



About Net Insight

Net Insight develops video, voice and data networking equipment that delivers guaranteed 100% QoS with maximum network utilization and multicast to provide a network that can efficiently and economically deliver advanced video services such as HDTV, Video on Demand and Digital Television combined with Internet and voice traffic. Our Nimbra™ platform enables our customers to launch new revenue generating TV and video related services for Broadcast TV, CATV, Telco Triple Play and DVB-T with significantly reduced CAPEX and OPEX. Net Insight is quoted on the Stockholm Stock Exchange's O list and has offices in Sweden and the USA. For more information, visit www.netinsight.net

2004 UNAUDITED FIGURES

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

- **The Company's sales for the year increased by 17% compared to 2003 and totaled SEK 40.5 million (34.6)**
- **Operating result for whole year: SEK –84.6 million (–81.3)**
- **Result after taxes for whole year: SEK –82.8 million (–80.4)**
- **Earnings per share for whole year amounted to SEK –0.29 (–0.49)**
- **The gross margin increased to 60% (56%)**
- **Order received from one of Europe's largest Telco's regarding a network for digital terrestrial television**
- **Order of SEK 13 million received in January 2005 as a first stage in a larger network build out in the US**

SIGNIFICANT EVENTS DURING THE FOURTH QUARTER

Sales

Fourth quarter sales amounted to SEK 10.2 million (11.9).

Net Insight received a significant order from one of the major Telco's in Europe in December regarding a network for digital terrestrial television distribution, DTT. The network will be operational during the first half of 2005 and will distribute TV channels from many different broadcasters. A large number of countries worldwide are planning to migrate to digital terrestrial television (DVB-T or DTT). Net Insight has integrated all interfaces in the Nimbra™ NG-SDH platform that are needed for digital terrestrial television.

One of the major US broadcasters has chosen Net Insight's Nimbra platform for its new terrestrial transatlantic network solution between its centers in New York and London. Formerly having relied on separate services such as satellite capacity and narrow band connections for data and voice, the broadcaster will now have their own multi service broadband network. The network will be built fully redundant and carry mission critical real-time news program streams.

The Finnish broadcaster YLE has bought equipment regarding a private media network. This network will carry YLE's data and broadcast traffic between Helsinki and Tampere. The equipment will be deployed during February 2005.

Swedish Space Corporation (Rymdbolaget) has bought equipment, after extensive testing, to be used for distribution of IPTV as well as for contribution and distribution of professional video (SDI and ASI). Net Insight's partner Controlware has received an add-on order from one of Net Insight's largest German customers WDR. The order regards equipment to a private media network that

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

transports the customer's TV, data and telephone traffic between several cities in Germany. The equipment will be used to add further services to the network between two of the cities where the customer operates. The services are planned to be operational in February 2005.

Research and Development

The development of the next generation's products has accelerated according to plan during the fourth quarter. The Nimbra 340 was introduced to the market during the fall.

New employee stock option plan

At the extraordinary shareholders' meeting in Net Insight AB on October 28 it was decided to, in accordance with the board's proposal, issue a new Employee Stock Option Plan containing so-called employee stock options to give the possibility of acquiring not more than 6,700,000 shares of series B in the Company. The number of shares that shall be possible to acquire with the support of the Employee Stock Option is determined against the achievement of certain profit and development goals, decided upon by the Board in advance, being achieved at certain points of time.

SIGNIFICANT EVENTS DURING THE YEAR

Sales

Net Insight's sales for the year amounted to SEK 40.5 million (SEK 34.6 million). The sales took place in all of the prioritized market sectors: professional media networks, triple play and regional and metro optical networks, where the major part derives from the market for professional media networks.

Net Insight received an additional order from Allied Telesyn during the first quarter. The order regards network equipment to Matanuska Telephone Association (MTA), the largest telephone cooperative of Alaska and to Vernon Telephone Cooperative that will use the equipment for triple play to an increased number of households.

In May and June Net Insight received several orders from UPC Direct, a company within UPC Group that is one of the leading broadband operators in Europe. UPC Direct deploys Net Insight's Nimbra platform to build a new backhaul and distribution network between its major Central European cities. Having relied on satellite capacity, UPC Direct now takes a strategic step towards terrestrial networking services.

In June, Net Insight received further orders regarding network equipment from Allied Telesyn. The orders include equipment to Matanuska Telephone Association (MTA and Midwest Tel Net). These orders will expand both operators' triple play networks.

Also in June, Net Insight received an additional order from Broadwing regarding equipment to expand an existing media network to several cities. A Broadwing customer, Ascent Media Network Services (AMNS), the largest postproduction company in the US, is utilizing Net Insight's Nimbra platform to provide its customers real-time video and data transfers over Broadwing Communications' Media Services Network.

