NET INSIGHT ANNUAL REPORT 2011

ONE HUNDRED PERCENT QUALITY OF SERVICE

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

net insight™

Contents

Net Insight in brief

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

Net Insight products truly deliver 100 percent Quality of Service with three times improvement in utilization of bandwidth for a converged transport infrastructure. Net 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 150 world class customers run mission critical video services over Net Insight products in over 50 countries.

Highlights of the Year

Full year 2011

- Net sales of SEK 294.5 million (287.7), corresponding to a growth of 2.4% compared year-on-year. The growth rate in comparable currencies amounts to 7.8%.
- Operating earnings of SEK 42.8 million (43.1), corresponding to an operating margin of 14.5% (15.0).
- Earnings per share of SEK 0.13 (0.26); the decrease is related to a positive non-recurring effect in 2010.
- Total cash flow of SEK -39.6 million (83.9); cash flow in 2010 includes a SEK 60 million positive non-recurring effect.
- Net Insight continued its geographical expansion and entered six new countries.
- A broader access portfolio was launched during the year. The existing Nimbra 300 series was expanded with the Nimbra 380 and 320 products. New product lines were added: the Nimbra 140, aimed at the fiber optic access market, and the Nimbra 230, the first all-Ethernet switch solution from Net Insight.
- The Broadcast and Media Networks (BMN) business area represents 79% (67) of total revenue; Digital Terrestrial TV (DTT) represents 17% (31).
- Indirect sales through partners represented 56% (38) of total revenue.

Key figures

	2011	2010	2009
Net sales, MSEK	294.5	287.7	232.8
Operating earnings, MSEK	42.8	43.1	34.0
Net income, MSEK	49.9	102.8	34.4
Earnings per share, SEK	0.13	0.26	0.09
Gross margin, %	61.9	62.7	76.4*
Equity/assets ratio, %	86	83	82
Shareholders' equity per share, SEK	1.26	1.13	0.86
Average number of employees	142	129	116

*Adjusting the 2009 figures for accounting methods used in 2010, this would correspond to a gross margin of 66.3%.

Highlights per quarter

First Quarter

- Société Nationale de Radiodiffusion et de Télévision (SNRT), the national public broadcaster in Morocco, chose Net Insight for its Digital Terrestrial TV network.
- Net Insight signed up a new partner in the Middle East, Salam Media Cast, based in Qatar.
- Net Insight launched the Nimbra 380 to meet increased IP requirements in media and DTT networks.

Second Quarter

- Net Insight received an order from one of the leading cable TV companies in Germany in partnership with its partner SHM Broadcast GmbH.
- The Switch in the US chose the Nimbra platform to support its 50-city network expansion.
- Sydney Teleport Services selected Net Insight to deliver equipment for contribution services in conjunction with the Rugby World Cup in New Zealand.

Third Quarter

- Net Insight won a significant contract with a member of the German ARD Group of Broadcasters for a strategically important extension of their contribution network.
- The Italian service provider Telecom Italia Media Broadcasting (TIMB) chose the Nimbra platform.
- Net Insight won the CSI (Cable & Satellite International) Product of the Year Award 2011 for Best HDTV Technology project based on the Teracom (Sweden) project announced in 2010.

Fourth Quarter

- Net Insight was chosen to deliver the Nimbra platform to support video transport to the US Library of Congress.
- Net Insight won a significant expansion order for nationwide digital TV and media network in the EMEA region.

CEO statement

Market Development – Video Everywhere

As the consumption of video continues to grow at a very fast rate, there are serious capacity challenges as well as significant revenue opportunities for network operators. At the same time there will be excellent business opportunities for equipment vendors that are able to facilitate efficient transport of video across all types of communication networks. The sum of all forms of video already represent about 90 % of global consumer traffic over the internet and there is unprecedented consumer demand for video provided by companies like Netflix, YouTube, BBC etc. However, it is important to note that there is a rapidly growing gap between the traffic increase and the revenue growth for network operators. The flat rate business model used for broadband business is reaching a breaking point. In simple terms, the video traffic is exploding but the service revenues are not. The value chain must be fixed and that will mean investments in new innovative solutions.

I see a parallel development with the mobile phone networks around the world that are being clogged up by more and more bandwidth hungry subscribers. A solution talked about in the mobile world is “off-loading” the wireless networks and pushing the spectrum dependent mobile video and data traffic onto the fixed line networks through Wi-Fi, hotspots etc. In terrestrial networks there are very good ways to truly “off-load” by using more efficient technology to increase the actual network capacity to deal with the escalating amount of video.

With our Nimbra platform we will be well positioned to help broadcasters, media companies and network operators to improve capacity, reduce their operating expenses and help them monetize new automated production processes for live events and new high capacity Content Distribution Networks (CDNs) for improved viewing of TV Over The Top (OTT). Our proven and leading transport solutions for Broadcast and TV distribution networks will be enhanced and offered to solve the current bottlenecks. Opportunities exist in the entire transport network from production, contribution and over to the distribution of high quality video.

Also many digital TV distribution projects (DTT) remain around the world. DTT will be an excellent complement to the on demand OTT viewing as a low cost high penetration broadcast platform for live content. Few people disagree that consumers will only make incremental user payments for high quality services and video. As you know, quality video is what Net Insight is all about and the viewer experience can actually be put into a formula; Quality of Content (QoC) multiplied by the Quality of Service (QoS) = Quality of Experience (QoE). As long as a service or a video clip is for free, QoC is sufficient. However, when charging for any particular content most studies show two things, a) you can only charge for QoE and b) consumers are really prepared to pay for QoE. Net Insight’s contribution in the new media world is and will be to help network owners take a lead regarding Quality of Service for video transport in a simple, proven and cost effective way.

2011 – Stable financial performance

Total revenues increased by 2 % and reached 295 MSEK (288 MSEK). Currency adjusted revenues grew by 8 %. The operating result was in line with previous year at 43 MSEK (43 MSEK) and the operating margin reached 14.5 % (15.0 %). Earnings before tax reached 47 MSEK (44 MSEK). While the financial result was reasonable our revenues 2011 were below my expectations. There were two reasons why we did not manage to grow faster during 2011. The business in Western Europe was significantly down and the amount of available TV distribution business (DTT) was unusually low, however, a large number of DTT projects around the world remain over the coming years. The total effect of those two factors alone was above 50 MSEK. We were able to compensate for those shortfalls by a stronger business in our Broadcast Media Network segment (BMN) that has showed steady growth over several years. I estimate that we grew faster than the market in general as regards BMN during 2011. We also had a stronger year in North America. USA is of course the world’s largest media market that also represents the largest amount of business that we have done in any single country so far. Our revenues also increased in Asia but, just like in other markets, we saw fewer large projects compared with previous years.

Strengthened platform – several new product launches – new customers

During 2011 we added many new customers and markets to further improve our strong list of high profile and important customers now counting over 150 network owners and service providers in over 50 countries. Again I want to mention the importance of our “go-to-market strategy”, our local and regional partners represented 56 % of total revenues. I feel that we have found an effective combination of own direct sales efforts complemented by important work done by our regional partners. During the year we also increased our addressable market by adding several new products in the video processing and the access areas. With our new access products we are able to compete for the often smaller but important entry projects with new customers. The access portfolio is also an important tool to develop deeper relationships through more frequent repeat business between our partners and our end customers.

We also continued to invest and strengthen the entire product portfolio to improve our leading position for video transport.

Looking ahead

In the following sections of this 2011 Annual Report you will see how we work and position Net Insight as the most efficient equipment vendor for video over IP. Consumer demand patterns will ultimately decide the future success of network operators and equipment vendors alike. Successful companies always demonstrate two important aspects; they help customers improve their business and they help customers effectively solve operational challenges. I firmly believe that Net Insight has the ability to deliver both of those aspects to a wide range of customers so that we will be able to help more and more operators capture new business opportunities in the ever accelerating video food chain. As the consumer demand for video and network congestions increase, we are in a good position for future growth.

Fredrik Trägårdh
CEO, Net Insight

"Opportunities exist in the entire transport network from production, contribution and over to the distribution of high quality video."

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 such as TV, pay-per-view, video-on-demand, video conferences and music videos. This vision has proven correct and today we see a major increase in video consumption with TV and movie delivery over public broadband. These services 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.

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

Increase in video traffic
– Mobile and broadband TV (OTT)
– Remote workflows and production
– Wider coverage of live events

Format conversion
– Satellite to fiber conversion
– Conversion to new formats
➡ SDTV ➡ HDTV ➡ 3G-HD ➡ 3D
– Increased use of uncompressed signals in production
– Analog to Digital TV

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 media-rich traffic. Net Insight's customers benefit from the opportunity to introduce new revenue-generating services while reducing their capital expenditures and operating costs. The Nimbra platform is scalable and capable of handling existing and added services with a minimum of manual control, best-in-class total cost of ownership and 100% Quality of Service (QoS).

Business model

Revenue is generated through direct and indirect sales of products and licenses, support and maintenance services, installation services and training. Revenue mostly stems from hardware sales, while revenue from software and services during the last years has increased. Net Insight has created the basis for a potential licensing business with its strong portfolio of 29 patent families that are today held in its subsidiary Net Insight Intellectual Property AB.

Target fulfillment

Net Insight did not provide a detailed earnings or sales forecast for 2011. Revenue in 2011 increased to SEK 295 million, an increase of 2.4%. In fixed and comparable currencies, the growth rate was 7.8%. Several factors affected revenue in 2011. A decline in business in Western Europe and lower than expected volumes in Digital Terrestrial TV networks (DTT) contributed negatively, while revenue increased in the Americas and APAC. Net Insight continued its market expansion and entered six new countries. At the end of the year, the company had more than 150 customers in 50 countries. Net Insight reported positive operating earnings of SEK 42.8 million, corresponding to an operating margin of 15%. The cash flow 2011 decreased in comparison to the previous year, -39.6 million (83.9). However, Net Insight closed the year with a strong balance sheet, with a net cash position of SEK 196 million and equity/asset ratio of 86%. The company holds no interest-bearing liabilities, which is a strong position. The majority of sales, 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 17% of total sales, which is a temporary decrease year-on-year. Indirect sales accounted for 56% during the year, up from last year and in line with Net Insight's strategy to increase partner sales.

Strategy

Net Insight's growth strategy is based on five pillars: segment focus, geographical expansion, reseller partnerships, partnerships with the global telecom equipment providers, and partnerships with service providers. Net Insight's strategy in brief is to focus its sales, marketing and product excellence activities in 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 potential market expands as the new broadened access portfolio is added in combination with introduction of adjacent new verticals or sub-segments, such as Content Delivery Networks (CDN), digital cinema and remote event production. In the DTT segment, Net Insight will capitalize on the unique Time Transfer function, i.e. GPS-independent time synchronization of networks and its strong worldwide references. In the cable TV and IPTV segments, Net Insight focuses on helping its customers overcome scalability and quality issues. Net Insight won important cable TV business during 2011, mainly for contribution and primary distribution, and will leverage these wins for further expansion in the cable TV segment in 2012.

