



*Net Insight delivers the worlds 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 20 countries. Net Insight is quoted on the Stockholm Stock Exchange.*

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

## **YEAR-END REPORT 2006**

*Net Insight AB (publ), corporate ID no. 556533-4397*

### **Full Year 2006**

- **Sales increased by 48% to SEK 134.8 million (90.9).**
- **Net income improved to SEK –10.2 million (-59.6).**
- **Adjusted for non-recurring revenue of SEK 13.5 million, net income was SEK -23.7 million (-59.6).**
- **Significantly improved gross margin of 70.5% (62.9%).**
- **Service and software revenue increased by 140% to SEK 25.7 million (10.7).**
- **Positive operating cash flow during the second half-year of SEK 6.1 million.**
- **Earnings per share were SEK –0.03 (-0.17).**

### **Fourth quarter 2006**

- **Sales increased by 105% to SEK 49.7 million (24.2).**
- **Net income of SEK 16.9 million (-13.9), which is the first profitable quarter.**
- **Adjusted for non-recurring revenue, net income was SEK 3.4 million (-13.9).**
- **Service and software revenue totaled SEK 10.3 million (2.9).**
- **Earnings per share were SEK 0.05 (-0.04).**

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## Business activities during the year

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Net Insight's sales during the year totaled SEK 134.8 million (90.9), which is an increase of 48% compared to 2005. The demand for Net Insight's transport solutions is growing stronger, resulting in an increasing number of customers and larger order values. The growing customer base generates substantial recurring business.

The sales growth was achieved while further improving the gross margin. This is a good indication of the competitiveness of Net Insight's offering and the gross margin has been supported by the introduction of new competitive products and increasing revenues from software, support and services.

Net Insight was founded on the vision that video and other real time sensitive media will become increasingly dominant in future networks. Today the vision is becoming a reality. The service mix of voice, data and video is changing and in 2009 video is expected to represent some 90% of the traffic volume in for example broadband networks.

The use of video in fiber-based networks, HD-TV and increased use of real time and video content is driving demand for more capacity and higher speeds. The worldwide rollouts of Digital Terrestrial TV (DTT) networks drive business and at the same time create opportunities for mobile TV (DVB-H). Network operators are reviewing their infrastructure to find more efficient ways to build their networks to meet customer demand as the service mix changes rapidly towards video.

These changes in the market fit the sweet spot of Net Insight's customer offering and the company continues to focus on prioritized market segments in Europe, North America and Asia. The Broadcast and Media networks segment, represents the broadcasters, telecom media operators and satellite companies that utilize a terrestrial network infrastructure for media transport. Digital Terrestrial TV and Mobile TV networks (DTT and mTV) are the national transport infrastructures being built for the migration to Digital Terrestrial TV from analogue distribution. Net Insight has a very strong offering and references in the segment. The analogue shutdown is government regulated which will result in substantial network procurements in over 50 countries over the coming years. This market segment also includes the growing segment for the infrastructure for delivery of broadcast TV to mobile terminals. IPTV and CATV networks are the transport infrastructure for delivery of TV/video to households.

Net Insight is well positioned in the core segments Broadcast & Media and DTT and during 2006 there has been a number of new customers as well as recurring business generated by the growing installed base.

In the beginning of the year Net Insight received an order from KPN Broadcast (previously Nozema Services) for the national DTT network in the Netherlands. This was the first phase of the network that will be used to transport digital terrestrial TV streams for contribution and distribution. Additional orders were placed in the spring and the autumn for further deliveries of the Nimbra platform to extend the Dutch network and to provide a nationwide media contribution service for a new end customer. This expansion of national DTT networks continued with the first orders from Norkring, owned by Telenor ASA, for the DTT network in Norway. The frame agreement signed in May concerning the delivery of 400-700 Nimbra nodes during 2-3 years. Broadcast Service Denmark also ordered additional equipment for further expansion of the Danish DTT network.

During the year, orders for media and data transport networks have been received from customers in all market areas. TeliaSonera International Carrier selected Net Insight as the equipment vendor and launched one of the most extensive media-carrier networks in Europe. The deal incorporates the latest Nimbra™ platform to provide a high capacity, high performance international network.

Levira, Estonia's largest transmission operator for broadcasting placed an initial order for a contribution- and production network for video and data as well as a DTT network. Westdeutscher Rundfunk (WDR), Germany's largest public broadcaster, placed a new order for equipment to upgrade the capacity between six major cities in their existing network of Nimbra™ products.

