



*Net Insight deliver the world's most efficient and scaleable optical transport solution for Broadcast and Media, Digital Terrestrial TV/Mobile TV and IPTV/CATV networks.*

*Net Insight products truly deliver 100 percent Quality of Service with three times improvement in utilization of bandwidth for a converged transport infrastructure. Net Insight's Nimbra™ platform is the industry solution for video, voice and data, reducing operational costs by 50 percent and enhancing competitiveness in delivery of existing and new media services.*

*World class customers run mission critical media services over Net Insight products for more than 100 million people in more than 25 countries. Net Insight is quoted on the Stockholm Stock Exchange.*

*For more information, visit [www.netinsight.net](http://www.netinsight.net)*

## **Interim report, January-September 2008**

*Net Insight AB (publ), Corporate Reg. No. 556533-4397*

### **January - September 2008**

- **Net sales increased by 22% to SEK 204.1 million (167.2).**
- **Operating earnings improved by 95% to SEK 28.6 million (14.7)**
- **Net income improved by 101% to SEK 31.0 million (15.4).**
- **Net profit margin was 15.2% (9.2)**
- **Gross margin at 71.6 % is affected by reclassification of support and training expenses. Adjusted for this item gross margin was 73.6% (70.6).**
- **Software and support revenue increased to SEK 74.6 million (37.6).**
- **Total cash flow amounted to SEK 4.7 million (16.6).**
- **Earnings per share amounted to SEK 0.08 (0.04).**

### **Third quarter 2008**

- **Net sales increased by 14% to SEK 66.2 million (58.3).**
- **Operating earnings improved by 33% to SEK 8.6 million (6.5)**
- **Net income improved by 36% to SEK 9.1 million (6.7).**
- **Gross margin at 74.8% is affected by reclassification of support and training expenses. Adjusted for this item gross margin was 76.8% (70.6).**
- **Software and support revenue increased to SEK 33.8 million (12.6).**
- **Total cash flow amounted to SEK 14.0 million (4.3).**
- **Earnings per share amounted to SEK 0.02 (0.02).**

## CEO comments

The fundamental market drivers are strong. Broadcasters and media network operators continue the analogue switch-off, digitalization and HDTV migration processes across the world. Telcos and cable TV operators start large-scale IPTV rollouts and initial commercial Mobile TV networks are being deployed. Overall there is a huge surge in video traffic across communication networks.

The first nine months of 2008 has been our most profitable period so far with strong margins, positive cash flow and revenue growth. We have built a customer base that generates stable repeat business and we win new customers in new markets. Some larger projects sometimes have longer sales processes and we experience quarterly business fluctuations due to the timing of a number of these projects.

The Beijing Olympics is over and as communicated in the press this was the world's largest and most mission critical TV event. As previously communicated, Net Insight delivered and installed Nimbra equipment under the contract with the Host Broadcaster, BOB. This is a very important project for Net Insight and our network solution has generated strong market interest, which has already generated some new business for us.

Digital TV is on the rise in China, the world's largest TV market, and the government has set an aggressive timetable for the DTT transition process. Mobile TV is also taking off where SARFT plans to rollout Mobile TV services across China by the end of 2009. This creates new opportunities for Net Insight and during the third quarter we received a first order for a TV distribution network in China.

Today we count many telecom operators as customers. In North America, as well as in Asia, we have recently won smaller initial business with telcos but with large-scale IPTV and other networks being deployed over time, these customer relationships represent significant business potential for Net Insight.

We have invested in our sales channels to continue our expansion in our prioritized segments in Europe, Eastern Europe, Middle East and Asia. New local partners and expanded sales resources are driving new business in these areas even though it takes time to gain full speed in newly established sales channels and markets. We actively pursue many new projects in over 30 countries.

The transition to Digital Terrestrial TV continues around the world and is an important market driver for Net Insight's business with numerous business opportunities and customer wins. The size of initial individual DTT contracts has so far been smaller than we first anticipated and in some market areas the digitalization process is taking slightly longer time, but our exceptionally strong references are now a great asset for us.

Our progress in the first part of 2008 has been very encouraging and Net Insight is in a good position to capture the growth opportunities in our identified markets. Our market leading product portfolio for efficient media transport, a solid customer base, strong financial position and performance and a growing market presence represent a very good platform for the future.

## Business activities during the third quarter

During the third quarter, Net Insight continued to win new customers in our core market segments and the current customer base continued to generate a substantial volume of expansion orders.

Net Insight received its first order from Teracom for delivery of Nimbra equipment to a media contribution network in Sweden. Teracom is Sweden's first media operator, and the new network will interconnect its media contribution networks in Stockholm, Gothenburg and Malmo for simultaneous transport of uncompressed and compressed video.

