

About Net Insight

Net Insight develops and markets fiber-optic data and video networking equipment that guarantees complete quality of service (100% QoS) and maximizes network utilization. Net Insight solutions sharply reduce operating costs and the need for new investments, while at the same time protecting and enhancing the customers' existing infrastructure investments. Customers also gain access to cost-effective production and distribution for high-quality TV and video-related services. Net Insight is quoted on the O-list of the Stockholm Stock Exchange and has offices in Sweden and the United States. For more information, please visit www.netinsight.net

2003 UNAUDITED FIGURES

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

- **Year's sales amounted to SEK 34.6 million (33.7)**
- **Operating deficit for whole year: SEK 81.3 million (123.8)**
- **Result after taxes for whole year: SEK 80.4 million (121.8)**
- **Earnings per share for whole year amounted to SEK -0.49 (-0.89)**
- **Fourth quarter orders amounted to SEK 26 million, the highest ever in Net Insight's history**
- **Breakthrough deals signed in the professional media market with three important customers**

MARKET PROSPECTS AND FUTURE OUTLOOK

For the first time in three years, Net Insight begins to see an increase in the market after year 2003 that was still influenced by recession. During the fall the company saw an increased customer activity which among others resulted in three very important contracts for Net Insight at the end of the year. The inflow of orders for the fourth quarter was the highest ever for one single quarter at approximately SEK 26 million.

Last quarter's successes in new orders combined with successful capital funding gives the company a better initial position than ever before. Net Insight's focus on high-quality, cost-effective solutions that provide operators with quick investment payback will result in more and larger deals being signed in the future.

Net Insight is currently addressing two main market segments which both show ongoing positive development. The company has very stable products and strong references in Europe and the United States. All this in addition to Net Insight's added customer orientation and distinct market positioning should lead to shorter sales cycles and increased sales.

The Market for Triple Play increases

Market potential for and interest in Triple Play are increasing around the world and marketing firms like In-Stat/MDR estimate that in 2007 around 19 million households will subscribe to video services via broadband networks and that many more will have potential access to them via expanded Triple-Play networks. Vernon Telephone Cooperative in Wisconsin and Matanuska Telephone Association in Alaska are just two of the many potential operators in the United States that recognized their opportunity to increase profits by offering a more comprehensive selection of services.

Breakthrough on the Professional Media Market

Definite confirmation that Net Insight has become a recognized supplier to the media industry came in 2003 through sales to, among others, an established European media operator, Westdeutscher Rundfunk and Bayerischer Rundfunk. In the United States, a new telecommunications operator, Broadwing, decided to establish itself on the media market using Net Insight's Nimbra™ platform.

NET INSIGHT AB

Box 420 93
126 14 Stockholm
Sverige

Tel:+46 8 6850400
Fax:+46 8 6850420

Org.no: 556533-4397
Vat.no: SE556533439701

www.netinsight.net
e-post: info@netinsight.net

In Canada, the company's solution is being evaluated by CBC/Radio-Canada prior to their upcoming purchase. Since the start of the 1990s, media companies have increasingly switched to digital technology and line formats like SDI (Serial Digital Interface) have become the established standard for transporting video traffic, but very large quantities of IP data and voice traffic also need to be transported between the same points. Since digitalized video production is expected to represent two thirds of total output in 2005, it is natural for distribution to develop along the same lines. Industry analysts state that as much as 70% of today's satellite transmissions may be replaced with fiber-based solutions. This is completely in line with Net Insight's expectations.

SIGNIFICANT EVENTS DURING THE FOURTH QUARTER

Sales

Fourth quarter invoicing amounted to SEK 11.9 million (12.0) and incoming orders amounted to the highest ever of SEK 26 million.

In November the Swedish research firm Acreo AB ordered network equipment from Net Insight to test qualified TV and video services. In a new network between Hudiksvall and Stockholm various transport techniques are being evaluated for demanding network traffic such as broadband TV, video-on-demand, high speed Internet and IP telephony.