In the Broadcast and Media Networks segment, several European network operators ordered equipment to expand their networks for transport and distribution of video and data.

In Asia, a major broadcaster placed a new order to expand their existing network. The equipment will be used to increase the capacity of the network that distributes digital TV signals between two countries.

TELUS, a leading telecommunications company in Canada with 10.4 million customer connections, selected the Nimbra™ platform. The network will be used for the transport of rich media content including video, voice and data. In North America, a large media operator, which provides data, voice and video to enterprises and service providers, placed additional orders for further expanding its terrestrial media network.

### **Partnerships**

The partner strategy is increasingly contributing to the sales growth where a growing network of partners and value-added resellers continue to expand the geographical reach.

Several new partners have been signed during the year. In the Asian region, the NDT group, a renowned distributor and system solutions provider in the broadcast, telecommunication and other professional industries in China, and ITOCHU Cable Systems, a leading system integrator of broadband systems for growing data and video applications in Japan, will cooperate with Net Insight and strengthen our market presence.

At the end of the period Net Insight has local partners in 18 countries and the activity in this partner network resulted in a strong increase in indirect sales from 17% in 2005 to 37% in 2006.

### **Exhibitions**

Net Insight participated at a number of trade shows during the year in Europe, US and Asia including National Association of Broadcasters (NAB) in Las Vegas, International Broadcasting Convention (IBC) in Amsterdam and CommunicAsia in Singapore.

At NAB Net Insight demonstrated the full Nimbra range and Verizon used a demonstration network based on Net Insight's equipment to transport live video feeds into the Net Insight and Verizon booths respectively. At IBC Net Insight demonstrated a Nimbra network displaying live IPTV as well as compressed HDTV and uncompressed HDTV streams. A unique live Mobile TV (DVB-H) demonstration, transported over the Nimbra network and displayed using Nokia mobile phones for DVB-H, was shown to potential customers and partners. Furthermore, Telia International Carrier transported a live uncompressed 1.5 Gbps HDTV feed from Sandhamn in Stockholm to the Net Insight booth in Amsterdam across their pan-European network as part of their international media network launch based on the Nimbra products.

Furthermore, Net Insight partners in Europe, Asia and the USA exhibited Nimbra products at additional events throughout the year.

### **New product introductions**

Research and development focuses on developing market-leading products for the defined market segments. New product introductions have been well received during the year and further strengthened the company's competitiveness. Net Insight's Nimbra™ product portfolio is a complete range of powerful multi-service access, edge and transport switches.

Volume deliveries of the Nimbra 680 started during the second half of the year and have been an increasingly important part of the business. This product is designed for high capacity carrier-class networks to be used for the next generation's communication services, requiring maximum availability and scalability.

In June deliveries of the new high-density 8-port DVB-ASI transport access module started and has become a significant revenue contributor during the year. The module features eight DVB-ASI ports significantly increasing cost-effectiveness for high-capacity broadcast, contribution, and distribution networks.

At the end of the year, the first customer installation was made of the new Nimbra 360. This is a new compact access/edge switch that provides multi-service switching for advanced media and data services. The Nimbra 360 has been formally launched to the market after the end of the period and is optimized for Digital Terrestrial TV networks, further enhancing our offering for the transition from analogue to digital TV networks.

Furthermore Net Insight continued the development of the Time Transfer functionality. This will allow Digital Terrestrial networks to be built without GPS dependence, a key reliability factor for many public services.

With the Nimbra™ platform, we now have a well-proven and cost-efficient solution for converged next generation networks with full quality of service in video transport. Based on these market leading products and technology we have built a base of world-class customer references.

### **Organization**

In January Net Insight announced that the Board appointed Fredrik Trägårdh to take the position as new CEO as of February 17, 2006.

A new CFO, Lars Kevsjö, was appointed in May 2006.

## Business activities during the fourth quarter 2006

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Fourth quarter sales amounted to SEK 49.7 million (24.2), which is an increase of 105% compared to the same period 2005.

The orders for the rollout and expansion of Digital terrestrial TV networks continued into the fourth quarter. Yet another European Digital Terrestrial TV (DTT) operator selected Net Insight's Nimbra™ platform for an initial step of their DTT network and further orders are expected from the same customer during 2007.

During the quarter new orders for mission critical media and data transport networks have also been received from customers in New Zealand, China, Switzerland, Germany, USA and others.

