zenterio

January – March 2016 report

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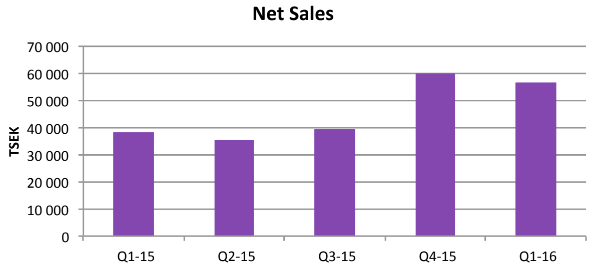
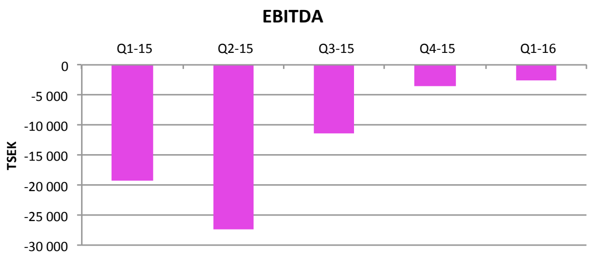
- Deployed license base
    - o The VAS (value added services) enabled license base grew by 1% in the first quarter, adding 21 thousand licenses to an accumulated base of 2,7 million
    - o Substantial license sales pushed into the second quarter 2016 with approximately 600 thousand licenses sold during the second quarter to an accumulated base of 3,4 million
- Net sales and other operating income increased 48% quarter-on-quarter to SEK 56,3 million (SEK 38,0 million)
- EBITDA in the quarter were SEK -2,5 million (SEK -19,2 million)
- Net result in the quarter was SEK -15,8 million (SEK -27,6 million)



Events after the reporting date

- On June 23, 2016 the company announced it had completed a private placement of convertible bonds of SEK 65 million and plans to conduct a rights issue of SEK 50 million in the second half of 2016
- On July 13, 2016 the company announced a landmark deal with Megacable, Mexico's largest multiple-system operator (MSO)



CEO Comments

Changing consumer viewing habits continue to put dramatic pressure on all participants in the TV industry. The demand for multiscreen, multiroom and the increasing number of OTT applications are forcing innovation and new ways of doing business for pay TV operators. The response we see is that more and more effort is being put into creating a truly seamless solution that can offer the best of both linear TV and OTT.

During this first quarter of 2016, we have already had a number of our customers express a growing desire to combine linear TV with popular OTT services in order to update their offering and remain competitive. As a result of this, Zenterio has started a project that allows us to pre-integrate the most popular OTT services with our independent OS, meaning that any new or existing customer will have easier access to these services. To integrate them into the operators overall offering also means that the operator can retain control over the customer relationship, billing and the consumer data that is generated.

However, as much as OTT is shaping the future, pay TV subscriber numbers are still growing globally, even though the most mature markets has leveled off. The total number of Pay TV subscribers reached 957 million at the end of 2015, as more than half of all households paid for some form of traditional subscription video service. Amongst these growing numbers, the fastest growing technologies are IPTV and DTH, which are both focus areas for Zenterio and something that will support rapid license growth in emerging markets.

Another trends that we are seeing, is that the numbers of Smart TVs are growing rapidly. More than three-quarters of televisions in China were Smart TVs in 2015 and in North America the number grew from 36 to 48 percent of all TVs sold with the popularity of Netflix and other services reinforcing demand. The total number of Smart TVs shipped in the fourth quarter reached 34,2 million, contributing to shipments breaking the 100 million mark for the first time in 2015. Smart TV shipments will continue to grow and reach 109 million in 2016, rising to 134 million in 2020.

Regardless of any hardware choice, the standardization of the TV client OS, together with detailed analytics, will be the fundamental enablers for a faster response to new consumer viewing habit and demand for new services. Zenterio's recently updated product portfolio encompasses an independent OS, a state of the art user interface, a powerful data analytics tools as well as an interactive advertisement management system and is therefore well suited to meet this new demand.

