

ONE HUNDRED PERCENT QUALITY OF SERVICE

ANNUAL REPORT
2012

Net Insight's products enable transport of video, voice and data in customer networks without loss of quality



WELCOME TO THE ANNUAL GENERAL MEETING

Annual General Meeting

The Annual General Meeting will be held Thursday April 25, 2013, at 10:00 am at the Net Insight office in Stockholm.

Shareholders who are entered in the share register kept by the Securities Register Center (EuroClear Sweden AB) on 19 April 2013 and apply to the Company no later than 19 April 2013 before 4 pm are entitled to attend and vote at the Annual 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)8 685 04 00 or by fax to +46 (0)8 685 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 2012.

Distribution of the Annual Report

The Annual Report 2012 is published in the week starting with April 1, 2013 on www.netinsight.net.

To receive a printed version of the annual report please send an email to info@netinsight.net or by telephone +46 (0)8 685 04 00.

Financial information

ANNUAL GENERAL
MEETING 2013
APRIL 25th at 10:00 am

INTERIM REPORT
JANUARY – MARCH
MAY 3rd 2013

INTERIM REPORT
JANUARY – JUNE
JULY 19th 2013

INTERIM REPORT
JANUARY –
SEPTEMBER
OCTOBER 25th 2013

Net Insight's financial information is available in both Swedish and English. The reports are most conveniently available from the Net Insight web site: www.netinsight.net. Reports can also be ordered by e-mail: info@netinsight.net or contact Net Insight by telephone +46 (0)8 685 04 00.

Net Insight at a glance

Net Insight delivers the world's most efficient and scalable transport solution for Broadcast and IP Media, Digital Terrestrial TV and IPTV/CATV networks.

Net Insight products truly deliver 100 percent Quality of Service with a three time 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.

More than 175 world-class customers run mission-critical video services over Net Insight products in over 60 countries.

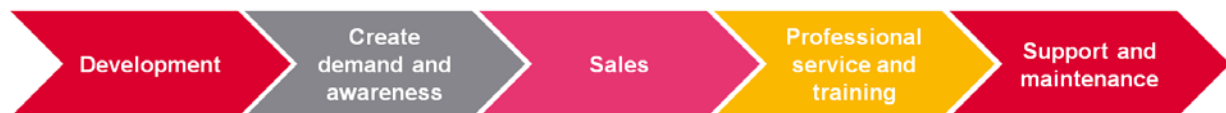
Contents

Net Insight in brief	4
Highlights of the year	5
CEO Statement	6
Vision, business concept, objectives and strategies	8
Market and competitive landscape	10
Customer case study	11
Operations	12
Business areas	14
Providing innovative technology	17
Employees' commitment	18
The Net Insight share	20
Five-year summary	22
Administration report	23
The Board's report on internal controls regarding financial reporting	28
Group	30
Parent Company	34
Notes	38
Auditors' report	62
Board of Directors	64
The Board's corporate governance report	67
Auditor's report on the corporate governance statement	70
Executive management	71
Glossary	73

Net Insight in brief

- Net Insight is a technology leader in delivering transport solutions with the highest quality of service in professional media and broadcast networks.
- Net Insight's Nimbra platform is an innovative and reliable transport solution for video, voice and data that enables media companies to introduce new revenue-generating services while also reducing capital expenditures and operating costs.

Business concept and model



- Net Insight's business concept is to develop, market and sell products and services to public and private network owners that need high-quality transport for media-video, voice and data.
- The services portfolio contains professional services such as project management, pre-configuration and event services.
- Net Insight provides a comprehensive training program covering the entire range of Nimbra products.
- Support and maintenance services such as technical assistance, software and hardware maintenance is part of our business concept.

Overall objectives

- Recognition as a premier provider of high-quality media transport networks
- Grow faster than the market with good profitability
- Generate return on equity and earnings per share to make the company an attractive investment

Value drivers

- Net Insight is positioned in a growing market driven by a rapidly increase in volume of video traffic in networks
- Net Insight has an innovative technology with a strong portfolio of 30 patent families
- A global reach with 175 customers in more than 60 countries, with more than 50 resellers and a brand globally recognized

Highlights of the year

Net sales of SEK 280 million

Net income SEK 12 million

Indirect sales 43% of total sales

Percentage of total sales:

Broadcast and Media Networks 76%

Digital Terrestrial TV 22%

Cable TV/IPTV 2%

Key figures

	2012	2011	2010
Net sales MSEK	280.3	294.5	287.7
Operating earnings MSEK	2.7	42.8	43.1
Net income MSEK	11.9	49.9	102.8
Earnings per share SEK	0.03	0.13	0.26
Gross margin %	59.8	61.9	62.7
Equity/assets ratio %	89	86	83
Shareholders' equity per share SEK	1.29	1.26	1.13
Average number of employees	155	142	129

Highlights per quarter

QUARTER ONE

- Net Insight wins a significant order from Swisscom Broadcast for a nationwide sports contribution network
- Net Insight wins the prestigious SCTE 2012 Technological Innovation Award

QUARTER TWO

- Net Insight supports customer for the Eurovision Song contest
- Net Insight launches Nimbra 310, a cost-efficient compact one-box access MSR
- Net Insight wins several orders from leading media service providers for 2012 London Olympics

QUARTER THREE

- ORS, the Austrian national public service broadcaster, selects Net Insight for its national DVB-T2 network
- Net Insight's Nimbra MSR platform handles video transport and provides professional services onsite at the 2012 London Olympics
- Net Insight launches Nimbra 640 focused on the access market

QUARTER FOUR

- The Brazilian broadcaster TV Integração, an affiliate of TV Globo, selects the Nimbra platform to build a new regional DTT network covering contribution, distribution and IT services
- Net insight launches Nimbra VA 210, improving Quality of Service over unmanaged IP networks

CEO statement

For Net Insight, 2012 was a year filled with positive events, significant investments and the winning of important business transactions. However, in financial terms, 2012 was a weak year with a significant decline in profit.

The past year

Today, Net Insight is a company with a global customer base, competitive products with a high gross margin and a strong balance sheet. However, our financial result was weaker than the previous year primarily due to somewhat lower revenues, increased staff costs and higher depreciation on capitalized development expenditures. Before restructuring charges, EBIT reached SEK 6 million (43). During the fourth quarter, we implemented a program to reduce our operating costs by SEK 25 million. We also reduced our working capital despite an inventory increase to ensure the availability of critical components. All in all, we had a negative cash flow of SEK 10 million (-40), but maintained a high net cash position of SEK 186 million.

Our revenues have developed behind expectations for two main reasons. First, the average order size has decreased over the last couple of years. Second, a large number of projects have been delayed, mainly in the digital TV area. The specific reasons differ between individual projects and countries, but Net Insight has been negatively affected. However, I would like to emphasize the strengthened position that we have created to meet increasing customer demands for cost-effective and simple solutions that improve Quality of Service in media-rich IP networks.

Market expansion

Future expansion is dependent on two key factors—evaluations and decisions by customers to invest in the Nimbra platform, as well as effective sales and marketing to generate and follow-up on new profitable business opportunities in our prioritized business segments and markets. Net Insight's customer base is continually expanding. Measured in terms of total number of customers, countries and project wins, 2012 was a good year. Today Net Insight conducts business in 60 countries. We did business with over 100 returning and added more than 25 new customers. We also received 30% more orders in 2012 compared with 2011 and twice as many orders as in 2010. Our increasingly broad customer base includes many large operators with significant future investment needs.

During the year we increased the potential for revenue growth and market expansion by launching a series of new products. After broadening our product portfolio, we are able to win more types of projects, such as pure data service and access networks.

Net Insight's market expansion follows a carefully laid out strategy. When we decide to enter a new country, we first complete a project with a TV broadcasting company or a digital TV provider. These types of customers and projects are the quickest way to demonstrate the reliability, efficiency and scalability of our Nimbra platform. For instance, in Switzerland we are now in business with the national TV broadcaster, the largest cable TV operator and the largest telecom operator.

In 2012, Net Insight established local presence in Brazil. We also opened an office in China through NI Systems, the general distributor for Net Insight in China that already has some 20 customers. Revenues doubled in Asia as well as in Latin America during 2012. We believe there is significant future potential in these markets.

Growth in the media segment

Data volumes in all communication networks continue to increase rapidly and video traffic is the strongest growth factor. Consequently, many companies that package or own content are reporting significant growth. However, so far there has not been a corresponding increase in infrastructure investments for high-quality video traffic. For this reason, there are many potential business opportunities in the media transport segment that would generate growth for Net Insight. For digital TV projects we know that our products are difficult to surpass. We also see investment needs for network expansion and convergence by telecom operators where our platform can play a key role to enable delivery of high-quality video traffic. Net Insight also sees good opportunities for cable TV contribution projects and other business segments in which we can capitalize on our unique technical advantages and competences.

Net Insight's strategy and future

The strategic focus is to increase market shares in existing business segments and to apply our technology platform in new business segments. We will use our innovative, competitive and broader product portfolio to restore healthy growth. My positive view on our future development is based on four fundamental aspects:

1. Many operators and network owners around the world are currently faced with the challenge of managing escalating volumes of high-quality video and real-time critical traffic.
2. Our very strong customer references show that Net Insight does have an innovative, proven, respected and highly efficient solution to meet that challenge.
3. Net Insight is scalable. We have invested in a strong organization and strong partnerships with customers and resellers that enable us to win more and significantly larger projects in the countries and business segments identified in our strategy.
4. Given the rapid increase in video traffic and the fact that Quality of Service is going to be a key differentiator, network investments will follow. Net Insight is in a position to win many future procurements in which our strong gross margin would generate an immediate and substantial effect on the financial result.

Fredrik Trägårdh
CEO, Net Insight

“Our increasingly broad customer base includes many large operators with significant future investment needs. During the year we increased the potential for revenue growth and market expansion by launching a series of new products.”

Vision, business concept, objectives and strategies

Net Insight was founded in 1997 on the vision that network traffic will increasingly be dominated by video applications. This vision is proving correct and today we see a major increase in video consumption and production. New services and new ways of working in the media and broadcast industry demand substantially increased network capacity and 100% Quality of Service. Net Insight offers service providers and broadcasters full service integrity and improved performance of IP networks.

Business concept

Net Insight's business concept is to develop, market and sell products to public and private network owners that need high-quality transport for video, voice and data.

Business model

Revenue is generated through direct and indirect sales of products and licenses, support and maintenance services, professional services and training. Revenue mostly stems from hardware sales, while revenue from software and services has increased during the last years. Net Insight has created the basis for a potential licensing business with its strong portfolio of 30 patent families that are today held in its subsidiary Net Insight Intellectual Property AB.

Overall objectives

- Recognition as a premier provider of high-quality media transport networks
- Grow faster than the market with good profitability
- Generate return on equity and earnings per share to make the company an attractive investment

Strategy for profitable growth

Net Insight's objective is to generate profitable growth. This is done by increasing the company's market share in the premium high-quality video transport segment, leveraging its existing customer base by broadening its product portfolio and evaluating new market segments.

The growth strategy is based on five pillars:

Segment Focus

Net Insight's strategy is to focus its sales, marketing and product development activities on three business areas: Broadcast and Media Networks (BMN), Digital Terrestrial TV (DTT), and Cable TV and IPTV (CATV/IPTV). The main focus in BMN and DTT is to gain market share. The Cable TV and IPTV segment is approached selectively. One way for Net Insight to enter the Cable TV segment is to approach operators with a contribution and primary distribution offering. Net Insight is continuously evaluating new segments in which existing technology is suitable.

Geographical Expansion

Net Insight has expanded the business geographically for several years and the Nimbra products are installed in more than 60 countries. The main focus moving forward is to uncover more business opportunities within these markets. Market expansion is focused on markets such as China, India and selected markets in Eastern Europe and Latin America. In 2012 Net Insight established a local presence in China with a new master distributor called NI Systems.

Indirect Sales Model

Net Insight's indirect sales model is based on long-term cooperation with selected partners. Net Insight works in partnership with telecom equipment providers, system integrators, and value-added resellers. The objective is to increase sales volume per partner. The global partner network is essential for expansion.

Leverage existing customer base by a broader product portfolio

Net Insight can take a larger share of the media and broadcast business by selling in a broader product portfolio to its existing customer base. During the last 18 months Net Insight has broadened its portfolio into campus and access networks, lowering total cost of ownership for its customers. Net Insight is continuously evaluating new product segments to offer new solutions to existing customers.

Partnership with service providers

Net Insight's focus on service providers also gives the company the opportunity to reach the low-end media access market and to expand into new market segments. Service Providers choosing the Nimbra platform can utilize the same network for new revenue-generating business, for example B2B media contribution, media production cloud services, wholesale CDN, over-the-top (OTT) hosting services and IPTV.

Target fulfillment

Net Insight did not provide a detailed earnings or sales forecast for 2012. Revenue in 2012 amounted to SEK 280 million, corresponding to a decrease of 4.8%. In fixed and comparable currencies, the decrease was 3.5%. Several factors affected revenues in 2012. A number of identified and targeted projects for 2012 in Eastern Europe, Middle East and Africa were delayed and did not materialize as planned. Net Insight continued its market expansion and at the end of the year, the company had more than 175 customers in 60 countries. Operating earnings amounted to SEK 5.7 million (42.8), adjusted for restructuring expenses of SEK 3.0 million, corresponding to an operating margin of 2%. The cash flow 2012 amounted to SEK -10.4 million (-39.6). However, Net Insight closed the year with a strong balance sheet, with a net cash position of SEK 186 million and equity/asset ratio of 89%. The company holds no interest-bearing liabilities. The majority of sales, 76% (79), derive from the professional media industry (Broadcast & Media Business area), which is still the largest and a growing market segment. The DTT business area represented 22% (17) of total sales. Indirect sales accounted for 43% (56) during the year, which is a decrease from last year but the portion of indirect sales will vary from year to year.

Performance management

The execution of the Net Insight strategy and the objectives are measured through internal key performance indicators that show how key operational aspects develop. Examples of the key performance indicators are: revenue growth, operating cash flow, customer satisfaction, new product sales, partner contribution, awareness, product quality, procurement efficiency and employee satisfaction.

Net Insight provides no forecast for 2013

As in previous years, Net Insight is not providing any forecast for 2013. The reason for this is that Net Insight, as a supplier, conducts business that is highly dependent on customers' internal decisions, their commercial performance and on regulatory decisions. Customer factors cause volatility and are difficult to influence.

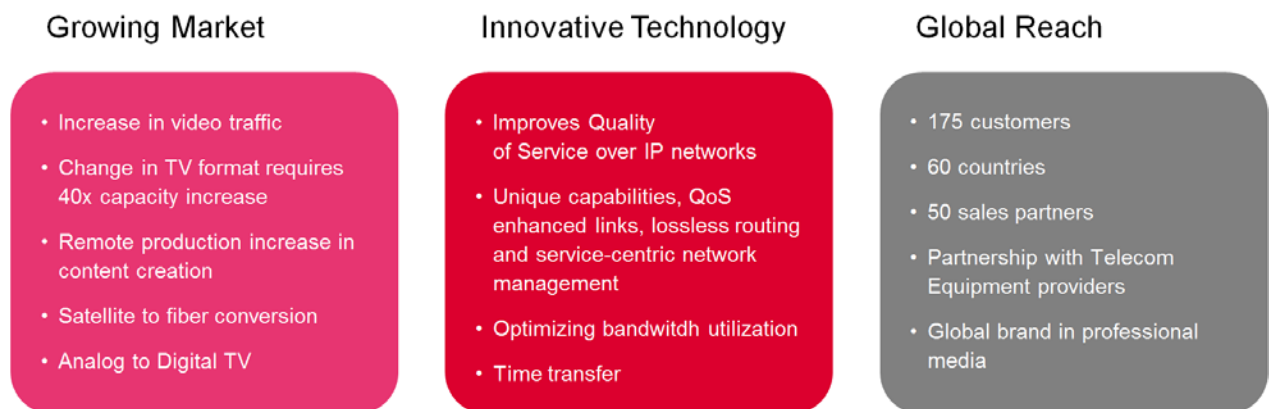
Market and competitive landscape

Market development

The video and media landscape is changing through an increased demand for Over-the-Top services and multi-screen offerings. Content owners become their own distributors by offering OTT-services directly to consumers. These new media usage patterns are emerging and the lines between traditional broadcast television and OTT services are becoming unclear. While video traffic increases significantly, network operators have struggled to monetize on the new media delivery developments. As a result we can see consolidation in the media industry, network owners are becoming content owners and climbing the value chain as well as cross-border consolidation to secure long-term profitability. However, the new market development creates opportunities for telecom and media operators, raising the need for adequate networks. Opportunities exist throughout the entire transport network from production to distribution and include professional media contribution, centralized and tapeless production, cloud broadcasting services as well as premium CDN/OTT delivery networks.

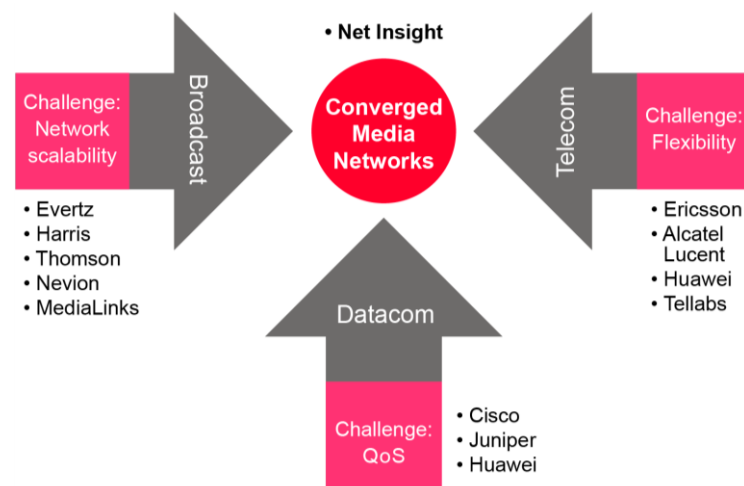
Value drivers

Key value drivers that influence the growth of Net Insight are categorized in three groups: the growing market, the innovative technology and the global reach. The progress will be dependent on our capabilities to leverage these value drivers.



Competition

The media and broadcast market is fragmented, which is reflected in the competitive landscape that depends on the market sub-segment. In general there are three different categories of competitors from different angles of the industry: datacom, telecom and broadcast and studio companies.



Customer case study

Swisscom Broadcast – A future-proof live sports IP contribution network

The issue

Swisscom Broadcast needed to provide reliable, high-quality live video transport services mainly for football and hockey leagues in Switzerland, enabling TV stations to transport productions live to their studios. Their existing video contribution network had reached its limits, more channels from and to event sites were requested by their clients, and more services required such as the possibility of integrating communication – video, audio and data services. In order to cope with the increasing market needs for contribution services, Swisscom Broadcast decided to invest in a new platform in order to provide enhanced and future-proof services. What Swisscom Broadcast required was a network that matched their clients' demands regarding formats, capacity and ease-of-use. Swisscom Broadcast's requirements were very high, e.g. they required integration of compression to optimize bandwidth usage, as well as greater functionality with point-to-multipoint transmissions, any-to-any connections, integrated LAN services, monitoring and more channels per location.

The solution

Swisscom Broadcast put a lot of effort in finding a stable and reliable solution, supporting both high definition transmissions, and an easily configured system to provide uncompromised quality and service availability to meet the expectations of their clients. One of the main challenges was that Swisscom Broadcast had to perform the roll-out and the testing of the new network in only five weeks, the short time span between the end of the football season and the start of the winter season. And they knew that they would need the supplier's assistance to ensure a smooth and fully functional transition. Swisscom Broadcast chose Net Insight because the offered Nimbra solution provided highly reliable transmission, incorporated the needed flexibility and provided the ability to integrate compression for bandwidth optimization.

The result

The network has been in operation since July 2012 and has been very well received by clients. The solution allows Swisscom Broadcast to improve production processes through the implementation of a touch screen application, which has also made connections easier and more straightforward to manage. Swisscom Broadcast believes that the cost of production and transmission will decrease and anticipate new ways of working such as remote production. Since the sports world has always been an early adopter of new technology, they expect new formats like ultra HD to gain a foothold. In the sports field they also foresee that in addition to major football and hockey leagues, smaller sports will also be covered on a more regular basis by TV providers.

