

NET INSIGHT INTERIM REPORT JANUARY - MARCH 2011

Net Insight AB [publ] Corporate Reg. No 556533-4397

First Quarter 2011

- Net Sales of SEK 66.6 million (60.5) corresponding to a growth of 10.1% compared with the same period previous year. The growth rate in comparable currencies amounts to 24%.
- Operating earnings of SEK 2.9 million (6.2), corresponding to an operating margin of 4.3% (10.3).
- Earnings per share of SEK 0.01 (0.16), decrease is related to a positive one time effect in Q1 '10.
- Total cash flow of SEK -19.5 million (53.1), the cash flow in Q1 2010 included a SEK 60 million positive one time effect.

Net Insight AB discloses the information provided herein pursuant to the Securities Market Act and/or the Financial Instruments Trading Act. The information was submitted for publication on May 6, 2011 at 08.30 am CET.

CONTINUED GROWTH DESPITE NEGATIVE CURRENCY EFFECTS

The first quarter of 2011 showed continued revenue growth. Revenues increased by 10 % which, in comparable currencies, would be an increase of 24 %. The gross margin for the quarter is lower for the same reasons as explained earlier, foreign exchange effects and continued deliveries under larger projects. The net cash position at the end of the quarter remains strong at 216 MSEK (205 MSEK).

The business during the first quarter can be characterized by a good flow of repeat business including continued deliveries under contracts won in 2010. The revenue split between our main business areas remained approximately the same, Broadcast and Media Networks 63 % (69 %), DDT 34 % (30 %) and IPTV Cable TV 3 % (1 %). We continue to win DDT business and early in the quarter we were selected for a new project in Morocco, in partnership with Ericsson. Also the early wins for DDT in Argentina have been followed up with recently announced expansions. At the same time the Broadcast and Media Network business remains substantial and important for us.

In terms of visibility we have increased our involvement significantly in key trade shows around the world and we have participated as a technology partner in several big sporting events. Our Nimbra solution was for instance used as the best worlds alpine skiers gathered in Garmich-Partenkirchen, for the 2011 FIS alpine world ski championships in February. Likewise, the EBU and other important customers used our equipment to transport signals from the cross-country world championships held in Oslo.

Our network of partners representing Net Insight on the front line in indirect sales has now reached a number of more than 40 partners covering 65 countries. During the first quarter our indirect sales amounted to 62 % of our total revenues. While this figure is encouraging it should only be seen as a sign that our partnership strategy is working, however the percentage of indirect sales will of course fluctuate over time.



Stockholm, May 6, 2011
Fredrik Trägårdh
CEO

BUSINESS ACTIVITIES DURING THE FIRST QUARTER

Net Insight continued to receive orders for Digital Terrestrial TV networks (DTT) during the first quarter. The national public broadcaster in Morocco, Société Nationale de Radiodiffusion et de Télévision (SNRT) chose Net Insight for expanding its existing Digital Terrestrial TV network. Net Insight won this order in partnership with Ericsson Morocco. This order implies that the market coverage of Net Insight is increasing with a new market in Northern Africa. It also shows that we successfully work together with leading Telecom Equipment providers to gain important business in the DTT-area. An expansion order for the DTT-network build-out in Argentina was also received. So far Net Insight has secured three orders for the DTT-network in Argentina during 2010-2011. Thanks to the successful DTT implementation of the Nimbra platform in Argentina we have gained related contribution business during the first quarter.

In the Broadcast and Media (BMN) area Net Insight received an expansion order from the German company, VCC Agency for postproduction. The company is expanding its existing Nimbra network and has achieved a 20 percent cost-saving by using the Nimbra transport solution to support new ways of working. Using real-time media networks reduces costs and increases efficiency in editing and production and we clearly see that technology drives the adaption of remote workflow solutions for remote production and live events. During the first quarter Net Insight supported several of our customers (ZDF, SRG SSR and EBU) in covering the 2011 FIS Alpine World Ski Championships in Garmisch-Partenkirchen, Germany, running February 8-20.

PARTNERSHIP

Net Insight signed up a new partner in the Middle East, Salam Media Cast, based in Qatar. In order to support the growing number of partners Net Insight launched a new version of its Partner Program including marketing support material. A partner web was launched to improve the communications between partners and Net Insight. Net Insight's partner network has more than 40 business partners at the end of the quarter.

MARKETING ACTIVITIES

Net Insight ambition is to increase the awareness about the company and its solutions. Exhibitions are one of the main communication channels used to increase the awareness of Net Insight. During the first quarter we participated in eight different exhibitions in Ukraine, US, United Arab Emirates, UK, France, Malaysia, China and India. Three of these exhibitions were done together with our partners as co-marketing activities. Net Insight's major event for the first quarter was CABSAT MENA in Dubai which is the main regional event in the Middle East area for the media and broadcast industry.