Net Insight is continuously expanding geographically and has entered six new markets during 2011. Market expansion going forward will focus on markets such as China, India and selected markets in the Middle East and Latin America. Our partner network is essential for expansion, and Net Insight will leverage these existing partnerships to increase sales volume per partner. We have seen an increase in indirect sales in the last three years. For larger projects it is efficient for Net Insight to partner with larger network equipment providers. Net Insight offers a real competitive advantage to network equipment providers for the transmission part of their end-to-end network solution.

Net Insight's focus on service providers also gives Net Insight the opportunity to reach the low-end media access market and to expand into new market segments. Service Providers choosing the Nimbra platform can leverage 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. In 2011 nearly 80% of Net Insight's revenue was generated from service providers.

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 as well as lower cost and simplify complexities. The unique features of the Nimbra MSR offer service integrity and quality enhancements over fiber and existing IP networks. Net Insight has significantly broadened its access portfolio which increases the addressable market.

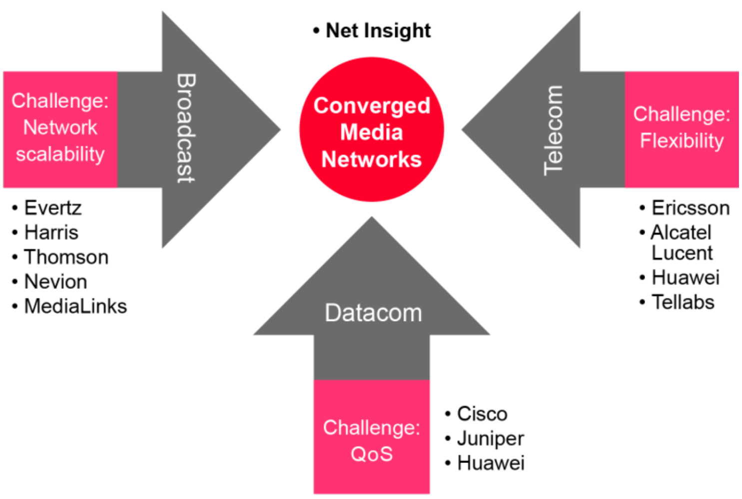
Organization

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

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.

Competitive landscape



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 in transmitting 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 2011, and its share of the company's total revenue was 79%. 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 12%.

Trends

Net Insight has driven the trend toward remote production and remote workflows for some time. During the year, we have seen network owners start looking for solutions in this area. 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. Traditional studio networks will be increasingly based on terabit-per-second LAN/WAN.

The ever-increasing amount of content and the demands of innovative new TV formats such as HDTV and 3D impose up to a twenty-fold increase in network transportation capacity. With the growing use of uncompressed signals in production, capacity requirements could escalate up to one hundred-fold driving large infrastructure upgrades.

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. The unique MSR functionality not only improves QoS over existing IP networks, but offers higher security and control of the individual media services.

Efficiency and shorter production

Choosing 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. 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 massive. 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

Net Insight is a recognized supplier to the global broadcast and media industry. Our solutions are used by well-known companies including Korea Telecom, WDR, Telenor, TeliaSonera International Carrier, TATA, ESPN, KPN, Broadcast Services, EBU, ZDF, CCTV, TV Globo and at major live events. Net Insight and TeliaSonera International Carrier demonstrated a live demonstration of remote production and workflow at IBC 2011, one of the largest industry exhibition. Four uncompressed HD feeds were delivered from the Royal Tennis Club in Stockholm to a production team 1500km away using TeliaSonera International Carrier's MediaConnect network, based on the Nimbra platform, During the year the Nimbra platform also supported networks owners in sport events such as the IAAF World Championships in Athletics 2011 in Korea, the Rugby World Cup 2011 in New Zealand and the FINA World Championships in July 2011.

TeliaSonera International Carrier
Increasing bandwidth – ensuring high quality

The issue

Broadcasters and professional media companies face a significant challenge to transport an ever growing number of channels as well as an increasing amount of bandwidth-heavy HD video programming, contribution feeds and large video files. In addition, advancements in video quality, including the development of ultra HD (4K) with a resolution four times higher than full HD displays (1080p), 3D television and digital cinema, contribute to the demand for higher bandwidths, high performance and reliable video transport with guaranteed QoS. TeliaSonera International Carrier needed to improve its bandwidth scalability and flexibility to offer a long-term solution for demanding video distribution services.

The solution

TeliaSonera International Carrier selected Net Insight as the main vendor for their Media Contribution network, an international fiber-based media network designed for broadcast, high-quality video contribution and distribution. In every major network-connected city there are two media nodes, each comprising a fully redundant Net Insight Nimbra multi-service core-switching platform. Net Insight provides a high-quality service-aware media network that enables real-time TV production over long distances and across international borders. TeliaSonera International Carrier's Media Contribution network ensures 100 percent quality of service even when operating at full capacity on any particular link/node. It also provides the security and reliability demanded by customers in the professional media community.

The result

Net Insight's Nimbra platform solutions allowed TeliaSonera International Carrier to increase bandwidth and ensure high-quality video. Flexibility and dedicated bandwidth ensure that the company can transport compressed, uncompressed, standard, high-definition and ultra high-definition video services and data services throughout its media network. Net Insight's Nimbra platform transports live sports broadcasts from 16 arenas in Sweden's premier football league, Allsvenskan. TeliaSonera International Carrier and Net Insight's collaboration has resulted in several industry first and award recognitions. Now pioneering with the remote production and workflow area, TeliaSonera International Carrier and the rental/production company Twentyfourseven recently launched their Cross Border Remote Production Solution to transport media traffic from live sport and event arenas.

Our philosophy is to strive for perfection in everything we do. As a result, our broadcast network has been meticulously built to never go off air – Net Insight helps us achieve this.

Daniel Pope, Head of Global Media Services, TeliaSonera International Carrier

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 17% of total revenue and decreased during 2011 compared year-on-year. We do not expect this decline to last, as a significant number of DTT projects are upcoming. The addressable market in the DTT area is estimated to EUR 100 million with an estimated Compound Annual Growth Rate of 7%.

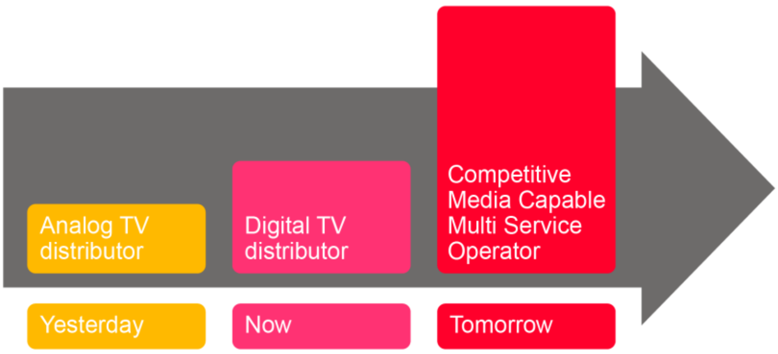
Trends

At this point in time most customers and countries have made their decision on which DTT standard to implement, so we will see a faster roll-out of DTT projects worldwide. A number of large countries such as Russia, Brazil, Argentina, China and India plan to roll out digital terrestrial networks during the next five 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, mobile TV, remote management to third party equipment 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 during the year was won in countries such as Cyprus and Morocco, and during 2011 Net Insight supported existing customers such as Teracom in Sweden and Emitel in Poland with ongoing roll-outs.

BUSINESS AREA
Cable TV and IPTV

Cable TV (CATV) and IPTV networks distribute TV and video along with broadband and telephony to households. All services are transmitted in IP/Ethernet format except in older cable TV networks in which TV and video are transmitted as ASI signals.

The changing digital TV distribution business landscape is leading to increased competition, and cable TV and IPTV operators are looking at over-the-top (OTT) and content delivery networks (CDN). Net Insight approaches the cable TV and IPTV segment selectively; the segment represents 4% of total sales in 2011. This area has a large potential for the future, but is also more competitive than the other business areas. The addressable cable TV market for Net Insight is estimated at EUR 1.5 billion, with an estimated Compound Annual Growth Rate of 5%. For the IPTV area, the addressable market is estimated at EUR 350 million. The Compound Annual Growth for IPTV is difficult to predict given that OTT and CDNs are multiplying.

Trends

The way end users consume media is changing rapidly. Users expect to watch and consume media anywhere, anytime, using any device and with increasing interactivity. More and more people are watching TV on their broadband connection, dubbed “Over-the-Top”. The addition of Video-on-Demand and Personal Video Recorder services is driving large infrastructure upgrades to meet the increased demand for network capacity. This will require network owners to store and stream content efficiently in CDNs. As video traffic increases and users require better and better quality, QoS will be the main differentiator for OTT.

Solutions

The major benefits of the Nimbra platform for CATV/IPTV operators are multi-service IP with guaranteed QoS transport for risk-free consolidation of broadband, broadcast TV, VoD, VoIP and enterprise VPN into a single network. The Nimbra platform offers scalable and easily manageable IP multicast specifically designed for TV distribution in combination with world-leading resilience with hitless protection and automated headend protection. For cable TV, the unique GPS-free Time Transfer function can be used to achieve more efficient distribution.

Customers

Several major operators in Europe, Asia and North America use Net Insight’s Nimbra platform. In Asia, Nimbra was initially deployed by telephone companies in Hong Kong, Singapore and India.

During 2011 Net Insight successfully won new business from several Cable TV operators both for contribution networks as well as for primary distribution in countries such as China and Germany.

Market Perception and efficient market reach

Net Insight's customers are leading global and major national network operators and television and media companies. Net Insight had more than 150 customers in over 50 countries at year-end 2011.

