



**NET INSIGHT | INTERIM REPORT**

*For the period 1 January - 30 September 2000  
Net Insight AB (publ), org nr. 556533-4397*

- **Operating loss of SEK 152.4 million**
- **Liquid funds amount to SEK 247.2 million**
- **Five new sales agreements**
- **Six new business partnership agreements, including first OEM agreement**
- **Twintin real-time circuit launched**
- **New board members Lars Berg, Bo Dimert and Lage Jonasson**

## SIGNIFICANT EVENTS DURING THE YEAR

### SALES

Five new customer agreements have been signed. The agreement between RegNet/Norrskan and one of the Net Insight dealers, Fiberdata, has resulted in Gavle Net's decision to purchase Net Insight's Nimbra One as the backbone of its new city network.

An outline agreement has been signed with Millennium Communication Networks AG (MCN) regarding Nimbra switches for commercial implementations.

An agreement has been signed with Metrocom, one of the leading fiber-network operators in St Petersburg, concerning the purchase of Nimbra switches for installation in the Metrocom city network.

### BUSINESS PARTNERSHIPS

The first step towards a global dealer network was taken in April when Net Insight and ABB AG signed a business partnership agreement regarding the sales and implementation of Net Insight network solutions to ABB AG's customers in Austria and eastern Europe. Net Insight and ABB have for some time had a similar agreement regarding the Nordic countries.

An agreement has been signed with the American company Allied Telesyn International (ATI), whereby ATI will sell Net Insight's DTM based products for city networks under ATI's own brand name. In addition, Net Insight has signed an OEM agreement with the Japanese company Allied Telesis KK - an exclusive contract for the Japanese market. At the moment the Allied sales force is taking part in an education program.

Net Insight and Tality, an electronics company in the Cadence group, have entered into a partnership making Tality an authorised design centre for Net Insight's ASIC chip, Twintin. Tality will be supplying the latest design services around DTM to other manufacturers of network equipment ('OEM partners') to enable them to integrate Twintin into their own products.

### PRODUCTS AND LAUNCHES

Using the Nimbra One switch and the newly developed video card, a broadband video conference of perfect studio quality in real-time (270 Mbps) was staged for the first time in January. The video conference was transmitted via fiber optic network between the AGM of Svenska Stadsnättsföreningen [the Swedish City Network Association] in Gothenburg and a studio in Stockholm.

The Twintin chip was launched concurrently in Sweden and the USA on 26 April this year. Twintin is a complete broadband switch on a single chip with a switching capacity of eight Gbps (sufficient capacity to be able to switch Sweden's collective telephony traffic). The chip will be the motor in the Nimbra 200 series, but it will also be sold separately to make it easier for other players to get to grips with DTM-related production.

### DIRECTED SHARE ISSUE AND SPLIT

A directed share issue for a total of SEK 230 million was carried out in January/February 2000.

A 5:1 split of the Net Insight B-shares was carried out on 15 May. Currently, there is a total of 39 289 300 shares with a nominal value of SEK 0.04.

### NEW BOARD MEMBERS

Lars Berg, Bo Dimert and Lage Jonasson were elected as new members of the board at the AGM on 26 April.

### ORGANISATION AND STAFF

In May, Carl-Johan Blomberg was engaged as Chief Financial Officer and in June, Lars Borgwing was engaged as the head of Net Insight's US operations. Anders Persson took up the position as development manager in August.

The number of employees has increased during the period from 90 to 116.

### PATENTS

Net Insight currently has a total of 41 patents and patent applications.

## EVENTS DURING THE THIRD QUARTER

### CITY NETWORKS: SALES AND INSTALLATIONS

During the period, Net Insight has made the first delivery to Gavle Net in accordance with the general agreement with RegNet/Norrskan. A base system has now been installed and put into operation. An upgrade of the system's software is planned for December.

Norrtälje Energi and Ålcom have bought Nimbra, the Net Insight network family, as a platform for a regional network that stretches from Åland via Norrtälje to Stockholm. The network initially comprises eight nodes. This project has been carried out in partnership with Fiberdata.

Net Insight's system linking the Backup centre on Ljusterö and Sandhamn within the Stokab network was also installed in September. The system was officially inaugurated in conjunction with the re-opening of Grönskär lighthouse by County Governor Ulf Adelson.

