net insight™

*Net Insight delivers the world's most efficient and scalable 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 35 countries. Net Insight is quoted on the Stockholm Stock Exchange.*

*For more information, visit www.netinsight.net*

# YEAR-END REPORT 2009

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

## Full year 2009

- **Net sales of SEK 232.8 million (274.3).**
- **Software license and support revenue of SEK 62.7 (62.1).**
- **Improved gross margin at 76.4% (72.4).**
- **Operating margin of 14.6% (13.8)**
- **Earnings before tax of SEK 31.6 million (40.9).**
- **Total cash flow of SEK 0.3 million (23.5).**
- **Earnings per share of SEK 0.09 (0.18). Decrease on net income level affected by larger capitalized loss carry forwards in 2008.**

## Fourth quarter 2009

- **Net sales of SEK 52.2 million (70.2).**
- **Software license and support revenue of SEK 15.1 million (11.0).**
- **Gross margin of 74.1% (74.7).**
- **Operating margin of 4.2% (14.0)**
- **Earnings before tax of SEK 2.3 million (10.4)**
- **Total cash flow of SEK –3.8 million (18.8).**
- **Earnings per share of SEK 0.03 (0.10). Decrease on net income level affected by larger capitalized loss carry forwards in 2008.**

## CEO comments

Our revenues have not been growing as planned during the year and I see three main reasons for this. During 2009 the repeat business declined but remains substantial, we had no large projects in the delivery phase and investment decisions slipped in many markets during the year. The macro economic conditions 2009 are well known at this point and clearly had a negative effect on our industry.

Despite that, we are able to report positive earnings and cash flow for the full year, supported by a strong gross margin.

Much of our business is project based causing revenue fluctuations over time. EMEA developed strongly but both Asia Pacific and the Americas are behind 2008. We won new orders for Digital Terrestrial TV networks and our position is strong among broadcasters and media centric network operators. During 2009 we have also won new important business for both Cable TV and IPTV networks.

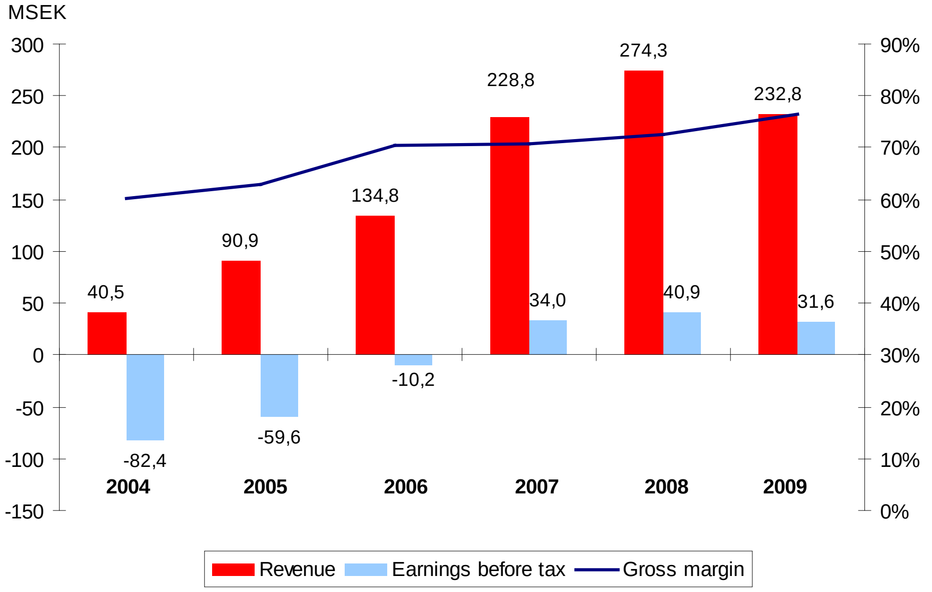
Another very positive development is that we added many new customers and six new countries to our market reach. Brazil and India are two new and potentially large markets for Net Insight where we have won business with leading broadcasters and communications service providers. In the Middle East and China we continued to deliver equipment to significant TV production, contribution and distribution networks. An important step in our expansion strategy has also been taken during the year as we won some initial business together with large global system integrators.

The industry is preparing for the current global “explosion” of video network traffic and Net Insight is able and ready to help customers effectively meet that industry change. We often win business based on our well-proven ability to always deliver 100% Quality of Service, lowest total cost of ownership and our ability to combine IP and optical transport in a one-box solution. 2009 demonstrated that we are truly helping customers reduce complexity and operating costs while enabling new revenue generating services.

Our new customer wins, the significantly enhanced IP offering and our healthy financial position make us well prepared for the future.

I reiterate that Net Insight is well positioned and we continue to confidently drive along our strategic direction for growth in the years ahead.

