



*Net Insight deliver the world's most efficient and scalable optical transport solution for Broadcast and Media, Digital Terrestrial TV/Mobile TV and IPTV/CATV networks.*

*Net Insight products truly deliver 100 percent Quality of Service with three times improvement in utilization of bandwidth for a converged transport infrastructure. Net Insight's Nimbra™ platform is the industry solution for video, voice and data, reducing operational costs by 50 percent and enhancing competitiveness in delivery of existing and new media services.*

*World class customers run mission critical media services over Net Insight products for more than 100 million people in more than 25 countries. Net Insight is quoted on the Stockholm Stock Exchange.*

*For more information, visit [www.netinsight.net](http://www.netinsight.net)*

## **INTERIM REPORT, JANUARY- JUNE 2007**

*Net Insight AB (publ), Corporate Reg. No. 556533-4397*

### **January-June 2007**

- **Net sales increased by 117% to SEK 108.9 million (50.1).**
- **Operating earnings improved to SEK 8.1 million (-24.6)**
- **Net income improved to SEK 8.6 million (-24.0).**
- **Gross margin of 70.6% (69.9%).**
- **Service and software revenue increased by 131% to SEK 25.0 million (10.7).**
- **Operating cash flow significantly improved to SEK -0.7 million (-36.2).**
- **Earnings per share amounted to SEK 0.02 (-0.07)**

### **Second quarter 2007**

- **Net sales increased by 85% to SEK 55.5 million (30.0).**
- **Operating earnings improved to SEK 3.3 million (-9.8)**
- **Net income improved to SEK 3.5 million (-9.5).**
- **Gross margin of 70.7% (70.0%).**
- **Service and software revenue increased by 130% to SEK 12.4 million (5.4).**
- **Earnings per share amounted to SEK 0.01 (-0.03).**

## CEO comments

The demand for Net Insight's transport solutions is strong resulting in a growing customer base. In the second quarter, the existing customer base has generated a significant amount of recurring business and important new contracts have been won.

Our strong position in the markets for Digital Terrestrial TV (DTT) and Broadcast & Media networks has supported the continued sales growth and we have built a solid base of large customers which continuously place upgrade and extension orders to their existing networks.

In the second quarter we have also continued to broaden our customer base and won some new important customers with our strong offering for demanding media transport solutions. An important contract was won in June when a large North American media company placed new orders to its terrestrial media network between the east and the west coast, including networks in New York and Los Angeles. Also, in Germany, yet another broadcaster selected Net Insight for its multi-service network to transport video, voice and data.

Our recently introduced products have also been very well received and have further strengthened our competitive position. Our network of value added resellers continue to expand our market reach.

The demand for greater capacity and improved quality in communications networks around the world are essential market drivers for Net Insight, which continue to improve our financial performance. As a result, second quarter sales have continued to increase at the same time as we report strong gross margin.

## Business activities during the second quarter

During the second quarter, new orders have been received from customers in Net Insight's prioritized market segments in Europe, North America and Asia.

Sales in Europe are strong and have continued to grow in the Broadcast and Media segment, as well as the rapidly growing market for Digital Terrestrial Television (DTT). In North America our continued focus to better utilize our potential there is starting to pay off. In Asia the activity level has increased since we recently opened the Singapore office to support our market establishment in the region.

In Norway the DTT network rollout continued and Net Insight received further orders from Norkring under the frame agreement for the DTT network signed in 2006.

KPN Broadcast Services has placed orders to upgrade its Dutch media network. KPN's multi-service media network is based on Net Insight's Nimbra platform and has been operational since the beginning of 2006. The upgrade of KPN's core network extends the capacity of existing real-time critical DVB-T distribution as well as real-time contribution services and is the foundation for KPN's new services.

Additional orders were also received from EBU (European Broadcasting Union) who added new Nimbra nodes to expand its media network that covers the largest media cities and serves public TV broadcasters in Europe.

Yet another German broadcaster selected Net Insight for its regional TV-network. The multi-service network will handle TV and radio contribution and distribution feeds, as well as data services, between the customer's production facilities. This initial order was followed by add-on orders for increased network capacity.

