expected within one year or less, they are classified as current assets. If not, they are carried as non-current assets. Trade receivables are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method, less any reserves for decline in value.

1.11 Cash and cash equivalents

In both the statement of financial position and the statement of cash flows, cash and cash equivalents include cash and bank balances.

1.12 Share capital

Ordinary shares are classified as equity. Transaction costs that are directly attributable to the issue of new ordinary shares are recognised, net after tax, in equity as a deduction from the issue proceeds.

The company has issued preference shares; whether or not distributions will be made is entirely under the company's control and these shares are accordingly recognised in equity.

In connection with the issue of the line of credit, the lender has also been allotted warrants. These warrants give the holder the right to obtain a predetermined number of the company's shares in exchange for predetermined cash consideration. These warrants are accordingly recognised in equity.

Warrants have also been allotted to employees and directors. Paid-in premiums for these warrants are recognised in equity.

The company has allotted warrants to the seller in conjunction with a business combination. These warrants give the seller the right to obtain a predetermined number of the company's shares in exchange for predetermined cash consideration. These warrants are accordingly recognised in equity.

1.13 Trade payables

Trade payables are financial instruments and refer to obligations to pay for goods and services acquired from suppliers in the course of ongoing operations. Trade payables are classified as current liabilities if they are due and payable within one year. If not, they are carried as non-current liabilities. Trade payables are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

1.14 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs. Borrowings are subsequently carried at amortised cost and any differences between the amount received (net of transaction costs) and the repayment amount are recognised in profit or loss allocated across the term of the loan using the effective interest method.

Fees paid for loan commitments are recognised as transaction costs for the loan to the extent it is probable that all or part of a line of credit will be utilised. In such case, the fees are recognised when the line of credit is utilised. When there is no evidence that it is probable that all or part of the line of credit will be utilised, the fee is recognised as a pre¬payment for financial services and is allocated over the term of the loan commitment in question.

Bank overdraft facilities are recognised as borrowings under 'Current liabilities' in the statement of financial position.

1.15 Combined financial instruments

The combined financial instruments that the group has issued comprise convertible notes where the holders have the right to call for conversion of the instrument to shares. The obligation to pay principal and interest is classified as a financial liability (the debt portion). The conversion right means that the instrument may be settled against a number of shares that may vary because the number of shares is dependent upon the conversion price. A commitment to pay a variable number of the company's equity instruments is classified as a financial liability (embedded derivative).

The total liability is initially recognised at fair value. The components are subsequently split up, wherein the embedded derivative is measured first and the residual value constitutes the component for the debt portion.

Subsequent to acquisition, the debt portion is measured at amortised cost using the effective interest method. The embedded derivative is carried at fair value with value changes recognised through profit or loss.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period.

1.16 Current and deferred tax

Tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except when the tax refers to items recognised in OCI or directly in equity. In such cases, the tax is also recognised in OCI or equity.

Current tax expense is measured based on the tax rules that have been enacted or substantively enacted by the reporting date in the countries where the parent company and its subsidiaries operate and generate taxable income.

Deferred tax is recognised for all temporary differences that arise between the tax bases of assets or liabilities and their carrying amounts in the consolidated financial statements. Deferred tax liabilities are not recognised, however, if they arise as a consequence of initial recognition of goodwill.

Deferred income tax is calculated using the tax rates (and laws) that have been enacted or announced as of the reporting date and which are expected to apply when the deferred tax asset concerned is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised.

Deferred tax liability is calculated based on taxable temporary differences that arise on investments in subsidiaries, other than deferred tax liabilities for which the group is able to control the timing of the reversal of the temporary difference and it is probable that reversal will not occur in the foreseeable future. Deferred tax assets attributable to deductible temporary differences arising from investments in subsidiaries are only recognised to the extent that it is probable that the temporary difference will be reversed in the foreseeable future and taxable profit will be available against which the temporary difference will be utilised.

Deferred tax assets and liabilities are offset when there is a legal right to settle current tax assets and liabilities on a net basis and when the deferred tax assets and tax liabilities are attributable to taxes levied by the same taxing authority on the same entity or different entities that intend to realise the asset and settle the liability at the same time.