**Revenue, gross margin and earnings before tax (2004-2009)**



## Business activities during the fourth quarter

During the quarter the Nimbra platform was selected for new Digital Terrestrial TV networks as well as extensions to existing DTT networks. A media network operator selected Net Insight for a Digital Terrestrial TV distribution network in Europe. The solution will provide scalable multicast capabilities and incorporate Net Insight's unique Time Transfer feature for GPS-free time synchronization. A Middle East media network operator selected Net Insight for its first regional build-out of a national SFN Digital Terrestrial TV network based on Net Insight's Nimbra platform.

Net Insight was also selected to supply the backbone network for cable TV distribution in an African country. The national telecom operator is deploying a cable TV distribution network to initially multicast IPTV services between 15 regional sites and carry regionally inserted native video content with 100% Quality of Service.

Net Insight supplied Nimbra switches to Midwest Video Solutions to provide trans-pacific video transmission feeds from their virtual headend facility in Wisconsin to a US military base in Japan.

A European public radio and TV broadcaster expanded its multi-service network. With this new expansion of Nimbra nodes, the network will in addition to the current video services also transport compressed and uncompressed audio services by using E1 and AES/EBU service interfaces over the broadcasters infrastructure.

A telecom operator in Europe deployed a capacity upgrade of their Nimbra based media network to support an increasing amount of uncompressed video services for the benefit of their customers in several European cities.

Media network operators and broadcasters prepare their networks in support of their Vancouver 2010 Olympic Winter Games coverage. In November, a Nordic broadcaster upgraded its network with Net Insight's high-capacity Nimbra 680 switch and a new contribution network was deployed based on the Nimbra 300/One series to carry video, audio and data feeds from Canada.

## Business activities during the year

During the year, Net Insight broke into new important markets and continued to win new customers in the prioritized segments. Further upgrades and extensions were also made to existing Nimbra networks across the globe.

In East Europe Net Insight was selected for a new DTT network and continued to win new customers in Europe for delivery of broadcast and media transport networks. Danmarks Radio built a contribution network, Telespazio selected the Nimbra platform to transport media-rich traffic across Italy and a large broadband and multimedia services provider in southern Europe built a contribution network.

Net Insight's large European customers continued to expand and upgrade their Nimbra networks. The Estonian media network operator Levira, expanded their Digital Terrestrial TV network and Swedish Teracom expanded its media contribution networks in major Scandinavian cities. European Broadcasting Union expanded the global Eurovision and a media network operator further extended its international media network across Eastern Europe. A public radio and TV broadcaster extended their contribution network and another major European media network added further Nimbra nodes to its network.

Continuous extensions were also made to the installed base of Digital Terrestrial TV networks and upgrades are made including the unique Time Transfer feature for GPS-free time synchronization. An East European country continued with their expansion of the DTT network and Rundfunk-Anstalt Südtirol upgraded and extended their network with additional transmitter sites. In the Middle East region an order was received for a significant TV production and contribution network.

The Nimbra platform has proven to be an efficient and reliable media transport platform for live event video transport applications following the successful Beijing Olympics installation in 2008. TeliaSonera International Carrier selected the Nimbra platform to support live sport broadcast transmissions from Sweden's premier football league, a European media operator deployed a network for live sport transmissions from another European football league and another European broadcaster built a contribution network to carry video feeds from the Vancouver 2010 Olympic Winter games.

In 2009, Net Insight entered the important Indian market when TATA Communications selected the Nimbra platform for an international video contribution network. Net Insight also continued to win orders for digital TV distribution networks in Asia. A Korean broadcaster deployed a terrestrial TV distribution network combining mobile TV and DTT services. A media network operator and a Chinese broadcaster deployed new Digital TV distribution networks  and media contribution networks were built by a large Asian communications company and another major Chinese broadcaster.

In North America, Net Insight continued to win orders for media-rich networks to the professional media industry. Canadian AldeaVision selected Net Insight to strengthen its international video transmission network, a large sports broadcaster incorporated additional Nimbra nodes into its high-traffic media network and HTN continued the expansion of its extensive US network to support new customers. A global tier1 telecom operator selected Net Insight for a U.S. multi-service backhaul network.

A first important step was also taken in Latin America when the Brazilian broadcaster TV Globo selected the Nimbra platform.

**Partnerships**
Net Insight continues to develop the partner network to further support sales growth and provide local support to customers. During the year, the partner network has played an important role in large new customer wins and to establish a presence in new geographic markets. In complement to the established local partner network, Net Insight has initiated cooperation with large, global system integrators, which during the year generated some initial business.

Net Insight strengthened its partner network with 8 new partners in Asia, Europe, the Middle East and South America and had 30 business partners at the end of the year. Indirect sales increased to 34% (27) of total sales in 2009.