A large North American media company placed new orders with Net Insight to its terrestrial media network between the east and the west coast, including networks in New York and Los Angeles. The network implementation will be in four phases with the first delivery during the second quarter this year.

Net Insight received an order from another new US customer, Pacific Television Center. The Nimbra equipment will serve as the foundation for PacTV's continually expanding terrestrial broadcast network.

## Partnerships

The partner strategy is aimed to support the sales growth and the network of partners continues to expand the geographical reach. A few new partners have been added in the second quarter and at the end of the period Net Insight had 23 local partners worldwide. The partner network will be further expanded.

## Marketing activities

At NAB2007 in Las Vegas Net Insight demonstrated the full Nimbra range and introduced a new product, the 8\*HD/SD SDI Module. Net Insight also made the presentation "Solving the QoS Bottleneck in Video and Triple Play Networks" at the Telecom@NAB2007 seminar.

Net Insight exhibited at CommunicAsia, Asia's largest media & broadcast trade show. Additionally, the Asian partner network has presented Net Insight products at multiple trade shows like Shanghai TV Festival, IMMC in Tokyo and the KOBA Show in Seoul.

Also, Net Insight has been featured in international press articles during the quarter including Broadcast Engineering's "Digital Handbook".

## New product introductions

Recently introduced products have been well received and are increasingly contributing to overall sales. The Nimbra platform is a well-proven and cost-efficient solution for converged next generation networks with full quality of service in video transport.

A high-density HD/SD serial digital interface (SDI) module for the Nimbra 600 series was introduced at the NAB2007 exhibition. The new module expands uncompressed high-definition (HD) and standard-definition (SD) broadcast options within networked environments. Deployed in a Nimbra 680 switch, the new module enables an unprecedented density of uncompressed video services. Up to 24 HD-SDI services may be multiplexed onto four 10Gbps outputs within a single chassis. Such a high-density solution is essential for deployment e.g. at arenas in major sports events.

## Significant events after the end of the period

In August an order was received from a large European media operator. This is a new customer and the order also establishes Net Insight in a new large market in Europe.

In Asia, marketing activities by the partner network continued with the SMPTE exhibition in Sydney.

## Outlook

The Board believes that the Company will increase sales substantially in 2007, however sales can fluctuate between the quarters due to the sales processes of larger systems, which means that the Board maintains its outlook from the first quarter 2007 and the annual report 2006.

## Sales and earnings six months and second quarter

### Six months

Net sales during the first half-year increased by 117% to SEK 108.9 million (50.1). Sales in Europe accounted for 86% (79), North America 13% (20), and Asia 1% (1) respectively. Sales of software and services (professional services, support, maintenance and training) increased to SEK 25.0 million (10.7) and accounted for 23% of total revenue.

Net income amounted to SEK 8.6 million (-24.0). The financial net amounted to SEK 0.5 million (0.6). The improvement of the operating earnings is attributable to higher revenue with a continuous strong gross margin. Furthermore, increased volumes of the product series Nimbra 300 and 600 have also contributed positively to the earnings.

The total operating expenses amounted to SEK 70.6 million (59.6). To meet the higher demand new resources have been added to sales, professional services, and development according to plan. Provision for social costs of the personnel option programs based on the options' actual value on the balance sheet date and the IFRS 2 cost of the new personnel option program issued in May 2007 have affected operating expenses by SEK 2.4 million. Furthermore, depreciation of capitalized development costs is SEK 6.0 million higher than previous year.

Other operating revenue of SEK 1.9 million is made up of premiums for exercising of the personnel option programs.