We will stay on top of technological development adding new services and new formats. We will also add more capacity as needed by our clients.

Stefan Leuthold, Project Manager Business Development at Swisscom Broadcast

Operations

Products and development

Net Insight develops the Nimbra Media Switch Router (MSR), the foundation for Service Aware Media Networks that ensures 100% Quality of Service and service integrity, while lowering costs and simplifying complexities. The unique features of the Nimbra MSR offer service integrity and quality enhancements over fiber and existing IP networks. Net Insight improves quality of service over optical, dedicated, shared and unmanged IP networks. During 2012 Net Insight broadened mainly its access portfolio which enables end-to-end solutions. Net Insight has launched several new access products during the year and has a competitive offering to extend customers' network reach.

Brand perception of Net Insight

Net Insight has invested in increasing the awareness of the company in recent years. According to the annual survey from Devoncroft "The Big Broadcast Survey 2012, Global Brand Report", Net Insight has positively changed its brand image in the past two years. Net Insight is associated with values such as innovation and reliability. For the third consecutive year, Net Insight has been recognized for the Nimbra platform by the magazine CSI (Cable & Satellite International) and won the CSI Highly Commended Award for the Service Aware Media Network (SAMN). SCTE (Society for Broadband Professionals), a non-profit making organization, also selected Net Insight as the winner for the Best Broadband Network Transmission Solution 2012.

Customers

Net Insight's customers consists of broadcasters, telecom-, satellite-, DTT- and CableTV/IPTV operators. The largest portion of its sales is generated from service providers. In 2012, 25 new customers were added to its business. At the end of 2012, Net Insight had more than 175 customers in over 60 countries.

Organization

Net Insight strives to achieve an empowered organization in which employees can influence the company's objectives and performance. Its organization is based on the continuous development of employee skills and expertise. The company objective is to build long-term employee commitment by offering career opportunities and ongoing professional training in a growing international company.

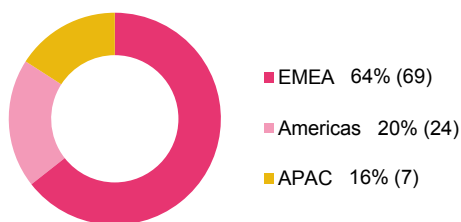
Net Insight's go-to-market model

Net Insight's strategy is to efficiently grow its customer base. This is achieved by combining the direct sales force with the Net Insight partner network. Net Insight approaches the market in various ways, depending on the business segment and the customer type. Adhering to the principle that all business is local, Net Insight continuously develop its partner network, comprised chiefly of large system integrators and value-added resellers. It currently has about 50 partners in its Global Partner network. To ensure customer satisfaction, Net Insight trains and certifies its partners, each of whom represents specific areas of expertise, either geographically or through specialized segment capabilities. In addition, Net Insight works with leading telecom equipment providers as suitable for customer projects. The leading network equipment providers see the Nimbra platform as a competitive complement to their portfolio.

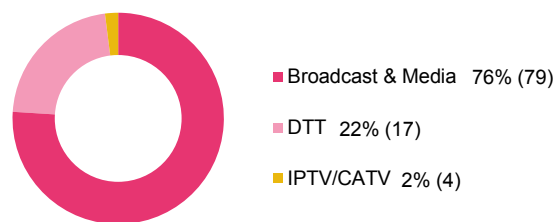
Sales

Net Insight divides its sales in to three different geographical regions: EMEA, the Americas and Asia Pacific. The main part of its sales are generated from the EMEA region. The largest business area during 2012 was Broadcast and Media. Company sales consist to a large extent from hardware followed by services.

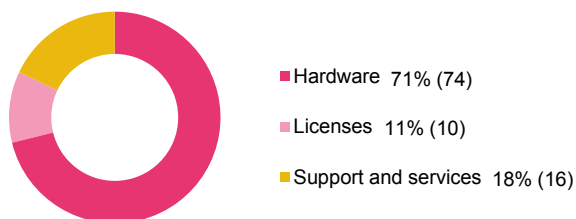
Net sales per segment



Net sales per business area

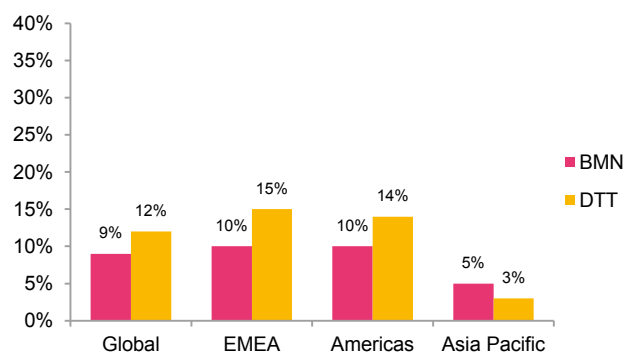


Net sales per product group



Net Insight's market share

The competitive landscape in the media industry is fragmented without a clear market leader. Net Insight commands a higher market share in EMEA within both BMN and DTT. However the largest opportunity lies in the APAC and Americas markets for both segments.



Source: Estimates are based on Net Insight 2011 revenues relative to the estimated market size from an external consultant report commissioned by Net Insight.

BUSINESS AREA

Broadcast and Media Networks

The Broadcast and Media Networks business area comprises network solutions for production and contribution of media services. Net Insight's products are used to transmit TV images and sound from sports arenas, concerts and other events to TV and media company studios, as well as to interconnect studios and media companies to facilitate their content production and delivery. Telecom and satellite operators are a growing customer segment. Broadcast and Media Networks was the largest business area for Net Insight in 2012, and its share of the company's total revenue was 76%. The addressable market for Net Insight in this business area is estimated at EUR 300 million and the Compound Annual Growth Rate is estimated at 8%.

Trends

IP media networking is a trend in the broadcast and media industry and a shift is ongoing towards IP-based services. The unique Nimbra MSR functionality improves QoS over existing IP networks and offers unified management, protection and monitoring. A growing trend is live OTT-viewing, and long-tail content can today be produced cost-effectively by using the Internet for first-mile connectivity. A new access product called Nimbra VA 210 was launched 2012 and reduces packet loss while guaranteeing quality of service over the Internet. Net Insight has driven the trend towards remote production and remote workflows for some time. For production companies, digitization and use of media centric networks open up new possibilities for increased productivity with lower operating costs. Networks are becoming an integrated part of production and automation flows, which will likely lead to further development of virtualization and "cloud media" services. Tapeless, non-linear editing of huge files is already a reality.

The ever-increasing amount of content and the demands of innovative new TV formats such as HDTV, UltraHD, 4K impose up to a forty-fold increase in required network transportation capacity.

Solutions

Fiber-optic-based terrestrial solutions enable TV and production companies to exchange high-quality, uncompressed material in real time, at a low cost and independent of geographic distance. Net Insight helps service providers to stay competitive in areas such as B2B media contribution and media production, as well as cloud-based offerings such as encoding, transcoding and storage hosting.

Efficiency and shorter production

Selecting Net Insight's network solutions means better utilization of network capacity and a seamless transition from Standard Definition to High Definition 1080p and 3D. The Nimbra platform provides cost-efficient transport of compressed and uncompressed video signals and handles broadcasters' production, contribution and distribution needs. Studio equipment and servers can be directly connected to standard video and audio interfaces in the platform. Its low latency and high transmission quality gives the producer a remote environment that feels like being on-site. Together, these features allow more efficient usage of studio resources and shorter production schedules for television companies. The potential savings of being able to centralize production to main facilities is substantial. For instance, in conjunction with a sporting event only the arena equipment would need to be sent to the venue, eliminating the need for an OB bus, a bus crew, and an uplink to the event site—a significant cost saving.

Customers

Customers that use the Nimbra solution include well-known companies such as Globecast, Arqiva, Korea Telecom, WDR, Norkring, Hibernia Networks, TATA Communications, ESPN, KPN, Broadcast Services, EBU, ZDF, CCTV, TV Globo and at major live events. The main source of business was repeat orders from existing customers. Swisscom was one major new customer added during 2012. The most important sporting event during 2012 was the London Olympics where Net Insight supported broadcasters through our media operator customers. Customers that benefited from Net Insight's technology during the games included Telia Sonera International Carrier, SRG SSR, the European Broadcasting Union (EBU) and Aldea Solutions, who were all using the Nimbra MSR to provide coverage from a variety of sporting events directly from London.

BUSINESS AREA

Digital Terrestrial TV

The Digital Terrestrial TV (DTT) business area comprises distribution of digital TV programs from a headend to transmission towers within a country or region. DTT is currently in a major development phase as analog terrestrial networks are converted to digital. When in place, digital TV complements on-demand OTT viewing as a low-cost, high-penetration broadcast platform for live content. Net Insight's revenue within the DTT business area represents 22% of total revenue. The addressable market in the DTT area is estimated to EUR 50-100 million with an estimated Compound Annual Growth Rate of 6-8%.

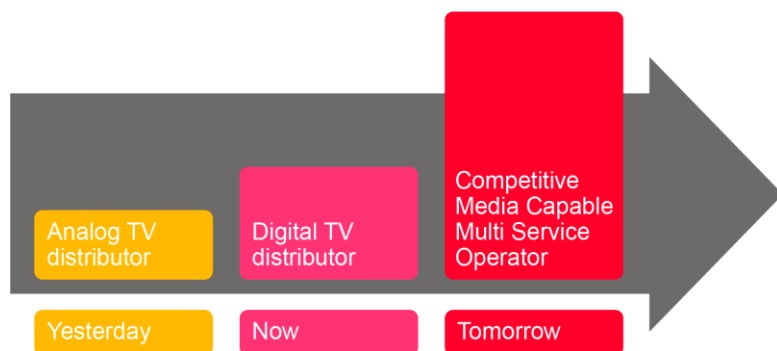
Trends

At this point in time most customers and countries have made their decision as to which DTT standard to implement, so we will see a roll-out of DTT projects worldwide. A number of large countries such as Russia, Brazil, Argentina, China and India will roll out digital terrestrial networks during the coming years. The new DVB-T2 standard, which offers 50% better spectrum utilization, also drives new infrastructure upgrades in existing DTT countries. Fast-moving technical developments such as Next-Generation DTT transmitters taking in IP MPEG instead of ASI is also an emerging trend.

Solutions

Digital TV provides better picture and sound quality and offers more options to the viewer. The transition to digital terrestrial networks also frees up more frequencies for mobile applications such as wireless broadband and mobile TV. For operators, the technology leads to lower operating costs and the opportunity to offer more TV channels and new services. Nimbra DTT networks provide not only nationwide TV distribution but also support additional services such as contribution for TV and radio, radio distribution, and mobile backhaul. Net Insight can facilitate the evolution of a DTT operator into a multi-service operator.

The evolution of a DTT operator



Improved accuracy and safety with Time Transfer GPS-free synchronization

An attractive product property that has made Net Insight even more competitive as a provider of DTT transport equipment is the Time Transfer function. This function offers an integrated solution for time synchronization of transmission towers without introducing costly and potentially vulnerable GPS receivers. The Nimbra platform transfers time information with the high degree of accuracy, security and resilience required in national TV distribution networks.

Customers

The Digital Terrestrial TV business area has customers from all regions around the world. Business won during the year included Austria's national public service broadcaster ORS and the Brazilian company TV Integração as well as repeat business from Arsat, Argentina, Teracom, Sweden and Emitel, Poland as well as others.

BUSINESS AREA

Cable TV and IPTV

Cable TV (CATV) and IPTV operators address the household communication and entertainment market with bundled TV, Video, Broadband and Telephony services.

Net Insight approaches the Cable TV and IPTV segment selectively; the segment represents 2% of total sales in 2012. While this area has a large potential, it is also more competitive than the other business areas. The total addressable cable TV and IPTV market is EUR 2 billion where Net Insight can address EUR 100-300 million. The Compound Annual Growth Rate for cable TV is 5%. The Compound Annual Growth for IPTV is difficult to predict given that OTT and CDNs are multiplying.

Trends

The ways in which end users consume media are changing rapidly. Users expect to watch and consume media anywhere, anytime, using any device and with increasing interactivity. These new consumption patterns drastically change the TV distribution landscape. Content owners become their own distributors by offering OTT services directly to the subscribers through the broadband connections and new players like Google, Apple and Netflix enter the market with customized solutions trying to break-up the traditional value chain. For Cable TV and IPTV operators these new services contribute to an uptake in broadband subscriptions, but at the same time they are a threat to their traditional TV services. To stay competitive and keep subscriber loyalty, CATV and IPTV operators look for solutions that can increase the Quality of Experience for the content delivered through their networks and optimize the utilization of their core infrastructure assets.

Solutions

The major benefit of the Nimbra platform for CATV/IPTV operators is its ability to deliver high-end QoS for media delivery with efficient bandwidth utilization. Utilizing Net Insight's award winning solutions for lossless transport of uncompressed and compressed (JPEG2000) video in the content acquisition and primary distribution, content can be delivered to the head-ends with unmatched quality. The increased quality input allows operators to use lower bit rates in the distribution encoding, thereby increasing the utilization of the distribution network while still increasing the picture quality to the end-user. Furthermore, the Nimbra platform offers unique provisioning, monitoring and resilience capabilities that both improve reliability and simplifies network operations

Customers

Several major operators in Europe, Asia and North America use Net Insight's Nimbra platform in Cable TV and IPTV networks. During 2012 Net Insight successfully won new business from cable TV operators both for contribution networks as well as for primary distribution in Europe and Asia.

Providing innovative and reliable technology to the media industry

The broadcast and media industry is moving towards an all-IP world but the need for quality and service integrity for media services is crucial. There is a dramatic increase in video traffic, and with new production models implemented, the network complexity increases. Deploying new services and network elements also poses a challenge to network manageability. Since video is a mission-critical application, it requires high quality of service, which in turn requires careful planning, resulting in increased complexity and higher cost. At the same time, consumer-driven Quality of Experience demands increase, and there has been no major change in traditional data-centric IP QoS mechanisms in the past few years. Net Insight has a unique value proposition for customers in improving the quality and control of media services in IP networks.

Net Insight's promise

Net Insight's technology ensures quality and service integrity over all IP networks, whether they are dedicated, managed or unmanaged. The ability to deliver these benefits is made possible by three unique capabilities: service-centric network management, QoS enhanced links and lossless routing.



Providing a true service-aware network

Net Insight's approach is the only one to provide a true service aware network. The Nimbra product family has the ability to handle all media services individually within the IP network. This capability means that the operator can provision, monitor and protect each service on-demand end-to-end across the IP network, making the network media service aware. By measuring packet loss and jitter in real time and on all intermediate links, the health of the underlying network is monitored to allow SLA reporting and fault location per link.

Two roads to success

In addition, Net Insight is able to deliver 100% Quality of Service for media-rich network traffic. This is accomplished in two ways. The Nimbra platform ensures zero packet loss within each node thanks to its lossless routing as well as improving the quality of the IP network traffic with QoS enhanced links.

The Nimbra platform also reshapes and resynchronizes the traffic at every hop, resulting in significantly reduced jitter and wander end-to-end. This means that before sending the traffic to the next Nimbra node, the traffic is reshaped which makes it easier for the IP core router to handle the traffic and not have overflow in its buffers. In fact it also improves the QoS for lower priority traffic, since it will not suffer from being temporarily starved by bursty, high-priority traffic.

Net Insight has the ability to provide end-to-end solutions over any type of IP network for many applications, such as virtual workflows, venue-, campus-, contribution- and distribution networks.

Employees committed to creating substantial value

The Net Insight advantage

Net Insight is a customer and technology-driven company. Like other creative, global high-tech employers, the company's success relies on the expertise, creativity and commitment of its employees. At year-end 2012, Net Insight had 156 employees, including Net Insight Intellectual Property AB with five employees and the US subsidiary Net Insight Inc. with five employees.

Organization

Net Insight has a non-hierarchical organization and culture where employees feel that their commitment, engagement and competence really make a difference. Net Insight seeks diversity in the workforce in terms of background and experience, and offers its employees equal treatment regardless of age, gender, ethnicity, religion, sexual orientation or anything else that does not affect an individual's ability to perform his or her job. Gender mainstreaming is a challenge for Net Insight, as the company operates in a male-dominated industry. Equality at Net Insight means creating conditions for employees to balance work and private life; as such, the company offers flexible hours and the ability to work from home, it supports its employees in sharing parental leave and gives employees a high standard in health care tools. Net Insight has policies that clearly describe our view on skill development, working environment and company culture.

Core values

Our core values, **Value Creation**, **Innovation**, **Personal Commitment** and **Continuous Improvement**, characterize our business. Our behavior, our culture and our approach to challenges create the Net Insight identity. Customers, partners and other stakeholders shall recognize us, no matter where in the world they meet us.

Committed, highly skilled employees

Net Insight is characterized by a high level of education among its employees. More than 70% of the staff hold university degrees. Since our unique solutions challenge a number of established industry concepts, the company embraces people with cutting-edge skills who are able to produce solutions that add substantial customer value. Almost half the workforce has been with Net Insight more than five years, and many since the company's establishment. The company enjoys a strong sense of employee loyalty, and we actively strive to create a work environment where everyone feels empowered.

Corporate responsibility

Corporate responsibility can take many forms. For us, it's principally a matter of fair business and social and environmental responsibility. Net Insight's code of conduct for responsible business means handling environmental, ethical and social aspects in a manner that enables the creation of superior value for customers, owners and society as a whole. The executive management team coordinates our strategic efforts in Corporate Social Responsibility (CSR) and sets policies and directives for environmental, social, ethical and economic governance.

Net Insight's business is characterized by respect for customers, business partners and employees. The business is always conducted in accordance with relevant legislation in each country and consistent with accepted principles of fair competition and good business practice. In all areas Net Insight supports accurate and comprehensive competition regarding bids, tenders, contracts and purchases.

Sustainable development

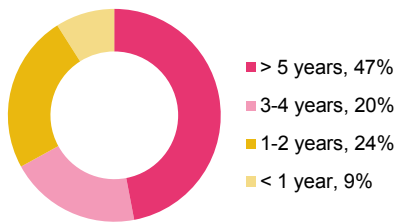
All manufacturing is outsourced to well known external business partners and has minimal environmental impact on the company's own activities. We require major suppliers to be environmentally certified according to ISO 14001, and products must meet the EU's Directive on the Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment. Net Insight also requires suppliers to specify that their sub-contractors must comply with RoHS.



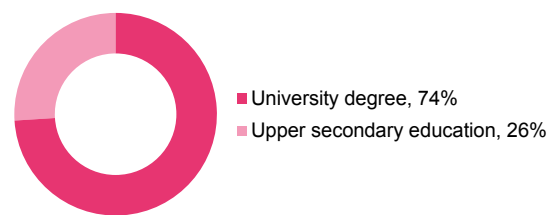
The Nimbra platform supports the increased use of travel-reducing digital communication, since Net Insight improves the quality of video communication and video conference systems. Net Insight's remote production capabilities allows broadcasters to reduce their local presence and the number of technical staff travelling to sports and news events with a factor of five to ten times. In itself, this promotes energy efficiency and environmental improvement. For our customers, the Nimbra products lowers power consumption by more than 50 percent as compared to commonly used network equipment on the market.

Net Insight follows the guidelines of Global Reporting Initiative (GRI). For 2012, Net Insight applies Application Level C according to the GRI Reporting Framework.