**Marketing activities**
During the year Net Insight was present at a number of trade shows.
At the IBC2009 exhibition Net Insight demonstrated the full Nimbra product range. For the first time Net Insight exhibited in Brazil at the SET 2009 Broadcast & Cable show and at CabSat in Dubai.

In Asia Net Insight participated at multiple exhibitions, both stand alone but also represented via business partners. Net Insight's business partner NDT was awarded the BIRTV Award for the implementation of a Nimbra based network in China. At the NABShow2009 Net Insight introduced new Nimbra functionality and further in the US, Net Insight exhibited at the VSF/Vidtrans conference, the HD World in New York and TelcoTV in Orlando.

In support of activities towards the DTT market Net Insight participated and presented at multiple conferences. During the conference "Digital Switchover Strategies 09" in London, Norkring received the award "Best technical solution" for the Norwegian Nimbra based DTT network.

In 2009 Net Insight also introduced a new website as an enhanced market communications tool and support to the partner network.

**New product introductions**
The Nimbra platform offers a complete range of powerful multi-service switches for access, edge and transport in video centric networks. The platform delivers 100% Quality of Service guaranteed and unifies any mix of transport infrastructures - all delivered in a true multiservice one-box solution.

During 2009 the Nimbra product portfolio was further supplemented with additional switching and transport functionality for enhanced handling of IP/Ethernet traffic. These new IP transport capabilities enables network owners to transport signals over a combination of optical links and IP/Ethernet links. This reduces network complexity and operational costs for network operators and enables new revenue generating services. The new Nimbra IP Trunk Module is now installed in multiple pilot networks providing operators with the option to create next generation media networks and the new Ethernet Switching Feature is in full operation in live networks.

The comprehensive network management tool Nimbra Vision has been further enhanced with support for end user subnet management.

## Significant events after the end of the period

In January, Net Insight received an order for a Digital Terrestrial TV network from Dialog Telekom, a leading broadcaster and satellite operator in Sri Lanka. Dialog will implement Net Insight's Nimbra platform in a distribution network from headend to four transmitter sites. The solution also includes Net Insight's unique IP trunk solution for migration to an all-IP media network.

GlobeCast placed an order to modernize and upgrade its Nimbra based media contribution network in Paris with Nimbra 680 switches to meet new requirements of its customers, like rapidly increasing use of HD. This first phase of the upgrade interconnects multiple sites in Paris with use of 10 Gbps STM-64 links.

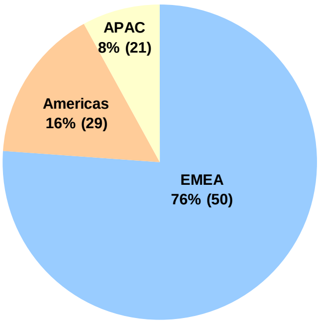
## Outlook

In the previous interim report it was said that; despite lower revenues in the third quarter 2009 compared with the same quarter 2008, the Board foresees positive developments, with quarterly fluctuations.

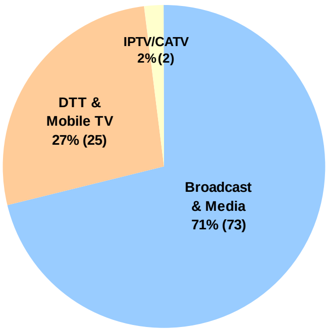
As previously communicated in the Q1 interim report on May 13, 2009, the Board will cease to give quarterly outlooks as of the end of 2009.

## Sales and earnings

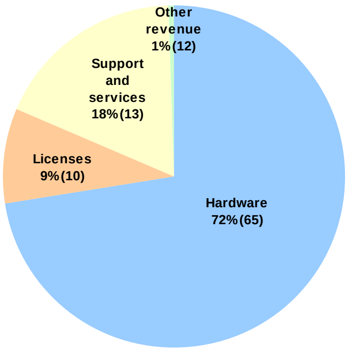
**Net sales per segment**




**Revenue per solution area**




**Revenue by product group**




**Full year**
Net sales for the twelve months period amounted to SEK 232.8 million (274.3) representing a decline of 15.1%. Revaluation of accounts receivables in foreign currencies had a positive effect on sales of SEK 0.7 million (5.4) Hardware revenue decreased by 5.4% in the period mainly related lower volumes in the Americas and APAC partially offset by a strong growth in EMEA. Software licenses declined 23.1% mainly due to lower volumes in the Americas. Support and service revenue continues to grow and shows an increase of 20.3%. The growth comes predominately from the EMEA region. Other revenue declined by 95.3% as the leasing set-up with Beijing Olympic Games last year was recorded under this heading.

The EMEA region accounted for SEK 176.8 million (136.5) of total sales. The improvement is mainly related to geographical expansion. The Americas region recorded a decline in sales to SEK 38.0 million (80.1). Americas in particular has been negatively affected by the recession. APAC has still not fully made up for last year's large order intake and is recording a sales drop to SEK 18.0 million (57.6).