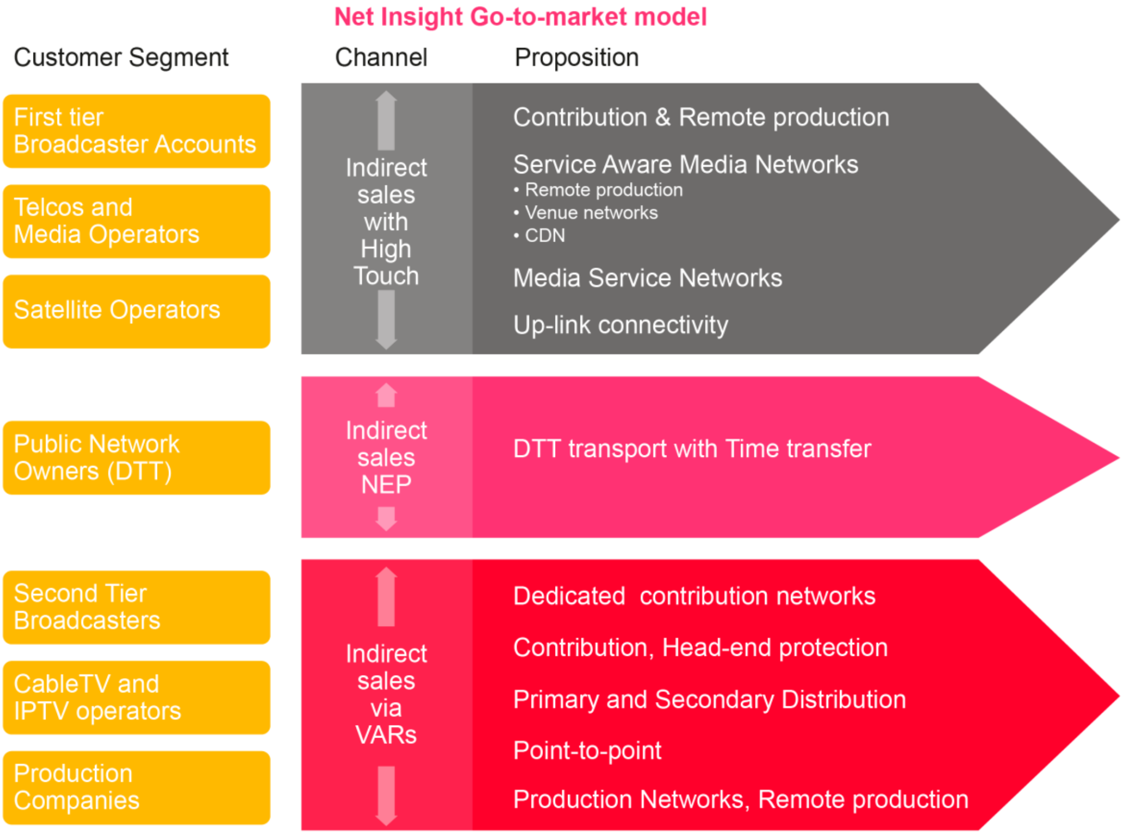
Brand perception of Net Insight

Net Insight has invested in increasing awareness of the company in the last two years. According to the annual survey from Devoncroft "The Big Broadcast Survey 2011, Global Brand Report", Net Insight has positively changed its image in the past two years. Survey participants perceived Net insight as a global and industry leading company. In 2011, Net Insight also received the CSI (Cable & Satellite International) Product of the Year Award for Best HDTV Technology project based on the Teracom (Sweden) project announced in May 2010.

Net Insight's go-to-market model

Net Insight strategy is to efficiently grow its customer base and grow geographically. 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 continues to extend the local partner network, comprised chiefly of large system integrators and value-added resellers. We currently have about 50 partners in our Global Partner network. To ensure customer satisfaction, Net Insight train and certify our partners, each of which represents specific areas of expertise, either geographically or through specialized segment capabilities.

In addition, Net Insight works with leading network equipment (NEP) providers when suitable for customer projects. The leading network equipment providers see the Nimbra platform as a competitive complement to their portfolio.



Partner program

The partner program builds the framework for a strong, dynamic relationship between Net Insight and our partners. Our partner certification ensures the highest quality of customer satisfaction. We reward partners according to their success and their investments in training, information sharing and business generation. The aim of the Net Insight partner program is to provide partners with new revenue streams from the media segment. Net Insight offers partners a world-leading solution for media-rich networks.

Net Insight Academy

Through Net Insight Academy, we provide both in-house and on-site training for employees, partners and customer staff. Course modules follow a logical series of steps, where knowledge from one course facilitates participation at the next level. The curriculum covers a variety of programs of varying length and scope.

For homogenous training groups with participants from the same customer or users of the same type of product solution, modules may be customized to focus on the most relevant products.

> **“The new media solution will protect and utilize existing investments in network capacity and proven technology.”**
>
> Przemyslaw Kurczewski, President Emitel

> **“We were attracted by the multiservice capabilities of Net Insight’s Nimbra products, which offer Ethernet and video transmission over SONET/SDH on a single platform – to meet both consumer and enterprise customer demands”**
>
> Mr. Morikawa, Manager of Telecom Engineering Department, ZTV

Ensuring 100% Quality of Service and service integrity in IP media networks

The broadcast and media industry is moving toward 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 increases, 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.

Creating reliable media service networks

In order to provide high-quality media services and service integrity to its customers, operators need to be serious about their media business and create reliable media service networks, using the IP core for connectivity. Since the media service needs to be handled on-demand on a continued hour-to-hour basis, it is very important to manage media services independently of the IP core network. Net Insight proposes an IP media service architecture on top of the IP core. Net Insight's architecture provides two major benefits; a true service-aware media network together with enhanced QoS and performance of the IP network. Services, unicast and multicast, can be provisioned on demand, and different protection mechanisms can be applied per service independently of the core. Services supported should include not only IP, but also native video and audio services.

Reducing costs – regaining control

The media service network should also have the capability to provide performance monitoring both per service end-to-end for SLA verification as well as per IP connectivity link for fault localization. Going forward, performance monitoring and SLA verification both at the service layer and link layer is going to become increasingly important moving to an all-IP world. Embedding this functionality into the MSRs would significantly reduce overall CAPEX and simplify trouble-shooting and SLA verification, reducing operational cost.

The approach of service-aware media networks is as relevant for broadcasters leasing capacity from telecom service providers and media operators. The aim for broadcasters is to lower the cost for interconnect services, but at the same time have control over their media services and the media environment. In a multi-operator environment it can be difficult to monitor the SLA ensuring the quality of service. By adopting the service-aware media network approach, the broadcaster also regains control of service provisioning and service protection.

"For media services, it is critical to select an IP transport solution that delivers the required quality of service and manageability with a minimum of complexity."

Providing a true service aware network

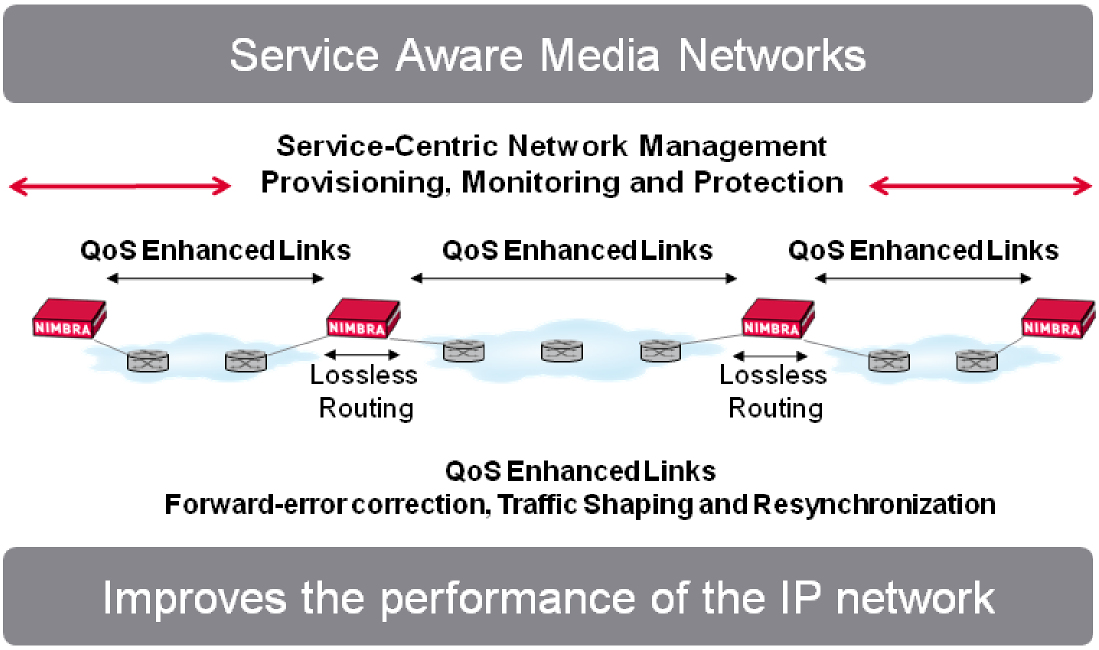
There are several different options on the market by which to realize media services over IP. Net Insight's approach is the only one to provide a true service aware network. Nimbra MSR has the ability to handle all media services individually within the IP network. This capability means that the operator 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 – visibility that is not possible using classical data routers such as MSRs.

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. Net Insight's Nimbra MSR 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 MSR also reshapes and resynchronizes the traffic at every MSR hop, resulting in significantly reduced jitter and wander end-to-end. This means that before sending the traffic to the next MSR, 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. When using a data router as MSR reshaping is not done, instead the traffic becomes burstier for every router it passes, eventually resulting in packet loss.
Because of its provisioning, monitoring and protection of individual services, a media network with Nimbra MSRs on top of an IP/MPLS core also significantly increases the manageability of media traffic.

When a Service Aware Media Network is in place the service providers have a media delivery platform enabling future services such as B2B Media Contribution, Media Production Cloud Services, Wholesale CDN, OTT Hosting Services and IPTV.



Building success through expertise and commitment

Net Insight is a customer and technology-driven company. Like other creative, global high-tech players, the company's success relies on the expertise, creativity and commitment of its employees. At year-end 2011, Net Insight had 150 employees, including Net Insight Intellectual Property AB with five employees and the US subsidiary Net Insight Inc. with five employees.

The Net Insight advantage

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 loyalty from its employees, 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.

Responsible business

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 of Net Insight's business, we support accurate and comprehensive competition regarding bids, tenders, contracts and purchases.

Sustainable development

All manufacturing is outsourced to external business partners and has little 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 (RoHS-5). Net Insight also requires suppliers to specify that their sub-contractors must comply with RoHS-5.

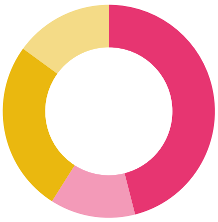
The use of the Nimbra platform supports the increased use of travel-reducing digital communication, since Net Insight actively works to improve the quality of video communication and video conference systems. In itself, this promotes energy efficiency and environmental improvement. For our customers, the Nimbra solution 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 2011, Net Insight applies to Application Level C according to the GRI Reporting Framework.

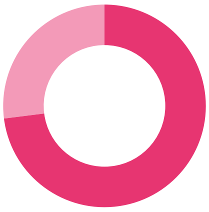
Responsibility toward employees

Net Insight has a flat organization, with the aim of reducing the distance between management and employees. We seek diversity in the workforce in terms of background and experience, and offer our employees equal treatment regardless of age, gender, ethnicity, religion, sexual orientation or anything else that does not affect and individual's ability to perform his or her job. Gender mainstreaming is important for Net Insight, as the company operates in a male-dominated industry. Since 2009 we have participated in Womentor, a mentoring program who aims to encourage more women in the telecom industry to take on management roles. 25% of the management team is women, which puts us in position 61 out of 254 listed companies in Sweden. Equality at Net Insight also 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.