#### **VIDEO SERVICES TO THE MEDIA INDUSTRY**

TV4 has entered into an agreement with Tele2 regarding datacom services for the transfer of uncompressed real-time video via fiber-optic networks, popularly known as 'fatband'. Tele2's national 'fatband' service has unparalleled performance and is based on Net Insight DTM equipment. The agreement also covers high-speed transfers between TV4's various local stations. The equipment was installed in September and initially comprises 5 nodes.

In September, Net Insight entered into an agreement with the pan-European operator Carrier1 regarding the development and marketing of video and other real-time services for the TV and media industry. These services involve major efficiency benefits for the media industry, such as the case of TV transmissions from sports venues that no longer require expensive OB buses with satellite links - because the high resolution images can instead be transmitted via fiber-optic networks. With the help of DTM, TV and film companies will be able to utilise the network as a medium for the transfer of on-demand video.

#### **TECHNICAL VERIFICATIONS AND EVALUATIONS**

Net Insight has successfully verified its new interface to the current dominant transmission technology, SDH. This verification was carried out at Vasa Läns Telefon OY, which is part of the Finnet Group and Finland's second largest telecom operator. This new interface means that Net Insight can now help other operators of SDH-based networks with real-time communications and the transfer of moving images and sound within broadband networks.

EWE TEL GmbH, a north-German telecom operator based in Oldenburg (Bremen), has started tests of Net Insight's DTM technology in respect of data, telephony and video. An initial evaluation has been carried out with very positive results.

## **MARKET PROSPECTS AND FUTURE OUTLOOK**

#### **CITY NETWORKS WITH BROADBAND FOR HOUSEHOLDS**

Net Insight's most important segment - city networks - is showing continued growth. City networks interface with both the large core networks and smaller, local networks. An increasing number of metro networks are based on technologies such as DWDM and SDH/Sonet, which correspond well with Net Insight's interface. SDH is currently the most common technology for transmission in operator networks around the world, and with Net Insight's new SDH interface, the target market can be expanded to include really large operators. The launch of the Nimbra 200 series opens up a very interesting and growing market segment for local networks providing broadband for households.

Work on finalising Nimbra 210 and Nimbra 290, which contain the Twintin chip, has been a prioritised activity during the third quarter. The products will be completed during the fourth quarter.

### **VIDEO/MEDIA APPLICATIONS**

A very clear trend in the communications area is towards moving images in digital broadband networks. Operators that focus on domestic broadband or on business-to-business video transfers are beginning to gain ground. The collective view of operators is that video transfers will clearly be the dominant network traffic in the future.

This, together with Net Insight's opportunities to provide the major operators with technology and products, and the fact that today's packet-oriented technologies cannot handle this traffic, further strengthens Net Insight's market position.

## **FINANCIAL STATUS**

### **THE GROUP**

#### **INCOME AND COSTS**

The company's sales income for the period amounted to SEK 5.7 million. The total costs for the period amounted to SEK 153.6 million, SEK 56.7 million of which were for the third quarter.

#### **INVESTMENTS IN FIXED ASSETS**

Investments in fixed assets during the period amounted to SEK 0.8 million.

#### **LIQUIDITY AND FUNDING**

Liquid assets, in the form of cash and bank balances in the group, amounted to SEK 247.2 million at the end of the period.

### **PARENT COMPANY**

Net sales amounted to SEK 6.5 million. A loss of SEK 139.9 million was noted after financial items. Investments of SEK 0.8 million were made during the period. Liquid funds amounted to SEK 246.9 million.

## CONSOLIDATED INCOME STATEMENT

Amount in SEK thousands	1 Jan 2000 – 30 Sept 2000	1 Jan 1999 – 30 Sept 1999	1 Jan 1999 – 31 Dec 1999
Net Sales	5 683	431	2 715
Cost of goods sold	-4 773	-341	-2 531
<b>Gross earnings</b>	<b>910</b>	<b>90</b>	<b>184</b>
Marketing expenses	-36 820	-12 578	-23 738
Administration expenses	-28 268	-11 485	-16 367
Development expenses	-88 557	-54 805	-74 700
Other operating revenue	298	0	152
<b>Operating earnings</b>	<b>-152 437</b>	<b>-78 778</b>	<b>-114 469</b>
Other interest income, etc	8 751	1 045	2 064
Interest expenses	-625	-4	-33
<b>Earnings before tax</b>	<b>-144 311</b>	<b>-77 737</b>	<b>-112 438</b>
Tax	-	0	-
<b>NET INCOME FOR THE PERIOD</b>	<b>-144 311</b>	<b>-77 737</b>	<b>-112 438</b>