Average length of employment



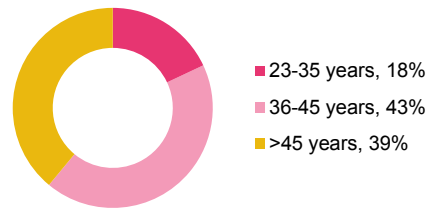
Level of education



Employees per area



Age distribution



Employee numbers	2012	2011	2010	2009
Average number of employees	155	142	133	116
Number of women, %	12	14	13	13
Staff turnover rate, %	4.5	5.6	3.1	7.6
Sickness absence (see Note 7), %	1.7	3.2	2.1	2.3
Cost/employee for skills development, SEK	1 405	2 129	1 706	2 257
Value added/employee*, SEK thousand	1 072	1 361	1 343	1 377

* Definition: operating profit/loss plus salaries and fringe benefits in relation to average number of employees

The Net Insight share and shareholders

Net Insight was first listed in 1999 and has been listed on the NASDAQ OMX Stockholm Stock Exchange (NETI B) since July 1, 2007.

Ownership

The company had 9,700 shareholders on December 31, 2012, compared with 10,518 year-over-year. Net Insight's three founders remain as shareholders with 1.6% (1.6) of capital and 4.1% (4.2) of the votes. As of December 31, 2012, the 20 largest shareholders account for 63.2% of capital and 63.8% of votes. The major shareholders primarily consist of strong financial institutions and funds. Foreign ownership made up 24.4% of capital, compared with 23.3% the previous year.

Price movements

The share price decreased by 23.8% during the year. The highest price during the fiscal year, SEK 2.32, was quoted on February 9, 2012, and the lowest, SEK 1.41, on June 1, 2012. Net Insight's total market capitalization was SEK 607 million as of December 31, 2012, a decrease compared with the previous year (SEK 797 million).

Trading volume – NASDAQ OMX

In total, about 82 million shares were sold for a total value of almost SEK 138 million, corresponding to a 21% turnover rate for 2012. On average, 328,000 shares were traded per trading day during the fiscal year, representing an 30% decrease from the previous year.

Employee stock options

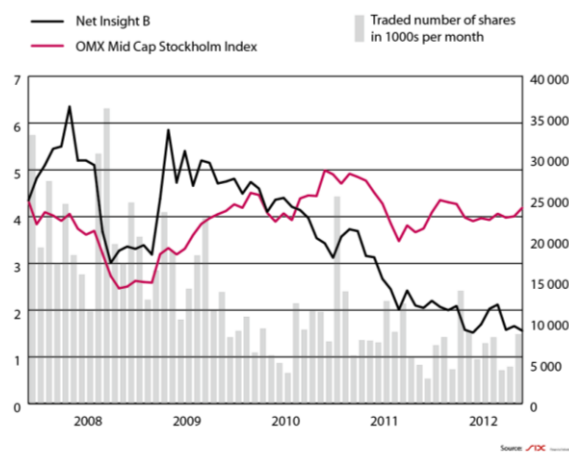
The company has one outstanding employee stock option program, which was implemented in 2009. In 2012, no employee stock options were exercised. The maximum dilution effect of outstanding employee stock options is 1.6% of the number of shares in the Company.

Share capital

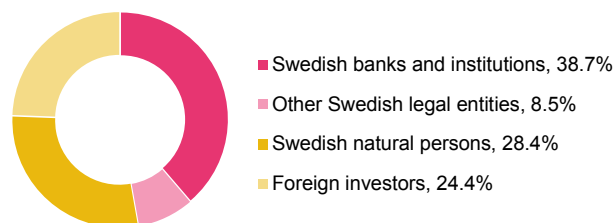
Share capital was SEK 15,597,320 as of December 31, 2012. There were 1,150,000 Class A shares, and 388,783,009 Class B shares, for a total of 389,933,009 shares.

Dividend policy

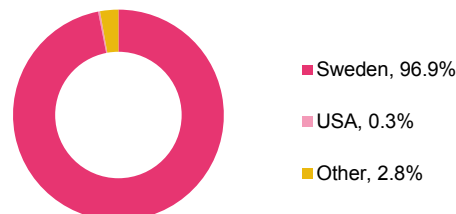
The Board proposes that the AGM resolves that no dividend be paid for the financial year 2012.



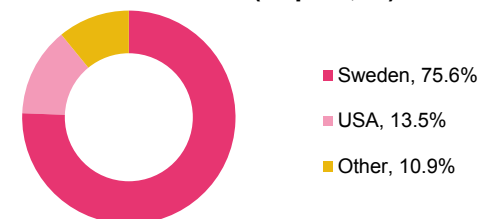
Ownership structure, (Capital, %)



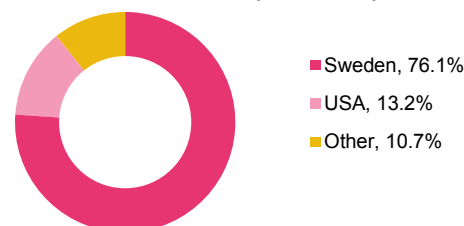
Number of owners (Concentration, %)



Number of owners (Capital, %)



Number of owners (Votes, %)



Class of shares

Per Dec 31, 2012

Class of stock	Shares	Votes	Equity, %	Votes, %
A	1 150 000	11 500 000	0.29%	2.87%
B	388 783 009	388 783 009	99.71%	97.13%
	389 933 009	400 283 009	100.00%	100.00%

Ownership structure - Class B shares

Per Dec 31, 2012

Shareholding, Number of Shares	Percentage of shareholders	Percentage of share capital
1-1 000	43.5	0.500
1 001-10 000	38.6	4.000
10 001-15 000	3.7	1.200
15 001-20 000	3.1	1.400
20 001+	11.1	92.900
Total	100.0	100.000

20 largest owners as of Dec 31, 2012

Name	Class A shares	Class B shares	Holdings (%)	Votes (%)	Market value SEK '000'
1 Constellation Growth Capital	0	48 052 491	12.3	12.0	74 962
2 Lannebo fonder	0	39 994 472	10.3	10.0	62 391
3 Swedbank Robur fonder	0	36 253 636	9.3	9.1	56 556
4 Alecia Pensionsförsäkring	0	24 000 000	6.2	6.0	37 440
5 Försäkringsaktiebolaget, Avanza Pension	0	12 539 219	3.2	3.1	19 561
6 RBC Bil Customer Account	0	12 305 862	3.2	3.1	19 197
7 Nordnet Pensionsförsäkring AB	0	10 554 803	2.7	2.6	16 465
8 AMF - Försäkring och Fonder	0	9 892 357	2.5	2.5	15 432
9 JP Morgan Bank	0	8 407 153	2.2	2.1	13 115
10 Limhamn förvaltning AB	0	8 070 000	2.1	2.0	12 589
11 Torlöv Truls Thomas fam o bolag	0	5 016 666	1.3	1.3	7 826
12 Styrelsen och ledningsgruppen	400 000	3 842 861	1.1	2.0	5 995
13 Robur försäkring	0	3 913 863	1.0	1.0	6 106
14 Lars Gauffin	600 000	3 064 636	0.9	2.3	4 781
15 Skandia fonder	0	3 503 586	0.9	0.9	5 466
16 CGMI Client Safekeeping Account	0	3 500 000	0.9	0.9	5 460
17 Karl Otto Wikander m bolag	0	3 322 915	0.9	0.8	5 184
18 BK Julius Baer & CO Sweden Main AC	0	3 012 528	0.8	0.8	4 700
19 VOB & T Trading AB	0	3 000 000	0.8	0.8	4 680
20 Länsförsäkringar Skåne	0	2 984 432	0.8	0.8	4 656
Total of the 20 largest owners	1 000 000	245 231 480	63.2	63.8	382 562
Total other owners	150 000	143 551 529	36.8	36.2	223 939
Total	1 150 000	388 783 009	100.0	100.0	606 501

Distribution of share capital

Year	Transaction	Class A shares	Class B shares	Number of shares	Par value (SEK)	Share Capital (SEK)
2002	New share issue	3 600 000	65 155 020	68 755 020	0.04	2 750 201
2002	New share issue	3 600 000	133 910 040	137 510 040	0.04	5 500 402
2003	New share issue	3 600 000	179 746 720	183 346 720	0.04	7 333 869
2003	New share issue	3 600 000	225 583 400	229 183 400	0.04	9 167 336
2003	New share issue	3 600 000	253 083 400	256 683 400	0.04	10 267 336
2004	New share issue	3 600 000	284 083 400	287 683 400	0.04	11 507 336
2004	New share issue	3 600 000	286 583 400	290 183 400	0.04	11 607 336
2004	Options redeemed	3 600 000	287 405 345	291 005 345	0.04	11 640 214
2005	New share issue	3 600 000	360 332 660	363 932 660	0.04	14 557 306
2005	Options redeemed	3 600 000	364 157 010	367 757 010	0.04	14 710 280
2007	Options redeemed	3 600 000	367 002 820	370 602 820	0.04	14 824 113
2007	Conversion of Class A share to Class B share	1 900 000	368 702 820	370 602 820	0.04	14 824 113
2008	Options redeemed	1 900 000	377 990 569	379 890 569	0.04	15 195 623
2009	Conversion of Class A share to Class B share	1 300 000	378 590 569	379 890 569	0.04	15 195 623
2009	Options redeemed	1 300 000	388 633 009	389 933 009	0.04	15 597 320
2010	Conversion of Class A share to Class B share	1 150 000	388 783 009	389 933 009	0.04	15 597 320
2011		1 150 000	388 783 009	389 933 009	0.04	15 597 320
2012		1 150 000	388 783 009	389 933 009	0.04	15 597 320

Five-year summary

	2012	2011	2010	2009	2008
Income statement, MSEK					
Net sales	280.3	294.5	287.7	232.8	274.3
Operating earnings	2.7	42.8	43.1	34.0	37.9
Profit/loss after financial items	5.1	47.0	43.6	31.6	40.9
Net Income	11.9	49.9	102.8	34.4	67.9
Balance sheet, MSEK					
Fixed assets	233.8	200.9	159.2	134.6	103.5
Current assets	333.3	368.0	371.6	273.7	254.3
Total assets	567.1	568.9	530.8	408.3	357.8
Shareholder's equity	503.4	491.7	440.6	335.2	274.5
Liabilities	63.7	77.2	90.2	73.1	83.3
Total equity and liabilities	567.1	568.9	530.8	408.3	357.8
Key ratios					
Gross margin (%)	60	62	63	76	72
Capital expenditures, MSEK	70.1	69.5	53.8	53.3	45.7
Return on capital employed (%)	1	10	11	12	19
Return on equity (%)	2	11	27	11	30
Operating margin (%)	1	15	15	15	14
Earnings per share					
- basic, SEK	0.03	0.13	0.26	0.09	0.18
- diluted, SEK	0.03	0.13	0.26	0.09	0.18
Dividend per share	0	0	0	0	0
Cash flow per share, SEK	-0.03	-0.10	0.06	0.00	0.06
Equity/asset ration (%)	89	86	83	82	77
Equity per share, SEK					
- before dilution, SEK	1.29	1.26	1.13	0.86	0.72
- after dilution, SEK	1.29	1.26	1.13	0.86	0.71
Number of employees as of December 31	156	150	133	120	108
Added value per employee, KSEK	1 072	1 361	1 385	1 377	1 604
Share price as of December 31, SEK	1.56	2.05	3.43	4.75	3.36
Number of shares as of December 31	389 933 009	389 933 009	389 933 009	389 933 009	379 890 569

Added value per employee - Operating earnings plus salaries and fringe benefits relative to the average number of employees.

Cash flow per share - Total cash flow from operations and investments, excluding acquisitions and divestment of operations divided by average number of shares issued.

Earnings per share, basic - Net earnings divided by the average number of shares during the year.

Earnings per share, diluted - Net earnings divided by average number of shares issued during the year (for more information please see under accounting principles).

Equity/assets ratio - Shareholders' equity divided by the balance sheet total.

Gross margin - Gross profit as a percentage of net sales.

Net asset value per share, basic - Shareholders' equity plus undisclosed reserves in assets with an objective market value less deferred tax divided by number of shares during the year.

Net asset value per share, diluted - Shareholders' equity plus undisclosed reserves in assets with an objective market value less deferred tax divided by number of shares during the year.

Operating margin - Calculated on profit before net financial items and before taxes.

Return on capital employed - Operating earnings after financial items plus financial expenses in relation to average capital employed. Capital employed is the balance sheet total less non-interest bearing liabilities, including deferred tax liabilities.

Return on equity - Net earnings as a percentage of average shareholders' equity.

***Accounting treatment** changed as from 1/1 2010 for gross margin where depreciation of capitalized R&D was changed from OPEX to COGS.

Administration report

Net Insight AB (publ) Corp. ID No. 556533-4397

The Company

Net Insight develops, markets, and sells media-rich transport solutions for Broadcast, Digital Terrestrial TV and IPTV/Cable TV networks. Net Insight's network equipment allows service providers and network owners to deliver video and media services with 100% Quality of Service and optimum network utilization. In addition to helping attract and retain customers, the Nimbra platform reduces network complexity, offering network operators lower capital and operating expenditures. The majority of Net Insight's sales are in Europe, North and Latin America, Asia and the Middle East to customers such as broadcast and media companies, network owners, telecom operators and cable TV providers. To date Net Insight has more than 175 customers in 60 countries. Founded in 1997, Net Insight has 156 employees in Stockholm, Singapore, and the US, and is listed (NETI B) on the NASDAQ OMX Stockholm Stock Exchange.

The Market

During 2012 the trend towards all IP networks in the media industry has continued. This has also brought the question of quality of service, network complexity and service level agreements higher on the agenda of media network owners and operators. Net Insight is well positioned to take advantage of the IP trend through the Service Aware Media Network solution. The continuation of the trend towards remote production was further highlighted during the London Olympics, enabling broadcasters to cover and produce a larger number of events, over long distances, which leads to increased revenue gains and greater efficiency.

Generally poor macro economic conditions on several of Net Insight's growth markets has lead to projects being delayed by media operators and network owners. There were a large number of business transactions concluded in 2012 but the average order size was down significantly.

Customers

During the year Net Insight continued to add new customers as well as achieving important wins with existing customers. Net Insight now has more than 175 customers in 60 countries. The wins announced in 2012 include: A new customer to Net Insight, Swisscom Broadcast placed a significant order for a contribution network to transport live HD video, voice and data content. In conjunction with the London Olympics, Net Insight delivered its Nimbra solution to a number of leading media service providers to handle video transport between major broadcasters and the media center as well as to serve as platform for remote production set-ups. ORS (Austrian Broadcasting Services) placed an order for their new DVB-T2 network. ORS is solely responsible for the construction, operation and maintenance of the terrestrial transmitter network, digital satellite transmission and is the only company in Austria in charge of the country's national DTT distribution. An order from a major South Korean network provider was won in partnership with Net Insight's premium partner Sanam Technology for a nationwide contribution and distribution network. This was the second deployment of the Nimbra platform in South Korea. The Brazilian broadcaster TV Integração, affiliate to TV Globo, selected Net Insight's Nimbra platform for building a new multi-service, regional DTT network covering contribution, distribution and IT services. The network is based on the Brazilian ISDB-Tb standard.

In addition to the publicly announced wins, Net Insight won strategically important wins expanding and modernizing a large number of networks in all regions where Net Insight is present. A significant portion of these orders have been for services over IP and including JPEG 2000 compression.

Geographical reach and partnerships

During the year Net Insight continued to expand its market presence with sales resources added in Brazil, Russia, and China. This follows the company's strategy to increase focus on high growth markets. In all these markets Net Insight also added new partners, making the total number of partners 54 (48). Sales through partners make up 43% (56) of sales. The decreased share of indirect sales is related to the business mix and the indirect sales model remains as a strategic pillar for growth.

Marketing activities

Net Insight is continuously working to increase awareness about the company and its solutions. In the “Big Broadcast survey” by Devconcroft, a market research company, it was shown that the awareness about Net Insight significantly increased since the 2011 report. Marketing activities include PR, publishing of white papers, advertising in selected industry magazines and participation in trade shows. The company participated in 22 trade shows during the year covering all major regions, including CABSAT MENA (Dubai), NAB (USA), CommunicAsia (Hong Kong), IBC (The Netherlands) and SET (Brazil).

Net Insight’s approach to Service Aware Media Networks is unique in that it has the ability to look at each media service individually within the IP network. This capability means that the operator can provision, monitor and protect each service individually on demand and on an end-to-end basis – making the network media service aware. This solution was awarded twice during 2012: For the third consecutive year Net Insight won an award from the CSI (Cable & Satellite International) organization. This year Net Insight won the “Highly commended award” in the category “Best cable or fibre contribution/distribution/transmission solution. Net Insight was also selected by the SCTE (Society for Broadband Professionals) as the winner for the Best Broadband Network Transmission Solution.

Products and development

During 2012, Net Insight significantly strengthened its product portfolio in terms of capacity as well as functionality. A new switch module was released that doubles the switching capacity of the Nimbra 688 core media switch router enabling customers to scale their networks and Net Insight to also target the increasingly important telecom operator segment.

Net Insight continued to expand its offering in the media access segment by introducing three new access products. The Nimbra 640, the first access product based on the Nimbra 600 architecture, is a cost-efficient and scalable media access gateway for media transport over IP, perfectly suited for remote production and event contribution. Another new access product is the Nimbra 310, targeting applications such as remote branch office connect and last-hop DTT distribution. Last, with the introduction of Nimbra VA 210, a completely new access segment opens up for Net Insight. The Nimbra VA 210 significantly improves the transport quality of the underlying packet network, enabling BMN contribution and distribution over unmanaged or public IP infrastructure, such as the Internet.

The JPEG2000 Video Access Module that was released in 2011 has been further developed and does now offer increased flexibility as it combines transport with advanced video compression and format conversion, available through standard pluggable optics (SFPs). When used together with the Nimbra 140 series of fiber-optic broadcast appliances, it now effectively extends the Nimbra media network, reaching into studio campuses and sports arenas.

To address the increasing demand for media transport over IP, the Net Insight unique Time Transfer functionality for GPS-free synchronization can now also be transported over IP/Ethernet infrastructure.

To further establish Net Insight as the industry leading equipment vendor for QoS enabled data transport, the Nimbra network protection system has been extended with Hitless 1+1 Protection ensuring protected services are never impaired by fiber cuts and network failures.

The Nimbra Vision network management system has been improved for integration of third party solutions for service provisioning, resource booking and scheduling. This is an important milestone towards a service oriented system architecture, enabling seamless integration to external ERP systems for e.g. booking, billing, SLA management and customer self service.

Patents

Net Insight’s cutting edge technology and innovation is a foundation for growth and success. In order to protect Net Insight’s know-how, patents are filed when deemed necessary. During 2012 one patent application has been filed and so far, 30 families of patents have been filed in one or more countries with a total of 27 patents registered.

Sales and earnings

Net Sales amounted to SEK 280.3 million (294.5), which is a decline of 4.8% over 2011. In comparable currencies the decrease amounts to 3.5%. Revaluation of the accounts receivables stock had a negative effect on Net Sales of SEK 1.8 million (+1.8). The EMEA region accounted for SEK 180.8 million (203.9). The reason for the decreased turnover in EMEA is mainly related to fewer DTT projects in the roll-out phase in Eastern Europe and Middle East.



Americas declined by SEK 14.8 million to SEK 55.3 million (70.1). During 2011, Net Insight delivered equipment to a new nationwide BMN network, which was not repeated in 2012. APAC showed good growth increasing sales from SEK 20.5 million to SEK 44.2 million. The majority of the growth comes from China and South Korea.

The Gross Margin amounted to 59.7% (61.9). The decrease is solely related to increased amounts of depreciation on capitalized R&D projects, which is charged to Cost of Sales. Depreciation amounts to SEK 39.2 million (27.5). Adjusted for depreciation, the Gross Margin amounts to 73.7% (71.2). The improvement is mainly related to favorable product and customer mix.

Operating expenses for the full year amounted to SEK 164.6 million (139.3). Sales & Marketing expenses amount to SEK 104.6 million (91.9). The increase is mainly related to added sales and sales support staff in Sweden and abroad. Administration expenses are in line with previous year and amounted to SEK 27.1 million (27.4). R&D expenses amounted to SEK 29.9 million (20.1). The increase is related to a higher average number of R&D resources in combination with a lower rate of capitalization. R&D expenditures amounted to SEK 96.9 million (86.1).