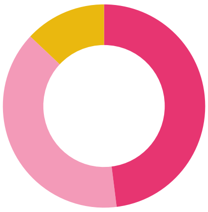
Average length of employment



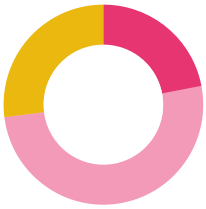
Level of education



Employees per area



Age distribution



Employee numbers	2011	2010	2009	2008
Average number of employees	142	133	116	101
Number of women, %	14	13	13	11
Staff turnover rate, %	5.6	3.1	7.6	6.6
Sickness absence (see Note 7), %	3.2	2.1	2.3	1.9
Cost/employee for skills development, SEK	2 129	1 706	2 257	3 427
Value added/employee*, SEK thousand	1 361	1 343	1 377	1 604

* 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 Nordic Exchange Mid cap (NETI B) since July 1, 2007.

Ownership

The company had 10 518 shareholders on December 31, 2011, compared with 11 139 year-on-year. Net Insight's three founders remain as shareholders with 1.6% (1.6) of capital and 4.2% (4.2) of the votes. As of December 31, 2011, the 20 largest shareholders account for 64.9% of capital and 65.3% of votes. The major shareholders primarily consist of strong financial institutions and funds. Foreign ownership made up 23.3% of capital, compared with 22.8% the previous year.

Price movements

The share price decreased by 40.2% during the year. The highest price during the fiscal year, SEK 4.27, was quoted on February 21, 2011, and the lowest, SEK 1.86, on August 9, 2011. Net Insight's total market capitalization was SEK 797 million as of December 31, 2011, a decrease compared with the previous year, when it was SEK 1 337 million.

Trading volume – NASDAQ OMX

In total, about 118 million shares were sold at a total value of almost SEK 349 million, corresponding to a 30% turnover rate for 2011. On average, 468 000 shares were traded per trading day during the fiscal year, representing an 18% increase from the previous year.

Employee stock options

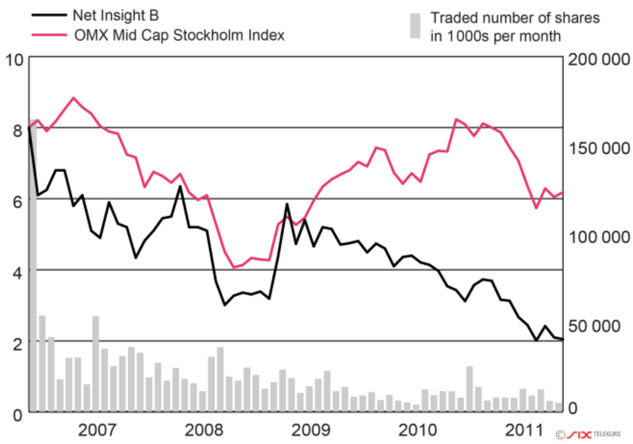
The company has one outstanding employee stock option program, which was implemented in 2009. In 2011, no employee stock options were exercised. The maximum dilution effect of outstanding employee stock options is 1.6% of the number of shares in the Company.

Share capital

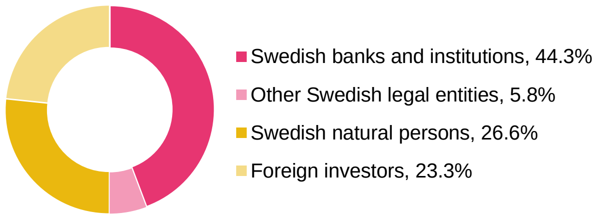
Share capital was SEK 15 597 320 as of December 31, 2011. There were 1 150 000 Class A shares, and 388 783 009 Class B shares, for a total of 389 933 009 shares.

Dividend policy

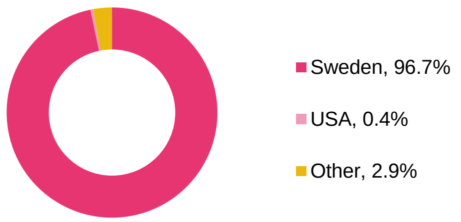
Where appropriate, the board will make proposals regarding dividend for the approval of the AGM.



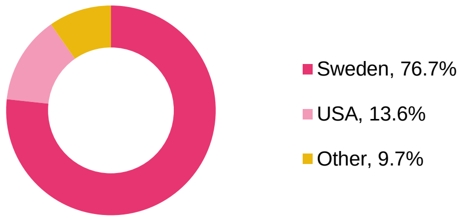
Ownership structure, (Capital, %)



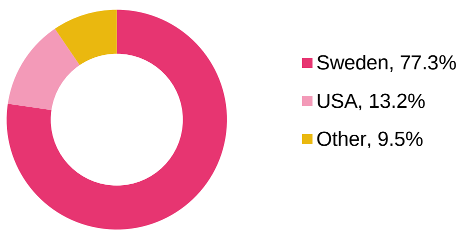
Number of owners (Concentration, %)



Number of owners (Capital, %)



Number of owners (Votes, %)



Class of shares
Per Dec 31, 2011

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, 2011

Shareholding, Number of Shares	Percentage of shareholders	Percentage of share capital
1-1 000	44.3	0.500
1 001-10 000	38.7	4.400
10 001-15 000	3.8	1.300
15 001-20 000	2.6	1.300
20 001+	10.6	92.500
Total	**100.0**	**100.000**

20 largest owners as of Dec 31, 2011

	Name	Class A shares	Class B shares	Holdings (%)	Votes (%)	Market value SEK thousands
1	Lannebo Fonder	0	53 087 042	13.6	13.3	108 828
2	Constellation Growth Capital	0	48 052 491	12.3	12.0	98 508
3	Swedbank Robur Fonder	0	40 470 476	10.4	10.1	82 964
4	Alecta Pensionsförsäkring	0	24 000 000	6.2	6.0	49 200
5	AMF - Försäkring och fonder	0	11 961 901	3.1	3.0	24 522
6	Dexia Bil Customer Account	0	11 165 982	2.9	2.8	22 890
7	Försäkringsaktiebolaget, Avanza Pension	0	11 140 532	2.9	2.8	22 838
8	Nordnet Pensionsförsäkring AB	0	10 023 330	2.6	2.5	20 548
9	JP Morgan Bank	0	8 418 319	2.2	2.1	17 258
10	Apoteket AB:s pensionstiftelse	0	4 901 800	1.3	1.2	10 049
11	Styrelsen och ledningsgruppen	400 000	3 842 861	1.1	2.0	7 878
12	Robur försäkring AB	0	4 120 905	1.1	1.0	8 448
13	Lars Gauffin	600 000	3 124 636	1.0	2.3	6 406
14	Karl Otto Wikander m bolag	0	3 322 915	0.9	0.8	6 812
15	Skandia fonder	0	3 321 605	0.9	0.8	6 809
16	Länsförsäkringar Skåne	0	3 000 000	0.8	0.8	6 150
17	DnB - Carlson fonder AB	0	2 977 794	0.8	0.7	6 104
18	VOB & T Holding AB	0	2 000 000	0.5	0.5	4 100
19	GULF 1 Fund OD41	0	1 343 955	0.3	0.3	2 755
20	AB, V.S.A.T.	0	1 300 000	0.3	0.3	2 665
Total of the 20 largest owners		**1 000 000**	**251 576 544**	**64.9**	**65.3**	**515 732**
Total other owners		150 000	137 206 465	35.1	34.7	281 273
Total		**1 150 000**	**388 783 009**	**100.0**	**100.0**	**797 005**

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

Five Year Summary

	2011	2010	2009	2008	2007
Income statement, MSEK					
Net sales	294.5	287.7	232.8	274.3	228.8
Operating earnings	42.8	43.1	34.0	37.9	32.6
Profit/loss after financial items	47.0	43.6	31.6	40.9	34.0
Net Income	49.9	102.8	34.4	67.9	34.0
Balance sheet, MSEK					
Fixed assets	200.9	159.2	134.6	103.5	82.1
Current assets	368.0	371.6	273.7	254.3	178.9
Total assets	568.9	530.8	408.3	357.8	261.0
Shareholder's equity	491.7	440.6	335.2	274.5	181.2
Liabilities	77.2	90.2	73,1	83.3	79.8
Total equity and liabilities	568.9	530.8	408.3	357.8	261.0
Key ratios					
Gross margin (%)	62	63	76	72	71
Capital expenditures, MSEK	69.5	53.8	53.3	45.7	49.0
Return on capital employed (%)	10	11	12	19	21
Return on equity (%)	11	27	11	30	21
Operating margin (%)	15	15	15	14	14
Earnings per share					
- basic, SEK	0.13	0.26	0.09	0.18	0.09
- diluted, SEK	0.13	0.26	0.09	0.18	0.09
Dividend per share	0	0	0	0	0
Cash flow per share, SEK	-0.10	0.06	0.00	0.06	0.14
Equity/asset ration (%)	86	83	82	77	69
Equity per share, SEK					
- before dilution, SEK	1.26	1.13	0.86	0.72	0.49
- after dilution, SEK	1.26	1.13	0.86	0.71	0.49
Number of employees as of December 31	150	133	120	108	98
Added value per employee, KSEK	1 361	1 385	1 377	1 604	1 540
Share price as of December 31, SEK	2.05	3.43	4.75	3.36	4.34
Number of shares as of December 31	389 933 009	389 933 009	389 933 009	379 890 569	370 602 820

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.

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, IP media, TV distribution, and broadband TV networks. Net Insight's network equipment allows service providers and network owners to deliver video and media services from the core backbone to the end customer 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. Founded in 1997, Net Insight has 150 employees in Stockholm, Singapore, and the US, and is quoted on the Mid Cap (NETI B) list for Swedish shares on the NASDAQ OMX Stockholm Stock Exchange.

Sales
Net Sales increased to SEK 295 million which marks a growth rate of 2% over the previous year. In fixed and comparable currencies, growth amounted to 8%. The growth comes from the Americas and Asia Pacific whereas the Europe, Middle East & Africa (EMEA) showed a decrease compared to last year. Growth drivers in the Americas and APAC were both increased sales to existing customers, showing the importance of Net Insight's installed base, and sales to new customers mainly via partners. The Broadcast and Media Networks (BMN) business area showed a strong growth of 20% with growth mainly in the Americas and Asia Pacific. The Digital Terrestrial TV (DTT) business area showed a decrease of 44% compared to last year. The main part of the decrease is to be found in the EMEA region and explains the main portion of the decrease in EMEA. The decrease in DTT is attributable to investment decisions being delayed into 2012 and possibly further on. The transition to DTT is driven by strong commercial interests to free up frequencies used by the analog terrestrial TV systems in favor of wireless voice and data traffic, improved picture quality and lower operating costs. The geographic expansion also continued with six new countries being added to the list of countries where Net Insight has a base of operations. This extended footprint is an important base for future growth and for the strategy going forward.

In general the BMN business area is driven by more video content, digitization and new formats such as HDTV. 2011 was a strong year for Net Insight in BMN and together with the general growth drivers mentioned above, Net Insight's partner and market expansion strategy also resulted in a number of important wins: In April, Net Insight was awarded a contract for a nationwide Uncompressed HD video network from Beers Enterprises Inc. "The Switch" in the USA. The network will provide advanced customer controlled video switching services in 44 cities across the nation. Net Insight was also chosen to provide a media contribution network to cover the live swimming event FINA World Championships in Shanghai. The order was placed by Shanghai Telecom, a new customer to Net Insight, and was won in partnership with Times Sage Technology, member of the CSS group.