US media operator HTN Communications continued to expand its Nimbra based transport network across several locations in the United States.

Net Insight received a first order for a TV distribution network in China. The network includes a combination of Nimbra 360 switches with the GPS independent Time

Transfer function and a powerful multicast engine for TV distribution to fixed television, buses, vehicles and mobile handsets.

Broadcast Service Danmark (BSD) selected Net Insight for an expansion of the Digital Terrestrial TV distribution network in Denmark. BSD's DTT network is built on the Nimbra platform and has been operational since March 2006 and this new expansion enables BSD to support new customers with media transmission services.

An existing North American customer continued to expand their media transport network to carry media services for professional media companies across the U.S. The network offer high capacity transmissions to deliver uncompressed and compressed HD and SD video services over the Nimbra platform.

A global news agency network operator selected Net Insight to deliver a video contribution network. This new customer delivers news content to broadcasters around the world and will use the Nimbra platform to carry video, voice and data from key sites of its global network.

## Partnerships

Net Insight continued to develop the partner network, e.g. in Asia, to further support sales growth and local support to customers.

## Marketing activities

At IBC2008 in Amsterdam Net Insight demonstrated the full Nimbra range including world leading DTT and Mobile TV transport solutions, multi-service contribution for the Broadcast & Media industry and a unique combination of QoS, scalability and flexibility for IPTV and CATV networks.

In a joint demonstration Net Insight showcased a live demonstration of holographic-appearing telepresence. The demonstration showed a remote-based presenter projected as a holographic-appearing image on a DVE podium. TeliaSonera International Carrier transported the data stream over its switched European media network from Stockholm to the IBC show floor in Amsterdam using Net Insight's high-capacity Nimbra switches. The final effect simulated reality, permitting video images of people to appear to be positioned in the actual room.

In cooperation with TeliaSonera International Carrier, Panasonic Professional Plasma Displays and Digital Video Systems, Net Insight also delivered a first-of-its-kind demonstration, where uncompressed 1080p50 video was streamed over a switched media network from Stockholm to Amsterdam. The showcases generated extensive trade press coverage and demonstrated how the Nimbra platform enables the most advanced video applications.

## New product introductions

In conjunction with the IBC exhibition, Net Insight announced the availability of the Nimbra 688 multi-service switch. Based on the Nimbra 600 series, the Nimbra 688 switch is especially aimed at fulfilling the highest demands in terms of capacity and availability of the professional media industry, telco and CATV / IPTV networks, offering twice the access and trunk port count of Net Insight's Nimbra 680.

## Significant events after the end of the period

Net Insight received an order from KPN to expand its existing national multi-service media network which has been operational since the beginning of 2006 and provides services like video, data and audio connectivity between all major TV-studios in the Netherlands as well as all TV feeds for the digital terrestrial TV and KPN's mobile TV services. KPN Broadcast Services will now deploy a new solution for TV coverage of 18 top football stadiums based on Net Insight's Nimbra platform.

## Outlook

The Board is pleased with the progress for the first nine month period 2008 and remains confident that the positive development will continue, with quarterly fluctuations.

## Sales and earnings

### Nine months

Net sales for the nine months period increased by 22% to SEK 204.1 million (167.2). Sales of software, support, and services increased to SEK 74.6 million (37.6) and accounted for 37% (22) of total sales. This increase is mainly related to the leasing agreement with Beijing Olympic Broadcasting for equipment to the Olympic games, which expired September 30<sup>th</sup>. The EMEA region accounted for SEK 96.5 million (134.1) of total sales. The temporary decrease is mainly related to the completion of the main project with Norkring in 2007. The North America and the APAC regions both accounted for a strong growth for the nine months period, which more than offset the lower volumes in the EMEA region. North America sales increased to SEK 55.2 million (29.0) and APAC sales increased to SEK 52.4 million (4.1). The Broadcast & Media Networks segment represented approx. 85% of total sales and Digital Terrestrial TV & Mobile-TV Networks 15%.

|                             | Q3<br>2008  | Q3<br>2007  | Q1-Q3<br>2008 | Q1-Q3<br>2007 | Q407-Q308<br>12 months | Full year<br>2007 |
|-----------------------------|-------------|-------------|---------------|---------------|------------------------|-------------------|
| Net sales per region (MSEK) |             |             |               |               |                        |                   |
| EMEA                        | 32.3        | 41.3        | 96.5          | 134.1         | 137.6                  | 175.2             |
| North America               | 15.2        | 13.9        | 55.2          | 29.0          | 67.2                   | 41.0              |
| APAC                        | 18.7        | 3.1         | 52.4          | 4.1           | 60.9                   | 12.6              |
| <b>Total</b>                | <b>66.2</b> | <b>58.3</b> | <b>204.1</b>  | <b>167.2</b>  | <b>265.7</b>           | <b>228.8</b>      |

