



About Net Insight

Net Insight develops data and video networking equipment that combines 100% QoS with maximum network utilization and multicast to provide a network with superior efficiency. Our customers benefit from significantly reduced CAPEX and OPEX, which protects and enhances their existing infrastructure investment, while providing the ability to launch new TV and video related services. Net Insight is quoted on Stockholm stock exchange's O-list and has offices in Sweden and the USA. For more information, see www.netinsight.net

UNAUDITED FIGURES 2002

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

- **Year's sales up by 56% at SEK 33.7 million (21.5)**
- **Action programme reduces monthly costs to about SEK 8 million (11.6)**
- **Operating deficit for whole year: SEK 123.8 million (266.4)**
- **Allied Telesyn SEK 9 million order consolidates Triple Play collaboration**
- **Cable TV operator UPC builds media network with Net Insight equipment**
- **Ongoing positive development in all three prioritized market segments**
- **Stable products in full commercial operation**

MARKET PROSPECTS AND FUTURE OUTLOOK

The market atmosphere in 2002 was characterized by continuing restraint and caution that affected the potential for new investments in the IT and telecommunications sector. Despite the tough situation, Net Insight increased its sales by 56% over the year, from SEK 21.5 million to 33.7 million, by concentrating on high-quality and cost-effective solutions that provide operators with quick investment payback. Net Insight is currently addressing three main market segments which all show an ongoing positive development:

Triple Play in extensive growth

In the USA, Triple Play was launched and became established as a concept for operators who want to offer three of the largest revenue streams, i.e. TV/video, Internet and telephony, via a single infrastructure. This market performed steadily over the year, Net Insight with its partner Allied Telesyn sold equipment for expansion of three mutually independent operators' networks, and major sales growth is expected. Net Insight thinks this market will provide it with turnover of between SEK 500 and 1500 million over the next few years.

Several media networks are installed

Other segments also being canvassed in parallel with the Triple Play market are professional media networks and metro networks. The general economic slowdown has affected the media market by reducing advertising revenue, which has meant that development has not come up to expectations. Despite this, customers to which Net Insight delivered media network solutions during the year include the Dutch operator KPM, the cable TV company UPC, Germany's Bayerischer Rundfunk and the world's sixth largest TV company, Brazil's TV Globo. In the USA, the TV giants MSNBC and ABC are using Net Insight solutions for transporting high-quality production video between Washington DC and New York. The media market is expected to recover in the coming year, leading to increasing sales.

Metro networks in build-outs

Net Insight's third prioritized segment, regional and metro optical networks, is expected to grow substantially. According to a Pioneer Consulting analysis, this market will produce a turnover of 8.8 billion dollars as early as 2004. Net Insight recently delivered equipment for the Swedish energy company Norrtälje Energi's continuing regional network expansion and for the archipelago operator Nilings' broadband network.

NET INSIGHT AB

Box 420 93

126 14 Stockholm

Sweden

Tel: +46 8 6850400

Fax: +46 8 6850420

Corp. ID no: 556533-4397

VAT no: SE556533439701

www.netinsight.net

e-mail: info@netinsight.net

"I have great confidence in Net Insight's development prospects for the coming year", says Net Insight CEO Tomas Duffy. "Our powerful network solutions in combination with strong collaboration partners provide us with the basis for a substantial sales increase in 2003".

SIGNIFICANT EVENTS DURING FOURTH QUARTER

Sales

During the autumn, Net Insight made headway in the American operator market with its Triple Play solutions that make it possible to transport TV, the Internet and telephony via a single infrastructure. In October, Net Insight received its third Triple Play order covering a pilot network for an American operator with 18,000 subscribers. The deal came through Net Insight's partner Allied Telesyn, which has ordered equipment worth about SEK 2 million for the two latest pilot networks.

In December, Allied Telesyn placed a further order for network equipment worth about SEK 9 million to be used for Triple Play customers on the American IOC (independent operating companies) market. These successes have strengthened the companies' collaboration in the marketing to final customers of powerful broadband solutions that guarantee full service quality (100% QoS) in combination with maximum network utilization. Several orders for Triple Play networks are in the offing.

In November the Dutch cable TV company UPC ordered further equipment for continuing expansion of its media network. Since September, UPC has been using Net Insight's media platform for transporting video and data traffic from UPC's central play-out station in Amsterdam to a satellite station in Vienna. The new equipment will be used for connecting the London play-out station to transport ASI video via an STM-1 (155 Mbps) link between Amsterdam and London. The deal is being arranged in collaboration with Net Insight's reseller Alphanet.

In December, Norrtälje Energi and Ålcom decided to extend their regional broadband network and ordered further network equipment from Net Insight. The network, which stretches from Åland to Stockholm via Norrtälje, is being extended to cover more nodes, with simultaneous upgrading of existing equipment.