1.17 Employee benefits

Pension commitments

Group companies have only defined contribution pension plans. A defined contribution plan is a pension plan according to which the group pays fixed contributions to a separate legal entity. The group has no legal or constructive obligation to make further payments if this legal entity does not have sufficient assets to pay all of the employees' entitlements to post-employment benefits related to the employees' service during current or past periods.

For defined contribution plans, the group pays contributions to publicly or privately administered pension insurance plans on an obligatory, contractual or voluntary basis. After the contributions have been paid, the group has no further payment obligations. The contributions are recognised as employee benefits expenses when they become due and payable. Prepaid contributions are recognised as an asset to the extent that cash refunds or a reduction of future payments may flow to the group.

Profit sharing and bonus plans

The group recognises a liability and an expense for bonuses and profit sharing based on a formula that takes into account the profit that can be attributed to the owners of the company after certain adjustments. The group recognises a provision when a legal or constructive obligation exists based on past practice.

1.18 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and corresponds to the amounts received for goods sold less discounts and VAT.

The group recognises revenue when the amount of revenue can be measured reliably, it is probable that any future economic benefit associated with the item of revenue will flow to the company and special criteria have been met for each of the group's operations as described below.

Licence revenue for the company's software is recognised when delivery to the customer has occurred. Revenue from sales of set-top boxes is recognised upon delivery to the customer.

Revenue from sales of integration services is recognised in the period the services are rendered. Support services are recognised on a straight-line basis over the duration of the contract. Consultant services are rendered mainly on running account, whereupon revenues are recognised at the rate work is performed. Work performed under a fixed price contract is also recognised at the rate work is performed. Revenues are calculated by determining the stage of completion of the specific transaction based on the percentage of completion of the total services to be rendered.

Interest income

Interest income is recognised using the effective interest method.

1.19 Leasing

Leases where a substantial portion of the risks and rewards of ownership is retained by the lessor are classified as operating leases. Charges paid during the term of the lease (less any incentives from the lessor) are expensed in profit or loss on a straight-line basis over the term of the lease.

1.20 Parent company accounting policies

In conjunction with the transition to IFRS reporting in the consolidated financial statements, the parent company has commenced application of the Swedish Financial Reporting Board's Recommendation RFR 2 Accounting for Legal Entities.

The transition from previous GAAP to RFR 2 has had no effect on the parent company's profit and loss or equity.

The parent company applies accounting policies that differ from the consolidated accounting policies as specified below.

Presentation

The income statement and balance sheet conform to the presentation required under the Swedish Annual Accounts Act. The statement of changes in equity also conforms to the consolidated presentation, but must contain the components specified in the Annual Accounts Act. This also entails differences in headings compared with the consolidated financial statements, primarily with regard to finance income, finance costs and equity.

Investments in subsidiaries

Investments in subsidiaries are carried at cost less deductions for any impairment losses. Cost includes acquisition-related costs. When there is an indication that investments in subsidiaries have declined in value, the recoverable amount is calculated. If the recoverable amount is lower than the carrying amount, an impairment loss is recognised. Impairment losses are recognised under 'Profit or loss from investments in group companies'.

Financial instruments

The parent company does not apply IAS 39 and financial instruments are measured at cost. In subsequent periods, financial assets acquired for the purpose of selling in the short term will be carried at the lower of cost and fair value, in accordance with the lowest value principle.

At each reporting date, Zenterio assesses whether there is any indication of a need for impairment in any non-current financial assets. An impairment loss is recognised if the decline in value is assessed as permanent. The impairment loss for interest-bearing financial assets carried at amortised cost is measured as the difference between the asset's carrying amount and the present value of estimated cash flows discounted at the financial asset's original effective interest rate. The impairment loss for other financial assets is determined as the difference between the carrying amount and the higher of fair value less costs of disposal and the present value of future cash flows (based on management's best estimate).

Note 2 Acquisitions

On September 1, 2014, Zenterio acquired 100% of the shares in 27M Technologies AB and in Labatus AB (together the 27M Group) for a combined purchase price of SEK 37 million. 27M, based in Linköping, is a well-established company within the digital TV industry, specializing in software development, testing and implementation for pay TV operators and have delivered solutions for companies like Boxer, TiVo and Com Hem. Through this acquisition Zenterio strengthens its software development capacity with an additional 40 software engineers and thereby further reduce time to market for their customers. The goodwill of SEK 27.5 million is generated by the acquired customer relationships (deemed inseparable) and synergies that are expected to arise through the merging of Zenterio's and 27M's operations. No part of the goodwill is expected to be tax deductible.