For the nine months period gross margin continued to be strong and stable at 71.6% (70.6%). Effective from January 1, 2008, accounting of cost of sold services (support, services and training expenses) was reclassified from operating expenses to direct costs of goods sold.

|                                         | Q3<br>2008 | Q3<br>2007 | Q1-Q3<br>2008 | Q1-Q3<br>2007 | Q407-Q308<br>12 months | Full year<br>2007 |
|-----------------------------------------|------------|------------|---------------|---------------|------------------------|-------------------|
| Comparison of gross margin              |            |            |               |               |                        |                   |
| Gross margin incl cost of sold services | 74.8%      | 68.6%      | 71.6%         | 68.7%         | 71.0%                  | 68.8%             |
| Gross margin excl cost of sold services | 76.8%      | 70.6%      | 73.6%         | 70.6%         | 73.1%                  | 70.8%             |

Operating expenses for the nine months period amounted to SEK 121.0 million (105.2), an increase by 15%. The reclassification of support, services and training expenses has affected operating expenses by SEK 4.0 million. Operating expenses before depreciation and capitalization of development expenditures increased by 10%, which is in line with the Company's growth plan where new resources have been added to sales, marketing, professional services and development. Compared to the nine months period 2007 the average number of employees has increased by eleven. Capitalization of development expenditures was SEK 30.8 million (32.8). Depreciation of capitalized development expenditures was SEK 34.3 million (28.3). Expenses for the employee stock option program and provision for the long-term variable compensation program totaled SEK 9.1 million.

Other operating revenue of SEK 3.4 million (1.9) is made up of premiums for exercising of options under the employee option programs.

Operating earnings for the nine months period amounted to SEK 28.6 million (14.7). The financial net amounted to SEK 2.4 million (0.7). Net income amounted to SEK 31.0 million (15.4), which corresponds to a net profit margin of 15.2% (9.2).

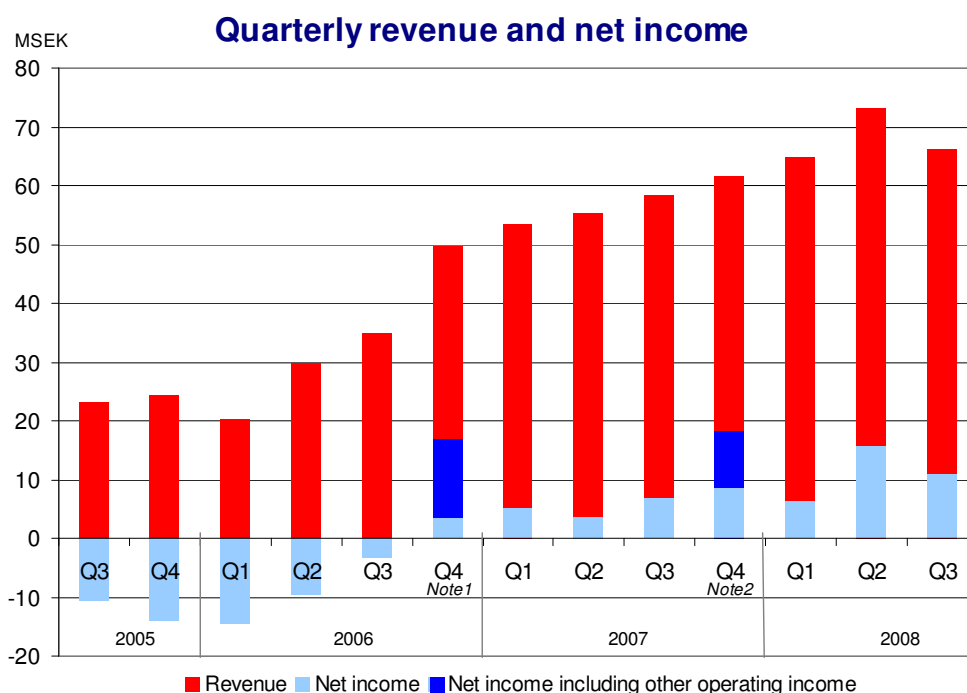
### Third quarter

Net sales for the third quarter increased by 14% to SEK 66.2 million (58.3). During the quarter, the Euro and USD significantly strengthened versus the Swedish Krona, which affected net sales positively by SEK 3.3 million. Sales of software, support, and services increased to SEK 33.8 million (12.6) and accounted for 51% of total revenue. This increase is mainly related to the equipment leased to Beijing Olympic Broadcasting for the Olympic games. The EMEA region accounted for SEK 32.3 million (41.3), North America SEK 15.2 million (13.9), and Asia SEK 18.7 million (3.1) respectively. The Broadcast & Media Networks segment represented approx. 85% of total sales and Digital Terrestrial TV & Mobile-TV Networks 15%.