The Gross margin remains stable at a strong level of 76.4% (72.4) partially making up for the lower sales volumes recorded in 2009 compared to last year.

Total operating expenses for the twelve months period amounted to SEK 143.8 million (164.5).  The lower expense levels are mainly driven by changes in the depreciation period for capitalized development expenditures from three years to five years based on a reassessment concerning the expected useful life of the products. The extension from three to five years has affected the results positively by SEK 23.8 million. Marketing expenses increased according to plan mainly related to hiring of sales, pre-sales and customer support staff. Administrative expenses are down on last year mainly due to fewer consultants and lower expenses for incentive programs.

Operating earnings for the twelve months period amounted to SEK 34.0 million (37.9), which corresponds to an Operating Margin of 14.6% (13.8).

The financial net amounted to SEK -2.4 million (3.0). The negative financial net is explained by realized and unrealized currency losses in Euro and US Dollar, in combination with lower interest rates on short term investments.

Earnings before tax amounted to SEK 31.6 million (40.9), which corresponds to a profit margin of 13.6% (14.9).

Net income after tax amounted to SEK 34.4 million (67.9).  Capitalization of tax losses carry forwards during the year of SEK 11.8 million (27.1) gave a positive tax of SEK 2.7 million (27.1).

Net profit margin was 14.8% (24.8).

**Fourth quarter**
Net sales for the fourth quarter decreased by 25.6% to SEK 52.2 million (70.2). The Swedish krona weakened against the USD and EUR in the quarter, which resulted in a positive revaluation effect of SEK 1.5 million (5.4). The shortfall versus last year is predominately related to the Americas.

The Broadcast & Media Networks solution areas represented 73% (67), Digital Terrestrial TV & Mobile-TV Networks 19% (27) and IPTV/CATV 8% (6).

| Net sales per region (MSEK) | Q4 2009 | Q4 2008 | Q1 2009 | Q2 2009 | Q3 2009 | Full year 2009 | Full year 2008 |
|---|---|---|---|---|---|---|---|
| EMEA | 41.1 | 40.0 | 46.5 | 51.1 | 38.2 | 176.8 | 136.5 |
| Americas | 6.8 | 24.9 | 12.7 | 8.7 | 9.7 | 38.0 | 80.1 |
| APAC | 4.3 | 5.2 | 1.2 | 2.8 | 9.6 | 18.0 | 57.6 |
| **Total** | **52.2** | **70.1** | **60.4** | **62.6** | **57.5** | **232.8** | **274.2** |

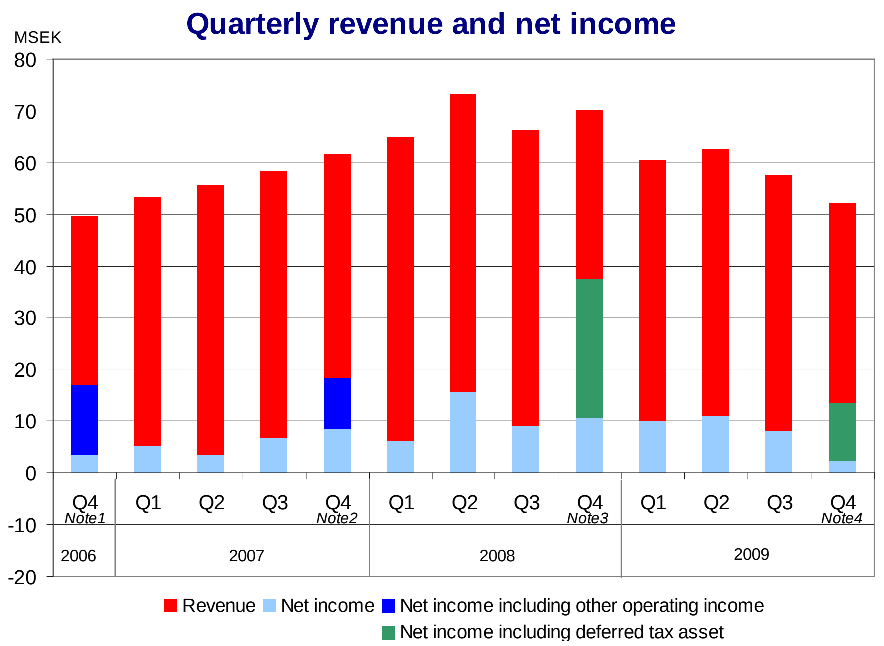
The gross margin for the fourth quarter was 74.1% (74.7).

