



About Net Insight

Net Insight develops and markets network switches for fiber-optic broadband networks. Using Net Insight solutions, operators can offer everything from new advanced real-time services such as studio-quality video and Internet communication to traditional telephony and data. These services can be supplied simply and cost-effectively across one and the same infrastructure. Net Insight has around 100 employees in Sweden and the USA. The company is listed on the O-list of the Stockholm Exchange. For more information, please see www.netinsight.net

INTERIM REPORT

*For the period 1 Januari – 31 March, 2002
Net Insight AB (publ), corporate ID no. 556533-4397*

- **Significantly increased prospect stock**
- **Dutch KPN builds national media network**
- **American TV company MSNBC adopts Net Insight's media platform**
- **Reseller agreements with Spanish Soluziona and Polish TTI Inventel**
- **Increased sales to SEK 7.1 million (0.9)**
- **Improved operating deficit for the period: SEK 29.5 million (67.7)**

SIGNIFICANT EVENTS DURING THE PERIOD

Sales

The Dutch network operator KPN is investing in an optical media network and has chosen Net Insight to supply the technical platform. Under an outline agreement, KPN has placed orders for network equipment for setting up the first part of the national media network. Initially KPN will invest in high-quality video services enabling TV and production companies connected to utilise the advantages of real-time transmission of 270 Mbps video via SDI (Serial Digital Interface). The outline agreement provides KPN with the possibility of quickly calling up further supplies of equipment as network construction progresses and more customers become connected.

The American TV company MSNBC (a joint venture between Microsoft and NBC) has chosen Net Insight's solution for professional media networks. After a test period, MSNBC has signed contracts with Net Insight's partner Qmedia for video traffic to be carried by a media network linking Washington DC and New York. The uses to which this link will be put include carrying continuous video for various news feeds and real-time press conferences and briefings from the White House and Congress.

During the period, the Swedish operator Tele2 placed further orders for network equipment for its media network. Construction is underway in Stockholm and Copenhagen, where the network is being provided with more capacity for both new and existing customers.

Net Insight has substantially increased sales during the last six months and have by now a significantly improved prospect stock. The positive development has taken place in both the prioritized segment for professional media network and in the contiguous broadband segment.

Collaboration agreements

In January, Net Insight signed a reseller agreement with the Polish system integrator TTI Inventel whereby the latter will market and sell Net Insight's platform in Poland, Latvia and Ukraine. With the majority of the region's leading telecom and cable TV operators as its customers, TTI will concentrate on Net Insight solutions for professional media networks. Results of the deal include TTI having ordered equipment for a reference network for tests in conjunction with a local TV company.

In March, Net Insight signed a reseller agreement with the system integrator Soluziona, one of Spain's leading technology and consultancy companies, whereby the latter will market and sell Net Insight's platforms in Spain, Portugal, Brazil, Mexico and Tunisia. Soluziona will concentrate on solutions for the next generation of regional and municipal optical networks within the MAN (Metropolitan Area Network) segment. Soluziona's first commitment has been to order equipment for a demo network for tests in conjunction with local network operators.

New share issue and staff options

In February, a directed new share issue of SEK 50 million was conducted. This involved the Board making full use of the General Meeting's authorisation to increase share capital with or without preferential rights for existing shareholders. The ten million B shares thus issued were targeted at both institutional and private investors. They were subscribed at the actual closing market price of 19 February 2002, i.e. without discount.

Net Insight AB's Ordinary General Meeting on 20 March 2002 adopted a new staff option program open to all grades of staff and comprising up to 3,025,500 series B shares. Each option enables staff to acquire a series B share in the company at a specified price corresponding to at least 150% of the average share price over the period 20 March – 10 April 2002. This price will amount to SEK 7. These options are cost-free to employees and run for five years. The same General Meeting also decided to issue a debenture carrying splittable option rights to take up new subscriptions in the subsidiary Net Insight Consulting AB for maintaining the supply of shares to employees.

SIGNIFICANT EVENTS AFTER THE END OF THE PERIOD

Chyron and Net Insight collaborate on package solutions for TV companies

At the media trade fair NAB2002, the TV technology company Chyron Corporation announced that it had started collaborating with Net Insight with a view to strengthening and expanding its product portfolio. Chyron is a leading supplier of solutions to the media industry, including equipment sold to about 80% of the world's TV studios. By combining Net Insight's network platform with its own products for distribution and exchange of video streams in local environments, Chyron will be able to offer its customers powerful package solutions that also link geographically separate studios.