### Second quarter

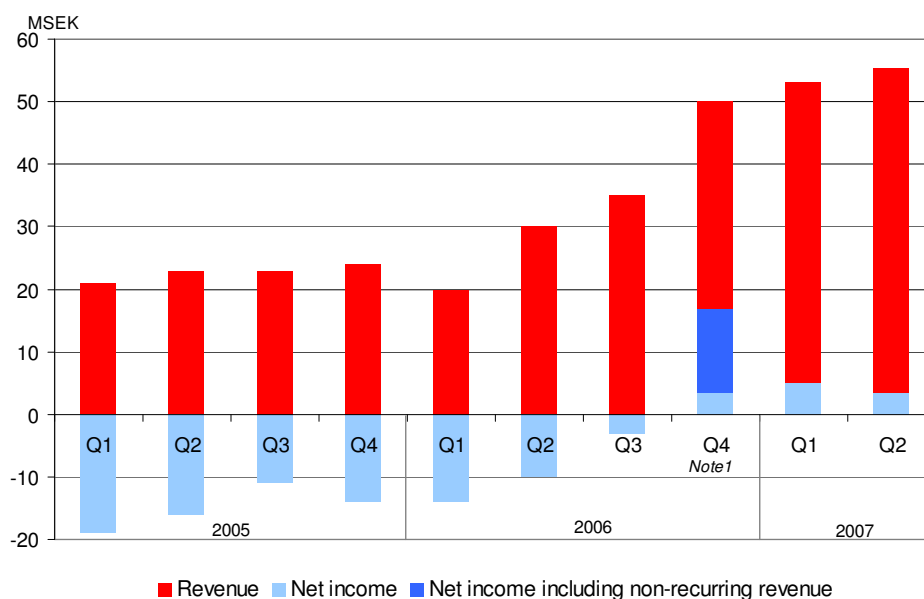
Net sales increased by 85% to SEK 55.5 million (30.0).

Retained solid gross margin at 70.7% (70.0) despite substantial increase in revenue.

Net income for the quarter amounted to SEK 3.5 million (-9.5). Provisions for social costs of the personnel option programs and IFRS 2 cost of the new personnel option program has negatively impacted net income for the quarter by SEK 1.4 million. Furthermore, an increased number of employees and higher depreciation of SEK 3.1 million explain the higher operating expenses.

Premiums for the personnel option programs of SEK 0.9 million has positively impacted net income.

### Quarterly revenue and net income



## Cash flow and financial position

Net cash position for the first six months was improved by SEK 26.9 million to SEK 83.6 million (56.7) compared to previous year.

Cash flow from operations for the first six months improved significantly to SEK -0.7 million (-36.2).

Cash flow from operations during the second quarter amounted to SEK -4.7 million (-18.5). The negative operating cash flow in the quarter is mainly due to temporary build up of the inventory and investments in product development.

Cash and cash equivalents at the end of the six months period was SEK 90.0 million (71.6). Redemption of personnel options provided SEK 6.6 million in cash. On the balance sheet date, Net Insight had utilized SEK 6.4 million out of total credit and factoring facilities of SEK 75 million.

## Investments

Investments in tangible assets for the first six months amounted to SEK 0.7 million (0.2). Capitalized development costs, reported as intangible assets, amounted to SEK 24.3 million (21.8) and depreciation amounted to SEK 18.2 million (12.2). At the end of the period, net book value of capitalized development costs amounted to SEK 65.6 million (53.3).

## Employees

At the end of the period Net Insight had 93 (78) employees. The parent company Net Insight AB had 85 (71) employees and the US subsidiary Net Insight Inc. had 8 (7) employees.

## Parent company

The Parent company's net turnover was SEK 126.1 million (65.4). Net income amounted to SEK -1.9 million (-18.3). Liquid funds amounted to SEK 88.7 million (70.6).

## Risk and sensitivity analysis

Net Insight's operation and results are impacted by a number of external and internal factors. A continuous process identifies all existing risks and assesses how each risk shall be managed.

The risks to which the company is exposed are divided into market related risks (including competition, technology development, political risks), operational risks (including product liability, intellectual property rights, litigation, customer dependence) and financial risks (including predominately currency exposure).

The company estimates that no additional significant risks or uncertainties than those described in the annual report, has developed during the first six months of 2007.

For a complete description of the Company's risk analysis and risk management, please see pages 27-28 and 36 in the 2006 Annual report.

