

# NET INSIGHT

## INTERIM REPORT JANUARY - JUNE 2010

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

### Second Quarter 2010

- Net sales of SEK 71.5 million (62.6).
- Software license and support revenue of SEK 19.0 million (15.3).
- Gross Margin of 74.3% (78.7) applying the same accounting treatment as in previous years.
- Gross Margin of 66.4% (78.7).
- Operating earnings of SEK 11.9 million (11.0), corresponding to an operating margin of 16.6% (17.6).
- Net income of SEK 8.7 million (7.9).
- Net profit margin of 12.2% (12.7).
- Earnings per share of SEK 0.02 (0.02).
- Total cash flow of SEK 3.3 million (-34.5).

### January - June 2010

- Net sales of SEK 132.0 million (123.1).
- Software license and support revenue of SEK 34.8 million (32.2).
- Gross Margin of 74.5% (77.2) applying the same accounting treatment as in previous years.
- Gross Margin of 66.1% (77.2).
- Operating earnings of SEK 18.1 million (21.3), corresponding to an operating margin of 13.7% (17.3).
- Net income of SEK 72.7 million (15.1). The improvement is a one-time effect related to the IPR transaction in Q1.
- Net profit margin of 55.1% (12.3).
- Earnings per share of SEK 0.19 (0.04).
- Total cash flow of SEK 56.4 million (-13.5).

*Net Insight AB discloses the information provided herein pursuant to the Securities Market Act and/or the Financial Instruments Trading Act. The information was submitted for publication on July 22nd, 2010 at 08.30 am CET.*

## A STRONG QUARTER WITH REVENUE GROWTH OF 14%

We are delivering a strong second quarter both from a financial and strategic perspective. Revenue is up with 14% compared to last year and 18% from the first quarter 2010. We also see a healthy operating margin of 17%.

For the first half of the year, the operating earnings are slightly down compared to last year, as a result of increased investments in sales and marketing. This in turn has led to an increased order flow and more business opportunities.

The company is progressing well towards our strategic objectives to leverage our DTT leadership, to expand our business in broadcast and media as well as finding new business in the area of CATV/IPTV.

I am very proud to count six important DTT wins over the past six months. We just recently, in the middle of July, announced a very significant win in Poland where a combined offering of Ericsson and Net Insight was the winning solution for a new DTT network. Earlier in the quarter we won what I regard as a very significant and strategic project when Teracom of Sweden selected Net Insight for the world's first all IP-based DVB-T2 network.

During the end of the quarter we have been greatly involved with the FIFA World Cup live transmissions from South Africa. The Nimbra platform was used by nine different customers to bring live TV signals to over 80 countries. For the first time ever our customer ESPN transmitted live 3D feeds from South Africa to viewers across the United States. I can also mention that our participation was successful and we have received positive feedback from our customers which holds us in good stead for the future.

In regards to the CATV/IPTV business area we received an order with a large cable operator in Canada, a new customer to Net Insight, which is encouraging for future opportunities in the cable TV market.

Geographical expansion is of strategic importance to us and during the second quarter we have entered new markets with new partners and reached new customers successfully. The new markets entered during the second quarter are the Philippines and South Africa. I am satisfied with the first half of the year and at the moment I see no lack of business opportunities for the quarters ahead.



Stockholm, July 22nd 2010  
Fredrik Trägårdh  
CEO

## BUSINESS ACTIVITIES DURING THE SECOND QUARTER

Net Insight strengthened its position in the Digital Terrestrial TV networks during the quarter. Three operators decided to base their DTT-network on the Nimbra platform.

The first order relates to a new DTT network in South America. This network will include Net Insight's unique Time Transfer feature for GPS-free time synchronization.

The agreement with Teracom, a Swedish media operator, covers a nationwide IP/Ethernet distribution network and will be one of the first DVB-T2 networks in the world, enabling nationwide HD services. Cyprus Broadcasting Corporation decided during June to use Net Insight's Nimbra platform when launching the island's first HD-services through a new national DTT distribution and contribution network.

In the Broadcast and Media (BMN) area the main focus in the quarter has been live sports events. In April, in conjunction with the NAB 2010 exhibition, Net Insight issued a press release about our involvement with 2010 FIFA World Cup in South Africa. Nine of Net Insight's customers, global media operators and major rights holders, have been broadcasting from South Africa. ESPN, one of the customers, broadcasted for the first time worldwide football matches in 3D, using the Nimbra platform for their transport. In general, many of our expansion orders during the quarter are related to building media-rich networks for live events.