Three very important orders were received in the professional media market sector during the fourth quarter. Two of them, an established media operator in Europe and a telecommunications operator in the United States, Broadwing, were delivered and invoiced in December while the third, Westdeutscher Rundfunk (WDR) will be delivered and invoiced in 2004. The media operators in Europe are building a pan-European network with links to the United States and will be offering advanced Ethernet and ASI services to European TV and production companies. Broadwing has purchased network equipment to build out their national network for qualified TV and video transport. The WDR purchase, involving equipment for a 14-city media network in Germany, occurred after careful tests and under very stiff competition. WDR chose Net Insight's solution, which will be delivered through a strong German system integrator, Controlware and ISIS, a subsidiary of Arcor. The management and board consider these three deals to be a breakthrough and a sign of widespread acceptance of the company's technology and products.

New stock issues and extra shareholders meetings

There was a great deal of interest in company stock issues. At an extra shareholders meeting on December 12, a resolution was passed to issue a maximum of 4,471,114 new B-shares to the guarantee consortium that guaranteed to subscribe for the number of shares that had not been subscribed using the option rights that Net Insight issued in connection with the preferential issue earlier in the year. The preferential stock issue and the issue to the guarantors brought in a total of SEK 78 million before issue costs.

Following an extra shareholders meeting resolution on December 29, an additional issue of 27,500,000 new B-shares occurred at the end of the year. The issue, which targeted a limited number of institutional investors, was subscribed in full and brought in a total of SEK 38.5 million before issue costs.

SIGNIFICANT EVENTS DURING THE YEAR

Sales

Net Insight's sales for the year amounted to SEK 34.6 million (SEK 33.7 million). The sales took place in all of the prioritized market sectors: professional media networks, Triple Play and regional and metro optical networks.

In February a first agreement including both equipment and services was signed with the global service provider SAVVIS Communications Corporation that resulted in the services that had

previously been delivered by Qmedia and based on equipment supplied by Net Insight are now being sold by SAVVIS.

In March, Westdeutscher Rundfunk (WDR), Germany's single largest TV company, ordered a media network solution from Net Insight to transport video, data and telephony. In March, the company also received an order for network equipment from Allied Telesyn to build out metropolitan area networks in southern Europe.

In June Net Insight received an additional order for video transport network equipment from Dutch reseller Alphatron. The new equipment is being used to increase network capacity and to ensure redundancy in the network for UPC, a large European media operator.

Additionally, in June a large network equipment order was received from an American service provider. The equipment will be used to transport high quality media traffic such as studio-quality video, data and telephony over an extensive IP-based network. The customer is behind in their project and consequently their payments. A reserve has therefore been set aside for possible customer losses of SEK 3.5 million.

In September Net Insight received an additional order for network equipment from Allied Telesyn relating to a European metropolitan area network. This order followed the order that Allied had placed in March and covers equipment to further extend the network. Net Insight also received a smaller order from Allied Telesyn in the fall for equipment to build out still another European network.

Collaboration

Strong collaboration partners with well-established networks of contacts are essential if Net Insight is to achieve stated business objectives and at the same time cover geographically separate markets.

Net Insight signed a collaboration agreement with Brazil's Eriline Engenharia de Telineformática Ltda.

A reseller agreement was signed with system integrator Video Progetti which will sell Net Insight's solutions for the professional media market in Italy as well as being responsible for larger customer installations and support services.

Net Insight also signed a collaboration agreement with Canada's Broadcast Systems and Equipment Inc. (BSE) to sell professional media network solutions to Canadian TV companies and telecommunications operators. The collaboration will initially focus on testing the solution with one of Canada's largest TV companies and telecommunications operators.

The OEM agreement with Allied Telesyn was renegotiated this year to be valid for a new term of three years.

With the WDR deal in December, the company has entered into collaboration with Controlware in Germany.