Multicast for high-quality video across fibre networks

In April, Net Insight introduced network supports for SDI, ASI, DVB and Ethernet/IP video multicasting into its media platforms. The system software enables cost-effective transmission of video signals from a source to the desired number of recipients without jitter or loss of picture information. By adding multicasting to the platform, Net Insight can not only help operators and service providers to provide guaranteed video services but also make it economically attractive to distribute video content over the fibre network. The multicast software provides distribution of video signals ranging in quality from PC-based Ethernet streaming to 270 Mbps video in studio quality via SDI.

Access module with adjustable bandwidth for MPEG video

At the media trade fair NAB2002, Net Insight unveiled its ASI Transport Access Module. ASI (Asynchronous Serial Interface) is an established interface within the media industry, with applications that include equipment for satellite links and in the primary network for cable TV. This module makes it possible to match bandwidths with the actual bit rate of one or more MPEG2 compressed video streams. The fact that videostreams can be carried independently of one another means flexibility and optimum utilisation of network resources. In conjunction with multicasting, the ASI module is an attractive and cost-effective solution for the core of cable TV networks, thus opening up a new market for Net Insight.

MARKET PROSPECTS AND FUTURE OUTLOOK

Net Insight is in the midst of an expansion phase where the market shows great interest in the company's solutions. Despite the sombre market situation, Net Insight has moved in the opposite direction and has done several important deals with operators and service providers who see fibre-based media networks as possible sources of new revenue. Compared with the same period in the previous year, Net Insight has increased its sales by more than seven times, while at the same time the cost level halving promised on the basis of last year's cost saving program has now taken full to effect.

In Europe the Dutch operator KPN has now started building its national media network, and Swedish Tele2 is continuing to build up its network progressively as increasing numbers of customers become connected. On the American market, Qmedia's investment has attracted a great deal of attention, with the media company MSNBC as its first commercial customer. Tests are also underway with a number of other TV companies and potential customers.

To further increase market presence, Net Insight has concluded three new reseller agreements since the beginning of the year. The collaborations with TTI Inventel, Soluziona and Chyron Corporation are based on potential solutions for both municipal networks and professional media networks. Net Insight's link with Chyron provides it with a partner that already has established customer relationships in the media sector, with equipment installed in at least 80% of the world's TV studios. Chyron can use Net Insight's equipment to expand its product range to being able to offer customers high-quality video transport in real time between geographically separate studios and recording sites, which was previously done by satellite transmission or physical transportation of video cassettes.

It was clear at the world's largest media trade fair, NAB2002, where both Net Insight and Chyron exhibited, that there is a large demand for cost-effective fibre-based media solutions of this kind. The launching of the company's software for SDI, ASI and MEG2 video multicasting and the unveiling of our latest plug-in card for Nimbra One, the ASI Transport Access Module, aroused great interest among visitors. During the trade fair there were nearly 200 viewings of the demo network involving video transport at various quality levels and data and telephone traffic. The result is that Net Insight is now conducting in-depth discussions not only with media industry representatives but also with operators and military authorities, discussions that are expected to come to fruition in the next quarter.

Due to the increased sales development and the substantially improved prospect stock during the last six months, the Board is convinced that the development for the coming period will continue in the favour of the company.

EARNINGS TREND

Sales revenue for the period totalled SEK 7.1 million (0.9).

The cost saving program introduced in the previous year has been implemented and become fully effective. Total expenditure amounted to SEK 32.7 million (68.0). There was an operating deficit of SEK 29.5 million (67.7), which, after appropriations and tax, amounted to SEK 29.4 million (64.4). Net interest income amounted to SEK 0.1 million (3.3).

Staff

The number of employees at the end of the first quarter was 106 (138). The American subsidiary had 5 employees (4).

Liquidity

Liquid funds at the end of the period amounted to SEK 52.2 million.

Investments

Investment in instruments, equipment and refurbishment of premises during the first quarter

amounted to SEK 0 million (0.1). During the period the company came into line with the Accounting Council's new recommendations (RR15) for the recording of development costs. This meant that SEK 2.9 million was recorded as intangible fixed assets and not, as in previous periods, as costs.

