ANNUAL REPORT 2005

Net Insight

Annual General Meeting

The Annual General Meeting will be held on Monday, April 3, 2006 at 10:00 at the offices of Net Insight in Västberga. In order to attend the meeting, shareholders must be listed in the share register kept by the Securities Register Center (VPC) as of March 28, 2006 and must register their intention with the company not later than 4:00 PM on March 28, 2006 in one of the following ways:

Telephone: +46 (0) 8-685 04 00, fax +46 (0) 8-685 04 20
E-mail: info@netinsight.net
Mail: Net Insight, Box 42093, 126 14 Stockholm

Nominee shareholders, in order to participate, must temporarily re-register their shares in their own name. A request for such registration must be made to the administrator of the shares in sufficient time prior to March 28

Dividends

The Board of Directors proposes that the AGM resolve that no dividend be paid for the fiscal year 2005.

Financial information for 2006

Annual General Meeting: April 3
Interim report January-March: May 3
Interim report: January-June: August 22
Interim report January-September: October 27

Net Insight's financial information is available in both Swedish and English. The reports can be obtained on Net Insight's website: www.netinsight.net or can be ordered by e-mail at: info@netinsight.net or by telephone at: +46 (0) 8-685 04 00.

2005 in brief

The Group's net sales increased by 124 percent to SEK 90.9 million (40.5).

Strong gross margin of 63 percent.

Profit/loss before tax SEK -59.6 million (-82.4).

Earnings per share after tax totaled SEK -0.17 (-0.29).

Increase in average order value and important new customers within the professional media industry.

Breakthrough orders in the digital terrestrial TV network (DVB-T) market.

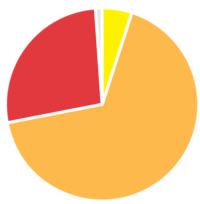
Repeat orders from world leading customers as well as increased support revenues.

Development and launch of two new products, Nimbra 340 and Nimbra 680.

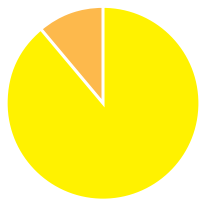
Key figures	2005	2004	2003[1]
Net sales, SEK m	90.9	40.5	34.6
Operating profit/loss, SEK m	-60.8	-84.2	-81.3
Profit/loss for the year, SEK m	-59.6	-82.4	-80.4
Earnings per share, SEK	-0.17	-0.29	-0.49
Gross margin, %	63	60	56
Equity/assets ratio, %	78	80	85
Shareholders' equity per share, SEK	0.40	0.39	0.49
Average number of employees	70	65	69

[1] Not adjusted in accordance with IFRS.

Revenue per country/region %



Revenue per product/service %



Net Insight in brief

Net Insight develops and sells network equipment for fiber optic networks for the transfer of voice, data and video. The Nimbra™ product line enables traffic in the network to be transferred with 100 percent quality of service (QoS) while maintaining a maximum utilization of the network's capacity, which leads to major savings in both operating and investment costs for customers. The company's primary sales have currently been in Europe and North America, but during the latter part of 2005 the company also began to focus on Asia. Customers include television companies, production companies, cable-TV operators and telecommunications operators. Net Insight was founded in 1997 and has 77 employees in Sweden and the US, and has since 1999 been listed on the Stockholm Stock Exchange's O-list.

Sales more than doubled in 2005

2005 was the year when sales really took off. We have reinforced our sales organization and business development side in 2005 to meet the growing demand. Net Insight is stronger than ever, with a solid cash position, surging sales, and an extremely strong product portfolio.

2005 was the year when Net Insight's sales really took off, more than doubling, leading to a substantial improvement in earnings. This achievement was based on our successful installations from 2004. Our existing customers are extremely pleased with our solution and have continued to build out their networks. Several of them, such as Broadwing and EBU, now have extensive networks in the United States and Europe, respectively. This success has also made it easier for us to win new customers such as Telenor Satellite, CBS, BCE/RTL GROUP among others. Our order values have risen and we have reduced transactions lead times.

In general, the market developed favorably in 2005. Operators and media companies have started to build new infrastructure. In the past, cutting costs was the main motivation, but now they are also driven by the potential to generate new revenues. The development of HDTV leads to the need for higher capacity in the distribution networks, while IPTV and the current convergence between mobile and fixed services will result in new investments in telecom infrastructure. Insight into the industry is growing as video traffic places new and more rigorous demands on the networks – clear trends that benefit Net Insight.

Media Market

Net Insight has continued to strengthen its position in the Media Market with several key orders in Europe and the United States. New customers include ZDF, Germany's biggest broadcaster, Versatel and Telenor Satellite. In the second half of the year Net Insight launched a marketing campaign in Asia and quickly found its first customer, an Asian media operator. One crucial breakthrough came during the year relating to digital terrestrial TV networks when Broadcast Services Danmark chose Net Insight's solution for the Danish digital terrestrial TV network. About fifty countries are getting ready to implement this type of network. In 2005 Net Insight won a couple of key deals in this strong growth segment. These networks now serve as excellent references for landing future digital terrestrial TV network orders.

New Products and Segments

During 2005, we launched two new switches, the Nimbra 340 and the Nimbra 680, which Net Insight has not done since 2001. The Nimbra 340 is an access switch specially designed for triple play and media networks, as well as for digital terrestrial TV networks. The Nimbra 680 is a high capacity switch with world-leading performance intended to aggregate traffic in larger networks, known as core networks. The Nimbra 340 is integrated in several installations, such as the Danish digital TV network, and is already contributing substantially to Net Insight's revenues. The Nimbra 680 addresses a growing need in the market to be able to cost-effectively aggregate traffic on 10-gigabit links. Net Insight already has several orders for the Nimbra 680. Development has taken a few months longer than planned and shipment to customers will begin during the second quarter of 2006.

Net Insight now has an extremely strong product portfolio that covers every need from small point-to-point networks up to extremely large high-capacity networks. The new product portfolio opens the general operator market for Net Insight. It also increases our potential for new triple play business, where we've had a couple of well functioning reference installations in the US for several years. Net Insight technology builds on Next Generation Networking (NGN), the framework that many believe will be the basis for tomorrow's telecommunication network. To put it concisely, we are extremely well positioned in the market.

Partners

We have reinforced our sales organization and business development side in 2005 to meet the growing demand. One important initiative in developing the company has been to ensure that procedures are in place to handle the increased volume of products and customers. We have continued to develop our preferred partner program and have signed eight new cooperation agreements during the year. We focus on local partners

that can contribute directly to sales in the markets where we are active. We see a clear rising interest in representing us in the market, reflected in the fact that we quickly found excellent representatives in Asia.

Outlook for 2006

Video traffic growth in the telecommunications networks will rise sharply in 2006. Net Insight is stronger than ever, with a solid cash position, surging sales, and an extremely strong product portfolio. In addition, our customers are extremely satisfied with our solution and we are in a segment that is in a growth phase.

I will leave Net Insight on February 16 after almost five years as CEO after accepting an offer to become CEO of another company. The initial years were extremely tough as we faced the biggest decline in the history of the telecommunication industry. It has been highly satisfying to work with talented colleagues to develop this company into the position where it is today. My successor, Fredrik Trägårdh, has worked as CFO in the company for more than three years and has worked together with me in business operations. Fredrik has the leadership and the international experience required to continue to drive Net Insight's growth and success.

The year is off to a promising start with great opportunities for major orders and we have every reason to be optimistic about Net Insight's development in 2006.

Tomas Duffy
CEO Net Insight

Operation and vision

Net Insight's vision is to be the leading supplier of switches for fiber optic networks. Net Insight will successfully develop, market and sell network products within the Nimbra product family and through that, create value growth for the shareholders.

Net Insight was founded in 1997 and has been listed on the Stockholm Stock Exchange's O-list since 1999. The company's main office is located in Stockholm where the majority of employees work. In the American subsidiary, Net Insight Inc., there are seven employees.

Vision

Net Insight was founded on the vision that the transport of video would increase in future networks, a vision that has now become reality. Today, Net Insight's vision is to be a leading supplier of switches for fiber optic networks.

Business concept

Net Insight's products are based on a very efficient patented fundamental technology. Those products that have now been developed function in all prioritized business segments. Net Insight's business concept is to create revenue and shareholder value by developing, marketing, and selling network products that utilize the network's capacity optimally and make interactive communications with guaranteed service quality for voice, data and video possible.

Business objectives

Net Insight's overall objective is to become a recognized and global leading supplier of switches for fiber optic networks. Net Insight will successfully develop, market and sell network products within the product family, Nimbra™, thus enabling value growth for shareholders.

Net Insight's qualitative objectives are to:

- become a profitable, leading supplier of switches for fiber optic networks
- offer the most cost-efficient solutions based on advanced technology with very high quality
- continue the successes within the professional media industry for continued growth within all the company's market segments in Europe, North America and Asia
- establish more effective partner cooperation within all market segments and in those geographic markets where the company is active
- maintain and develop the company's technological advantages in the form of patents
- create conditions for raising competence levels and for the development of Net Insight's employees.

Net Insight's financial objective is to:

- substantially increase sales and financial results, as well as maintaining a continued cost control.

Strategies

To allow Net Insight to be able to fulfill those objectives that have been established, a number of strategies have been formulated.

In brief, the strategies state that Net Insight shall:

- focus on its business concept and core operation
- continuously adapt the organization according to the demands and needs of the market
- focus on a number of selected segments and establish a leading position in these segments
- offer world leading competitive products based on a combination of the best technology and the most cost-efficient implementations
- work closely with customers in order to understand their operations and needs
- maintain and protect Net Insight's technological advantages in the form of Intellectual Property Rights (IPR)
- attract and retain key personnel.

Products

Net Insight develops and sells network equipment for fiber optic networks for the transfer of voice, data and video. With the Nimbra product family, traffic in the network can be transferred with 100 percent quality of service (QoS) at the same time that the network's capacity is utilized maximally, which leads to major savings in both operating and investment costs for customers.

Markets

Net Insight focuses on three different market segments with its products and solutions.

The market for the professional media industry. Customers within this segment are media companies or network operators who want to offer services to TV and production companies that need to connect geographically separated production units with a fiber optic network. Net Insight has a strong position in this market with several important reference customers. This segment also includes the market for terrestrial digital TV (Digital Terrestrial TV, designated as DTT or DVB-T), which is growing in connection with an increasing number of countries shutting down their analogue TV networks and converting to digital TV networks. This segment also includes the much reported and rapidly expanding market for DVB-H, in other words, TV for mobile phones.

The market for core networks. Customers within this segment are telecommunications operators, service suppliers, fiber optic owners and larger metro network owners. Core networks are transport networks between cities and backbone networks. Net Insight focuses on such transport networks where there is a need to consolidate older equipment to reduce operational costs and where operators are looking for new revenues within video communication in combination with data and telephony.

The market for triple play. Customers within this segment are telecommunications and cable-TV operators that want to offer their customers, households and companies data distribution, telephony and TV and video services through a single infrastructure. This places high quality and high capacity demands on the network. For end customers, triple play means that they can get all these services from a single operator.

Business model and sales

The company's sales consist of hardware, software, annual licensing fees, support, service, installation and training. In 2005, approximately 67 percent of sales came from Europe (excluding Sweden), approximately 27 percent from North America, 0.5 percent from Asia and 5 percent from Sweden. Around 89 percent of sales are attributable to hardware and around 11 percent are attributable to software and other services. The customers are within three different segments: the market for professional media industry including terrestrial digital TV, core networks and triple play. Net Insight sells, in part, directly to the customer via its own sales organizations in Sweden and the US, and partially via retailers and partners that the company is associated with throughout the world. Retailers in the different geographic markets cultivate those market segments that Net Insight addresses, and make sales in cooperation with Net Insight personnel. Through the retailers, Net Insight can also offer their customers local support. Net Insight also has personnel with specialist competence in installation and training.

During the year, transactions have increased in volume with a maintained gross margin of 63 percent. Customers make a comprehensive evaluation, which often includes the testing of products, before they decide to build a network using Net Insight's Nimbra products. Net Insight's customers often express how satisfied they are with Net Insight's products and how well their networks function, which is the ultimate proof for Net Insight's business model and that the company are positioned correctly in their offerings to the market.

Nimbra™ enables video transport in next generation networks

Net Insight's Nimbra platform was specifically designed to transport video with the added benefit of voice and data aggregation. With its roots in the professional media industry where high-quality is without compromise, the Net Insight technical pedigree is unrivalled when it comes to video.

Traditional network operators such as the large incumbent national phone, mobile and cable TV companies are facing much tougher performance pressures than in the past. There is therefore a strong focus on how to simplify their operations and better improve their long-term revenue-generating potential. Common performance issues include;

- Reduction in ARPU (Average Revenue Per Unit/User).
- Rapid slowdown of PSTN phone traffic.
- Difficulty in introducing new services within existing network architecture.
- Increasing subscriber churn rates.
- Closed network architecture makes for higher CAPEX and OPEX.

A number of large national operators are now embarking on multi-year network migration projects under the banner of building Next Generation Network (NGN). The end goal being to create a more flexible, agile and long-term integrated network infrastructure to support the delivery of a multitude of services over varying access mediums (fixed & wireless) – also referred to as the "Converged Network". Common attributes of this new converged network include;

- Bundling of services over a common broadband connection drives up ARPU.
- Unified voice, data and video delivery over a single network makes service creation and provisioning easier and quicker thus reducing OPEX.
- Access terminals (set-top-boxes) are more intelligent and have multi-access capabilities allowing for more interactive on-demand services and hence new incremental revenue.
- Fixed-wireless integration allows for greater market reach.

Common operating network

In these NGN networks, the delivery of video based services has become both important and challenging. CATV, broadcast network operators and specialist media distribution companies have a good sense of the needs and requirements of video but lack the expertise on integrating data and voice services on the new converged network platform, and for the telecommunication operators it is the converse.

Against these different backgrounds and with differing criteria, the momentum of moving towards a common operating network in which voice, data and video will coexist is propagating. The advantages are obvious as several services on the same network infrastructure lends itself more economically to a lower cost per service. However, this is a difficult challenge to accomplish in reality as voice, data and video place completely different demands on the transport network. Data (e-mail, web browsing, etc.) can usefully be sent over the network in bursts, while video and voice require a constant stream of data bits in order to maintain sound and picture quality.

Mass market services such as IPTV, Video-on-demand, Network Personal Video recorders, High Definition (HD) TV and interactive video entertainment must scale to deliver a high number of unique and individual video capabilities whilst maintaining a high quality of service (QoS).

Within the broadcasting operators the current trend is to digitise terrestrial TV around the digital video broadcast (DVB) standard. The current build-outs are mostly being built in Europe and Asia, but will be more global over the next five years.

With the advent of DVB-H, ie. TV for mobile phones, there is now an opportunity to extend this TV infrastructure to the wireless world, thus allowing for a common fixed and wireless digital TV hybrid to exist.

The underlying solution to this problem is to use multicast technology with flexible bandwidth allocation, high resiliency, scalability and guaranteed QoS features within a common transport and access network infrastructure.

Focus on video transport

The Net Insight Nimbra™ platform is a set of network and service aggregation products targeted at these NGN environments where video is a prominent service offering across a multitude of access devices (PC, TV and mobile). With its roots in the professional media industry where high-quality is without compromise, the Net Insight technical pedigree is unrivalled when it comes to video.

Net Insight's Nimbra platform was specifically designed to transport video with the added benefit of voice and data aggregation. Traditional and mainstream data routers in the market are fundamentally deficient when it comes to voice and video transport aggregation. If you can transport voice and video at full quality, you can also transport data. But the platforms that are made to transport data are seldom, if ever, ideal for voice and video transport. Net Insight has therefore from its inception focused its R&D on video transport aggregation technology. Nimbra is a next generation platform able to transport voice, data and video without compromise. Net Insight is the leading supplier of network and service aggregation transport infrastructure to the broadcasting network operators migrating to digital terrestrial TV (DTV) and today supplies the functions and functionality of high-quality video transport that many of its competitors are aspiring too.

Cost-effective solution

Net Insight's Nimbra platform is a highly cost-effective solution in terms of both capital and operating costs. A high level of bandwidth utilisation means that end-users who rent their underlying network capacity can rent less than they would need with other platforms. End-users with their own network assets and capacity do not need to invest at all, or not as much, in ancillary infrastructure as the Nimbra platform allows for consolidation and optimisation of assets. The functions for guaranteeing QoS are an integral part of the platform, which means that there is no need to invest in expensive and complicated additional infrastructure.

Net Insight's product development is focused on empowering the migration to mass market video-enabled Next Generation Networks. As more video enabled services reach the home (interactive media, entertainment and tailored content), the value of Net Insight's Nimbra platform will achieve even stronger competitive advantages.

Competing solutions

Net Insight's competitors consist mainly of manufacturers who have developed data communications platforms. These competing platforms are frequently based on SDH/SONET, ATM or IP/MPLS.

SDH/SONET is a technique that was originally developed to transport voice between telephone exchanges. Today it is the backbone of most telecom operators' telephone networks. SDH/SONET uses synchronous communications, which makes it excellent for video transport and other high-quality transfers. Its weaknesses are its expense and lack of flexibility. SDH/SONET is today regarded as an old technique that most operators would like to get away from, although this will take a very long time. Next Generation SDH/SONET is a more modern variant of SDH/SONET. The system is somewhat more flexible but the fundamental disadvantages remain.

Not so many years ago, ATM was the technique telephone operators believed would replace SDH/SONET and be the solution to the voice, data and video convergence of the future. The ATM technique became more expensive and considerably more complex than many customers had wanted and therefore telecom operators gave up the technique relatively quickly. However, over a long period, ATM has been one of the few functional solutions for video transport, which has meant that it is relatively common among cable and terrestrial TV operators, media network operators, etc. But even in this segment, it is nowadays considered that the technique has reached the end of its lifecycle.

IP/MPLS is a technique that many telecommunication operators have begun using in order to handle their large flows of data traffic. IP/MPLS provides good facilities for prioritising different types of traffic stream. For example, narrowband voice traffic and VPN services are given priority over large quantities of Internet traffic. On the downside, many operators perceive IP/MPLS as complex and demanding more or less constant supervision by skilled staff who can act when some part of the network becomes overloaded. Another deficiency is that the basic transport mechanism was made for burst transmission of data and not constant video streams of 100 percent quality. The prioritisation mechanisms that, for example, make it possible for voice to be given priority are inadequate when it comes to guaranteeing the quality of large quantities of video. By combining IP/MPLS with Net Insight's Nimbra solution a state of the art solution can be implemented. The Nimbra platform handles transport of voice, data and video as well as channelisation of broadband while IP/MPLS handles routing and prioritisation, which provides an ultimate combination.

Net Insight is also meeting some competition from manufacturers of dedicated media equipment. These are frequently relatively strong when it comes to point-to-point solutions or small networks. However, none of them has the same wide and complete range as the Net Insight Nimbra platform when it comes to total solutions for voice, data and high-quality video.

Professional media industry

Via fiber-based networks, TV and production companies can exchange materials in full quality, regardless of the distance, at a low cost. A fiber-based network basically changes the way TV companies work and build their production environments. Net Insight has established itself as a strong supplier in the market for the professional media industry.