On December 18, 2014, Zenterio acquired 100% of the shares in Systemagic AB at the price of SEK 49.5 million. Systemagic, with offices in Linköping and Stockholm, has since 2002 developed IPTV platforms, interactive IPTV services and user interfaces in collaboration with Ericsson, Motorola / Arris, Spotify, Samsung, Altibox, Comhem and others. The acquisition strengthens Zenterios' software development capacity with about 30 software engineers. Through Systemagic and the competences gained, Zenterio will both strengthen and broaden its offering to pay TV operators and be able to meet the increase in demand for their services. The goodwill of SEK 27.6 million that is generated by the acquired customer relationships (deemed inseparable) and synergies that are expected to arise through the merging of Zenterio's and Systemagic AB's operations. No part of the goodwill is expected to be tax deductible.

The table below summarizes the total acquisition price for each of the three acquired companies, as well as the value of acquired assets and liabilities as reported on the day of the acquisition.

Amounts in KSEK	27M Technologies AB	Labatus AB	Systemagic AB
Purchase price as of	**1 September 2014**	**1 September 2014**	**18 December 2014**
Cash paid	0	0	20,000
Zenterio shares and options	18,500	18,500	29,464
Total purchase price	**18,500**	**18,500**	**49,464**
Amounts from financial accounts regarding identified and acquired assets and liabilities			
Cash and cash equivalents	-151	478	4,459
Tangible assets	219	114	238
Trademarks (part of intangible assets)	0	2,962	4,090
Customer relationships (part of intangible assets)	1,383	3,929	10,635
Other intangible assets	1,541	1,006	0
Financial assets	0	0	163
Trade receivables and other receivables	7,331	3,439	11,835
Trade payables and other liabilities	-6,518	-4,317	-5,484
Provisions	-30	0	0
Deferred tax liabilities	-304	-1,558	-4,121
Total identified net assets	**3,470**	**6,052**	**21,816**
Goodwill	**15,030**	**12,448**	**27,647**

Acquisition costs amounting to SEK 0,6 million are included in Other operating expenses in the profit and loss statement for 2014.

Actual value for the 2 000 000 common shares that has been issued as part of the purchase price for 27M Technologies and Labatus AB (SEK 37 million) was based on the share price at the time of the cash issue on June 2014. Actual value for the 888 889 common shares that has been issued as part of the purchase price for Systemagic AB (SEK 20 million) was based on the share price at the time of the cash issue on December 17, 2014. Actual value for the 422 222 options that has been issued as part of the purchase price for Systemagic AB (SEK 9.5 million) was based on the share price at the time of the cash issue on December 17, 2014.

Amounts in KSEK	27M Technologies AB	Labatus AB	Systemagic AB
Income from the acquired company that is part of Zenterio since the acquisition	4,978	3,819	1,338
Result from the acquired company that is part of Zenterio since the acquisition	813	313	30
Given that the acquired company would be consolidated from January 1, 2014, then Zenterio's revenue would have been	133,152	127,416	149,594
Given that the acquired company would be consolidated from January 1, 2014, then Zenterio's result would have been	-103,246	-107,230	-102,951

Note 3 Effects of transition to International Financial Reporting Standards (IFRS)

This is the first financial report for the group prepared in compliance with IFRSs. The accounting policies set out in Note 1 were applied when the consolidated financial statements were prepared as of 31 December 2014 and for the comparative information presented as of 31 December 2013 and in preparation of the opening statement of financial position (balance sheet) at the beginning of the period as of 1 January 2013 (the date of transition to IFRSs for the group).

When the opening statement of financial position was prepared in compliance with IFRSs, amounts were adjusted which were reported in previous annual reports in compliance with the general advice issued by the Swedish Accounting Standards Board. An explanation of how the transition from previous GAAP to IFRSs has affected the group's financial performance, financial position and cash flows is presented in the following tables and associated notes.