Following our strategy, Net Insight found business in the CATV/IPTV area. In June Net Insight won a tender from a Canadian media network operator. We have published a new success story on ZTV, a Cable TV Multiservice Operator in Japan.

Net Insight has entered new markets during the quarter, in the Philippines, South Africa and Poland.

Net Insight also received the first commercial order on channelized IP on Nimbra 600. Channelized IP on Nimbra 300 was announced early 2009 and during the quarter the same functionality was introduced into Nimbra 600.

## PARTNERSHIP

Net Insight continues to develop the partner network to support the geographical expansion and provide local presence and support to customers. Net Insight strengthened its partner network with three new partners in Asia, Europe, the Middle East and North America, and had 37 business partners at the end of the quarter.

## MARKETING ACTIVITIES

Net Insight is working actively to increase visibility of the brand and the company. During the quarter it has been decided to increase PR activities in Europe. The development of creating new digital channels has started by e-marketing activities, introducing e-newsletters to existing and potential customers and partners.

Our key marketing focus during the quarter has been our participation at the NAB Show 2010 in Las Vegas, US. NAB is the world's largest digital media industry event. In conjunction with the exhibition Net Insight was able to launch our cooperation with the large sports broadcaster ESPN in the US enabling us to increase publicity around the Net Insight brand in the US.

Another important activity has been CommuniAsia 2010 in Singapore. In conjunction with the show Net Insight has successfully increased the media coverage around our cooperation with TATA Communications, India.

Together with our sales partners we have participated in industry shows in Germany, Korea and South Africa.

## NEW PRODUCT INTRODUCTION

During the quarter, Net Insight introduced a new channelized IP Trunk Module and Performance monitoring capabilities on all Nimbra platforms. Access Bundles for the Nimbra 340 and Nimbra 680 series of multiservice switches were also launched.

## SIGNIFICANT EVENTS AFTER THE END OF THE PERIOD

In the middle of July Net Insight announced a significant order from Ericsson to implement a DTT network with contribution services for Emitel in Poland.

## SALES AND EARNINGS

### Second Quarter

Net Sales for the second quarter amounted to SEK 71.5 million (62.6), which represents a growth of 14%. Revaluation of accounts receivables in foreign currencies had a positive effect on Net Sales of SEK 0.9 million compared to a negative effect of SEK 2.2 million for the same period last year.

The EMEA region accounted for SEK 47.8 million (51.1) of total sales. The Americas showed growth of SEK 12 million to SEK 20.7 million, whereas APAC is in line with previous year at SEK 3.0 million (2.8).

	Q2	Q2	Q3	Q4	Q1 Full Year	Full Year	
Net sales per segment (MSEK)	2010	2009	2009	2009	2010	2009	2008
EMEA	47.8	51.1	38.2	41.1	44.5	176.8	136.5
Americas	20.7	8.7	9.7	6.8	10.3	38,0	80.1
APAC	3,0	2.8	9.6	4.3	5.7	18,0	57.6
<b>Total</b>	<b>71.5</b>	<b>62.6</b>	<b>57.5</b>	<b>52.2</b>	<b>60.5</b>	<b>232.8</b>	<b>274.2</b>

Sales in the Broadcast & Media business area made up 63% (80) of total sales and DTT & Mobile TV accounted for 37% (14). The growth in DTT business is related to a series of DTT contracts-wins announced in the quarter of which Teracom is one.

Hardware revenue increased slightly by SEK 1.8 million to SEK 50.8 million (49.0). Sales of software licenses are up by SEK 3 million to 8.5 (5.5) whereas support and service revenue are in line with previous year at SEK 10.5 million (9.8).

As reported in the 2009 Q4 report, from January 1, 2010, depreciation of capitalized R&D expenditures is recorded in cost of sales. This implies a shift of depreciation expenses from the profit and loss line "Development expenses" to "Cost of goods and services sold" and as such does not affect profit. Furthermore, this does not impact Net Insight's earnings potential on incremental sales but will impact the reported Gross margin.