The market for TV and media networks consists of TV companies and their sub-contractors (so-called post production companies), operators of networks for terrestrial digital TV (DTT– Digital Terrestrial Television, also referred to as DVB-T), as well as operators that offer specially adapted video transport services, often in combination with voice and data transfer services.

Fiber optic-based media networks

TV companies or media network operators build networks that are used to receive (contribution) and compile TV material (content) that is then mixed and edited before it is distributed to viewers via networks for terrestrial TV, satellite linking stations, and cable TV operators.

Via fiber-based networks, TV and production companies can exchange material in full quality at a low cost, regardless of the distance. Corresponding exchange via satellite is considerably more expensive and the material must also be compressed, which results in unwanted loss of quality. A fiber-based network fundamentally changes the way television companies work and how they build their production environments.

In 2005, Net Insight launched Nimbra 340, which was primarily developed for the professional media market, and which is also very adaptable to terrestrial digital TV networks (DVB-T and DVB-H).

Position

Net Insight has established a very strong position in the professional media market in Europe and the US. Reference customers include WDR and ZDF (the two largest TV companies in Germany), EBU, which is an umbrella organization for around 70 TV companies in Europe, and also the American media operator, Broadwing, which has built a 44-city media network based on Net Insight's technology. Net Insight's customers, WDR and ZDF, have, in addition, moved all their data and telephone traffic to the network they built using Net Insight's equipment, which has resulted in major cost savings.

The majority of all main feeds as well as feeds from individual country's coverage of the 2006 Winter Olympics were carried to all public European TV companies over the European Broadcasting Union's (EBU) fiber optic network. Since EBU's network is based on Net Insight's Nimbra technology and has millions of TV viewers over all of Europe, this is a true confirmation that Net Insight's solutions provide quality and reliability for events where 100 percent quality of service is necessary.

In only a short time, Net Insight has achieved a very strong position within terrestrial digital TV where Deutsche Telecom's, T-Systems; Finnish company, Digita; and the Danish company, Broadcast Services Denmark, have chosen Net Insight's solutions. Over the next few years, more than 50 countries are expected to replace their analogue TV networks with terrestrial digital TV, which will mean major opportunities for Net Insight. Several countries have also launched tests with digital TV for mobile phones (so-called DVB-H). Net Insight believes that in the future this market can grow and become just as large as the market for DVB-T. Net Insight's products developed for DVB-T provide the same unique advantages in the network for DVB-H.

Net Insight has established itself as a strong supplier to TV and media networks. No competitive solution can offer the same combination of high quality, low operating cost and flexibility.

The professional media industry: Fiber optic-based networks for video transfer that offer services that are specific for TV companies and their sub-contractors, often parallel with traditional voice and data transfer services.

Customers: TV companies, operators of networks for terrestrial TV, post-production companies and also media network operators.

Retailers/partners: Alphatron BV, BCE, ComputerLand, Geartech, Video Progetti, Simac Broadcast, SAV, Alphatron Asia, Sanam Technology Inc, Synchronous Communication Corp, Techtel Pty Ltd.

Competitors: Alcatel, Cisco/Scientific-Atlanta, C-Cor, Network Electronics, IpiTek, Juniper Medialinks, Opticom, Tandberg, T-vips and Thomson.

Size of the market: The addressable market for Net Insight, in accordance with its own estimates, was approximately SEK 1 billion for 2006 regarding equipment for video transfer via fiber optic networks. The addressable market for Net Insight for equipment to digital terrestrial TV is estimated to be approximately SEK 500 million for 2006. Net Insight's market share is estimated at around 7 percent for 2005.

Core networks

One of the major driving forces behind a larger transport network between cities and backbone networks is to reduce operating costs and network complexity. With its strong product platform with newly developed functionality, Net Insight can offer network operators significant cost savings in operations and in the development of new services and customers in the network.

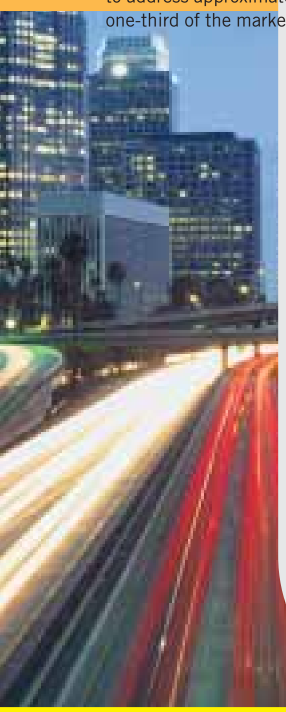
Core networks: Larger transport networks between cities and backbone networks. Net Insight focuses on operators with transport networks that need to consolidate old equipment in order to reduce operational costs and, which simultaneously are looking for new revenues within video communication in combination with data and telephony.

Customers: Telecommunications and cable TV operators, service suppliers, fiber optics-network owners and larger metro network owners.

Partners: Allied Telesyn, Soluziona, ComputerLand.

Competitors: Alcatel, Ciena, Cisco, Fujitsu, Huawei, Juniper, Nortel, Tellabs.

Market size: The market for optical transport networks for 2005 totaled approximately SEK 85 billion according to Gartner 2004 and Infonetics/IDC 2003. Net Insight is starting out with a low market share but has the potential to address approximately one-third of the market.



Net Insight's latest products, Nimbra 680 and Nimbra 688, open up the market for core networks, in other words, larger transport networks between cities and backbone networks. The products integrate voice, data and video and consolidate the functions from many older platforms into one single product. This reduces investment costs for operators and drastically lowers operating costs for the new network. Simultaneously, the Nimbra products are interoperable with existing IP/MPLS equipment in order to make possible new services such as IPTV and video and to make these services more efficient.

Trends in the market

The market for optical transport networks, which includes core networks and metro networks, increased in 2005 by approximately 16 percent compared with 2004 to worldwide sales of almost SEK 85 billion where metro networks account for approximately 70 percent of the revenues and backbone networks account for almost 30 percent. After many years of non-investment in this segment, there is now a need to upgrade old equipment. Just the reduction of operating costs using modern equipment often justifies new investments. In 2005, North America accounted for approximately 1/3 of sales, EMEA (Europe, Middle East, Africa) for around 1/3 and the rest of the world for approximately 1/3 of the equipment for optical transport networks.

Network operators want to increase their revenues in the future by finding new services such as increased video and TV transport to households, but also by centralizing corporate applications such as mail servers, security services, and storage and backup management in the network. In that way, companies can outsource such operations to the operators who can earn more money on their networks. This increases network traffic and requires a network with fast response time and high quality, a demand that Net Insight's Nimbra platform can ensure. Competition with cable TV and fiber optic operators has also increased, which is driving the will to invest.

Investments increasing

The last five years have been characterized by consolidation and cost saving with a strong downturn in investments in this market. This trend changed in 2005 and investments are once again expected to increase significantly within optical transport networks. Two of the continuing driving forces are a reduction in operating costs and network complexity. With its strong product platform with newly developed NGN-functionality, Net Insight can offer operators considerable cost savings in operations as well as in the development of new services and customers in the network.

All in all, operators using Net Insight's Nimbra platform can make possible new services, both in the form of new video services to households and also more network centered corporate services that require increased capacity, fast response time and high quality. Net Insight's products provide support for traditional telecommunication services as well as for effective data and video management with a high degree of utilization. This makes possible an effective migration and consolidation of old equipment, which reduces costs, especially operating costs for the network. Nimbra 680 and Nimbra 688 fit very well in this segment and also serve as a complement to existing products. The market for core networks is very competitive but offers substantial growth opportunities for Net Insight.

Triple play

Triple play is one of the hottest concepts among television and cable TV operators right now. The entry of triple play in the network places major demands on quality when video is to be broadcast in real-time in the network. Net Insight's solution makes it simple and inexpensive to operate the network as well as to add new customers and services.

Triple play is one of the hottest concepts among television and cable TV operators right now. The concept means that households and companies, through the same wall outlet, can get access to television, telephony and Internet. All services are obtained via broadband connections connected to either the telephone or cable TV network. In addition to these services, video-on-demand, network gaming and PVR, etc., can be added.

The advantage for consumers is that they get all services from a single operator and are billed using a single invoice. Since telecommunications operators, broadband operators and cable TV operators are now beginning to compete for the same customers, this also means lower prices for consumers. By selling a complete package with services, the operators want to increase loyalty among their customers. In this way it is possible, via an infrastructure where the operator already has made the majority of investments, for them to double or possibly triple their revenues without new investments.

The entry of triple play places large demands on quality when video is to be broadcast in real-time in the network. When IPTV is offered, the network operators must introduce a new IP-based network architecture that can handle increased capacity as well as real-time transfer demands in the transfer of TV images. Technologies such as IPTV, HDTV, and video are forcing operators to upgrade their networks with new equipment in order to meet these increased demands.

Net Insight's solution for triple play

Net Insight's solution distributes and aggregates signals out to the access network, in other words, to something that households and companies can connect to. There are different access solutions for sending signals to the network: either over copper wiring through telephone connections, via cable TV, or via fiber optic solutions directly to homes. Net Insight's solutions work no matter what access method is used and can complement all access solutions for transporting TV/video, data and telephony out to the subscriber. Net Insight's products can also make more effective the digitization of existing cable TV networks at the same time that new interactive voice and video services can be introduced using the same solution.

Since 2003, Net Insight has two installed triple play networks in the US; Vernon Telephone Cooperative and Matanuska Telephone Association, which offer hundreds of TV channels, video-on-demand, telephony and data.

Guaranteed quality of service

Net Insight's solution guarantees total quality of service in the transport of data, voice and video at the same time that the degree of utilization of the network is high, which reduces the costs for both fiber optics and equipment. In larger networks this gives cost benefits of up to 50-75 percent compared with other solutions. An additional advantage with Net Insight's solution is that it is a scaleable and effective way to send the same channel to many subscribers (multicasting such as, for example, TV and radio). Other solutions have scalability problems when the network is expanding and is handling a great deal of traffic. In addition, Net Insight's solution makes it simple and inexpensive to operate a network and to add new customers and services.

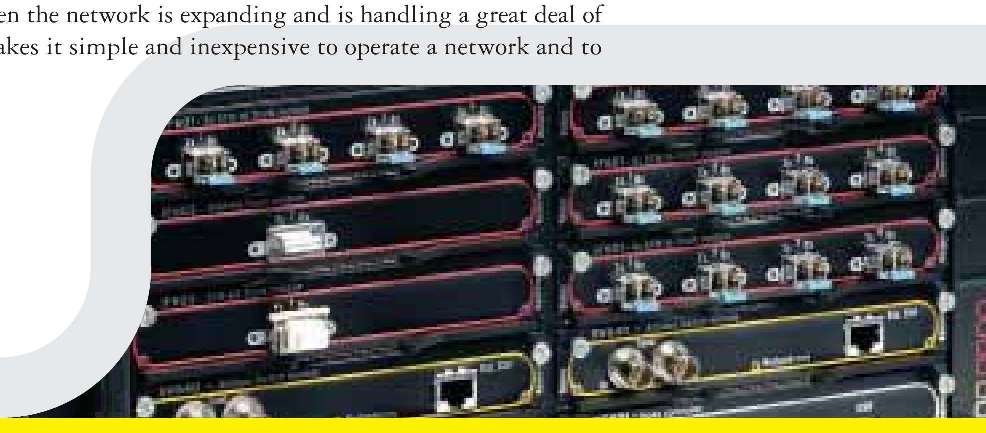
Triple play: TV, Internet, and telephony over a single infrastructure.

Customers: Telecommunications, cable TV and broadband operators.

Partners: Agama, Amino, ATI, Bitband, Charles Industries, i3micro, Kreatel, Minerva, Optibase, Orca, Simac Broadcast, Tandberg and Widevine.

Competitors: Alcatel, Calix, Cisco/Scientific Atlanta, ECI, Huawei, Juniper, Lucent, Nortel, Siemens, UTS Starcomm.

Market size: According to the analysis company, IDC, sales for equipment for triple play will increase to a value of SEK 16 billion in 2009. Currently, Net Insight has a low market share.



Telenor Satellite Broadcasting

The largest provider of telecommunications services in Norway was looking for a solution that would enable them to interconnect their teleports across the Nordic region and Central/Eastern Europe. After extensive evaluation and testing, Telenor Satellite Broadcasting built their Multi Service Network based on Net Insight's Nimbra platform.

telenor

The Company

Telenor is the largest provider of telecommunications services in Norway, in addition to substantial international operations. Telenor also has its own TV distribution brand, Canal Digital, which is the market leader for distribution of TV services in the Nordic residential market. The Telenor division Telenor Broadcast operates in the transmission and content distribution parts of the TV value chain. One of its subsidiaries, Telenor Satellite Broadcasting, provides satellite transmission of TV from broadcasters directly to homes and cable networks.

The Issue

Telenor Satellite Broadcasting was looking for a solution that would enable them to interconnect their teleports across the Nordic region and Central/Eastern Europe. A terrestrial network between those teleports would allow for increasing utilization of earth stations and satellite capacity, as well as improve the potential for restoration of services.

The new fiber-based professional media network would provide increased capacity for new and improved video, TV, radio, and data services that would attract new customers, as well as increase uptake from existing customers. Telenor Satellite Broadcasting also wanted the network to have virtually unlimited scalability to enable capacity to grow as demand for these new services increase.

It was essential for Telenor Satellite Broadcasting to be able to offer these new services at a price point that would be attractive to customers. The new services needed to be deployed quickly with the extremely high quality of service that Telenor Satellite Broadcasting's customers were used to from satellite-related services.

The Solution

After extensive evaluation and testing, Telenor Satellite Broadcasting built their Multi Service Network based on Net Insight's Nimbra platform to link their locations and supplement the existing satellite transport. The new fiber-based network enables Telenor Satellite Broadcasting to offer new flexible and cost-effective solutions and create synergies between its existing portfolios of services. Furthermore, this network allows Telenor Satellite Broadcasting to move its point-to-point contribution traffic to the new network, thus freeing up more costly satellite capacity, which in turn can be used more efficiently to deliver point-to-multipoint services.

Telenor Satellite Broadcasting can now with leverage from their broadcasting knowledge and in combination with their satellite offerings, also provide professional media companies with terrestrial video and data contribution and IPTV distribution services. Thanks to the scalability in the solution, after a few months of successful operations Telenor Satellite Broadcasting has already both increased the capacity in the network and expanded network coverage to more customers and sites.

Broadwing

Net Insight has established a very strong position on the professional media market. After extensive market evaluations, Broadwing launched a new Media Services Network with a media core based on Net Insight's Nimbra™ platform.

The Company

Broadwing Communications LLC is a consolidated subsidiary of Broadwing Corporation (NASDAQ: BWNG) and a US media operator that provides data, voice, and video solutions to enterprises and service providers, including major telecommunications carriers.

The Issue

Broadcasters and professional media companies faced an increasing need for an inter-city network that transports rich media, such as live HD sports broadcasts, with 100 percent quality of service on an on-demand basis. Existing terrestrial and satellite solutions did not have the bandwidth capability or flexibility to deliver these services with the 100 percent quality of service required by this very demanding marketplace.

The Solution

After extensive market evaluations, Broadwing launched a new Media Services Network with a media core based on Net Insight's Nimbra™ platform complimenting its terrestrial optical network. The 44-city network provides rich media transport, including live HD sports broadcasts, to major US News & Sports markets. This network has been so successful it has been expanded twice since its 5-city launch in April 2005.

"This network is exceptionally reliable, providing 100 percent quality of service with extremely low latency. The solution also ensures no network oversubscription and optimal availability, which is important for transporting live HD broadcasts, and uncompressed video,"

said Del Bothof, Vice President and General Manager of Broadwing's Media Services Group.

Product development

Net Insight is a leading company in the development of network equipment for the next generation of communication services. Effective and successful research and development is crucial for Net Insight's continued successes. Net Insight's development department has an optimized process towards the customer as well as a number of tools for developing the right products for the market.

Net Insight is a development intensive company where more than half of the company's personnel work with product development. Net Insight's development department has very high technical competence where the majority of personnel have an academic background. Effective and successful research and development is crucial for Net Insight's continued successes.

Business and development processes

The most central element of Net Insight's products is the software that runs the products and has been developed gradually over the last eight years. There is a long-term plan for the development of software so that it will function efficiently in both today's products and in future products. The latest technical developments contribute to improved product characteristics and work towards making it possible for new functions to be added in an effective way. Decisions regarding what products will be developed are made jointly by product management and the development department. These decisions are documented in a "Product Road Map". This Road Map governs what products are strategically developed and in what order these products are developed.

In the development work, the development department has numerous tools for design, simulation and automatic testing of software and hardware. Net Insight has a detailed working process, which forms the basis for the development work where every step in the process is specified so that all development and quality demands can be adhered to.

In order to ensure flexible product supply, but simultaneously control risk exposure, Net Insight uses a combination of forecast and order-based production. Based on forecasts and standing orders, orders are sent to sub-contractors. After assembly of the products, they are then sent back to Net Insight to be tested before they are delivered to customers.

Customer adapted development

Net Insight's development department has an optimized process towards customers as well as a number of tools used to develop the right products for the market. The products that are to be developed are always discussed in close cooperation with customers and potential customers. This can be done through direct discussions with customers or through thorough analyses of other information, for example, offers or other published materials. Thanks to a very competent and efficient development department, Net Insight is very effective in producing and delivering in accordance with customers' demands. On every occasion during the year, customers' demands have been able to be met through the efforts of the development department, which in turn has facilitated additional business.

Quality assurance

To ensure high quality, Net Insight has introduced a number of automated tests at the system level. Each day, the latest software is tested undergoing between 10,000 and 30,000 tests. This high level of automation is unique and ensures both a very effective development process and a high level of product quality.

Future products

The product that is delivered to customers is a network switch that consists of both software and electronics. Developments within the electronics area happen extremely fast, which makes it important for Net Insight, in a controlled manner, to be able to add new products that benefit from the advances made within the electronics area. Net Insight has a continuous dialogue with prominent suppliers in the electronics area in order to be able to analyze what electronics shall form the basis for future products. Net Insight also has strategic plans for how the products will be developed, both in regard to development of individual technology areas and of the whole system. For some time now, Net Insight has studied what technology is best suited as a base for the next generation's solutions in order to be able to provide competitive products. The development of new world class products shall occur at the same time that the product families are made as efficient as possible and risks in the project are minimized.

Net Insight actively follows the developments that are made within all development areas and has a very good ability to understand what customers want and also in being able to meet their demands. Net Insight combines meeting short-term demands and fast delivery of products with long-term development of the product portfolio.

Patents

Net Insight is a leading company in the development of network equipment for the next generation of communication services. Net Insight's products and solutions have a high content of innovation where comprehensive cutting edge knowledge of the technology area is transformed into concrete customer benefits. That is why Net Insight believes in the importance of patents to hinder technological plagiarism, protect its skills and know-how, and maintain its technological advantage. Patents illustrate a company's position as a technological leader and also provide possibilities for future revenues through technology licensing to potential cooperative partners. That is why the company seeks patents on central functions in its products, with special focus on such functions that clearly create value, are able to be licensed, and/or that are expected to be included in future standards.