Elections made in the transition to IFRS reporting

The transition to IFRSs is reported in compliance with IFRS 1 First-time Adoption of International Financial Reporting Standards. The general principle is that effective IFRS and IAS standards that have been adopted by the EU should be applied retrospectively. IFRS 1 does however contain transitional provisions that give entities some freedom of choice.

The optional exemptions allowed by IFRS 1 from the general principle of full retrospective application of all standards that the group has elected to apply upon transition from previous GAAP to IFRSs are specified below.

Exemption for business combinations

IFRS 1, which governs how a transition to IFRS must proceed, offers the option to apply the principles set forth in IFRS 3 Business Combinations either forward from the date of transition to IFRSs or from a selected date before the date of transition. This provides relief from a full retrospective application that would require restatement of all business combinations that occurred before the date of transition. The group has elected to apply IFRS 3 forwardly to business combinations that occur after the date of transition to IFRSs. Business combinations that occurred before the date of transition have thus not been restated.

Reconciliation between previous GAAP and IFRSs

IFRS 1 requires the group to present a reconciliation of equity and a reconciliation of Total Comprehensive Income (TCI) reported according to previous GAAP for previous periods with corresponding items according to IFRSs. The transition from previous GAAP to IFRSs has had no effect on reporting of cash flows generated by the group. The following tables present the reconciliation between previously applied GAAP and IFRSs for each period for equity and TCI.

Reconciliation of equity

at 1 January 2013 and 31 December 2013

Amounts in KSEK	1 January 2013					31 December 2013			
	Notes	Opening balance (per previous GAAP)	Total effect of transition to IFRSs	Per IFRSs		Notes	Closing balance (per previous GAAP)	Total effect of transition to IFRSs	Per IFRSs
ASSETS									
Non-current assets									
Goodwill		15,952		15,952		A	9,348	6,604	15,952
Capitalised development costs		46,833		46,833			60,788		60,788
Property, plant and equipment		933		933			880		880
Other non-current receivables		9		9			560		560
Current assets									
Raw materials and consumables used		2		2			0		0
Advance payments to suppliers		7,717		7,717			0		0
Trade receivables		11,704		11,704			10,398		10,398
Current tax assets		640		640			881		881
Other receivables		1,425		1,425			2,131		2,131
Prepaid expenses and accrued income		4,281		4,281			5,895		5,895
Cash and cash equivalents		3,810		3,810			1,814		1,814
Total assets		**93,305**		**93,305**			**92,694**	**6,604**	**99,298**
EQUITY AND LIABILITIES									
Equity									
Share capital		1,058		1,058			1,226		1,226
Other capital contributions		227,326		227,326			299,636		299,636
Reserves		150		150		E	150	11	160
Retained earnings (loss)		(163,681)		(163,681)		A, B, C, D	(249,700)	(4,629)	(254,328)
Total equity		**64,852**		**64,852**			**51,312**	**(4,618)**	**46,694**
Non-current liabilities									
Liabilities to credit institutions		289		289			168		168
Current liabilities									
Liabilities to credit institutions	E	7,051	3,028	10,079		E	52	6	58
Bank overdraft facility	E	3,028	-3,028	0		E	6	-6	0
Trade payables		7,278		7,278			6,616		6,616
Derivative instruments		0		0		B	0	12,889	12,889
Current tax liabilities		744		744			150		150
Other liabilities		1,936		1,936		B	22,573	(1,667)	20,906
Accrued expenses and prepaid income		8,126		8,126			11,818		11,818
Total equity and liabilities		**93,305**		**93,305**			**92,694**	**6,604**	**99,298**