For some time Net Insight has increased its efforts in PR activities especially in Europe. We started out with a target media tour in London in January in order to reach out to the broadcast and media trade press in Europe. During the first quarter we have seen increased media coverage in trade magazine in Europe and US.

NEW PRODUCT INTRODUCTION

During the quarter, Net Insight launched Nimbra 380 which is developed to meet the increased IP requirements in media and DTT networks where demands for IP/Ethernet services need to be combined with 100% Quality of Service (QoS).

SIGNIFICANT EVENTS AFTER THE END OF THE PERIOD

During April Net Insight received a significant order from The Switch™ for a nationwide Uncompressed HD video network across North America. The order value exceeded 10 MSEK.

SALES AND EARNINGS

Net Sales for the first quarter amounted to SEK 66.6 million (60.5), which represents a growth of 10.1% from the same period 2010. The Swedish Krona shows minor differences in the exchange rate against the EURO and has strengthened against the USD. The accounts receivables stock in foreign currencies had a negative revaluation effect of SEK 1.4 million.

In comparable currencies the growth amounts to 24%.

The increase in sales comes from EMEA and is mainly following the roll-out of large projects in the segments Broadcast & Media and DTT & Mobile TV. EMEA grew by SEK 5.8 million to SEK 50.3 million (44.5). Americas showed an increase in sales of SEK 2.9 million to SEK 13.2 million (10.3) and APAC a decline of SEK 2.6 million to 3.1 (5.7).

NET SALES PER REGION

Amount in SEK million	Q1 2011	Q1 2010	Q2 2010	Q3 2010	Q4 2010	Q2'10 - - Q1'11	Full year 2010
EMEA	50,3	44,5	47,8	56,6	80,1	234,8	229,2
Americas	13,2	10,3	20,7	7,0	6,2	47,1	43,8
APAC	3,1	5,7	3,0	4,0	1,8	11,9	14,7
Total	66,6	60,5	71,5	67,6	88,1	293,8	287,7

Sales in the Broadcast & Media business area made down 63% (69) of total sales and DTT & Mobile TV accounted for 34% (30). IPTV/CATV accounted for 3% (1) of the turnover.

Hardware revenue increased SEK 7.3 million to SEK 52.3 million (45.0). Sales of software licenses are slightly down by SEK 0.3 million to 5.6 (5.9) whereas support and service revenue is slightly down at SEK 9.7 million (9.9) over the year. The above figures are exclusive of other revenues of SEK -1.0 million (-0.3) which mainly consists of revaluation of the accounts receivables stock in foreign currencies.

As shown in the condensed income statement on page 10, the Gross margin is 57.8% (65.7). This is a result of larger share of turn-key type projects and an appreciating Swedish Kronan.

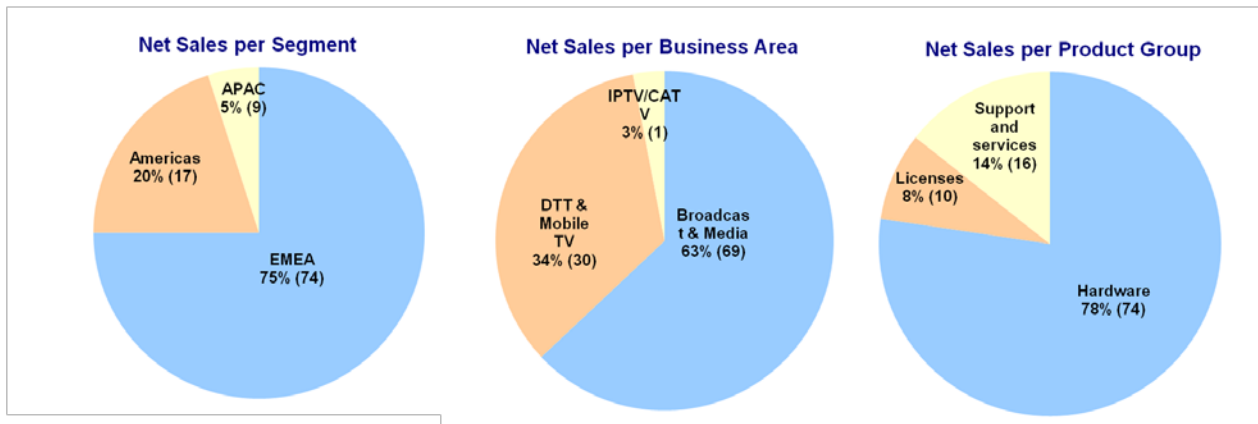
Total operating expenses for the first quarter amounted to SEK 35.6 million (33.5). Sales and marketing expenses was SEK 22.4 (22.7) million. Administrative expenses have increased with SEK 2.8 million mainly as more consultants have been engaged in the period. R&D expenses show a slightly decrease of SEK 0.4 million compared to last year.