In regard to patents, the company has primarily focused on the American market, where applications for the majority of patents have been made. Certain patents have been applied for in several countries including Canada, China, and Japan as well as with the EPO (the joint European patent authority, which has the right to grant patents for the entire EU area). During the year, Net Insight has continued to work with refining and further developing the patent portfolio, which currently comprises 26 patent families, each and every one comprised of a patent or patent application in one or more countries. During the year, one (1) patent was granted. In the US, the company has a little less than 20 patents, 10 of which are approved patents that have been granted or will be granted. The rest consist of pending applications that are being processed. In connection with the ongoing introduction of the company's new product platform, Nimbra 680, work with patenting the latest development has been intensified. This has been done through the formulation of a number of new patent applications, which are expected to be submitted in early 2006.

Platforms and products

Net Insight's Nimbra platform consists of network switches that are optimized for cost-efficient video transfer with maximal service quality. During the past year, the portfolio has been expanded considerably, which has meant that Net Insight can address new segments.

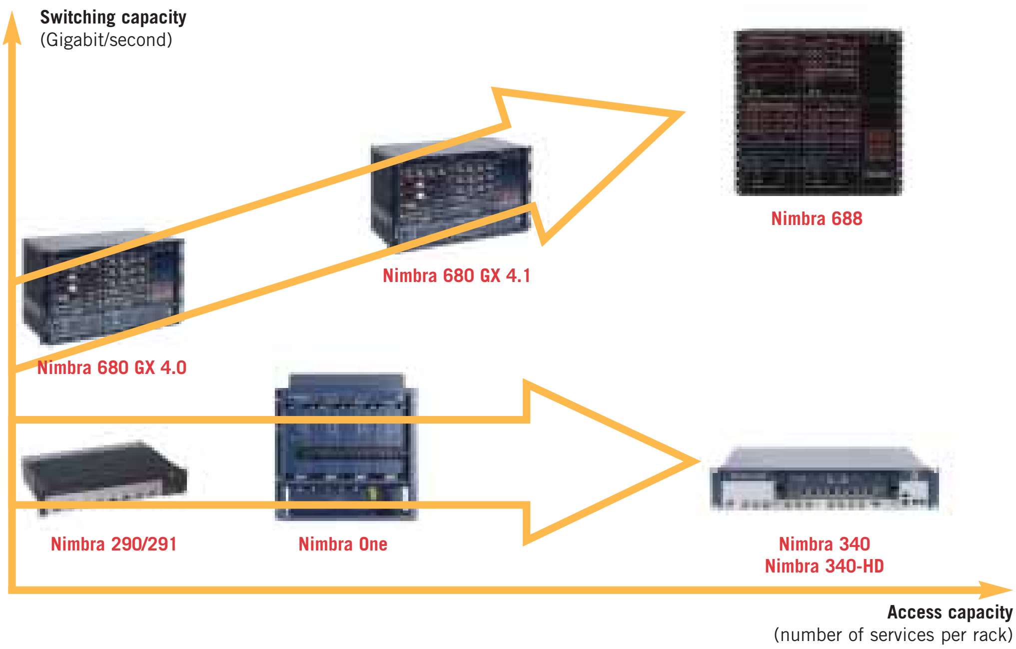
From the beginning, the Nimbra products were developed based on the vision that video would increase substantially in the network and that an efficient transport solution must be able to meet the tough demands for the real-time characteristics that video requires. Now that this vision has become a reality through the introduction of video in both fixed and mobile telephone networks, as well as increased bandwidth in professional media networks, Net Insight has a very strong position.

With the introduction of the new Nimbra 300 and 600 series during the year, the characteristics of the Nimbra platform have also broadened substantially. With Nimbra One, there was already the possibility for customers to build multi-service networks where the special video interfaces, ASI and SDI, were complemented by IP/Ethernet, PDH, and SDH services. In addition, the new products mean that Net Insight can now offer everything from cost-efficient access solutions to high capacity switches for international backbone networks. It is now possible to seriously talk about convergent network solutions where the customer can substantially reduce his costs for network operation by replacing several existing parallel networks with different kinds of services with a single multi-service network using a single platform, Nimbra.

Unique characteristics

The Nimbra products are based on a strong technological platform for the Next Generation Network (NGN), which combines the strengths of telecommunication and computer communication solutions. With the increased entry of IP/MPLS and media services in the network, it is important that operators are able to offer sufficient service quality to their end customers. Net Insight's NGN-technology supports the conversion to IP and makes video transfer using IP with maximal quality possible, at the same time that existing services are transferred more efficiently. The Nimbra platform has the following key characteristics:

- **High degree of utilization.** Resource allocation ensures service quality even with a network load of 95 percent or more. Channel broadband can be configured with high granularity and channels can be symmetrical or asymmetrical according to needs. These characteristics dramatically increase the amount of utilization traffic in the network.
- **Flexible topologies for step-by-step expansion.** All types of network topologies are supported, for example, ring, buss, point-to-point and mesh networks. This simplifies network planning and makes it possible to expand at the same rate as growth occurs. The topology can be adapted to the actual traffic matrix, which makes it possible to use resources in an economical way.
- **Signaled structure of services.** The nodes utilize a signal protocol that allows the channels to automatically find their way through the network when setup or after an interruption. When the network is expanded, the new nodes are detected automatically and the dynamic routing protocol automatically takes into consideration the new routes through the network. In this way it is easier to establish new customers and services and the operator's operating costs are minimized.
- **Secure switching with many alternatives.** The nodes' signal protocol can automatically find new ways for those services that have been interrupted, for example, in connection with a cable malfunction. The alternative ways can either be defined in advance or setup automatically with the help of signaling. Those services that require extremely fast switching can instead be configured for 1+1 protection with less than a 50 millisecond switching time. Consequently, the customer has full freedom to choose the protection mechanism that is best adapted for each individual service.



- **Multicasting.** The Nimbra platform supports the structuring of point-to-multi-point channels for all services, which provides a more efficient distribution of TV, radio and video in the network. Multicasting of Ethernet traffic makes it possible to securely broadcast hundreds of IPTV channels without affecting other traffic on the same link. Multicasting junctions can be set up with full flexibility and in any topology at all. In combination with automatic secure switching, this makes the Nimbra-platform the most scaleable multicasting solution on the market.

Development

In 2005, Net Insight developed and launched three new products; the Nimbra 340, Nimbra 340-HD and Nimbra 680. In addition, development of the Nimbra 688 was initiated. The diagram above illustrates how the product portfolio's characteristics, in the form of access and switching capacity, have been substantially broadened through the introduction of the new systems. Nimbra 340 and 340-HD are based on the Nimbra One platform and provide a more compact and cost-efficient solution for access applications. The Nimbra 680 is the first product in a whole new series of high capacity switches. The first version is a pure switch without an access interface for aggregation and central switching in the network. The Nimbra 688 also makes higher switching capacity possible and has twice as many card slots as the Nimbra 680.

Nimbra 340

The Nimbra 340 was primarily developed as an accessory product for the professional media market and has made a successful entry into the market for terrestrial digital TV (DVB-T) possible. It is also an ideal solution for smaller nodes in triple play and cable TV networks. The Nimbra 340 is based on the Nimbra One platform and has the same rich selection of cards as the Nimbra One. In addition, the Nimbra 340 has built-in ports for ASI and Gigabit Ethernet.

Nimbra 340-HD

The Nimbra 340-HD has the same characteristics as the Nimbra 340 except for the fact that the built-in ASI ports have been replaced by an HD-SDI port for the transfer of high-resolution video/HDTV. The Nimbra 340-HD is the first product on the market that makes flexible switching of HD streams in the network possible.

Nimbra 680

The Nimbra 680 is a new high capacity switch based on NGN technology and is primarily positioned for metro and backbone networks. Initially, the product had a 40 Gbps switching capacity with a 2.5 and 10 Gbps optical interface. In the second version, which will be released in 2006, 80 Gbps switching will be supported, which is approximately 10 times more than today's products. In 2006, support is also planned for IP-video and data, which will make powerful solutions for larger triple play networks possible. With its high level of performance and telecommunication functions, the Nimbra 680 will substantially increase Net Insight's chances to make sales to larger telecommunications operators and to international cable TV companies.

Organization and employees

Net Insight's objective is to become a recognized and global leading supplier of switches for fiber optic networks. Employee competence and productivity are conditions for the company's success. Attracting and maintaining key personnel, along with knowledge transfer, are important factors.

Net Insight's vision is to be a leading supplier of switches for fiber optic networks. To develop the company in line with this vision, Net Insight must continue to strengthen employee competence and productivity and also recruit new employees with the right competence and profile.

Net Insight's operation is based on more than 15-year's of research and development. The organization is strongly focused on its core operation: the development of existing and future products as well as sales, marketing and support. The development work towards new powerful products is based on extremely high specialist competence within the company. Today, 77 people are employed at Net Insight, seven of which are active in the American marketing company, Net Insight Inc. The educational level at Net Insight is very high. Approximately 80 percent of the employees have an academic background and the majority are certified engineers.

The individual in focus

Net Insight strives to offer an equal opportunity workplace that is characterized by a positive and open work environment where employees feel that they are participating in the development of the company and in achieving the established goals. Training and personal development is carried out on an ongoing basis in various work projects and also through continuing education and daily contact with demanding customers and partners. Every employee shall feel that his or her work is meaningful and clearly contributes to the success of the company. The established corporate objectives and strategies are broken down into concrete action plans at the departmental and individual levels so that connections are clear and measurable.

Net Insight applies individual salary structures and, in addition, has different components in the salary system, which in many cases, are related to efforts and results at both the corporate and individual levels.

Personnel options

The company has three outstanding personnel option programs, which were implemented in 2002, 2003 and 2004. These were introduced for the purpose of creating advantageous conditions for the company's financial success. By offering employees the possibility for future partial ownership, their commitment and interest in the company's operations and unanimity between the interests of shareholders and employees is increased. Since options are conditional upon employment, interest in the company and loyalty is stimulated. The number of shares that shall be able to be acquired with the support of personnel options in the 2004 program was determined in view of the fact that certain pre-determined profit and developmental objectives are reached at certain points in time.

Employee surveys

During the year, Net Insight carried out employee surveys for the purpose of identifying possible improvement areas within the company, and through that create an even better workplace for the company's employees. The results showed that employees are very satisfied at Net Insight and that there is strong confidence in the company's strategy. The survey also shows that approximately 80 percent of employees are very strongly motivated in their work tasks.

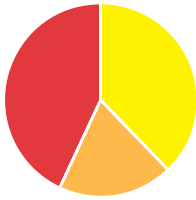
Fitness measures

Net Insight carries out fitness promotion work in order to prevent ill health over both the short-term and long-term. As a part of this work, an annual contribution of SEK 1,500 is made to employees to use for fitness activities of their choice. In addition, this work includes health-oriented training efforts such as lectures on exercise and nutrition.

Employee statistics

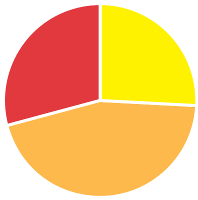
The number of employees at Net Insight as of December 31, 2005 totaled 77 (69). The average number of employees for the year was 70 (65). Personnel turnover was 8 percent. Of the employees, 14 percent are women and 86 percent are men. 51 percent of employees work within development, 33 percent work within sales, marketing and operations, and 16 percent work within management and administration. The educational level in the company is high. 79 percent of the employees have a university education and 21 percent have a high-school education. Value added per employee for 2005 totaled SEK 194.1 thousand (neg). The cost for competence development totaled SEK 3,177 per employee (2,960). Absence due to illness in Net Insight during 2005 was 2.9 percent (4.6) and health risks are negligible and no incidents were reported in 2005.

Employment time %



1-2 years 38
2-4 years 19
> 5 years 43

Age distribution %



26-35 years 26
36-45 years 45
> 45 years 29

Interview with Michael Pirrone

Michael Pirrone works for Net Insight in the US as a sales executive with responsibility for the US media industry sector, which includes developing working business relationships with broadcasters, cable networks, and other major media accounts.

How did you come into contact with Net Insight?

In 2001, Net Insight was seeking to expand their presence in the US market. Through a mutual business contact, I learned that Net Insight was looking for someone with established relationships and experience in the video services transmission business.

What did you do before joining Net Insight?

Prior to Net Insight I worked as Executive Director of National Accounts for Williams Vyvx, a unit of Williams Communications Group, where I focused on developing next generation services for broadcast customers such as CBS, ABC/Disney, NBC, Turner/CNN, CNBC, and HBO. I joined Vyvx in 1990 as a charter member of the original sales staff. During that time I helped secure the original contracts with major broadcast & cable networks along with holding numerous management positions within the sales organization throughout a ten-year period of growth. Prior to Vyvx, I was employed with ABC Television, RCA Americom, Contel ASC International, and Private Satellite Network Inc.

What are the challenges of your work?

Bridging the knowledge I acquired over a 22-year period working on the service side of the video transmission business over to the technology side has been my biggest challenge. My strengths come from both sales and operations experience supporting the operations divisions of major broadcast and cable networks. My position at Net Insight challenges me to leverage that experience with the engineering and technology experts among our customers, the service providers and some of the major networks who manage their own services. Investing in new technology is a major decision for any company in this business. My goal is to find the correct balance for a customer that offers them the best value and return on that investment, and then work together to help them realize that value.

What is most fun about your work?

Working with the many people I have known a long time and being able to introduce them to many of my associates here at Net Insight has been a rewarding experience. Being that bridge between the technical engineers and the operations managers can be a challenge, but it is also rewarding when you can see that challenge through to closure and having satisfied customers.

What is the response from customers and potential customers to Net Insight's products?

I have received extremely positive feedback from customers who have stated that they can now offer diverse services with efficient network utilization at the high demanding quality that media applications demand. Our service provider customers who have stated that they can now offer diverse services with efficient network utilization at the high demanding quality that media applications demand. Our end user customers have been very satisfied with the quality, dependability, and operating simplicity of incorporating Net Insight products into their network operations. Customer feedback is our most valuable information. It will be used to help our technical team develop new products to support changing customer needs and introduce Net Insight technology to new customers in the media business.

The Net Insight share

Net Insight's series-B share was listed on June 7, 1999 on the Stockholm Stock Exchange's O-list and since January 1, 2006 has once again been traded on the Stockholm Stock Exchange's, Attract 40-list.

Ownership structure

The number of shares in the company as of December 31, 2005 was 13,774 compared with 13,693 for the previous year. Net Insight's three founders remain the largest shareholders with approximately 2.6 percent of share capital and 10.5 percent of the voting rights. The 20 largest shareholders' share as of December 31, 2005 totaled approximately 42 percent of the share capital and 46 percent of the votes. To an increasing extent, the largest shareholders consist of major institutions and funds. Foreign ownership accounted for 31 percent of the share capital compared to 27.5 percent the previous year.

Price trends

During the year, the share price has risen by approximately 40 percent. The highest price for the financial year, SEK 2.75 was noted on September 20, 2005, and the lowest, SEK 1.41, was noted on May 11, 2005. During the year, price trends have been somewhat better than the development trend for both OMX Stockholm and companies within the technology sector (see the diagram). Net Insight's total market value totaled approximately SEK 921 million as of December 31, 2005, a very strong increase compared with the same period the previous year when the market value totaled SEK 533 million.

Trading volume

In total, around 436 million shares have traded at a combined value of nearly SEK 948 million. This is equivalent to a turnover rate of 137 percent for 2005. An average of 1.7 million shares were traded per trading day during the financial year, which is approximately 20 percent more than the previous year. In 2004, 346 million shares were traded. The average daily trading volume was 1.4 million shares.

Subscription options

In connection with the new share issue in June 2003, the company issued subscription options (Subscription options 6b) to a number of legal entities and natural persons who guaranteed the new share issue. All subscription options have now been redeemed and have brought in a total of SEK 6.6 million to the company, SEK5.4 million of which was provided to the company in 2005.

Personnel options

The company has three outstanding personnel option programs that were implemented in 2002, 2003 and 2004. The maximum dilution effect is approximately 5.5 percent of the number of shares in the company.

Share capital

During the year, Net Insight carried out a preferential share issue. At the extraordinary general meeting on June 7, it was decided to issue 72,927,315 series-B shares at an issue price of SEK 1.35. Share capital increased by SEK 2,917,093. The issue was over-subscribed without utilization of guarantees and contributed SEK 98.5 million before issue costs. Issue costs totaled SEK 11.6 million.

Share capital increased by a total of SEK 3,070,067 during the year. The number of series-A shares totals 3,600,000 and the number of series-B shares totals 364,157,010, for a total of 367,757,010 shares. In the event of full conversion of all outstanding options, the number of shares would total 395,125,510.

Dividend policy

Dividend payments will be made when the company shows a positive result for at least one connected financial year. Dividends will then be established as a certain share of the net profit. In that case, the Board of Directors will present a proposal regarding dividends that the annual general meeting will make a decision on.