### Gross margin with consistent R&D reporting

SEK thousands	Q2	Q2	Jan-Jun	Jan-Jun
	2010	2009	2010	2009
Net Sales	71 465	62 648	131 994	123 055
Cost of Sales	-18 339	-13 353	-33 662	-28 013
Gross Earnings - 2009 accounting treatment	53 126	49 295	98 332	95 042
<b>Gross Margin - 2009 accounting treatment</b>	<b>74,3%</b>	<b>78,7%</b>	<b>74,5%</b>	<b>77,2%</b>
Cost of Sales - R&D depreciation	-5 699	-3 961	-11 113	-7 367
Gross earnings - 2010 accounting treatment	47 427	45 334	87 219	87 675
<b>Gross margin - 2010 accounting treatment</b>	<b>66,4%</b>	<b>72,4%</b>	<b>66,1%</b>	<b>71,2%</b>

With a comparable treatment of depreciation of capitalized R&D expenses based on the accounting treatment applied in 2009, the gross margin declined 4.4 percentage points to 74.3% mainly as a result of a larger share of turn-key type business and currency effects.

The Gross margin, applying the 2010 accounting treatment of depreciation of capitalized R&D expenditures, declined by 6.0 percentage points of which increased levels of R&D depreciation accounted for 1.6 percentage points.

As shown in the condensed income statement on page 11, the Gross margin is 66.4% (78.7).

Total operating expenses for the second quarter amounted to SEK 35.5 million (38.3). Sales and marketing expenses have increased by SEK 3.8 million mainly following increased staffing levels and commissions to partners. Administrative expenses are lower mainly as fewer consultants have been engaged in the period. R&D expenses show a decrease of SEK 5.3 million compared to last year. The decline is related to depreciation of capitalized R&D expenditures being charged to cost of sales as of January 1, 2010. Adjusted for this, R&D expenses are in line with previous year.

Operating earnings for the second quarter amounted to SEK 11.9 million (11.0), which corresponds to an Operating Margin of 16.6% (17.6)

The financial net amounted to SEK -0.2 million (0.1). The decline is due to revaluation of intercompany loans denominated in USD.

Earnings before tax amounted to SEK 11.7 million (11.1), which corresponds to a profit margin of 16.3% (17.7).

Net Income amounted to SEK 8.7 million (7.9) resulting in a Net Profit margin of 12.2% (12.7).

### **Six Months**

Net Sales for the six months period amounted to SEK 132.0 million (123.1), which is an improvement of 7.3% over last year. Revaluation of the accounts receivables stock had a negative impact on Net Sales of SEK 1.5 million (1.3).

The EMEA region accounted for SEK 92.4 million (97.5), Americas SEK 30.8 million (21.5) and APAC SEK 8.8 million (4.1).

Sales by business area are distributed between Broadcast & Media 72% (67), DTT & Mobile TV 27% (29) and IPTV/CATV 1% (4).

Hardware sales amounted to SEK 95.8 million (88.6), support and service revenue SEK 20.4 million (20.6) and software licenses SEK 14.4 million (11.6).

Applying the 2009 accounting treatment, the Gross Margin declined by 2.7 percentage points. The decrease is related to combination of change in product mix, a larger share of turn-key type business and currency effects.

The Gross margin, applying the 2010 accounting treatment of depreciation of capitalized R&D expenditures, declined by 5.1 percentage points of which increased levels of R&D depreciation accounted for 2.4 percentage points.

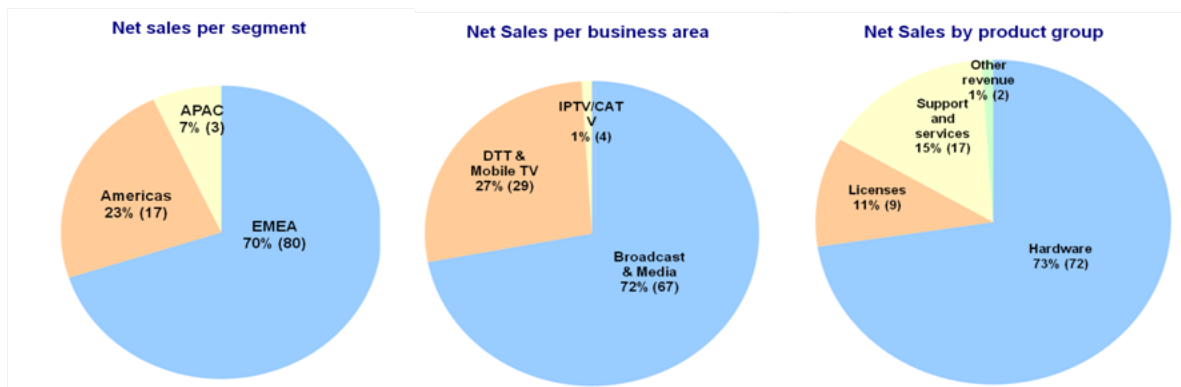
As shown in the condensed income statement on page 11, the Gross margin is 66.1 percent (77.2).