Through Net Insight's Australian partner, Techtel Pty. Ltd, an order was received for deliveries to Kordia, a leading provider of customized broadcast and telecommunications networks, network services and converged solutions across New Zealand and Australia. The equipment will be used for contribution services for broadcasters of Video and IP/Ethernet services.

In December, Net Insight was selected for the video transport at the Beijing 2008 Olympic Games. Over 30 sites will be connected with Net Insight's Nimbra™ platform.

SRG, Switzerland's public broadcaster chose the Nimbra™ platform for a nationwide audio network for audio contribution covering all Switzerland. Network equipment for a private multi service media network commissioned by a German Broadcaster, who is also a new customer, was delivered in the fourth quarter. The Nimbra network will handle all TV and Radio contribution and distribution feeds, as well as all data and voice services, between the customer's production facilities. The order has been received in co-operation with a large German system operator.

A north European TV and radio transmission operator, building a contribution network for video and data transport services between several locations placed an order for the Nimbra™ platform.

SAVVIS Communications Corporation ordered equipment under a restructured purchase agreement originally signed in June 2005. The delivery includes upgrades of the existing network as well as new equipment to support new and existing customers.

Globecast, a global content management and delivery company signed an order for an upgrade of its worldwide global fiber network at approximately 30 sites in Europe, Asia and United States.

## Significant events after the end of the period

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In January, Net Insight received an order to expand Digita's digital terrestrial television network in Finland. Digita has previously chosen Net Insight's Nimbra™ platform to cover northern Finland. With the new order Digita continues to deploy Nimbra in its DTT regional and national network. The equipment will be used to adapt DTT signals to Digita's existing transmission network. The order will be delivered during the first quarter of 2007.

Norkring continues to expand the DTT network in Norway and in January, Net Insight received further orders under the frame agreement with Norkring. The new orders exceeded 10 MSEK and the equipment will be delivered before May 2007.

The new compact access and edge switch Nimbra 360 was launched in February. Interoperable with the Nimbra One and Nimbra 600 series the Nimbra 360 is well suited for sophisticated media networking applications and is an important product for the ongoing rollout of Digital Terrestrial TV networks.

In February, Net Insight opened a regional sales office in Singapore. There is an increasing demand for Net Insight's transport solution on the Asian and Pacific markets and this establishment will strengthen support to customers and channel partners.

A loan facility from a Swedish bank of SEK 30 million has been established after the end of the reporting period. The loan has not been utilized.

## Outlook

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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.

## Financials for the fourth quarter and full year 2006

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### Sales and earnings

#### Full Year

Net Insight's revenue for the full year 2006 increased by 48% to SEK 134.8 million (90.9). Of total revenue, Europe accounted for 81%, North America 18%, and Asia 1% respectively. Sales of software and services (professional services, support, maintenance and training) increased to SEK 25.7 million (10.7) and accounted for 19% of total revenue for the full year.

Net income for the full year amounted to SEK -10.2 million (-59.6). The financial net amounted to SEK 1.2 million (1.1). Adjusted for the non-recurring revenue of SEK 13.5 million from the acquisition of a Swedish partnership, net income was SEK -23.7 million (-59.6). The improvement of the operating earnings is attributable to the increased revenue, higher gross margin relating to increased sales of software and services combined with new more cost effective products and cost control in general.

For the full year 2006 gross margin was 70.5% (62.9).

The total operating costs for the full year amounted to SEK 119.9 million (117.9). Marketing expenses increased by SEK 7.0 million mainly due to a strengthening of the sales force. Development expenses have declined due to finalization of two larger product development projects for Nimbra 340 and Nimbra 680. Provisions for social costs for the personnel option programs of 2003 and 2004 based on the options' actual value on the balance sheet date have affected operating costs by SEK 1.1 million.

Revenue in the fourth quarter totaled SEK 49.7 million (24.2), up 105% compared to the same period previous year and the third consecutive quarter of increasing revenue. Sales of software and services increased to SEK 10.3 million in the quarter and accounted for 21 % of total revenue.

#### Fourth Quarter

The fourth quarter was the first profitable quarter in Net Insight's history. Net income amounted to SEK 16.9 million (-13.9). An acquisition of a Swedish partnership has positively affected the operating earnings in the quarter by SEK 13.5 million. Adjusted for that non-recurring item, net income amounted to SEK 3.4 million. The significant result improvement is attributable to the revenue growth and a continuous strong gross margin.