In Q4 the Company launched an efficiency and cost reduction program aiming at reducing the cost base by SEK 25 million on an annual basis with full effect from January 1, 2013. This included termination of consultancy contracts as well as staff being made redundant. The restructuring charges amount to SEK 3 million which is recorded as Other expenses in the profit and loss statement. The charges consist of severance and salary related expenses.

Adjusted for restructuring charges, Operating earnings amounted to SEK 5.8 million (42.8), which correspond to an Operating margin of 2.1% (14.5). The decline in Operating earnings are explained by lower sales volumes, increased depreciation on capitalized R&D expenditures of SEK 11.7 million and increased operating expenses of SEK 22.2 million exclusive of restructuring charges.

Operating earnings amounted to SEK 2.7 million (42.8), which correspond to an Operating Margin of 1.0% (14.5).

Net income amounted to SEK 11.9 million (49.9), which corresponds to a net profit margin of 4.2% (17.0). A further SEK 14.4 million (26.2) of loss carry forwards have been capitalized resulting in a positive effect on Net income. Partially offsetting this is the revaluation of the deferred tax asset, which has been revalued following the lowering of Swedish corporate tax rates from 26.3% to 22%. This had a negative effect on the Net income of SEK 7.6 million.

Cash flow and financial position

Cash flow from ongoing operations before changes in working capital amounted to SEK 49.1 million (77.0). The decrease is related to lower Net income before tax. Working capital has decreased by SEK 10.7 million following strong collections and lower sales volumes, partially offset by increased inventory levels and reduced levels of current liabilities. Acquisition of intangible assets, mainly capitalization of R&D expenditures was on par with previous year at SEK 68.1 million (66.0). This resulted in a negative cash flow for the year of SEK 10.4 million (-39.6).

Liquid funds at the end of the year amount to SEK 185.9 million (196.2).

Shareholders' equity amounted to SEK 503.4 million (491.7) with a resulting equity ratio of 88.8% (86.4).

Investments

Investments in tangible assets for the twelve months period amounted to SEK 2.2 million (3.5) and depreciation of tangible assets amounted to SEK 1.3 million (1.9). Investment in other intangible assets amounted to SEK 2.4 million (0.1) and depreciation of SEK 1.3 million (0.9). Capitalization of development expenditures totaled SEK 65.7 million (66.0). Depreciation of capitalized development expenditures totaled SEK 39.2 million (27.5). At the end of the period, the net book value of capitalized development expenditures amounted to SEK 183.2 million (158.9).

Employees

At the end of the period Net Insight had 156 (150) employees. The parent company Net Insight AB had 146 (140) employees, Net Insight Intellectual Property AB had 5 (5) employees and the US subsidiary Net Insight Inc. had 5 (5) employees.

Seasonality

Based on an average over the last three fiscal years, the seasonality pattern is relatively even. Net Sales in the first quarter amount to 24%, second quarter to 25%, third quarter to 24% and the fourth quarter amount to 27% of annual sales.

Risk and Sensitivity Analysis

Since a number of external and internal factors influence Net Insight's operations and results, the Company relies on a continuous process of identifying existing risks and assessing how each risk should be managed. The risks to which the company is exposed include customer dependence, technology development, and financial risks. Financial risks are described under the Accounting Principles section and in the notes.

Market-related risks

Competition and technology development

Net Insight operates in a dynamic industry characterized by rapid technological development and intense competition. Failing to keep pace with technological developments or making incorrect technological investments would put pressure on revenues. Net Insight's Board and management considers the risk of an unexpected forward leap in technology rendering the Company's products out of date or obsolete as low. The risk of making erroneous technological investments is also considered low. The skills and competence of the development staff combined with comprehensive market analysis, close competitor tracking, and intimate collaborations with large customers help keep Net Insight well informed and up to date on relevant trends in technology and markets.

Political risks

The majority of Net Insight's sales are to customers located in the Nordic countries, Western Europe and the United States. The countries in which Net Insight currently does the majority of its business are not seen as presenting any significant political risks. As geographical expansion is part of Net Insight's strategy, entry into new markets is preceded by a risk identification process in which payment instruments and commercial conditions are evaluated to mitigate risks to the greatest possible extent.

Risks related to the operations

Product liability, intellectual property rights, and litigation

While potential defects in Net Insight's products could lead to claims for compensation and damages, the Board holds the opinion that the Company has adequate product liability insurance coverage, so direct risks are considered limited. Furthermore, the products undergo extensive testing and verification in the development process as well as in the shipping process before products are sent to customers. Since Net Insight continuously seeks to protect its company name, brands, and trademarks, it is well prepared for any infringement litigation through insurance coverage and with the help of internal expertise in the corporate legal department and external legal consultants. Neither Net Insight nor its subsidiaries are currently involved in any litigation processes, legal procedures, or arbitrations.

Customer dependency and contract risks

Should one of Net Insight's larger customers become insolvent or switch to a different supplier, it would have a manageable impact on Net Insight's earnings. The growing number of customers and the relatively high cost to customers of changing suppliers significantly limits this risk. Currently, no single customer exceeds more than 10% of Net Insight's turnover. The risk of a major customer becoming insolvent is also limited, as Net Insight's customers are generally well established media and telecom operators in the private and the public sectors. To further limit customer risks, Net Insight continuously strives to exceed customer expectations concerning the technological performance and quality of the Company's products as well as the level of customer service.

Risk assessment summary

The following table is an attempt to assess the likelihood of Net Insight being affected by the various operational risks described in this section and the impact of those risks. The assessment does not claim to be exhaustive; it is merely intended to serve as an illustration.

Risk	Probability	Impact
Product fault leading to product liability	Low	Low
Intellectual property dispute	Low	Low
Major customer becomes insolvent	Low	Medium
Major customer leaves Net Insight for competitor	Medium	Medium
Net Insight's technology becomes outdated	Low	High
Net Insight makes incorrect technology investment	Low	High
Adverse political changes in politically unstable countries	Medium	Low

Guidelines for remuneration for senior executives

The most recently adopted guidelines for remuneration of senior executives are described in Note 7. At the 2013 Annual General Meeting, there will be a proposal to extend the current guidelines until the next Annual General Meeting

Parent company

Net sales were SEK 372.7 million (381.2) and the Net income amounted to -45.3 (-77.7). The negative net income during 2012 is attributable to adjustments of Group internal charges for development expenditures which resulted in a one-time charge of SEK 59.8 million. This was announced in the Q1 report and has no effect on the result of the Group. At the end of the period the Parent company had 146 (140) employees

Liquid funds amounted to SEK 144.3 million (123.7).

Proposed distribution of earnings

The following funds are at the disposal of the parent company (SEK thousand):

Premium reserve	51 296
Retained earnings	656 793
Profit for the year	-45 326
Total	662 763

The Board of Directors proposes that funds be disposed of as follows:

To be brought forward: 662 763

With regard to the general earnings and position of the Group and parent company, please refer to the following balance sheets, income statements, and cash flow statements and their accompanying notes. Please refer to page 67 for the Board's Corporate Governance Report

Board's assurance

The board and CEO confirm that the Group accounts were prepared in compliance with IFRS and that they give a true and fair view of the Group's financial position and performance. The Administration Report covering the parent company and the Group gives a true and fair view of their activities, financial position, and performance and discusses material risks and exposed areas in the parent company and Group companies.

The Board's Report On Internal Controls Regarding Financial Reporting

Purpose of Internal Controls

The purpose of Net Insight's work on internal controls is to:

- Ensure adequate adherence to applicable laws, rules and regulations.
- Ensure that the financial reporting gives a fair and true reflection of the company's financial situation and gives adequate decision support for Shareholders, Board and Management.
- Ensure the operations of the Company are organized and run in such a way that financial and operational objectives are reached and that major risks are dealt with in a timely and appropriate manner.

Roles and responsibilities

Net Insight's Board is responsible for ensuring that the internal controls of its financial reporting meet the standards of the Swedish Companies Act and Swedish Code of Corporate Governance. For Net Insight, internal controls of financial reporting are an integral part of corporate governance. These controls contain processes and methods to safeguard the Group's assets and accuracy in financial reporting, in order to protect the owners' investment in the Company. The Board establishes a work plan each year, which regulates the work of the Board and matters to resolve. The Board issues instructions to the CEO, which stipulate the matters for which the CEO may exercise his authority to act on behalf of the Company after receiving authorization or approval from the Board. This instruction is reviewed annually. The Board also issues instructions to the CEO regarding financial reporting. According to his instructions, the CEO is responsible for reviewing and ensuring the quality of all financial reporting, as well as ensuring that the Board otherwise receives the reports it needs to be able to continually assess the Group's financial position. The Board in its entirety handles audit matters.

External reporting

The Board monitors and evaluates quality assurance through quarterly reports on the Company's business and earnings trends, and by considering the Group's financial situation at every regular Board meeting. On two occasions each year, the company's Auditor is present at the board meeting to present the outcome of the full year audit and third quarter review. On these occasions the Auditor also presents changes in reporting standards which are applicable to the Company. In conjunction with the presentation of the full year audit, the Auditor also gives his view, without the presence of management, on the adequacy of the organization and competence of the finance function.

To support the accuracy of external reporting and management of risk, the internal reporting and control system builds upon annual financial planning, monthly reports and daily monitoring of key business ratios. The Group's finance department inspects and monitors reporting, as well as compliance with internal and external regulations. Besides laws and regulations, internal policies and guidelines include finance policies, authorization rules, a financial handbook, credit policy, accounting policy and documented procedures for the most important tasks of the finance department. These policies and guidelines are updated regularly. Identified risks concerning financial reporting are managed through the Company's control activities. For example, the IT system has automated controls that manage access rights and signatory authority, as well as manual controls such as duality, in both current and closing entries of transactions. The business-specific controls are complemented by detailed financial analyses of Company results and follow-up checks against the budget and forecasts, which provides an overall confirmation of the quality of reporting.

During 2012, process changes to improve segregation of duties regarding vendors were implemented as well as implementation of additional controls in the pay-roll process together with updates and implementation of changes to all major policies.

Internal Audit Function

Each year the Board evaluates whether there is a need to establish a special internal review office (internal audit). The Board determined that there was no need for this in 2012. In their reasoning, the Board noted that internal controls were principally performed through:

- The central finance department.
- Supervisory controls by management.

Due to these factors and the size and limited complexity of the Company, it is the Board's view that having an additional office cannot be justified financially at present.

Group

Consolidated Income Statement

Amount in SEK thousand	NOTE	2012	2011
Net Sales	5	280 291	294 524
Cost of goods sold	9,11	-112 956	-112 352
Gross earnings		167 335	182 172
Sales and marketing expenses	7,10,11	-104 606	-91 918
Administration expenses	7,9,10,11,12	-27 050	-27 365
Development expenses	7,8,9,10,11	-29 929	-20 065
Other expenses	7,11	-3 027	0
Operating earnings	6	2 723	42 824
Result from financial investments			
Financial income	13	3 738	4 376
Financial expenses	13	-1 365	-129
Result from financial investments		2 373	4 247
Profit before tax		5 096	47 071
Tax	14,15	6 788	2 857
Net income		11 884	49 928
Net income for the period attributable to the stockholders of the parent company		11 884	49 928
Earnings per share before dilution	16	0.03	0.13
Earnings per share after dilution	16	0.03	0.13

Consolidated Statement of Comprehensive Income

Amount in SEK thousand	NOTE	2012	2011
Net income		11 884	49 928
Other comprehensive income			
Exchange rate differences		-420	139
Other comprehensive income for the year, after tax		-420	139
Total comprehensive income for the year		11 464	50 067
Total comprehensive income for the year attributable to the stockholders of the parent company		11 464	50 067

Consolidated Balance Sheet

Amount in SEK thousand	NOTE	Dec 31, 2012	Dec 31, 2011
ASSETS			
Intangible fixed assets			
Capitalized expenditure for development	17	183 150	158 871
Goodwill	17	4 354	4 354
Other intangible assets	17	2 460	1 291
Tangible fixed assets			
Equipment	18	4 937	4 075
Financial fixed assets			
Deferred tax asset	15	38 719	31 932
Deposits, long term	19	208	397
Total fixed assets		233 828	200 920
Current assets			
Inventories	20	50 044	36 353
Accounts receivables	21	85 298	123 896
Other receivables	21,23	5 301	5 049
Prepaid expenses and accrued income	21	6 819	6 464
Cash and cash equivalents	22,23	185 855	196 210
Total current assets		333 317	367 972
Total assets		567 145	568 892
LIABILITIES AND SHAREHOLDERS' EQUITY			
Shareholders' equity			
Share capital	24,25	15 597	15 597
Other contributed capital		1 192 727	1 192 727
Translation difference		-1 940	-1 520
Accumulated deficit		-702 979	-715 088
Total shareholders' equity		503 405	491 716
Provisions			
Other provisions	26	3 612	3 398
Total provisions		3 612	3 398
Long term liabilities			
Long term liabilities		0	0
Total provisions		0	0
Current liabilities			
Accounts payable	23	20 145	26 130
Other liabilities	26,27	9 720	15 650
Accrued expenses	28	30 263	31 998
Total liabilities		60 128	73 778
Total liabilities and shareholders' equity		567 145	568 892

Consolidated Cash Flow Statement

Amount in SEK thousand	NOTE	2012	2011
Ongoing operations			
Profit before tax		5 095	47 071
Depreciation	9	41 772	29 456
Other items not affecting liquidity	29	2 232	440
Cash flow from ongoing operations		49 099	76 967
Change in working capital			
Increase (-)/Decrease (+) in inventories		-13 691	-8 125
Increase (-)/Decrease (+) in receivables		37 991	-27 945
Increase (+)/Decrease (-) in current liabilities		-13 650	-11 040
Cash flow from ongoing operations		59 749	29 857
INVESTMENT ACTIVITY			
Acquisitions of intangible assets	17	-68 075	-66 006
Acquisitions of tangible fixed assets	18	-2 218	-3 454
Acquisition of net assets	14,15	0	0
Increase (-)/Decrease (+) in long-term assets		189	-44
Cash flow from investment activity		-70 104	-69 504
Increase/decrease in liquid funds	30,31	-10 355	-39 647
Liquid funds, opening balance	30,31	196 210	235 857
Liquid funds, closing balance		185 855	196 210

Changes in Group Shareholders' Equity

Amount in SEK thousand	Share capital	Other contributed capital	Translation difference	Accumulated deficit	Total shareholders' equity
January 1, 2011	15 597	1 192 727	-1 659	-766 091	440 574
Comprehensive income					
Net income	0	0	0	49 928	49 928
Translation difference	0	0	139	0	139
Total comprehensive income	15 597	1 192 727	-1 520	-716 163	490 641
Transactions with owners					
Employee stock option program:					
Value of employees' services	0	0	0	1 075	1 075
Total transactions with owner	0	0	0	1 075	1 075
December 31, 2011	15 597	1 192 727	-1 520	-715 088	491 716
January 1, 2012	15 597	1 192 727	-1 520	-715 088	491 716
Comprehensive income					
Net income	0	0	0	11 884	11 884
Translation difference	0	0	-420	0	-420
Total comprehensive income	15 597	1 192 727	-1 940	-703 204	503 180
Transactions with owners					
Employee stock option program:					
Value of employees' services	0	0	0	225	225
Total transactions with owner	0	0	0	225	225
December 31, 2012	15 597	1 192 727	-1 940	-702 979	503 405

Parent Company

Parent Company Income Statement

Amount in SEK thousand	NOTE	2012	2011
Net Sales	5	372 665	381 211
Cost of goods sold	9,11	-100 394	-187 697
Gross earnings		272 271	193 514
Sales and Marketing expenses	7,10,11	-93 073	-86 665
Administration expenses	7,9,10,11,12	-36 382	-27 364
Development expenses	7,8,9,10,11	-195 539	-20 065
Other expenses	7,11	-3 027	0
Operating earnings	6	-55 750	59 420
Result from financial investments			
Result from shares in subsidiary	13	0	-138 613
Financial income	13	2 596	3 003
Financial expenses	13	-1 367	-129
Result from financial investments		1 229	-135 739
Profit before tax		-54 521	-76 319
Tax	14,15	9 195	-1 336
Net income		-45 326	-77 656

Parent Company Statement of Comprehensive Income

Amount in SEK thousand	NOTE	2012	2011
Net income		-45 326	-77 656
Other comprehensive income			
Group contribution		0	27 130
Tax effects group contribution		0	-7 135
Other comprehensive income for the year, after tax		0	19 995
Total comprehensive income for the year		-45 326	-57 661
Total comprehensive income for the year attributable to the stockholders of the parent company		-45 326	-57 661

Parent Company Balance Sheet

Amount in SEK thousand	NOTE	Dec 31, 2012	Dec 31, 2011
ASSETS			
Intangible fixed assets			
Capitalized expenditure for development	17	0	158 871
Other intangible assets	17	2 460	1 291
Tangible fixed assets			
Equipment	18	4 937	4 075
Financial fixed assets			
Shares in group companies	24	117 427	18 398
Deferred tax asset	15	26 304	17 109
Deposits, long term	19	208	397
Total financial assets		151 336	200 141
Current assets			
Work in progress	20	700	1 400
Finished goods	20	49 344	34 953
Receivables			
Accounts receivables	21	85 298	123 896
Receivables subsidiaries		423 507	429 097
Current receivables	21	6 095	6 991
Prepaid expenses and accrued income	21	6 745	6 399
Cash and bank	22	144 332	123 670
Total current assets		716 021	726 406
TOTAL ASSETS		867 357	926 547
LIABILITIES AND SHAREHOLDERS' EQUITY			
Shareholders' equity			
Restricted equity			
Share capital	24,25	15 597	15 597
Legal reserve		112 822	112 822
Non-restricted equity			
Share premium reserve		51 296	51 296
Retained Earnings		656 793	734 224
Net income		-45 326	-77 656
Total shareholders' equity		791 182	836 283
Provisions			
Other provisions	26	3 433	3 398
Total provisions		3 433	3 398
Long-term liabilities			
Long term liabilities		0	0
Total long-term liabilities		0	0
Current liabilities			
Accounts payable		19 653	25 839
Liabilities, subsidiaries		15 278	16 619
Other liabilities	26,27	9 470	15 361
Accrued expenses	28	28 341	29 047
Total liabilities		72 742	83 866
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		867 357	926 547
Pledged assets	30	0	0
Contingent liabilities		None	None

Parent Company Cash Flow Statement

Amount in SEK thousand	NOTE	2012	2011
Ongoing operations			
Loss before tax		-54 521	-76 319
Depreciation	9	2 563	29 456
Other items not affecting liquidity	29	64 279	137 133
Cash flow from ongoing operations before change in working capital		12 321	90 270
Change in working capital			
Increase (-)/decrease (+) in inventories		-13 691	-8 125
Increase (-)/decrease (+) in receivables		39 148	-27 356
Increase (-)/decrease (+) in current liabilities		-12 713	-29 251
Cash flow from ongoing operations		25 065	25 538
INVESTMENT ACTIVITY			
Acquisitions of intangible assets	17	-2 375	-66 006
Acquisitions of tangible fixed assets	18	-2 217	-3 454
Increase (-)/decrease (+) in long-term assets		189	-58
Cash flow from investment activity		-4 403	-69 518
Increase/decrease in liquid funds	30,31	20 662	-43 980
Liquid funds, opening balance	30,31	123 670	167 650
Liquid funds, closing balance		144 332	123 670

Changes in Parent Company Shareholders' Equity

Amount in SEK thousand	Share Capital	Legal Reserve	Share premium reserve	Retained earnings	Net income	Total share-holders' equity
January 1, 2011	15 597	112 822	51 296	698 867	14 286	892 868
Comprehensive income						
Redistribution previous year net income	0	0	0	14 286	-14 286	0
Net income	0	0	0	0	-77 656	-77 656
Group contribution	0	0	0	27 130	0	27 130
Tax effect group contribution	0	0	0	-7 135	0	-7 135
Total comprehensive income	15 597	112 822	51 296	733 148	-77 656	835 207
Transactions with owners						
Employee stock option program:						
Value of employees' services	0	0	0	1 076	0	1 076
Total transactions with owners	0	0	0	1 076	0	1 076
December 31, 2011	15 597	112 822	51 296	734 224	-77 656	836 283
January 1, 2012	15 597	112 822	51 296	734 224	-77 656	836 283
Total comprehensive income						
Redistribution previous year net income	0	0	0	-77 656	77 656	0
Net income	0	0	0	0	-45 326	-45 326
Group contribution	0	0	0	0	0	0
Tax effect group contribution	0	0	0	0	0	0
Total comprehensive income	15 597	112 822	51 296	656 568	-45 326	790 957
Transactions with owners						
Employee stock option program:						
Value of employees' services	0	0	0	225	0	225
Total transactions with owners	0	0	0	225	0	225
December 31, 2012	15 597	112 822	51 296	656 793	-45 326	791 182

Notes

Note 1 General information

Net Insight develops and sells network equipment for fiber optic networks that transmit voice, data, and video. With the Nimbra product family, traffic in the network can be transmitted with 100% quality of service while fully utilizing the network's capacity, resulting in major operational and capital expenditure savings for customers. The Company sells primarily in Europe, North and Latin America, Asia and the Middle East to television broadcasters, production companies, cable TV, and telecommunication operators. Net Insight was founded in 1997 and has 156 employees in Sweden, the US, and Singapore. Net Insight entered the Stockholm Stock Exchange in 1999 and has been listed on the NASDAQ OMX Stockholm Stock Exchange since July 1, 2007. The parent company Net Insight AB, corporate registration number 556533-4397, is a Swedish limited liability company whose domicile is in Stockholm.