**CONSOLIDATED INCOME STATEMENT**

<b>Amount in SEK thousands</b>	<b>Q2 2007</b>	<b>Q2 2006</b>	<b>Jan-Jun 2007</b>	<b>Jan-Jun 2006</b>	<b>Q306-Q207 12 months</b>	<b>Full Year 2006</b>
Net Sales	55 488	29 972	108 864	50 128	193 519	134 783
Cost of goods sold	-16 240	-8 986	-32 000	-15 088	-56 720	-39 808
<b>Gross earnings</b>	<b>39 248</b>	<b>20 986</b>	<b>76 864</b>	<b>35 040</b>	<b>136 799</b>	<b>94 975</b>
Marketing expenses	-17 441	-13 545	-32 150	-25 507	-58 884	-52 241
Administration expenses	-6 286	-4 875	-12 159	-9 804	-21 315	-18 960
Development expenses	-13 082	-12 354	-26 338	-24 307	-50 711	-48 680
Other operating income	885	0	1 907	0	15 404	13 497
<b>Operating earnings</b>	<b>3 324</b>	<b>-9 788</b>	<b>8 125</b>	<b>-24 578</b>	<b>21 294</b>	<b>-11 409</b>
Net financial items	189	244	502	608	1 135	1 241
<b>Earnings before tax</b>	<b>3 513</b>	<b>-9 544</b>	<b>8 627</b>	<b>-23 970</b>	<b>22 429</b>	<b>-10 168</b>
Tax	0	0	0	0	0	0
<b>Net income</b>	<b>3 513</b>	<b>-9 544</b>	<b>8 627</b>	<b>-23 970</b>	<b>22 429</b>	<b>-10 168</b>
<b>Earnings per share</b>	0,01	-0,03	0,02	-0,07	0,06	-0,03
<b>Earnings per share after dilution</b>	0,01	-0,03	0,02	-0,07	0,06	-0,03
<b>Number of shares</b>	369 986 960	367 757 010	369 986 960	367 757 010	368 567 210	367 757 010

**CONSOLIDATED CASH FLOW STATEMENT**

<b>Amount in SEK thousands</b>	<b>Jun 30, 2007 6 months</b>	<b>Jun 30, 2006 6 months</b>	<b>Q306-Q207 12 months</b>	<b>Dec 31, 2006 12 months</b>
<b>Cash flow ongoing operations before change in working capital</b>	27 611	-11 945	58 276	18 720
<b>Change in working capital</b>				
Increase-/decrease+ in inventories	-13 360	208	-20 582	-7 014
Increase-/decrease+ in receivables	7 335	-1 323	13 109	4 451
Increase+/decrease- in current liabilities	-4 627	-1 170	10 853	14 310
<b>Cash flow from ongoing operations</b>	<b>16 959</b>	<b>-14 230</b>	<b>61 656</b>	<b>30 467</b>
<b>Investment activity</b>				
Acquisitions of intangible fixed assets	-24 423	-21 847	-47 264	-44 688
Acquisitions of tangible fixed assets	-703	-160	-1 488	-945
Increase-/decrease+ in long-term receivables	-100	0	-171	-71
Increase+/decrease- in long-term liabilities	6 965	0	6 965	0
<b>Cash flow from investment activity</b>	<b>-17 684</b>	<b>-22 007</b>	<b>-41 381</b>	<b>-45 704</b>
<b>Financing activity</b>				
Warrants	6 575	0	6 575	0
Short-term borrowing	6 440	14 923	-8 483	0
<b>Cash flow from financing activity</b>	<b>13 015</b>	<b>14 923</b>	<b>-1 908</b>	<b>0</b>
Increase/decrease in liquid funds	12 291	-21 314	18 368	-15 237
Liquid funds, opening balance	77 682	92 919	71 605	92 919
<b>Liquid funds, closing balance</b>	<b>89 973</b>	<b>71 605</b>	<b>89 973</b>	<b>77 682</b>