Operating earnings amounted to SEK 18.1 million (21.3), which corresponds to an Operating Margin of 13.7% (17.3).

The Financial Net was a negative SEK 0.4 million (-0.2).

Earnings before tax amounted to SEK 17.7 million (21.1) and the corresponding profit margin amount to 13.4% (17.2)

Net Income amounted to SEK 72.7 million (15.1). The transaction, announced in Q1, whereby Net Insights intellectual property rights are moved to a new wholly owned limited liability company gave a positive tax and cash effect of approximately SEK 60 million, while utilizing around SEK 700 million of tax losses carried forward. As a result, Net profit margin was 55.1% (12.3).



## CASH FLOW AND FINANCIAL POSITION

Cash flow from ongoing operations in the second quarter amounted to SEK 16.5 million (-20.2). Cash flow was mainly generated through ongoing operations as well as a decrease in other receivables. Customer receivables have remained on a stable level in the quarter despite the high levels of invoicing following solid collections. Second quarter cash flow amount to SEK 3.3 million and liquid funds at the end of the period totaled SEK 208.4 million (138.2).

Cash flow from ongoing operations for the six month period amounted to SEK 22.7 million (-8.6). The cash flow generated through ongoing operations has been partially offset by an increase in the receivables stock following higher activity levels and a general trend towards longer payment terms. The improvement in cash flow from the investment activity is related to the first quarter IPR transaction which gave a cash surplus of around SEK 60 million. Total cash flow for the six month period amounted to SEK 56.4 million (-13.5).

Shareholders' equity amounted to SEK 410.1 million (313.7) with a resulting equity ratio of 83.6% (81.9).

## INVESTMENTS

Second quarter investments in tangible assets amounted to SEK 0.1 million (0.4) and depreciation of tangible assets amounted to SEK 0.2 million (0.3). Capitalization of development expenditures totaled SEK 12.6 million (13.7). Depreciation of capitalized development expenditures totaled SEK 5.7 million (5.5).

Investments in tangible assets for the six months period amounted to SEK 0.3 million (1.1) and depreciation of tangible assets amounted to SEK 0.6 million (0.5). Capitalization of development expenditures totaled SEK 25.5 million (26.4). Depreciation of capitalized development expenditures totaled SEK 11.1 million (10.7).

At the end of the period, net book value of capitalized development expenditures amounted to SEK 109.7 million (83.6).

## EMPLOYEES

At the end of the period Net Insight had 130 (121) employees. The parent company Net Insight AB had 124 (115) employees and the US subsidiary Net Insight Inc. had 6 (6) employees.

## PARENT COMPANY

The parent company's net sales during the second quarter were SEK 89.8 million (68.2). Net income amounted to SEK 4.4 million (7.2).

For the six month period ending June 30<sup>th</sup>, the net sales was SEK 156.0 (134.2) and the Net Income amounted to 191.6 (14.2). The large increase in Net income is related to capitalized tax losses carried forward. The capitalization equates to a utilization of approximately SEK 700 million of tax losses carried forward. Liquid funds amounted to SEK 139.8 million (136.7).

Remaining tax losses carried forward amount to SEK 246 million.

## RISK AND SENSITIVITY ANALYSIS

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

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

No additional significant risks or uncertainties than those described in the annual report 2009 have developed in the second quarter.

For a complete description of the Company's risk analysis and risk management, see page 26 and 37 in the 2009 Annual report.



