



INTERIM REPORT
FOR THE PERIOD 1 JANUARY - 31 MARCH 2001
NET INSIGHT AB [PUBL], ORG NR. 556533-4397

- > **DTM STANDARDIZED**
- > **NEW PRODUCTS AND NEW SYSTEM SOFTWARE LAUNCHED**
- > **NET INSIGHT AND CARRIER1 FORM JOINT COMPANY**
- > **REINFORCED MARKETING ORGANIZATION**
- > **OPERATING DEFICIT OF SEK 64.4 MILLION FOR THE PERIOD**
- > **TURNOVER OF SEK 0.9 MILLION**

SIGNIFICANT EVENTS DURING THE PERIOD

Net Insight has its sights set on being an acknowledged, global supplier with the two media network segments: the one for the professional media industry and the other for broadband to households and companies. In Europe alone, the market for professional media networks is estimated to be worth SEK 3.5 billion annually. The signing of the agreements with Tele2, Carrier1 and Skanova have clearly demonstrated Net Insight's strong position on this market. In March, Net Insight made a considerable step forward when DTM technology was approved as a standard within ETSI (European Telecommunications Standards Institute). Also launched in March was new software which forms the basis of the Nimbra switches in the 200 series. This means that products demanded by customers and partners is now available for large-scale deliveries. Due to the agreements with European operators, there has been increased interest in Net Insight, especially from American companies, and this has led to extensive discussions with several players. All in all, it can be stated that Net Insight has achieved practically all the targets it has set up for the given report period.

DTM NOW A BONA FIDE STANDARD

The essence of DTM (Dynamic synchronous Transfer Mode) network technology was approved on 16 March by the European standardization body ETSI. The approval of supplementary areas is expected in the future - including DTM signaling, the transportation of Ethernet, and physical DTM interfaces across SDH at up to 40 Gbps. The members that voted for the standardization include Telia, Telenor, Telekom Austria, BAE Systems, Allied Telesyn, Deutsche Telekom, France Telekom, Telefonica and British Telecom. The standard was published on Friday 23 March with the designation ES 201 803-1.

PRODUCTS FULLY DEVELOPED

Those switches that constitute the backbone of Net Insight network solutions have now been produced for commercial implementations. One necessary prerequisite for this was the launch of the second generation of systems software for DTM switches. This new software, NIMOS 2.0, works on all Nimbra platforms, including the new 200-series switches based on the Twintin chip. A number of new functions have been introduced into NIMOS 2.0, including simplified configuration, improved accessibility and the facility to make better use of network capacity. This new software can provide powerful support to those operators and production companies that want to offer new types of media solution. Studies have also shown that Net Insight products have a very high level of technical performance, and that costs to customers in respect of installation and use are considerably lower than that of competitors.

SALES

Net Insight's customers are network operators and other manufacturers of network equipment - 'OEMs' (Original Equipment Manufacturers). During the first quarter, Net Insight has invested a major part of the company's resources on targeting the segment for professional media in Europe and the USA. This has been achieved by concentrating initially on winning trend-setting, strategic customers within this segment, and even exerting 'market pull' by targeting customers' customers.

In February, Net Insight and the pan-European operator Carrier1 formed a joint company, 60% of which is owned by Carrier1 and 40% by Net Insight. The company will offer professional broadband services to the media industry, such as the transmission of streaming video in real time. These services will be offered across Carrier1's fiber-optic high-speed network that is being built for this application using Net Insight's Nimbra multi-service platform. Carrier1 has given Net Insight an initial order for network equipment to a value of USD 1 million. This partnership with Carrier1 has led to increased interest, particularly from American operators. Currently several discussions and negotiations are in progress with established customers in respect of test installations and associated "roll-outs".

INSTALLATIONS AND TECHNICAL VERIFICATION

During January/February, the German company IRT - Institut für Rundfunktechnik GmbH - has carried out tests on the Net Insight Nimbra One switch with the aim of evaluating its potential for use in professional studio environments. The tests were very successful and showed that, by using Nimbra One, it is perfectly feasible to transport video streams (DSC and SDTI) at up to 270 Mbps across fiber-optic networks together with IP-based data applications, all consistent with the industry's high standards of quality. IRT is the central R&D unit for the state-owned TV and media companies in Germany (ARD, ZDF and DLR), Austria (ORF) and Switzerland (SRG/SSR) and its main task is to improve and develop new, efficient forms of distribution for media companies.

BOARD AND ORGANIZATION

In January, Lars Berg became the new Board chairman of Net Insight. Up until August 2000, Lars Berg headed up the massive German operator, Mannesmann Telecom, and his previous positions included that of Group CEO of Telia. The previous chairman, Håkan Kihlberg, remains on the Board as a regular member.

Net Insight strengthened its sales organization in the USA with two key persons in January. This recruitment is a part of the focus on media networks for professional use that was successfully launched in respect of European operators. John Kostak has been engaged as VP Global Marketing and Dan Lutter as VP US Sales.

MARKET PROSPECTS AND FUTURE OUTLOOK

DTM technology has been developed for precisely those advanced services that the media industry produces and households, in particular, are demanding - i.e. streaming video in real time. An additional advantage of DTM is that it is compatible with pre-existing technologies, which saves operators from the need to replace existing infrastructure - they can instead simply supplement it with DTM-based network products. Products in the new Nimbra 200 series, satisfying operators' needs for network solutions for media platforms, have been fully developed and are commercially available.

"Now that our technology has been standardized and our products are commercially available, I consider it to be completely realistic that more comprehensive sales will take off during the second half of the year," says CEO Bengt Olsson. "All the signs from our sales organization are that we are right on song with our offerings. Studies have, in addition, shown that the cost to operators for the installation and use of our products is considerably lower than that of our competitors, which will help to ensure that we will have established an appreciable foothold in the media market before the end of 2001.