For the Rugby World Cup, Net Insight received an order from Sydney Teleport Services for a contribution network between Auckland and Sydney. The network uses Net Insight's Nimbra platform including the IP trunk. The order was won in partnership with Techtel, Net Insight's premium partner for Australia and New Zealand. Net Insight was also chosen to provide equipment for live production feeds for the IAAF Athletic World Championships in Korea. The network order included both the Nimbra 680 and Nimbra 340 platforms and included functionality to transport High Definition (HD) signals.

In the third quarter, Net Insight received a major order from a member of the ARD Group in Germany for contribution of video, radio and data from its headquarters to more than 15 sites in Germany. This was a new customer to Net Insight and a large member of the ARD Group of public Broadcasters in Germany. Another important win for Net Insight was an order from the US Library of Congress. The Nimbra platform will be used to transport video from the House and Senate fiber ring location to the Library of Congress' National Audio Visual Conservation Center (NAVCC). The NAVCC is a state-of-the-art facilty where the Library of Congress acquires, preserves and provides access to the world's largest and most comprehensive collection of films, television programs, radio broadcasts and sound recordings. Also a new customer to Net Insight, Telecom Italia Media Broadcasting, a major terrestrial television network operator in Italy, placed orders for a contribution network between studios and sites in Rome and

Milan. The order also included JPEG 2000 video compression technology and Nimbra Vision. The order was won in partnership with Net Insight's premium partner Diem Technologies. Also announced in December, Net Insight received further expansion orders for a large Middle Eastern nationwide DTT and media network.

Despite a relatively weak year in the DTT business area, a couple of important wins were achieved. SNRT, the national public broadcaster in Morocco, choose Net Insight to expand their existing network. The purpose of the network expansion was to enhance the availability of the network as well as safeguard investments already made. The order was won in partnership with Ericsson. In Argentina the governmental agency Arsat placed a third order for Nimbra equipment to be deployed in the Argentinean ISDB-T transport network. Two orders were already placed in 2010 and the DTT network is being built stepwise with many transmitter sites to follow. The order also included Net Insight's GPS-free time synchronization, making it the largest GPS-free time synchronization in the region that uses the ISDB-T standard. Lithuanian Radio and Television Centre ordered equipment from Net Insight to further expand its DTT network. It placed its first order with Net Insight already in 2006; its 2011 order included IP/Ethernet trunk modules and NimbraVision, the management system. In December, Net Insight was selected to provide the second DTT network in Cyprus. The order was placed by Velister and included equipment for a nationwide all-IP network.

In the CableTV/IPTV business area, Net Insight won new customers, one of which is a leading Cable TV company in Germany that placed an order for a nationwide Cable TV network. The order included the Nimbra 680 platform, video access cards and optical 10 Gigabits trunks. The order was won in cooperation with one of Net Insight's premium partners SHM Broadcast GmbH. Orders were also received from a Chinese cable operator for a network across major cities in China and expansion orders from Wisconsin Independent Network in the US.

Partnerships

During 2011, sales through partners increased to 56% from 38% in 2010. The continued development of the partner network is important to further support sales growth and provide local support to customers but also as a cost efficient way to extend Net Insight's global reach. Net Insight strengthened its partner network with a net addition of eight new partners in North America, Asia, Europe, the Middle East and South America, and had 48 (40) business partners at the end of the year. During the year, further investments in the partner network were made including training, co-op marketing and the launch of a partner web to further improve communication between Net Insight and its partners.

During the year, two partnerships on the product side were also announced. A partnership with Dimetis facilitated integration between Net Insight's Nimbra platform and Dimetis BOSS LINK Manager, which further improves end-to-end provisioning with built-in scheduling and booking of media resources. The partnership with Skyline Communication resulted in integration with Net Insight's Nimbra platform to provide Net Insight's customers with additional support of advanced applications for automation, scheduling, event correlation and reporting.

Marketing Activities

Net Insight has continued its PR efforts in thought leadership around Service Aware Media Networks enabling network owners to deliver enhanced Quality of Service and service integrity in IP media networks. Net Insight is also driving the trend towards remote production and there has been extensive media coverage on the topic during the second half of 2011. Net Insight participated in more than 25 trade shows during 2011, with all continents represented. At IBC, a major annual tradeshow for the broadcasting industry held in Amsterdam, Net Insight demonstrated a remote production solution together with TeliaSonera International Carrier exemplifying how real-time media networks can be utilized to revolutionize the outside broadcasting. Net Insight also received the CSI Award for the Best HDTV Technology project based on the Teracom (Sweden) project announced in May 2010. At NAB, the major broadcasting tradeshow held in Las Vegas, Net Insight showed first time demonstrations of the JPEG2000 video port, the Nimbra 380 and touchscreen applications for NimbraVision. These products were also demonstrated live at CommunicAsia, the major Asian technology (ICT) and media communications event.

Research and Development

During 2011, Net Insight's product portfolio has expanded significantly in functionality as well as by adding products closer to the network edges.

To improve the offering within the Broadcast and Media Network (BMN) space, two products with new software were launched containing enhanced and new audio features, both AES-EBU and MADI access for the Nimbra 600 series. The new software on the AES-EBU card also contains ASI and MADI audio formats making it more cost efficient for customers. MADI is an important audio format primarily for radio distribution and contribution and thereby expands the potential customer groups for Net Insight.

Net Insight also added new products to particularly address the increased demand for transport over Ethernet: the Nimbra 320, Nimbra 380 and Nimbra 230. Paired with the award winning IP trunk and featuring built-in Ethernet switching and unique GPS independent Time Transfer, the Nimbra 380 offers network owners unprecedented performance for the next generation IP media and DTT networks. The Nimbra 320 is a Multiservice IP Gateway with applications ranging from high-end video services such as studio production and contribution, to broadcast distribution in IPTV/Cable TV or DTT/Mobile Networks. A metro Ethernet Access Switch, Nimbra 230, was also launched during the year, which allows media network owners to expand their Ethernet access network with enhanced performance monitoring and end-to-end service provisioning. A 10 Gigabit per second IP-trunk was also launched, marking a capacity improvement from 1 Gigabit per second in the previous IP-trunk.

A broadcast fiber optic access platform, the Nimbra 140 series, was also added to the portfolio. The Nimbra 140 series includes high quality, cost effective broadcast appliances such as Opto-/Electrical converters for video over fiber applications, wavelength/TDM multiplexers, audio embedders and optical failover switches. The Nimbra 140 series is ideal for cost effective aggregation of video, audio and data services to the Nimbra 300 and 600 series Media Switch Routers.

The trend for video transmission in contribution networks is to use uncompressed formats. At the same time, the increasing amount of high-bandwidth HD and 3DTV content mandates that contribution networks have a compression option. In 2011, Net Insight launched and deployed the JPEG2000 Video Access Module, which provides a high-density and flexible solution for compression of 3G, HD and SD-SDI video as well as ASI or uncompressed 3G/HD/SD-SDI services.

On the network management side, NimbraVision now has improved capacity for scaling to larger networks and improved interfaces to other vendors' management system.

Patents

A high degree of innovation has brought Net Insight's products and solutions to the cutting edge of technology. Consequently, using patents to prevent technology plagiarism and to protect knowledge and expertise is crucial if the Company is to retain its technological advantage. During 2011 one patent application has been filed and so far, 29 families of patents have been filed in one or more countries with a total of 27 patents registered.

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. As such, it needs to remain at the cutting edge of development to provide the most attractive and competitive offering to its customers. 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

Most of Net Insight's customers are 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, including working with partners who have considerable knowledge of local conditions, letters of credit, and prepayment.

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 very 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

Seasonality

Any seasonality effects Net Insight is subject to, follow customers' purchase pattern. Based on the last three years, there has been a relatively weak seasonality pattern where Net Sales in the first quarter amount to 23% of annual Net Sales and the fourth quarter amount to 27% of annual sales and the second and third quarter amount to 25% of annual sales respectively.

Guidelines for remuneration for senior executives

The most recently adopted guidelines, valid until the Annual General Meeting on April 26, 2012, for remuneration of senior executives are described in Note 7. At the 2012 Annual General Meeting, a new proposal will be put forward:

The Board of Directors' of Net Insight AB proposal for resolution regarding guidelines and other terms of employment for senior executives

The board of directors proposes that the annual general meeting resolves to approve the board of directors' proposal regarding guidelines for remuneration and other terms of employment for senior executives as set forth below.

The senior executives terms and remunerations and general principles for remuneration

The company offers salaries and remunerations in line with market practice, as concerned 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.

Sales and earnings

Net Sales for the twelve months period ending December 31st, amounted to SEK 294.5 million (287.7), which is an improvement of 2.4% over last year. Revaluation of the accounts receivables stock had a positive effect on Net Sales of SEK 1.8 million (-7.1). In comparable currencies the growth amounts to 7.8%.

The EMEA region accounted for SEK 203.9 million (229.2) The reason for the decreased turnover in EMEA is due to fewer DTT projects in the roll-out phase and the absence of major events such as the soccer World Cup or Olympic Games. Americas showed increased sales of SEK 26.3 million to SEK 70.1 (43.8). The improvement is mainly related to BMN business in North America. APAC also showed a growth of SEK 5.8 million to SEK 20.5 million (14.7).

Sales by business area are distributed between Broadcast & Media 79% (67), DTT & Mobile TV 17% (31) and IPTV/CATV 4% (2). The Business Area DTT & Mobile TV tends to vary between quarters and years as investments are driven mainly by government decisions.

Hardware sales amounted to SEK 215.7 million (220.9), software licenses SEK 28.5 million (28.5) and support and services revenue SEK 47.4 million (41.5). The above figures are exclusive of other revenues of SEK 3.3 million (-3.2), which mainly consists of revaluation effects of the accounts receivables stock in foreign currencies.

The Gross Margin amounted to 61.9% (62.7). Depreciation on capitalized R&D projects, which is charged to Cost of Sales, amount to SEK 27.5 million (23.3). Adjusted for this, the Gross Margin amount to 71.2% (70.9). The improvement is mainly related to favorable product mix.

Operating expenses for the full year amounted to SEK 139.3 million (137.4). Sales & Marketing expenses amount to SEK 91.9 million (95.0). The decrease is related to lower partner commissions and one time charges taken in 2010. Adjusted for this, the increase is SEK 3 million mainly related to increased salary expenses. Administration expenses amounted to SEK 27.4 million (20.3). The increase is related to added staff, consultants to cover for staff on long term leave and a one-time effect from resolved provisions in 2010. R&D expenses amount to SEK 20.1 million (22.1). The decrease is related to a larger share of resources having been assigned to development projects which are qualified for capitalization. R&D expenditures amount to SEK 86.1 million (74.7). The increase is related to added staff.

Operating earnings amounted to SEK 42.8 million (43.1), which correspond to an Operating Margin of 14.5% (15.0).

The financial net was positive at SEK 4.2 million (0.5). The improvement is related to a higher yield on cash balances following increased interest rates.