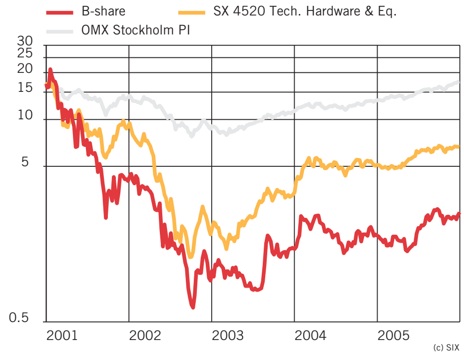
Share classes as of 31 Dec 2005

Share classes	Number of shares	Number of votes	Capital %	Votes %
A-shares	3,600,000	36,000,000	1.0	9.0
B-shares	364,157,010	364,157,010	99.0	91.0
Total	367,757,010	400,157,010	100.0	100.0

Ownership structure of Net Insight B-shares as of 31 Dec 2005

Shareholding, number shares	Proportion of number of stockholders %	Proportion of share capital %
1-1,000	38.5	0.6
1,001-10,000	40.0	6.3
10,001-50,000	15.8	14.0
50,001-100,000	2.8	8.0
100,000-	2.9	71.1
Total	100.0	100.0

Share price trends



20 largest owners as of 31 Dec 2005

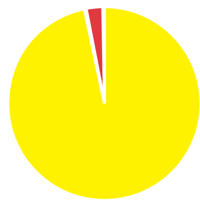
Name		A-shares	B-shares	Capital %	Votes %
1	Constellation Ventures (Bear Stearns Asset Management Fund)		38,090,051	10.4	9.5
2	Roburs fonder		21,823,185	5.9	5.5
3	JP Morgan Chase Bank		11,521,305	3.1	2.9
4	Alecta		10,811,732	2.9	2.7
5	Dexia Customer Account		10,087,117	2.7	2.5
6	EFG Private Bank SA		7,939,040	2.2	2.0
7	Banco Fonder		7,750,000	2.1	1.9
8	Nordea Bank SA		7,284,402	2.0	1.8
9	Gustavus Capital		4,930,000	1.3	1.2
10	Per Lindgren	1,200,000	2,751,490	1.1	3.7
11	Karl Otto Wikander m bolag		3,947,915	1.1	1.0
12	Lars Gauffin	1,200,000	2,524,636	1.0	3.6
13	SEB Private Bank SA		3,573,876	1.0	0.9
14	Guy Wilson Livs Aktiebolag		3,550,000	1.0	0.9
15	Mattias Westman		3,402,859	0.9	0.9
16	Länsförsäkringar Skåne		3,000,000	0.8	0.7
17	Christer Bohm	1,200,000	781,462	0.5	3.2
18	Finter Bank Zurich		1,930,850	0.5	0.5
19	Eskil Johannesson		1,750,000	0.5	0.4
20	Mariegården Investment AB		1,700,000	0.5	0.4
Total 20 largest owners		3,600,000	149,149,920	41.9	46.3
Other		0	215,007,090	58.1	53.7
Total		3,600,000	364,157,010	100.0	100.0

Total number of shares	367,757,010
Total number of votes	400,157,010

Shareholder structure, capital

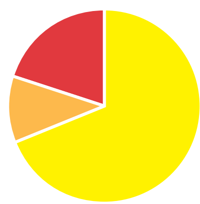
Countries	quantity
Swedish private owners	44.8
Swedish institutions and banks	14.2
Other Swedish legal entities	10.0
Foreign owners	31.0

Owner concentration %



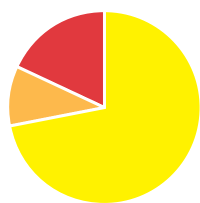
Sweden	97.0
USA	0.2
Others	2.8

Concentration, capital %



Sweden	69.0
USA	11.0
Others	20.0

Concentration, votes %



Sweden	72.0
USA	10.0
Others	18.0

Distribution of share capital

Year	Transaction	A-shares	B-shares	Number of shares	Nominal value per share (SEK)	Share capital (SEK)
1996	Formation	9,000	12,000	21,000	5.00	105,000
1997	New issue	9,000	47,000	56,000	5.00	280,000
1997	Stock dividend	9,000	47,000	56,000	15.00	840,000
1997	Split 20:1	180,000	940,000	1,120,000	0.75	840,000
1997	New issue	180,000	1,163,806	1,343,806	0.75	1,007,855
1998	Stock dividend	180,000	1,163,806	1,343,806	0.80	1,075,045
1998	Split 4:1	720,000	4,655,224	5,375,224	0.20	1,075,045
1999	New issue	720,000	5,288,274	6,008,274	0.20	1,201,655
1999	New issue	720,000	6,287,716	7,007,716	0.20	1,401,543
2000	Options redeemed	720,000	6,351,916	7,071,916	0.20	1,414,383
2000	Options redeemed	720,000	6,364,916	7,084,916	0.20	1,416,983
2000	New issue	720,000	6,931,418	7,651,418	0.20	1,530,284
2000	Options redeemed	720,000	7,025,860	7,745,860	0.20	1,549,172
2000	Split 5:1	3,600,000	35,129,300	38,729,300	0.04	1,549,172
2000	Options redeemed	3,600,000	35,689,300	39,289,300	0.04	1,571,572
2001	New issue	3,600,000	51,405,020	55,005,020	0.04	2,200,201
2001	New issue	3,600,000	55,155,020	58,755,020	0.04	2,350,201
2002	New issue	3,600,000	65,155,020	68,755,020	0.04	2,750,201
2002	New issue	3,600,000	133,910,040	137,510,040	0.04	5,500,402
2003	New issue	3,600,000	179,746,720	183,346,720	0.04	7,333,869
2003	New issue	3,600,000	225,583,400	229,183,400	0.04	9,167,336
2003	New issue	3,600,000	253,083,400	256,683,400	0.04	10,267,336
2004	New issue	3,600,000	284,083,400	287,683,400	0.04	11,507,336
2004	New issue	3,600,000	286,583,400	290,183,400	0.04	11,607,336
2004	Options redeemed	3,600,000	287,405,345	291,005,345	0.04	11,640,214
2005	New issue	3,600,000	360,332,660	363,932,660	0.04	14,557,306
2005	Options redeemed	3,600,000	364,157,010	367,757,010	0.04	14,710,280

Five Year Summary

In SEK millions unless stated

Income statement	**2005**	**2004[1]**	**2003[2]**	**2002[2]**	**2001[2]**
Net sales	90.9	40.5	34.6	33.7	21.5
Operating earnings	-60.8	-84.2	-81.3	-123.8	-266.4
Earnings after financial items	-59.6	-82.4	-80.4	-121.8	-260.2
Earnings for the year	**-59.6**	**-82.4**	**-80.4**	**-121.8**	**-260.2**

Balance sheet	**2005**	**2004[1]**	**2003[2]**	**2002[2]**	**2001[2]**
Fixed assets	49.0	27.8	16.0	12.9	2.0
Current assets	141.6	116.2	133.1	112.6	103.3
Total assets	**190.6**	**144.0**	**149.1**	**125.5**	**105.3**
Shareholders' equity	147.7	114.7	126.7	100.1	73.4
Short-term liabilities	42.9	29.3	22.4	25.4	31.9
Total shareholders' equity and liabilities	**190.6**	**144.0**	**149.1**	**125.5**	**105.3**

Key ratio	**2005**	**2004[1]**	**2003[2]**	**2002[2]**	**2001[2]**
Gross margin, %	63	60	56	49	53
Investments	39.5	17.3	9.8	13,9	0.8
Return on working capital	Neg.	Neg.	Neg.	Neg.	Neg.
Return on shareholders' equity	Neg.	Neg.	Neg.	Neg.	Neg.
Profit margin, %	Neg.	Neg.	Neg.	Neg.	Neg.
Earnings/share before dilution, SEK	-0.17	-0.29	-0.49	-0.89	-4.43
Earnings/share after dilution, SEK	-0.17	-0.29	-0.49	-0.89	-4.43
Dividend/share	E/t	E/t	E/t	E/t	E/t
Cash flow/share, SEK	-0.10	-0.24	-0.31	-0.88	-4.89
Equity ration, %	77	80	85	80	70
Shareholders' equity/share before dilution, SEK	0.40	0.39	0.49	0.73	1.25
Net asset value/share, SEK	0.40	0.39	0.49	0.73	1.25
Number of employees as of 31 December	77	69	61	81	108
Share price as of 31 December	2.53	1.86	1.55	0.94	5.70
Number or shares as of 31 December	367,757,010	291,005,345	256,683,400	137,510,040	58,755,020

N/A=Not Applicable

1) Includes reclassifications made in conjunction with conversion to IFRS

2) Not restated according to IFRS

Definitions

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

Return on working capital
Operating profit/loss (before financial income/expenses) as a percentage of average working capital.

Gross margin
Gross earnings as a percentage of net sales.

Shareholders' equity/share before dilution Shareholder
Shareholders' equity divided by the number of shares at the accounting year-end.

Cash flow/share
Cash flow from the ongoing business before change in working capital divided by the number of shares at the accounting year-end.

Earnings/share after dilution
Result for year divided by the average number of shares during the year (see also Accounting principles).

Earnings/share before dilution
Result for year divided by the average number of shares during the year.

Equity ratio
Shareholder's equity divided by the balance sheet total.

Net asset value/share
Shareholders' equity plus undisclosed reserves in assets with an objective market value minus deferred taxes divided by the number of shares at the accounting year-end.

Profit margin
Net profit as a percentage of net sales.

Administration Report

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

EVENTS DURING THE YEAR

Sales

Net Insight's sales during the year totaled SEK 90.9 million (40.5), achieving the greatest volume in the segment for the professional media industry. Growth is mainly driven by increases in both the number of customers and order values. The Company experiences an increase in demand of software, support, service and training which amounts to approximately 10% of total revenue for the year. Moreover, the development in several European countries in going from analogue to digital TV networks (DVB-T) is favorable to Net Insight. During the year the Nimbra 340 was launched, which is an access switch for efficient aggregation data and video services and perfectly suitable for DVB-T networks.

At the beginning of the year Net Insight received an order for about SEK 13 million from US media operator Broadwing. Broadwing teamed up with Intelsat, one of the world's biggest satellite companies, and Hughes Television Networks (HTN), a provider of digital services to TV and cable companies that broadcasts sports in order to deliver new services to broadcasters. Broadwing, Intelsat and HTN have interconnected their North American fiber networks to create an extensive distribution network for major US sports venues. During the year Broadwing placed a number of additional orders and its media network now covers 44 cities.

Net Insight received an order from Labs2 in February for a Scandinavian media network for distribution of TV, HDTV, Video-on-Demand, voice and data services. In March, Net Insight landed a deal for a Digital Terrestrial Television (DVB-T) network from Finnish TV and radio operator Digita. Also in March, Telenor Satellite Services AS, division Telenor Satellite Broadcasting, chose Net Insight's equipment to build a terrestrial European media network. The network will be used to transport data and video between a number of major European cities.

Net Insight received another order regarding a digital terrestrial TV network (DVB-T) in April from Broadcast Service Danmark with an order value of above SEK 10 million to provide the entire Danish population with digital TV in 2006. The network uses Net Insight's Nimbra platform to bring the TV signals from national and regional broadcasters via optical fiber and microwave links to the transmitter masts located all over Denmark. Furthermore during April, Net Insight received an order to deliver equipment for a media network to German postproduction company VCC Perfect Pictures. The network enables a fast, cost-effective professional video transport solution. Versatel, a leading European telecom operator, and Dutch broadcasting operator NOB ordered a new national media network in June. The network connects all major football stadiums in the Netherlands for live coverage of football and other sports events and transports the video streams to Versatel's triple play customers.

In June Net Insight signed a contract with SAVVIS, a global service provider of integrated IT infrastructure, for building a new core network in the US. The order value was SEK 35 million and with planned deliveries during 2006. Due to changes in the customer's planning, a discussion regarding a restructuring of the agreement has been initiated which could negatively impact the timing and the scope of deliveries.

In July, Net Insight received an additional order from the Swedish Space Corporation for more equipment to be used for distribution of IPTV, as well as for contribution and distribution of professional video. Furthermore, Net Insight received an order in August from ZDF, Germany's largest broadcaster, for equipment to build a media network between several large German cities. Net Insight also received several additional orders from a European network operator for a build-out of an international media network.

Net Insight received its first order for the Nimbra 340 with HD-SDI interface, a product that can transport uncompressed HDTV over fiber networks. Net Insight also received an order from a large Asian media operator for equipment that transports TV signals between two countries in Asia. This order represents Net Insight's entry into the Asian market.

In November Net Insight received its first order from BCE/RTL Group for a media network in Europe. BCE/RTL Group is a provider of TV, radio, IT, and telecommunication services to the European media industry.

In December a European broadcaster ordered a new national media network for transporting content and distribution of video, voice and data services between several cities. Additionally, Net Insight received an order from a new customer in December who is a leading international media operator for a network that will transport real-time critical video between three major European broadcast centers.

Several of Net Insight's existing customers in Europe and the US, mainly within the professional media industry, placed add-on orders for network build outs during the year for hardware, software, support, and service. The installed base is now generating an increasing inflow of business to Net Insight.

Partnerships

Net Insight signed a strategic alliance agreement with US-based systems integrator Charles Industries Ltd, a leading supplier of telecommunications access and transmission technologies. In addition, Net Insight entered into a partnership with Simac Broadcast, an international systems integrator specializing in video-rich network applications such as broadcasting, triple play, and digital terrestrial TV networks (DVB-T). Simac Broadcast, which has a large customer base in the EMEA and Southeast Asia, can now provide broadcasters and network operators with complete end-to-end solutions for digital terrestrial TV, triple play and broadcast networks. Furthermore, Net Insight entered a reseller agreement with SAV, a French company specialized in designing, engineering and supplying video equipment to the broadcast market.

Net Insight signed four new agreements with resellers in Southeast Asia. The new agreements span the region, including key countries such as South Korea, Taiwan, Singapore, Australia, New Zealand, Malaysia and Indonesia. These companies will market Net Insight's products for broadcast TV, cable TV, digital terrestrial broadcast TV (DVB-T and DVB-H), and telecoms. The agreements include firms based in Asia such as Alphatron Asia Pte Ltd. in Singapore, Sanam Technology Inc. in Korea, Synchronous Communication Corp in Taiwan and Techtel Pty Ltd. in Australia. Net Insight also signed an agreement with Polish IT Company Computerland, which will market Net Insight's products in Eastern Europe, especially in Poland, the Baltic States, Ukraine and Russia.

Exhibitions and events

Net Insight participated at a number of trade shows during the year in Europe, US and Asia. One of the larger trade shows where Net Insight participated was the media show NAB 2005, National

Association of Broadcasters, in Las Vegas, where approximately 1,200 companies in the professional media industry were exhibiting. Furthermore, Net Insight participated at the European equivalent of NAB, the International Broadcasting Convention (IBC), that covers all key areas of the electronic media business, including audio, cable, film, Internet, production, postproduction, radio, satellite, and transmission.

Annual General Meeting

At the Annual General Meeting on March 17, the following board members were re-elected: Lars Berg, Bernt Magnusson, Birgitta Stymne Göransson, Bo Dimert, Clifford H. Friedman and Raimo Lindgren. At the statutory board meeting after the general meeting, the Board resolved to re-elect Lars Berg as Chairman. The Meeting determined that Directors' fees should amount to SEK 765,000. The Chairman's fee is SEK 250,000 and the remaining SEK 500,000 will be allocated to the five board members. Auditors' fees will be as per account.

Extraordinary General Meeting

The Extraordinary General meeting passed a resolution on June 7, 2005 approving the May 3 Board of Directors decision to issue shares with preferential rights for the company's shareholders. Every block of four (4) existing shares, regardless of class, would grant entitlement to subscribe for one (1) new class B share at an issue price of SEK 1.35 per share. Net Insight issued 72,927,315 new class B shares in conjunction with full subscription for the guaranteed issue. The General Meeting also resolved that the Articles of Association should be amended such that (i) the share capital comprises a minimum of SEK 10,000,000 and a maximum of SEK 40,000,000, and (ii) a maximum of 400,000,000 class A and 1,000,000,000 class B shares may be issued. The rights issue was heavily oversubscribed without utilizing the guarantees and brought 98.5 MSEK to the company. Total cost for the share issue amounted to SEK 11.6 million. Share capital has increased during the year by a total of SEK 3,070,067 as a result of the new share issue, the number of Class A shares is 3,600,000 and the number of Class B shares is 364,157,010.

Organization

On August 1 Net Insight hired Mahmud Noormohamed as Vice President Business Development for North America. Mahmud has more than 20 years of experience in the IT sector. Most recently he was Vice President Solutions at British Telecom North America where he developed new customer accounts and developed and managed strategic partnerships. Mahmud is a member of the Executive Management Team of Net Insight.

The company applies salary rates that consist of a fixed portion and a flexible portion. The flexible portion of the salary package always has a ceiling and is based on a combination of sales, profit and activity goals. Over and above this, the personnel participate in three staff option programs issued in 2002, 2003 and 2004. A more detailed explanation is given in Note 7 under Accounting Principles and Notes. The philosophy of the Board and management is that other than salaries, staff option programs based on achieving set goals are the most motivating and cost-effective form of compensation.

Research and development

Research and development focuses on developing market-leading products for customer groups with great demand. During the first quarter Net Insight completed development of the new platform Nimbra 340, an excellent entry product and cost-effective platform that can be placed farther out in the network.

Net Insight also continued development during the year of its next generation products, Nimbra 680 and Nimbra 688. With these products, Net Insight will have greater potential to reach a significantly wider market, both geographically and in terms of segments and customers. The platforms are also well suited for high capacity networks in the development of network equipment for the next generation's communication services. The Nimbra 680 is going through successful testing and is confirmed to be available for delivery in the beginning of the second quarter of 2006.

In September Net Insight launched the Nimbra 340-HD (High Definition), a switched multi-service access solution for live broadcasts plus studio production and contribution. The Nimbra 340-HD allows broadcasters to distribute uncompressed HD in a wide range of content services from live sports broadcasting over HDTV to studio production video and studio-to-studio or arena-to-studio contribution. Furthermore Net Insight announced the introduction of a high density 8-port DVB-ASI Transport Access Module that enables digital multimedia transport in broadcast, distribution and contribution networks. The 8x ASI Transport Access Module will be ready for delivery during the first quarter of 2006.

Patents

Net Insight's products and solutions have a highly innovative content, where extensive knowledge on the leading edge of technology is converted into concrete customer benefit. Net Insight therefore considers it important to use patents to prevent technology plagiarism, protect its knowledge and know-how, and retain its technological lead. Over the year Net Insight continued to work on refining and further developing its portfolio, which as of December 31, 2005, included 26 families of patents, each involving patents or patent applications in one or more countries. During the year, one (1) more patent has been added to the portfolio.

IT

Net Insight's IT environment mainly consists of PC-based systems using several different operating systems, such as Windows and UNIX (mainly Linux). The Company built its network environment using switched 100 Mbps Ethernet and its Internet connection is protected by a firewall. Net Insight uses VPN over the Internet when people need to work outside the office. The Company uses the Maconomy business system for orders, inventory and invoice management. Net Insight did not make any investments in new systems during the year, but it replaced some computer equipment and upgraded some existing computers. Total IT investments during the year amounted to 561 TSEK (541).

MARKET-RELATED RISKS

The economic climate

Over the year Net Insight experienced increased interest in its products, mainly because of its references. However, sales cycles continue to be drawn out, which means it takes longer to achieve established goals. Global economic developments affect the general willingness to invest among Net Insight's customers and potential customers, which could result in orders not being made, withdrawn or postponed. A weakened economy could therefore have a negative impact on the Company's business. Therefore, an important strategy is to offer solutions that permit operators to reduce the operating costs of their networks and at the same time to offer services with more enhanced content, which in total will permit operators to have a faster rate of repayment.

The capital market

As a listed company, Net Insight is dependent on the capital market in order to develop and commercialize its products. The Company continually focuses on keeping costs down in order to minimize capital requirements and to facilitate positive cash flow and earnings.

EARNINGS TREND

Consolidated net sales totaled SEK 90.9 million (40.5). Total costs were SEK 117.9 million (108.9). The Company has maintained a stable gross margin, 63% (60) for the full year. Sales have more than doubled during the year and losses are narrowing. However due to higher spending on product development of the Nimbra 680 and Nimbra 340, the result does not fully reflect the strong development in sales. Development costs amounted to SEK 53.8 million (44.5) during the year. Consolidated operating loss amounted to SEK -60.8 million (-84.2) and loss after financial items was SEK -59.6 million (-82.4). The financial net amounted to SEK 1.1 million (1.8).

Staff

As of 31 December 2005 Net Insight had 77 (69) employees of which the Parent Company Net Insight AB had 70 (64) employees and the US subsidiary Net Insight Inc. had 7 (5) employees. Net Insight's three founders have been employed by the Company since the beginning of 1997.

Liquidity and financing

During the year the Company successfully raised SEK 98.5 million (prior to issue costs) in a fully subscribed rights issue. Share issue expenses totaled SEK 11.6 million. At year-end, Group liquid funds amounted to SEK 92.9 million (74.9). In connection with the share issue in June 2003 the Company issued warrants

(Warrant 6b) to a number of legal entities and individuals which guaranteed that share issue. All of the warrants have now been redeemed and will in total bring SEK 6.6 million to the Company of which SEK 5.4 million was collected during 2005.

Investments
Investment in equipment totaled SEK 570 thousand (61). Investment in development costs totaled SEK 39.6 million (17.3) and at year-end, net book value for capitalized development costs amounted to SEK 43.6 million (22.6). These costs are reported as intangible fixed assets.

IFRS
The effects of the transition to IFRS are aggregated and explained in Note 31.