Reconciliation of Total Comprehensive Income as of 2013

		2013		
Amounts in KSEK Consolidated statement of profit or loss	**Notes**	**Income statement**	**Total effect of transition to IFRSs**	**Per IFRSs**
Net sales		57,034		57,034
Work performed and capitalised		29,687		29,687
Other operating revenue		1,222		1,222
Total revenue		**87,942**		**87,942**
Raw materials and consumables used		(25,975)		(25,975)
Employee benefits expenses		(67,496)		(67,496)
Other external expenses		(54,787)		(54,787)
Depreciation, amortisation and impairments of assets	A	(22,621)	6,604	(16,017)
Other operating expenses		(2,089)		(2,089)
Operating profit/loss		**(85,026)**	**6,604**	**(78,422)**
Finance income		138		138
Finance costs	B	(1,141)	(11,222)	(12,363)
Net finance income (costs)		(1,003)	(11,222)	(12,225)
Profit (loss) before tax		(86,030)	(4,618)	(90,648)
Income tax	F	0		0
Profit (loss) for the year		**(86,030)**	**(4,618)**	**(90,648)**
Consolidated statements of comprehensive income				
Profit (loss) for the year		**(86,030)**	**(4,618)**	**(90,648)**
Other Comprehensive Income:				
Items that may subsequently be reclassified to profit or loss:				
Exchange rate differences	D	0	11	11
Other Comprehensive Income for the year		**0**	**11**	**11**
Total Comprehensive Income (loss) for the year		**(86,030)**	**(4,607)**	**(90,637)**

The profit (loss) for the year and Total Comprehensive Income (loss) are attributable entirely to owners of the parent company

A) Reversal of amortisation of goodwill

In the financial statements prepared under previous GAAP, goodwill was amortised over the period it was estimated to generate economic flows to the company. Under IFRSs, goodwill is not amortised and is instead subject to annual impairment testing. The annual impairment test performed showed no indication of impairment of goodwill. The amortisation of goodwill reported before the date of transition to IFRS reporting remains because Zenterio has elected to apply the exemption to IFRS 3 and thus not restate previous business combinations. Reversal of amortisation of goodwill is therefore done for the first time for the annual period beginning 1 January 2013. Amortisation for the 2013 reporting period was reversed in the amount of SEK 6,604,099.

B) Derivatives – convertible notes

Zenterio issued a convertible note in 2013 which gave the holder the right to convert the loan principal to shares. According to previous GAAP, this note was reported at amortised cost of SEK 20 million under ‘Other liabilities’. Under IFRS, the obligation to repay the loan is classified as a financial liability (the debt portion). The conversion right means that the instrument may be settled against a number of shares that may vary because the number of shares is dependent upon the conversion price. A commitment to pay a variable number of the company’s equity instruments is classified as a financial liability (embedded derivative).

Under IFRSs, the total liability is initially recognised at fair value of SEK 20 million. The components were thereafter split and the embedded derivative was initially measured at SEK 6.7 million; the residual value of SEK 13.3 million constituted the component for the debt portion. Subsequent to acquisition date, the debt portion has been carried at amortised cost using the effective interest method; consequently, the carrying amount of the convertible note was SEK 18.3 million at 31 December 2013 within ‘Other liabilities’ on the statement of financial position. Subsequent to acquisition date, the embedded derivative was measured at fair value and, after a negative change in value in 2013 of SEK 6.2 million, amounted to SEK 12.9 million at 31 December 2013.

Accrued interest expense arising from the convertible note (SEK 5 million) and the negative change in value of the embedded derivative (SEK 6.2 million) have been recognised in the 2013 statement of profit and loss under ‘Finance costs’.

C) Reclassification within equity

Upon transition to IFRS reporting, equity is no longer split into restricted and non-restricted equity. The ‘Other capital contributions’ item is now reported and covers contributions to the company in the form of new issues. The group has elected not to use the option allowed under IFRS to reset the translation differences arising from restatement of subsidiaries to zero. Consequently, the ‘Reserves’ item amounts to SEK 149,530 as of the transition to IFRS reporting; see note E) below. Retained earnings and profit (loss) for the year are reported on one line according to IFRSs and designated ‘Retained earnings (loss)’.

Amounts in KSEK	Presentation of equity per previous GAAP	Reclassifications	Presentation of equity per IFRSs	Reclassified amounts by equity component before IFRS restatements
Share capital	1,058		Share capital	1,058
Restricted reserves	5,040	222,285	Other capital contributions	227,326
		150	Reserves	150
Share premium reserve	222,388	(222,388)		
Retained earnings (loss)	(87,218)	(46)	Retained earnings (loss)	(163,681)
Profit (loss) for the year	(76,416)			
Total equity at 1 January 2013	**64,852**	**0**		**64,852**

D) Exchange rate differences arising from translation of foreign subsidiaries

Under previous GAAP, exchange differences arising from translation of the financial statements of foreign subsidiaries were recognised directly in equity. Under IFRSs, these exchange differences are recognised in OCI and offset in equity reserves. Zenterio has elected not to apply the exemption allowed in IFRS 1 to reset translation differences to zero upon transition to IFRS reporting. The item therefore amounts to SEK 149,530 at 1 January 2013. Translation differences recognised in OCI amount to SEK 10,651 for 2013 and the closing balance of the restated reserve was SEK 160,181 at 31 December 2013.