Note 2 Summary of important accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies were consistently applied to all years presented, unless otherwise stated.

2.1 Basis for the report's preparation

The consolidated financial statements were prepared in accordance with the Annual Accounts Act, International Financial Reporting Standards (IFRS), and interpretational statements from the International Financial Reporting Interpretations Committee (IFRIC) as adopted by the European Commission. The Swedish Financial Accounting Standards Council's recommendation RFR 1, Supplemental Accounting Regulations for Groups, was also applied. The consolidated financial statements have been prepared under the historical cost convention, except regarding financial assets and liabilities (including derivatives) at fair value through profit and loss.

The preparation of the financial statements in accordance with IFRS requires the use of certain critical accounting estimates and management's judgments in the process of applying the group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statement are disclosed in note 3.

Changes in accounting policy and disclosures

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2012 that would be expected to have a material impact on the group.

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2012, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the group, except the following set out below:

- Amendment to IAS 1, 'Financial statement presentation', regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI.
- IFRS 9, 'Financial Instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive Income rather than the income statement, unless this creates an accounting mismatch. The group is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after 1 January 2015. The group will also consider the impact of the remaining phases of IFRS 9 when completed by the Board.

- IFRS 10, 'Consolidated financial statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The group is yet to assess IFRS 10's full impact and intends to adopt IFRS 10 no later than the accounting period beginning on or after 1 January 2014.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the group.

2.2 Consolidation

Subsidiaries

Subsidiaries are all companies (including special purpose companies) for which the Group is entitled to govern financial and operational strategies in a manner usually pursuant to shareholdings that amount to more than half of the voting rights. The occurrence and effect of potential voting rights that are currently utilizable or convertible are observed in the assessment of whether the Group exercises control over another company.

A subsidiary is to be included in the consolidated financial statements as of the date that control is transferred to the Group. A subsidiary is de-consolidated from the date that control ceases. The purchase method of accounting is used to report the Group's acquisition of subsidiaries. The purchase cost of an acquisition comprises the fair value of assets provided as payment, issued equity instruments. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed when they occur. Identifiable acquired assets, assumed liabilities, and contingent liabilities in a corporate acquisition are initially valued at fair value as of the date of acquisition. On acquisition-by- acquisition basis, the group recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net asset.

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

The excess of the consideration transferred the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If the purchase cost is less than the fair value of the acquired subsidiary's net assets, the difference is reported directly in the income statement.

Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the CEO, who is responsible for allocating resources and assessing the performance of the operating segments and making strategic decisions. Segment information is presented in three geographic areas: EMEA, APAC, and the Americas.

2.4 Translation of foreign currencies

A. Functional currency and reporting currency

Items included in the financial statements for the different units in the Group are valued in the currency used in the economic environment in which the respective companies are primarily active (functional currency). In the consolidated financial statements and the parent company's financial statements, Swedish kronor (SEK) are used, which is the parent company's functional and the Group's reporting currency.

B. Transactions and balance sheet items

Foreign currency transactions are translated to the functional currency at the exchange rates applicable on the transaction date or valuation where items are re-measured. Exchange gains and losses arising on payment of such transactions and in translation of monetary assets and liabilities in foreign currencies are reported as follows in the income statement:

- Translation of accounts receivables are reported as net sales.
- Translation of accounts payables are reported as cost of sales.
- Translation of monetary assets and foreign subsidiary debts to the parent company are reported as net financial items.

C. Group companies

The financial position and performance of foreign subsidiaries that have a different functional currency than the reporting currency are translated to the Group's reporting currency as follows:

- Assets and liabilities on the balance sheet are translated at the closing rate of the balance sheet date.

- Income and expenses are translated at the average exchange rate for the month.
- All exchange rate differences that arise are reported as a separate component of equity and in other comprehensive income.

2.5. Tangible assets

The Company's tangible fixed assets are carried at purchase cost with deductions for accumulated depreciations and write-downs. In the purchase cost all expenses that can be directly attributed to the acquisition of the asset is included. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset only when it is probable that future economic benefits will flow to the group and the cost of the item can be measured reliably. The straight-line depreciation method is applied to all types of assets over their estimated useful lives, which is three to five years for equipment. The assets' residual values and useful lives are reviewed annually and adjusted if appropriate. Gains and losses on disposals are recognized in the income statement within other gains/losses.

2.6. Intangible assets

A. Costs directly linked to the development of products to be sold are recognized as intangible assets. They are capitalized when criteria for development phase are met. Development expenses include internal employee expenses arising through the development of products and a reasonable proportion of direct and indirect costs. Other development expenses are reported as incurred. Development expenses that were previously reported as a cost are not reported as an asset in an ensuing period. Capitalized development expenditures with a limited useful life are amortized straight-line from the time that the commercial production of the product is initiated. Amortization occurs over its expected useful life which is five years.

An impairment test is done at the end of each period, and if an asset's carrying amount exceeds its estimated recoverable amount, the asset is impaired to its recoverable amount.

B. Goodwill consists of the amount by which the purchase cost exceeds the fair value of the Group's share of the acquired subsidiary's identifiable net assets at the time of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets and has an indefinite useful life. Goodwill is tested at least annually to identify potential impairment requirements and is reported at purchase cost less accumulated impairment losses. Gains or losses on disposal of a unit include residual carrying amounts of the goodwill pertaining to the disposed unit.

2.7 Impairment

Non-financial assets that have an indefinite useful life are reviewed annually for potential impairment requirements and are not subject to amortization. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Impairment is applied in the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less selling costs and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Net Insight is one cash-generating unit.

2.8 Financial assets

The Group classifies financial assets in the following categories; financial assets at fair value through profit and loss, loans and receivables and available-for sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

A. Financial assets at fair value through profit and loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

B. Loans and receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the end of the reporting period. These are classified as non-current assets. The group's receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the balance sheet.

C. Available-for sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the reporting period. The Group has currently no financial assets within this category.

D. Recognition and measurement

Regular purchases and sales of financial assets are recognized on the trade date – the date the group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets valued through profit or losses are initially recognized at fair value and transactions costs are expensed in the income statement.

Financial assets are derecognized when the rights to receive cash-flow from the investment have expired or have been transferred and the substantially risk and rewards of the ownership is transferred. Loans and receivables are subsequently carried at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are presented in the income statement within net sales – net in the period in which they arise.

2.9 Accounts receivable

Accounts receivables are reported initially at fair value and subsequently measured at amortized cost using the effective interest method. A provision for accounts receivable bad debts is applied when there is objective proof and other indications that the Group will not be able to recover all amounts due under the receivables' original terms. The reserved amount is recognized in the income statement under the *Sales and Marketing expenses* item.

The Company has an agreement relating to loans on accounts receivables. The ownership right to the accounts receivable remains with the Company along with the risk of potential losses on accounts receivables. This agreement was not used in 2012 (2011).

2.10 Accounts payable

Accounts payables are initially recognized at fair value and thereafter at amortized cost using the effective interest method.

2.11 Inventories

Inventory is reported at the lower of the purchase cost and the net selling price. The purchase cost is determined by using FIFO. The net selling price is the estimated selling price in the operating activities less applicable variable selling expenses.

2.12 Cash and cash equivalents

Cash and cash equivalents include cash, bank balances, and other investments with maturity dates of less than three months.

2.13 Share capital

Ordinary shares are classified as equity. Transaction costs that can be directly attributed to the issue of new shares or options are reported in Group equity as a deduction from the issue funds. In the parent company, this transaction cost is reported on the income statement.

2.14 Employee compensation

A. Bonuses

The Company reports a liability and an expense for bonuses based on goal fulfillment with regard to achieved sales, earnings trends, and achieved market objectives.

B. Pension commitments

The Company only has defined contribution pension plans, which are expensed as needed. The Company has no obligation after the pension premium is paid.

C. Share-related benefits

The Group has share-related compensation plans in which payment is made with shares. The fair value of the service that entitles employees to allocation of options is expensed. The total amount to be expensed during the vesting period is based on the fair value of the allocated options, excluding potential impact from non-market-related terms for vesting, e.g., profitability and objectives for sales increases. Non-market-related terms for vesting are observed in the assumption about how many options are expected to be redeemable. Every reporting date, the Company revises its assessments of how many shares are expected to be redeemable. The revision's potential impact on the original assessments is reported in the income statement divided over the remainder of the vesting period, and corresponding adjustments are made in equity.

D. Compensation on termination

Compensation on termination is paid when an employee's employment is terminated prior to normal retirement age or when an employee voluntarily resigns from employment in exchange for such compensation. The Group reports severance pay when it is

demonstrably obliged either to terminate employees according to a formal detailed plan without the possibility of revocation or to provide compensation upon termination resulting from offers made to encourage voluntary resignation from employment.

2.15 Provisions

Provisions are made when a legal or informal obligation arises as a result of past events. It is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. The Company makes provisions for warranty costs that will probably arise. The product warranty provision is based on historical outcomes and is placed in relation to the Company's sales. If there are several similar commitments, it is likely that an outflow of resources will probably be required upon settlement for this entire group of commitments. A provision is reported, although the probability of an outflow is small.

2.16 Revenue recognition

Revenues include the fair value of goods and services sold excluding value added tax and discounts, and in the Group after elimination of intra-Group sales. Revenues are recognized as follows:

A. Sales of goods

Revenues mainly consist of hardware sales. The revenues pertain entirely to the parent company and are reported on delivery when risk and ownership rights transfer to the buyer. In cases where the sale involves significant installation or integration as well as final acceptance from the customer, revenues are recognized upon acceptance.

B. Revenue from licenses, support, and services

Support agreements are recognized as revenue on a straight-line basis over the term of the contract.

2.17 Leasing

A lease for which a significant part of the risks and benefits of ownership is retained by the lessor is classified as an operating lease. Payments made during the lease term are expensed straight-line in the income statement over the lease term. When assets are leased out as an operating lease, the asset is reported on the balance sheet in the relevant asset class. Lease income is recognized on a straight-line basis over the term of the lease.

2.18 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries and associates operate and generate taxable income.

Deferred income tax is recognized using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amount in the consolidated financial statement. Deferred income tax is determined using tax rates (and laws) that were enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available, against which the temporary differences can be applied.

Deferred income tax and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on net basis.

2.19 Cash flow statement

The cash flow statement is prepared according to the indirect method. The reported cash flow only includes transactions involving deposits or payments. Cash and bank balances are classified as liquid assets, as are short-term financial investments, which are only exposed to an insignificant risk of value fluctuation and:

- are traded on the open market for known amounts, OR
- have a remaining duration of less than one month from their purchase date.

2.20 Accounting policies – parent company

The parent company's annual report was prepared in accordance with RFR 2.3 and the Annual Accounts Act. The parent company follows the Group policies stated above with exceptions as stated below. These policies were applied consistently for all years represented unless otherwise stated.

Segment reporting

Net sales are reported by geographic market.



Reporting format

The income statement and balance sheet are formatted according to the Annual Accounts Act.

Leasing

All leasing agreements, whether financial or operating leases, are recognized as operating leases in the parent company.

Shares and participations in subsidiaries

Shares and participations in subsidiaries are reported at historical cost after deduction for possible impairments. If there is an indication that the shares or participations have lost value, the recoverable value is calculated, and if it is below historical cost, the impairment is taken.

Group contributions and shareholder contributions

The Company reports shareholder contributions as an increase in the value of shares and participations. Shares and participations are then tested for impairment. Group contributions are recognized based on economic substance; in other words, directly against profit/loss brought forward after deduction for the current tax effect. Group contributions received that are equivalent to dividends are recognized as dividends from Group companies in the income statement. A Group contribution that is equivalent to a shareholders' contribution is reported, taking into account the current tax effect, according to the principle for shareholder contributions stated above.

Note 3 Financial risks

Net Insight is exposed to a variety of financial risks: market risk (including currency risk, fair value interest risk, cash flow interest risk, and price risk), credit risk, and liquidity risk. The foreign currency risk dominates and the Board assesses that Net Insight is primarily exposed to the following financial risks:

3.1 Currency risk

Currency risk is defined as the risk of a decreasing result and/or cash due to changes in exchange rates. Net Insight has a strong international character with most of its sales in EUR and USD. Components are mainly purchased in Swedish kronor (SEK) but are linked to USD through currency clauses that are regularly adjusted. Currency risks are managed according to the finance policy established by the Board. The risk of transaction exposure is managed by regularly updating the price lists in EUR and USD, matching ingoing and outgoing in the same currency, and hedging larger contracts in foreign currency. At year end December 31, 2012, Net Insight had forward exchange agreements of USD 2.1 million (0.9) and EUR 1.3 million (1.3).

If the SEK had strengthened/weakened by 5% against the EUR, all other variables remaining constant, 2012 revenue would have been SEK 8.3 million lower/higher. The exposure against the EUR decreased in 2012 because the EUR represented a low portion of net sales than in 2011. If the SEK had strengthened/weakened by 5% against the USD, all other variables remaining constant, 2012 revenues would have been SEK 5.2 million lower/higher. The exposure against the USD increased in 2012 because the USD represented a larger portion of net sales than in 2011.

3.2 Liquidity risk

Liquidity risk means that Net Insight cannot sell a financial instrument at market price or only with unnecessarily increased costs. Net Insight's policy is to only invest liquid assets in banks or financial institutions with a credit rating of at least P1 or A+ (Moody's or equivalent). Liquidity may not be invested for more than 12 months, and the investment terms must at all times reflect the capital needs of the Company. All reported accounts payables are due within one year and show the undiscounted amount.

3.3 Capital risk

The Group's capital structure objectives are to secure continuous operations, generate returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to keep capital down. The purpose of this is to maintain or adjust the capital structure, repay capital to shareholders, issue new shares, or sell assets to reduce liabilities. The Group's target is for its equity ratio to be at least 65%.

3.4 Interest risk

Interest risk is the risk that the value of a financial instrument varies due to changes in market rates. Net Insight's interest risk is low because the need for external financing has been limited. The Company's advance on receivables was not utilized in 2012 or 2011. Cash and cash equivalents are from time to time invested with a fixed interest period from two weeks up to six months.

3.5 Credit risk

Credit risk means that a party in a transaction with a financial instrument cannot fulfill its commitment. The Company's customers are generally large, well-established companies with strong payment capacity, distributed over several geographic markets. There is no significant concentration of credit risks either geographically or to a particular customer segment. To limit the risks of potential credit losses, the Company's credit policy includes guidelines and regulations for new customers, terms of payment, and procedures for handling unpaid claims.

Note 4 Critical accounting estimates and judgments

Estimates and judgments are evaluated on an ongoing basis, based on historical experience and other factors, including expectations of future events that are considered reasonable under the prevailing circumstances.

The Group makes estimates and assumptions about the future, but the resulting accounting estimates seldom equal the related actual result. The estimates and assumptions that entail a significant risk of material adjustments in carrying amounts for assets and liabilities during the next fiscal year are discussed below.

A. Assessment of impairment requirements for goodwill

The Group assesses if any impairment requirements exist for goodwill on an annual basis in accordance with the accounting principle described in clause 2.7. The recoverable amount for the Company's cash-generating unit was established by calculating its value in use. For these calculations, certain estimates must be made (Note 17).

B. Assessment of impairment requirements for capitalized development expenditures

Costs arising in development projects are reported as intangible fixed assets when it is probable that the project will be successful in terms of its commercial and technical potential and when the costs can be measured reliably. At each reporting period, the Company assesses if any impairment requirements exist within capitalized development expenditures. This means that a complete review of these products is performed with regard to economic life and the products' profitability. The products' estimated technical useful life for accounting purposes are five years.

C. Deferred tax

Deferred tax asset pertaining to loss carry-forwards are recognized to the extent that it is probable that future taxable profit will be available against which unused tax losses can be applied. In 2012, Net Insight capitalized an additional SEK 14,4 million (14.9) in deferred tax assets. The capitalization is based on the previous year's earnings along with an expected positive long-term earnings trend.

Note 5 Net sales and segment information

Management determined the operating segments based on reports reviewed by the CEO, who makes strategic decisions. The CEO reviews the business from the EMEA, Americas, and APAC geographic perspectives. The operating segments are measured in terms of regional contribution defined as gross earnings less marketing expenses. In the regional contribution report, centralized marketing and sales expenses are allocated based on net sales. There has been no transaction between the segments and the segment report to the CEO does not contain any information regarding assets and liabilities. The segment information provided to the CEO for the year ended December 31, 2012, is as follows:

Segment Report

SEK million	2012				2011			
	EMEA	APAC	AM	Total	EMEA	APAC	AM	Total
Net Sales	180	45	55	280	204	21	69	294
Regional Contribution	43	3	13	59	68	-1	22	90
Regional Contribution, %	24%	7%	24%	21%	33%	-6%	31%	31%

Net sales are reported by product group, but do not qualify as a reportable operating segment (IFRS 8), as no other measurements are reported.

Net Sales per Product Group

SEK thousand	2012	2011
Hardware	197 828	215 282
Software licenses	30 324	28 549
Support and services	49 917	47 395
Other revenue	2 222	3 298
Total	280 291	294 524

All invoicing is done from the parent company, where all revenues are reported. The following indicates the distribution of net sales:

Net Sales, Group

SEK thousand	2012	2011
Sweden	18 234	18 516
EMEA excl Sweden	162 556	185 225
Americas	55 275	69 325
APAC	44 226	21 458
Total	280 291	294 524

Net Sales, Parent Company

SEK thousand	2012	2011
Sweden	110 608	105 202
EMEA excl Sweden	162 526	185 226
Americas	55 275	69 325
APAC	44 226	21 458
Total	372 665	381 211

No revenue from a single customer exceeds 10% of total revenue.

Internal invoicing for services received in the form of further development of products and for administrative services to the subsidiary by the parent company has occurred since 2004. The subsidiary invoices the parent company monthly for a license fee for using intellectual property rights. During the year, invoices to the subsidiary amounted to SEK 92 374 thousand (86 686). This invoicing pertains to further development of products licensed to the parent company and administrative costs incurred by Net Insight AB on the partnership's behalf.

Internal transactions

SEK thousand	2012	2011
Sales to NIIP HB	0	0
Sales to Q2 Labs	441	441
Sales to NIIP AB	91 933	86 245
Purchases from NIIP HB	0	0
Purchases from NIIP AB	73 807	76 592
Net Insight Inc	10 813	9 513

Note 6 Exchange rate differences

Operating exchange rate gains and losses are included in operating earnings.