Collaboration

In collaboration with Hewlett-Packard, Net Insight has launched a solution for providing households, businesses and local authorities with TV, telephony and the Internet via a single connection. The solution is based on increasing the utilization of existing fiber-based metro networks without having to overdimension capacity in order to prevent overloading. Traffic is sent via separate protected channels, which means that the quality of realtime-critical services such as TV and telephony is unimpaired even when there is a heavy load of Internet traffic. The metro network solution is of modular construction and can be purchased as a whole or piecemeal and can also be used for access via IP-based ADSL infrastructure.

Installations and technical verifications

In October, the European standardizing body ETSI gave its approval to a further portion of DTM broadband technology. The new standard, which bears the designation ES 201 803-2-1, covers signaling at data link level which allows optimum utilization of network capacity to be combined with maximum flexibility in topology. This creates the possibility of large cost savings by minimizing the need for configuration and maintenance.

SIGNIFICANT EVENTS DURING THE YEAR

Sales

In January, the Dutch network operator KPN decided to base its optical media network on Net Insight's platform. Under an outline agreement, KPN has purchased equipment for the first portion of the national media network, and the first customer has now been installed and is running the service intensively.

At the beginning of February, the American TV company MSNBC signed an agreement with Net Insight's partner Qmedia for transport of video traffic in a media network linking Washington DC and New York. The link is used for transporting video streams for various news programmes and for production of press conferences live from the White House and Congress.

In May, Net Insight received an order to supply a Triple Play network to America's Midwest Tel Net, a coalition of independent operators. The new network will offer connected households at least a hundred cable TV channels, fast Internet access and telephony via ADSL. The order came through Net Insights partner Allied Telesyn, and the first operator to offer commercial services in the network is Vernon Telephone Cooperative.

In June, Bayerischer Rundfunk ordered Net Insight's platform to link together local TV stations situated in and around Munich in south Germany. After testing in collaboration with IRT (Institut für Rundfunktechnik), the equipment was successfully implemented and discussions about further expansion are underway.

In September, Net Insight received its second US order for a Triple Play network for TV via ADSL. The order came through Net Insight's partner Allied Telesyn and covers a pilot network for a North American operator with over 60,000 subscribers.

UPC, one of Europe's leading cable TV operators, has purchased a video transport solution from Net Insight. The equipment is being used to carry video/TV and data transfer between Amsterdam and Vienna via an STM-1(155 Mbps) link. The deal was arranged in collaboration with Net Insight's Dutch reseller Alphasat.

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. The year saw a number of deals arising from successful partnerships, especially the collaboration with Allied Telesyn, which attracted a great deal of attention with successes on the American operator market. Net Insight now has a reseller network that covers the USA, Europe and large parts of South America. In addition to the previously mentioned collaboration with Allied Telesyn and Hewlett-Packard, agreements have been signed as follows:

A reseller agreement has been signed with the system integrator Soluziona, one of Spain's leading technology and consultancy companies, which will market and sell Net Insight's products for the next generation of regional and metro networks.

March brought the commencement of collaboration with the TV technology company Chyron Corporation. The combination of Net Insight's platform and Chyron's own products for distribution and switching of video streams in local environments enables Chyron to offer powerful package solutions that also link together geographically separate studios.

Net Insight is to market jointly with the optical company Transmode Systems a common metro network solution via CWDM wavelength systems in Europe and the USA.

Collaboration has started with the Brazilian company Sterling Do Brasil, which will primarily concentrate on selling Net Insight video solutions to TV and production companies but also has a well-established network of contacts in the Brazilian cable TV and telecommunications market.

Some collaborations have not led to the commercial results that had been expected at the beginning of the year. The Polish system integrator TTI Inventel is no longer operating and all of the equipment supplied for expanding its reference network has been returned to Net Insight. The letter of intent with Telia International Carrier has remained inoperative since Telia's internal restructuring. Tele2 has ceased marketing its MediaHighspeed service to new customers. TV 4 continues to use existing networks for high quality video transport between studios.

Net Insight will continue to establish new strong partnerships to create a global reseller network to market the company's solutions.

Installations and technical verifications

In April, Net Insight introduced network support for multicasting of SDI, ASI, DVB and Ethernet/IP video to its media platform. The multicasting function makes it economically attractive to distribute video content via the fiber network, together with the possibility of guaranteed service quality.

At the NAB2002 media fair, Net Insight unveiled its ASI Transport Access Module, which combines with multicasting to provide a cost-effective solution for the core of cable TV networks, thus opening up for Net Insight a new segment in which cable TV operators can be addressed.

On 6 May, ETSI (the European Telecommunications Standards Institute) approved Ethernet transport via DTM. The new standard, designated ES 201 803-7, opens the way for broader introduction of streaming IP services.