As a result of this, during Q1, we have initiated discussions with several Tier-1 operators to better understand their needs and their current situation. Based on those engagements, and with the strong reference case we are building, we are confident that our solutions and services will find traction with additional Tier-1 operators during the course of the year.

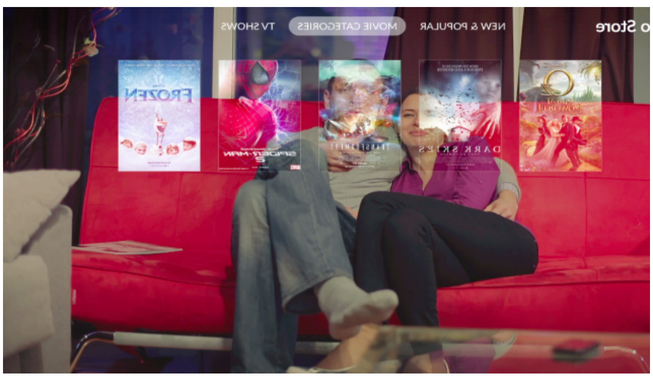
In the first quarter we have also increased the number of resources that are focused on our business with Deutsche Telekom Group to meet their 2016 launch dates. In addition to this, we have also initiated a review of all of our existing customer contracts with the objective to improve the overall business performance and to reduce working capital with a more commercially viable structuring of payment milestones. The renegotiations will significantly improve our financials, even though our license base growth will remain very much cyclical in nature, and we expect that the majority of that increase will happen during the later parts of the year.

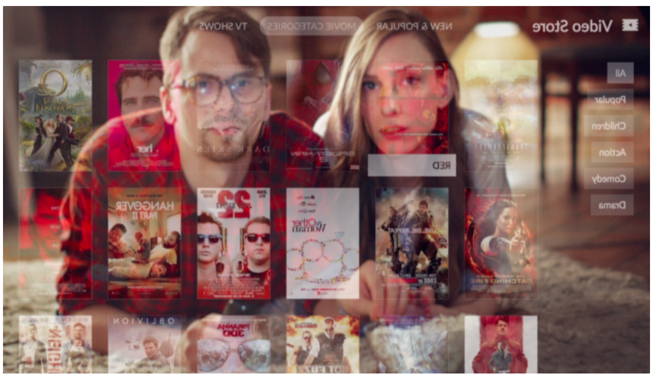
In order to secure the company's finances in the best way possible, and to meet the influx of new business, we communicated on the 23 June 2016 that the company has issued a private placement of convertible bonds that will be followed by an offer to participate in a rights issue during the second half of 2016. With an approximated total of 115 MSEK in additional capital raised we will be well prepared to continue our strong expansion.

Towards the end of Q1, as a result of the developments we are seeing in the OTT domain and the popularity of new services such as multiroom and multiscreen, we have decided to increase our focus on recurring revenue propositions. A recurring revenue model makes us more flexible and will cover the cost associated with these services, as they need to be continuously updated, and require additional resources with a highly specialized set of skills. This alternate business model allows us to adapt to changing requirements from the operators and make us well prepared for dealing with the OTT opportunity.

As always, I also want to take the opportunity to thank all of our employees for their commitment, our customers and partners for their trust in Zenterio and our board and shareholders for their strong support.