Swedish Code of Corporate Governance
The Swedish Code of Corporate Governance ("the Code") was published on December 16, 2004. Based on self-governance in accordance with the principle of "comply or explain", the code mainly addresses key processes guiding the Annual General Meeting, the Board and Executive management as well as the coordination between these bodies. The Code includes rules and guidelines about the composition of the Board and auditors, the Board's responsibility for internal control, the process for determining remuneration to executive management and about the annual general meeting. Formally all companies with a market capitalization of more than SEK 3 billion (as of May 31 each year) must follow the Swedish Code of Corporate Governance, which also becomes part of the Company's contract with the Stockholm Stock Exchange.

Net Insight follows the development within the area of Corporate Governance actively. Net Insight has structures and routines in place for governing the Company. Going forward, Net Insight has the stated ambition to apply all relevant parts of the Swedish Code of Corporate Governance but will not formally adopt the Code as a whole.

SIGNIFICANT EVENTS AFTER END OF PERIOD

Net Insight's technology key in broadcasting the 2006 Winter Olympic Games
The majority of all main and country special TV feeds from the Winter Olympics are brought to the European public TV-broadcasters over the European Broadcast Union's (EBU) fibre network. As EBU's network is based on Net Insight's Nimbra technology and with millions of TV viewers all over Europe, this is a true confirmation that Net Insight's solution delivers quality and reliability during events where 100% quality of service is required.

Sales
In January Net Insight received an order from a European media operator for the Nimbra 340-HD platform for a media network in Europe. The network, which will be built between a few cities, will transport uncompressed HDTV streams, SDI and data services. Net Insight also received an order in January from a new customer, media operator Nexion, for equipment based on Net Insight's Nimbra platform. The equipment will be used to transport real-time critical video between New York and London.

New CEO appointed
In January Net Insight announced that the Board appointed Fredrik Trägårdh as new CEO since current CEO Tomas Duffy will take the position as CEO of Teligent AB. Fredrik Trägårdh has held the position as CFO at Net Insight and will take the position as CEO as of February 17, 2006. Simultaneously, Anders Persson was appointed Executive Vice President including continued responsibility for technical development.

OUTLOOK

Net Insight continues to focus mainly on three market segments, with the highest priority on the professional media industry. Professional media includes networks for broadcasting companies, and satellite operators, as well as the market for DVB-T (Digital Terrestrial Television). Net Insight is also active in the segments for triple play and core networks (transport and backbone networks), where customers are mainly cable TV and telecom operators.

Net Insight currently has a strong foothold in the professional media industry with a high success rate for recently installed media networks. Net Insight's customers are investing more in future services to develop their businesses and the Company is seeing an increase in average order sizes. Moreover, the deregulation and switch-off of analog networks is driving demand for digital terrestrial TV networks (DVB-T or DTT) in Europe and Asia, which benefits Net Insight.

Net Insight's new high capacity switch Nimbra 680 is highly efficient both from a price and operational point of view and is very well suited for high capacity networks. Net Insight continues to work on potential partners to be able to offer complete end-to-end solutions to the customer. In the professional media segment Net Insight has the possibility to win significant business either together with its established partners or on its own. In the triple play segment Net Insight has established solution partners that enable the Company to effectively bid for triple play projects, however in the larger triple play rollouts, a strong regional or global partner is needed to be part of the deal. Net Insight remains committed that it will establish a successful partnership in order to win triple play business in the future.

Another huge market segment is core networks, where the Nimbra 680 and Nimbra 688 are well positioned and developed to complement existing products. The core networks market is highly competitive but offers considerable growth opportunities to Net Insight.

The Board does not intend to make any specific earnings forecast, but is focusing instead on providing carefully considered indicators. The Board believes that the Company will increase both sales and financial results substantially in 2006, however sales can fluctuate substantially between the quarters due to the sales processes of larger systems.

DIVIDEND

The Board will consider a dividend when the company demonstrates positive earnings for at least one continuous financial year. At that time the Board will decide on a dividend based on a specific percentage of net profit. When the time comes, the Board will propose a dividend about which the Annual General Meeting will take a decision. The Board proposes that the AGM resolve that no dividend be paid for the financial year 2005.

PROPOSAL FOR ALLOCATION OF LOSS

The Board and the CEO propose that the accumulated loss, SEK -68,536,129, shall be allocated as follows:

Accumulated loss	SEK 0
Loss for the year	SEK -68,536,129
Total	SEK -68,536,129
Adjustment against legal reserve	SEK -68,536,129

Regarding the result and position of the Group and Parent Company in general, please see the accompanying balance sheet, profit and loss account and cash flow analyses with accompanying notes on page 28-38.

The income statement and balance sheet will be submitted to the Annual General Meeting on 3 April 2006 for adoption.

Stockholm, 16 Februari 2006.

Lars Berg *Chairman of the Board*	Tomas Duffy *Chief Executive Officer*
Bo Dimert	Clifford H Friedman
Birgitta Stymne Göransson	Raimo Lindgren
Bernt Magnusson	

Our audit report was presented 28 Februari 2006.

Marcus Johansson	Bertil Johanson

Consilidated Income Statement

Amount in SEK thousands	NOTE	2005	2004
Net Sales	5	90,888	40,503
Cost of goods sold	24	-33,741	-16,147
Gross earnings		**57,147**	**24,356**
Marketing expenses	7,9,10,24	-45,215	-45,847
Administration expenses	7,9,10,24,25	-18,919	-18,260
Development expenses	7,8,9,10,24	-53,780	-44,467
Operating earnings	6	**-60,767**	**-84,218**
Result from financial investments			
Financial income	11	1,153	1,860
Financial expenses	12	-14	-14
Result from financial investments		**1,139**	**1,846**
Loss before tax		**-59,628**	**-82,372**
Tax	28	0	0
Net earnings		**-59,628**	**-82,372**
Earnings per share	13	**-0.17**	**-0.29**
Earnings per share after dillution	13	**-0.17**	**-0.29**

The results in its entirety is attributable to the parent company's shareholders.

Consilidated Balance Sheet

Amount in SEK thousands	NOTE	31 dec 2005	31 dec 2004
ASSETS			
Intangible fixed assets	14		
Capitalized expenditure for development		43,645	22,637
Goodwill		4,354	4,354
Tangible fixed assets	15		
Equipment		953	816
Total fixed assets		**48,952**	**27,807**
Current assets			
Work in progress	17	0	1,058
Finished goods	17	13,861	21,319
Customers receivables	18	27,324	13,353
Other receivables	18	3,618	2,873
Prepaid expenses and accrued income	18	3,886	2,714
Liquid assets	19	92,919	74,900
Total current assets		**141,608**	**116,217**
Total assets		**190,560**	**144,024**
LIABILITIES AND SHAREHOLDERS´ EQUITIY			
Shareholders´ equity	20		
Share capital		14,710	11,607
Shares not registered		0	33
Restricted reserves		1,141,839	1,052,246
Relocation between restricted reserve and accumulated deficit		-634	-595
Net earnings		-1,008,221	-948,592
Total shareholders´ equity		**147,694**	**114,699**
Long term liabilities			
Guarantee provisions	21	2,000	0
Total provisions		**2,000**	**0**
Current liabilities			
Other provisions	21	5,200	2,300
Accounts payable		15,118	12,736
Other liabilities	22	2,425	2,270
Accrued expenses	23	18,123	12,019
Total liabilities		**40,866**	**29,325**
Total liabilities and shareholders´ equity		**190,560**	**144,024**
Pledged assets	27	**1,316**	**3,600**
Contingent liabilities		**None**	**None**

Consilidated Cash Flow Statement

Amount in SEK thousands	NOTE	2005	2004
Ongoing operations			
Loss before tax		-59,629	-82,372
Adjustment for interest expense	12	14	14
Adjustment for interest income	11	-1,153	-1,860
Depreciation	9	17,015	10,476
Other items not affecting liquidity	29	7,242	2,478
Interest received	11	1,153	1,860
Interest paid	12	-14	-14
Cash flow from ongoing operations		**-35,372**	**-69,418**
Change in working capital			
Decrease/increase in inventories		8,516	-32
Increase in receivables		-15,888	13,600
Inrcrease in current liabilities		8,641	4,548
Cash flow from ongoing operations		**-34,103**	**-51,302**
INVESTMENT ACTIVITY			
Acquisitions of intangible assets	14	-39,563	-17,266
Acquisitions of tangible fixed assets	15	-570	-61
Cash flow from investment activity		**-40,133**	**-17,327**
FINANCING ACTIVITY			
Acquisition of subsidiaries through non-cash issues	30	0	84
Warrants programs/new issues		92,255	65,201
Cash flow from financing activity		**92,255**	**65,285**
Increase/decrease in liquid funds	26,27	18,019	-3,344
Liquid funds, opening balance	26,27	74,900	78,244
Liquid funds, closing balance		**92,919**	**74,900**

Changes in group shareholders' equity

Amount in SEK thousand	Share capital	Other contributed capital	Translation difference	Accumulated deficit	Total shareholders' equity
04-01-01	10,267	983,159	-515	-866,220	126,691
Translation difference for the period			-80		-80
Total transactions reported directly in shareholders' equity			-80		-80
Net earnings				-82,372	-82,372
			-80	-82,372	-82,452
Personnel option program: value of employees' services- IFRS adjustment		258			258
New share issue	1,240	63,860			65,100
Costs for new share issue		-1,131			-1,131
Non-cash issue	100	4,900			5,000
Not registered share capital	33	1,200			1,233
04-12-31	11,640	1,052,246	-595	-948,592	114,699
05-01-01	11,640	1,052,246	-595	-948,592	114,699
Translation difference for the period			-39		-39
Total transactions reported directly in shareholders' equity			-39		-39
Net earnings				-59,629	-59,629
			-39	-59,629	-59,668
Personnel option program: value of employees' services		408			408
New share issue	3,070	100,806			103,876
Costs for new share issue		-11,621			-11,621
05-12-31	14,710	1,141,839	-634	-1,008,221	147,694

Parent Company Income Statement

Amount in SEK thousands	NOTE	2005	2004
Net Sales	5	121,915	43,458
Cost of goods sold	24	-56,248	-18,441
Gross earnings		**65,667**	**25,017**
Marketing expenses	7,9,10,24	-43,315	-44,169
Administration expenses	7,9,10,24,25	-37,123	-25,981
Development expenses	7,8,9,10,24	-38,055	-38,129
Operating earnings	6	**-52,826**	**-83,262**
Result from financial investments			
Impairment loss on shares in subsidiaries	12	-5,000	0
Result percentage from partnership	12	-10,577	-832
Financial income	11	1,117	2,221
Financial expenses	12	-1,250	-14
Result from financial investments		**-15,710**	**1,375**
Loss before tax		**-68,536**	**-81,887**
Tax	28	0	0
Net earnings		**-68,536**	**-81,887**

Parent company Balance Sheet

Amount in SEK thousands	NOTE	31 dec 2005	31 dec 2004
ASSETS			
Intangible fixed assets	14		
Capitalized expenditure for development		35,193	2,861
Tangible fixed assets	15		
Equipment		633	349
Financial fixed assets			
Shares in group companies	16	7,413	14,445
Total tangible fixed assets		**43,239**	**17,655**
Current assets			
Work in progress	17	0	1,058
Finished goods	17	13,861	21,319
Customers receivables	18	27,324	13,353
Other receivables	18	3,514	2,677
Prepaid expenses and accrued income	18	3,861	2,714
Liquid assets	19	91,894	73,668
Total current assets		**140,454**	**114,789**
TOTAL ASSETS		**183,693**	**132,444**
LIABILITIES AND SHAREHOLDERS´ EQUITIY			
Shareholders´ equity	20		
Restricted equity			
Share capital		14,710	11,607
Shares not registered		0	33
Share premium reserve		0	170,541
Legal reserve		189,867	0
Accumulated deficit			
Net earnings		-68,536	-81,887
Total shareholders´ equity		**136,041**	**100,294**
Long term liabilities			
Guarantee provisions	21	2,000	0
Total provisions		**2,000**	**0**
Current liabilities			
Other provisions	21	5,200	2,300
Accounts payable		15,118	12,735
Liabilities, subsidaries		5,923	3,671
Other liabilities	22	2,425	2,270
Accrued expenses	23	16,986	11,174
Total liabilities		**45,652**	**32,150**
TOTAL LIABILITIES AND SHAREHOLDERS´ EQUITY		**183,693**	**132,444**
Pledged assets	27	**1,316**	**3,600**
Contingent liabilities		**Inga**	**Inga**

Parent company Cash Flow Statement

Amount in SEK thousands	NOTE	2005	2004
Ongoing operations			
Loss before tax		**-68,536**	**-81,887**
Adjustment for interest expense	11	-1,116	-1,847
Adjustment for interest income	12	14	14
Depreciation	9	7,518	800
Other items not affecting liquidity	29	22,122	2,758
Interest received	11	1,116	1,847
Interest paid	12	-14	-14
"Cash flow from ongoing operations before change in working capital"		**-38,896**	**-78,329**
Change in working capital			
Increase-/decrease+ in inventories		8,516	-32
Increase-/decrease+ in receivables		-15,955	13,732
Increase-/decrease+ in current liabilities		9,366	5,452
Cash flow from ongoing operations		**-36,969**	**-59,117**
INVESTMENT ACTIVITY			
Acquisitions of intangible assets	14	-39,564	-9,488
Acquisitions of tangible fixed assets	15	-570	-61
Net investment in subsidiaries		-8,547	-832
Sale of tangible fixed assets		0	0
Cash flow from investment activity		**-48,681**	**-10,381**
FINANCING ACTIVITY			
Warrants programs/new issues		103,876	66,338
Cash flow from financing activity		**103,876**	**66,338**
Increase/decrease in liquid funds	26,27	18,226	-3,220
Liquid funds, opening balance	26,27	73,668	76,888
Liquid funds, closing balance		**91,894**	**73,668**

Changes in parent company shareholders' equity

Amount in SEK thousand	Share capital	Share premium reserve	Legal reserve	Net income for the year	Shareholders' equity
04-01-01	10,267	194,531	0	-93,951	110,847
Disposition of the result for the year		-93,951		93,951	
New share issue	1,240	63,860			65,100
Non-cash issue	100	4,900			5,000
Not registered share capital	33	1,200			1,233
Net earnings				-81,887	-81,887
04-12-31	11,640	170,540	0	-81,887	100,293
05-01-01	11,640	170,540	0	-81,887	100,293
Transfer of the share premium reserve to the statutory reserve		-170,540	170,540		0
Disposition of the result for the year			-81,887	81,887	0
Personnel option program: value of employees' services			408		408
New share issue	3,070		100,806		103,876
Net earnings				-68,536	-68,536
05-12-31	14,710	0	189,867	-68,536	136,041

Accounting principles and notes

Note 1 General information

Net Insight develops and sells network equipment for fiber optic networks for the transfer of voice, data and video. With the Nimbra™ product family, traffic over the network is transferred with 100% Quality of Service at the same time that the network's capacity is maximally utilized, which leads to major savings in both operation and investment costs for customers. The company's sales are made primarily in North America, Europe and Asia and the customers are television companies, production companies, and cable-TV and telecommunications operators. Net Insight was founded in 1997 and has 77 employees in Sweden and the United States and has been listed on the Stockholm Stock Exchange's O-list since 1999.

Note 2 Summary of important accounting principles

The most important accounting principles, which have been applied when this annual report was prepared, are stated below. Unless stated otherwise, these principles have been applied consistently for all years that are presented,

2.1 Basis for the preparation of the report

The consolidated financial statements have been established in accordance with the Annual Accounts Act, International Financial Reporting Standards (IFRS) and also interpretation statements from the International Financial Reporting Interpretations Committee (IFRIC), which have been adopted by the EU Commission. The consolidated financial statements are also covered by IFRS 1 First time adoption" as this is the first consolidated financial statements that have been established in accordance with the International Financial Reporting Standards adopted by the EU Commission. In addition, the Swedish Financial Standards Council's recommendation, RR 30, complementing the consolidated reporting rules, has been applied.

The annual report for the parent company has been prepared in accordance with RR 32 as well as the Accounting Act. The most important accounting principles that were applied when these consolidated financial statements were prepared are stated below. Unless stated otherwise, these principles have been applied consistently for all years that are presented,

Pending IFRS-directives and interpretations, which have been published but have not yet taken effect, and which Net Insight has not yet applied, are reported below.

IAS 1 Amendment – Presentation of financial statements: Capital disclosures (The amendment to the standards has been adopted by the EU Commission). The amendment will take effect as of January 1, 2007. Currently, this amendment is not expected to affect Net Insight.

Amendment to IAS 19 Employee benefits (The amendment to the standards has been adopted by the EU Commission). IAS 19 was changed in December 2004. The changes are applicable to financial years that begin after January 1, 2006. These changes are not expected to affect Net Insight.

Amendment to IAS 21 Effects of changed exchange rates (The amendment in the standards has not been adopted by the EU Commission). IAS 21 was changed in December 2005. The changes are applicable to financial years that begin after January 1, 2006. Currently, these changes are not expected to affect Net Insight.

IAS 39 Amendment – The fair value option (This amendment to the standards has been adopted by the EU Commission). An amendment to IAS 39 was issued in June 2005 regarding the fair value option. This amendment will apply beginning on January 1, 2006. Net Insight is of the opinion that this amendment will not affect the company's profit/loss and position.

IAS 39 Amendment – Cash Flow Hedge Accounting of Forecast Intragroup Transactions (This amendment to the standards has not been adopted by the EU Commission). An amendment to IAS 39 was issued in April 2005 in regard to cash flow hedge accounting of forecast intragroup transactions. This amendment will apply beginning on January 1, 2006. Net Insight is of the opinion that this amendment will not affect the company's profit/loss and position.

IAS 39 and IFRS 4 Amendment Financial Guarantees (These amendments to the standards have been adopted by the EU Commission). The standards take effect as of January 1, 2006 and are not applicable to Net Insight.

IFRS 1 and IFRS 6 Amendments. These amendments are applicable in the event that a company chooses to apply IFRS 6 prior to January 1, 2006. The amendments are not applicable to Net Insight. (These amendments to the standards have been adopted by the EU Commission).

IFRS 6 Prospecting and valuation of mineral assets (This standard has been adopted by the EU Commission). The standard takes effect as of January 1, 2006 and has been assessed not applicable for Net Insight.

IFRS 7 Financial Instruments: Disclosures (The standard has been adopted by the EU Commission). This standard will affect disclosures regarding financial instruments. The standard will apply beginning on January 1, 2007.

IFRIC 4 Establishment of whether a contract includes a leasing agreement (Then statement has been adopted by the EU Commission). IFRIC 4 is applicable to financial years that begin after January 1, 2006. Net Insight's assessment is that the introduction of IFRIC 4 will not affect accounting for any of the company's current contracts.

IFRIC 5 Rights to interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds (This statement has been adopted by the EU Commission). This statement is not applicable to Net Insight.

IFRIC 6 Liabilities that arise due to participation in a specific market (This statement has been adopted by the EU Commission). The statement applies to financial years that begin after December 1, 2005. This standard is not applicable to Net Insight.

IFRIC 7 Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies (This statement has not been adopted by the EU Commission). The statement takes effect as of March 1, 2006 and is not applicable to Net Insight.

IFRIC 8 Scope of IFRS 2 (The statement has not been adopted by the EU Commission). The statement applies to financial years that start after May 1, 2006 and is not expected to apply to Net Insight.