Furthermore in June Net Insight received an add-on order from the German systems integrator Controlware regarding equipment to WDR.

In June and August, Net Insight received a further order from EBU. The implementation of the EBU phase-1 network has been completed successfully during the year with nodes in Rome, Geneva, Paris, London, Brussels, Hamburg, Mainz, Washington DC and New York. The network is fully operational and has been used for live transmissions, e.g. from the democratic and republican conventions in the US. Broadcasters using the services are very impressed by the high quality that Net Insight's solutions deliver. Net Insight has continued to deliver new nodes for further expansions into Madrid as well as upgrades of the nodes in Brussels and Washington.

Net Insight also received an order from American media company CINEEvents in August. With this order, the company's current ATM network for transport of HDTV will be replaced.

Furthermore in August, Net Insight received an add-on order regarding additional Nimbra nodes from the Digital Media Centre (DMC) in Amsterdam. The DMC provides a full range of highly integrated broadcast services for channel production, origination and multi-territory distribution. Moreover, Net Insight has received a number of other add-on orders from existing customers in the US and in Europe regarding expansion of current media networks during August.

Co-operations and partnerships

Strong partners with well-established contact networks are essential if Net Insight is going to achieve its stated business objectives and at the same time cover diverse geographical markets. In January Net Insight commenced to co-operate with SeaChange International and Kreatel to provide an integrated end-to-end Video on Demand solution via xDSL or fiber for triple play operators. The joint solution provides a scalable, proven solution that makes it easy for Telco's to cost-efficiently deploy Video on Demand with superior robustness and reliability.

During the year, Net Insight started to cooperate with Canadian based Geartech regarding reselling Net Insight's products to the professional media market mainly in Canada. Furthermore, Net Insight has established a co-operation with several new partners regarding triple play: Agama Technologies that develops monitoring systems to surveying IP-TV services to be able to present the current status of the service, Amino that manufactures set top boxes, Optibase that manufactures video encoders, Bitband that manufactures servers for Video On Demand and Orca Interactive that manufactures middleware. Net Insight has also entered a strategic partnership with the supplier Xilinx. Xilinx manufactures programmable logical circuits that provide a core component in the new products.

Net Insight has continued to work on establishing partnerships with internationally active system partners during the year. This will provide more complete and larger solutions to major operators.

Installations and Technical Verifications

Net Insight has announced the availability of an OC-48/STM-16 module for its Nimbra transport platform. The new 2-port module, with a speed of 2.4 gigabit/s per port, will enable broadcasters and operators with a much faster and more efficient network.

At the IBC2004 International Broadcasting Convention in Amsterdam in September, Net Insight introduced the Nimbra 340 multi-service access and switching device designed for the most demanding video and data applications. Applications for the Nimbra 340 include studio production and contribution, and broadcast distribution in CATV, Terrestrial Digital Video Broadcasting (DVB-T) or triple play networks.

Net Insight announced a launch of a solution for DVB-T (Digital Video Broadcast – Terrestrial) networks that incorporate unique two-way time and frequency transfer functions in its Next Generation SDH/SONET Nimbra platform. These functions provide two-way time and frequency transfer to all nodes in the network with accuracy better than one microsecond, which is crucial in order to synchronize time in mission critical TV networks.

Exhibitions and Events

Net Insight participated at the TVoDSL show in Paris in January and at the media show NAB National Association of Broadcasters in April. At NAB Net Insight's customer EBU, European Broadcasting Union, shared one part of the booth.

In May Net Insight participated at the WBU-ISOG Broadcasters' meeting that was held and hosted by EBU in Geneva. Furthermore, Net Insight was the senior sponsor of the Broadband & Triple Play Services 2004 in Vienna and participated also at the Broadcast Asia2004 at Singapore Expo in June.

Net Insight participated at IBC2004 in Amsterdam in September and demonstrated solutions for broadcast, DVB-T (Terrestrial Digital Video Broadcasting), HDTV and triple play, and participated also at the TelcoTV show in Orlando, Florida in November.

Annual general meeting

At the Annual general meeting on March 22, 2004 the following board members were re-elected: Chairman Lars Berg and board members Bernt Magnusson, Bo Dimert, Lage Jonason, Raimo Lindgren and Tomas Torlöf. Birgitta Stymne Göransson was elected new board member.

New share issues and extraordinary general meeting

At the extraordinary general meeting on April 13 2004, the board's decision from March 14 2004 regarding an issue of maximum 2,500,000 new B shares was approved. The right to subscribe to the new shares was only for the shareholders of Q2 Labs AB, with the right and the duty to pay for the new shares through a transfer of shares in Q2 Labs AB. Due to the approval of the extraordinary general meeting, all terms for closing the deal have been fulfilled and the final acquisition of the company took place on April 15.