Installations and Technical Verifications

In January the European Telecommunications Standardization Institute (ETSI) approved the physical interfaces in DTM (Dynamic synchronous Transfer Mode) that specify the adjustment for fibers for capacities from 150 Mbps up to 40 Gbps to increase the degree of utilization for networks based on DWDM, SDH and regular fiber. The standards are designated ES 201 803-3 and ES 201 803-4 respectively.

In connection with the NAB2003 media convention in Las Vegas in April, Net Insight launched a new version of its network operating system NimOS 3.0 that improved operator control of the platform.

In July Matanuska Telephone Association (MTA), Alaska's largest telephone cooperative, installed Net Insight's Nimbra™ platform, enabling them to deliver video, data and telephony over the regular telecommunications network via DSL.

In the fall Net Insight launched a new four-port STM-1/OC-3 access module for the Nimbra™ media network platform. The new interface offers professional media customers a complete transport solution for both old and new demanding video services.

Canada's state-owned CBC/Radio Canada has successfully tested Net Insight's products for transporting high quality video, radio, IP/Ethernet traffic and IP telephony.

During the year, a demonstration setup was installed in the company's own offices and was visited by a large number of potential customers and partners from the United States, South America and Europe. The demo setup demonstrates the advantages and possibilities the company's solutions offer and how easy it is to connect them an existing network. An equivalent setup was also displayed at Europe's largest media trade show, IBC2003 in Amsterdam, as well as at USTA Telecom03 in Las Vegas where it met with a great deal of interest from both existing and new customers.

Annual shareholders' meeting

Lars Berg (chairman), Bo Dimert, Lage Jonason and Bernt Magnusson were reelected as board members at the annual shareholders' meeting. Tomas Torlöf and Raimo Lindgren were elected as new board members. Resolutions passed concerning changes in the corporate bylaws regarding both the company's business objectives (§3), adjusting them to the company's actual business activities, and an adjustment of the limits in the corporate bylaws for the company's share capital (§§4 and 5, first paragraph). By resolution, the share capital will amount to a minimum of SEK 4 million and a maximum of SEK 16 million.

The annual shareholders' meeting approved the staff options program proposed by the board, the Net Insight AB 2003 Stock Option Plan, which gives nontenured employees of Net Insight and its subsidiaries the opportunity to acquire up to a total of 3,875,500 series B shares of Net Insight AB. Each staff option gives the holder the opportunity to acquire one B share at a price of SEK 3. Option rights can be used to subscribe to shares between 15 April 2004 and 15 April 2008.

Share issues and extra shareholders meetings

At an extra shareholders' meeting in May, a resolution was passed concerning a new issue of B-shares with preference for current Net Insight shareholders. The resolution means an increase of up to SEK 1,833,467.20 in the company's share capital through a new issue of up to 45,836,680 B-shares (at SEK 0.85). The priority issue was fully subscribed in June and supplied the company with SEK 39 million. For each new share that was subscribed, an option right was received that entitled the holder to subscribe to an additional new B-share at SEK 0.85 (additional 45,836,680 B-shares and an increase in the share capital of 1,833,467.20). The option rights could be used between 15 August and 30 November 2003. The priority issue was a success and brought in a total of SEK 78 million. The costs for the share issues amounted to SEK 9.2 million in total during the year.

The total share capital increased by SEK 4,767 million over the year as a result of the new issues: the number of A-shares amounts to 3,600,000 and the number of B-shares amounts to 253,083,400 (of which 27,500,000 are registered with the Swedish Patent and Registration Office).

Organization

Net Insight has continued to reduce its costs in accordance with the measures to increase efficiency and savings that were implemented during the last year. As additional measures, the company's employees have accepted a voluntary reduction in their salaries during the period from June 2003 to February 2004 with the possibility of compensation when the company achieves its sales goals. The measure corresponds to a total cost savings of about SEK 2 million for these nine months. In December, Madelene Gummesson took over the position of information officer. Madelene previously held a similar position at Trio AB and worked as a consultant for Öhrlings PricewaterhouseCoopers.