Earnings before tax amounted to SEK 47.1 million (43.6) and the corresponding profit margin amount to 16.0% (15.1)

Net Income amounted to SEK 49.9 million (102.8). The transaction, announced in Q1 2010, whereby Net Insights intellectual property rights were moved to a new wholly owned limited liability company gave a positive tax and cash effect of approximately SEK 60 million during 2010.

Cash flow and financial position

Cash flow from ongoing operations for the full year amounts to SEK 29.9 million (77.8). The decrease is related to a build-up of working capital, mainly accounts receivables and lower liabilities. As Net Insight is expanding its business in the Middle East and Latin America there is a push for longer payment terms also underpinned by a general trend for longer payment terms in the wake of the financial crisis. Investments in intangible fixed assets increased by SEK 12.7 million to SEK 66.0 million (53.3). The increase is related to a higher spend in R&D and a larger share of R&D projects qualifying for capitalization. Cash flow from the Investment activity, where capitalization of R&D expenditures constitutes the bulk affected cash flow negatively by SEK 69.5 million (6.1). Last year’s positive cash flow from the investment activity was generated from the first quarter IPR transaction which gave a cash surplus of around SEK 60 million. Total cash flow for 2011 amounts to a negative SEK 39.6 million (83.9) and liquid funds at the end of the period amounted to SEK 196.2 million (235.9).

Shareholders’ equity amounted to SEK 491.7 million (440.6) with a resulting equity ratio of 86.4% (83.0).

Investments

Investments in tangible assets for the twelve months period amounted to SEK 3.5 million (0.5) and depreciation of tangible assets amounted to SEK 1.9 million (1.0). Capitalization of development expenditures totaled SEK 66.0 million (52.6). Depreciation of capitalized development expenditures totaled SEK 27.5 million (23.3). At the end of the period, net book value of capitalized development expenditures amounted to SEK 158.9 million (121.6) of which SEK 71.4 million (45.0) is not yet released for depreciation.

Employees

At the end of the period Net Insight had 150 (133) employees. The parent company Net Insight AB had 140 (124) employees, Net Insight Intellectual Property AB had 5 (4) employees and the US subsidiary Net Insight Inc. had 5 (5) employees.

Parent company

For the twelve month period ending December 31st, the net sales were SEK 381.2 (349.9) and the Net income amounted to -77.7 (14.3). Liquid funds amounted to SEK 123.7 million (167.7). The negative result is due to a write down of shares in a fully owned subsidiary and has no effect on the result of the group.

Significant events after the period

Net Insight won a significant order from Swisscom Broadcast, the leading Swiss transmitter of terrestrial radio and television signals throughout Switzerland. Net Insight was selected in March 2012 to deliver the Nimbra platform for a new media contribution network to Swisscom Broadcast AG covering all premier league ice hockey and football arenas in Switzerland.

Dividend

The Board will propose a dividend when appropriate about which the Annual General Meeting (AGM) will make a decision. The board proposes that the AGM resolve that no dividend be paid for the 2011 financial year.

Proposed distribution of earnings

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

Premium reserve	51 296
Retained earnings	734 224
Profit for the year	-77 656
Total	**707 864**

The Board of Directors proposes that funds be disposed of as follows:
To be brought forward: 707 864

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 2011, implementation of a fully automated consolidation system commenced to be fully implemented by Q1 2012. The purpose of the new consolidation system is to reduce the risk for errors and make the closing process more efficient. Process changes to improve segregation of duties were also performed 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 2011. 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	2011	2010
Net Sales	5	294 524	287 698
Cost of goods sold	9.11	-112 352	-107 168
Gross earnings		**182 172**	**180 530**
Sales and marketing expenses	7,10,11	-91 918	-95 043
Administration expenses	7,9,10,11,12	-27 365	-20 257
Development expenses	7,8,9,10,11	-20 065	-22 146
Operating earnings	6	**42 824**	**43 084**
Result from financial investments			
Financial income	13	4 376	1 430
Financial expenses	13	-129	-956
Result from financial investments		**4 247**	**474**
Profit before tax		**47 071**	**43 558**
Tax	14,15	2 857	59 245
Net earnings		**49 928**	**102 803**
Net earnings for the period attributable to the stockholders of the parent company		**49 928**	**102 803**
Earnings per share before dilution	16	0.13	0.26
Earnings per share after dilution	16	0.13	0.26

Consolidated Statement of Comprehensive Income

Amount in SEK thousand	NOTE	2011	2010
Net earnings		49 928	102 803
Other comprehensive income			
Exchange rate differences		139	-411
Other comprehensive income for the year, after tax		**139**	**-411**
Total comprehensive income for the year		50 067	102 392
Total comprehensive income for the year attributable to the stockholders of the parent company		**50 067**	**102 392**

Consolidated Balance Sheet

Amount in SEK thousand	NOTE	Dec 31, 2011	Dec 31, 2010
ASSETS			
Intangible fixed assets			
Capitalized expenditure for development	17	158 871	121 600
Goodwill	17	4 354	4 354
Other intangible assets	17	1 291	2 156
Tangible fixed assets			
Equipment	18	4 075	1 702
Financial fixed assets			
Deferred tax asset	15	31 932	29 075
Deposits, long term	19	397	353
Total fixed assets		**200 920**	**159 239**
Current assets			
Inventories	20	36 353	28 228
Accounts receivables	21	123 896	98 430
Other receivables	21,23	5 049	3 149
Prepaid expenses and accrued income	21	6 464	5 885
Cash and cash equivalents	22,23	196 210	235 857
Total current assets		**367 972**	**371 549**
Total assets		**568 892**	**530 788**
LIABILITIES AND SHAREHOLDERS' EQUITIY			
Shareholders' equity			
Share capital	24,25	15 597	15 597
Other contributed capital		1 192 727	1 192 727
Translation difference		-1 520	-1 659
Net earnings		-715 088	-766 091
Total shareholders' equity		**491 716**	**440 574**
Provisions			
Other provisions	26	7 771	13 769
Total provisions		**7 771**	**13 769**
Long term liabilities			
Long term liabilities		0	0
Total provisions		**0**	**0**
Current liabilities			
Accounts payable	23	26 130	32 719
Other liabilities	27	11 277	13 857
Accrued expenses	28	31 998	29 872
Total liabilities		**69 405**	**76 448**
Total liabilities and shareholders' equity		**568 892**	**530 788**

Consolidated Cash Flow Statement

Amount in SEK thousand	NOTE	2011	2010
Ongoing operations			
Profit before tax		47 071	43 558
Depreciation	9	29 456	25 165
Other items not affecting liquidity	29	440	4 291
Cash flow from ongoing operations		**76 967**	**73 014**
Change in working capital			
Increase (-)/Decrease (+) in inventories		-8 125	-1 558
Increase (-)/Decrease (+) in receivables		-27 945	-12 397
Increase (+)/Decrease (-) in current liabilities		-11 040	18 699
Cash flow from ongoing operations		**29 857**	**77 758**
INVESTMENT ACTIVITY			
Acquisitions of intangible assets	17	-66 006	-53 289
Acquisitions of tangible fixed assets	18	-3 454	-496
Acqusition of net assets	14,15	0	59 990
Increase (-)/Decrease (+) in long-term assets		-44	-105
Cash flow from investment activity		**-69 504**	**6 100**
Increase/decrease in liquid funds	30,31	-39 647	83 858
Liquid funds, opening balance	30,31	235 857	151 999
Liquid funds, closing balance		**196 210**	**235 857**

Changes in Group Shareholders' Equity

Amount in SEK thousand	Share capital	Other contributed capital	Translation difference	Accumulated deficit	Total shareholders' equity
January 1, 2010	15 597	1 192 727	-1 248	-871 843	335 233
Comprehensive income					
Net earnings	0	0	0	102 803	102 803
Translation difference	0	0	-411	0	-411
Total comprehensive income	**15 597**	**1 192 727**	**-1 659**	**-769 040**	**437 625**
Transactions with owners					
Employee stock option program:					
Value of employees' services	0	0	0	2 949	2 949
Total transactions with owner	**0**	**0**	**0**	**2 949**	**2 949**
	-	-	-	-	-
December 31, 2010	**15 597**	**1 192 727**	**-1 659**	**-766 091**	**440 574**
January 1, 2011	15 597	1 192 727	-1 659	-766 091	440 574
Comprehensive income					
Net earnings	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**

Parent Company

Parent Company Income Statement

Amount in SEK thousand	NOTE	2011	2010
Net Sales	5	381 211	349 859
Cost of goods sold	9,11	-187 697	-177 231
Gross earnings		**193 514**	**172 628**
Sales and Marketing expenses	7,10,11	-86 665	-92 874
Administration expenses	7,9,10,11,12	-27 364	-20 257
Development expenses	7,8,9,10,11	-20 065	-22 146
Operating earnings	6	**59 420**	**37 350**
Result from financial investments			
Result from shares in subsidiary	13	-138 613	-215 439
Financial income	13	3 003	1 087
Financial expenses	13	-129	-956
Result from financial investments		**-135 739**	**-215 308**
Earnings before tax		**-76 319**	**-177 958**
Tax	14,15	-1 336	192 245
Net earnings		**-77 656**	**14 286**

Parent Company Statement of Comprehensive Income

Amount in SEK thousand	NOTE	2011	2010
Net earnings		-77 656	14 286
Other comprehensive income			
Group contribution		27 130	747 090
Tax effects group contribution		-7 135	-196 485
Other comprehensive income for the year, after tax		**19 995**	**550 605**
Total comprehensive income for the year		-57 661	564 891
Total comprehensive income for the year attributable to the stockholders of the parent company		**-57 661**	**564 891**

Parent Company Balance Sheet

Amount in SEK thousand	NOTE	Dec 31, 2011	Dec 31, 2010
ASSETS			
Intangible fixed assets			
Capitalized expenditure for development	17	158 871	121 600
Other intangible assets	17	1 291	2 156
Tangible fixed assets			
Equipment	18	4 075	1 702
Financial fixed assets			
Shares in group companies	24	18 398	18 398
Deferred tax asset	15	17 109	25 580
Deposits, long term	19	397	339
Total financial assets		**200 141**	**169 775**
Current assets			
Work in progress	20	1 400	50
Finished goods	20	34 953	28 178
Receviables			
Accounts receivables	21	123 896	98 430
Receivables subsidiaries		429 097	533 937
Current receivables	21	6 991	5 679
Prepaid expenses and accrued income	21	6 399	5 822
Cash and bank	22	123 670	167 650
Total current assets		**726 406**	**839 746**
TOTAL ASSETS		**926 547**	**1 009 521**
LIABILITIES AND SHAREHOLDERS' EQUITIY			
Shareholders' equity			
Restricted equity			
Share capital	24,25	15 597	15 597
Legal reserve		112 822	112 822
Non-restricted equity/Accumulated deficit			
Share premium reserve		51 296	51 296
Retained Earnings		734 224	698 867
Net Income		-77 656	14 286
Total shareholders' equity		**836 283**	**892 869**
Provisions			
Other provisions	26	7 771	13 277
Total provisions		**7 771**	**13 277**
Long-term liabilities			
Long term liabilities		0	0
Total long-term liabilities		**0**	**0**
Current liabilities			
Accounts payable		25 839	32 641
Liabilities, subsidaries		16 619	29 398
Other liabilities	27	10 988	13 161
Accrued expenses	28	29 047	28 177
Total liabilities		**82 493**	**103 377**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**926 547**	**1 009 521**
Pledged assets	30	0	0
Contingent liabilities		None	None

