

Press release of annual figures for 1999

The following pages constitute a press release of the annual figures for 1999 for Net Insight AB.

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Net Insight develops and markets systems that release the full potential of opto-fibre communications networks and the Internet. The systems are based on DTM technology (Dynamic synchronous Transfer Mode) which gives users the basis for differentiating themselves, reducing costs and creating high performance networks with unique extendibility that provide full interactive communication to users throughout the world.

Press release of unaudited annual figures for 1999

- First invoiced sales amounted to SEK 2.7 million during last quarter 1999
- New share issues amounting to SEK 226 million were fully subscribed during the year
- Losses prior to appropriations and tax were, according to plan, SEK 112.4 (50.9) million
- Co-operation agreements regarding development, manufacturing and distribution were signed during the year
- Second generation Nimbra products introduced
- Twintin, Net Insight's ASIC based chip under verification and final inspection

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

- **Introduction on stock exchange**

Net Insight B-shares have been traded on the O-list of the OM Stockholm Exchange since 7 June 1999, with an opening price of SEK 140. The share price on the final day of trading in 1999 was SEK 411

- **First sales**

After conducting a series of rigorous tests beginning in November 1998, Finnish telecom operator Vasa Läns Telefon (VLT) bought DTM equipment in the form of city network switches for its network.

During the fall of 1999, Karlstads Elnät bought three Nimbra One city network switches, with an option to purchase additional four switches.

An agreement on intent that was concluded with Bredbandsbolaget during the third quarter, on the brokerage of digital broadband services to households, using Net Insight's technology, has resulted in sales of DTM equipment for installation in several residential networks.

An agreement has also been concluded with TeleCyber, who chose Net Insight's DTM products in order to be able to offer building owners and companies access to broadband services with fixed connections to the Internet, IP telephony, music, games, real-time video and TV channels. In October 1999, Bredbandsbolaget acquired TeleCyber.

- **New test installations**

During the year the interest for the DTM-technology has increased substantially. Major test installations has been conducted at the local operator ICG Communications, Denver, Colorado, with whom on-going and extensive work has been carried on during the year. The tests will continue during present year. Test installations have also been conducted at Stokab and Norrköpings Miljö & Energi. In addition a number of minor test installations have been conducted or planned.

- **Partnerships and sales agreements**

During the year, Net Insight has signed several partnership and distribution agreements. Net Insight's products are now marketed by ABB Communication, primarily to mobile operators and power companies in the Nordic countries and Europe. Telia PubliCom targets its products at municipalities, county councils and for the National Defense and other owners of opto-fiber networks. Agreements have been concluded with Fiberdata and Cygate, both of which focus primarily on city networks, regarding the sale of Net Insight's products, particularly in the Nordic countries.

The partnership agreements that were concluded in 1998 with Effnet, Qeyton Systems and Cadence have continued and intensified during 1999. The purpose of the Cadence co-operation is, besides strengthening our product development, also to increase the knowledge of DTM, primarily on the US market. The partnership with Qeyton Systems has progressed to a joint product offer in respect of DTM and DWDM (Dense Wavelength Division Multiplexing) for city networks solutions. DWDM represents the latest generation of opto-fiber solutions that enable operators to increase network capacity without having to install additional fiber cable.

- **Manufacturing**

Preparations have been made for serial production of the Nimbra One and Nimbra 200 series switches, through a partnership agreement reached with Flextronics International Sweden AB.

- **Product development continues**

Nimbura One and Nimbra 101 were launched during 1999. During the year Nimbra One was named as one of the 50 hottest products for 1999, by trade journal Data Communications. The three new products - Nimbra 210, 220 and 290 supplement Nimbra One and Nimbra 101 and are the first ASIC-based DTM switches on the market.

Development of the Twintin chip in collaboration with Toshiba continued during the year. The chip is now undergoing verification and final inspection, while its marketing and commercial introduction is being planned. The total process is expected to take a couple of months. By putting all the advantages of the DTM-technology on one chip, conditions for a rapid market penetration is created, by sales as well as licensing and co-operation with other companies.

- **Strengthened sales organization in the US**

The sales organization in the US is in an expansion phase and consisted of five employees at year-end. The targeting of the US market will be intensified considerably in the current year.

- **Net Insight takes on major responsibility within ETSI for DTM**

A major step forward was taken in ETSI, the European standardisation commission, during the year, with work on the standardization of DTM technology being intensified. Several major telecom companies support this work, and Net Insight has the responsibility of leading the work in the majority of the committees that have been formed.

- **DTM technology attracts attention at exhibitions and trade fairs**

Net Insight participated in a number of trade fairs throughout the world during the year, for instance Network+Interop '99 in Las Vegas and Telecom '99 in Geneva, in the capacity of both invited speaker and exhibitor. Interest in DTM technology has gradually increased during the year. Net Insight has also received a number of honours from various organizations in the industry during the year, including 'Guldmusen' [*Golden mouse*] in the category of "Swedish communications product of the year".

SIGNIFICANT EVENTS AFTER THE FINANCIAL YEAR

• Directed share issue

On 20 January, the board decided, on the basis of the authority given to it by the Annual General Meeting, in favor of a directed share issue amounting to SEK 230 million to the Fourth AP fund, Brummer & Partner's Zenith hedge fund and SPP Kapitalförvaltning. The issue price was set at SEK 406 for the company's B-share. The issue price has been calculated from the average, volume weighted closing price over the last thirty trading days. The issue price reflects a three percent discount compared with the last price paid on the 18th January 2000. Once the company's share option programme has been fully subscribed, the new issue will have effected a dilution of approximately 6.6% in terms of capital and approximately 3.7% in terms of votes.