Operating exchange rate differences, SEK thousand	Group		Parent Company	
	2012	2011	2012	2011
Exchange rate gains	17 930	17 908	17 930	17 908
Exchange rate losses	16 385	15 878	16 385	15 878
Net exchange rate differences	1 545	2 030	1 545	2 030

Hedge accounting is not applied; instead, the total effect of rate fluctuations is reported directly in the income statement.

Note 7 Employees

Average number of employees, salaries, other benefits, and social security contributions.

	2012		2011	
	Average number of employees	Of which men	Average number of employees	Of which men
Group (incl subsidiaries)				
Sweden	146	88%	132	86%
Singapore	4	100%	5	100%
USA	5	100%	5	100%
Parent Company				
Sweden	146	0%	128	86%
Singapore	4	100%	5	100%

At year-end, Net Insight had 156 (150) employees. The parent company Net Insight AB had 146 (140) employees, Net Insight Intellectual Property AB 5 (5) employees and the U.S. subsidiary Net Insight Inc had 5 (5) employees. Absence due to sick leave amounted to 1.7% (3.2) of total ordinary work hours in the Company. Of absences due to sick leave, 0.3% (1.4) was consecutive absences of more than 60 days, i.e., sick leave absences excluding long-term absences amounted to 1.4% (1.8). Women's absences amounted to 0.6% (0.8) of total work hours in the Company. In the 30–49 age group, sick leave was 1.5% (2.9) of total ordinary work hours, while in the 50–65 age group sick leave was 0.2% (0.1). The other age groups include fewer than 10 people, which is why they are not reported separately.

Number of directors and executive management

	December 31, 2012	Of which men	December 31, 2011	Of which men
Group (incl subsidiary)				
Board members	10	90%	10	90%
Chief Executive Officer and other senior executives	8	75%	8	75%
Parent Company				
Board members	7	86%	7	86%
Chief Executive Officer and other senior executives	8	75%	8	75%

Compensation and other benefits

Board of Directors Fee, SEK thousand	2012	2011
Lars Berg (Chairman)	400	400
Clifford H. Friedman	175	175
Bernt Magnusson	175	175
Gunilla Fransson	175	175
Arne Wessberg	175	175
Anders Harrysson	175	175
Summa	1 275	1 275

The amounts refer to fees for the parent company as approved at the 2012 (2011) Annual General Meeting (AGM).
Some of the Board members have invoiced their director's fees to the company. This has been cost neutral to the company.

GROUP

Distributed among the CEO, VP, other senior executives, and other employees (Approved compensation excluding pension costs and share-related compensation in accordance with IFRS 2).

2012

SEK thousand	Salary	Variable compensation	Other benefits	Pension expense	Share-based compensation	Total
Fredrik Trägårdh (CEO)	2 350	470	0	1 560	17	4 397
Anders Persson (Executive Vice President)	1 635	196	0	440	16	2 287
Other senior executives (5)	4 461	1 403	0	1 065	38	6 967
Other employees	84 561	9 240	673	12 478	154	107 106
Total	93 007	11 309	673	15 543	225	120 757

In 2012 the Board decided that SEK 955 080, constituting a catch up for the years 2002-2005 to fulfill the agreed pension premium, shall be paid as an extra premium to the CEO's pension plan. The amount is included in the CEO's pension expense above.

2011

SEK thousand	Salary	Variable compensation	Other benefits	Pension expense	Share-based compensation	Total
Fredrik Trägårdh (CEO)	1 750	875	0	605	83	3 313
Anders Persson (Executive Vice President)	1 500	385	0	412	75	2 372
Other senior executives (5)	3 820	1 679	0	1 002	224	6 725
Other employees	74 018	11 536	568	11 779	693	98 594
Total	81 088	14 475	568	13 798	1 075	111 004

Other benefits refer to health insurance.

2012

SEK thousand	Salary	Variable compensation	Other benefits	Pension expense	Share-based compensation	Social expense	Total
Sweden	88 205	9 808	0	15 543	225	32 728	146 509
USA	4 802	1 501	673	0	0	475	7 451

2011

SEK thousand	Salary	Variable compensation	Other benefits	Pension expense	Share-based compensation	Social expense	Total
Sweden	77 032	13 030	0	13 798	1 075	29 511	134 446
USA	4 056	1 445	568	0	0	692	6 761

Other benefits refer to health insurance.

For 2012, the senior executives' terms and compensation and general compensation principles did not deviate from that which was approved at the 2012 AGM. These principles are valid until the 2013 AGM, where there will be a proposal to extend current guidelines.

The senior executives terms and remunerations and general principles for remuneration

The company offers salaries and remunerations in line with market practice, as confirmed by external compensation database, based on a fixed and a variable component. Remuneration to the CEO and senior executives consist of base salary, variable remuneration, employee stock options and pension benefits. "Senior executives" refers to the CEO and the other members of the management team, which in addition to the CEO, consists of seven persons. The division between fixed and variable remuneration is in proportion to the respective manager's responsibility and authority. The variable remuneration is based on a combination of revenue, results and activity targets.

For the CEO the annual variable remuneration is capped at 100 per cent and for other senior executives, not including the global head of sales, at 30-60 per cent of the base salary. 70 per cent of the variable remuneration is based on measurable financial targets. For the global head of sales applies a compensation model where the variable remuneration is 100% based on net sales.

For certain senior executives, up to half of the outcome of the variable compensation, which is earned in 2012, 2013 and 2014, is put in escrow and paid out in April 2015. A multiplier is applied to the accumulated amount in escrow. The multiplier depends on the fulfillment of strategic objectives set by the board.

Almost the entire personnel have some kind of variable remuneration and all personnel are offered to participate in employee stock option plans, assuming that they are employed when the program is launched.

Reservation of all variable remuneration as well as social charges is made in the accounts.

Pension liability

The company's pension liability towards the CEO amounts to 35 per cent of the fixed annual salary, excluding variable remuneration. Towards the other group managers the pension liability amounts to between 20 to 30 per cent of the annual salary. All contributions to pension plans are defined.

Redundancy payment

The company and the CEO have a reciprocal notice period of six months. Upon termination by the company, a redundancy payment corresponding to 18 monthly salaries is obtained. Any salary or other remuneration that the CEO obtains from employment or other business conducted under the 18 months period following the termination is set off against the redundancy payment. Upon termination by the company, the deputy-CEO obtains a redundancy payment of 3 monthly salaries. Any salary or other remuneration that the deputy-CEO obtains from employment or other business conducted under the 3 months period following the termination is set off against the redundancy payment. The company and the other group managers have a reciprocal notice period of 3-6 month.

The board shall have the right to deviate from these guidelines if special reasons exist.

Financial instruments

On December 31, 2012, the CEO had 485 000 employee stock options, the Executive Vice President had 435 000 employee stock options, and the other senior executives had 1 060 000 employee stock options.

	Employee Stock Options 2009
CEO	
Beginning balance	485 000
Change for the year	0
Ending balance	485 000
Value	858 450
VP	
Beginning balance	435 000
Change for the year	0
Ending balance	435 000
Value	769 950
Other senior executives	
Beginning balance	1 060 000
Change for the year	0
Ending balance	1 060 000
Value	1 876 200

Value in the table above refers to the estimated market value at the grant date of the 2009 stock option plan. The market value was calculated using the Black & Scholes valuation model. Based on an analysis of the historical volatility of the Company's share price, the expected volatility is estimated to be 50% for 2009. However, the disposition restrictions that apply to employee stock options have a value-reducing effect that is calculated based on anticipated employee turnover and the probability of redemption of the instruments before their expiration dates. The value-reducing effect is estimated at 30% (2009) compared to the estimated value of the employee option in accordance with the Black & Scholes valuation model. Possible future dividends were not taken into account. The value per employee stock option as of the grant date was calculated as SEK 1.77 (2009). The Group has no legal or constructive obligation to repurchase or settle the options in cash. A no risk interest of 2.0% is used in the model. 2009 stock option plan has a duration of four years. The cost for 2012 fiscal year for 2009 stock option plans was SEK 225 thousand (1 075).

Preparatory and decision-making process

Compensation to the CEO for the 2012 fiscal year was approved by the Board of Directors. Compensation to other senior executives was approved by the Remuneration Committee after consultation with the CEO.

Related party transactions

Related party transactions were only carried out with subsidiaries during 2012, as specified in Note 5.

Employee stock option programs

The AGM approved employee stock option programs for 2009. The 2009 AGM resolved to issue employee stock options that allow all employees in the Group to acquire Class B shares with a grant date of May 28, 2009. The vesting schedule is such that one-third is vested one year after the grant date and an additional third at each of the following anniversary dates. There are three operational hurdles for the 2009 employee stock option program. The allocation of employee stock option depends on the result of these operational hurdles. For full allocation all three operational hurdles need to be met. The three operational hurdles are 1) Availability of IP-trunk for N680 at a certain time, 2) At least five customers having deployed the IP-trunk at a certain time, 3) The card to be used for JPEG2000 compression available at a certain time. All three operational hurdles have been met. Upon termination of employment, employee stock options normally expire if they can no longer be utilized. Employee stock options are allocated without fees and may not be transferred. Terms, redemption prices, and number of allocated and outstanding options are listed below. The employee stock option program is intended to be an incentive for Group employees, thereby contributing to the Group's continued development.

Employee stock option plan 2007

Maturity date April 26, 2011	2012	2011
As of January 1	0	6 426 667
Allocated	0	0
Forfeited	0	0
Utilized	0	0
Expired	0	-6 426 667
As of December 31	0	0
Possible to exercise	0	0
Total number of options	0	0
Redemption price	0,00	0,00
Number of shares per option	0,00	0,00

Employee stock option plan 2009

Maturity date May 28, 2013	2012	2011
As of January 1	6 246 666	6 253 333
Allocated	0	0
Forfeited	0	-6 667
Utilized	0	0
Expired	0	0
As of December 31	6 246 666	6 246 666
Possible to exercise	6 246 666	4 164 444
Total number of options	8 500 000	8 500 000
Redemption price	5.70	5.70
Number of shares per option	1.00	1.00

In 2012 or 2011, no employee stock options were exercised.

Social security contributions

Net Insight Consulting AB, a wholly owned subsidiary, holds 2 000 000 warrants that may be used to avoid any potential impact on cash flow from social security contributions that may arise from both employee stock option programs. In the event of full utilization of all outstanding subscription options issued in conjunction with the employee stock option programs, dilution is calculated to be approximately 1.6 percent of the total number of shares and approximately 1.6 percent of the total number of votes in the Company. Dilution effects were calculated by dividing the total number of exercisable shares/votes from employee stock option programs by the total number of shares/votes after the warrants are exercised.

Note 8 Development expenses

Development expenses primarily consist of salaries, product development, components, patent applications, licenses, and other development-related expenses.

Note 9 Depreciation and amortization of tangible and intangible fixed assets

Depreciation, SEK thousand	Group		Parent Company	
	Dec 31, 2012	Dec 31, 2011	Dec 31, 2012	Dec 31, 2011
Capitalized development expenditures	39 209	27 511	-47 215	27 511
Other intangible assets	655	722	655	722
Equipment for leasing	0	0	0	0
Equipment	1 908	1 223	1 908	1 223
Total	41 772	25 165	-44 652	29 456

Note 10 Operating leases

The nominal value of future leasing fees (including rent for premises) for non-terminable leases is distributed as follows:

SEK thousand	Group	Parent Company
2013	6 866	6 866
2014	5 798	5 798
2015	0	0
2016	0	0
2017	0	0
Total	12 664	12 664

Leasing costs for the year totaled SEK 6 290 thousand (6 329) for both the Group and Parent company. No single contract has a term of three years or more except for the lease for the Company's premises, which was extended in 2009 and has a tenure of 60 months.

Note 11 Expenses by nature

SEK thousand	Group		Parent Company	
	2012	2011	2012	2011
Goods of resale:				
Cost of sales	73 747	84 841	147 609	160 186
Amortization of capitalized R&D expenditures	39 209	27 511	-47 215	27 511
Expense type:				
Salary and salary related expenses	155 364	142 089	141 414	129 650
Sales and marketing expenses	14 795	10 468	20 367	20 531
Travel and entertainment expenses	10 369	9 417	8 425	7 491
Office expenses	11 975	12 275	11 486	11 720
Other administrative expenses	2 074	1 538	1 850	1 440
External services	11 598	11 351	11 271	11 052
Development expenses, gross	19 446	15 130	19 446	15 130
Capitalization	-63 490	-64 783	111 281	-64 783
Amortization and depreciation excluding capitalized R&D expenditures	2 481	1 863	2 481	1 863
Total expenses	277 568	251 700	428 415	321 791

Note 12 Fees and remunerations

Audit services and other tasks, SEK thousand	Group		Parent Company	
	2012	2011	2012	2011
PwC				
Audit engagement	310	355	310	355
Audit business in addition to audit engagement	50	94	50	94
Tax consultancy	63	0	63	0
Other tasks	168	0	168	0
Total	591	449	591	449

Note 13 Financial income and costs

SEK thousand	Group		Parent Company	
	2012	2011	2012	2011
Financial income				
Interest income	3 313	3 930	2 171	2 557
Exchange rate differences	425	19	425	19
Exchange rate differences on current receivables	0	427	0	427
Financial income	3 738	4 376	2 596	3 003
Financial costs				
Interest expenses	-189	-129	-191	-129
Exchange rate differences on current receivables	-1 176	0	-1 176	0
Impairment of shares in group company	0	0	0	-138 613
Financial expenses	-1 365	-129	-1 367	-138 742
Net financial income/costs	2 373	4 247	1 229	-135 739

Note 14 Income tax expense

Group, SEK thousand	Group		Parent Company	
	2012	2011	2012	2011
Current tax:				
Current tax on profits for the year	0	-23 325	0	-23 325
Tax on acquisition of sub-group	0	0	0	0
Total current tax	0	-23 325	0	-23 325
Deferred tax (note 15):				
Loss carry-forward	6 788	26 182	9 195	21 989
Total deferred tax	6 788	26 182	9 195	21 989
Income tax expense	6 788	2 857	9 195	-1 336

Difference between reported tax expense and tax expense based on applicable tax rate, SEK thousand	Group		Parent Company	
	2012	2011	2012	2011
Reported net income before tax	5 096	47 071	-54 521	-76 319
Tax according to current tax rate	-1 340	-12 380	14 339	20 072
Effect of foregin tax rates	0	114	0	0
Tax effect from non-deductible expenses and non-taxable revenue	17	-183	19	-43 397
Effect of change in tax rate	-7 568	0	-5 163	0
Non-reported effect of loss carry-forwards	15 679	15 306	0	21 989
Tax on profit/loss for the year as per the income statement	6 788	2 857	9 195	-1 336

Note 15 Deferred tax assets

Deferred tax assets on tax deficits

SEK thousand	Group		Parent Company	
	2012	2011	2012	2011
Opening balance	31 932	29 075	17 109	25 580
Charged directly to equity	0	0	0	-7 135
Recognized in the income statement	6 788	2 857	9 195	-1 336
Closing balance	38 719	31 932	26 304	17 109

Deferred tax assets pertaining to loss carry-forwards are recognized to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be applied. Net Insight capitalized SEK 14 358 thousand (14 855) in deferred tax assets. The capitalization is based on the previous year's earnings along with an expected positive long-term earnings trend. Net Insight AB holds the absolute majority of the loss carry-forwards, which are Swedish loss carry-forwards of unlimited duration.

Loss carry forward for which deferred tax assets are not reported

SEK thousand	Group		Parent Company	
	2012	2011	2012	2011
Loss carry-forward	210 806	74 555	119 649	65 057

Note 16 Earnings per share

Earnings per share were calculated by dividing profit for the year with the weighted number of registered shares.

	2012	2011
Profit for the year attributable to Parent Company shareholders, SEK thousand	11 884	49 928
Average number of shares	389 933 009	389 933 009
Earnings per share before dilution, SEK	0.03	0.13

In the calculation of diluted earnings per share, the registered number of shares is adjusted for the warrants that could have been converted. The fair value was calculated as the average value of the share, which was SEK 1.84 for 2012. A dilutive effect arises if the present value of the warrants is less than the fair value of the share. In 2012, all employee stock options had a redemption price that was higher than this value, thereby giving no dilution.

	2012	2011
Profit for the year attributable to Parent Company shareholders, SEK thousand	11 884	49 928
Average number of shares	389 933 009	389 933 009
Earnings per share after dilution, SEK	0.03	0.13

Note 17 Intangible assets

SEK thousand	Group		Parent Company	
	Dec 31, 2012	Dec 31, 2011	Dec 31, 2012	Dec 31, 2011
Accumulated purchase costs at the beginning of the year	381 434	316 654	346 888	282 108
New purchases	68 154	66 006	2 375	66 006
Disposal	-2 210	-1 226	0	-1 226
Reclassification	0	0	-343 018	0
Total	447 378	381 434	6 245	346 888
Accumulated depreciation according to plan at beginning of year	-221 272	-192 897	-186 726	-158 351
Depreciation for the year	-40 496	-28 375	-1 287	-28 375
Reclassification	0	0	184 228	0
Total	-261 768	-221 272	-3 785	-186 726
Net book value according to plan by year end	185 610	160 162	2 460	160 162

Most depreciation pertaining to intangible fixed assets, both in the parent company and the Group, are included in Cost of goods sold.

As of January 1, 2012 capitalization of development expenditures occurs in Net Insight Intellectual Property AB.

Goodwill

SEK thousand	Group	
	2012-12-31	2011-12-31
Accumulated purchase costs at beginning of the year	4 354	4 354
Residual value according to plan by year-end	4 354	4 354

Assessment of impairment requirements for goodwill and capitalized assets

The acquisition of the Q2 Lab Group in March 2004 resulted in goodwill of SEK 4 354 thousand. The Group has only one cash-generating unit (CGU) within which goodwill is reported. The recoverable amount for the Group's CGU is established based on calculations of value in use. These calculations are based on estimated future cash flow based on financial forecasts approved by management that cover a four-year period. Cash flow beyond the four-year period is extrapolated with the help of an assessed growth rate. The terminal growth rate applied is 3%. The growth rate does not materially deviate from the long-term growth rate for the telecommunications market in which the CGU in question is active. The weighted average cost of capital (WACC) used is 8.5% before tax. It reflects the specific risks that apply to the segment in which the company has operations. A change in WACC of 3 percentage points does not give rise to any impairment requirements. A change in estimated EBITDA of 2 percentage points does not result in any impairment requirements. A change in estimated gross margins of 3 percentage points does not give rise to any impairment requirements. Based on this, no impairment of assets was deemed necessary.

Note 18 Tangible fixed assets

SEK thousand	Group		Parent Company	
	Dec 31, 2012	Dec 31, 2011	Dec 31, 2012	Dec 31, 2011
Accumulated purchase costs at beginning of the year	12 810	9 356	12 228	8 774
New purchases	2 138	3 454	2 138	3 454
Reclassifications	0	0	0	0
Total	14 948	12 810	14 366	12 228
Accumulated depreciation at beginning of the year	-8 735	-7 654	-8 153	-7 072
Depreciation for the year	-1 276	-1 081	-1 276	-1 081
Reclassifications	0	0	0	0
Total	-10 011	-8 735	-9 429	-8 153
Residual value according to plan by year-end	4 937	4 075	4 937	4 075
Depreciation included in Cost of Sales	0	0	0	0
Depreciation included development expense	-834	-788	-834	-788
Depreciation included in administrative expense	-442	-293	-442	-293
Total depreciation	-1 276	-1 081	-1 276	-1 081

Note 19 Deposits paid

The amount pertains to deposits in connection with the establishment of a sales office in Singapore.

Note 20 Inventories

SEK thousand	Group		Parent Company	
	Dec 31, 2012	Dec 31, 2011	Dec 31, 2012	Dec 31, 2011
Products in progress	700	1 400	700	1 400
Finished Goods	49 344	34 953	49 344	34 953
Total	50 044	36 353	50 044	36 353

The expensed inventories are included in the cost of goods sold item and amounts to SEK 65 184 thousand (75 910). Inventories valued at SEK 65 869 thousand (52 990) were impaired at an assessed net selling price of SEK 50 044 thousand (36 353). Impairment loss of inventories for the year amount to SEK 2 718 thousand (929) and is recorded in cost of goods sold.