The gross margin for the third quarter was 74.8% (70.6%). The strong margin for the quarter is driven by generally good business supported by the positive currency effects.

Operating expenses for the third quarter amounted to SEK 38.9 million (34.7). The reclassification of support, services and training expenses has affected operating expenses by SEK 1.3 million. Capitalization of development expenditures was SEK 8.4 million (8.3). Depreciation of capitalized development expenditures was SEK 11.5 million (10.0).

Operating earnings for the quarter amounted to SEK 8.6 million (6.5). The financial net amounted to SEK 0.4 million (0.2). Net income amounted to SEK 9.1 million (6.7), which corresponds to a net profit margin at 13.7% (11.5).



## Cash flow and financial position

Liquid funds at the end of the period totaled SEK 133.0 million (94.3).

Cash flow from ongoing operations for the nine months period amounted to SEK 43.1 million (42.3) whereas total cash flow amounted to SEK 4.7 million (16.6).

Cash flow from ongoing operations for the third quarter amounted to SEK 25.8 million (25.3) whereas total cash flow amounted to SEK 14.0 million (4.3).

Shareholders' equity was SEK 224.0 million (160.4) with an equity/assets ratio of 78.5% (74.6%). On the balance sheet date, Net Insight had unutilized credit and factoring facilities of SEK 75 million.

## Investments

Investments in tangible assets during the nine months period amounted to SEK 12.7 million (7.9). Depreciation of tangible assets for the nine months period amounted to SEK 8.0 million (1.4). Capitalized development expenditures for the nine months period, reported as intangible assets, amounted to SEK 30.8 million (32.8). Depreciation of capitalized development expenditures was SEK 34.3 million (28.3). At the end of the period, net book value of capitalized development expenditures amounted to SEK 65.7 million (63.9).

## Employees

At the end of the period Net Insight had 102 (95) employees. The parent company Net Insight AB had 96 (87) employees whereof four employees are based in Singapore. The US subsidiary Net Insight Inc. had 6 (8) employees.

## Parent company

The parent company's net turnover was SEK 229.7 million (195.6). Net income amounted to SEK 33.3 million (4.8). Liquid funds amounted to SEK 131.0 million (92.5). The tax loss carry-forward at the reporting date is approximately SEK 1 007 million, which means that the potential value of the deferred tax asset is approximately SEK 282 million.

## Risk and sensitivity analysis

Net Insight's operation and results are impacted by a number of external and internal factors. A continuous process identifies all existing risks and assesses how each risk shall be managed and mitigated.

The risks to which the company is exposed are divided into market related risks (including competition, technology development, political risks), operational risks (including product liability, intellectual property rights, litigation, customer dependence) and financial risks (including predominately currency exposure).

The company estimates that no additional significant risks or uncertainties than those described in the annual report 2007 have developed during the nine months period.

For a complete description of the Company's risk analysis and risk management, please see pages 26-27 and 36 in the 2007 Annual report.