**CONSOLIDATED INCOME STATEMENT**

Amount in SEK thousands	Q2 2010	Q2 2009	Jan-Jun 2010	Jan-Jun 2009	Q3'09 - Q2'10 12 months	Full Year 2009
Net Sales	71 465	62 648	131 994	123 055	241 740	232 801
Cost of goods & services sold	-24 038	-13 353	-44 775	-28 013	-71 727	-54 965
<b>Gross earnings</b>	<b>47 427</b>	<b>49 295</b>	<b>87 219</b>	<b>95 042</b>	<b>170 013</b>	<b>177 836</b>
Sales and marketing expenses	-25 460	-21 673	-48 136	-38 901	-90 348	-81 113
Administration expenses	-5 074	-5 615	-10 279	-12 929	-18 801	-21 451
Development expenses	-5 014	-10 996	-10 680	-21 888	-30 062	-41 270
Other operating income	0	0	0	0	0	0
<b>Operating earnings</b>	<b>11 879</b>	<b>11 012</b>	<b>18 124</b>	<b>21 324</b>	<b>30 802</b>	<b>34 002</b>
Net financial items	-207	84	-439	-196	-2 629	-2 386
<b>Earnings before tax</b>	<b>11 672</b>	<b>11 096</b>	<b>17 685</b>	<b>21 128</b>	<b>28 173</b>	<b>31 616</b>
Tax	-2 961	-3 151	55 042	-5 987	63 771	2 742
<b>Net income</b>	<b>8 711</b>	<b>7 945</b>	<b>72 727</b>	<b>15 141</b>	<b>91 944</b>	<b>34 358</b>
<b>Net income for the period attributable to the stockholders of the parent company</b>	<b>8 711</b>	<b>7 945</b>	<b>72 727</b>	<b>15 141</b>	<b>91 944</b>	<b>34 358</b>
<b>Earnings/loss per share , based on net profit attributable to the Parent Company's shareholders during the period (in SEK per share)</b>						
Earnings per share before dilution	0,02	0,02	0,19	0,04	0,24	0,09
Earnings per share after dilution	0,02	0,02	0,19	0,04	0,24	0,09
Average number of shares in thousands before dilution	389 933	389 933	389 933	385 629	389 933	387 616
Average number of shares in thousands after dilution	389 933	389 933	389 933	385 629	389 933	387 616

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

<b>Net income</b>	8 711	7 945	72 727	15 141	91 944	34 358
<b>Other comprehensive income</b>						
Exchange rate differences	504	-559	548	-71	101	-518
<b>Total other comprehensive income</b>	<b>504</b>	<b>-559</b>	<b>548</b>	<b>-71</b>	<b>101</b>	<b>-518</b>
<b>Total comprehensive income for the period, net after tax</b>	<b>9 215</b>	<b>7 386</b>	<b>73 275</b>	<b>15 070</b>	<b>92 045</b>	<b>33 840</b>
<b>Total comprehensive income for the period attributable to the stockholders of the parent company</b>	<b>9 215</b>	<b>7 386</b>	<b>73 275</b>	<b>15 070</b>	<b>92 045</b>	<b>33 840</b>

**CONSOLIDATED CASH FLOW STATEMENT**

Amount in SEK thousands	Q2 2010	Q2 2009	Jan-Jun 2010	Jan-Jun 2009	Q3'09- Q2'10 12 mths	Full year 2009
<b>Ongoing operations</b>						
Net income before tax	11 672	11 096	17 685	21 128	28 173	31 616
Depreciation	6 109	5 736	12 133	11 265	25 723	24 855
Other items not affecting liquidity	644	774	1 645	1 827	4 153	4 335
<b>Cash flow from ongoing operations before change in working capital</b>	<b>18 425</b>	<b>17 606</b>	<b>31 463</b>	<b>34 220</b>	<b>58 049</b>	<b>60 806</b>
<b>Change in working capital</b>						
Increase-/decrease+ in inventories	-412	3 743	1 802	8 914	-3 646	3 466
Increase-/decrease+ in receivables	8 821	-32 426	-18 710	-38 156	-3 193	-22 639
Increase+/-decrease- in current liabilities	-10 285	-9 169	8 146	-13 610	10 664	-11 092
<b>Cash flow from ongoing operations</b>	<b>16 549</b>	<b>-20 246</b>	<b>22 701</b>	<b>-8 632</b>	<b>61 874</b>	<b>30 541</b>
<b>Investment activity</b>						
Acquisitions of intangible fixed assets	-13 045	-13 736	-25 852	-26 412	-51 112	-51 672
Acquisitions of tangible fixed assets	-68	-391	-271	-1 085	-808	-1 622
Acquisition of net assets	0	0	59 990	0	59 990	0
Increase-/decrease+ in long-term receivables	-142	-105	-145	-299	265	111
<b>Cash flow from investment activity</b>	<b>-13 255</b>	<b>-14 232</b>	<b>33 722</b>	<b>-27 796</b>	<b>8 335</b>	<b>-53 183</b>
<b>Financing activity</b>						
New share issued - employee stock option program	0	0	0	22 897	0	22 897
<b>Cash flow from financing activity</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>22 897</b>	<b>0</b>	<b>22 897</b>
Increase/decrease in liquid funds	3 294	-34 478	56 423	-13 531	70 209	255
Liquid funds, opening balance	205 128	172 691	151 999	151 744	138 213	151 744
<b>Liquid funds, closing balance</b>	<b>208 422</b>	<b>138 213</b>	<b>208 422</b>	<b>138 213</b>	<b>208 422</b>	<b>151 999</b>