In August, the American TV company ABC decided to start producing TV with Net Insight's solution. Under an agreement with Qmedia, video and data are transported between ABC's news bureau in Washington DC and its central studio in Manhattan. The media network solution is helping ABC to move on from analogue handling of news material to entirely digital production.

In September, the world's sixth largest TV company, Brazil's TV Globo, ordered Net Insight's media platform for evaluation of HDTV, video, data and telephony. A pilot network linking Rio de Janeiro to São Paulo is carrying traffic via both fiber optic links and the public telecommunications infrastructure. On completion of testing, decisions will be taken about commercial expansion to further studios and production units within TV Globo.

Also in September, at Europe's largest media fair, IBC2002, Net Insight introduced two new products.

The Gigabit Ethernet Access Module combines the cost-effectiveness of Gigabit Ethernet with the guaranteed service quality and dynamic allocation of bandwidth that are characteristic of Net Insight's media network platform. In combination with the company's multicasting solution, this module is ideal for IP-based TV distribution.

Net Insight also introduced the DTM 600 Trunk Module which enables operators to improve utilization of existing telenetworks and at the same time invest in high-quality video and data services. This solution helps operators to convert static SDH/SONET links to switched networks with capacity for customized video, data and telecommunications services.

IBC2002 also saw the unveiling of Net Insight's and its collaboration partner Chyron's package concept for digital production networks with video transport within and between TV studios. This joint solution is based on integration of Net Insight's media network platform and Chyron's control system that makes it possible to integrate external video sources with the local control system for video sources in a studio.

Share issue and staff stock option programme

During the year, Net Insight conducted two new share issues.

In February there was a targeted issue of SEK 50 million comprising 10 million B shares aimed at both institutional and private investors.

June saw a fully subscribed issue of SEK 110 million with preference for all of the company's shareholders. The two new issues brought the total number of shares up to 137,510,040, comprising 3,600,000 A shares and 133,910,040 B shares.

With the approval of the General Meeting, Net Insight has introduced a new staff option programme open to all grades of staff and comprising up to 3,025,500 B shares.

Organization

In July, Fredrik Trägårdh joined the company as Chief Financial Officer. He has previously held leading positions with in ABB and was previously Senior Vice President and Head of Group Finance at Germany's DaimlerChrysler Rail Systems.

In September, Net Insight carried out a restructuring programme to reduce the company's costs and improve the prospects of achieving a positive cashflow more quickly. With the bulk of intensive product development completed, stable products in operation and a powerful range of offerings for the media and broadband market, it was possible to implement the necessary measures without inconvenience to customers. The steps taken mainly involved reduction of staff by about 40 persons in Sweden and a general cost review of the business. Since October 2002, total monthly costs have been reduced by SEK 3.5 million to the current figure of about SEK 8 million. Monthly operating costs of SEK 23 million in the corresponding period of 2001 were down to about SEK 11.5 million by December 2001. The whole of the SEK 12.9 million cost of the action programme fell within the third quarter.

SIGNIFICANT EVENTS AFTER END OF PERIOD

ETSI standardizes interface for optical networks

At the beginning of January 2003, the European standardizing body ETSI approved the physical interface in DTM (Dynamic Synchronous Transfer Mode) which specifies adaptation to fibers for capacities ranging from 150 Mbps to 40 Gbps and enables significantly greater utilization of networks based on DWDM, SDH and ordinary fibers. The respective designations of the standards are ES 201 803-3 and ES 201 803-4.

EARNINGS TREND

Sales revenue for the period totaled SEK 33.7 million (21.5).

The cost saving programme introduced the previous year has been implemented and become fully effective. Total expenditure amounted to SEK 140.1 million (277.9). There was an operating deficit of SEK 123.8 million (266.4) which amounted, after appropriations and tax, to SEK 121.8 million (260.2). Net interest income amounted to SEK 2.0 million (6.2).

Staff

The number of employees at the end of 2002 was 76 (103), of these 76 will 64 remain after the restructuring programme has given full effect. The American subsidiary had 5 (5) employees.

Liquidity

Liquid funds at the end of the period amounted to SEK 60.1 million (47.0).

Investment

Investment in instruments, equipment and refurbishment of premises amounted to SEK 0 million (0.8). During the year, the company came into line with the Swedish Accounting Council's recommendations (RR15) for the recording of development costs. This meant that SEK 11.7 million was recorded as intangible fixed assets during the year.

Parent company

The parent company's net turnover was SEK 33.7 million (21.6). The deficit after appropriations and tax was SEK 160.0 million (283.1). The company wrote down the book value of shares in the American subsidiary so as to correspond as at 31 December to the value of its own capital in the subsidiary. The writedown did not affect the group's own capital. Investment during the period amounted to SEK 0 million (0.8). Liquid funds amounted to SEK 58.8 million (44.2). The calculated cumulative deficit for tax purposes of the parent company's business activity totals SEK 812,9 million.