SIGNIFICANT EVENTS AFTER THE END OF THE PERIOD

TVoDSL

Net Insight took part in the TVoDSL conference in Paris in January both as a presenter and an exhibitor. The conference was very well attended and a number of European telecommunications operators showed a great deal of interest in introducing Triple Play.

EARNING TRENDS

The group's net sales amounted to a total of SEK 34.6 million (33.7) for the period. The cost savings program that was introduced during the previous year was implemented which led to a cost reduction of 28% compared to 2002 and 64% compared to 2001. The total costs amounted to SEK 100.6 million (140.1). The consolidated operating loss amounted to SEK -81.3 million (-123.8) and the loss after financial items amounted to SEK -80.4 million (-121.8). The financial net amounted to SEK 0.8 million (2.0).

Staff

As of 31 December 2003 the parent company, Net Insight AB, had 56 employees. 5 people are employed by the American subsidiary Net Insight Inc. Net Insight's three founders have been employed by the company since the beginning of 1997.

Liquidity

The liquid funds at the end of the year amounted to SEK 78.2 million (60.2).

Investments

Investments in instruments, equipment and improvements to premises amounted to SEK 0 (0). Investments in development costs amounted to SEK 9.8 million (13.9) and the net book value for capitalized development costs at the end of the period amounted to SEK 15.4 million (11.7). These costs are recorded as immaterial fixed assets.

Parent company

Net sales amounted to SEK 34.9 million (33.7). The deficit after financial items amounted to SEK -94.0 million (-160.0). Investments for the period amounted to SEK 0 million (0). Liquid funds amounted to SEK 76.9 million (58.8). The calculated accumulated tax deficit for business in the parent company is estimated to be SEK 906.9 million.

CONSOLIDATED INCOME STATEMENT

| Amount in SEK thousands | 3 Months | | Year | Year |
|----------------------------------|-----------------------|-----------------------|----------------|-----------------|
| | October-December 2003 | October-December 2002 | 2003 | 2002 |
| Net Sales | 11,928 | 12,040 | 34,616 | 33,661 |
| Cost of goods sold | -6,053 | -5,649 | -15,283 | -17,306 |
| Gross earnings | 5,875 | 6,391 | 19,333 | 16,355 |
| Marketing expenses | -13,414 | -14,348 | -48,935 | -54,079 |
| Administration expenses | -2,231 | -4,690 | -17,160 | -25,653 |
| Development expenses | -11,352 | -6,070 | -34,518 | -47,447 |
| Restructuring expenses | 0 | 0 | 0 | -12,969 |
| Operating earnings | -21,122 | -18,717 | -81,280 | -123,793 |
| Net financial items | 169 | 660 | 832 | 2,022 |
| Earnings before tax | -20,953 | -18,057 | -80,448 | -121,771 |
| Tax | 0 | 0 | 0 | 0 |
| Net Income for the period | -20,953 | -18,057 | -80,448 | -121,771 |

| | | | | |
|--|-------------|-------------|-------------|-------------|
| Earnings per share | -0.11 | -0.13 | -0.49 | -0.89 |
| Earnings per share after dilution | -0.10 | -0.13 | -0.48 | -0.89 |
| Number of shares | 256,683,400 | 137,510,040 | 256,683,400 | 137,510,040 |