Operating earnings amounted to SEK 2.9 million (6.2), which correspond to an operating margin of 4.3% (10.3)

The financial net amounted to SEK 0.9 million (-0.2). The improvement is due to increased interest rates on short term investments and higher average of cash and bank balances.

Earnings before tax amounted to SEK 3.8 million (6.0), which corresponds to a profit margin of 5.7% (9.9).

Net income amounted to SEK 4.7 million (64.0) resulting in a Net Profit margin of 7.1% (105.8). The decrease is a result of the previously announced transaction in Q1 2010 whereby Net Insights intellectual property rights were moved to a new wholly owned limited liability company that gave a positive tax and cash effect of approximately SEK 60 million, while utilizing SEK 728 million of tax losses carried forward.



CASH FLOW AND FINANCIAL POSITION

Cash flow from ongoing operations in the first quarter amounted to SEK -3.4 million (6.2). The decrease is primarily related to slower payments of customer receivables and a larger inventory during the quarter.

Liquid funds at the end of the period totaled SEK 216.3 million (205.1).

Total shareholders' equity amounted to SEK 445.0 million (400.1) with a resulting equity ratio of 83.1% (81.4).

INVESTMENTS

First quarter investments in tangible assets amounted to SEK 0.1 million (0.2) and depreciation of tangible assets amounted to SEK 0.2 million (0.4). Capitalization of development expenditures totaled SEK 16.0 million (12.8). Depreciation of capitalized development expenditures totaled SEK 6.5 million (5.4).

At the end of the period, net book value of capitalized development expenditures amounted to SEK 131.1 million (102.7).

EMPLOYEES

At the end of the period Net Insight had 137 (124) employees. The parent company Net Insight AB had 128 (118) employees, Net Insight Intellectual Property AB 5 (0) and the US subsidiary Net Insight Inc. had 4 (6) employees.

PARENT COMPANY

The parent company's net sales during the first quarter were SEK 88.3 million (66.2). Net income amounted to SEK 8.3 million (187.2). The lower result for the quarter compared to last year is an effect of the previously announced transaction whereby Net Insights intellectual property rights were moved to a new wholly owned limited liability company that gave a positive tax effect.

Remaining tax losses carried forward amount to SEK 163 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 existing risks and assesses how each risk shall be managed and mitigated.

The risks to which, the company are exposed are divided into market related risks (including competition, technology development, political risks), operational risks (including product reliability, 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 2010 have developed in the first quarter.

For a complete description of the Company's risk analysis and risk management, see page 25 in the 2010 Annual report.

CONSOLIDATED INCOME STATEMENT

Amount in SEK thousands	Q1 2011	Q1 2010	Q2'10-Q1'11 12 months	Fully year 2010
Net sales	66 618	60 529	293 787	287 698
Cost of goods & service sold	-28 104	-20 737	-114 535	-107 168
Gross earnings	38 514	39 792	179 252	180 530
Sales and marketing expenses	-22 388	-22 677	-94 754	-95 043
Administration expenses	-8 022	-5 205	-23 074	-20 257
Development expenses	-5 222	-5 666	-21 702	-22 146
Operating earnings	2 882	6 244	39 722	43 084
Net financial items	934	-231	1 639	474
Earnings before tax	3 815	6 013	41 360	43 558
tax	915	58 003	2 157	59 245
Net income	4 730	64 016	43 517	102 803
Net income for the period attributable to the stockholders of the parent company	4 730	64 016	43 517	102 803

Earnings/loss per share, based on net profit attributable to the parent company's shareholders during the period (in SEK per share)

Average number of shares in thousands before dilution	0,01	0,16	0,11	0,26
Average number of shares in thousands after dilution	0,01	0,16	0,11	0,26

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Net income	4 730	64 016	43 517	102 803
Other comprehensive income				
Exchange rate differences	-503	44	-958	-411
Total other comprehensive income, net after tax	-503	44	-958	-411
Total comprehensive income for the period	4 227	64 060	42 559	102 392
Total comprehensive income for the period attributable to the stockholders of the parent company	4 227	64 060	42 559	102 392