Furthermore, it was decided to approve the board's decision from March 19 2004 regarding a directed share issue to four units within Constellation Ventures II Group of (i) maximum 31,000,000 new B shares and (ii) debentures with a nominal value of SEK 1,000 in aggregate 9,790,000 detachable warrants to subscribe for new B shares. Subscription and payments for the new shares of SEK 2.10, i.e. a total sum of SEK 65,100,000, and subscription and payments for the debentures of SEK 1,000 took place on April 15, 2004.

Clifford H. Friedman (from Constellation Venture II Group) was elected new board member and replaced Tomas Torlöf who simultaneously announced his resignation from the board.

Research and Development

In light of the weak demand during the years of 2001-2003, the Company lowered its costs. After the end of 2003 the Company has increased its investments on R&D. The research and development work is focused on developing market-leading products for the customer groups where there is a great demand. Therefore, the Company has laid the foundation of an improved customer offer, which should result in increased sales and improved results. The acquisition of Q2 Labs, operational within optical networks, was a step towards that direction. A new product, the Nimbra 340, will be ready for delivery to customers during March/April 2005.

Organization

On April 5, Steven East was hired as Global Sales Manager. Steven has over 17 years of worldwide sales management experience from Great Britain, Europe and the US. Most recently, Steven was Vice President International Carrier Division for Broadwing Communications Inc. Additionally Steven has 10 years experience at Nortel Networks, where he focused on the cable and telephony markets. Steven is based at Net Insight's office in the US.

SIGNIFICANT EVENTS AFTER THE END OF THE PERIOD

Sales

Net Insight has received an order of approximately SEK 13 million from a large operator. The order is the first step in an expansion of a larger media network in the US where several additional phases are planned.

TVoDSL

Net Insight participated at the TVoDSL conference in Paris in January both as a presenter and an exhibitor.

MARKET PROSPECTS AND FUTURE OUTLOOK

The market for Professional Media services has increased due to several factors. The dislocation in the telecom business has stabilized and the market is picking up again. Net Insight has very successfully installed several mission critical media networks over the last year and proven that the technology is stable and brings significant economical and technical benefits. New capacity for media networks is needed both based on growth in the market but is also driven by the new HD-TV development in many parts of the world. New segments are also emerging such as Digital Terrestrial Distribution networks due to the phasing out of the analogue networks in several countries. This development is highly favorable to Net Insight that already has a strong position with a leading solution for video transport.

Triple play is another trend of distributing TV signals digitally and is becoming a well-known business opportunity in many countries and together with other media services becoming a market segment that most large operators are evaluating and considering to invest in. During 2004 a number of operators have announced their intentions to start providing triple play services globally. Contrary to the media market where Net Insight is an end-to-end supplier of equipment, Net Insight is providing one part of the solution for a full triple play installation. To become successful within triple play it is key to co-operate with a systems partner to be able to address new companies and offer end-to-end solutions. Net Insight will focus on having this in place during 2005.

As a result of the accelerated development spending in 2004 the company will ship new products during 2005. The first, Nimbra 340, will be ready for delivery to customers in March/April 2005. These new products will increase the competitiveness of Net Insight and also make it possible to address new market segments.

The Company believes in substantially increased annual sales during 2005. The experience so far is that the sales processes of larger systems take time and therefore sales can fluctuate substantially on a quarterly basis. In spite of increased spending on R&D, the overall costs will be at the same level as in 2004. The Company forecasts a significantly improved result for the year.

EARNING TRENDS

The group's net sales amounted to a total of SEK 40.5 million (34.6) for the period. The total costs amounted to SEK 109.0 million (100.6). The consolidated operating loss amounted to SEK –84.6 million (–81.3) and the loss after financial items amounted to SEK –82.8 million (–80.4). The financial net amounted to SEK 1.8 million (0.8).

Staff

As of 31 December 2004 the parent company, Net Insight AB, had 64 (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.

Expenses

The total costs amounted to SEK 109.0 million (100.6). The increase in cost refers to an increase of development spending on core products and the acquisition of Q2 Labs. The Company has previously implemented expense reductions at different levels to keep the costs down and will continue to focus on this.

Liquidity

The liquid funds at the end of the year amounted to SEK 74.9 million (78.2).

Investments

Investments in instruments, equipment and improvements to premises amounted to SEK 61 thousand (0). Investments in development costs amounted to SEK 17.3 million (9.8) and the net book value for capitalized development costs at the end of the period amounted to SEK 22.6 million (15.4). These costs are recorded as immaterial fixed assets.

Parent company

Net sales amounted to SEK 43.5 million (34.9). The deficit after financial items amounted to SEK 80.2 million (–94.0). Investments for the period amounted to SEK 61 thousands (0). Liquid funds amounted to SEK 74.9 million (76.9). The calculated accumulated tax deficit for business in the parent company is estimated to be SEK 994.9 million.