The gross margin in the fourth quarter was further strengthened and reached 70.8 % (65.7) attributable to increasing sales of software and services.

### Cash flow and financial position

The liquidity at the end of the period was SEK 77.7 million (92.9). The fourth quarter accounted for SEK 1.0 million in positive cash flow whereas the second half-year accounted for a positive operating cash flow of SEK 6.1 million. For the full year cash flow amounted to SEK -15.2 million. Compared to the third quarter 2006 the net cash position was increased from SEK 61.5 million to SEK 77.7 million. On the balance sheet date, Net Insight had an unutilized factoring facility of SEK 24 million. After the end of the reporting period a revolving credit facility of SEK 30 million has been established with a Swedish bank and the existing factoring facility has been enlarged from SEK 24 million to SEK 45 million.

### Investments

In the fourth quarter Net Insight purchased participations in a Swedish partnership. The effect of the transaction is SEK 13.5 million, recorded as other operating revenue, and SEK 13.5 million as a positive cash effect. Investments in tangible assets during the year amounted to SEK 1.0 million (0.6). Capitalized development costs, reported as intangible assets, amounted to SEK 41.9 million (36.1) during the year. At year-end, net book value of capitalized development costs amounted to SEK 59.4 million (43.6).

### Employees

At the end of the period Net Insight had 82 (74) employees of which the parent company Net Insight AB had 75 (68) employees and the US subsidiary Net Insight Inc. had 7 (6) employees.

### Parent company

The Parent company's net turnover was SEK 166.1 million (121.9). The loss after financial items amounted to SEK -7.9 million (-68.5) Liquid funds amounted to SEK 76.5 million (92.9). The calculated accumulated tax deficit in the parent company is, as per today SEK 1 038.8 million. There is no accumulated tax deficit in any subsidiary.

**CONSOLIDATED INCOME STATEMENT**

<b>Amount in SEK thousand</b>	<b>3 Months Oct-Dec, 2006</b>	<b>3 Months Oct-Dec, 2005</b>	<b>Year 2006</b>	<b>Year 2005</b>
Net Sales	49 671	24 249	134 783	90 889
Cost of sales	-14 491	-8 310	-39 807	-33 741
<b>Gross earnings</b>	<b>35 180</b>	<b>15 939</b>	<b>94 976</b>	<b>57 148</b>
Marketing expenses	-13 521	-13 917	-52 241	-45 215
Administration expenses	-5 387	-5 204	-18 960	-18 919
Development expenses	-13 229	-11 113	-48 680	-53 780
Other operating revenue 1)	13 497	0	13 497	0
<b>Operating earnings</b>	<b>16 540</b>	<b>-14 295</b>	<b>-11 408</b>	<b>-60 766</b>
Net financial items	394	360	1 241	1 137
<b>Earnings before tax</b>	<b>16 934</b>	<b>-13 935</b>	<b>-10 167</b>	<b>-59 629</b>
Tax	0	0	0	0
<b>Net Income for the period</b>	<b>16 934</b>	<b>-13 935</b>	<b>-10 167</b>	<b>-59 629</b>
<b>Earnings per share</b>	0,05	-0,04	-0,03	-0,17
<b>Earnings per share after dilution</b>	0,05	-0,04	-0,03	-0,17
<b>Number of shares</b>	367 757 010	367 757 010	367 757 010	367 757 010

Note: 1) See page 5 for further information on this item.

**CONSOLIDATED BALANCE SHEET**

Amount in SEK thousand	Dec 31, 2006	Dec 31, 2005
<b>ASSETS</b>		
<b>Fixed assets</b>		
<b>Intangible assets</b>		
Capitalized expenditure for development	59 380	43 645
Goodwill	4 354	4 354
<b>Financial fixed assets</b>		
Deposits, long term	71	0
<b>Tangible fixed assets</b>		
Equipment	1 497	953
<b>Total fixed assets</b>	<b>65 302</b>	<b>48 952</b>
<b>Current assets</b>		
Inventory	20 875	13 861
Customer receivables	20 848	27 324
Other receivables	9 529	7 504
Cash and bank balances	77 682	92 919
<b>Total current assets</b>	<b>128 934</b>	<b>141 608</b>
<b>Total assets</b>	<b>194 236</b>	<b>190 560</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>		
<b>Shareholders' equity</b>		
<b>Total shareholders' equity</b>	<b>136 795</b>	<b>147 694</b>
<b>Long term liabilities</b>		
Guarantee provisions	1 000	2 000
<b>Total provisions</b>	<b>1 000</b>	<b>2 000</b>
<b>Current liabilities</b>		
Accounts payable	25 265	15 118
Other liabilities	31 176	25 748
<b>Total liabilities</b>	<b>56 441</b>	<b>40 866</b>
<b>Total liabilities and equity</b>	<b>194 236</b>	<b>190 560</b>
<b>Pledged assets:</b>	None	None
<b>Contingent liabilities:</b>	1 314	1314