**CONSOLIDATED INCOME STATEMENT**

| Amount in SEK thousands                                     | Q3<br>2008    | Q3<br>2007    | Jan-Sep<br>2008 | Jan-Sep<br>2007 | Q407-Q308<br>12 months | Full Year<br>2007 |
|-------------------------------------------------------------|---------------|---------------|-----------------|-----------------|------------------------|-------------------|
| Net Sales                                                   | 66 193        | 58 317        | 204 134         | 167 181         | 265 717                | 228 764           |
| Cost of goods & services sold                               | -16 712       | -17 171       | -57 936         | -49 171         | -75 553                | -66 788           |
| <b>Gross earnings</b>                                       | <b>49 481</b> | <b>41 146</b> | <b>146 198</b>  | <b>118 010</b>  | <b>190 164</b>         | <b>161 976</b>    |
| Marketing expenses                                          | -14 858       | -15 535       | -48 925         | -47 595         | -66 247                | -64 917           |
| Administration expenses                                     | -5 522        | -5 038        | -17 820         | -17 195         | -23 571                | -22 946           |
| Development expenses                                        | -18 503       | -14 090       | -54 223         | -40 428         | -67 165                | -53 370           |
| Other operating income                                      | -1 989        | 12            | 3 419           | 1 919           | 13 398                 | 11 898            |
| <b>Operating earnings</b>                                   | <b>8 609</b>  | <b>6 495</b>  | <b>28 649</b>   | <b>14 711</b>   | <b>46 579</b>          | <b>32 641</b>     |
| Net financial items                                         | 443           | 192           | 2 350           | 694             | 2 974                  | 1 318             |
| <b>Earnings before tax</b>                                  | <b>9 052</b>  | <b>6 687</b>  | <b>30 999</b>   | <b>15 405</b>   | <b>49 553</b>          | <b>33 959</b>     |
| Tax                                                         | 0             | 0             | 0               | 0               | 0                      | 0                 |
| <b>Net income</b>                                           | <b>9 052</b>  | <b>6 687</b>  | <b>30 999</b>   | <b>15 405</b>   | <b>49 553</b>          | <b>33 959</b>     |
| <b>Earnings per share</b>                                   | 0,02          | 0,02          | 0,08            | 0,04            | 0,13                   | 0,09              |
| <b>Earnings per share after dilution</b>                    | 0,02          | 0,02          | 0,08            | 0,04            | 0,13                   | 0,09              |
| <b>Average number of shares in thousands</b>                | 374 522       | 369 929       | 373 806         | 369 051         | 374 118                | 369 363           |
| <b>Average number of shares in thousands after dilution</b> | 381 580       | 379 287       | 381 537         | 379 481         | 383 528                | 381 472           |

**CONSOLIDATED CASH FLOW STATEMENT**

| Amount in SEK thousands                                                   | Sep 30, 2008<br>9 months | Sep 30, 2007<br>9 months | Q407-Q308<br>12 months | Dec 31, 2007<br>12 months |
|---------------------------------------------------------------------------|--------------------------|--------------------------|------------------------|---------------------------|
| <b>Ongoing operations</b>                                                 |                          |                          |                        |                           |
| Net income before tax                                                     | 30 999                   | 15 405                   | 49 553                 | 33 959                    |
| Depreciation                                                              | 42 271                   | 29 665                   | 53 986                 | 41 380                    |
| Other items not affecting liquidity                                       | 693                      | 1 293                    | 9 921                  | 10 521                    |
| <b>Cash flow from ongoing operations before change in working capital</b> | <b>73 963</b>            | <b>46 363</b>            | <b>113 460</b>         | <b>85 861</b>             |
| <b>Change in working capital</b>                                          |                          |                          |                        |                           |
| Increase-/decrease+ in inventories                                        | 2 659                    | -2 951                   | 5 974                  | 364                       |
| Increase-/decrease+ in receivables                                        | -18 356                  | 9 861                    | -27 997                | 220                       |
| Increase+/decrease- in current liabilities                                | -15 180                  | -11 011                  | 7 665                  | 11 834                    |
| <b>Cash flow from ongoing operations</b>                                  | <b>43 086</b>            | <b>42 262</b>            | <b>99 102</b>          | <b>98 279</b>             |
| <b>Investment activity</b>                                                |                          |                          |                        |                           |
| Acquisitions of intangible fixed assets                                   | -30 778                  | -32 767                  | -47 031                | -49 020                   |
| Acquisitions of tangible fixed assets                                     | -12 650                  | -7 939                   | -13 736                | -9 025                    |
| Increase-/decrease+ in long-term receivables                              | -77                      | -95                      | -98                    | -116                      |
| Increase+/decrease- in long-term liabilities                              | -4 255                   | 8 219                    | -10 286                | 2 188                     |
| <b>Cash flow from investment activity</b>                                 | <b>-47 760</b>           | <b>-32 581</b>           | <b>-71 151</b>         | <b>-55 973</b>            |
| <b>Financing activity</b>                                                 |                          |                          |                        |                           |
| New share issue - employee stock option program                           | 9 417                    | 6 921                    | 10 741                 | 8 245                     |
| <b>Cash flow from financing activity</b>                                  | <b>9 417</b>             | <b>6 921</b>             | <b>10 741</b>          | <b>8 245</b>              |
| Increase/decrease in liquid funds                                         | 4 743                    | 16 602                   | 38 692                 | 50 551                    |
| Liquid funds, opening balance                                             | 128 233                  | 77 682                   | 94 284                 | 77 682                    |
| <b>Liquid funds, closing balance</b>                                      | <b>132 976</b>           | <b>94 284</b>            | <b>132 976</b>         | <b>128 233</b>            |