**CONSOLIDATED BALANCE SHEET**

Amount in SEK thousands	Jun 30, 2007	Jun 30, 2006	Dec 31, 2006
<b>ASSETS</b>			
<b>Fixed assets</b>			
<b>Intangible assets</b>			
Capitalized expenditures for development	65 589	53 278	59 380
Goodwill	4 354	4 354	4 354
<b>Tangible fixed assets</b>			
Equipment	1 931	904	1 497
<b>Financial assets</b>			
Deposits paid, long-term	171	0	71
<b>Total fixed assets</b>	<b>72 045</b>	<b>58 536</b>	<b>65 302</b>
<b>Current assets</b>			
Inventory	34 235	13 653	20 875
Customer receivables	10 236	27 880	20 848
Other receivables	12 806	8 271	9 529
Cash and bank balances	89 973	71 605	77 682
<b>Total current assets</b>	<b>147 249</b>	<b>121 409</b>	<b>128 934</b>
<b>Total assets</b>	<b>219 294</b>	<b>179 945</b>	<b>194 237</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity</b>			
<b>Restricted shareholders' equity</b>			
Share capital	14 799	14 710	14 710
Other contributed capital	1 149 319	1 142 043	1 142 247
Translation difference	-1 860	-1 236	-1 773
Accumulated deficit	-1 009 762	-1 032 191	-1 018 388
<b>Total shareholders' equity</b>	<b>152 497</b>	<b>123 326</b>	<b>136 796</b>
<b>Long-term liabilities</b>			
Other long-term liabilities	2 076	0	0
<b>Provisions</b>			
Provisions	5 466	2 000	0
<b>Total long-term liabilities and provisions</b>	<b>7 542</b>	<b>2 000</b>	<b>0</b>
<b>Current liabilities</b>			
Liabilities to credit institution	6 440	14 923	0
Accounts payable	19 461	12 073	25 265
Other liabilities	33 353	27 623	32 176
<b>Total short-term liabilities</b>	<b>59 254</b>	<b>54 619</b>	<b>57 441</b>
<b>Total liabilities</b>	<b>66 796</b>	<b>56 619</b>	<b>57 441</b>
<b>Total liabilities and equity</b>	<b>219 294</b>	<b>179 945</b>	<b>194 237</b>
<b>Pledged assets:</b>	<b>8 050</b>	<b>18 653</b>	<b>None</b>
<b>Blocked account:</b>	<b>1 669</b>	<b>1 314</b>	<b>1 314</b>

**CHANGES IN GROUP SHAREHOLDERS' EQUITY**

Amount in SEK thousands	Share Capital	Share Premium Reserve	Translation Difference	Net Income for the Year	Shareholders' Equity
<b>06-01-01</b>	14 710	1 141 839	-634	-1 008 221	147 694
Translation difference for the period			-602		-602
Total transactions reported directly in shareholders' equity			-602		-602
Net Income				-23 970	-23 970
			-602	-23 970	-24 572
Staff warrant program:					
Value of employees' services		204			204
<b>06-06-30</b>	14 710	1 142 043	-1 236	-1 032 191	123 326
Translation difference for the period			-537		-537
Total transactions reported directly in shareholders' equity			-537		-537
Net Income				13 803	13 803
			-1 773	13 803	13 266
Staff warrant program:					
Value of employees' services		204			204
<b>06-12-31</b>	14 710	1 142 247	-1 773	-1 018 388	136 796
<b>07-01-01</b>	14 710	1 142 247	-1 773	-1 018 388	136 796
Translation difference for the period			-87		-87
Total transactions reported directly in shareholders' equity			-87		-87
Net Income				8 627	8 627
			-87	8 627	8 540
Non registered share-capital					
Options redeemed	89	6 486			6 575
Staff warrant program:					
Value of employees' services		586			586
<b>07-06-30</b>	14 799	1 149 319	-1 860	-1 009 762	152 497

**PARENT COMPANY INCOME STATEMENT**

<b>Amount in SEK thousands</b>	<b>Q2 2007</b>	<b>Q2 2006</b>	<b>Jan-Jun 2007</b>	<b>Jan-Jun 2006</b>	<b>Q306-Q207 12 months</b>	<b>Full Year 2006</b>
Net Sales	63 637	37 531	126 134	65 379	226 805	166 050
Cost of goods sold	-29 372	-16 354	-58 993	-27 258	-104 626	-72 891
<b>Gross earnings</b>	<b>34 265</b>	<b>21 177</b>	<b>67 142</b>	<b>38 121</b>	<b>122 179</b>	<b>93 159</b>
Marketing expenses	-17 205	-13 341	-31 698	-25 041	-58 414	-51 757
Administration expenses	-8 117	-6 475	-15 682	-13 013	-28 243	-25 573
Development expenses	-11 072	-9 754	-22 104	-18 954	-41 503	-38 354
Other operating income	0	0	0	0	13 497	13 497
<b>Operating earnings</b>	<b>-2 129</b>	<b>-8 394</b>	<b>-2 343</b>	<b>-18 887</b>	<b>7 516</b>	<b>-9 028</b>
Net financial items	176	228	477	576	827	926
<b>Earnings before tax</b>	<b>-1 953</b>	<b>-8 166</b>	<b>-1 865</b>	<b>-18 311</b>	<b>8 344</b>	<b>-8 102</b>
Tax	0	0	0	0	0	0
<b>Net income</b>	<b>-1 953</b>	<b>-8 166</b>	<b>-1 865</b>	<b>-18 311</b>	<b>8 344</b>	<b>-8 102</b>