Operating expenses for the fourth quarter amounted to SEK 36.5 million (43.0). The extension to five years depreciation period for capitalized development expenditures has affected the results positively by SEK 5.2 million in the three months period compared to the depreciation period of three years. The increase in marketing expenses is mainly explained by recruitments to sales, pre-sales and customer support.

Operating earnings for the quarter amounted to SEK 2.2 million (9.8).

The financial net amounted to SEK 0.1 million (0.6).

Earnings before tax amounted to SEK 2.3 million (10.4), which corresponds to a profit margin of 4.4% (14.9).




*Note1: Adjusted for other operating revenue of SEK 13.5 million, net income in Q4 2006 was SEK 3.4 million.*
*Note2: Adjusted for other operating revenue of SEK 10.0 million, net income in Q4 2007 was SEK 8.3 million.*
*Note3: Including a deferred tax asset of 27.1 MSEK Note4: Including a deferred tax asset of 11.1 MSEK*

## Cash flow and financial position

Liquid funds at the end of the period totaled SEK 152.0 million (151.7).

Cash flow from ongoing operations for the twelve months period amounted to SEK 30.5 million (51.5). The decline is mainly related to lower sales volumes and increased marketing expenditures. Total cash flow amounted to SEK 0.3 million (23.5).

Cash flow from ongoing operations for the fourth quarter amounted to SEK 10.3 million (12.7). The decline is mainly related to a lower sales volume and increased marketing expenditure partially offset by a more favorable change in working capital. Total cash flow for the fourth quarter amounted to a SEK -3.8 million (18.8). In the fourth quarter of 2008, SEK 11.6 million was generated through exercise of employee stock options which was not the case in Q4 of 2009

Accounts receivables at the end of the period amount to SEK 87.0 million (62.6). The increase comes as a result of sales recorded later in the period and a recent trend towards longer payment terms.

Shareholders' equity amounted to SEK 335.2 million (274.5) with an equity ratio of 82.2% (76.7%).

## Investments

Investments in tangible assets for the twelve months period amounted to SEK 1.6 million (3.7) and depreciation of tangible assets amounted to SEK 0.9 million (8.2). Capitalization of development expenditures totaled SEK 50.9 million (44.5). Depreciation of capitalized development expenditures totaled SEK 23.4 million (45.8).

Investments in tangible assets during the fourth quarter reached SEK 0.7 million (-8.9). Depreciation of tangible assets amounted to SEK 0.4 million (0.2) Capitalized development expenditures for the fourth quarter, reported as intangible assets, amounted to SEK 13.2 million (13.7). Depreciation of capitalized development expenditures was SEK 6.7 million (11.5).

At the end of the period, net book value of capitalized development expenditures amounted to SEK 95.3 million (67.9).

## Employees

At the end of the period Net Insight had 120 (108) employees. The parent company Net Insight AB had 114 (102) employees and the US subsidiary Net Insight Inc. had 6 (6) employees.

## Parent company

The parent company's net turnover was SEK 254.1 million (307.7). Net income amounted to SEK 32.5 million (61.4). Liquid funds amounted to SEK 148.5 million (149.9).

The tax loss carry-forward is approximately SEK 946 million, which means that the potential nominal value of the deferred tax asset is approximately SEK 250 million based on a tax rate of 26.3%.

## Risk and sensitivity analysis

Net Insight's operation and results are impacted by a number of external and internal factors. A continuous process identifies 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, and customer dependence) and financial risks (including predominately currency exposure).

No additional significant risks or uncertainties than those described in the annual report 2008 have developed in the twelve months period. However, the global economic downturn has meant that business decisions as well as customer payments are sometimes delayed.

For a complete description of the Company's risk analysis and risk management, see page 27 and 37 in the 2008 Annual report.