**CONSOLIDATED BALANCE SHEET**

| Amount in SEK thousands                     | Sep 30, 2008   | Sep 30, 2007   | Dec 31, 2007   |
|---------------------------------------------|----------------|----------------|----------------|
| <b>ASSETS</b>                               |                |                |                |
| <b>Fixed assets</b>                         |                |                |                |
| <b>Intangible assets</b>                    |                |                |                |
| Capitalized expenditure for development     | 65 702         | 63 895         | 69 194         |
| Goodwill                                    | 4 354          | 4 354          | 4 354          |
| <b>Tangible fixed assets</b>                |                |                |                |
| Equipment                                   | 4 046          | 2 718          | 3 465          |
| Equipment for leasing                       | 8 932          | 5 305          | 4 864          |
| <b>Financial assets</b>                     |                |                |                |
| Deposits paid, long-term                    | 264            | 166            | 187            |
| <b>Total fixed assets</b>                   | <b>83 298</b>  | <b>76 438</b>  | <b>82 064</b>  |
| <b>Current assets</b>                       |                |                |                |
| Inventory                                   | 17 852         | 23 826         | 20 511         |
| Customer receivables                        | 42 219         | 10 381         | 20 010         |
| Other receivables                           | 8 906          | 10 135         | 10 147         |
| Cash and bank balances                      | 132 976        | 94 284         | 128 233        |
| <b>Total current assets</b>                 | <b>201 953</b> | <b>138 625</b> | <b>178 901</b> |
| <b>Total assets</b>                         | <b>285 251</b> | <b>215 064</b> | <b>260 965</b> |
| <b>SHAREHOLDERS' EQUITY AND LIABILITIES</b> |                |                |                |
| <b>Shareholders' equity</b>                 |                |                |                |
| <b>Restricted shareholders' equity</b>      |                |                |                |
| Share capital                               | 15 006         | 14 805         | 14 828         |
| Other contributed capital                   | 1 164 430      | 1 150 909      | 1 153 294      |
| Translation difference                      | -2 052         | -2 316         | -2 478         |
| Accumulated deficit                         | -953 430       | -1 002 983     | -984 429       |
| <b>Total shareholders' equity</b>           | <b>223 954</b> | <b>160 415</b> | <b>181 215</b> |
| <b>Long term liabilities</b>                |                |                |                |
| Long-term liabilities                       | 2 188          | 2 188          | 2 188          |
| Provisions                                  | 4 864          | 6 031          | 8 287          |
| <b>Total provisions</b>                     | <b>7 052</b>   | <b>8 219</b>   | <b>10 475</b>  |
| <b>Current liabilities</b>                  |                |                |                |
| Accounts payable                            | 10 681         | 12 691         | 16 255         |
| Other liabilities                           | 43 564         | 33 739         | 53 020         |
| <b>Total current liabilities</b>            | <b>54 245</b>  | <b>46 430</b>  | <b>69 275</b>  |
| <b>Total liabilities and equity</b>         | <b>285 251</b> | <b>215 064</b> | <b>260 965</b> |

**CHANGES IN GROUP SHAREHOLDERS' EQUITY**

| Amount in SEK thousands                                      | Share capital | Other contributed capital | Reserves      | Net earnings    | Total shareholders' equity |
|--------------------------------------------------------------|---------------|---------------------------|---------------|-----------------|----------------------------|
| <b>07-01-01</b>                                              | 14 710        | 1 142 247                 | -1 773        | -1 018 388      | 136 796                    |
| Translation difference for the period                        | 0             | 0                         | -543          | 0               | -543                       |
| Total transactions reported directly in shareholders' equity | 0             | 0                         | -543          | 0               | -543                       |
| Net earnings                                                 | 0             | 0                         | 0             | 15 405          | 15 405                     |
| Total revenue/expenses for the period                        | 0             | 0                         | -543          | 15 405          | 14 862                     |
| Non-registered share capital                                 | 2             | 50                        | 0             | 0               | 52                         |
| New shares issued - employee stock options                   | 93            | 6 776                     | 0             | 0               | 6 869                      |
| Employee stock option program:                               |               |                           |               |                 |                            |
| Value of employees' services                                 | 0             | 1 836                     | 0             | 0               | 1 836                      |
| <b>07-09-30</b>                                              | 14 805        | 1 150 909                 | -2 316        | -1 002 983      | 160 415                    |
| Translation difference for the period                        | 0             | 0                         | -162          | 0               | -162                       |
| Total transactions reported directly in shareholders' equity | 0             | 0                         | -162          | 0               | -162                       |
| Net earnings                                                 | 0             | 0                         | 0             | 18 554          | 18 554                     |
| Total revenue/expenses for the period                        | 0             | 0                         | -162          | 18 554          | 18 392                     |
| Non-registered share capital                                 | 2             | 206                       | 0             | 0               | 208                        |
| New shares issued - employee stock options                   | 21            | 1 095                     | 0             | 0               | 1 116                      |
| Employee stock option program:                               |               |                           |               |                 |                            |
| Value of employees' services                                 | 0             | 1 084                     | 0             | 0               | 1 084                      |
| <b>07-12-31</b>                                              | 14 828        | 1 153 294                 | -2 478        | -984 429        | 181 215                    |
| <b>08-01-01</b>                                              | 14 828        | 1 153 294                 | -2 478        | -984 429        | 181 215                    |
| Translation difference for the period                        | 0             | 0                         | 426           | 0               | 426                        |
| Total transactions reported directly in shareholders' equity | 0             | 0                         | 426           | 0               | 426                        |
| Net earnings                                                 | 0             | 0                         | 0             | 30 999          | 30 999                     |
| Total revenue/expenses for the period                        | 0             | 0                         | 426           | 30 999          | 31 425                     |
| Non registered share-capital                                 | 7             | 589                       | 0             | 0               | 596                        |
| New shares issued - employee stock options                   | 171           | 8 650                     | 0             | 0               | 8 821                      |
| Employee stock option program:                               |               |                           |               |                 |                            |
| Value of employees' services                                 | 0             | 1 897                     | 0             | 0               | 1 897                      |
| <b>08-09-30</b>                                              | <b>15 006</b> | <b>1 164 430</b>          | <b>-2 052</b> | <b>-953 430</b> | <b>223 954</b>             |