The parent company

Net turnover was SEK 7.1 million (0.9). The deficit after appropriations and tax amounted to SEK 33.0 million (61.0). Investments during the period amounted to SEK 0 million (0.1). Liquid funds amounted to SEK 49.9 million (108.9). The calculated cumulative deficit for tax purposes of the parent company's business activity amounts to SEK 703.6 million.

CONSOLIDATED INCOME STATEMENT

Amount in SEK thousands	January 1, 2002 - March 31, 2002	January 1, 2001 - March 31, 2001	January 1, 2001 - December 31, 2001
Net Sales	7 057	947	21 528
Cost of goods sold	-3 365	-641	-10 074
Gross earnings	3 692	306	11 454
Marketing expenses	-12 736	-15 709	-67 642
Administration expenses	-7 927	-8 908	-32 896
Development expenses	-12 501	-43 374	-161 291
Restructuring expenses	0	0	-16 034
Operating earnings	-29 472	-67 685	-266 409
Net financial items	118	3 321	6 199
Earnings before tax	-29 354	-64 364	-260 210
Tax	0	0	0
Net Income for the period	-29 354	-64 364	-260 210

Earnings per share	-0,43	-1,64	-4,43
Number of shares	68 755 020	39 289 300	58 755 020
Earnings per share after dilution	-0,41	-1,64	-4,43
Number of shares after dilution	71 780 520	39 289 300	58 755 020

CONSOLIDATED BALANCE SHEET

Amount in SEK thousands	March 31, 2002	March 31, 2001	December 31, 2001
ASSETS			
Fixed assets			
Intangible assets			
Capitalized expenditure for development	2 859	-	-
Tangible fixed assets			
Equipment	1 775	1 953	1 978
Total fixed assets	4 634	1 953	1 978
Current assets			
Inventory	29 864	16 721	34 418
Customer receivables	13 152	3 033	13 659
Other receivables	13 108	20 377	8 220
Cash and bank balances	52 230	112 084	47 041
Total current assets	108 354	152 215	103 338
Total assets	112 988	154 168	105 316
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Restricted shareholders' equity			
Share capital	2 750	1 572	2 350
Restricted reserves	120 575	177 096	334 213
Accumulated deficit	-29 354	-67 336	-263 182
Total shareholders' equity	93 971	111 332	73 381
Current liabilities			
Accounts payable	6 322	25 693	14 583
Other liabilities	12 695	17 143	17 352
Total liabilities	19 017	42 836	31 935
Total liabilities and equity	112 988	154 168	105 316

CONSOLIDATED CASH FLOW STATEMENT

Amount in SEK thousand	March 31, 2002 3 months	March 31, 2001 3 months	December 31, 2001 12 months
ONGOING OPERATIONS			
Operating earnings	-29 472	-67 685	-266 409
Depreciation	463	205	828
Other items not affecting liquidity	-54	226	84
Net financial items	118	1 226	2 755
Cash flow ongoing operations before change in working capital	-28 945	-66 028	-262 742
Change in working capital			
Increase/decrease in inventories	4 552	-6 018	-23 715
Increase in receivables	-4 381	-5 268	-3 737
Increase/decrease in current liabilities	-12 918	13 541	2 640
Cash flow from ongoing operations	-41 692	-63 773	-287 554
INVESTMENT ACTIVITY			
Acquisitions of tangible fixed assets	0	-147	-795
Acquisitions of intangible fixed assets	-3 119	0	0
Cash flow from investment activity	-3 119	-147	-795
FINANCING ACTIVITY			
New share issue	50 000	0	159 386
Cash flow from financing activity	50 000	0	159 386
Increase/decrease in liquid funds	5 189	-63 920	-128 963
Liquid funds, opening balance	47 041	176 004	176 004
Liquid funds, closing balance	52 230	112 084	47 041

CHANGES IN GROUP SHAREHOLDERS' EQUITY

	Share capital	Restricted reserves	Non-restricted reserves	Net earnings	Total shareholders' equity
Opening balance	2 350	334 213	-2 972	-260 210	73 381
Relocation of net earnings		-263 182	2 972	260 210	0
New share issue	400	49 600			50 000
Translation difference for the period		-56			-56
Net earnings				-29 354	-29 354
Closing balance	2 750	120 575	0	-29 354	93 971

This interim report was compiled on the same accounting principles and calculation bases as for the year 2001, apart from certain development costs being now recorded as required by RR15. This interim report has not been examined by the company's auditors.

Forthcoming report from Net Insight

Interim report January – June, August 21, 2002

Stockholm, April 25, 2002

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