

INTERIM REPORT

For the period 1 January – 31 March 2000
Net Insight AB (publ), Org. no. 556533-4397

SIGNIFICANT EVENTS DURING THE PERIOD

- **Video-conference using "technology of tomorrow"**

In January 2000, using DTM equipment from Net Insight, a videoconference was conducted for the first time via broadband with perfect studio quality in real time (270 Mbps), transmitting video, data and telephony in parallel. The videoconference was transmitted via opto-fiber between the AGM of Svenska Stadsnätsföreningen [*the Swedish city network association*] in Gothenburg and a studio in Stockholm. Several demonstrations to various branches of industry have been conducted during the period.

- **Directed share issue**

A directed share issue was carried out in January/February 2000 for a total of SEK 230 million to Brummer & Partners Zenith hedge fund, the Fourth AP fund and SPP Kapitalförvaltning. This infusion of capital will be used for continued product development, commercialization of the company's products and the creation of an international marketing organization. Liquid assets per March 31 amounted to SEK 312 million.

- **Options scheme**

In March, the board decided to recommend the AGM to introduce a staff options scheme oriented to all staff categories running to a total of 322 000 staff options. The options are linked to the appointment and will be issued free of charge with a maximum duration of seven years. The board also decided to recommend that the AGM issue promissory notes linked to 435,000 separable option rights for subscription to shares for fulfillment of the staff option scheme. This scheme corresponds to a dilution of the total number of shares by around 5%, and around 3% of the total number of votes.

- **Promotion trip to the USA**

Over a two-week period in February, Net Insight management undertook a comprehensive information trip to the USA, which included a large number of presentations to industry analysts and the technical trade press.

- **Patents**

During the period, 3 new patents were obtained bringing the total number of patents and patent applications at the end of the period up to 38.

SIGNIFICANT EVENTS AFTER THE END OF THE PERIOD

- **Cooperation agreement with ABB AG in Austria**

In April, Net Insight signed an agreement with ABB AG in Austria covering the sale and implementation of Net Insight's DTM products to ABB AG's customers in Austria and Eastern Europe.

- **Sales**

Net Insight's partner, Fiberdata and RegNet/Norrskan – which link together 1.6 million inhabitants of seven mid-Sweden counties – signed a frame agreement in April, regarding giving 40 Swedish areas access to broadband using DTM technology.

In April, an agreement was concluded with Metrocom, one of the leading opto-fiber operators in St Petersburg, Russia, regarding the purchase of Nimbra switches for use in Metrocom's city network. Initially, the switches will be used for telephony and data services for a major bank, but eventually usage will be extended to include the domestic market in St Petersburg with a population of more than 6 million.

Millennium Communication Networks AG (MCN), one of Austria's fastest growing network operators, signed an agreement in April regarding the supply of DTM switches for commercial implementation. This delivery is part of the frame agreement concluded between Net Insight and MCN.

- **The Twintin chip ready**

The silicon chip Twintin was launched concurrently in Sweden and the USA on 26 April. In Stockholm, a well-attended press and analyst conference was held. The Twintin chip was developed by Net Insight within the framework of a cooperation agreement with Toshiba Electronics. The Twintin chip contains a complete DTM switch and will be the "engine" in products that are in the pipeline. Twintin will also be sold separately, which will help other players to get going with DTM-related production, and thereby contribute to increased and quicker acceptance of DTM technology on the market.

- **Lars Berg and Bo Dimert new board members**

At the AGM on 26 April, Lars Berg and Bo Dimert were elected as new regular board members. Lars Berg is head of telecom for Mannesmann, Germany, previously Ericsson and Telia. Bo Dimert was most recently head of Ericsson in the USA and prior to that held posts at IBM and Digital Equipment.

- **Decisions at the AGM**

The AGM adopted the board's proposal for the staff options scheme and decided on a (5:1) split of Net Insight's B-shares. The split will be put into effect 2 to 3 weeks after the date of the AGM.