CONSOLIDATED INCOME STATEMENT

Amount in SEK thousands	3 Months	3 Months	Year	Year
	October-December 2002	October-December 2001	2002	2001
Net Sales	12 040	10 897	33 661	21 528
Cost of goods sold	-5 649	-4 004	-17 306	-10 074
Gross earnings	6 391	6 893	16 355	11 454
Marketing expenses	-14 348	-16 132	-54 079	-67 642
Administration expenses	-4 690	-5 989	-25 653	-32 896
Development expenses	-6 070	-31 657	-47 447	-161 291
Restructuring expenses	0	0	-12 969	-16 034
Operating earnings	-18 717	-46 885	-123 793	-266 409
Net financial items	660	366	2 022	6 199
Earnings before tax	-18 057	-46 519	-121 771	-260 210
Tax	0	0	0	0
Net Income for the period	-18 057	-46 519	-121 771	-260 210

Earnings per share	-0,13	-0,79	-0,89	-4,43
Number of shares	137 510 040	58 755 020	137 510 040	58 755 020

CONSOLIDATED BALANCE SHEET

Amount in SEK thousands	31 december 2002	31 december 2001
Assets		
Intangible fixed assets		
Capitalized expenditure for development	11 740	0
Tangible fixed assets	1 170	1 978
Total tangible fixed assets	1 170	1 978
Current assets		
Inventory	24 272	34 418
Customer receivables	16 527	13 659
Other receivables	11 620	8 220
Cash and bank balances	60 180	47 041
Total current assets	112 599	103 338
Total assets	113 769	105 316
SHAREHOLDERS' EQUITY AND LIABLES		
Shareholders' equity		
Restricted shareholders' equity		
Share capital	5 500	2 350
Restricted reserves	216 380	334 213
Accumulated deficit		
Brought forward deficit	0	-2 972
Net Income for the period	-121 771	-260 210
Total shareholders' equity	100 109	73 381
Current liabilities		
Accounts payable	7 644	14 583
Other liabilities	17 756	17 352
Total liabilities	25 400	31 935
Total liabilities and equity	125 509	105 316

CONSOLIDATED CASH FLOW STATEMENT

Amount in SEK thousand	31 December 2002	31 December 2001
	12 months	12 months
<i>Ongoing operations</i>		
Operating earnings	-123 793	-266 409
Depreciation	2 975	828
Other items not affecting liquidity	-214	84
Net financial items	2 022	8 128
<i>Cash flow ongoing operations before change in working capital</i>	-119 010	-257 369
<i>Change in working capital</i>		
Increase in inventories	10 146	-23 715
Increase in receivables	-6 268	-3 737
Increase in current liabilities	-6 535	2 640
Cash flow from ongoing operations	-121 667	-282 181
<i>Investment activity</i>		
Acquisitions of intangible assets	-13 903	0
Acquisitions of tangible fixed assets	-4	-795
Cash flow from investment activity	-13 907	-795
<i>Financing activity</i>		
New share issue	148 713	159 386
Cash flow from financing activity	148 713	159 386
Increase/decrease in liquid funds	13 139	-128 963
Liquid funds, opening balance	47 041	176 004
Liquid funds, closing balance	60 180	47 041

CHANGES IN GROUP SHAREHOLDERS' EQUITY

	Share capital	Restricted reserves	Non-restricted reserves	Net earnings	Total shareholders' equity
Opening balance	2 350	334 213	-2 972	-260 210	73 381
Relocation of net earnings		-260 210		260 210	
Relocation to restricted reserves		-2 972	2 972		
Shares being registered	3 150	145 563			148 713
Translation difference for the period		-214			-214
Net earnings				-121 771	-121 771
Closing balance	5 500	216 380	0	-121 771	100 109

The unaudited figures were compiled on the same accounting principles and calculation bases as for the year 2001, apart from certain development costs now being recorded as required by RR15. It has not been examined by the company's auditors.

Next report from Net Insight

Interim report for January to March: 23 April 2003

General Meeting

An Ordinary General Meeting will be held at 3.00 p.m. on Wednesday 20 March 2003 in Net Insight's premises at Västberga. Shareholders who are entered in the share register kept by the Securities Register Center (VPC AB) on 10 March 2003 or apply to the Company by 4.00 p.m. on 14 March 2003 are entitled to participate 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 on 08- 685 04 00 or fax on 08-685 04 20 or e-mail to info@netinsight.net.

Stockholm, 12 February 2003

Tomas Duffy, CEO Net Insight AB

For more information, please contact:

Tomas Duffy, CEO Net Insight AB

Phone: +46 8 685 04 00, email: tomas.duffy@netinsight.net

Fredrik Trägårdh, CFO Net Insight AB

Phone: +46 8 685 06 10, email: fredrik.tragardh@netinsight.net