2.2 Consolidated financial statements

a) Subsidiary companies

Subsidiary companies are all those companies (including companies created for specific purposes) where the group has the right to formulate financial and operative strategies in a way normally associated with shareholdings totaling more than half of all voting rights. The existence and effect of potential voting rights, which are currently possible to utilize or convert, are considered in determining whether the Group exercises determining influence over another company. Subsidiaries are included in the consolidated financial statements as of the date when controlling influence is transferred to the Group. They are excluded from the consolidated financial statements as of the date when the controlling influence ceases.

The acquisition method is used for reporting the Group's acquisition of subsidiaries. The acquisition cost of an asset is constituted by the actual value of the asset that is submitted as compensation, issued equity instruments and liabilities that occur or are assumed as of the transfer date, plus costs that are directly attributable to the acquisition. Identifiable acquired assets and liabilities and possible obligations that have been assumed in a corporate acquisition are initially valued at the actual value on the acquisition day regardless of the scope of possible minority interest. The surplus that is constituted by the difference between the acquisition value and the actual value of the Group's share of identifiable acquired net assets is reported as goodwill. If the acquisition costs are below the actual value for the acquired subsidiary's net assets, the difference is reported directly in the income statement.

2.3 Segment accounting
A segment is a group of assets and operations, which provide products or services that are exposed to risks and possibilities that differentiates it from what applies for other segments. Geographic areas provide products or services within a financial environment that is exposed to risks and possibilities that differentiate them from what applies for other financial environments. The company's sales are attributable to one product segment, within which different solutions are created depending on the customer's specific demands and desires. The company's sales are also reported and distributed among different markets, which still does not fulfill the demand that they be reported as different segments. This assessment is based on the fact that the company has no investments in other markets.

2.4 Translation of foreign currencies
a) Functional currencies and reporting currencies
Items that are included in the financial reports for the different units in the Group are valued in the currency that is used in the financial environment where the respective company is primarily active (functional currencies). In the consolidated financial statements as well as the reports of the parent company, SEK is used, which is the parent company's functional currency.

b) Transactions and balance sheet items
Transactions in foreign currencies are translated to the functional currency in accordance with exchange rates that are applicable on the transaction day. Exchange rate gains, as well as losses that occur in paying such transactions and when translating monetary assets and liabilities into foreign currencies at the applicable exchange rate on the balance sheet date, are reported in the consolidated financial statements.

c) Group companies
Profit/loss and financial position for foreign subsidiaries that work in a currency other than the reporting currency, will be translated to the Group's reporting currency in accordance with the following:
i) Assets and liabilities for the balance sheet will be translated at the balance sheet date rate
ii) Revenues and costs will be translated to the average currency exchange rate, and
iii) All exchange rate differences that arise will be reported as a separate part of shareholder equity.

2.5 Property, plant and equipment
The company's Property, plant and equipment are reported at the acquisition value with deductions for depreciation. The acquisition value includes fees that are directly attributable to the acquisition of the asset. A linear depreciation method is used for all types of assets. The following depreciation periods are applied:

Property, plant and equipment
Equipment 3-5 years.

The residual value of assets and the useful life is checked every balance sheet date and adjusted if needed. An asset's reported value is immediately written down to its recovery value if the asset's reported value exceeds its assessed recovery value.

2.6 Intangible fixed assets
a) Expenditures for research are reported as costs when they arise. Costs that have arisen in development projects (which apply to the formulation of tests of new or improved products) are reported as intangible fixed assets when it is likely that the project will provide financial benefits in regard to its commercial and technical possibilities, and the costs can be measured in a reliable manner. Other development expenditures are reported as costs when they arise. Development expenditures, which have previously been reported as costs, are not reported as assets in the subsequent period. Development costs with a limited useful life, which have been capitalized, are depreciated linearly from the time when the commercial production of the product is initiated. Depreciation is carried out during the expected useful life. The following depreciation periods are applied:

Intangible fixed assets
Capitalized development expenditure 3 years.

When there is an indication that an asset has decreased in value, an assessment is made of the asset's reported value. In the event an asset's reported value exceeds its estimated recovery value, the asset is immediately written down to its recovery value.

b) Goodwill is constituted by the amount by which the acquisition value exceeds the actual value of the Group's share of the acquired subsidiary's identifiable net assets at the time the acquisition is made. Goodwill on the acquisition of subsidiaries is reported as intangible fixed assets. Goodwill is checked annually to identify possible impairment of assets needs and is reported at the acquisition value less accumulated impairment of assets. Profit or loss in the event of the sale of a unit includes the remaining reported value of the goodwill that refers to the sold unit.

Within the Group, no linear depreciation of goodwill is carried out. Each year, or when an indication of an impairment of assets needs exists, in accordance with IAS 36- Impairment of assets, all intangible fixed assets will be checked whereby the book value will be compared with the recovery value.

2.7 Impairment loss
Assets that have an undetermined useful life will not be written off but checked annually in regard to the possible need for impairment of assets. Assets that are written off are assessed with regard to the value decrease whenever events and changes in relationship indicate that the reported value is possibly not recoverable. An impairment of assets is done at the amount by which the asset's reported value exceeds its recovery value. The recovery value is the higher of an asset's actual value decreased by sales costs and utilization value. In assessing the need for impairment of assets, assets are grouped at the lowest level where there is separate identifiable cash flow (cash-generating units). Net Insight has one cash-generating unit.

2.8 Financial instruments
Financial instruments that are reported in the balance sheet include liquid funds, financial receivables, accounts receivable and supplier liabilities.

Financial instruments are initially reported at the acquisition value corresponding to the instrument's actual value with transaction costs added.

A financial asset or financial liability is reported in the balance sheet when the company becomes a party to the instrument's contractual conditions. A financial asset is removed from the balance sheet when rights in the contract are realized, mature or the company loses control over them. A financial liability is removed from the balance sheet when obligations in the contract are fulfilled or in another way paid out.

The actual value for listed financial assets is offset by the asset's listed bid price on the balance sheet date. The actual value for non-listed financial assets is established by using valuation techniques, for example, recently executed transactions, the price of similar instruments, and discounted cash flow.

2.9 Inventories
Inventories are reported at the lowest of the acquisition value and the net realizable value. The acquisition value is established using the first-in, first-out method (FIFO).

The net realizable value is the estimated selling price in operating activities, less applicable variable sales costs.

2.10 Accounts receivable
Accounts receivable are reported at the actual value with subject to possible reserves for value reduction. A reserve for value reduction of account receivables is done when there is objective evidence and other indications that the Group will not be able to obtain all the sums due in accordance with the receivable's original conditions. The size of the reserve is constituted by the difference between the asset's reported value and the estimated actual value. The reserve amount is reported in the income statement.

2.11 Liquid funds
Liquid funds include cash and bank balances and other short-term investments with a maturity date within three months.

2.12 Share capital
Ordinary shares are classified as equity.

Transaction costs that can be directly attributable to the issue of new shares or options are reported in the Group's equity as a deduction from the proceeds of the issue. In the parent company, this transaction cost is reported in the income statement.

2.13 Employee benefits
a) Bonuses
The company reports a liability and a cost for bonuses based on goal achievement in regard to achieved sales, profit growth and marketing goals that are reached.

b) Pension obligations
The company only has pre-determined fee-based pension plans and these are expensed on an ongoing basis.

c) Equity compensation benefits
The Group has an equity compensation benefit plan that utilizes shares. The actual value for the service that entitles employees to be allocated options is expensed. The total amount expensed during the earning period is based on the actual value of the allocated options, excluding possible impact from non-market-related conditions for earnings (for example, profitability and goals for sales increases). Non-market-related conditions for earning are considered based on the assumption of how many options are expected to be redeemable. Every balance sheet date the company revises its assessments of how many shares are expected to be redeemable. The revision's possible impact on the original assessments is reported in the income statement distributed over the rest of the earning period and corresponding to adjustments made in shareholder equity.

d) Termination benefits
Termination benefits are paid when an employee's employment is terminated prior to normal pension age or when an employee voluntarily accepts termination of employment in exchange for such benefits. The Group reports severance pay when it is unquestionably obligated either to terminate an employee in accordance with a detailed formal plan without the possibility for reinstatement, or is granting termination benefits as a result of an offer that was made to encourage voluntary termination of employment.

2.14 Provisions
The company makes provisions for guarantee costs that may arise. The provisions are based on the historical result in regard to guarantee costs and are placed in relation to the company's sales. Provisions are divided into long-term and short-term provisions based on the length of the guarantee. Provisions are made when a formal obligation exists.

2.15 Revenue recognition
Revenue includes the actual value of sold goods and services excluding value added tax and discounts as well as, in the Group, after the elimination of intra-group sales. Revenue refers exclusively to the parent company and is reported primarily in connection with delivery where risk and ownership rights are also transferred to the buyer. In those cases where sales require installations or integration liability and a final approval from the customer, revenue is reported in connection with delivery acceptance. At that time, expected residual revenue is taken into consideration and reserves are made for the assessed residual costs. Revenue is reported in accordance with the following:

a) Sales of goods
Revenue consists primarily of goods sold.

b) Revenue from support and service agreements
Support and service agreements are taken up as revenue linearly during the contract period.

2.16 Leasing
Leasing, where a significant part of the risks and benefits of ownership are held by the lessor, are classified as operational leasing. Payments that are made during the leasing period (after deductions for possible incentives from the lessor) are expensed linearly in the incomes statement throughout the leasing period.

2.17 Cash flow statement
The cash flow statement is established in accordance with the indirect method. The reported cash flow comprises only transactions that involve incoming or outgoing payments. Like liquid funds, with the exception of cash and bank balances, the transactions are classified as short-term financial investments that are in part only exposed to insignificant risk for value fluctuation, and in part:
• are traded on the open market at known prices or
• have a term shorter than one month from the time of the acquisition.

Note 3 Financial risks

3.1 Currency risks
Net Insight operates in Sweden and the US and also has sales operations in a number of European and Asian countries. This means that the company is affected by exchange rate effects. To limit exposure in currencies, a number of guidelines shall be followed. These guidelines are included in the company's finance policy, which has been approved by the board of directors. The risk for exchange rate changes is handled in part by regularly adapting and evaluating price lists, and partially by foreign contracts, where it is possible to invoice in SEK. Currency hedging is utilized on contracts that exceed a certain amount. Possible exchange rate differences are reported under the cost item, other costs.

3.2 Credit risks
A reduction in customers' credit status, can impact Net Insight in the form of unpaid invoices and bad debt losses. To limit the risks for possible credit losses the company's finance policy also contains guidelines and provisions regarding this. All new customers undergo an investigation into credit rating based on the size of the contract. Thereafter, this investigation shall be carried out annually. Payment conditions should follow standard agreements to the extent possible to, in general, limit payment risks and improve cash flow.

3.3 Interest risks
Net Insight does not have any interest-bearing financial liabilities, which means that interest risk is low for the company. The company only has interest-bearing financial assets. The financial assets consist of liquid funds and short-term investments with financial institutions with A+ or P1 credit ratings. The company's surplus liquidity is invested in these institutions. In the opinion of the company, risks due to changes in interest rates are quite small.

Note 4 Important estimates and assessments for accounting purposes

Estimates and assessments are evaluated on an ongoing basis and are based on historical experiences and other factors, including expectation for future events that are considered to be reasonable under the prevailing conditions.

The Group makes estimates and assumptions about the future. Those estimates, which are made for accounting purposes, by definition, seldom correspond to actual results. Those estimates and assumptions, which involve a significant risk for substantial adjustments in reported values for assets and liabilities during the forthcoming financial year, are discussed below.

a) Checking the need for impairment of assets for goodwill
Each year, the Group investigates if there is a need for the impairment of assets for goodwill, in accordance with the accounting principle that is described in point 2.7. The recovery value for the company's cash-generating unit has been established through a calculation of the utilization value. For these calculations, certain estimates must be made (Note 14).

b) Checking the need for impairment of assets for capitalized development costs
Costs that have arisen in development projects are reported as intangible fixed assets when it is likely that the project will be successful in view of its commercial and technical possibilities and when costs can be measured in a reliable manner. On every reporting occasion the company investigates whether any need for impairment of assets exists with the capitalized development costs. This means that a complete overview of these is carried out with regard to the financial lifetime as well as the products' profitability. The products' lifetimes vary and average between five and eight years. The rate of depreciation in regard to capitalized development costs is three years. The fast rate of depreciation has meant that no need for impairment of assets has yet existed.

c) Deferred tax
The company has not produced any taxable profits, which is why no tax consequences are reported in the financial accounts. Deferred tax assets referring to temporary differences that are related to investments in subsidiaries are not reported in Net Insight AB's consolidated financial statements since the parent company, in all cases, can determine the point in time for reversal of the temporary differences and it is not assessed as likely that a reversal will occur within the foreseeable future. Deferred tax assets regarding a deficit deduction have not yet been reported. The company will report deferred tax assets as soon as it can be made likely that the deduction can be settled against the surplus for future taxation.

Note 5 Net sales and segment information

Revenue consists primarily of the sale of goods, which is why only one type of revenue is reported. Revenue from support service agreements is linearly taken up as revenue during the contract period. Invoicing in regard to service and other services do not constitute any significant type of revenue as this totals less than 10% of total sales. For this reason, this is not reported separately. The Group's sales are attributable to one product segment within which different solutions are created depending on the customer's specific demands and desires. Invoicing has solely been carried out from Sweden. Below is reported the sales distribution for different markets, which as of yet do not meet the requirements for being reported as different segments. This assessment is based on the fact that the company has absolutely no investments in other markets. In the American subsidiary, its assets are constituted solely of liquid funds, which total SEK 1,025 thousand.

The Group's sales are made in four primary geographic areas, which are regulated based on a global perspective. All invoicing is done from the parent company and all revenue is reported there as well. Below is reported the distribution of net sales by geographic markets:

Group	2005	2004
Sweden	4,576	491
Europe excluding Sweden	61,647	31,554
North America	24,177	8, 457
Asia	488	-
Total	90,888	40,502

Parent company	2005	2004
Sweden	35,602	3,446
Europe excluding Sweden	61,647	31,554
North America	24,177	8,457
Asia	489	-
Total	121,915	43,457

In 2004, Net Insight AB sold its intangible fixed assets to a newly formed, wholly owned subsidiary in the form of a partnership. Internal invoicing for received services in the form of further development of products as well as for administrative services from the parent company to the subsidiary was carried out at this point in time. The subsidiary invoices the parent company for a monthly license fee for the use of these intangible rights.

Invoicing to the subsidiary for the year totaled SEK 31,026 thousand (2,955). The invoicing refers to further development of licensed products to the parent company as well as administrative costs that Net Insight AB has had on behalf of the partnership.

Internal transactions	2005	2004
Sales to NIIP HB	31,026	2,955
Purchases from NIIP HB	22,507	2,294

Note 6 Exchange rate differences

In the operating profit/loss, exchange rate differences are included regarding operating receivables and operating liabilities in accordance with the following:

	Group		Parent company	
	2005	2004	2005	2004
Net exchange rate differences	1,471	905	1,471	905

Hedge reporting is not applied. Instead, the total effect of the exchange rate fluctuations have been reported directly in the income statement under the cost item, other costs.

Note 7 Personnel

Average number of employees, wages, other benefits and social costs

	Average number of employees	of which men %
Sweden	73 (60)	86 (89)
USA	6 (5)	100 (100)

At the end of the year, the total number of employees was 70 (64) in the parent company and 7 (5) in the subsidiary. Absences due to illness totaled 2.9% (4.6) of the total ordinary working time in the company. 2.3% (3.9) of absences due to illness were constituted by connected absences that comprised more than 60 days, in other words, absences due to illness, excluding long-term absences totaled 0.6% (0.7). Women's absences totaled 2.3% (4.0) of the total working time in the company. In the age group 30-49, absences due to illness constituted 1.6% (3.5) of the Group's total ordinary working time. Other age groups have fewer than 10 people, which is why these have not been reported separately.

Wages, other benefits and social costs

Distributed between the Board of Directors, CEO, other leading executives and other employees

		2005		2004
Group	**Wages and benefits**	**Social costs**	**Wages and benefits**	**Social costs**
CEO	2,125	1,615	2,175	1,594
(of which pension costs)	-	744	-	711
Other leading executives	5,149	2,424	4,451	2,205
(of which pension costs)	-	920	-	893
Other employees	43,045	19,999	37,531	18,274
(of which pension costs)	-	6,461	-	5,860
Total	50,319	24,038	44,157	22,073
(of which pension costs)	-	8,125	-	7,464
Parent company				
CEO	2,125	1,615	2,175	1,594
(of which pension costs)	-	744	-	711
Other leading executives	3,618	2,317	3,226	2,164
(of which pension costs)	-	920	-	893
Other employees	37,199	19,665	33,339	17,938
(of which pension costs)	-	6,461	-	5,860
Total	42,942	23,597	38,740	21,696
(of which pension costs)	-	8,125	-	7,464
Distributed by country				
Sweden	42,942	23,597	38,740	19,318
(of which pension costs)	-	8,125	-	7,464
USA	7,377	441	5,417	377

Leading executives' conditions and benefits, principles

The Shareholders' Meeting decided on remuneration for the board of directors of SEK 765 thousand. No benefits have been paid out above what was decided by the Shareholders' Meeting. No special remuneration is paid for committee work. Benefits to the CEO and other leading executives are constituted by basic salary, variable benefits and pension. During the year, the CEO has been paid SEK 2,125 thousand (2,175) in cash benefits, of which SEK 100 thousand (200) refers to a paid out bonus for 2004. "Leading executives" refers to those five persons, who together with the CEO, make up corporate management. The board consists of five men and one woman and corporate management consists only of men. Distribution between basic salary and variable benefits shall be in proportion to the executive's responsibility and authority. For the CEO, variable benefits are maximized to 50% of the base salary. For other executives, variable benefits are maximized to between 25% and 35% of the base salary.

Pension obligations

The company's pension commitment towards the CEO totals 35% of the annual salary excluding bonuses. For other executives the pension commitment totals between 25% and 35% of the annual salary. All pension plans are fee-based. The pension age for the CEO and other executives is 65.

Severance pay

A mutual notice of termination of six months applies for the company and the CEO. Upon termination by the company, severance pay consisting of 18 months' salary is paid. Possible salaries or other benefits that the CEO draws in new employment or in operations that the CEO carries out after the notification of termination and the following 18-month period shall be set off against the severance pay. For the company and other executives, a mutual notice of termination period of 3-6 months applies.

Bonuses

For the CEO, bonuses for 2005 are based on 50% of achieved sales. The remaining 50% is divided between profit growth and marketing related goals. The established bonus amount for 2005 totaled SEK 269.4 thousand (100). For other executives, 60% of the bonuses for 2005 were based on individual goals and 40% on achieved sales. The calculated bonus amount for other leading executives corresponded to approximately 13% (14) of the base salary.

Financial instruments

As of December 31, 2005 the CEO held 2,300,000 personnel options, of which 700,000 are attributable to the Stock Option Plan 2002 (2002-2007) and 700,000 are attributable to the Stock Option Plan 2003 (2003-2008) and 900,000 to the Stock Option Plan 2004 (2004-2008). Other leading executives held, as of December 31, 2005, 420,000 personnel options in the Stock Option Plan 2002 and 900,000 personnel options in the Stock Option Plan 2003 and 2,100,000 personnel options in the Stock Option Plan 2004.