Note 21 Accounts receivable and other receivables

SEK thousand	Group		Parent Company	
	Dec 31, 2012	Dec 31, 2011	Dec 31, 2012	Dec 31, 2011
Accounts receivable	95 599	133 185	95 599	133 185
Provision for impairment of receivables	-10 301	-9 289	-10 301	-9 289
Accounts receivable, net	85 298	123 896	85 298	123 896
Current receivables	5 301	5 049	6 095	6 991
Prepaid expenses and accrued income	6 819	6 464	6 745	6 399
Carrying amount of accounts receivable and other receivables	97 418	135 409	98 138	137 286

The Group reported SEK 2 801 (0 thousand) loss on accounts receivable in 2012. Below is an aging analysis of accounts receivables due and related reserves.

Invoices past due, SEK thousand	2012	2011
Less than 3 months	13 002	12 278
3-6 months	8 465	2 923
more than 6 months	15 718	10 121
Total	37 185	25 322

Change in provision for bad debts, SEK thousand	2012	2011
As of January 1	-9 289	-6 784
Unused amounts reversed	6 488	6 784
Used amount	2 801	0
Provision for bad debts	-10 301	-9 289
As of December 31	-10 301	-9 289

The Group's accounts receivable and other receivables in carrying amount by currency, SEK thousand	2012	2011
SEK	12 819	13 783
USD	34 168	34 916
EUR	49 493	86 222
SGD	376	170
AED	562	318
Total	97 418	135 409

These amounts were translated to SEK at the balance date rate. The Company has an agreement relating to loans on accounts receivable. The loan amount is 80% up to a maximum of EUR 5 370 569. At year-end, no loans had been taken out on accounts receivable.

Current receivables contain the following major items:

SEK thousand	Group		Parent Company	
	Dec 31, 2012	Dec 31, 2011	Dec 31, 2012	Dec 31, 2011
VAT claims	2 428	2 183	3 262	4 231
Other	2 873	2 866	2 833	2 760
Total	5 301	5 049	6 095	6 991

Accrued income and prepaid expenses include the following large items:

	Group		Parent Company	
	Dec 31, 2012	Dec 31, 2011	Dec 31, 2012	Dec 31, 2011
Rent for the first quarter of 2012 (2011)	1 890	1 483	1 890	1 483
Prepaid license-/service fees	1 136	1 703	1 136	1 703
Prepaid insurance	2 102	2 015	2 028	1 949
Prepaid exhibition	545	387	545	387
Accrued interest	0	0	0	0
Other items	1 146	876	1 146	877
Total	6 819	6 464	6 745	6 399

Note 22 Cash and cash equivalents

SEK thousand	Group		Parent Company	
	Dec 31, 2012	Dec 31, 2011	Dec 31, 2012	Dec 31, 2011
Cash and bank balances	185 855	196 210	144 332	123 670
Investments	0	0	0	0
Total cash equivalents	185 855	196 210	144 332	123 670
of which in blocked account	0	0	0	0

The average interest rate on investments during the year was 2.0 percent (2.2).

Note 23 Financial assets

SEK thousand	2012			2011		
	Fair value level	Book value	Fair value	Fair value level	Book value	Fair value
Accounts receivables	1	2 584	2 584	1	2 602	2 602
Derivatives	2	719	719	2	151	151
Cash and Cash equivalents	1	185 855	185 855	1	196 210	196 210
Accounts payables	1	20 145	20 145	1	26 130	26 130

1. Loans and receivables

2. Financial assets at fair value through profit and loss

Fair value on derivatives are based on inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly (Level 2).

Note 24 Shares in Group companies

Parent Company, SEK thousand	Proportion of equity %	Proportion of votes %	Number of shares	Book value	Shareholder's equity
Net Insight Inc, Domicile: Delaware USA	100	100	1 000	2 777	7 115
Net Insight Consulting AB, Corp. ID. No. 556583-7365, Domicile: Stockholm, Sweden	100	100	5 000	500	493
Q2 Labs AB, Corp. ID. No. 556640-8570, Domicile: Stockholm, Sweden	100	100	142 864	114 050	53 065
Ten Tech AB, Corp. ID. No. 556669-4559, Domicile: Stockholm, Sweden	100	100	1 000	100	95

Purchase costs, SEK thousand	Dec 31, 2012	Dec 31, 2011
Accumulated purchase costs at the beginning of the year	18 398	18 398
Addition	99 029	138 613
impairment	0	-138 613
Purchase cost of the period	0	0
Total share in Group companies	117 427	18 398

Note 25 Share capital

Share capital amounts to SEK 15 597 thousand distributed over 389 933 009 shares with a nominal value of SEK 0.04 per share. One A-series share entitles the holder to ten (10) votes and one B-series share entitles the holder to one (1) vote. Distribution of the different classes of shares is as follows:

	Number of shares		Options	
	Dec 31, 2012	Dec 31, 2011	Dec 31, 2012	Dec 31, 2011
Unrestricted A-shares	1 150 000	1 150 000		
Unrestricted B-shares	388 783 009	388 783 009		
Warrants 2007/2011			0	0
Warrants 2009/2013			8 500 000	8 500 000
Total	389 933 009	389 933 009	8 500 000	8 500 000

Note 26 Other provisions

Group, SEK thousand	Short-term provisions		Long-term provisions		Total
	Warranty provision	Other provisions	Warranty provision	Cash incentive program provision	
As of 1 Jan 2011					
Opening balance	7 042	1 725	2 420	2 582	13 769
- additional provisions	757	0	757	1 484	2 998
- used amounts	-2 258	-1 723	0	-1 978	-5 959
- reversed unused amounts	-1 506	336	221	-2 088	-3 037
As of 31 dec 2011	4 035	338	3 398	0	7 771
As of 1 Jan 2012					
Opening balance	4 035	338	3 398	0	7 771
- additional provisions	0	0	0	1 802	1 802
- used amounts	-103	-4 508	0	0	-4 581
- reversed unused amounts	-1 214	4 578	-881	-707	1 746
As of 31 dec 2012	2 718	408	2 517	1 095	6 738

Parent Company, SEK thousand	Short-term provisions		Long-term provisions		Total
	Warranty provision	Other provisions	Warranty provision	Cash incentive program provision	
As of 1 Jan 2011					
Opening balance	7 042	1 725	2 420	2 090	13 277
- additional provisions	757	0	757	1 219	2 733
- used amounts	-2 258	-1 723	0	-1 978	-5 959
- reversed unused amounts	-1 506	336	221	-1 331	-2 280
As of 31 dec 2011	4 035	338	3 398	0	7 771
As of 1 Jan 2012					
Opening balance	4 035	338	3 398	0	7 771
- additional provisions	0	0	0	1 523	1 523
- used amounts	-103	-4 508	0	0	-4 581
- reversed unused amounts	-1 214	4 578	-881	-607	1 846
As of 31 dec 2012	2 718	408	2 517	916	6 559

Product warranty provisions were made to cover any anticipated expenses that may arise from business transactions that are carried out. Provisions for the cash incentive program were made to cover probable future compensation.

Note 27 Other liabilities

SEK thousand	Group		Parent Company	
	Dec 31, 2012	Dec 31, 2011	Dec 31, 2012	Dec 31, 2011
Prepayment from customer	24	731	24	731
Prepaid extended warranty, short-term	0	0	0	0
Special employer's contribution	622	687	487	559
Tax at source	2 497	2 692	2 382	2 531
Other current liabilities	3 451	7 167	3 451	7 167
Total current liabilities	6 594	11 277	6 344	10 988

Note 28 Accrued expenses

SEK thousand	Group		Parent Company	
	Dec 31, 2012	Dec 31, 2011	Dec 31, 2012	Dec 31, 2011
Vacation pay liability	7 738	6 717	7 172	5 989
Social security contribution	5 606	6 408	5 363	6 005
Accrued bonus	8 812	12 089	7 898	10 361
Prepaid revenue from customer	4 494	2 815	4 494	2 815
Other	3 613	3 969	3 414	3 877
Total accrued expenses	30 263	31 998	28 341	29 047

Note 29 Items not affecting liquidity

SEK thousand	Group		Parent Company	
	2012	2011	2012	2011
Translation difference	-420	140	0	0
Provisions	216	-2 002	-35	-3 783
Adjustments - employee stock options	225	1 076	225	1 076
Disposal	2 211	1 226	0	1 226
Impairment	0	0	0	138 614
Other items	0	0	64 089	0
Total	2 232	440	64 279	137 133

Note 30 Pledged assets

The amount pertains to blocked bank balances of SEK 0 thousand (0).

Note 31 Cash flow statement

Liquid assets at the beginning of the year and at the end of the year are related to bank balances for both years. Of the total liquid assets in the Group in 2012, SEK 779 thousand (7 780) pertain to liquid assets in the Net Insight Inc. subsidiary.

Note 32 Operating leases

Operating leases in which a Group company is the lessor. Future minimum lease fees that refer to non-cancelable operating leases are as follows:

SEK thousand	2012	2011
Within 1 year	0	0
Between 1-5 years	0	0
Total	0	0

Note 33 Significant events after the period

There have been no significant events between end of reporting period of 31 December 2012 and the publication deadline of this annual report.

The Board of Directors and Chief Executive Officer declare that the Annual Report has been prepared in accordance with generally accepted accounting principles, that the consolidated financial statements have been prepared in accordance with the international financial reporting standards referred to in European Parliament and Council of Europe Regulation (EC) No. 1606/2002 of 19 July 2002, on application of international financial reporting standards, that disclosures herein give a true and fair view of the Parent Company's and Group's financial position and results of operations, and that the statutory Board of Directors' Report provides a fair review of the Parent Company's and Group's operations, financial position and results of operations and describes material risks and uncertainties facing the Parent Company and the companies included in the Group.

The income statement and balance sheet will be submitted to the Annual General Meeting on April 25 for adoption.

Stockholm February 14, 2013.

Lars Berg
Chairman

Clifford H Friedman
Board member

Bernt Magnusson
Board member

Anders Harrysson
Board member

Gunilla Fransson
Board member

Arne Wessberg
Board member

Fredrik Trägårdh
Chief Executive Officer

Our auditors' report was submitted on March 6, 2013.
Öhrlings PricewaterhouseCoopers AB

Sten Håkansson
Authorized Accountant

Auditors' report

To the annual meeting of the shareholders of Net Insight AB (publ),
Corporate identity number 556533-4397

Report on the annual accounts and consolidated accounts

We have audited the annual accounts and consolidated accounts of Net Insight AB (publ), for the year 2012. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 23–61.

Responsibilities of the Board of Directors and the Managing Director for the annual accounts and consolidated accounts

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts and consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2012 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2012 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. A corporate governance statement has been prepared. The statutory administration report and the corporate governance statement are consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the group.

Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Net Insight AB (publ) for the year 2012.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act.

Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinions

We recommend to the annual meeting of shareholders that the loss be dealt with in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Stockholm 6th of March 2013

Öhrlings PricewaterhouseCoopers AB

Sten Håkansson

Authorized Accountant

Board of Directors



Lars Berg

Chairman of the Board

Born in 1947.

Bachelor of Business Administration. Chairman of the Board since 2001 (board member since 2000).

Main assignment: European Operating Partner, Constellation Growth Capital, New York. Other significant Board assignments: Board member of Ratos, Tele2 and Norma Group (Frankfurt). Chairman of the Board of KPN/OnePhone (Düsseldorf). Previous positions include Member of Mannesmann's executive board with responsibility for the Telecom Division, President and CEO of Telia, and various executive positions within the Ericsson Group. Independent in relation to the Company. European Operating Partner, representing Constellation Growth Capital and dependent to the second largest shareholder.

Shareholdings in Net Insight: 1 008 332 Class B shares.

Presence at board meetings 2012: 5/5



Gunilla Fransson

Board member

Born in 1960.

Master and Tech.Lic in Nuclear Science. Board member since 2008.

Gunilla Fransson is Head of Business Area Saab Security and Defence Solutions and is Senior VP at Saab AB. Gunilla has over 20 years of experience from the telecommunications industry. She has held various leading positions within the Ericsson Group. She is a Board member of Swedish National Space Board in Sweden. Independent in relation to the Company and in relation to major shareholders of the Company.

Shareholdings in Net Insight: 4 000 Class B shares.

Presence at board meetings 2012: 5/5



Clifford H Friedman

Board member

Born in 1959.

Bachelor of Science in Electrical Engineering, Master of Science in Electro Physics and MBA in Finance and Investments. Board member since 2004.

Clifford H. Friedman is Managing Director for Highbridge Principal Strategies and Constellation Growth Capital. He has over 30 years of experience in finance and private equity, technology and media industries. Clifford is a Board member of Wasserman Media Group and Verance Corporation. Independent in relation to the Company. Dependent to the second largest shareholder Constellation Growth Capital.

Shareholdings in Net Insight: 0 shares.

Presence at board meetings 2012: 5/5



Anders Harrysson

Board member

Born in 1959.

Holds a Master of Science in Engineering Physics from Linköping Institute of Technology. Board member since 2011. Anders Harrysson was previously Chief Executive Officer of Birdstep Technology ASA. Anders Harrysson has more than 20 years of international experience from senior positions in the IT industry, including 14 years at IBM with several years at the European Headquarters in Paris and the group's headquarters in the United States. Between 1998 and 2010 he was Vice President at Sun Microsystems with responsibility for its activities in Northern Europe. Anders is a Board member of OP5 AB. Independent in relation to the Company and in relation to major shareholders of the Company.

Shareholdings in Net Insight: 8 000 shares.

Presence at board meetings 2012: 5/5



Bernt Magnusson

Board Member

Born in 1941.

Master of Arts (Politics). Board Member since 1997.

Bernt Magnusson is member of the Board of Kancera AB, Fareoffice AB, Coor Service Management AB, STC Interfinans and Pricer AB. Previous positions include Chairman of the Boards of Swedish Match, Nobel Industrier AB, Assi Domän AB, Skandia AB, NCC AB and CEO Nordstjernan AB. Independent in relation to the Company and in relation to major shareholders of the Company.

Shareholdings in Net Insight: Bernt Magnusson and wife, 1 232 947 Class B shares.

Presence at board meetings 2012: 5/5



Arne Wessberg

Board member

Born in 1943. Studies in Economics at Tammerfors University. Board member since 2008. Arne Wessberg is the Chairman of the Board of Digita Oy. Previous positions include the President of IIC (International Institute of Communications) and Chairman of the Board of PlusTv. Arne is also the Chairman of the board of Arcada University of Applied Sciences. He has a longstanding and solid experience from the media and communications industry. Between 2000 and 2006, Arne was President of the EBU (European Broadcasting Union) and during more than ten years he was Director General of YLE (the Finnish broadcasting company) in which he also started his career within the broadcasting industry in the beginning of the 1970s. During five years, until 2006, Arne also served on the Board of Directors of the Nokia Corporation. Independent in relation to the Company and in relation to major shareholders of the Company.

Shareholdings in Net Insight: 0 shares.

Presence at board meetings 2012: 5/5

**Fredrik Trägårdh**

Chief Executive Officer

Born: 1956.

Master of Business Administration. Board member since 2011.

Employed since 2002, then as the CFO. Took office as CEO in February 2006.

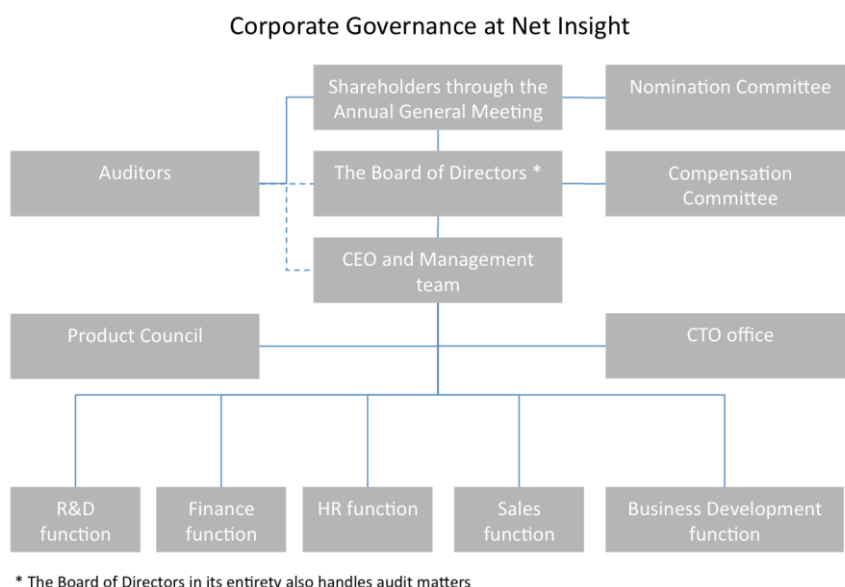
Fredrik Trägårdh previously worked at German DaimlerChrysler Rail Systems as senior vice President and Director of Group Finance. Fredrik has extensive international experience and has previously held management positions within ABB Financial Services. Fredrik is a board member in Intrum Justitia.

Shareholdings in Net Insight: 343 332 Class B shares,
485 000 employee stock options

Presence at board meeting 2012: 5/5

The Board's Corporate Governance Report

Net Insight AB (publ) is a public stock company domiciled in Stockholm. Net Insight's stock is listed on the Nasdaq OMX Nordic Exchange Stockholm. The basis for governance of the Company and Group includes its Articles of Association, the Swedish Companies Act and the regulations of the Nasdaq OMX Stockholm AB issuers' rules, including the Swedish Corporate Governance Code as of February 1, 2010.



Introduction

Net Insight follows the Swedish Code of Corporate Governance, deviating from the code in one respect:

Rule	Deviation	Explanation
2.4	The Nomination Committee includes two Board members who are dependent in relation to the largest shareholder	The Chairman of the Board is a member of the Nomination Committee due to his experience and many years with the Company. The fact that the largest owner is a member of the Nomination Committee as well as the Board of Directors is an expression of active ownership

The Articles of Association describe the business of the Company, its share capital, the number and types of shares, allocation of votes, the number of directors and auditors, notices of and matters to be dealt with at the Annual General Meeting, and the requirement that this meeting be held in Stockholm. During the period between the Annual General Meetings, Net Insight's Board of Directors is the highest decision-making body in the Company. The duties of the Board are regulated in the Companies Act and the Articles of Association. The current Articles of Association were adopted at the Annual General Meeting held on April 28, 2009. The Articles of Association are available in their entirety at www.netinsight.net.

Annual General Meeting

The Annual Shareholders' Meeting of Net Insight AB (publ) was held on April 26, 2012. The Company's Nomination Committee is responsible for proposing a chairman for the Annual General Meeting. Lars Berg was elected chairman of the meeting. The Annual General Meeting made the following decisions:

- Adoption of annual financial statements, appropriation of results and discharge from liability for board of directors and CEO.
- The number of board members should be seven.

- Lars Berg, Clifford H. Friedman, Bernt Magnusson, Gunilla Fransson, Arne Wessberg, Anders Harrysson and Fredrik Trägårdh were re-elected members of the board.
- Lars Berg was re-elected chairman of the board.
- ÖhrlingsPriceWaterhouseCoopers AB was re-elected as the company's auditors.
- The AGM decided that the remuneration to the board should amount to SEK 1 275 000 to be allocated with SEK 400 000 to the chairman of the board of directors and SEK 175 000 to each member of the board of directors who is not employed by the company. Remuneration to the auditor, ÖhrlingsPriceWaterhouseCoopers, will be on approved account.
- The AGM resolved to approve the proposed procedures for appointment of the nomination committee and the board of directors' proposal regarding guidelines for remuneration and other terms of employment for the group management.