**CONSOLIDATED BALANCE SHEET**

Amount in SEK thousands	Jun 30, 2010	Jun 30, 2009	Dec 31, 2009
<b>ASSETS</b>			
<b>Intangible assets</b>			
Capitalized expenditure for development	109 661	83 560	95 329
Goodwill	4 354	4 354	4 354
Other intangible assets	2 282	-	2 257
<b>Tangible fixed assets</b>			
Equipment	1 885	4 366	2 031
Equipment for leasing	296	-	517
<b>Financial assets</b>			
Deferred tax asset	24 871	21 091	29 820
Deposits paid, long-term	393	337	248
<b>Total fixed assets</b>	<b>143 742</b>	<b>113 708</b>	<b>134 556</b>
<b>Current assets</b>			
		0	
Inventory	24 868	21 222	26 670
Customer receivables	101 011	100 573	87 007
Other receivables	12 766	10 011	8 060
Cash and bank balances	208 422	138 213	151 999
<b>Total current assets</b>	<b>347 067</b>	<b>270 019</b>	<b>273 736</b>
<b>Total assets</b>	<b>490 809</b>	<b>383 727</b>	<b>408 292</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity</b>			
<b>Restricted shareholders' equity</b>			
Share capital	15 597	15 597	15 597
Other contributed capital	1 192 727	1 200 259	1 192 727
Translation difference	-700	-801	-1 248
Accumulated deficit	-797 528	-901 348	-871 843
<b>Total shareholders' equity</b>	<b>410 096</b>	<b>313 708</b>	<b>335 233</b>
<b>Long-term liabilities</b>			
Long-term liabilities	458	1 252	869
Provisions	7 320	5 776	7 299
<b>Total long-term liabilities</b>	<b>7 778</b>	<b>7 028</b>	<b>8 168</b>
<b>Current liabilities</b>			
Accounts payable	21 515	14 618	24 259
Other liabilities	51 420	48 373	40 632
<b>Total current liabilities</b>	<b>72 935</b>	<b>62 991</b>	<b>64 891</b>
<b>Total liabilities and equity</b>	<b>490 809</b>	<b>383 727</b>	<b>408 292</b>

**CHANGES IN GROUP SHAREHOLDERS' EQUITY**

Amount in SEK thousands	Share capital	Other contributed capital	Translation difference	Accumulated deficit	Total shareholders' equity
<b>2009-01-01</b>	15 196	1 170 232	-730	-910 224	274 474
Total comprehensive income	-	-	-71	15 141	15 070
New shares issued - employee stock options	402	22 495	-	-	22 897
Employee stock option program:					
Value of employees' services	-	-	-	1 267	1 267
<b>2009-06-30</b>	<b>15 597</b>	<b>1 192 727</b>	<b>-801</b>	<b>-893 816</b>	<b>313 708</b>
Total comprehensive income	-	-	-447	19 217	18 770
New shares issued - employee stock options	-	-	-	-	-
Employee stock option program:					
Value of employees' services	-	-	-	2 756	2 756
<b>2009-12-31</b>	<b>15 597</b>	<b>1 192 727</b>	<b>-1 248</b>	<b>-871 843</b>	<b>335 233</b>
<b>2010-01-01</b>	15 597	1 192 727	-1 248	-871 843	335 233
Total comprehensive income	-	-	548	72 727	73 275
New shares issued - employee stock options	-	-	-	-	-
Employee stock option program:					
Value of employees' services	-	-	-	1 588	1 588
<b>2010-06-30</b>	<b>15 597</b>	<b>1 192 727</b>	<b>-700</b>	<b>-797 528</b>	<b>410 096</b>