## CONSOLIDATED INCOME STATEMENT

| Amount in SEK thousands | Q4 2009 | Q4 2008 | Full Year 2009 | Full Year 2008 |
|---|---|---|---|---|
| Net Sales | 52 232 | 70 171 | 232 801 | 274 305 |
| Cost of goods & services sold | -13 542 | -17 755 | -54 965 | -75 691 |
| **Gross earnings** | **38 690** | **52 416** | **177 836** | **198 614** |
| Marketing expenses | -22 469 | -17 183 | -81 113 | -66 689 |
| Administration expenses | -3 473 | -8 521 | -21 451 | -26 341 |
| Development expenses | -10 551 | -17 293 | -41 270 | -71 517 |
| Other operating income | 0 | 402 | 0 | 3 822 |
| **Operating earnings** | **2 197** | **9 821** | **34 002** | **37 889** |
| Net financial items | 118 | 621 | -2 386 | 2 973 |
| **Earnings before tax** | **2 315** | **10 442** | **31 616** | **40 862** |
| Tax | 11 093 | 27 078 | 2 742 | 27 078 |
| **Net income** | **13 408** | **37 520** | **34 358** | **67 940** |
| **Net income for the period attributable to the stockholders of the parent company** | **13 408** | **37 520** | **34 358** | **67 940** |
| **Earnings/loss per share , based on net profit attributable to the Parent Company's shareholders during the period (in SEK per share)** | | | | |
| Earnings per share before dilution | 0,03 | 0,10 | 0,09 | 0,18 |
| Earnings per share after dilution | 0,03 | 0,10 | 0,09 | 0,18 |
| Average number of shares in thousands before dilution | 389 933 | 376 154 | 387 616 | 374 307 |
| Average number of shares in thousands after dilution | 389 933 | 379 236 | 387 616 | 379 481 |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | | | | |
|---|---|---|---|---|
| **Net income** | 13 408 | 37 520 | 34 358 | 67 940 |
| **Other comprehensive income** | | | | |
| Exchange rate differences | 198 | 1 322 | -518 | 1 748 |
| **Total other comprehensive income** | **198** | **1 322** | **-518** | **1 748** |
| **Total comprehensive income for the period, net after tax** | **13 606** | **38 842** | **33 840** | **69 688** |
| **Total comprehensive income for the period attributable to the stockholders of the parent company** | **13 606** | **38 842** | **33 840** | **69 688** |

## CONSOLIDATED CASH FLOW STATEMENT

| Amount in SEK thousands | Q4 2009 | Q4 2008 | Full year 2009 | Full year 2008 |
|---|---|---|---|---|
| **Ongoing operations** | | | | |
| Net income before tax | 2 315 | 10 442 | 31 616 | 40 862 |
| Depreciation | 7 265 | 11 765 | 24 855 | 54 036 |
| Other items not affecting liquidity | 2 593 | 1 678 | 4 335 | 1 150 |
| **Cash flow from ongoing operations before change in working capital** | 12 173 | 23 885 | 60 806 | 96 048 |
| **Change in working capital** | | | | |
| Increase-/decrease+ in inventories | -5 244 | -12 284 | 3 466 | -9 625 |
| Increase-/decrease+ in receivables | 7 008 | -21 303 | -22 639 | -42 271 |
| Increase+/decrease- in current liabilities | -3 653 | 22 356 | -11 092 | 7 326 |
| **Cash flow from ongoing operations** | **10 284** | **12 654** | **30 541** | **51 478** |
| **Investment activity** | | | | |
| Acquisitions of intangible fixed assets | -13 295 | -13 698 | -51 672 | -44 469 |
| Acquisitions of tangible fixed assets | -745 | 8 919 | -1 622 | -3 731 |
| Increase-/decrease+ in long-term receivables | -25 | -95 | 111 | -172 |
| Increase+/decrease- in long-term liabilities | 0 | -637 | 0 | -637 |
| **Cash flow from investment activity** | **-14 065** | **-5 511** | **-53 183** | **-49 009** |
| **Financing activity** | | | | |
| New share issued - employee stock option program | 0 | 11 625 | 22 897 | 21 042 |
| **Cash flow from financing activity** | **0** | **11 625** | **22 897** | **21 042** |
| Increase/decrease in liquid funds | -3 781 | 18 768 | 255 | 23 511 |
| Liquid funds, opening balance | 155 780 | 132 976 | 151 744 | 128 233 |
| **Liquid funds, closing balance** | **151 999** | **151 744** | **151 999** | **151 744** |

## CONSOLIDATED BALANCE SHEET

| Amount in SEK thousands | Dec 31, 2009 | Dec 31, 2008 |
|---|---|---|
| **ASSETS** | | |
| **Fixed assets** | | |
| **Intangible assets** | | |
| Capitalized expenditure for development | 95 329 | 67 864 |
| Goodwill | 4 354 | 4 354 |
| Other intangible assets | 2 257 | 0 |
| **Tangible fixed assets** | | |
| Equipment | 2 031 | 3 830 |
| Equipment for leasing | 517 | 0 |
| **Financial assets** | | |
| Deferred tax asset | 29 820 | 27 078 |
| Deposits paid, long-term | 248 | 359 |
| **Total fixed assets** | **134 556** | **103 485** |
| **Current assets** | | |
| Inventory | 26 670 | 30 136 |
| Customer receivables | 87 007 | 62 608 |
| Other receivables | 8 060 | 9 820 |
| Cash and bank balances | 151 999 | 151 744 |
| **Total current assets** | **273 736** | **254 308** |
| **Total assets** | **408 292** | **357 793** |
| **SHAREHOLDERS' EQUITY AND LIABILITIES** | | |
| **Shareholders' equity** | | |
| **Restricted shareholders' equity** | | |
| Share capital | 15 597 | 15 196 |
| Other contributed capital | 1 192 727 | 1 170 232 |
| Translation difference | -1 248 | -730 |
| Accumulated deficit | -871 843 | -910 224 |
| **Total shareholders' equity** | **335 233** | **274 474** |
| **Long-term liabilities** | | |
| Long-term liabilities | 869 | 1 551 |
| Provisions | 7 299 | 5 168 |
| **Total long-term liabilities** | **8 168** | **6 718** |
| **Current liabilities** | | |
| Accounts payable | 24 259 | 26 411 |
| Other liabilities | 40 632 | 50 190 |
| **Total current liabilities** | **64 891** | **76 601** |
| **Total liabilities and equity** | **408 292** | **357 793** |