MARKET OVERVIEW

The need for greater and better network capacity for the Internet, broadband services, mobile communications and network solutions has continued to increase, which creates interest and a demand for new services and developed products. This gives Net Insight a very good market position, since the company's products can easily keep up with and grow at the same rate as developments in fiber-optics and the wireless Internet market.

Net Insight's DTM technology creates the criteria for transferring large volumes of information at a high level of quality without any bottlenecks. By fully utilizing the network capacity, operators can widen their business opportunities by offering features such as IP-based digital TV, video-on-demand, telephony games and real-time games via the Internet.

STAFF

The number of employees has increased during the period from 76 to 90.

REVENUE AND COSTS

The company's sales revenue for the period amounted to SEK 0.3 million. Group costs for the period amounted to SEK 46.9 million.

INVESTMENTS IN FIXED ASSETS

Investments in instruments, equipment and improvements to premises for the first quarter amounted to SEK 0.5 million.

CASH POSITION AND FUNDING

Group liquid assets in the form of cash and bank balances amounted to SEK 312 million on 31 March 2000.

FORTHCOMING REPORTS FROM NET INSIGHT

Interim report January - June	21-08-2000
Interim report January - September	10-31-2000

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CONSOLIDATED INCOME STATEMENT

Amount in SEK thousands	1 Jan 2000- 31 March 2000	1 Jan 1999 - 31 March 1999	1 Jan 1999- 31 Dec 1999
Net Sales	314	0	2 715
Cost of goods sold	-234	0	-2 531
Gross earnings	80	0	184
Marketing expenses	-12 094	-3 003	-23 738
Administration expenses	-10 478	-1 828	-16 367
Development expenses	-24 336	-16 868	-74 700
Other operating revenue	0	0	152
Operating earnings	-46 828	-21 699	-114 469
Other interest income, etc	1 852	381	2 064
Interest expenses	-68	-4	-33
Earnings before tax	-45 044	-21 322	-112 438
Tax	-	0	-
Net income for the period	-45 044	-21 322	-112 438

CONSOLIDATED BALANCE SHEET

Amount in SEK thousand	31 March 2000	31 March 1999	31 Dec 1999
Assets			
Tangible fixed assets	2 160	1 648	1 846
Total tangible fixed assets	2 160	1 648	1 846
Work in progress	24 803	0	15 893
Finished goods	3 053	0	3 262
Customer receivables	0	0	732
Current receivables	11 030	3 295	5 570
Prepaid expenses	3 564	2 041	3 371
Cash and bank balances	312 841	84 634	125 026
Total current assets	355 291	89 970	153 854
Total assets	357 451	91 618	155 700
Shareholders' equity			
Share capital	1 541	1 075	1 402
Unregistered share capital	1 900	0	0
Restricted reserves	361 541	182 370	326 203
Accumulated loss	2 699	-82 589	-82 589
Net income for the period	-45 044	-21 322	-112 438
Total shareholders' equity	322 637	79 534	132 578
Current liabilities			
Accounts payable	20 374	7 415	15 971
Other liabilities	1 595	1 155	1 816
Accrued expenses	12 845	3 514	5 335
Total liabilities	34 814	12 084	23 122
Total liabilities and shareholders' equity	357 451	91 618	155 700

CONSOLIDATED CASH FLOW STATEMENT

Amount in SEK thousand	31 March 2000	31 March 1999	31 Dec 1999
<i>Ongoing operations</i>			
Operating earnings	-46 828	-21 699	-114 469
Depreciation	171	120	620
Other items not affecting liquidity	-1	0	-10
Interest received	1 852	381	1 897
Interest paid	-68	-4	-33
<i>Cash flow from ongoing operations before change in working capital</i>	-44 874	-21 202	-111 995
<i>Change in working capital</i>			
Increase in inventories	-8 701	0	-19 155
Increase in receivables	-4 921	-1 558	-5 895
Increase in current liabilities	11 692	4 984	16 022
Cash flow from ongoing operations	-46 804	-17 776	-121 023
<i>Investment activity</i>			
Acquisitions of tangible fixed assets	-484	-271	-969
Cash flow from investment activity	-484	-271	-969
<i>Financing activity</i>			
Warrants programs/new issues	235 103	74 269	218 606
Cash flow from financing activity			
Increase/decrease in liquid funds	187 815	56 222	96 614
Liquid funds, opening balance	125 026	28 412	28 412
Liquid funds, closing balance	312 841	84 634	125 026