Jorgen Nilsson, CEO

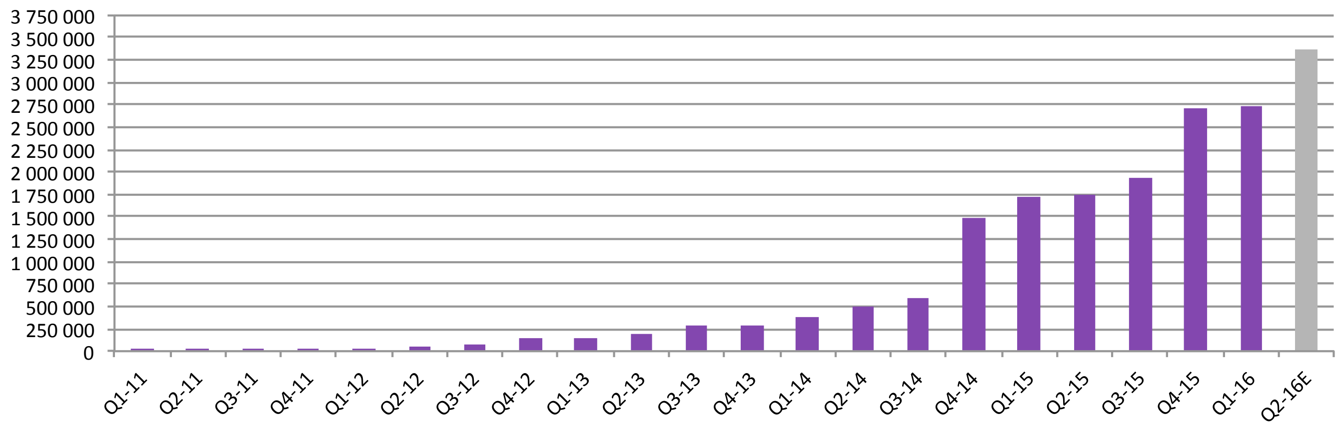




Value added services enabled installed license base

During the first quarter 2016 the value added services enabled license base increased with 21 thousand licenses to 2,7 million. Substantial license sales was pushed one quarter and the expected license sales for the second quarter 2016 amounts to approximately 600 thousand licenses. These volumes do not include any major volumes from Deutsche Telekom Group as these swap-out volumes are expected to be carried out during 2016 and 2017, and will therefore serve as a firm volume base for future license growth.

Value added service enabled installed license base



Zenterio will 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 and documented as average service revenue per user (ARPU) in Zenterio's reporting and is transforming the company revenue dynamics overall.

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 the second half of 2016.

Financial highlights

January – March 2016

SEK million	Q1/2016	Q1/2015	Change
Net sales and other operating income	56,3	38,0	48%
Total costs	-78,3	-73,8	
EBITDA	-2,5	-19,2	
Net result	-15,8	-27,6	

Sales amounted to SEK 56,3 million in the first quarter 2016, representing growth of 48% compared to the first quarter 2015.

In the first quarter 2016, total costs rose to SEK 78,3 million compared to SEK 73,8 million in the first quarter 2015. The total costs during the quarter were split between cost of goods sold of SEK 2,5 million (SEK 1,2 million), operating expenditures of SEK 66,5 million (SEK 64,7 million) and depreciation and amortization of SEK 9,3 million (SEK 7,9 million).

The improvement in the financial performance that was demonstrated during the second half of 2015 continued in the first quarter 2016. EBITDA in the first quarter 2016 amounted to SEK -2,5 million compared to SEK -19,2 million in the first quarter 2015.

The improvement is mainly driven by a few strategic customer engagements that Zenterio has worked on since the latter part of 2015. The financial development will be even stronger as these customer projects enters into license roll out phase.

Shares

The total number of Zenterio shares on March 31, 2016, equaled 50,754,297.

Personnel

Personnel	Q1/2014	Q2/2015	Q3/2015	Q4/2015	Q1/2016
Average number of employees	205	215	210	207	204

The average number of employees decreased during the quarter by three employees, much related to the reorganization of resources as the company implemented the operational excellence program that was initiated during 2015. As part of the reorganization the outsourcing strategy has expanded with a larger portion of external engineers supporting Zenterio's in-house expertise.