E) Reclassifications and redesignations

Statement of financial position
The following items have been reclassified or redesignated in the statement of financial position: 'Cash and bank balances' is now designated 'Cash and cash equivalents' and 'Bank overdraft facility' has been reclassified as 'Liabilities to credit institutions'.

Equity is reported in compliance with the Swedish Financial Accounting Standards Council's statement UFR 8, Accounting for Group Equity. Certain reclassifications have been made within equity; see note D) above.

Statement of profit and loss
The following items have been reclassified or redesignated in the statement of comprehensive income:

'Interest income and similar income items' is designated 'Finance income' and 'Interest expense and similar loss items' is designated 'Finance costs' in compliance with IFRSs. 'Tax on profit for the year' is now designated 'Income tax expense' in compliance with IFRSs. Exchange differences arising from translation of the financial statements of foreign subsidiaries are recognised in OCI. Zenterio has elected to present the group's results in two statements: the consolidated statement of profit or loss followed by the consolidated statement of comprehensive income. Under IFRSs, only transactions with owners are recognised in equity.

F) Deferred tax

Deferred tax is recognised on all IFRS restatements if the restatements result in temporary differences in the statement of financial position. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. Restatements related to the transition to IFRSs have had no effect on deferred tax.

Risk factors

Customer acquisition and order timing

Zenterio experiences an interest in its technology and products. However, investments in new technology are done only cautiously and the selling-in period is long. Acquisition of customers requires significant time and resources, since customers thoroughly evaluate new technologies. The long selling-in processes result in significant uncertainty regarding forecasts. The moving back or forward of orders can have a significant effect on the Company's annual revenue and results. Thus, the Company's revenue and results, as well as forecasts of such results, may vary significantly from quarter to quarter and may deviate from forecasted amounts.

Decreased consumer demand

Since Zenterio's customers and partners sell their products to consumers, and Zenterio's revenues are based directly and indirectly on such sales, demand for Zenterio's products is affected by consumer demand for STBs or products including STBs. Such demand is, among other things, influenced by the general state of the economy, which includes economic conditions in Europe, the United States, Asia and other parts of the world, and also by the global financial markets. Consumption patterns are further affected by a number of factors outside the Company's control, including general business conditions, interest rates, exchange rates, value-added taxes and other taxes, access to credit, the trend in the financial markets, the level of unemployment, changes in GDP and real pay, and also other local economic factors, uncertainty concerning the economic outlook, etc. Continued global financial instability and a negative economic climate, falling GDP and falling private consumption in the Company's markets could have a material adverse effect on the Company's operations, earnings and financial position.

Reliance on partners and customers

Zenterio is a relatively early stage software Company and only limited revenues have been generated to date. The growth of revenues to a point where the Company becomes profitable is dependent upon acceptance by partners, customers and users of the product and in particular, by the willingness of major partners to adopt the Company's technology onto their platforms. Zenterio has a number of partners and customers such as major STB and chipset suppliers, global system integrators and Pay-TV operators in different geographical markets. In some cases the contracts with such partners or customers have short notice periods or can be terminated in case of a change of control over the Company. The loss of a major partner or customer, or the failure of the Company's products to gain widespread acceptance, could have material adverse effect on the Company's operations, earnings and financial position. Further, it cannot be ruled out that current or future customers or partners will not perform in accordance with their contracts, which could have material adverse effect on the Company's operations, earnings and financial position.

Reliance on suppliers and contractors

Zenterio is reliant on its suppliers to provide products and services to the Company. In the event that one or more of these suppliers ceased to provide products or services to the Company it cannot be ruled out that replacement products or services could only be procured with a significant delay, at great cost or not at all. Furthermore, since Zenterio anticipates an increase in the future demand for its products future, it may become necessary to engage developers as contractors. Although the Company designs their code, processes and systems to take such possible future use of contractors into account it cannot be ruled out, in particular if the Zenterio experiences a significant increase in demand, that the usage of contractors will impact the quality, security or developing speed of the Company's products which could lead to dissatisfaction among current or future customers. The occurrence of any of the above factors could have a material adverse effect on the Company's operations, earnings and financial position.