**SEGMENT REPORT**

SEK million	Q2 2010				Q2 2009				Jan-Jun 2010				Jan-Jun 2009			
	EMEA	APAC	AM	Total	EMEA	APAC	AM	Total	EMEA	APAC	AM	Total	EMEA	APAC	AM	Total
Net Sales	48	3	20	71	51	3	9	63	92	9	31	132	98	4	21	123
Regional Contribution	14	-1	9	22	25	-1	3	28	31	-1	10	39	50	-3	9	56
Regional Contribution%	29%	-27%	44%	31%	50%	-28%	35%	44%	33%	-17%	33%	30%	51%	-81%	43%	46%
Adjusted for R&D Depreciation	4	0	2	6					8	1	3	11				
Adjusted Regional Contribution	18	-1	11	28					38	-1	13	50				
Adjusted Regional Contribution%	37%	-19%	52%	39%	50%	-28%	35%	44%	41%	-9%	41%	38%	51%	-81%	43%	46%

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

Adjusted Regional Contribution is according to 2009's accounting treatment of R&D depreciation.

Condensed consolidated income statement and key figures, SEK m	Q2 2010	Q2 2009	Q3 2009	Q4 2009	Q1 2010	Jan-Jun 2010	Jan-Jun 2009
Net sales	71.5	62.6	57.5	52.2	60.5	132.0	123.1
Gross earnings	47.4	49.3	44.1	38.7	39.8	87.2	95.0
Gross margin	66.4%	78.7%	76.7%	74.1%	65.8%	66,1%	77,2%
Operating earnings	11.9	11.0	10.5	2.2	6.2	18.1	21.3
Operating margin	16.6%	17.6%	18.2%	4.2%	10.2%	13,7%	17,3%
Pretax profit	11.7	11.1	8.2	2.3	6.0	17.7	21.1
Net income	8.7	7.9	5.8	13.4	64.0	72.7	15.1
Net margin	12,2%	12.7%	10.1%	25.7%	105.8%	54,7%	12,3%

**Gross margin with consistent R&D reporting**

SEK thousands	Q2 2010	Q2 2009	Jan-Jun 2010	Jan-Jun 2009	Q3'09-Q2'10 12 mths	Q3 2009	Q4 2009	Full Year 2009
Net Sales	71 465	62 648	131 994	123 055	241 740	57 515	52 232	232 801
Cost of Sales	-18 339	-13 353	-33 662	-28 013	-60 614	-13 410	-13 542	-54 965
Gross Earnings - 2009 accounting treatment	53 126	49 295	98 332	95 042	181 126	44 105	38 690	177 836
<b>Gross Margin - 2009 accounting treatment</b>	<b>74,3%</b>	<b>78,7%</b>	<b>74,5%</b>	<b>77,2%</b>	<b>74,9%</b>	<b>76,7%</b>	<b>74,1%</b>	<b>76,4%</b>
Cost of Sales - R&D depreciation	-5 699	-3 961	-11 113	-7 367	-19 971	-4 095	-4 762	-16 225
Gross earnings - 2010 accounting treatment	47 427	45 334	87 219	87 675	161 155	40 010	33 928	161 611
<b>Gross margin - 2010 accounting treatment</b>	<b>66,4%</b>	<b>72,4%</b>	<b>66,1%</b>	<b>71,2%</b>	<b>66,7%</b>	<b>69,6%</b>	<b>65,0%</b>	<b>69,4%</b>

**PARENT COMPANY INCOME STATEMENT**

<b>Amount in SEK thousands</b>	<b>Q2 2010</b>	<b>Q2 2009</b>	<b>Jan-Jun 2010</b>	<b>Jan-Jun 2009</b>	<b>Q3'09 -Q2'10 12 months</b>	<b>Full Year 2009</b>
Net Sales	89 819	68 247	155 980	134 210	275 879	254 109
Cost of goods & services sold	-47 983	-19 797	-72 797	-40 100	-110 793	-78 096
<b>Gross earnings</b>	<b>41 836</b>	<b>48 450</b>	<b>83 183</b>	<b>94 110</b>	<b>165 086</b>	<b>176 013</b>
Sales and marketing expenses	-25 529	-21 773	-48 287	-39 098	-90 645	-81 456
Administration expenses	-5 074	-5 409	-10 279	-12 723	-18 737	-21 181
Development expenses	-5 014	-10 996	-10 680	-21 888	-30 062	-41 270
<b>Operating earnings</b>	<b>6 219</b>	<b>10 272</b>	<b>13 937</b>	<b>20 401</b>	<b>25 642</b>	<b>32 106</b>
Net financial items	-258	84	-489	-196	-2 678	-2 385
<b>Earnings before tax</b>	<b>5 961</b>	<b>10 356</b>	<b>13 448</b>	<b>20 205</b>	<b>22 964</b>	<b>29 721</b>
Tax	-1 537	-3 151	178 139	-5 987	186 868	2 742
<b>Net income</b>	<b>4 424</b>	<b>7 205</b>	<b>191 587</b>	<b>14 218</b>	<b>209 832</b>	<b>32 463</b>