Preparatory and decision-making process

Benefits paid to the CEO for the financial year 2005 were determined by the board of directors. Benefits to other leading executives were determined by the CEO after consultation with the benefits committee.

Related party transactions

Transactions with related parties did not occur except as specified in Note 5.

Personnel option program

The Shareholders' Meeting decided to initiate a personnel option program in 2002, 2003, and 2004 in accordance with the Net Insight AB 2002 Stock Option Plan, Net Insight AB 2003 Stock Option Plan and the Net Insight AB 2004 Stock Option Plan. The Net Insight AB 2004 Stock Option Plan was allocated March 30, 2005. Personnel options give the right to acquire series B shares in the company. Entitlement to allocation has been granted to all employees with permanent tenure within the Group. For outstanding personnel options, the following conditions apply: It will be possible to utilize one-fourth of the options annually during the first four years. Utilization of the 2004 program is also associated with certain members of the board approving in advance that the established profit and development goals are fulfilled at certain times. Upon termination of employment, personnel options normally expire to the extent that it is not possible to utilize them. Personnel options that are possible to utilize normally expire three months after termination of employment. Personnel options are allocated without fee and may not be transferred. Term, redemption price and number of allocated and outstanding options are illustrated below.

The personnel option program is intended to be an incentive for employees in the Group and, therefore, contribute to the Groups continued development.

	2002	2003	2004
Expiration date	**April 15, 2007**	**April 15, 2008**	**Nov. 28, 2008**
Number of allocated options previous year	2,162,500	2,897,500	-
Expired in 2004	530,000	515,000	-
Redeemable options January 1, 2005	1,632,500	2,382,500	-
Price per share (SEK)	6.15	2.84	2.69
Share series	B	B	B
January 1, 2005 Number of options/ Number of options that Could be acquired*	3,025,500/ 3,449,070	3,875,500/ 4,108,030	6,700,000/ 7,102,000
Allocated in 2005			6,080,000
Number of exercised options in 2005	0	0	0
Number of options that expired in 2005	45,000	45,000	-
Dec. 31, 2005	1,587,500	2,337,500	6,080,000
Non-allocated options/ Number of shares that can be acquired*	863,000/ 932,040	978,000/ 1,036,680	2,820,000/ 2,989,200

* Originally an option involved the right to acquire one share, with an option issued in 2002 giving the right to acquire one share at SEK 7, an option issued in 2003, at SEK 3 and an option issued in 2004, at SEK 2.84. Due to the preferential share issues that have been carried out since 2002, the number of shares that an option grants the possibility to acquire, as well as the redemption price, has been restated. The weighted average cost for the acquisition of one share in accordance with the above program totals SEK 3.53.

Social security expenses

Provisions for social security expenses have been made and are based on the personnel options' actual value on the balance sheet date. Provisions have been calculated with consideration given to expected personnel turnover and an estimate has been made in regard to the likelihood of redemption. The estimated cost has been distributed over the options' remaining term.

In connection with the decision about the personnel option program, the company also decided on the issue of debt instruments with subscription options for 2002, 2003 and 2004, which after recalculation due to preferred issues, provides the right to acquire a total of 16,991,100 series B shares in the wholly owned subsidiary, Net Insight Consulting AB. These subscription options shall be used to fulfill the commitment in connection with the issued personnel options. The subscription options shall also be used to avoid a possible future cash flow impact from social security expenses, which may arise due to the personnel option program. In the event of full utilization of all outstanding subscription options that have been issued in conjunction with the personnel option program, dilution is calculated to be approximately 5.5% of the total number of shares and approximately 5.0% of the total number of votes in the company. Dilution effects have been calculated wherein the total number of shares/votes granted by the subscription options has been divided by the total number of shares/votes after the subscription options have been utilized for the subscription of shares. In regard to the above, the completion of the personnel option program is not expected to result in any future cash flow impact for the company.

Benefits to leading executives

Financial instruments

	Personnel options 2002* Holdings Dec. 31, 2005 Quantity	Personnel options 2003* Holdings Dec. 31, 2005 Quantity	Personnel options 2004* Holdings Dec. 31, 2005 Quantity	Value**
CEO	700,000	700,000	900,000	135,000
Other leading executives	420,000	900,000	2,100,000	315,000

Other instruments

	Call options Holdings Dec. 31, 2005
Chairman of the Board	500,000

*Conditions for personnel options are presented on page 35.

**Refers to the estimated market value at the time the allocation is made. The market value has been estimated based on the Black & Scholes valuation model. Based on the analysis of the historical volatility for the company's share price, the expected volatility is assessed to be 35%. Those disposition restrictions that apply for personnel options, however, have a value reduction effect, which has been calculated based on expected personnel turnover and the likelihood for redemption of the instruments before the expiration of the term. The value reduction effect has been assessed at 40% compared with the estimated value of the personnel option in accordance with the Black & Scholes valuation model. Possible future dividends have not been taken into consideration. The value per personnel option per allocation occasion has been calculated to SEK 0.15.

The actual value regarding personnel options issued in 2003 and earlier has not been stated.

Note 8 Development costs

Development costs are constituted primarily of product development, the purchase of components, patent applications, licenses, salary costs for personnel and also other costs related to development work.

Note 9 Depreciation of tangible and intangible fixed assets

Group	Dec. 31, 2005	Dec. 31, 2004
Depreciation	-	-
Capitalized development	16,582	10,015
Equipment	433	461
Total	17,015	10,476

Parent company	Dec. 31, 2005	Dec. 31, 2004
Depreciation	-	-
Capitalized development expenditures	7,231	454
Equipment	286	346
Total	7,517	800

Note 10 Operational leasing agreements

Nominal value of future leasing fees (including rent for premises), regarding non-terminable leasing agreements are distributed in accordance with the following:

	Group	Parent company
2006	4,671	4,671
2007	4,426	4,426
Total	9,097	9,097

Leasing costs for the year totaled SEK 4,534 thousand for both the parent company and the Group. No individual contract has a term of 3 years or more.

Note 11 Finance revenue

	Group 2005	Group 2004	Parent company 2005	Parent company 2004
Interest revenue	1,153	1,860	1,116	1,847
Exchange rate differences	-	-	0	374
Total	1,153	1,860	1,116	2,221

Note 12 Finance costs

	Group 2005	Group 2004	Parent company 2005	Parent company 2004
Interest costs	-14	-14	-14	-14
Exchange rate differences	-	-	-1,237	-
Losses in the partnership	-	-	-10,577	-832
Impairment loss on shares in subsidiaries	-	-	-5,000	-
Total	-14	-14	-16,828	-846

Note 13 Average number of shares and dilution effect

The average number of shares is calculated as the weighted number of shares with consideration given to the new share issues that were carried out and registered during the year. When the parent company reports a loss and in this way would register a lower loss after dilution, this profit/loss measurement is not reported. Instead, the earnings per share after dilution are reported as the same as before dilution. The number of shares prior to dilution totals 367,757,010, and after full dilution to 395,125,510.

Note 14 Intangible fixed assets and goodwill

Intangible fixed assets

	Group Dec. 31, 2005	Group Dec. 31, 2004	Parent company Dec. 31, 2005	Parent company Dec. 31, 2004
Accumulated acquisition value at the beginning of the year	40,999	23,733	2,942	0
New acquisitions	39,564	17,266	39,564	9,488
Disposals	-3,511	-	-	-
Sold fixed assets	-	0	-	- 6,546
Total	77,052	40,999	42,506	2,942
Accumulated depreciation according to plan at the beginning of the year	-18,362	-8,347	-81	0
Depreciation for the year	-16,582	-10,015	-7,232	-454
Disposals	1,537	-	-	-
Depreciation on sold equipment	-	0	0	372
Total	-33,407	-18,362	-7,312	81
Planned residual value at year-end	43,645	22,637	35,193	2,861

All depreciation in regard to intangible fixed assets, both in the parent company and the Group, are included in development costs.

Goodwill

	Group Dec. 31, 2005	Group Dec. 31, 2004
Accumulated acquisition value at the beginning of the year	4,354	0
New acquisitions	0	4,354
Planned residual value at year-end	4,354	4,354

Checking into the need for impairment of assets for goodwill and capitalized fixed assets. The acquisition of the Q2 Lab Group in March of 2004 resulted in goodwill of 4,354 thousand.

The Group has only one cash-generating unit (CGU) within which **goodwill** is reported. Recoverable amounts for the Group's CGU is established based on calculations of utilization value. These calculations are made from estimated future cash flows based on financial budgets that are approved by management and which cover a five-year period. Cash flow beyond the five-year period is extrapolated with the help of an assessed growth rate. The growth rate does not exceed the long-term growth rate for the telecommunications market where the CGU in question is active.

Management has established the budgeted gross margin based on earlier results and its expectations for market development. The weighted average growth rate, which has been used, is in accordance with those forecasts that are in industry reports. The growth rate is estimated at 5%. The WACC (Weighted Average Cost of Capital), which has been used, and totals 15%, is stated before tax and reflects the specific risks that apply for the segment that the company has operations in. A change in estimated EBITDA by 2 percentage points will not bring about any need for impairment of assets. A change in estimated gross margin by 10 percentage points will not bring about any need for impairment of assets. Based on the above, no impairment of assets has been deemed necessary.

Note 15 Property, plant and equipment

	Group		Parent company	
	Dec. 31, 2005	Dec. 31, 2004	Dec. 31, 2005	Dec. 31, 2004
Accumulated acquisition value at the beginning of the year	4,909	4,722	4,327	4,722
New acquisitions	570	61	570	61
Non-cash issue	-	582	-	0
Sold equipment	-	-456	-	-456
Total	5,479	4,909	4,897	4,327
Accumulated depreciation according to plan at the beginning of the year	-4,093	-4,088	-3,978	-4,088
Depreciation for the year	-433	-461	-286	-346
Depreciation on sold equipment	-	456	0	456
Total	-4,526	-4,093	-4,264	-3,978
Planned residual value at year-end	953	816	633	349
Depreciation that is included in development costs	-253	-269	-106	-154
Depreciation that is included in administration costs	-180	-192	-180	-192
Total	-433	-461	-286	-346

Note 16 Participations in Group companies

	Capital share %	Voting share %	Number of shares	Book value	Shareholder equity
Net Insight Inc. Reg. office: Delaware, USA	100	100	1,000	2,777	5,284
Net Insight Consulting AB Corporate ID no.: 556583-7365 Reg. office: Stockholm, Sweden.	100	100	5,000	500	508
Q2 Labs AB Corporate ID no.: 556640-8570 Reg. office: Stockholm Sweden	89	89	143	-	306
Net Insight Intellectual Property HB	99.99	99.99	10,000	4,036	4,036
Ten Tech AB Corporate ID no.: 556669-4559 Reg. office: Stockholm, Sweden	100	100	1,000	100	85

Acquisition value	Dec. 31, 2005	Dec. 31, 2004
Accumulated acquisition value at the beginning of the year	14,445	3,277
Acquisition of subsidiaries through non-cash issues	-	5,000
Sales percentage in Q2 Labs AB	-	-415
Unconditional shareholders' contribution in NI Cons. AB	-	415
Acquisition value Partnership	-	10
Impairment loss of shares in Q2 Labs	-4,585	-
Impairment loss of shares in NI Cons AB	-415	-
Acquisition of Ten Tech AB	100	-
Contribution	8,446	6,990
Profit participation	-10,577	-832
Total participations in Group companies	7,414	14,445

Note 17 Inventories

	Group		Parent company	
	Dec. 31, 2005	Dec. 31, 2004	Dec. 31, 2005	Dec. 31, 2004
Work-in-progress	-	1,058	-	1,058
Finished goods	13,861	21,319	13,861	21,319

The expenditure for inventories that has been capitalized is included in the item, cost for sold goods, and totals SEK 35,545 thousand (19,532). SEK 13,478 thousand of SEK 19,651 thousand has been valued to the net sales value. Depreciation for the year for inventories totals SEK 6,645 thousand (3,990) and is reported under development costs.

Note 18 Accounts receivable and other receivables

	Group		Parent company	
	Dec. 31, 2005	Dec. 31, 2004	Dec. 31, 2005	Dec. 31, 2004
Accounts receivable	28,376	14,979	28,376	14,979
Reserves for value reductions for receivables	-1,052	-1,626	-1,052	-1,626
Accounts receivable net	27,324	13,353	27,324	13,353
Current receivables	3,618	2,873	3,514	2,677
Prepaid expenses and accrued income	3,886	2,714	3,861	2,714
Actual value of accounts receivable and other receivables	34,828	18,940	34,699	18,744

Current receivables include the following major items	Group Dec. 31, 2005	Group Dec. 31, 2004	Parent company Dec. 31, 2005	Parent company Dec. 31, 2004
VAT claims	2,880	1,752	2,880	1,752
Salary taxes	484	572	484	572
Other	254	549	254	549
Total	3,618	2,873	3,618	2,873

Prepaid expenses and accrued income contain the following major items:

	Group		Parent company	
	Dec. 31, 2005	Dec. 31, 2004	Dec. 31, 2005	Dec. 31, 2004
Premises rent for the first quarter 2006 (2005)	1,033	0	1,033	0
Prepaid license and service fees	525	325	525	325
Prepaid Insurance costs	1,060	889	1,060	889
Prepaid exhibition expenses	423	459	423	459
Accrued interest	35	151	35	151
Other items	810	890	785	890
Total	3,886	2,714	3,861	2,714

The parent company has reported a loss of SEK 1,829 thousand (5,482) for impairment of assets of its accounts receivable for 2005. A corresponding loss is reported in the Group.

Note 19 Liquid funds

	Group		Parent company	
	Dec. 31, 2005	Dec. 31, 2004	Dec. 31, 2005	Dec. 31, 2004
Cash and bank balances	17,919	18,236	16,894	17,004
Short-term investments	75,000	56,664	75,000	56,664
Total liquid funds	92,919	74,900	91,894	73,668
Blocked bank accounts	1,316	3,600	1,316	3,600

The interest rate for short-term investments totaled 1.85% (2.22).

Note 20 Share capital

Share capital of SEK 14,710 thousand, is distributed among 367,757,010 shares, which gives a ratio value of 0.04 per share. One Series A share entitles the holder to ten (10) votes and one Series B share entitles the holder to one (1) vote. Distribution of the different share types are as follows:

	No. of shares Dec. 31, 2005	No. of shares Dec. 31, 2004	Options Dec. 31, 2005	Options Dec. 31, 2004
Unrestricted Series A shares	3,600,000	3,600,000	-	-
Unrestricted Series B shares	364,157,010	286,583,400	-	-
Shares under registration	-	821,945	-	-
Personnel options	-	-	3,025,500	3,025,500
Personnel options	-	-	3,875,500	3,875,500
Subscription options 6B	-	-	-	3,647,722
Subscription options 7B	-	-	9,790,000	9,790,000
Subscription options 2004/2007	-	-	8,900,000	8,900,000
Total	367,757,010	291,005,345	25,591,000	29,238,722

Note 21 Other provisions

	Group		Parent company	
	Dec. 31, 2005	Dec. 31, 2004	Dec. 31, 2005	Dec. 31, 2004
Guarantee reserve	5,200	2,300	5,200	2,300
Other provisions	2,000	-	2,000	-
	7,200	2,300	7,200	2,300
Other provisions, within budget	0	0	0	0
Change for the year	2,000	0	2,000	0
Other provisions, outside budget	2,000	0	2,000	0

Provisions to the guarantee reserve have been made to cover possible anticipated costs that may arise due to business transactions that are carried out. Other provisions have been made to cover anticipated costs arising from specific business transactions.

Note 22 Other liabilities

Other liabilities include the following major items:

	Group		Parent company	
	2005	2004	2005	2004
Tax at source	1,515	1,440	1,515	1,440
Other current liabilities	910	830	910	830
Total current liabilities	2,425	2,270	2,425	2,270

Note 23 Accrued expenses

Accrued expenses include the following major items:

	Group		Parent company	
	Dec. 31, 2005	Dec. 31, 2004	Dec. 31, 2005	Dec. 31, 2004
Vacation pay liability	2,767	2,463	2,588	2,380
Accrued salaries	0	570	0	0
Social security expenses	1,245	1,199	1,245	1,199
Accrued bonuses	6,778	3,645	6,017	3,645
Accrued consultation expenses	51	224	51	224
Other items	7,282	3,918	7,085	3,726
Total	18,123	12,019	16,986	11,174

Note 24 Costs divided by cost type

	Group		Parent company	
	2005	2004	2005	2004
Goods for resale	35,545	19,352	35,545	19,352
Operating costs:				
Salaries and salary related costs	83,566	74,147	74,803	67,364
Sales and marketing costs	5,679	10,122	5,407	9,894
Travel costs and related costs	5,016	5,897	3,658	4,729
Office costs	6,688	6,832	6,321	6,349
Other administrative costs	1,914	1,883	1,853	1,765
Gross development costs	33,212	11,060	41,665	13,917
Capitalization	-39,563	-17,266	-39,563	-9,488
Depreciation	17,015	11,129	7,517	800
Other costs	4,387	4,770	4,387	4,770
Total operating costs	117,914	108,574	106,048	100,100

Note 25 Fees and remuneration

Remuneration has been paid to ÖhrlingsPricewaterhouseCoopers AB of SEK 335 thousand (241) for auditing and SEK 210 thousand (355) for other assignments. In total, the Group paid remuneration for auditing totaling SEK 335 thousand (276).

Note 26 Cash flow statement

Liquid assets at the beginning and end of the year for both years refer to bank deposits and petty cash. Of the total liquid assets in the Group for 2005, SEK 1,025 thousand (1,232) refers to liquid assets in the subsidiary, Net Insight Inc.

Note 27 Pledged assets

The amount refers to blocked bank funds.

Note 28 Deductible deficiency

The tax-deductible deficiency for operations in the parent company is estimated at SEK 1,047 million (989.8). The company has not considered the approximate deferred tax claim on existing temporary differences.

Difference between the Group/company's tax expense and tax expense based on the applicable tax rate:

	Group	Group
	2005	2004
Reported profit/loss before tax	-59,628	-82,372
Taxes at applicable tax rate	16,696	23,064
Tax effect from non-deductible expenses	-107	-83
Non-reported effect of temporary differences	-3,151	-1,099
Non-reported effect of deficit deductions	-13,438	-21,882
Tax on profit/loss for the year In accordance with the income statements	0	0

Deficit deductions in the parent company for which deferred tax claims were not reported were SEK 1,047 million (989.8). The company's accumulated deficit deductions are totally attributable to the parent company and have no imposed time limitations.

Note 29 Items not affecting liquidity

	Group		Parent company	
	2005	2004	2005	2004
Translation differences	- 39	-80	-	-
Exchange rate differences	-	-	1,237	-374
Share of earnings in the partnership	-	-	10,577	832
Provisions	4,900	2,300	4,900	2,300
Disposal of intangible assets	3,510	-	-	-
Depreciation on disposals	-1,537	-	-	-
Impairment loss on shares in subsidiaries	-	-	5,000	-
Adjustment to IFRS	-	258	-	-
Adjustment to personnel options	408	-	408	-
	7,242	2,478	22,122	2,758

Note 30 Acquisition of subsidiaries

On March 18, 2005 Net Insight AB acquired 100% of the share capital in TenTech AB. During the year, no operations were carried out in this company. Information about acquired net assets and goodwill is shown below.