| SEK Million | Q4 2009 | | | | Q4 2008 | | | | Full Year 2009 | | | | Full Year 2008 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | EMEA | APAC | AM | Total | EMEA | APAC | AM | Total | EMEA | APAC | AM | Total | EMEA | APAC | AM | Total |
| Net Sales | 41 | 4 | 7 | 52 | 40 | 5 | 25 | 70 | 177 | 18 | 38 | 233 | 137 | 58 | 80 | 274 |
| Regional Contribution | 16 | -2 | 2 | 16 | 22 | 0 | 14 | 35 | 86 | -3 | 14 | 97 | 72 | 16 | 44 | 132 |
| Regional Contribution% | 39% | -38% | 25% | 31% | 55% | -9% | 56% | 50% | 48% | -14% | 36% | 42% | 53% | 28% | 55% | 48% |

Regional Contribution is defined as Gross earnings less Marketing expenses. AM is short for Americas

## CHANGES IN GROUP SHAREHOLDERS' EQUITY

| Amount in SEK thousands | Share capital | Other contributed capital | Translation difference | Accumulated deficit | Total shareholders' equity |
|---|---|---|---|---|---|
| **2008-01-01** | 14 828 | 1 149 558 | -2 478 | -980 693 | 181 215 |
| Total comprehensive income | 0 | 0 | 1 748 | 67 940 | 69 688 |
| New shares issued - employee stock options | 368 | 20 674 | 0 | 0 | 21 042 |
| Employee stock option program: | | | | | |
| Value of employees' services | 0 | 0 | 0 | 2 529 | 2 529 |
| **2008-12-31** | **15 196** | **1 170 232** | **-730** | **-910 224** | **274 474** |
| | | | | | |
| **2009-01-01** | 15 196 | 1 170 232 | -730 | -910 224 | 274 474 |
| Total comprehensive income | 0 | 0 | -518 | 34 358 | 33 840 |
| New shares issued - employee stock options | 402 | 22 495 | 0 | 0 | 22 897 |
| Employee stock option program: | | | | | |
| Value of employees' services | 0 | 0 | 0 | 4 023 | 4 023 |
| **2009-12-31** | **15 597** | **1 192 727** | **-1 248** | **-871 843** | **335 233** |

| **Consolidated condensed income statement and key figures, SEK m** | **Q4 2009** | **Q4 2008** | **Q1 2009** | **Q2 2009** | **Q3 2009** |
|---|---|---|---|---|---|
| Net sales | 52.2 | 70.2 | 60.4 | 62.6 | 57.5 |
| Gross earnings | 38.7 | 52.4 | 45.7 | 49.3 | 44.1 |
| *Gross margin* | *74.1%* | *74.7%* | *75.7%* | *78.7%* | *76.7%* |
| Operating earnings | 2.2 | 9.8 | 10.3 | 11.0 | 10.5 |
| *Operating margin* | *4.2%* | *14.0%* | *17.1%* | *17.6%* | *18.2%* |
| Pretax profit | 2.3 | 10.4 | 10.0 | 11.1 | 8.2 |
| Net income | 13.4 | 37.5 | 7.2 | 7.9 | 5.8 |
| *Net margin* | *25.7%* | *53.5%* | *11.9%* | *12.7%* | *10.1%* |

## PARENT COMPANY INCOME STATEMENT

| Amount in SEK thousands | Q4 2009 | Q4 2008 | Full Year 2009 | Full Year 2008 |
|---|---|---|---|---|
| Net Sales | 57 651 | 77 973 | 254 109 | 307 712 |
| Cost of goods & services sold | -18 494 | -24 183 | -78 096 | -99 544 |
| **Gross earnings** | **39 157** | **53 789** | **176 013** | **208 167** |
| Marketing expenses | -22 537 | -17 422 | -81 456 | -67 135 |
| Administration expenses | -3 472 | -8 717 | -21 181 | -27 431 |
| Development expenses | -10 551 | -17 643 | -41 270 | -72 659 |
| **Operating earnings** | **2 597** | **10 008** | **32 106** | **40 943** |
| Net financial items | 118 | -8 935 | -2 385 | -6 605 |
| **Earnings before tax** | **2 715** | **1 072** | **29 721** | **34 337** |
| Tax | 11 094 | 27 078 | 2 742 | 27 078 |
| **Net income** | **13 809** | **28 150** | **32 463** | **61 415** |