**PARENT COMPANY BALANCE SHEET**

Amount in SEK thousands	Jun 30, 2010	Jun 30, 2009	Dec 31, 2009
<b>ASSETS</b>			
<b>Fixed assets</b>			
<b>Intangible assets</b>			
Capitalized expenditures for development	109 661	83 560	95 329
Other intangible assets	2 282	-	2 257
<b>Tangible fixed assets</b>			
Equipment	1 885	4 366	2 031
Equipment for leasing	296	-	517
<b>Financial assets</b>			
Shares in group companies	18 398	18 398	18 398
Deferred tax asset	207 959	21 091	29 820
Deposits paid, long-term	393	337	248
<b>Total fixed assets</b>	<b>340 874</b>	<b>127 752</b>	<b>148 600</b>
<b>Current assets</b>			
Inventory	24 868	21 222	26 670
Customer receivables	101 011	100 573	87 007
Other receivables	39 161	24 322	8 060
Cash and bank balances	139 841	136 655	148 540
<b>Total current assets</b>	<b>304 881</b>	<b>282 772</b>	<b>270 277</b>
<b>TOTAL ASSETS</b>	<b>645 755</b>	<b>410 524</b>	<b>418 877</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity</b>			
<b>Restricted shareholders' equity</b>			
Share capital	15 597	15 597	15 597
Other contributed capital	302 207	180 464	276 968
Non-restricted equity/Accumulated deficit	200 399	107 967	32 463
<b>Total shareholders' equity</b>	<b>518 203</b>	<b>304 028</b>	<b>325 028</b>
<b>Long term liabilities</b>			
Long term liabilities	458	1 252	869
Other provisions	7 320	5 776	7 299
<b>Total long-term liabilities</b>	<b>7 778</b>	<b>7 028</b>	<b>8 168</b>
<b>Current liabilities</b>			
Accounts payable	21 515	14 583	24 259
Liabilities, subsidiaries	52 814	38 736	22 071
Other liabilities	45 445	46 149	39 351
<b>Total liabilities</b>	<b>119 774</b>	<b>99 468</b>	<b>85 681</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>645 755</b>	<b>410 524</b>	<b>418 877</b>

## ADDITIONAL INFORMATION

Net Insight has earlier communicated its information policy in the interim report for Q1 2007. Net Insight has now revised its information policy and the new one is valid from July 22<sup>nd</sup>, 2010. Net Insight's information policy adheres to the requirements for listed companies at the NASDAQ OMX Stockholm.

Our objective is to give all market participants simultaneous access to any price sensitive information about the company. The information shall be correct, relevant, clear and timely. Following the operational development of the company over the past years the order values earlier communicated are no longer valid to whether a press release will be issued or not.

This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting and applicable rules in the Annual Accounts Act. The interim report for the parent company was prepared in accordance with Chapter 9 of the Annual Accounts Act, interim report. The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2009, as described in those annual financial statements.

The standards, amendments to standards and interpretations that are mandatory for the first time for the financial year beginning 1 January 2010, are not currently relevant for the group.

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

The company's auditors have not examined this report.

## CERTIFICATION BY THE BOARD OF DIRECTORS AND CEO

The Board of Directors and the CEO certify that the Interim report for the period January - June 2010 gives a true and fair overview of the Parent Company Net Insight AB and the Group's operations, their financial position and results of operations, and describes significant risks and uncertainties facing the Parent Company and other companies in the Group.

## REPORTING DATES

Interim report for January – October 2010: 22<sup>nd</sup> October 2010  
Year-end report for 2010 18<sup>th</sup> February 2011

Stockholm, July 22<sup>nd</sup>, 2010

**Lars Berg**  
Chairman of the Board  
**Ragnar Bäck**  
Board member  
**Gunilla Fransson**  
Board member  
**Anders Harrysson**  
Board member

**Bernt Magnusson**  
Board member  
**Clifford H Friedman**  
Board member  
**Arne Wessberg**  
Board member  
**Fredrik Trägårdh**  
Chief Executive Officer

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



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