The complete minutes of the Annual General Meeting, as well as the supporting documentation, is available at: www.netinsight.net/corporate_governance.asp

Nomination Committee

The Nomination Committee is responsible for submitting nominations for the chairman and other members of the Board, as well as fees and other compensation to each member for their Board duties. The Nomination Committee is also responsible for submitting proposals for the election of the auditor and auditors' fees. The members of the Nomination Committee should be appointed, or the method for appointing the members should be decided, at the Annual General Meeting. In accordance with the decision of the annual general meeting, Net Insight's Nomination Committee consists of the Chairman of the Board of Net Insight AB and the company's four largest shareholders as per the last banking day in August each year, who are then each entitled to appoint a member to the Nomination Committee. The composition of the Nomination Committee was published on October 5, 2012. Net Insight's nomination committee for the 2013 Annual General Meeting is as follows: Lars Bergkvist (Lannebo Fonder), Clifford H. Friedman (Constellation Growth Capital), Annika Andersson (Swedbank Robur fonder), Ramsay Brufer (Alecta) and Lars Berg (Chairman of the Board of Net Insight AB and European Venture Partner of Constellation Growth Capital). The Nomination Committee elected Lars Bergkvist as its chairman. The Nomination Committee has held five meetings in preparation for the 2013 Annual General Meeting. Net Insight deviates from the Swedish Corporate Governance Code concerning the composition of the Nomination Committee in that the two Board members who are also members of the Nomination Committee, are dependent in relation to the Company's largest shareholder.

Board of Directors

The Board administers the Company's affairs in the interests of the Company and all of its shareholders. The size and composition of the Board guarantees its ability to administer the Company's affairs effectively and with integrity. The Board's tasks include establishing business goals and strategies, deciding on acquisitions and divestitures, capitalization of the company, appointing, evaluating and determining the compensation of the CEO, ensuring that there are effective systems to monitor and control the Company's business, ensuring that the necessary ethical guidelines for the Company's conduct are established, and evaluating the Board's work. The Board's work plan is established annually at the Statutory Board Meeting or when necessary. In addition to the assignments mentioned above, the work plan stipulates items including Board meeting procedures, instructions for the Company's CEO, decision-making procedures within the Company, allocation of work, and the provision of information between the Company and the Board. The Board monitors the CEO's performance, including implementation of the Board's decisions and guidelines, and evaluates his efforts annually. The Board held five meetings during the year at which minutes were kept, not counting three per capsulam meetings. At these meetings, the Board considered standing agenda items for each Board meeting such as the state of the business, year-end and interim reports, budgets, etc. General issues such as the prevailing economic situation, long-term strategies, business plans and partners were also considered. At the Statutory Board Meeting, the Board considered and adopted the work plan for the Board and instructions for the CEO. Fees to the Board totaled SEK 1 275 thousand, of which SEK 400 thousand was paid to the Chairman of the Board and SEK 175 thousands each to the other Board members who is not employed by the company.

Independence of the Board

Six members of The Board occupy an independent position vis-à-vis the Company. One member is also the CEO of Net Insight. Five Board members are independent in relation to the company's principal owners. Two board members Lars Berg and Clifford H. Friedman, are dependent in relation to Constellation Growth Capital, the largest shareholder of Net Insight.

For information about the Board members and CEO, see page 64 - 66.

Compensation Committee

The Board's overall responsibility cannot be delegated, but it has instituted a compensation committee charged with preparing questions concerning salaries, compensation and other terms of employment for the CEO, as well as compensation programs of a broader nature, such as option programs, for final decision by the Board. The Compensation Committee resolves questions regarding salaries and compensation and other terms of employment for all direct reports to the CEO. The committee reports to the Board on a continuous basis. The compensation committee consists of Chairman of the Board Lars Berg and Board member Bernt Magnusson. During the year, the committee held two meetings at which minutes were kept, discussing the following matters: the CEO's variable compensation for 2011 to be decided by the Board; a decision on variable compensation for 2011 for the rest of the management team; the CEO's business goals for 2012 and compensation structure and the business goals for the rest of the management team.

Audit Process and Auditors

Net Insight's Board of Directors has chosen not to have a separate audit committee; instead, the Board handles audit matters in its entirety. The Board has chosen this approach since it is suitable as long as the company has a relatively uncomplicated business and audit structure. In consultation with the company's auditors, the Board has also proactively discussed new accounting recommendations that may affect future company accounting and reporting. Twice a year, after the third and fourth quarter closing of the books, the Group's auditors report their observations from their audit to the entire Board. These meetings also serve the purpose of keeping the board informed of the direction and scope of the audit, as well as discussing the coordination of the external audit, internal controls and the auditor's views of risks in the Company. During one of these meetings, the auditors present and discuss their views without the presence of Company management.

In addition to normal auditing functions, ÖhrlingsPriceWaterhouseCoopers also provides Net Insight with general accounting and tax advice. It is the responsibility of ÖhrlingsPriceWaterhouseCoopers to ensure its independence as auditors in its role as advisor. The legally mandated term of auditors is one year. The Company's auditor, ÖhrlingsPricewaterhouseCoopers AB, was re-elected at the 2012 Annual General Meeting for a term lasting until the 2013 annual meeting. Sten Håkansson was appointed the auditor in charge.

2012 Attendance

Attendance by each Board member is presented below.

Name	Presence at Board meetings	Compensation Committee
Lars Berg	5/5	2/2
Bernt Magnusson	5/5	2/2
Clifford H. Friedman	5/5	
Gunilla Fransson	5/5	
Arne Wessberg	5/5	
Anders Harrysson	5/5	
Fredrik Trägårdh	5/5	

Auditor's report on the Corporate Governance Statement

To the annual meeting of the shareholders of Net Insight AB (publ), corporate identity 556533-4397

It is the Board of Directors who is responsible for the Corporate Governance Statement for the year 2012 on pages 67-69 and that it has been prepared in accordance with the Annual Accounts Act.

We have read the corporate governance statement and based on that reading and our knowledge of the company and the group we believe that we have a sufficient basis for our opinions. This means that our statutory examination of the Corporate Governance Statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

In our opinion, the Corporate Governance Statement has been prepared and its statutory content is consistent with the annual accounts and the consolidated accounts.

Stockholm the 6th of March 2013
Öhrlings PricewaterhouseCoopers AB

Sten Håkansson
Authorized Accountant

Executive management



Fredrik Trägårdh

Chief Executive Officer

Born: 1956.

Master of Business Administration.

Employed since 2002, then as the CFO. Took office as CEO in February 2006. Fredrik Trägårdh previously worked at German DaimlerChrysler Rail Systems as senior vice President and Director of Group Finance. Fredrik has extensive international experience and has previously held management positions within ABB Financial Services. Fredrik is a board member in Intrum Justitia.

Shareholdings in Net Insight: 343 332 Class B shares, 485 000 employee stock options



Anders Persson

Executive Vice President and Director of Product Development

Born: 1957.

Master of Science in Engineering Physics.

Employed since 2000. Anders Persson has many years of experience with the Ericsson Group, where his latest position was General Manager for Network Design and Performance Improvement. In addition, Anders has held a number of other leading management positions at Ericsson.

Shareholdings in Net Insight: Anders Persson 220 000 Class B shares, 435 000 employee stock options



Thomas Bergström

Chief Financial Officer

Born: 1968

Master of Science in Business Administration.

Thomas Bergström became the CFO of Net Insight in August 2009. He has 17 years of experience from a broad variety of finance roles in an international environment primarily within the telecom sector. Thomas was most recently CFO at Aastra Telecom Sweden and has previously held various finance and management positions within the Ericsson group in Sweden and Australia.

Shareholdings in Net Insight: 20 000 Class B shares, 100 000 employee stock options



Per Lindgren

Chief Technical Officer and Vice President Corporate and Business Development (founder)

Born: 1967

PhD.

Employed since 1997. Per Lindgren has a Ph.D. in telecommunications and has previously served as an Assistant Professor at KTH (Royal Institute of Technology, Stockholm). Per is CEO of Net Insight Intellectual Property AB.

Shareholdings in Net Insight: 400 000 Class A shares, 2 000 000 Class B shares, 385 000 employee stock options

**Stig Stålnacke**

Senior Vice President and Global Head of Sales

Born: 1958

Master of Science in Engineering.

Stig Stålnacke was appointed Senior Vice President and Global Head of Sales in February 2009. Stig Stålnacke comes from a long career with Cisco where he held several senior positions within sales. Most recently Stig, as client director, was part of Cisco Sweden's management team with responsibility for large telecom customers.

Shareholdings in Net Insight: 250 000 employee stock options

**Thomas Wahlund**

Vice President Operations

Born: 1969

Master of Science in Engineering.

Thomas started at Net Insight in 1997 and since 1999 he has been responsible for building up the Operations organization, including responsibility for sales support, customer support, services and training. He has extensive industry experience in network planning.

Shareholdings in Net Insight: 46 582 Class B shares, 235 000 employee stock options

**Anna Karin Verneholt**

Director of Corporate Communications & Strategy

Born: 1967

Master of Science in Business Administration and Economics

Anna Karin Verneholt joined Net Insight in 2010 as Head of Corporate Communications. Anna Karin has 15 years of experience from a broad variety of Marketing roles in an international environment primarily within the telecom sector. Anna Karin has held various management and marketing positions in the Ericsson Group and most recent as Head of Enterprise Marketing and Communication at Business Unit Multimedia.

Shareholdings in Net Insight: 40 000 employee stock options

**Marie Kjellberg**

Director of Human Resources

Born: 1958

Bachelor of Science in Human Resources Development and Labour Relations

Marie Kjellberg joined Net Insight in 2008 as HR Director. She has a solid experience from a broad variety of HR roles, 15 years at Digital Equipment AB and most recently eight years as HR Director at Teleopti AB.

Shareholdings in Net Insight: 90 000 employee stock options

Glossary

ACCESS NETWORK

The part of the public network closest to end-users. Consists of copper lines in the telephone network and coaxial cable for cable TV. Fiber and wireless solutions are also increasingly being used.

ASI

(Asynchronous serial Interface). A standardized physical interface for compressed video. Used within the media industry to transport content between geographically remote production units and in cable TV networks.

BANDWIDTH

Measure of how much information can be sent over a line. Measured in bits per second, bps.

BROADBAND NETWORK

Network with extremely high capacity, at least 2 mbps to each end-user.

BROADCAST

Transmission from a single sender to all possible recipients in a network.

CDN

(Content Delivery Networks) an overlay network of customer content, distributed geographically to enable rapid, reliable retrieval from any end-user location

CONTENT

Content that is distributed in the network.

CONTRIBUTION

Communication for production and processing of material before it is transmitted to the end-user.

CORE

Larger transport networks between cities and backbone networks.

DTT

(Digital Terrestrial Television). Name for digital terrestrial TV to ordinary TV receivers equipped with "set-top boxes". Also called DVB-T.

DVB

(Digital Video Broadcast) Standard for transmission of digital video over various kinds of media.

DVB-T

(Digital Video Broadcast – Terrestrial). Name of the standard for digital terrestrial TV to ordinary TV receivers equipped with "set-top boxes". Also called DTT.

DVB-T2

Second Generation of Digital Video Broadcasting Terrestrial; it is the extension of the television standard DVB-T. Suited system for carrying HDTV signals

ETHERNET

The most common technology for communication in local area networks, LAN. Transmission speeds of 10/100 mbps, 1Gbps and 10 Gbps.

GIGABIT ETHERNET

Development of the Ethernet primarily used in large LAN and backbone networks. Can handle transmission speeds of up to 1,000 mbps.

HD

(High Definition). High resolution.

HDTV

(High Definition TV). High resolution TV.

INTEROPERABILITY

Two devices operating together.

IP

(Internet Protocol) Protocol used for data transmission over the Internet. All Internet traffic is transmitted in IP packets.

IPTV

Television that is broadcast over IP (broadband).

LAN

(Local Area Network). Smaller local networks for data communication within a department, building or block.

MSR

(Media Switch Router) MSR is a platform specially designed to handle media services.

MPLS

(Multi Protocol Label Switching). enables for efficient management of connections over a package-switched network.

MULTICAST

Transmits the same message to a large number of recipients without needing to be addressed to every single individual (unicast) or sent to all possible recipients (broadcast).

NEXT GENERATION SDH/SONET

SDH/SONET enhanced with functions based on GFP, LCAS and VCAT (see elsewhere in the glossary for explanation).

NGN

Next Generation Networks or Next Generation Network. General concept for the development of networks and/ or a standardization framework to enable new services and integrate fixed and mobile services over common infrastructure in future networks.

NODE

A unit that is connected to a network, either as a sender/ receiver, or to connect together different networks.

OVER-THE-TOP (OTT)

Term for service that you utilize over a network that is not offered by that network operator. Viewers are using their broadband connection for consuming TV.

PAY-PER-VIEW

Pay only for what you watch. Unlike video-on-demand, the programs or films must be viewed at set times.

POST PRODUCTION

Post production of e.g. TV programs or films.

PROTOCOL

An agreed set of rules as to how different network equipment should communicate with each other.

QOS

(Quality of Service). Name for the quality of service (that can be provided by a network). Video require a higher QoS. QoS is achieved in a network either by separating traffic so that interference cannot occur or by prioritization where the highest priority is sent first.

REAL-TIME

Immediate transmission of material without delay.

ROUTER

A unit to guide and forward data packets, for example, in the Internet.

ROUTING

Guiding and forwarding data packets through a computer network.

SDH/SONET

Circuit-switched technology for communication in optical backbone networks. SDH is the European standard and Sonet is the American standard.

SDI

(Serial Digital Interface). A physical standard for professional, uncompressed 270 mbps video. Is used in the media industry to connect sound and image equipment in production areas.

METRO AREA NETWORK

A high-capacity network that links together an urban or regional area. often referred to as MAN.

BACKBONE NETWORK

High-capacity network linking together geographically remote areas or a number of smaller networks within an area. Also known as a transport network or backbone.

SLA

(Service Level Agreement) is a part of a service contract where the level of service is formally defined.

STUDIO QUALITY

The quality obtained if studio production equipment is connected together locally. Can be achieved with a low or constant delay over a network with an extremely high QoS.

SWITCH

Used to direct information between different network links and users

TELEPRESENCE

Next generation videoconferencing solution.

TOPOLOGY

In networks, the topology describes how the nodes are linked together, for example, in a ring or star where all nodes are switched directly to a central node, or a mesh, an irregular structure with multiple switches between many nodes.

TRIPLE PLAY

A technology used for the transport of TV/video, data and telephony via a single network.

UPLINK STATIONS

Where the content in a fiber optic network or other terrestrial- based network contacts a satellite network. For example, when programming companies broadcast their content for distribution.

VIDEO-ON-DEMAND

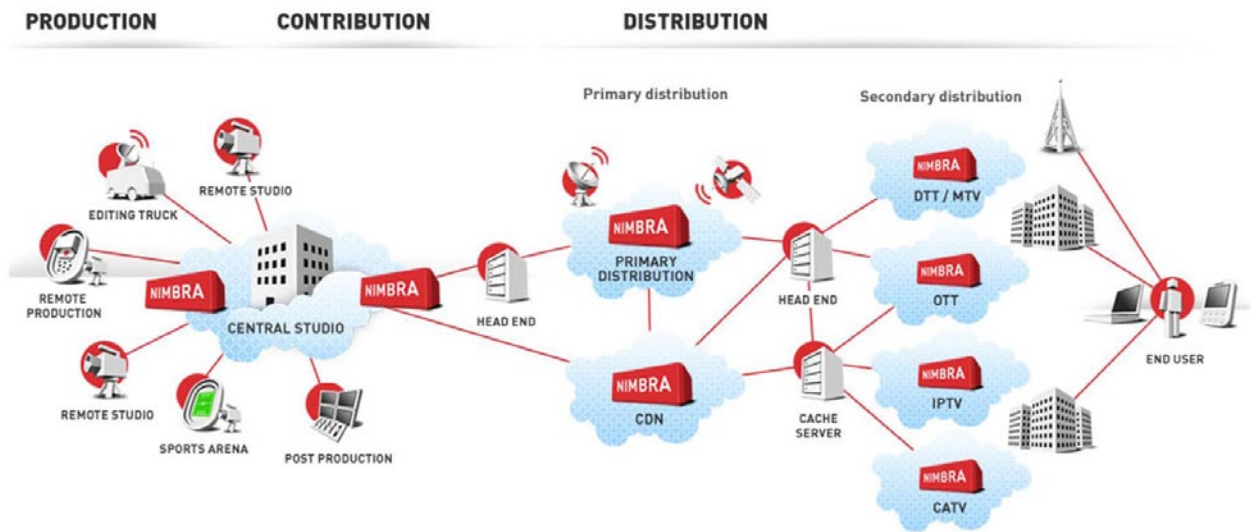
Enables digital delivery of films over a broadband network. The "video store" on the network means that there is always a copy available even of the most popular movie that can be ordered at any time.

VPN

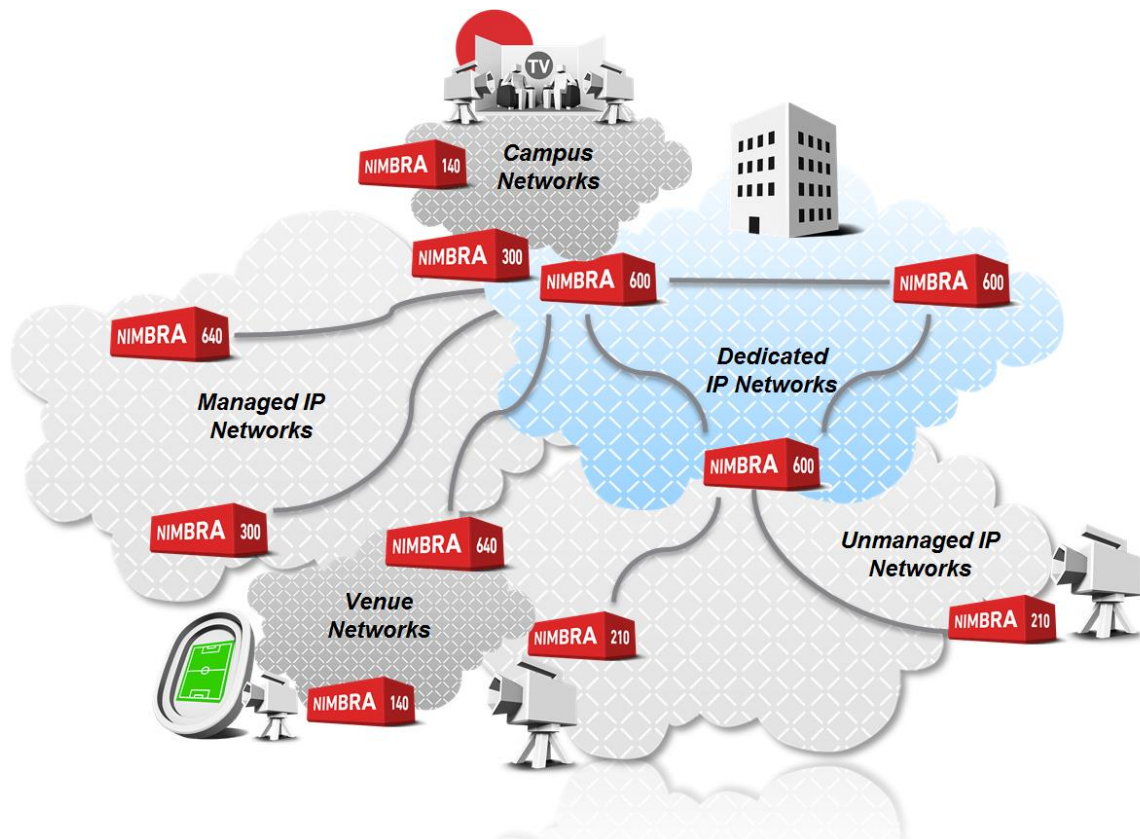
(Virtual Private Network) Technology for setting up a secure private network within the public network by using Internet infrastructure.



Areas of usage: The Nimbra platform – one solution for many segments



Areas of usage: Nimbra end-to-end solutions over IP networks



SWEDEN

CORPORATE HEADQUARTERS**Net Insight AB**

Box 42093
SE-126 14 Stockholm
Sweden

Phone: +46 8 685 04 00

Fax: +46 8 685 04 20

E-Mail: info@netinsight.net

Corporate Reg.No.: 556533-4397

Visit and delivery: Västberga Allé 9,
SE-126 30 Hägersten, Sweden