CONSOLIDATED CASH FLOW STATEMENT

Amount in SEK thousands	Q1 2011	Q1 2010	Q2'10-Q1'11 12 mths	Full year 2010
Ongoing operations				
Net income before tax	3 815	6 013	41 360	43 558
Depreciation	6 898	6 024	26 039	25 165
Other items not affecting liquidity	-1 716	1 002	1 573	4 291
Cash flow from ongoing operations before change in working capital	8 997	13 039	68 972	73 014
Change in working capital				
Increase-/decrease+ in inventories	-10 469	2 214	-14 241	-1 558
Increase-/decrease+ in receivables	-3 688	-27 531	11 446	-12 397
Increase+/decrease- in current liabilities	1 722	18 430	1 991	18 699
Cash flow from ongoing operations	-3 438	6 152	68 168	77 758
Investment activity				
Acquisitions of intangible fixed assets	-15 980	-12 807	-56 462	-53 289
Acquisitions of tangible fixed assets	-139	-203	-342	-496
Acquisition of net assets	0	59 990	0	59 990
Increase-/decrease+ in long-term receivables	32	-3	-70	-105
Cash flow from investment activity	-16 087	46 977	-56 874	6 100
Financing activity				
New share issued - employee stock option program	0	0	0	0
Cash flow from financing activity	0	0	0	0
Increase/decrease in liquid funds	-19 525	53 129	11 204	83 858
Liquid funds, opening balance	235 857	151 999	205 128	151 999
Liquid funds, closing balance	216 332	205 128	216 332	235 857

CONSOLIDATED BALANCE SHEET

Amount in SEK thousands	Mar 31 2011	Mar 31 2010	Dec 31 2009
ASSETS			
Intangible assets			
Capitalized expenditure for development	131 101	102 722	121 600
Goodwill	4 354	4 354	4 354
Other intangible assets	1 940	2 077	2 156
Tangible fixed assets			
Equipment	1 637	2 025	1 702
Equipment for leasing	0	296	0
Financial assets			
Deferred tax asset	29 990	27 832	29 075
Deposits paid, long-term	321	251	353
Total fixed assets	169 343	139 557	159 239
Current assets			
Inventory	38 697	24 456	28 228
Customer receivables	98 209	98 309	98 430
Other receivables	12 943	24 289	9 034
Cash and bank balances	216 332	205 128	235 857
Total current assets	366 181	352 182	371 549
Total assets	535 524	491 739	530 788
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Restricted shareholders' equity			
Share capital	15 597	15 597	15 597
Other contributed capital	1 192 727	1 192 727	1 192 727
Translation difference	-2 162	-1 204	-1 659
Accumulated deficit	-761 092	-807 010	-766 091
Total shareholders' equity	445 070	400 110	440 574
Long-term liabilities			
Long-term liabilities	0	669	0
Provisions	5 580	7 520	5 001
Total long-term liabilities	5 580	8 189	5 001
Current liabilities			
Accounts payable	36 905	24 185	32 719
Other liabilities	47 969	59 255	52 494
Total current liabilities	84 874	83 440	85 213
Total liabilities and equity	535 524	491 739	530 788

CHANGES IN GROUP SHAREHOLDERS' EQUITY

Amount in SEK thousands	Share capital	Other contributed capital	Translation difference	Accumulated deficit	Total shareholders' equity
2010-01-01	15 597	1 192 727	-1 248	-871 843	335 233
Total comprehensive income	0	0	44	64 016	64 060
New shares issued - employee stock options	0	0	0	0	0
Employee stock option program:					
Value of employees' services	0	0	0	817	817
2010-03-31	15 597	1 192 727	-1 204	-807 010	400 110
Total comprehensive income	0	0	-455	38 787	38 332
New shares issued - employee stock options	0	0	0	0	0
Employee stock option program:					0
Value of employees' services	0	0	0	2 132	2 132
2010-12-31	15 597	1 192 727	-1 659	-766 091	440 574
2010-01-01	15 597	1 192 727	-1 659	-766 091	440 574
Total comprehensive income	0	0	-503	4 730	4 227
New shares issued - employee stock options	0	0	0	0	0
Employee stock option program:					
Value of employees' services	0	0	0	269	269
2011-03-31	15 597	1 192 727	-2 162	-761 092	445 070

SEGMENT REPORT

Amount in SEK million	Q1 2011				Q1 2010			
	EMEA	APAC	AM	Total	EMEA	APAC	AM	Total
Net Sales	50	3	13	67	45	6	10	61
Regional Contribution	10	-1	5	14	16	-1	1	17
Regional Contribution%	20%	-23%	36%	21%	37%	-10%	13%	28%
Adjusted for R&D Depreciation	6	0	0	6	4	1	1	5
Adjusted Regional Contribution	16	-1	5	20	20	0	2	23
Adjusted Regional Contribution%	31%	-19%	40%	31%	46%	-1%	22%	37%