| <b>Consolidated condensed income statement<br/>and key figures, SEK m</b> | <b>Q3 2008</b> | <b>Q3 2007</b> | <b>Q4 2007</b> | <b>Q1 2008</b> | <b>Q2 2008</b> |
|---------------------------------------------------------------------------|----------------|----------------|----------------|----------------|----------------|
| Net sales                                                                 | 66.2           | 58.3           | 61.6           | 64.7           | 73.2           |
| Gross earnings                                                            | 49.5           | 41.1           | 44.0           | 44.7           | 52.2           |
| <i>Gross margin</i>                                                       | <i>74.8%</i>   | <i>70.6%</i>   | <i>71.4%</i>   | <i>69.0%</i>   | <i>71.3%</i>   |
| Operating earnings                                                        | 8.6            | 6.5            | 17.7           | 5.5            | 14.5           |
| <i>Operating margin</i>                                                   | <i>13.0%</i>   | <i>11.1%</i>   | <i>28.8%</i>   | <i>8.5%</i>    | <i>19.9%</i>   |
| Pretax profit                                                             | 9.1            | 6.7            | 18.3           | 6.2            | 15.8           |
| Net income                                                                | 9.1            | 6.7            | 18.3           | 6.2            | 15.8           |
| <i>Net margin</i>                                                         | <i>13.7%</i>   | <i>11.5%</i>   | <i>29.8%</i>   | <i>9.5%</i>    | <i>21.6%</i>   |

**PARENT COMPANY INCOME STATEMENT**

| Amount in SEK thousands       | Q3<br>2008    | Q3<br>2007    | Jan-Sep<br>2008 | Jan-Sep<br>2007 | Q407-Q308<br>12 months | Full Year<br>2007 |
|-------------------------------|---------------|---------------|-----------------|-----------------|------------------------|-------------------|
| Net Sales                     | 75 110        | 69 513        | 229 739         | 195 647         | 303 822                | 269 730           |
| Cost of goods & services sold | -21 563       | -28 675       | -75 361         | -87 668         | -98 935                | -111 242          |
| <b>Gross earnings</b>         | <b>53 547</b> | <b>40 838</b> | <b>154 378</b>  | <b>107 980</b>  | <b>204 886</b>         | <b>158 488</b>    |
| Marketing expenses            | -15 318       | -15 204       | -49 713         | -46 902         | -65 579                | -62 768           |
| Administration expenses       | -6 416        | -6 631        | -18 714         | -22 314         | -26 413                | -30 013           |
| Development expenses          | -19 295       | -12 518       | -55 016         | -34 621         | -66 267                | -45 872           |
| Other operating income        | 0             | 0             | 0               | 0               | 9 806                  | 9 806             |
| <b>Operating earnings</b>     | <b>12 518</b> | <b>6 485</b>  | <b>30 935</b>   | <b>4 142</b>    | <b>56 434</b>          | <b>29 641</b>     |
| Net financial items           | 437           | 174           | 2 330           | 652             | 4 370                  | 2 692             |
| <b>Earnings before tax</b>    | <b>12 955</b> | <b>6 659</b>  | <b>33 265</b>   | <b>4 795</b>    | <b>60 803</b>          | <b>32 333</b>     |
| Tax                           | 0             | 0             | 0               | 0               | 0                      | 0                 |
| <b>Net income</b>             | <b>12 955</b> | <b>6 659</b>  | <b>33 265</b>   | <b>4 795</b>    | <b>60 803</b>          | <b>32 333</b>     |