CONSOLIDATED BALANCE SHEET

| Amount in SEK thousands | 31 december 2003 | 31 december 2002 |
|---|------------------|------------------|
| Assets | | |
| Intangible fixed assets | | |
| Capitalized expenditure for development | 15,386 | 11,740 |
| Tangible fixed assets | 634 | 1,170 |
| Total tangible fixed assets | 16,020 | 1,170 |
| Current assets | | |
| Inventory | 22,345 | 24,272 |
| Customer receivables | 25,412 | 16,527 |
| Other receivables | 7,063 | 11,620 |
| Cash and bank balances | 78,244 | 60,180 |
| Total current assets | 133,064 | 112,599 |
| Total assets | 149,084 | 113,769 |
| SHAREHOLDERS' EQUITY AND LIABLES | | |
| Shareholders' equity | | |
| Restricted shareholders' equity | | |
| Share capital | 9,167 | 5,500 |
| Shares not registered | 1100 | 0 |
| Restricted reserves | 196,872 | 216,380 |
| Accumulated deficit | | |
| Net Income for the period | -80,448 | -121,771 |
| Total shareholders' equity | 126,691 | 100,109 |
| Current liabilities | | |
| Accounts payable | 12,278 | 7,644 |
| Other liabilities | 10,115 | 17,756 |
| Total liabilities | 22,393 | 25,400 |
| Total liabilities and equity | 149,084 | 125,509 |

CONSOLIDATED CASH FLOW STATEMENT

| Amount in SEK thousand | 31 December 2003 12 months | 31 December 2002 12 months |
|--|-------------------------------|-------------------------------|
| <i>Ongoing operations</i> | | |
| Operating earnings | -81,280 | -123,793 |
| Depreciation | 6,716 | 2,975 |
| Other items not affecting liquidity | -188 | -214 |
| Net financial items | 832 | 8,128 |
| <i>Cash flow ongoing operations before change in working capital</i> | -73,920 | -112,904 |
| <i>Change in working capital</i> | | |
| Increase in inventories | 1,927 | 10,146 |
| Increase in receivables | -4,328 | -6,268 |
| Increase in current liabilities | -3,007 | -6,535 |
| Cash flow from ongoing operations | -79,328 | -115,561 |
| <i>Investment activity</i> | | |
| Acquisitions of intangible fixed assets | -9,830 | -13,903 |
| Acquisitions of tangible fixed assets | 0 | -4 |
| Sale of tangible fixed assets | 3 | 0 |
| Cash flow from investment activity | 0 | -4 |
| <i>Financing activity</i> | | |
| New share issue | 107,219 | 148,713 |
| Cash flow from financing activity | 107,219 | 148,713 |
| Increase/decrease in liquid funds | 18,064 | 13,139 |
| Liquid funds, opening balance | 60,180 | 47,041 |
| Liquid funds, closing balance | 78,244 | 60,180 |

CHANGES IN GROUP SHAREHOLDERS' EQUITY

| | Share capital | Restricted reserves | Accumulated deficit | Net earnings | Total shareholders' equity |
|--|---------------|---------------------|---------------------|--------------|----------------------------|
| Opening balance | 5,500 | 216,380 | | -121,771 | 100,109 |
| Relocation of net earnings | | -121,771 | | 121,771 | 0 |
| Relocation to restricted reserves | 3,667 | 102,452 | | | 106,119 |
| Shares being registered | 1,100 | 0 | | | 1,100 |
| Translation difference for the period | | -189 | | | -189 |
| Relocation between Restricted reserves and accumulated deficit | | 605 | -605 | | 0 |
| Net earnings | | | | -80,448 | -80,448 |
| Closing balance | 10,267 | 197,477 | -605 | -80,448 | 126,691 |

These figures have not been examined by the company's auditors.

Next report from Net Insight

Interim report for January – March, 23 April 2004

General Meeting

The Ordinary General Meeting will be held Wednesday, 22 March 2004, at 3:00 p.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 12 March 2004 and apply to the Company no later than 16 March 2004 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)8-685 04 00 or by fax to +46 (0)8-685 04 20 or by e-mail to info@netinsight.net.

Stockholm, 10 February 2004
Thomas Duffy, CEO Net Insight AB

For more information, please contact:

Thomas Duffy, CEO Net Insight AB
Tel.: +46 8 685 04 00, email: tomas.duffy@netinsight.net
Fredrik Trägårdh, CFO Net Insight AB
Tel.: +46 8 685 06 01, email: fredrik.tragardh@netinsight.net

Box 42093
126 14 Stockholm
Telephone +46 (0)8-685 04 20
www.netinsight.net