PARENT COMPANY INCOME STATEMENT

Amount in SEK thousand	1 Jan 2000- 31 March 2000	1 Jan 1999 - 31 March 1999	1 jan 1999- 31 March 1999
Net sales	314	0	2 715
Cost of goods sold	-234	0	-2 531
Gross earnings	80	0	184
Marketing expenses	-8 449	-3 003	-18 610
Administration expenses	-16 242	-1 828	-24 502
Development expenses	-24 336	-16 868	-74 700
Other operating revenue	0	0	152
Operating earnings	-48 947	-21 699	-117 476
Other interest income, etc.	1 845	381	2 045
Interest expenses	-68	-4	-33
Earnings before tax	-47 170	-21 322	-115 464
Tax			0
Net earnings	-47 170	-21 322	-115 464

PARENT COMPANY BALANCE SHEET

Amount in SEK thousand	31 March 2000	31 March 1999	31 Dec 1999
Assets			
Tangible fixed assets	2 160	1 648	1 846
Total tangible fixed assets	2 160	1 648	1 846
Financial fixed assets	0	0	0
Total financial assets	0	0	0
Work in progress	24 803	0	15 893
Finished goods	3 053	0	3 262
Customer receivables	0	0	732
Receivables, subsidiaries	9 871	0	5 659
Other receivables	11 030	3 295	5 570
Prepaid expenses	3 481	2 041	3 277
Cash and bank balances	311 953	84 634	124 619
Total current assets	364 191	89 970	159 012
Total assets	366 351	91 618	160 858
Shareholders' equity			
Share capital	1 541	1 075	1 402
Unregistered share capital	1 900	0	0
Share premium reserve	375 441	182 370	334 515
Accumulated loss	0	-82 589	-82 589
Net income for the period	-47 170	-21 322	-115 464
Total shareholders' equity	331 712	79 534	137 864
Current liabilities			
Accounts payable	20 375	7 415	15 971
Other liabilities	1 594	1 155	1 816
Accrued expenses	12 670	3 514	5 207
Total liabilities	34 639	12 084	22 994
Total liabilities and shareholders' equity	366 351	91 618	160 858

PARENT COMPANY CASH FLOW STATEMENT

Amount in SEK thousand	31 March 2000	31 March 1999	31 Dec 1999
<i>Ongoing operations</i>			
Operating earnings	-48 947	-21 699	-117 476
Depreciation	171	120	620
Other items not affecting liquidity	326	0	166
Interest received	1 518	381	1 879
Interest paid	-68	-4	-33
<i>Cash flow from ongoing operations before change in working capital</i>	-47 000	-21 202	-114 844
<i>Change in working capital</i>			
Increase in inventories	-8 701	0	-19 155
Increase in receivables	-9 144	-1 558	-11 460
Increase in current liabilities	11 646	4 984	15 894
Cash flow from ongoing operations	-53 199	-17 776	-129 565
<i>Investment activity</i>			
Acquisitions of tangible fixed assets	-484	-271	-969
Cash flow from investment activity	-484	-271	-969
<i>Financing activity</i>			
Warrants programs/new issues	241 017	74 269	226 741
Cash flow from financing activity	241 017	74 269	226 741
Increase in liquid funds	187 334	56 222	96 207
Liquid funds, opening balance	124 619	28 412	28 412
Liquid funds, closing balance	311 953	84 634	124 619

Stockholm, 8 May 2000

Bengt Olsson
Chief Executive Officer

This interim report has not been subject to any auditing by the Company auditors.