IFRS

Accounting standards according to the new rules of IFRS that will be applied as of 2005 would give a net positive effect as a result of no goodwill depreciation and additional costs for the stock option plan of SEK 394 thousand for 2004.

CONSOLIDATED INCOME STATEMENT

Amount in SEK thousands	3 Months		Year	Year
	October-December 2004	October-December 2003	2004	2003
Net Sales	10,157	11,928	40,503	34,616
Cost of goods sold	-3,925	-6,053	-16,147	-15,283
Gross earnings	6,232	5,875	24,356	19,333
Marketing expenses	-10,785	-13,414	-45,767	-48,935
Administration expenses	-4,896	-2,231	-18,230	-17,160
Development expenses	-14,791	-11,352	-44,972	-34,518
Operating earnings	-24,240	-21,122	-84,613	-81,280
Net financial items	424	169	1,846	832
Earnings before tax	-23,816	-20,953	-82,767	-80,448
Tax	0	0	0	0
Net Income for the period	-23,816	-20,953	-82,767	-80,448
Earnings per share	-0.08	-0.11	-0.29	-0.49
Earnings per share after dilution	-0.08	-0.11	-0.29	-0.49
Number of shares	291,078,985	256,683,400	291,078,985	256,683,400

CONSOLIDATED BALANCE SHEET

Amount in SEK thousands	31 December 2004	31 december 2003
Assets		
Intangible fixed assets		
Capitalized expenditure for development	22,637	15,386
Goodwill	3,701	0
Tangible fixed assets		
Equipment	816	634
Total tangible fixed assets	27,154	16,020
Current assets		
Inventory	22,377	22,345
Customer receivables	13,353	25,412
Other receivables	5,587	7,063
Cash and bank balances	74,900	78,244
Total current assets	116,217	133,064
Total assets	143,371	149,084
SHAREHOLDERS' EQUITY AND LIABLES		
Shareholders' equity		
Restricted shareholders' equity		
Share capital	11,607	9,167
Shares not registered	33	1100
Restricted reserves	185,174	196,872
Accumulated deficit		
Net Income for the period	-82,767	-80,448
Total shareholders' equity	114,047	126,691
Current liabilities		
Accounts payable	12,736	12,278
Other liabilities	16,588	10,115
Total liabilities	29,324	22,393
Total liabilities and equity	143,371	149,084

CONSOLIDATED CASH FLOW STATEMENT

Amount in SEK thousand	31 December 2004	31 December 2003
	12 months	12 months
<i>Ongoing operations</i>		
Operating earnings	-84,613	-81,280
Depreciation	11,013	6,716
Other items not affecting liquidity	-69	-188
Net financial items	1,846	832
<i>Cash flow ongoing operations before change in working capital</i>	-71,823	-73,920
<i>Change in working capital</i>		
Increase-/decrease+ in inventories	-32	1,927
Increase-/decrease+ in receivables	13,600	-4,328
Increase-/decrease+ in current liabilities	6,848	-3,007
Cash flow from ongoing operations	-51,407	-79,328
<i>Investment activity</i>		
Acquisitions of intangible fixed assets	-17,266	-9,830
Acquisitions of tangible fixed assets	-61	0
Sale of tangible fixed assets	104	3
Cash flow from investment activity	-17,223	-9,827
<i>Financing activity</i>		
New share issue	65,202	107,219
	84	0
Cash flow from financing activity	65,286	107,219
Increase/decrease in liquid funds	-3,344	18,064
Liquid funds, opening balance	78,244	60,180
Liquid funds, closing balance	74,900	78,244

CHANGES IN GROUP SHAREHOLDERS' EQUITY

	Share capital	Restricted reserves	Accumulated deficit	Net earnings	Total shareholders' equity
Opening balance	10,267	197,477	-605	-80,448	126,691
Relocation of net earnings	0	-80,448	0	80,448	0
New issue	1,240	62,729	0	0	63,969
	100	4,900	0	0	5,000
Shares being registered	33	1,200	0	0	1,233
Translation difference for the period	0	-79	0	0	-79
Net earnings	0	0	0	-82,767	-82,767
Closing balance	11,640	185,779	-605	-82,767	114,047

These figures have been set up with the same accounting principles and calculation base as for 2003.

The company's auditors have not examined these figures.

Next report from Net Insight

Interim report for January – March: 3rd of May 2005

The annual report for 2004 will be available in the company's premises as of March 3, 2005 and will be sent to those shareholders who have required so.

General Meeting

The Ordinary General Meeting will be held Thursday March 17, 2005, 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 7 March 2005 and apply to the Company no later than 11 March 2005 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 2005
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