

QUARTERLY REPORT

for the period Jan 1, 1999 – Mar 31, 1999



1999

Quarterly report January 1 - March 31 1999

Important events during the period

- Net Insight has signed an agreement with Norrköping Miljö & Energi regarding a commercial pilot starting in June.
- In February, Net Insight installed test equipment at ICG in Denver, Colorado.
- In the January issue of the periodical Data Communications, Net Insight's products were listed among the "50 Hot Products of 1999".
- Net Insight carried out a new share issue raising 74.2 MSEK after related expenses.
- Net Insight's products Nimbra One and Nimbra 101 were launched.

Business concept and overview

Net Insight is a networking company that develops and markets DTM-based solutions (Dynamic synchronous Transfer Mode) - a technique that enables network operators to reduce costs, provide diversified services and to build future-proof networks with superior performance and unique scalability.

Net Insight's vision is to help release the full potential of the Internet and of fibre technology, thereby enabling network operators to provide full interactive communication to users all over the world.

Net Insight's main market comprises city networks and regional networks for which the company has a simple and powerful solution. The city network segment is a rapidly growing market. This market is estimated, in the Nordic region, to amount to 60-80 city networks within the next 12-18 months. In the U.S., there are today over 2,800 regional network operators, CLECs (Competitive Local Exchange Carrier). Three years ago, this category of operators did not exist. This rapid growth makes a very interesting window of opportunity for Net Insight, as these operators are interested in testing new technologies such as DTM.

We have, during our first two financial years, mainly been concentrating on developing products, building up the organisation, strengthening our patent position, urging standardisation and developing partner relations. 1999 will be the year that the commercialisation process starts. We have already launched our first products, Nimbra One and Nimbra 101. These will replace test-installed products on the one hand, and constitute our sales base on the other. Net Insight is currently involved in negotiations with several potential buyers of equipment for delivery within the next 6 months. Furthermore, to increase market presence in the Nordic region, agreements have been reached with two distributors - Fiberdata and Salcom.

A new kind of operator is municipalities and power supply companies, with access to fibre, who wants to offer their customers new services such as telephony, Internet access, etc. In the long term there are interesting possibilities for distribution of high-quality TV, computer games, and software that is requested. Net Insight is currently negotiating with various service providers within this segment.

The interest that Net Insight and its products have received is continuing, as demonstrated in a number of positive articles and distinctions, as well as by the increasing amount of invitations to participate in various seminars and conferences. During Q1 Net Insight has participated in the SDH conference in Prague, the Optical Networking Forum in Orlando, and the Bloomberg Seminar in New York in March, among others.

Net Insight will also be participating in **Networld+InterOp** in Las Vegas, May 10-14, where Nimbra One and Nimbra 101 will be shown. Other fairs are **Telekomdagarna** in Stockholm, and the major European trade fair, **Telecom '99**, in Geneva.

Financial information

The company has been financed by three new share issues, of which the most recent raised 74.2 MSEK after related expenses. The two previous new share issues were made in 1997 and raised 107 MSEK.

At present, the company has no revenues from operations. Result for the period amounted to -21.3 MSEK. Costs for R&D are treated as operating expenses. As per March 31 1999, the company held 84.6 MSEK in cash and cash equivalents.

Capital expenditures

Capital expenditures for the period amounted to 271.5 TSEK, used primarily for investing in instruments, equipment and premises improvement. No development costs are capitalised.

Annual General Meeting to be held on **May 31**, 1999 at **Industrisalen, Industrihuset in Stockholm**.

Income Statement

Amount in SEK thousands	1 Jan 1999 - 31 Mar 1999	1 Jan 1998 - 31 Mar 1998	1 Jan 1998 - 31 Dec 1998
Net sales	0	0	25
Marketing costs	-3 003	-1 525	-8 381
Administrative expenses	-1 828	-1 029	-4 303
Development expenses	-16 868	-8 657	-40 295
Operating profits	-21 699	-11 211	-52 954
Income from financial investments	381	682	2 008
Interest expenses	-4	0	-9
Net loss	-21 322	-10 529	-50 955

Balance sheet

Amount in SEK thousands	1 Jan 1999 31 Mar 1999	1 Jan 1998 - 31 Mar 1998	1 Jan 1998 31 Dec 1998
Assets			
Tangible assets	1 648	662	1 497
Current receivables	3 295	713	2 664
Prepaid expenses	2 041	987	716
Cash and bank balances	84 634	67 588	28 412
Total assets	91 618	69 950	33 289
Equity			
Share capital	1 075	1 008	1 075
Share premium reserve	182 370	106 978	107 703
Accumulated loss	-82 589	-31 634	-31 634
Profit/loss for the year	-21 322	-10 529	-50 955
	79 534	65 823	26 189
Current liabilities			
Accounts payable - trade	7 415	1 565	3 713
Other liabilities	1 155	389	1 238
Accrued expenses	3 514	2 173	2 149
	12 084	4 127	7 100
Total equity and liabilities	91 618	69 950	33 289

Stockholm April 29, 1999

Bengt Olsson
Chief Executive Officer

This interim report has not been audited by the company's auditors.



Net Insight AB (publ)
Ingenjörsvägen 3
SE-117 43 Stockholm
Sweden
Phone: + 46 8 449 22 30
Fax: + 46 8 449 22 40
E-mail: info@netinsight.se
<http://www.netinsight.se/>
Org.no: 556533-4397