Technological change

The telecommunications, media, cable and television businesses are significantly affected by rapid technological change, and Zenterio may not be able to effectively anticipate or react to these changes. Such changes include an increasing pace of change in existing television and STB systems, industry standards and on-going improvements in the capacity and quality of these and related technologies as well as the unquantifiable possibility of revolutionary or disruptive technologies. The Company's commercial success depends on providing high quality products. If the Company is unable to anticipate customer preferences or industry changes, or if it is unable to modify its products and services on a timely basis, it may lose customers. Continuing technological advances and on-going improvements in the capacity and quality of digital technology also contributes to the need for continual upgrading and development of its equipment, technology and operations. As a result, it cannot be ruled out that existing, proposed or as yet undeveloped technologies will become dominant in the future and render the solutions it uses less profitable or that it will be successful in responding in a timely and cost-effective way to keep up with new developments. To respond successfully to technology advances, the Company may require substantial capital expenditures and access to related or enabling technologies in order to integrate the new technology with its existing technology. If the Company is not successful in anticipating and responding to technological change and resulting consumer preferences in a timely and cost-effective manner this could have material adverse effect on the Company's operations, earnings and financial position.

Business continuity and incident management

The Company's businesses are at risk from disruption of key systems and assets on which they depend. The functioning of the IT systems within the Company's businesses, or that of supplier, contractors or partners, could be disrupted for reasons either within or beyond its control, including but not limited to: accidental damage; disruption to the supply of utilities or services; extreme weather events; safety issues; systems failure; workforce actions; or environmental contamination. Further, as with every technology company, there may be challenges in rolling out new products. There is a risk that any such disruption may materially and adversely affect the Company's ability to sell products to customers and therefore have material adverse effect on the Company's operations, earnings and financial position.

Third party intellectual property rights

Although Zenterio believes that the Company's intellectual property rights do not infringe the intellectual property rights of others, third parties may assert claims that the Company, or the Company's customers or partners, has violated a patent or infringed a particular copyright, trade mark or other proprietary right or confidential information belonging to them. Any such intellectual property claims, with or without merit, could be time consuming, expensive to litigate or settle and it cannot be ruled out that the costs for such claims could exceed the Company's insurance coverage. Furthermore, such claims or litigation could divert management resources or require disclosure of confidential information, all of which could have a material adverse effect on the Company's operations, earnings and financial position.

Own intellectual property rights

The industry in which Zenterio competes often makes it difficult to identify infringement of intellectual property rights by other participants. This, together with the protracted and costly nature of litigation may make it difficult to take swift or decisive action to prevent infringement of Zenterio's intellectual property rights. It cannot be ruled out that the products developed by the Company are not capable of being protected or that any protection gained will be insufficiently broad in its scope to protect the Company's intellectual property rights and exclude competitors from similar competing technology. The commercial success of the Company will also depend, in part, on its current and future products not infringing intellectual property owned by third parties. Competitors may have filed applications for, or may have been granted, or may obtain patents or other intellectual property protection which may relate to products competitive with those of the Company. Failure to adequately protect its own intellectual property or the intellectual property of competitors blocking the business of the Company could have a material adverse effect on the Company's operations, earnings and financial position.

Competition related risks

Zenterio operates in a competitive market and competes with a number of other companies, both with products similar to the Company's product as well as related but technologically different solutions for delivery of home entertainment. Certain of Zenterio's competitors have greater financial resources than the Company does, which means that such competitors might have greater ability to adjust to changes in consumer demand as well as having more resources available for e.g. product development. Thus, the Company will face pressure to keep its pricing and product features competitive and to maintain or increase its market share. The Company is furthermore ultimately dependent on its customers maintaining a significant market share, in particular in relation to competing technologies. Any of these factors could have a material adverse effect on the Company's operations, earnings and financial position.

Cost base

Zenterio has a level of fixed costs, currently in excess of revenues, mostly related to salaries and associated costs. In the event of a failure to grow as anticipated, the Company may not be able to reduce costs quickly in the short term. In the event of lower than expected revenue growth this could have material adverse effect on the Company's operations, earnings and financial position.