Parent Company Cash Flow Statement

Amount in SEK thousand	NOTE	2011	2010
Ongoing operations			
Loss before tax		-76 319	-177 958
Depreciation	9	29 456	25 165
Other items not affecting liquidity	29	137 133	219 648
Cash flow from ongoing operations before change in working capital		**90 270**	**90 270**
Change in working capital			
Increase (-)/decrease (+) in inventories		-8 125	-1 558
Increase (-)/decrease (+) in receivables		-27 356	-17 151
Increase (-)/decrease (+) in current liabilities		-29 251	24 840
Cash flow from ongoing operations		**25 538**	**72 986**
INVESTMENT ACTIVITY			
Acquisitions of intangible assets	17	-66 006	-53 289
Acquisitions of tangible fixed assets	18	-3 454	-496
Increase (-)/decrease (+) in long-term assets		-58	-91
Cash flow from investment activity		**-69 518**	**-53 876**
Increase/decrease in liquid funds	30,31	-43 980	19 110
Liquid funds, opening balance	30,31	167 650	148 540
Liquid funds, closing balance		**123 670**	**167 650**

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, 2010	15 597	112 822	51 296	112 850	32 463	325 028
Comprehensive income						
Redistribution previous year net earnings	0	0	0	32 463	-32 463	0
Net income	0	0	0	0	14 286	14 286
Group contribution	0	0	0	747 090	0	747 090
Tax effect group contribution	0	0	0	-196 485	0	-196 485
Total comprehensive income	**15 597**	**112 822**	**51 296**	**695 918**	**14 286**	**889 919**
Transactions with owners						
Employee stock option program:						
Value of employees' services	0	0	0	2 949	0	2 949
Total transactions with owners	**0**	**0**	**0**	**2 949**	**0**	**2 949**
December 31, 2010	**15 597**	**112 822**	**51 296**	**698 867**	**14 286**	**892 868**
January 1, 2011	15 597	112 822	51 296	698 867	14 286	892 868
Total comprehensive income						
Redistribution previous year net earnings	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**

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 150 employees in Sweden, the US, and Singapore. Net Insight entered the Stockholm Stock Exchange in 1999 and has been listed on the NASDAQ OMX Nordic Mid Cap SEK index 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 1.3, 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 2011 that would be expected to have a material impact on the group.

- IFRS 9, 'Finacial 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 2013. The standard has not been adopted by EU.

- 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 2013. The standard has not been adopted by EU.

- IFRS 12, 'Disclosures of interests in other entities´ includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The group is yet to assess IFRS 12's full impact and intends to adopt IFRS 12 no later than the accounting period beginning on or after 1 January 2013. The standard has not been adopted by EU.

- IFRS 13, ‘fair value measurement’, aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The group is yet to assess IFRS 13’s full impact and intends to adopt IFRS 13 no later than the accounting period beginning on or after 1 January 2012. The standard has not been adopted by EU.

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 quarter.
- 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 2011 (2010).

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 product group and 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, 2011, Net Insight had forward exchange agreements of USD 0,9 million (0,4) and EUR 1,3 million (3,8).

If the SEK had strengthened/weakened by 5% against the EUR, all other variables remaining constant, 2011 revenue would have been SEK 9,5 million lower/higher. If the SEK had strengthened/weakened by 5% against the USD, all other variables remaining constant, 2011 revenues would have been SEK 4,5 million lower/higher. The exposure against the USD increased in 2011 because the USD represented a larger portion of net sales than in 2010.

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+ (Moodys 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 2011 or 2010. Cash and cash equivalents are usually 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 2011, Net Insight capitalized an additional SEK 14,9 million (5.3) in deferred tax assets, corresponding to tax loss deductions of SEK 56,7 million (20,2). 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, 2011, is as follows:

Segment Report

	2011				2010			
SEK million	EMEA	APAC	AM	Total	EMEA	APAC	AM	Total
Net Sales	204	21	69	294	229	15	44	288
Regional Contribution	68	-1	22	90	75	-3	13	85
Regional Contribution, %	33%	-6%	31%	31%	33%	-19%	31%	30%

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	2011	2010
Hardware	215 282	220 946
Software licenses	28 549	28 462
Support and services	47 395	41 489
Other revenue	3 298	-3 199
Total	**294 524**	**287 698**

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	2011	2010
Sweden	18 516	44 364
EMEA excl Sweden	185 225	184 808
Americas	69 325	43 850
APAC	21 458	14 676
Total	**294 524**	**287 698**

Net Sales, Parent Company

SEK thousand	2011	2010
Sweden	105 202	106 525
EMEA excl Sweden	185 226	184 808
Americas	69 325	43 850
APAC	21 458	14 676
Total	**381 211**	**349 859**

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 86 686 thousand (62 161). 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	2011	2010
Sales to NIIP HB	0	5 632
Sales to Q2 Labs	441	2 401
Sales to NIIP AB	86 245	54 128
Purchases from NIIP HB	0	4 076
Purchases from NIIP AB	76 592	70 064
Net Insight Inc	9 513	0

Note 6 Exchange rate differences

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

	Group		Parent Company	
Operating exchange rate differences, SEK thousand	2011	2010	2011	2010
Exchange rate gains	17 908	15 573	17 908	15 573
Exchange rate losses	15 878	22 659	15 878	22 659
Net exchange rate differences	2 030	-7 085	2 030	-7 085

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.

	2011		2010	
	Average number of employees	Of which men	Average number of employees	Of which men
Group (incl subsidiaries)				
Sweden	132	86%	120	86%
Singapore	5	100%	4	100%
USA	5	100%	5	100%
Parent Company				
Sweden	128	86%	118	86%
Singapore	5	100%	4	100%

At year-end, Net Insight had 150 (133) employees. The parent company Net Insight AB had 140 (124) employees, Net Insight Intellectual Property AB 5 (4) employees and the U.S. subsidiary Net Insight Inc had 5 (5) employees. Absence due to sick leave amounted to 3.2% (2.2) of total ordinary work hours in the Company. Of absences due to sick leave, 1.4% (0.9) was consecutive absences of more than 60 days, i.e., sick leave absences excluding long-term absences amounted to 1.8% (1.2). Women's absences amounted to 0.8% (1.0) of total work hours in the Company. In the 30−49 age group, sick leave was 2.9% (1.8) of total ordinary work hours, while in the 50−65 age group sick leave was 0.1% (0.2). 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, 2011	Of which men	December 31, 2010	Of which men
Group (incl subsidiary)				
Board members	10	90%	11	91%
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	2011	2010
Lars Berg (Chairman)	400	350
Ragnar Bäck	0	150
Clifford H. Friedman	175	150
Bernt Magnusson	175	150
Gunilla Fransson	175	150
Arne Wessberg	175	150
Anders Harrysson	175	150
Summa	**1 275**	**1 250**

The amounts refer to fees for the parent company as approved at the 2011 (2010) Annual General Meeting (AGM).

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).

2011

SEK thousand	Salary	Variable compen-sation	Other benefits	Pension expense	Share-based compen-sation	Total
Fredrik Trägårdh (CEO)	1 750	1 181	0	605	83	3 619
Anders Persson (Executive Vice President)	1 500	324	0	412	75	2 311
Other senior executives (5)	3 820	1 917	0	1 002	224	6 963
Other employees	74 018	11 349	568	11 779	693	98 407
Total	**81 088**	**14 771**	**568**	**13 798**	**1 075**	**111 300**

2010

SEK thousand	Salary	Variable compen-sation	Other benefits	Pension expense	Share-based compen-sation	Total
Fredrik Trägårdh (CEO)	1 750	1 488	0	605	231	4 074
Anders Persson (Executive Vice President)	1 500	648	0	412	208	2 768
Other senior executives (5)	4 519	1 800	0	868	506	7 693
Other employees	65 350	6 001	625	9 635	2 004	83 615
Total	**73 119**	**9 936**	**625**	**11 519**	**2 949**	**98 150**

Other benefits refer to health insurance.

2011

SEK thousand	Salary	Variable compen-sation	Other benefits	Pension expense	Share-based compen-sation	Social expense	Total
Sweden	77 032	13 327	0	13 798	1 075	29 511	134 743
USA	4 056	1 445	568	0	0	692	6 761

2010

SEK thousand	Salary	Variable compen-sation	Other benefits	Pension expense	Share-based compen-sation	Social expense	Total
Sweden	68 689	9 048	0	11 519	2 949	25 695	117 900
USA	4 430	888	625	0	0	449	6 392

Other benefits refer to health insurance.

For 2011, the senior executives' terms and compensation and general compensation principles did not deviate from that which was approved at the 2011 AGM. These principles are valid until the 2012 AGM, where the proposition of new principles shall be discussed.

The senior executives terms and remunerations and general principles for remuneration

The company offers salaries and remunerations in line with market practice, as concerned by an 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 six 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% and for other senior executives, not including the global head of sales, at 30-60% of the base salary. 70% 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, the agreed base salary is fixed during 2009, 2010 and 2011. Half of the outcome of the variable remuneration during 2009, 2010 and 2011 is put in escrow and paid out in April 2012, after applying a multiplier on the accumulated amount in escrow. The multiplier is dependent on the increase of the company's market capitalization compared to the average market capital during the six months, from and including October 2011 up to and including March 2012. This variable remuneration is paid out if the company's market capitalization as above corresponds to a share price of not lower than SEK 6 and with a cap determined at SEK 12.50. Any outcome of the employee stock option plan 2009 is set off from the resulting amount.

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% of the fixed annual salary, excluding variable remuneration. Towards the other group managers the pension liability amounts to between 20% to 35% of the annual salary. All contributions to pension plans are defined. The retirement age for the CEO and the other group managers is 65 years.

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 Executive Vice President obtains a redundancy payment of three monthly salaries. Any salary or other remuneration that the Executive Vice President obtains from employment or other business conducted under the three 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 three to six month.

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

Financial instruments

On December 31, 2011, 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 in the year	0
Ending balance	485 000
Value	858 450
VP	
Beginning balance	435 000
Change in the year	0
Ending balance	435 000
Value	769 950
Other senior executives	
Beginning balance	1 060 000
Change in 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 2011 fiscal year for 2009 stock option plans was SEK 1 075 thousand (2 949).