Financial position

Cash flow improved during the period with operational cash flow of SEK -8,2 million during the first quarter 2016 (SEK -24,8 million first quarter 2015). On March 31, 2016, cash and cash equivalents amounted to SEK 12,2 million compared to SEK 0,6 million on December 31, 2015. During the first quarter 2016 Zenterio activated an additional SEK 35 million in short term credit facilities, on top of the existing SEK 15 million, to support the business until the first part of the long-term financing process was closed in June 2016.

Events after the reporting date

Financing
The board of directors of Zenterio AB (publ.) has on 23 June 2016, with the authorization of the annual general meeting on 30 June 2015, decided on a private placement of convertible bonds of SEK 65 million to refinance existing loans and in addition provide the company with capital to strengthen the company's balance sheet in the current phase of expansion. The board also intends to approach all shareholders with an offer to participate in a rights issue of approximately SEK 50 million. The rights issue is planned for the second half of 2016.

The company is demonstrating strong momentum with new customer contracts and is developing well in accordance with plan, with new and larger customer engagements that require the support of long-term financing. The board has evaluated several different financing solutions during the spring to ensure solid customer relationships, and has determined that a placement through which the company raises capital now and through which existing shareholders at the same time have the opportunity to participate in an attractive offer is the best solution for both the company and its shareholders.

Interest was high in the private placement of SEK 65 million, which was offered to a small group of existing shareholders and external investors, and the placement could be closed in a short time with the desired outcome. The convertible bond provides interest of 8% with mandatory conversion into common shares in connection with a planned rights issue in the second half of the year, at which time the price will be set at SEK 4 in order to provide all shareholders with the opportunity to participate in an attractive offer.

Given the company's development and position, the board and the company's management believe the total capital raising of approximately SEK 115 million is well balanced to provide the necessary support for further expansion.

Business Update
On July 13, 2016 Zenterio announced a landmark deal with Megacable, Mexico's largest multiple-system operator (MSO).

The deal with Megacable is Zenterio's first direct deployment with an operator of this magnitude in the LatAm market and it shows the global appeal of an independent operating system as well as the importance of being able to offer a customizable UI that can be adapted to local requirements.

Zenterio OS will run on all new set-top-boxes being deployed and will be used to migrate several different legacy boxes in order to harmonize the operational environment. Making full use of Zenterio's JetUI framework will also enable Megacable to provide a unified, attractive and intuitive user experience across all devices. The new TV platform means that Megacable diversifies its distribution techniques and adds IPTV and OTT applications to its offering.

Financial statements

Consolidated statement of profit or loss

Consolidated statement of profit or loss

Amounts in KSEK	January - March 2016	January - March 2015
Net sales	55,725	35,977
Capitalized research & development	10,305	8,682
Other operating income	576	1,982
Total revenue	**66,606**	**46,641**
Cost of good sold	-2,473	-1,239
Personnel expenses	-41,217	-40,316
Other external expenses	-24,729	-23,549
Other operating expenses	-662	-776
Depreciation, amortization and impairment of assets	-9,253	-7,950
Total operating expenses	**-78,334**	**-73,830**
Operating profit (loss)	**-11,728**	**-27,189**
Net finance income (costs)		
Finance income	574	186
Finance costs	-4,860	-866
Net finance income (costs)	**-4,286**	**-680**
Profit (loss) before tax	**-16,014**	**-27,869**
Income tax expense	253	253
Profit (loss) for the period	**-15,761**	**-27,616**
Earnings per share, basic and diluted	**Neg.**	**Neg.**

Consolidated statement of comprehensive income

Amounts in KSEK	January - March 2016	January - March 2015
Profit (loss) for the year	**-15,761**	**-27,616**
Other Comprehensive Income:		
Items that may be reclassified subsequently to profit or loss		
Foreign currency translation differences	-8	-111
Other Comprehensive Income for the period	-8	-111
Total Comprehensive Income for the period	**-15,769**	**-27,727**