	2005		2004	
	Actual value	Acquired book value	Actual value	Acquired book value
Purchase price				
– cash paid	100	-	0	-
– actual value of issued shares	0	-	5,010	-
Total purchase price	100	-	5,010	-
Actual value of acquired net assets	-100	-	-646	-
Goodwill	0	-	4,354	-
The following assets and liabilities were included in the acquisition:				
Liquid assets	100	100	84	84
Property, plant and equipment	0	0	581	581
Other current assets	0	0	65	65
Current liabilities	0	0	-84	-84
Acquired net assets	100	100	646	646
Cash regulated purchase price	100	-	0	-
Liquid assets in acquired subsidiaries	-100	-	-84	-
Effect on the Group's liquid assets from the year's acquisitions	0	-	-84	-

Note 31 Adaptation to IFRS

Balances brought forward have been adjusted in accordance with IFRS. Since January 1, 2005, the company has complied with International Reporting Financial Standards (IFRS) and the following income statements and balance sheets have been formulated in accordance with these standards. The conversion to accounting in accordance with currently applicable IFRS regulations has changed the company's accounting principles in accordance with the following.

In the balances brought forward for shareholder equity for 2004, the following reclassifications were made. The previous year's share premium reserve has been separated into contributed capital, which is made up of paid premiums in all new issues, accumulated losses and translation differences. As of 2005, provisions are not reported under an individual heading in the balance sheet. Provisions that were made are instead reported under current and long-term liabilities respectively.

The company's reported goodwill will no longer form the basis for depreciation but will, on every reporting occasion, undergo a valuation in order to determine the actual value of the asset and identify any possible need for impairment loss. In a revaluation of the closing balance for 2004, depreciation of goodwill was reversed and reduced the accumulated deficit by SEK 653 thousand.

The company has two outstanding personnel option programs that are affected by IFRS 2, share-based payment. The company has carried out a valuation of the personnel options at the time of allocation. The cost for the allocated options has then been divided by the program's remaining term to expiration. The effect of the revaluation of 2004's balances in accordance with IFRS 2 is an increase in the accumulated deficit by 258 thousand. The company has valued and taken a position regarding IAS 39. This recommendation is not deemed to have had any effect on Net Insight.

Income statement	Current principles 2004	Effect of conversion to IFRS adjustment	According to IFRS 2004
Adjustment of balances brought forward in accordance with IFRS:			
Marketing costs-personnel options	-45,767	-80	-45,847
Administration costs-personnel options	-18,230	-30	-18,260
Development costs-personnel options	-44,972	-148	-44,467
Development costs-goodwill	-	653	-
Total income statement adjustments 2004	**-**	**395**	**-**

Balance sheet	2004	Adjustment	2004
Goodwill	3,701	653	4,354
Profit/loss for the period	-82,767	395	-82,372
Capitalized earnings	185,254	258	185,512

Audit report

To the Annual Meeting of the shareholders of Net Insight AB (publ)
Corporate ID number 556533-4397

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the Board of Directors and the Chief Executive Officer of Net Insight AB (publ) for the year 2005. The Board of Directors and the Chief Executive Officer are responsible for these accounts and the administration of the company as well as for the application of the Annual Accounts Act when preparing the annual accounts and the application of international financial reporting standards IFRSs as adopted by the EU and the Annual Accounts Act when preparing the consolidated accounts. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the management based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the Board of Directors and the Chief Executive Officer and significant estimates made by the Board of Directors and the Chief Executive Officer when preparing the annual accounts and consolidated accounts as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As the basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any Board member or the Chief Executive Officer. We also examined whether any Board member or the Chief Executive Officer has, in any other way, has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

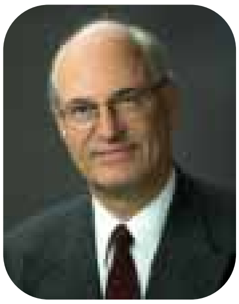
The annual accounts have been prepared in accordance with the Annual Accounts Act and give a true and fair view of the company's financial position and results of operation in accordance with generally accepted accounting standards in Sweden. The consolidated accounts have been prepared in accordance with international financial reporting standards IFRSs as adopted by the EU and the Annual Accounts Act and give a true and fair view of the group's financial position and results of operations. The statutory management report is consistent with the other parts of the annual accounts and the consolidated accounts.

We recommend to the annual meeting of shareholders that the income statements and balance sheets of the parent company and the Group be adopted, that the loss of the parent company be dealt with in accordance with the proposal in the management report and that the members of the Board of Directors and the Chief Executive Officer be discharged from liability for the financial year.

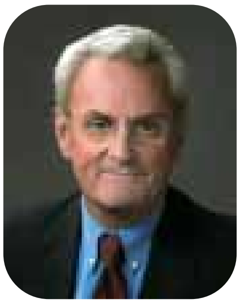
Stockholm, February 28, 2006

Marcus Johansson Authorized public accountant	Bertil Johanson Authorized public accountant

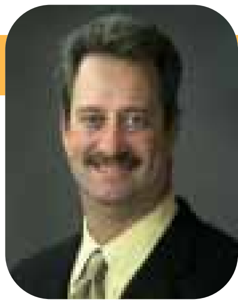
Board of Directors



LARS BERG
Chairman of the Board
Born in 1947. Master of Business Administration. Chairman of the Board since 2001 and a board member since 2000. Works as an independent board member and consultant for various companies, primarily in telecommunications/IT. Chairman of the board of Eniro and Viamare. Board member of Telefonica Moviles, Partygaming, Ratos and C.N.S Systems. Shareholdings in Net Insight: 1,008,332 series-B shares and 500,000 options. Present at board meetings 2005: 7/7



BO DIMERT
Board Member
Born in 1943. Master of Business Administration. Board Member since 2000. Chairman of the boards of Telelogic, ipUnplugged and IKIVO (formerly Zoomon Mobile Solutions) and Addiro and also board member of Sverige-Amerikastiftelsen and Advoco Software. Shareholdings in Net Insight: 49,582 series-B shares. Present at board meetings 2005: 7/7



CLIFFORD H FRIEDMAN
Board Member
Born in 1959. Bachelor of Science in Electrical Engineering, Master of Science in Electro Physics and Masters of Business Administration in Finance and Investments. Board member since 2004. Clifford H. Friedman is Senior Managing Director for Bear Sterns Constellation Ventures. He has almost 20 years of experience in finance and venture capital and the technology and media industries. Clifford is a board member of Active Health Management, Widevine Technologies, Savvis (NASDAQ: SVVS), MTM Technologies (NASDAQ: MTMC) and Verance. Shareholdings in Net Insight: 0. Present at board meetings 2005: 7/7

BIRGITTA STYMNE GÖRANSSON
Board Member
Born in 1957. Civil engineer with an MBA from Harvard. Board Member since 2004. CEO of Semantix AB as of March 2006. Birgitta Stymne Göransson is a board member in Elekta AB, Orkla AS, Nera AS, Arcus AS and Sveriges Radio. Shareholdings in Net Insight: 45,000 series-B shares. Present at board meetings 2005: 6/7

RAIMO LINDGREN
Board Member
Born in 1935. Engineer. Board Member since 2003. Raimo Lindgren has several years experience from Ericsson including experience as CEO for subsidiaries in Colombia, Mexico and most recently Spain, a position Raimo held for more than ten years. Raimo is Senior Advisor at Soluziona Telecom, Madrid, and in Doxa Consulting, Barcelona, as well as a board member of Cableuropa (ONO) and Rymsa in Madrid. Shareholdings in Net Insight: 1,250,000 series-B shares. Present at board meetings 2005: 7/7

BERNT MAGNUSSON
Board Member
Born in 1941. Master of Arts (Politics). Board member since 1997. Chairman of the boards of Fareoffice and Swedish Match AB; member of the boards of Coor Service Management, Höganäs, Pharmadule and the Volvo Car Corporation and also advisor to the European Bank for Reconstruction and Development. Shareholdings in Net Insight: Bernt Magnusson and wife: 1,232,947 series-B shares. Present at board meetings 2005: 7/7

Board activities during the year

Board activities

The Board is responsible for organizing and administering the company's affairs. The work of the Board is regulated by an annually adopted work plan. This work plan stipulates, among other things, instructions for the company's CEO, decision-making procedures within the company, Board meeting procedures, assignment of tasks, and the provision of information between the company and Board. Its main tasks involve deciding on strategic issues, taking responsibility for the company's supply of capital and capital structure, ensuring that the company has appropriate executive management and deciding on other matters of major significance. The Board should monitor the CEO's performance of his duties, including implementation of the Board's decisions and guidelines, and should evaluate his efforts every year. According to the Articles of Association, Net Insight's Board of Directors shall consist of a minimum of three and a maximum of ten Directors, with a maximum of five deputies.

In 2005 Net Insight's Board consisted of six members elected by the AGM. In 2005 the Board held 7 meetings at which minutes were kept. The Board considered permanent items on the agenda for each Board meeting such as the state of the business, budgets, year-end and interim reports, etc. In addition, overall topics such as long-term strategies, business plan, partners, etc. were treated. Also, specific issues such as the rights issue were discussed. Individual Board members also assisted the company management with various strategic issues. At the Statutory Board Meeting on 17 March 2005, the Board considered and ratified the distribution of responsibility within the Board and instructions for the CEO in accordance with the Companies Act the division of labor within the Board and between the Board and the CEO, including ongoing financial reporting.

Remuneration Committee

The company's Remuneration committee is appointed by the Board and consists of the chairman of the Board, Lars Berg, and Board member Bernt Magnusson. The committee prepares the CEO's benefits for further decision by the Board. The committee also discusses on remuneration for the management team, i.e. the people who report to the CEO. In addition, the committee discusses remuneration programs of a wider nature such as option programs for final decision by the Board. During the year the committee held two meetings at which minutes were taken discussing the following matters: bonus outcome for the CEO and targets for 2005 and the allocation of employee stock options for the program approved by the AGM in 2004.

Audit process

Net Insight's Board of Directors has chosen not to have a separate Audit Committee; instead, the Board will handle audit issues in their entirety. The Board has chosen this approach because it is suitable as long as the company has a relatively uncomplicated business and audit structure. In consultation with the company's auditors, the Board also proactively discusses new recommendations in the areas of accounting that may affect future company accounting and reporting. By statute, the period of appointment of auditors is four years. The company's auditors, Marcus Johansson and Bertil Johanson of Öhrlings PricewaterhouseCoopers AB, have been the Company's auditors since 1996 and were reappointed at the Annual General Meeting AGM in 2003. One of the company's authorized public accountants, Bertil Johanson, attended one (1) Board meeting during the year.

Election Committee

Net Insight's Election Committee consists of the Chairman of the Board and the company's four biggest shareholders as of September 30. These are Board member Clifford H. Friedman, representing Constellation Ventures, Ramsay Brufer, representing Alecta, Britt Reigo, representing Robur and Per Lindgren, VP Business development at Net Insight, representing the three founders (Christer Bohm, Lars Gauffin and Per Lindgren). During the fourth quarter an independent consultant initiated an evaluation of the entire Board of Directors, using a questionnaire and follow-up interviews with each Director. The Election Committee discussed the evaluation and after taking this information into account, resolved to rotate Directors in order to improve the total expertise and composition of the Board. Individual shareholders were offered the opportunity to submit proposals directly to Chairman of the Board Lars Berg, which the Company communicated in its third quarter report. The Election Committee has, prior to the AGM in 2006, held one meeting in 2005 as well as two additional meetings in 2006.

Independence of the board

The Board occupies an independent position vis-à-vis the company since all its members are also independent in relation to the company. Besides this, five of the members are independent of the company's principal owners. None of Net Insight's Board members work for the company in an executive capacity.

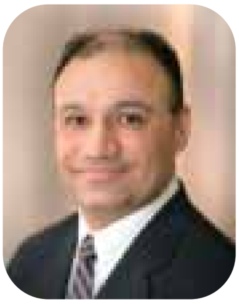
Executive Management

TOMAS DUFFY
Chief Executive Officer
Born in 1955. Licentiate of Technology. Employed since 2001. For 20 years, Tomas Duffy has worked in management posts within telecom and IT companies and has previously been the CEO of AU-System Communication AB and a member of Telia's executive management as Executive Vice President and Head of Business Solutions and Service Development. Tomas is a board member of Network Automation AB. Shareholdings in Net Insight: 503,500 series-B shares and 1,625,000 personnel options. Tomas will remain CEO of Net Insight through February 16, 2006.

FREDRIK TRÄGÅRDH
Chief Finance Officer
Born in 1956. Master of Business Administration. Employed since 2002. Fredrik Trägårdh comes most recently from the German DaimlerChrysler Rail Systems where he was Senior Vice President and head of Group Finance. Fredrik has extensive international experience and has previously held management positions within ABB Financial Services. Shareholdings in Net Insight: 343,332 series-B shares and 1,000,000 personnel options. Fredrik will assume the post of CEO as of February 17, 2006.

ANDERS PERSSON
Vice President of Product Development
Born in 1957. Civil engineer. Employed since 2000. Anders Persson has many years of experience with the Ericsson group, where his latest position was General Manager for Network Design and Performance Improvement. In addition, Anders has held a number of other leading management positions at Ericsson. Shareholdings in Net Insight: 150,000 series-B shares and 1,100,000 personnel options. As of February 17, 2006, Anders will assume the post of Executive Vice President, which will also include continued responsibility for the development operations.

PER LINDGREN
Vice President of Business Development
Born in 1967. Ph.D. Employed since 1997. Per Lindgren has a Ph.D. in telecommunications and has previously served as an Assistant Professor at KTH (Royal Institute of Technology, Stockholm), where he worked with optical networks, EU projects relating to new broadband services, etc. Shareholdings in Net Insight: 1,200,000 series-A shares, 2,751,490 series-B shares and 720,000 personnel options.



MAHMUD NOORMOHAMED
Vice President of Business Development, North America
Born 1962. Bachelor of Science (Honors) Electrical & Electronic Engineering. Employed since 2005. Mahmud Noormohamed has more than 20 year's experience within the IT and telecommunications industries. Most recently he was Vice President of Solutions at British Telecom in North America where he worked with developing new customer accounts and with developing and managing strategic partnerships. Shareholdings in Net Insight: 0 series-B shares and 300,000 personnel options.

STEVEN EAST
Vice President of International Sales & Marketing
Born in 1959. Employed since 2004. Civil engineer. Steven East has more than 17 years of international sales experience from different positions in Europe and the US, including Vice President of the Corvis Corporation, and Vice President Broadwings International Carrier Division. Steven has also worked for more than ten years within Nortel Networks as Vice President for International Carriers Group and as Vice President for Emerging Carriers Group. Shareholdings in Net Insight: 0 series-B shares and 300,000 personnel options. During the year, Steven's role has changed and since September 2005, he has primarily focused on a number of selected customer accounts in the US.

ACCESS NETWORK
The part of the public network closest to end-users. Consists of copper wiring in the telephone networks and coaxial cables for cable TV. Fiber and wireless solutions are also increasingly being used.

ARPU (Average Revenue Per User)
Average revenue per unit/user.

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

ATM (Asynchronous Transfer Mode)
Packet-switched technology for data traffic.

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

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

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

CONTENT
Content that is distributed in the network.

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

CORE
Larger transport network between metro and backbone networks.

DTT (Digital Terrestrial Television)
Name for digital terrestrial TV broadcasting to ordinary TV receivers equipped with a so-called set-top-box. Also called DVB-T.

DVB
The standard for the transfer of digital video over various types of media.

DVB-H (Digital Video Broadcast – Handheld)
Digital terrestrial TV broadcasting to mobile receivers such as mobile phones or other mobile unit with a screen.

DVB-T (Digital Video Broadcast – Terrestrial)
Name for the standard for digital terrestrial TV broadcasting to ordinary TV receivers equipped with a so-called set-top-box. Also called DTT.

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

GIGABIT ETHERNET
Development of the Ethernet primarily used in major LAN and backbone networks. Can handle transmission speeds of up to 1,000 Mbps.

GRANULARITY
Resolution.

HD (High definition)
High resolution.

HDTV (High Definition TV)
High resolution TV.

INTEROPERABILITY
Two devices operating together.

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

IPTV
TV that is broadcast over IP (broadband).

IPR (Intellectual Property Rights)
Legal protection of patent, design and trademark rights.

CHANNEL BROADBAND
State how large a space in Mbit/s that a service uses.

CHANNELIZATION
Resources of the fiber are divided into individually allocated channels.

CONVERGENT NETWORK
A network that handles the distribution of different sorts of traffic, for example, speech, data and video traffic.

CIRCUIT SWITCHING
Data is transferred in an even stream by making a connection all the way from sender to recipient. When the transmission has been completed the connection is broken.

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

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

MULTICAST
Sends the same message to a large number of recipients without needing to be addressed to every single individual (unicast) or sent to all possible recipients (broadcast).

NEXT GENERATION NETWORKS (NGN)
See NGN.

NEXT GENERATION SDH/SONET
SDH/SONET enhanced with functions based on GFP, LCAS and VCAT (see elsewhere in the dictionary for explanation).

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

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

NEXT GENERATION NETWORK (NGN)
See NGN.

OPTICAL INTERFACE
Interface with an optical signal, normally from a laser, which is intended for transfer over optical fiber.

PACKET SWITCHING
Data is split into a number of smaller packets that are sent through the network independently of each other. Once all the packets have reached the recipient, the original data unit is reconstituted.

PAY-PER-VIEW
Pay only for what you watch. Unlike video-on-demand, the programs or films have to be viewed at set times.

PDH (Plesiochronous Digital Hierarchy)
Defines interfaces for, for example, speech services and for backbone interfaces with lower capacity than SDH.

POST PRODUCTION
Post production of TV programs or films.

PROTOCOL
An agreed set of rules as to how the various items of network equipment should communicate with each other.

POINT-TO-POINT
Communication between two points.

PVR (Personal Video Recorder)
A network-based video recorder.

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

RACK
19" cabinet for mounting telecommunication and computer communication equipment.

REAL-TIME
Immediate transmission of material without delay.

REDUNDANCY
Function critical elements of a solution that exist in two examples, and which under normal operation, can split the work between them, but where one can take over the work if the other one should break down (or needs to be taken out of service for planned maintenance).

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

ROUTING
Guiding and forwarding data packets.

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

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

THINBAND
Modem connection or similar low-speed technology for computer communication.

METRO NETWORK
A high-capacity network that links together an urban or regional area. Often referred to as a Metropolitan Area Network, MAN.

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

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

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

TRIPLE PLAY
A concept used for the transport of TV/video, data and telephony via a single network.

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

VCAT (Virtual Concatenation)
Facility to combine different non-contiguous data containers (SDH/SONET containers).

VIDEO-ON-DEMAND
Enables digital delivery of films over the broadband network. The "video store" on the network means that there is always a copy left of even the most popular movie that can be ordered at any time.

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

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

1+1 PROTECTION
1+1 protection is a function where ONE signal is copied and transported between TWO different, separate routes through the network. At the end of the network where the signal is terminated, a selection is made as to what signal is active and shall reach its goal. 1+1 protection provides secure transfer where switching in the event of errors in the network is done within 50ms regardless of what error caused the loss of signal.

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