**PARENT COMPANY BALANCE SHEET**

<b>Amount in SEK thousands</b>	<b>Jun 30, 2007</b>	<b>Jun 30, 2006</b>	<b>Dec 31, 2006</b>
<b>ASSETS</b>			
<b>Fixed assets</b>			
<b>Intangible assets</b>			
Capitalized expenditures for development	64 697	47 948	56 649
<b>Tangible fixed assets</b>			
Equipment	1 850	659	1 325
<b>Financial assets</b>			
Shares in groupcompanies	-4 921	10 450	5 022
Deposits paid, long-term	171	0	71
<b>Total fixed assets</b>	<b>61 798</b>	<b>59 057</b>	<b>63 067</b>
<b>Current assets</b>			
Inventory	34 235	13 653	20 875
Customer receivables	10 236	27 880	20 848
Other receivables	12 777	8 190	9 500
Cash and bank balances	88 718	70 572	76 543
<b>Total current assets</b>	<b>145 966</b>	<b>120 294</b>	<b>127 766</b>
<b>Total assets</b>	<b>207 763</b>	<b>179 351</b>	<b>190 833</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity</b>			
<b>Restricted shareholders' equity</b>			
Share capital	14 799	14 710	14 710
Other contributed capital	120 712	121 536	121 739
Accumulated deficit	-1 865	-18 311	-8 102
<b>Total shareholders' equity</b>	<b>133 646</b>	<b>117 935</b>	<b>128 347</b>
<b>Long term liabilities</b>			
Other long-term liabilities	2 076	0	0
<b>Provisions</b>			
Provisions	5 466	2 000	0
<b>Total long-term liabilities and provisions</b>	<b>7 542</b>	<b>2 000</b>	<b>0</b>
<b>Current liabilities</b>			
Liabilities to credit institution	6 440	14 923	0
Accounts payable	19 461	12 073	25 265
Liabilities to Other group companies	9 348	5 729	6 062
Other liabilities	31 326	26 690	31 159
<b>Total liabilities</b>	<b>66 575</b>	<b>59 416</b>	<b>62 486</b>
<b>Total liabilities and equity</b>	<b>207 763</b>	<b>179 351</b>	<b>190 833</b>
<b>Pledged assets:</b>	<b>8 050</b>	<b>18 653</b>	<b>None</b>
<b>Blocked account:</b>	<b>1 669</b>	<b>1 314</b>	<b>1 314</b>

This interim report has been prepared in accordance with International Financial Reporting Standards (IFRS) and the structure follows IAS 34 Interim Financial Reporting. The EU has adopted the following standards and interpretations with effective date during 2007: IAS 1 Amendments – Presentation of Financial Statements: Disclosures of equity and IFRS 7 Financial instruments: Disclosures.

The company's auditors have not examined this report.

## Reporting dates

Interim report for January – September:	26 October 2007
Year-end report 2007:	22 February 2008

## Certification by the Board of Directors and the CEO

The Board of Directors and the CEO certify that the six-month report provides a true and fair picture of the income statement, the balance sheet and the cash flow statement and the explaining notes gives a true and fair view of the company's position and result, and that it describes the significant risks and uncertainties impacting the operation and the results.

Stockholm, 22 August 2007

**Lars Berg**  
Chairman of the Board

**Bernt Magnusson**  
Board member

**Ragnar Bäck**  
Board member

**Clifford H Friedman**  
Board member

**Birgitta Stymne Göransson**  
Board member

**Marco Limena**  
Board member

**Fredrik Trägårdh**  
Chief Executive Officer

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