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

Consolidated statement of financial position

Amounts in KSEK	31 March 2016	31 December 2015
ASSETS		
Non-current assets		
Intangible assets		
Goodwill	82,988	82,988
Capitalized development costs	81,963	79,530
Other intangible assets	16,575	17,725
Total intangible assets	**181,526**	**180,243**
Tangible assets		
Property, plant and equipment	2,812	2,946
Total tangible assets	**2,812**	**2,946**
Financial assets		
Other non-current receivables	569	667
Shares in associated companies	4,585	3,172
Total financial assets	**5,155**	**3,839**
Total non-current assets	**189,492**	**187,029**
Current assets		
Current receivables		
Trade receivables	21,985	38,497
Current tax assets	3,699	6,409
Other receivables	3,505	2,943
Prepaid expenses and accrued income	23,144	8,490
Total current receivables	**52,333**	**56,339**
Cash and cash equivalents	**12,244**	**624**
Total current assets	**64,577**	**56,963**
TOTAL ASSETS	**254,069**	**243,992**

Consolidated statement of financial position, cont.

Amounts in KSEK	31 March 2016	31 December 2015
EQUITY AND LIABILITIES		
EQUITY		
Share capital	1,692	1,692
Other capital contributions	572,292	562,229
Reserves	-75	-66
Retained earnings (loss)	-485,573	-459,751
Total equity	**88,335**	**104,104**
LIABILITIES		
Non-current liabilities		
Liabilities to credit institutions	11,315	13,145
Other non-current liabilities	21,875	23,139
Deferred tax liabilities	3,647	3,900
Total non-current liabilities	**36,836**	**40,184**
Current liabilities		
Liabilities to credit institutions	51,232	17,614
Derivative instruments	9,625	8,361
Trade payables	14,050	12,159
Other liabilities	20,368	19,510
Accrued expenses and prepaid income	33,623	42,060
Total current liabilities	**128,898**	**99,704**
TOTAL EQUITY AND LIABILITIES	**254,069**	**243,992**
Pledged assets	**49,500**	**49,500**

Consolidated statements of changes in equity

Amounts in KSEK	Share capital	Other capital contributions	Reserves	Retained earnings (loss)	Total Equity
Balance at 1 January 2015	**1,678**	**561,879**	**84**	**-359,770**	**203,871**
Profit (loss) for the period	-	-	-	-99,980	-99,980
Other Comprehensive Income for the year	-	-	-150	-	-150
Registration of issued shares	14	-14	-	-	0
Warrants	-	1,005	-	-	1,005
Equity related transaction cost	-	-641	-	-	-641
Balance at 31 December 2015	**1,692**	**562,229**	**-66**	**-459,751**	**104,104**
Balance at 1 January 2016	**1,692**	**562,229**	**-66**	**-459,751**	**104,104**
Profit (loss) for the period	-	-	-	-15,761	-15,761
Other Comprehensive Income for the year	-	-	-8	-	-8
Reclassification	-	10,062	-	-10,062	0
Balance at 31 March 2016	**1,692**	**572,292**	**-75**	**-485,573**	**88,335**

Consolidated statements of cash flows

Amounts in KSEK	January – March 2016	January – March 2015
Cash flows from operating activities		
Operating profit (loss)	-11,728	-27,189
Adjustments for items not affecting cash flow	9,253	7,950
Interest received	574	0
Interest paid	-4,860	-1,105
Cash flows from operating activities before changes in working capital	**-6,761**	**-20,344**
Change in working capital	**-1,414**	**-4,473**
Net cash from (used in) operating activities	**-8,174**	**-24,817**
Cash flows from investing activities		
Acquisition of subsidiary, net of cash acquired	-1,413	-2,773
Acquisition of tangible assets	-133	61
Acquisition of intangible assets	-10,305	-8,682
Cash flow from investing activities	**-11,851**	**-11,394**
Cash flows from financing activities		
Change in credit facility	-737	520
Change in factoring	-	-2,378
Short-term borrowings	35,000	-
Repayment of long-term borrowings	-2,618	-697
Cash flows from financing activities	**31,645**	**-2,555**
Decrease/increase in cash and cash equivalents	**11,620**	**-38,766**
Cash and cash equivalents at the beginning of the period	624	47,041
Translation differences in cash and cash equivalents	-	-
Cash and cash equivalents at the end of the period	**12,244**	**8,275**