Retention of key personnel

Zenterio is to a certain extent dependent on key directors and employees, some of which have founded the Company, and future success is heavily dependent on the personal efforts and abilities of such individuals. Furthermore, Zenterio depends on qualified and experienced employees to enable it to bid for new business and develop new software. Should the Company be unable to attract new employees or retain existing key personnel, this could have a material adverse effect on the Company's operations, earnings and financial position.

Financial and share related risks

Exchange risk

Zenterio is exposed to fluctuations in the foreign exchange markets as fluctuations in exchange rates can negatively affect the operating profit, cash flow and equity. Transaction exposure arises in the cash flow when invoicing or the costs of invoiced goods and services are not in the local currency. The major part of the Company's revenues can be referred to customer agreements which generate revenues in foreign currencies, primarily EUR and USD. Future income will also most likely be denominated in foreign currencies, especially EUR and USD. Zenterio does not currently hedge exchange rates, but is considering hedging exchange rate changes between invoicing and payment by customers.

Working capital and financing risks

Provided that the Offering is completed as expected Zenterio expects to have sufficient working capital and consequently does not foresee a need to obtaining additional funding. However, it cannot be ruled out that the Company nevertheless will need to obtain additional funding due to unforeseen circumstances or the occurrence of one or more of the risks described in this Risk factors section. If the Company was to raise additional funds by issuing equity securities, current shareholders may experience significant dilution to their holdings. Furthermore the Company may however be unable to obtain adequate financing on acceptable terms, if at all, which could have a material adverse effect on the Company's financial position.

Dividends

Zenterio has never paid any dividends and will, in the foreseeable future, be in a phase where the Company's product portfolio is being developed and any surplus capital will be invested in the business. Due to this, the Company does not intend to pay any dividend for the current or following years or to commit to a fixed dividend rate (and preferred shares have a preference to dividends – please refer to the section Preferred shares below). The Company's ability to pay dividends in the future is dependent upon the extent that it has distributable reserves and cash available for this purpose. The Company intends to commence the payment of dividends only when it becomes commercially prudent to do so, having regard to the availability of Zenterio's distributable profits and funds required to finance future growth. Accordingly it cannot be ruled out that dividends will not be paid in the foreseeable future if at all.

Preferred shares

The Company has issued preferred shares and is party to a shareholders' agreement governing inter alia such preferred shares. The preferred shares have preference in the event of liquidation, dividends or a trade sale. It cannot be ruled out that if a trade sale or liquidation of the Company occurs or if dividends are paid the holders of preferred shares would be entitled to receive a greater proportion of the proceeds than the holders of ordinary shares.

Shareholding risks

The Company's shares are not listed on any stock exchange or trading facility and are thus not publicly traded. For this reason, the liquidity of the Company's shares will be low and the shares acquired through the Offering should be viewed as a long term investment. Investors should also be aware that a future divestment of the Company's shares will be dependent on the terms set by potential buyers. Thus, it cannot be ruled out that a sale of the shares will only be possible at a price significantly lower than that of the Offering, if at all, and that investors consequently may lose part of, or their whole, investment.

Goodwill and intangible assets

A significant part of Zenterio's intangible assets consists of capitalized development costs and goodwill. Such assets are subject to impairment tests. If future tests show a reduced value of the goodwill or development costs and thus leads to write-downs this could have a material adverse effect on the Company's operations, earnings and financial position.

Tax risks

Changes in corporate income tax, as well as other state and local taxes can affect the conditions of the Company's business. It cannot be ruled out that tax rates may change in the future, or that the tax authorities may reclassify the tax status of past or future transactions. Changes in the corporate income tax may result in, for example, changed opportunities to utilize tax loss deductions or make capital allowances. Changes in corporate income tax, as well as other state and local taxes, or reclassifications of past or future transactions could have a material adverse effect on the Company's operations, earnings and financial position.

This report has not been subject to review by the company's auditors.

Linköping 2015-04-01

Olli-Pekka Kallasvuo Chairman of the Board	Roberto Rutili Chief Executive Officer
Fredrik Danielsson Director	Niklas Antman Director
Tomas Franzén Director	Helmut Stein Director

Fredrik Oweson
Director