## CONSOLIDATED BALANCE SHEET

Amount in SEK thousands	30 Sept 2000	30 Sept 1999	31 Dec 1999
<b>ASSETS</b>			
Tangible fixed assets	2 053	1 771	1 846
<b>Total tangible fixed assets</b>	<b>2 053</b>	<b>1 771</b>	<b>1 846</b>
Work in progress	11 936	8 323	15 893
Finished goods	5 782	0	3 262
Customer receivables	5 114	537	732
Other receivables	7 995	8 019	8 941
Cash and bank balances	247 171	27 596	125 026
<b>Total current assets</b>	<b>277 998</b>	<b>44 475</b>	<b>153 854</b>
<b>TOTAL ASSETS</b>	<b>280 051</b>	<b>46 246</b>	<b>155 700</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	1 572	1 202	1 402
Unregistered shared capital	0	3 320	0
Restricted reserves	382 959	182 472	326 203
Accumulated loss	1 370	-82 589	-82 589
Net income for the period	-144 311	-77 737	-112 438
<b>Total shareholders' equity</b>	<b>241 590</b>	<b>26 668</b>	<b>132 578</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable	23 052	12 456	15 971
Other liabilities	15 409	7 122	7 151
<b>Total liabilities</b>	<b>38 461</b>	<b>19 578</b>	<b>23 122</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>280 051</b>	<b>46 246</b>	<b>155 700</b>

## CONSOLIDATED CASH FLOW STATEMENT

Amount in SEK thousand	30 Sept 2000	30 Sept 1999	31 Dec 1999
<b>Ongoing operations</b>			
Operating earnings	-152 437	-78 778	-114 469
Depreciation	543	424	620
Other items not affecting liquidity	1 859	0	-10
Net financial items	6 267	1 041	1 897
<i>Cash flow ongoing operations before change in working capital</i>	<b>-143 768</b>	-77 313	-111 995
<b>Change in working capital</b>			
Increase in inventories	1 437	-8 323	-19 155
Increase in receivables	-3 436	-4 778	-5 895
Increase in current liabilities	15 339	12 478	16 022
<b>Cash flow from ongoing operations</b>	<b>-130 428</b>	-77 936	-121 023
<b>Investment activity</b>			
Acquisitions of tangible fixed assets	-750	-698	-969
<b>Cash flow from investment activity</b>	<b>-750</b>	-698	-969
<b>Financing activity</b>			
Warrants programs/new issues	253 323	77 818	218 606
<b>Cash flow from financing activity</b>	<b>253 323</b>	77 818	218 606
Increase/decrease in liquid funds	122 145	-816	96 614
Liquid funds, opening balance	125 026	28 412	28 412
<b>LIQUID FUNDS, CLOSING BALANCE</b>	<b>247 171</b>	<b>27 596</b>	<b>125 026</b>

Stockholm the 31th of October 2000

Bengt Olsson

*Chief Executive Officer*

This Interim Report has not been inspected by the company's auditors

**For more details, please contact:**

Bengt Olsson, Chief Executive Officer, 08-685 04 00, [bengt.olsson@netinsight.net](mailto:bengt.olsson@netinsight.net)  
 Carl-Johan Blomberg, Chief Financial Officer, 08-685 04 00, [carl.johan.blomberg@netinsight.net](mailto:carl.johan.blomberg@netinsight.net)

**Forthcoming report from Net Insight**

A press release of the figures for 2000 will be issued  
on February 1st 2001.



**NET INSIGHT AB (PUBL)**

Box 42093, SE-126 14 Stockholm, Sweden. Visit: Västberga Allé 9, Hägersten  
Phone: +46 8 685 04 00, Fax: +46 8 685 04 20, E-mail: [info@netinsight.net](mailto:info@netinsight.net)

[www.netinsight.net](http://www.netinsight.net)