## PARENT COMPANY BALANCE SHEET

| Amount in SEK thousands | Dec 31, 2009 | Dec 31, 2008 |
|---|---|---|
| **ASSETS** | | |
| **Fixed assets** | | |
| **Intangible assets** | | |
| Capitalized expenditures for development | 95 329 | 67 864 |
| Other intangible assets | 2 257 | 0 |
| **Tangible fixed assets** | | |
| Equipment | 2 031 | 3 830 |
| Equipment for leasing | 517 | 0 |
| **Financial assets** | | |
| Shares in group companies | 18 398 | 18 398 |
| Deferred tax asset | 29 820 | 27 078 |
| Deposits paid, long-term | 248 | 359 |
| **Total fixed assets** | **148 600** | **117 529** |
| **Current assets** | | |
| Inventory | 26 670 | 30 136 |
| Customer receivables | 87 007 | 62 608 |
| Other receivables | 8 060 | 9 706 |
| Cash and bank balances | 148 540 | 149 880 |
| **Total current assets** | **270 277** | **252 330** |
| **TOTAL ASSETS** | **418 877** | **369 859** |
| **SHAREHOLDERS' EQUITY AND LIABILITIES** | | |
| **Shareholders' equity** | | |
| **Restricted shareholders' equity** | | |
| Share capital | 15 597 | 15 196 |
| Other contributed capital | 276 968 | 189 036 |
| Non-restricted equity/Accumulated deficit | 32 463 | 61 415 |
| **Total shareholders' equity** | **325 028** | **265 646** |
| **Long term liabilities** | | |
| Long term liabilities | 869 | 1 551 |
| Guarantee provisions | 7 299 | 5 168 |
| **Total long-term liabilities** | **8 168** | **6 719** |
| **Current liabilities** | | |
| Accounts payable | 24 259 | 26 411 |
| Liabilities, subsidaries | 22 071 | 22 513 |
| Other liabilities | 39 351 | 48 571 |
| **Total liabilities** | **85 681** | **97 495** |
| **TOTAL LIABILITIES AND SHAREHOLDERS´ EQUITY** | **418 877** | **369 859** |

This interim report has been prepared in accordance with International Financial Reporting Standards (IFRS) and the structure follows IAS 34 Interim Financial Reporting. Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2008, as described in those annual financial statements. The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2009.

IAS 1 (revised), Presentation of financial statements. The revised standard prohibits the presentation of items of income and expenses (that is ‘non-owner changes in equity’) in the statement of changes in equity, requiring ‘non-owner changes in equity’ to be presented separately from owner changes in equity. All ‘non-owner changes in equity’ are required to be shown in a performance statement. Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). The group has elected to present an income statement and a statement of comprehensive income.

IFRS 8, Operating segments. IFRS 8 replaces IAS 14, ‘Segment reporting’. It requires a ‘management approach’ under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in that the following segments are presented in the financial statement, EMEA, North America and APAC. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the Chief Executive Officer that makes strategic decisions.

IAS 23, Borrowing costs. The revised standard requires that borrowing costs related to construction of qualifying assets have to be capitalized as part of the cost of acquisition. Currently the company has no borrowings why the implementation of the standard currently has no practical effect.

The other standards, amendments to standards and interpretations that are mandatory for the first time for the financial year beginning 1 January 2009, are not currently relevant for the group.

Following a new analysis of the research and development expenses, the assessment for which projects the depreciation of capitalized expenditures should be reported as cost of goods sold and for which projects depreciation should be continued to be reported as research and development expenses, will lead to a change from January 1, 2010. This implies a shift of depreciation expenses from the profit and loss line “Development expenses” to “Cost of goods and services sold”, this has no impact on profit. Furthermore, it does not impact the Company’s earnings potential on incremental sales but will impact the gross margin.

## Annual General Meeting

The Ordinary General Meeting will be held Thursday April 29, 2010, in Net Insight’s offices in Västberga.
Shareholders who are entered in the share register kept by the Securities Register Center (VPC AB) on 23 April 2010 and apply to the Company no later than 23 April 2010 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) 8685 04 00 or by fax to +46 (0) 8685 04 20 or by e-mail to agm@netinsight.net.

## Dividend

The Board proposes that the AGM resolves that no dividend be paid for the financial year 2009.

## Reporting dates

| | |
|---|---|
| Annual General Meeting | 29 April 2010 |
| Interim report for January – March 2010: | 7 May 2010 |
| Interim report for January – June 2010: | 22 July 2010 |
| Interim report for January – September 2010: | 22 October 2010 |

*Stockholm, 19 February 2010*

Fredrik Trägårdh
Chief Executive Officer

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