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

CONDENSED CONSOLIDATED INCOME STATEMENT AND KEY FIGURES

Amount in SEK, millions	Q1 2011	Q1 2010	Q2 2010	Q3 2010	Q4 2010	Full Year	Full Year
						2010	2009
Net Sales	66,6	60,5	71,5	67,6	88,1	287,7	232,8
Gross earnings	38,5	39,8	47,4	41,3	52,0	180,5	177,8
Gross margin	57,8%	65,8%	66,4%	61,1%	59,0%	62,7%	76,4%
Operating earnings	2,9	6,2	11,9	9,2	15,7	43,1	34,0
Operating margin	4,4%	10,2%	16,6%	13,6%	17,8%	15,0%	14,6%
Pretax profit	3,8	6,0	11,7	9,6	16,3	43,6	31,6
Net income	4,7	64,0	8,7	11,1	19,0	102,8	34,4
Net margin	7,1%	105,8%	12,2%	16,4%	21,6%	35,7%	14,8%

PARENT COMPANY INCOME STATEMENT

Amount in SEK thousands	Q1 2011	Q1 2010	Q2'10-Q1'11 12 months	Full Year 2010
Net Sales	88 280	66 161	371 978	349 859
Cost of goods & services sold	-45 777	-24 814	-198 194	-177 231
Gross earnings	42 503	41 347	173 784	172 628
Sales and marketing expenses	-21 210	-22 758	-91 326	-92 874
Administration expenses	-8 020	-5 205	-23 072	-20 257
Development expenses	-5 222	-5 666	-21 702	-22 146
Operating earnings	8 051	7 718	37 683	37 350
Net financial items	665	-231	-214 412	-215 308
Earnings before tax	8 716	7 487	-176 729	-177 958
Tax	-385	179 676	12 184	192 245
Net income	8 331	187 163	-164 545	14 286

PARENT COMPANY BALANCE SHEET

Amount in SEK thousands	Mar 31, 2011	Mar 31, 2010	Dec 31, 2010
ASSETS			
Intangible assets			
Capitalized expenditure for development	131 101	102 722	121 600
Other intangible assets	1 940	2 077	2 156
Tangible fixed assets			
Equipment	1 637	2 025	1 702
Equipment for leasing	0	296	0
Financial assets			
Shares in group companies	18 398	18 398	18 398
Deferred tax asset	25 195	209 495	25 580
Deposits paid, long-term	321	251	339
Total fixed assets	178 592	335 264	169 774
Current assets			
Inventory	38 697	24 456	28 228
Customer receivables	98 209	98 309	98 430
receivables, subsidiaries	561 244	0	533 937
Other receivables	14 296	18 671	11 501
Cash and bank balances	150 055	138 591	167 650
Total current assets	862 501	280 027	839 746
Total assets	1 041 093	615 291	1 009 520
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Restricted shareholders' equity			
Share capital	15 597	15 597	15 597
Other contributed capital	112 822	310 249	112 822
Non-restricted equity/Accumulated deficit	773 049	187 163	764 449
Total shareholders' equity	901 468	513 009	892 868
Long-term liabilities			
Long-term liabilities	0	669	0
Other provisions	5 022	7 520	4 509
Total long-term liabilities	5 022	8 189	4 509
Current liabilities			
Accounts payable	36 817	24 185	32 640
Liabilities, subsidiaries	51 878	24 789	29 398
Other liabilities	45 908	45 119	50 105
Total current liabilities	134 603	94 093	112 143
Total liabilities and equity	1 041 093	615 291	1 009 520

ADDITIONAL INFORMATION

This interim report has been prepared in accordance with IAS 34 Interim financial Reporting and applicable rules in the Annual Accounting Act. The interim report for the parent company was prepared in accordance with Chapter 9 of the annual Accounts Act, interim report. The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2010, as described in those annual financial statements.

The company's auditors have not examined this report.

REPORTING DATES

Interim Report January – June	20 July, 2011
Interim Report January – September	25 October, 2011

Stockholm, May 6, 2011

Fredrik Trägårdh
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Net Insight delivers the world's most efficient and scalable transport solution for Broadcast and IP 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 Insights 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 video services over Net Insight products for more than 100 million people in more than 50 countries. Net Insight is quoted on the NASDAQ OMX, Stockholm.

For more information, visit www.netinsight.net