**CHANGES IN GROUP SHAREHOLDERS' EQUITY**

Amount in SEK thousand	Share capital	Other contributed capital	Translation difference	Net earnings	Total shareholders' equity
<b>2005-01-01</b>	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
Staff warrant program:					
Value of employees' services		408			408
New issue	3 070	100 806			103 876
Cost of new issue		-11 621			-11 621
<b>2005-12-31</b>	14 710	1 141 839	-634	-1 008 221	147 694
<b>2006-01-01</b>	14 710	1 141 839	-634	-1 008 221	147 694
Translation difference for the period			-1 139		-1 139
Total transactions reported directly in shareholders' equity			-1 139		-1 139
Net earnings				-10 167	-10 167
			-1 139	-10 167	-11 306
Staff warrant program:					
Value of employees' services		408			408
<b>2006-12-31</b>	14 710	1 142 247	-1 773	-1 018 388	136 796

**CONSOLIDATED CASH FLOW STATEMENT**

Amount in SEK thousand	Dec 31, 2006 12 months	Dec 31, 2005 12 months
<b>Ongoing operations</b>		
Net income before tax	-10 167	-59 629
Adjustment for interest expense	185	16
Adjustment for interest income	-1 426	-1 153
Depreciation	27 854	15 478
Other items not affecting liquidity	-231	-39
Adjustment for interest income	1 426	1 153
Adjustment for interest expense	-185	-16
<b>Cash flow ongoing operations before change in working capital</b>	<b>17 456</b>	<b>-44 190</b>
<b>Change in working capital</b>		
Increase-/decrease+ in inventories	-7 014	8 516
Increase-/decrease+ in receivables	4 451	-15 888
Increase+/-decrease- in current liabilities	15 575	13 949
Increase-/decrease+ in long-term assets	-71	0
<b>Cash flow from ongoing operations</b>	<b>30 397</b>	<b>-37 613</b>
<b>Investment activity</b>		
Acquisitions of intangible fixed assets	-44 688	-36 053
Acquisitions of tangible fixed assets	-946	-570
<b>Cash flow from investment activity</b>	<b>-45 634</b>	<b>-36 623</b>
<b>Financing activity</b>		
New share issue	0	92 255
<b>Cash flow from financing activity</b>	<b>0</b>	<b>92 255</b>
Increase/decrease in liquid funds	-15 237	18 019
Liquid funds, opening balance	92 919	74 900
<b>Liquid funds, closing balance</b>	<b>77 682</b>	<b>92 919</b>

This report has been prepared in accordance with International Financial Reporting Standards (IFRS) and IAS 34.

The company's auditors have not examined this report.

#### **Annual General Meeting**

The Ordinary General Meeting will be held Thursday April 26, 2006, at 10:00 a.m. in Net Insight's offices in Västberga.

Shareholders who are entered in the share register kept by the Securities Register Center (VPC AB) on 20 April 2007 and apply to the Company no later than 20 April 2006 at 4:00 p.m. are entitled to attend and vote at the General Meeting.

Applications to participate may be sent to the address Net Insight AB, Box 42093, 126 14 Stockholm or by telephone to +46 (0) 8685 04 00 or by fax to +46 (0) 8685 04 20 or by e-mail to [info@netinsight.net](mailto:info@netinsight.net).

#### **Reporting dates 2007**

Interim report for January – March:	3 May, 2007
Interim report for January – June:	22 August, 2007
Interim report for January – September:	26 October, 2007

The annual report for 2006 will be available in the company's head office as of April 2, 2007 and will be sent to those shareholders who have requested so.

#### **Dividend**

The Board proposes that the AGM resolve that no dividend be paid for the financial year 2006.

Stockholm, 20 February 2007  
Fredrik Trägårdh, CEO Net Insight AB

#### **For more information, please contact:**

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