Parent company income statement

Amounts in KSEK	January – March 2016	January – March 2015
Operating income		
Net sales	48,541	18,553
Capitalized research & development	10,305	8,489
Other operating revenue	551	2,506
Total operating income	**59,397**	**29,547**
Operating expenses		
Cost of goods sold	-2,470	-1,239
Personnel expenses	-23,851	-23,419
Other external expenses	-37,408	-26,016
Depreciation, amortization and impairments of assets	-7,858	-6,643
Other operating expenses	-661	-1,305
Total operating expenses	**-72,248**	**-58,622**
Operating profit/loss	**-12,851**	**-29,075**
Net finance income (costs)		
Interest income and similar income items	0	0
Interest expenses and similar loss items	-4,214	-91
Net finance income (costs)	**-4,214**	**-91**
Profit (loss) after net finance income (costs)	**-17,065**	**-29,166**
Tax on profit (loss) for the period	-	-
Profit (loss) for the period	**-17,065**	**-29,166**

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

Parent company balance sheet

Amounts in KSEK	31 March 2016	31 December 2015
ASSETS		
Non-current assets		
Intangible assets		
Capitalized development costs	79,925	77,319
Total intangible assets	**79,925**	**77,319**
Tangible assets		
Property, plant and equipment	1,939	2,007
Total tangible assets	**1,939**	**2,007**
Financial assets		
Investments in group companies	104,940	103,527
Other non-current receivables	569	599
Total financial assets	**105,509**	**104,126**
Total non-current assets	**187,373**	**183,452**
Current assets		
Current receivables		
Trade receivables	15,936	30,344
Tax assets	2,604	3,257
Other receivables	3,388	2,904
Receivables from group companies	12,396	25,615
Prepaid expenses and accrued income	22,767	8,159
Total current receivables	**57,090**	**70,278**
Cash and bank balances	**8,247**	**1,088**
Total current assets	**65,337**	**71,367**
TOTAL ASSETS	**252,710**	**254,818**

Parent company balance sheet, cont.

Amounts in KSEK	31 March 2016	31 December 2015
EQUITY AND LIABILITIES		
EQUITY		
Restricted equity		
Share capital	1,692	1,692
Non-restricted equity	15,102	5,040
Total restricted equity	**16,794**	**6,732**
Non-restricted equity		
Share premium reserve	544,244	544,244
Retained earnings	-466,101	-365,131
Profit (loss) for the year	-17,065	-90,908
Total non-restricted equity	**61,078**	**88,205**
Total equity	**77,872**	**94,937**
LIABILITIES		
Non-current liabilities		
Liabilities to credit institutions	12,500	14,498
Other non-current liabilities	31,500	31,500
Total non-current liabilities	**44,000**	**45,998**
Current liabilities		
Liabilities to credit institutions	47,423	15,491
Trade payables	12,127	9,706
Liabilities to group companies	31,832	40,368
Other liabilities	14,259	14,607
Accrued expenses and prepaid income	25,197	33,711
Total current liabilities	**130,838**	**113,883**
TOTAL EQUITY AND LIABILITIES	**252,710**	**254,818**
Pledged assets	**43,000**	**43,000**

Risk factors

Zenterio's risk factors are described on pages 46-48 in Zenterio's 2015 annual report. Apart from the general concern about the economy and the political unrest in some countries, the assessment is that no new significant risks or uncertainties have arisen. The report is available on zenterio.com/investor-relations.

Accounting policies

This financial report is 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.

Zenterio's accounting policies are described on pages 37-45 in Zenterio's 2015 annual report.

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

Linköping 2016-07-19

Jörgen Nilsson, Chief Executive Officer
Zenterio AB