**PARENT COMPANY BALANCE SHEET**

| Amount in SEK thousands                           | Sep 30, 2008   | Sep 30, 2007   |
|---------------------------------------------------|----------------|----------------|
| <b>ASSETS</b>                                     |                |                |
| <b>Fixed assets</b>                               |                |                |
| <b>Intangible assets</b>                          |                |                |
| Capitalized expenditures for development          | 65 702         | 63 552         |
| <b>Tangible fixed assets</b>                      |                |                |
| Equipment                                         | 4 046          | 2 667          |
| Equipment for leasing                             | 8 932          | 5 305          |
| <b>Financial assets</b>                           |                |                |
| Shares in group companies                         | 3 387          | 225            |
| Deposits paid, long-term                          | 264            | 166            |
| <b>Total fixed assets</b>                         | <b>82 331</b>  | <b>71 915</b>  |
| <b>Current assets</b>                             |                |                |
| Inventory                                         | 17 852         | 23 826         |
| Customer receivables                              | 42 218         | 10 381         |
| Other receivables                                 | 8 528          | 8 645          |
| Receivable other group companies                  | 22 121         | 131 126        |
| Cash and bank balances                            | 131 013        | 92 522         |
| <b>Total current assets</b>                       | <b>221 732</b> | <b>266 499</b> |
| <b>TOTAL ASSETS</b>                               | <b>304 063</b> | <b>338 414</b> |
| <b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>       |                |                |
| <b>Shareholders' equity</b>                       |                |                |
| <b>Restricted shareholders' equity</b>            |                |                |
| Share capital                                     | 15 006         | 14 805         |
| Other contributed capital                         | 168 156        | 122 302        |
| Group contribution                                | 2 092          | 0              |
| Non-restricted equity/Accumulated deficit         | 33 265         | 13 282         |
| <b>Total shareholders' equity</b>                 | <b>218 519</b> | <b>150 389</b> |
| <b>Long term liabilities</b>                      |                |                |
| Long term liabilities                             | 2 188          | 2 188          |
| Guarantee provisions                              | 4 864          | 6 031          |
| <b>Total long-term liabilities and provisions</b> | <b>7 052</b>   | <b>8 219</b>   |
| <b>Current liabilities</b>                        |                |                |
| Accounts payable                                  | 10 682         | 12 691         |
| Liabilities, subsidiaries                         | 25 564         | 134 713        |
| Other liabilities                                 | 42 246         | 32 402         |
| <b>Total liabilities</b>                          | <b>78 492</b>  | <b>179 806</b> |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b> | <b>304 063</b> | <b>338 414</b> |

This interim report has been prepared in accordance with International Financial Reporting Standards (IFRS) and the structure follows IAS 34 Interim Financial Reporting. IFRS standards and interpretations, which have been published but not yet have come into effect, and are expected to have an effect on Net Insight's financial reporting but not yet are applied are IFRS 8 Operating Segments and IAS 1 Presentation of Financial Statements. For information on the accounting principles applied, see the 2007 Annual Report. The accounting principles are unchanged, compared with those applied in 2007.

The company's auditors have not examined this report.

## Reporting dates

|                                          |                  |
|------------------------------------------|------------------|
| Year-end report 2008:                    | 20 February 2009 |
| Annual General Meeting:                  | 28 April 2009    |
| Interim report for January – March 2009: | 13 May 2009      |

## Additional information: nomination committee

The Chairman of the Board of Directors of Net Insight AB, in consultation with the four largest shareholders (voting rights), has established a nomination committee.

Net Insight's nomination committee for the 2009 Annual General Meeting consists of Cliff Friedman (Constellation Growth Capital), Åsa Nisell (Swedbank Robur), Ramsay Brufer (Alecta), Christer Bohm (representing the three founders) and Lars Berg (Chairman of the Net Insight Board and European Venture Partner Constellation Growth Capital). The nomination committee appointed Lars Berg to serve as Chairman of the Committee.

The nomination committee's task is to present proposals prior to the General Meeting in regards to the Chairman of the Board of Directors and members of the Board of Directors, as well as fees and other remuneration to each member of the board. The nomination committee is also to make proposals on the election and remuneration of the company auditor.

Shareholders wishing to make proposals to the nomination committee can do so by e-mail to: [ir@netinsight.net](mailto:ir@netinsight.net).

Stockholm, 23 October 2008

**Fredrik Trägårdh**  
Chief Executive Officer

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