EARNINGS TREND

Sales revenue, amounting in total to SEK 2,7 million, is primarily attributable to the fourth quarter, from sources including Vasa Läns Telefon and Bredbandsbolaget. The total inflow of orders amounted to SEK 2,7 million on 31 December. Total costs for the year amounted to SEK 114,8 million, SEK 35,9 million of which are attributable to the fourth quarter.

The majority of costs incurred by the company is attributable to development activities SEK 74,7 million (40,2). During the past six months, the company has increased the strengthening of the sales and market organization, SEK 23,7 million (8,4).

STAFF

The number of staff increased from 50 to 76 during the year. In addition, the company employs some 20 consultants. The three founders of the company have been employed by the company since the start of 1997. The majority of the company's employees hold shares and/or options. Net Insight, Inc., consisted of five employees at year-end.

LIQUIDITY AND FINANCING

During 1999 a directed share issue and a preferential rights issue were carried out, which provided the company with proceeds of SEK 226 million. Liquid funds amounted to SEK 125 million (28,4) at year-end.

Another directed share issue was completed after year-end. This share issue provided the company with proceeds of SEK 230 million. Liquid funds amounted to approximately SEK 340 million by the end of January 2000.

INVESTMENTS

Investments in instruments, equipment and improvements to premises amounted to SEK 1 million for 1999. No development costs were activated.

FUTURE DEVELOPMENTS

The demand for capacity and fast transmission, increasing utilization of the Internet and the demand for quality in the transmission of voice, video and data is continuously increasing. The number of households having access to broadband will grow dramatically within the next few years. A growing number of players, network operators, Internet Service Providers, as well as consumer- telecom- and datacom companies, are engaged in offering services and products that utilize the new technology. These services include fixed as well as mobile services, IP telephony, e-commerce and video with high quality demands. Since increased

demand and increased traffic will create capacity problems, the need for better technology will provide Net Insight with excellent marketing opportunities. By using switches based on DTM technology, bottlenecks can be avoided, affording reduced investment costs and considerably lower maintenance costs. Offering the Twintin chip to other network producers also means that Net Insight is expanding its potential market.

DIVIDEND

The company has no distributable earnings.

FORTHCOMING REPORTS DURING 2000

- Annual General Meeting - 2000-04-26
- Interim report for first quarter of 2000 – 05 - 08
- Interim report for first six months of 2000 – 08 – 21
- Interim report for third quarter of 2000 - 10 – 31

CONSOLIDATED INCOME STATEMENT

Amount in SEK thousand	Jan 1, 1999 - Dec 31, 1999	Jan 1, 1998 - Dec 31, 1998
Net sales	2 715	
Cost of goods sold	- 2 531	
Gross income	184	
Marketing costs	-23 738	-8 381
Administrative expenses	-16 367	-4 303
Development expenses	-74 700	-40 295
Other operating income	152	25
Income from continuing operations	-114 469	-52 954
Other interest income and similar profit/loss items	2 064	2 008
Interest expenses	-33	-9
Income from continuing operations before income taxes	-112 438	-50 955
Income taxes	-	-
Net income for the period	-112 438	-50 955

CONSOLIDATED BALANCE SHEET

Amount in SEK thousand	Dec 31 1999	Dec 31 1998
Assets		
Tangible assets	1 846	1 497
Total tangible assets	1 846	1 497
Work in progress	15 893	-
Finished goods	3 262	-
Accounts receivable - trade	732	-
Current receivables	5 570	3 062
Prepaid expenses	3 371	716
Cash and bank balances	125 026	28 412
Total current assets	153 854	32 190
Total assets	155 700	33 687
Shareholder's equity		
Capital stock	1 402	1 075
Restricted reserves	326 203	108 101
Accumulated loss	-82 589	-31 634
Net income for the period	-112 438	-50 955
Total shareholder's equity	132 578	26 587
Liabilities		
Accounts payable - trade	15 971	3 713
Other payables	1 816	1 238
Accrued expenses	5 335	2 149
Total liabilities	23 122	7 100
Total shareholder's equity and liabilities	155 700	33 687

CONSOLIDATED CASH FLOW STATEMENT

Amount in SEK thousand	Dec 31 1999	Dec 31 1998
<i>Operating activities</i>		
Net income	-114 469	-52 954
Depreciations	620	426
Other items not affecting liquidity	-10	
Interest received	1 897	2 008
Interest paid	-33	-9
<i>Cash flow from current operations before change in working capital</i>	-111 995	-50 529
<i>Changes in working capital</i>		
Increase in inventories	-19 155	
Increase in receivables	-5 895	-1 860
Increase in current liabilities	16 022	276
Cash flow from current operation	-121 023	-52 113
<i>Investment activities</i>		
Acquisition of tangible assets	-969	-1 387
Cash flow from investment activity	-969	-1 387
<i>Financing activity</i>		
Warrant program/capital issue	218 606	1 190
Cash flow from financing activities		1 190
Change in liquid assets	96 614	-52 310
Liquid assets at the beginning of the year	28 412	80 722
Liquid assets at the end of the year	125 026	28 412

Stockholm January 31, 2000

Bengt Olsson
Chief Executive Officer