"We have had high development costs during the period, but we made a conscious choice to follow through the development of certain of our products and make them commercially available," continues Bengt Olsson.

EARNINGS TREND

Sales revenue amounted to a total of SEK 0.9 million (0.3).

The bulk of the company's expenses are attributable to development activities - SEK 43.4 million (24.3). During the period, the company has strengthened the sales and marketing organization in both Sweden and the USA. During the first quarter, these expenses amounted to SEK 15.7 million (12.1).

There was an operating deficit of SEK 67.7 million (46.8), which, after appropriations and tax amounted to SEK 64.4 million (45.0). Net interest income amounted to SEK 3.3 million (1.8).

The somewhat higher operating expenses during the quarter are attributable to the resources needed to adapt to large-scale production of the products.

STAFF

The number of employees increased during the first quarter from 124 to 138. In the US subsidiary, the number of employees increased by 2 to a total of 4 people..

LIQUIDITY

Liquid funds at the end of the period amounted to SEK 112.1 million.

INVESTMENTS

Investments in instruments, equipment and the refurbishment of premises during the first quarter amounted to SEK 0.1 million (0.5). No development expenses were activated.

THE PARENT COMPANY

Net sales amounted to SEK 0.9 million (0.3). There was an operating deficit after appropriations and tax of SEK 61.0 million (47.1). Investments during the period amounted to SEK 0.1 million (0.5). Liquid funds amounted to SEK 108.9 million (311.9).

FORTHCOMING REPORT FROM NET INSIGHT

Interim report January - June 2001, 20 August 2001

CONSOLIDATED INCOME STATEMENT

Amount in SEK thousands	1 Jan 2000 - 31 March 2001	1 Jan 2000 - 31 March 2001	1 Jan 2000 - 31 Dec 2000
Net Sales	947	314	9 016
Cost of goods sold	-641	-234	-6 126
Gross earnings	306	80	2 890
Marketing expenses	-15 709	-12 094	51 568
Administration expenses	-8 908	-10 478	-40 524
Development expenses	-43 374	-24 336	-128 932
Operating earnings	-67 685	-46 828	-218 134
Net financial items	3 321	1 784	9 370
Earnings before tax	-64 364	-45 044	-208 764
Tax			
NET INCOME FOR THE PERIOD	-64 364	-45 044	-208 764

Earnings per share	-1,64	-1,17*	-5,31
Number of shares	39.289.300	38.512.970*	39.289.300

*For comparison purposes, the number of shares and the earnings per share have been adjusted in terms of the 5:1 split that was carried out after the end of the first quarter of 2000.

CONSOLIDATED BALANCE SHEET

Amount in SEK thousands	31 March 2001	31 March 2000	31 Dec 2000
ASSETS			
Tangible fixed assets	1 953	2 160	2 011
Total tangible fixed assets	1 953	2 160	2 011
Inventory	16 721	27 856	10 703
Customer receivables	3 033	0	4 024
Other receivables	20 377	14 594	14 118
Cash and bank balances	112 084	312 841	176 004
Total current assets	152 215	355 291	204 849
Total assets	154 168	357 451	206 860
SHAREHOLDERS' EQUITY AND LIABLES			
Shareholders' equity			
Restricted shareholders' equity			
Share capital	1 572	1 541	1 572
Unregistered shared capital	0	1 900	0
Restricted	177 096	361 541	381 731
Non-restricted shareholders' equity	-67 336	-42 345	-205 738
Total shareholders' equity	111 332	322 637	177 565
Current liabilities			
Accounts payable	25 693	20 374	17 791
Other liabilities	17 143	14 440	11 504
Total liabilities	42 836	34 814	29 295
TOTAL LIABILITIES AND EQUITY	154 168	357 451	206 860

CONSOLIDATED CASH FLOW STATEMENT

Amount in SEK thousand	31 March 2001	31 March 2000	31 Dec 2000
<i>Ongoing operations</i>			
Operating earnings	-67 685	-46 828	-218 134
Depriciation	205	171	747
Other items not affecting liquidity	226	-1	1 242
Net financial items	1 226	1 784	8 128
<i>Cash flow ongoing operations before change in working capital</i>			
	-66 028	-44 874	-208 017
<i>Change in working capital</i>			
Increase in inventories	-6 018	-8 701	8 452
Increase in receivables	-5 268	-4 921	-8 469
Increase in current liabilities	13 541	11 692	6 173
Cash flow from ongoing operations	-63 773	-46 804	-201 861
<i>Investment activity</i>			
Acquisitions of tangible fixed assets	-147	-484	-911
Cash flow from investment activity	-147	-484	-911
<i>Financing activity</i>			
Warrants programs/new issues	0	235 103	253 750
Cash flow from financing activity	0	235 103	253 750
Increase/decrease in liquid funds	-63 920	187 815	50 978
Liquid funds, opening balance	176 004	125 026	125 026
LIQUID FUNDS, CLOSING BALANCE	112 084	312 841	176 004

Bengt Olsson
Chief Executive Officer

This interim report has not been subject to inspection by the Company auditors.

Bengt Olsson, CEO, Net Insight AB. Tel. 08-685 04 30, e-post: bengt.olsson@netinsight.net

Carl-Johan Blomberg, CFO, Net Insight AB. Tel. 08-685 06 20, e-post: carl.johan.blomberg@netinsight.net

Carolén Ytander, VP Corporate Communications, Net Insight AB. Tel. 08-685 04 50, e-post: carolen.ytander@netinsight.net



NET INSIGHT AB | Box 42093 | SE-126 14 Stockholm | Sweden
Tel 08 685 04 00 | Fax 08 685 04 20 | info@netinsight.net | www.netinsight.net