Preparatory and decision-making process

Compensation to the CEO for the 2011 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 2011, 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	2011	2010
As of January 1	6 426 667	6 451 667
Allocated	0	0
Forfeited	0	-25 000
Utilized	0	0
Expired	-6 426 667	0
As of December 31	0	6 426 667
Possible to exercise	0	6 426 667
Total number of options	0	9 900 000
Redemption price	0.00	7.10
Number of shares per option	0.00	1.00

Employee stock option plan 2009

Maturity date May 28, 2013	2011	2010
As of January 1	6 253 333	6 180 000
Allocated	0	80 000
Forfeited	-6 667	-6 667
Utilized	0	0
Expired	0	0
As of December 31	6 246 666	6 253 333
Possible to exercise	4 164 444	2 084 444
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 2011 or 2010, 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

	Group		Parent Company	
Depreciation, SEK thousand	Dec 31, 2011	Dec 31, 2010	Dec 31, 2011	Dec 31, 2010
Capitalized development expenditures	27 511	23 305	27 511	23 305
Other intangible assets	722	722	722	722
Equipment for leasing	0	222	0	222
Equipment	1 223	916	1 223	916
Total	**29 456**	**25 165**	**29 456**	**25 165**

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
2012	6 290	6 290
2013	5 333	5 333
2014	5 086	5 086
2015	0	0
206	0	0
Total	**16 709**	**16 709**

Leasing costs for the year totaled SEK 6 329 thousand (5 869) 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

	Group		Parent Company	
SEK thousand	2011	2010	2011	2010
Goods of resale:				
Cost of sales	84 841	83 862	160 186	153 926
Amortization of capitalized R&D expenditures	27 511	23 305	27 511	23 305
Expense type:				
Salary and salary related expenses	142 089	128 632	129 650	119 476
Sales and marketing expenses	10 468	16 128	20 531	25 678
Travel and entertainment expenses	9 417	8 410	7 491	6 692
Office expenses	12 275	11 871	11 720	11 459
Other administrative expenses	1 538	2 001	1 440	1 895
External services	11 351	8 235	11 052	7 908
Development expenses, gross	15 130	10 170	15 130	10 170
Capitalization	-64 783	-49 567	-64 783	-49 567
Amortization and depreciation excluding capitalized R&D expenditures	1 863	1 566	1 863	1 566
Total expenses	**251 700**	**244 614**	**321 791**	**312 508**

Note 12 Fees and remunerations

	Group		Parent Company	
Audit services and other tasks, SEK thousand	2011	2010	2011	2010
PwC				
Audit engagement	355	300	355	300
Audit business in addition to audit engagement	94	75	94	82
Tax consultancy	0	314	0	314
Other tasks	0	292	0	292
Total	**449**	**981**	**449**	**988**

Note 13 Financial income and costs

SEK thousand	Group 2011	Group 2010	Parent Company 2011	Parent Company 2010
Financial income				
Interest income	3 930	1 017	2 557	674
Exchange rate differences	19	413	19	413
Exchange rate differences on current receivables	427	0	427	0
Financial income	**4 376**	**1 430**	**3 003**	**1 087**
Financial costs				
Interest expenses	-129	-123	-129	-123
Exchange rate differences on current receivables	0	-833	0	-833
Impairment of shares in group company	0	0	-138 613	-215 439
Financial expenses	**-129**	**-956**	**-138 742**	**-216 396**
Net financial income/costs	**4 247**	**474**	**-135 739**	**-215 308**

Note 14 Income tax expense

Group, SEK thousand	Group 2011	Group 2010	Parent Company 2011	Parent Company 2010
Current tax:				
Current tax on profits for the year	-23 325	-11 062	-23 325	-9 542
Tax on acquisition of sub-group	0	59 990	0	0
Total current tax	**-23 325**	**48 928**	**-23 325**	**-9 542**
Deferred tax (note 15):				
Loss carry-forward	26 182	10 317	21 989	201 787
Total deferred tax	**26 182**	**10 317**	**21 989**	**201 787**
Income tax expense	**2 857**	**59 245**	**-1 336**	**192 245**

Difference between reported tax expense and tax expense based on applicable tax rate, SEK thousand	Group 2011	Group 2010	Parent Company 2011	Parent Company 2010
Reported net income before tax	47 071	43 558	-76 319	-177 958
Tax according to current tax rate	-12 380	-11 456	20 072	46 803
Effect of foregin tax rates	114	92	0	0
Tax effect from non-deductible expenses and non-taxable revenue	-183	1 821	-43 397	-56 345
Tax on acquisition of sub-group*	0	59 990	0	0
Non-reported effect of loss carry-forwards	15 306	8 797	21 989	201 787
Tax on profit/loss for the year as per the income statement	2 857	59 245	-1 336	192 245

* In connection with a transaction whereby intellectual property rights were moved to a new wholly owned subsidiary, SEK 728 million of SEK 946 million of tax losses carried forward were utilized. The transaction resulted in a positive cash and result effect of approximately SEK 60 million, which has been booked as tax income.

Note 15 Deferred tax assets

Deferred tax assets on tax deficits

	Group		Parent Company	
SEK thousand	2011	2010	2011	2010
Opening balance	29 075	29 820	25 580	29 820
Charged directly to equity	0	-59 990	-7 135	-196 485
Recognized in the income statement	2 857	59 245	-1 336	192 245
Closing balance	**31 932**	**29 075**	**17 109**	**25 580**

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 14 855 thousand (5 302) in deferred tax assets, corresponding to tax loss deductions of SEK 56 483 thousand (20 166). 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

	Group		Parent Company	
SEK thousand	2011	2010	2011	2010
Loss carry-forward	74 555	162 554	65 057	153 742

Intellectual property rights have been transferred to a wholly-owned limited company implying that approximately SEK 728 million of loss carry forward has been used. See note 14.

Note 16 Earnings per share

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

	2011	2010
Profit for the year attributable to Parent Company shareholders, SEK thousand	49 928	102 803
Average number of shares	389 933 009	389 933 009
Earnings per share before dilution, SEK	0.13	0.26

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 2.84 for 2011. A dilutive effect arises if the present value of the warrants is less than the fair value of the share. In 2011, all employee stock options had a redemption price that was higher than this value, thereby giving no dilution.

	2011	2010
Profit for the year attributable to Parent Company shareholders, SEK thousand	49 928	102 803
Average number of shares	389 933 009	389 933 009
Earnings per share after dilution, SEK	0.13	0.26

Note 17 Intangible assets

	Group		Parent Company	
SEK thousand	Dec 31, 2011	Dec 31, 2010	Dec 31, 2011	Dec 31, 2010
Accumulated purchase costs at the beginning of the year	316 654	266 365	282 108	231 819
New purchases	66 006	53 289	66 006	53 289
Disposal	-1 226	-3 000	-1 226	-3 000
Total	**381 434**	**316 654**	**346 888**	**282 108**
Accumulated depreciation according to plan at beginning of year	-192 897	-168 778	-158 351	-134 232
Depreciation for the year	-28 375	-24 119	-28 375	-24 119
Total	**-221 272**	**-192 897**	**-186 726**	**-158 351**
Net book value according to plan by year end	160 162	123 756	160 162	123 756

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

Goodwill

	Group	
SEK thousand	2011-12-31	2010-12-31
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 4%. 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 12% 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

	Group		Parent Company	
SEK thousand	Dec 31, 2011	Dec 31, 2010	Dec 31, 2011	Dec 31, 2010
Accumulated purchase costs at beginning of the year	9 356	9 599	8 774	9 017
New purchases	3 454	496	3 454	496
Reclassifications	0	-739	0	-739
Total	**12 810**	**9 356**	**12 228**	**8 774**
Accumulated depreciation at beginning of the year	-7 654	-7 051	-7 072	-6 469
Depreciation for the year	-1 081	-1 046	-1 081	-1 046
Reclassifications	0	443	0	443
Total	**-8 735**	**-7 654**	**-8 153**	**-7 072**
Residual value according to plan by year-end	4 075	1 702	4 075	1 702
Depreciation included in Cost of Sales	0	-222	0	-222
Depreciation included develpoment expense	-788	-640	-788	-640
Depreciation included in administrative expense	-293	-185	-293	-185
Total depreciation	**-1 081**	**-1 047**	**-1 081**	**-1 047**

Note 19 Deposits paid

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

Note 20 Inventories

	Group		Parent Company	
SEK thousand	Dec 31, 2011	Dec 31, 2010	Dec 31, 2011	Dec 31, 2010
Products in progress	1 400	50	1 400	50
Finished Goods	34 953	28 178	34 953	28 178
Total	**36 353**	**28 228**	**36 353**	**28 228**

The expensed inventories are included in the cost of goods sold item and amounts to SEK 75 910 thousand (73 785). Inventories valued at SEK 52 990 thousand (44 662) were impaired at an assessed net selling price of SEK 36 353 thousand (28 228). Impairment loss of inventories for the year amount to SEK 929 thousand (+566) and is recorded in cost of goods sold.

Note 21 Accounts receivable and other receivables

	Group		Parent Company	
SEK thousand	Dec 31, 2011	Dec 31, 2010	Dec 31, 2011	Dec 31, 2010
Accounts receivable	133 185	105 216	133 185	105 216
Provision for impairment of receivables	-9 289	-6 784	-9 289	-6 784
Accounts receivable, net	**123 896**	**98 430**	**123 896**	**98 430**
Current receivables	5 049	3 149	6 991	5 679
Prepaid expenses and accrued income	6 464	5 885	6 399	5 822
Carrying amount of accounts receivable and other receivables	**135 409**	**107 464**	**137 286**	**109 931**

The Group reported SEK 0 (886 thousand) loss on accounts receivable in 2011. Below is an aging analysis of accounts receivables due and related reserves.

Invoices past due, SEK thousand	2011	2010
Less than 3 months	12 278	14 479
3-6 months	2 923	2 601
more than 6 months	10 121	15 479
Total	**25 322**	**32 559**

Change in provision for bad debts, SEK thousand	2011	2010
As of January 1	-6 784	-2 497
Unused amounts reversed	6 784	1 530
Used amount	0	967
Provision for bad debts	-9 289	-6 784
As of December 31	**-9 289**	**-6 784**

The Group's accounts receivable and other receivables in carrying amount by currency, SEK thousand	2011	2010
SEK	13 783	30 248
USD	34 916	22 289
EUR	86 222	56 484
SGD	170	437
AED	318	535
Total	**135 409**	**109 994**

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:

	Group		Parent Company	
SEK thousand	Dec 31, 2011	Dec 31, 2010	Dec 31, 2011	Dec 31, 2010
VAT claims	2 183	3 803	4 231	3 803
Other	2 866	1 876	2 760	1 876
Total	**5 049**	**5 679**	**6 991**	**5 679**

Accrued income and prepaid expenses include the following large items:

	Group		Parent Company	
	Dec 31, 2011	Dec 31, 2010	Dec 31, 2011	Dec 31, 2010
Rent for the first quarter of 2011 (2010)	1 483	1 794	1 483	1 794
Prepaid license-/service fees	1 703	640	1 703	640
Prepaid insurance	2 015	1 721	1 949	1 658
Prepaid exhibition	387	334	387	334
Accrued interest	0	52	0	52
Other items	876	1 344	877	1 344
Total	**6 464**	**5 885**	**6 399**	**5 822**

Note 22 Cash and cash equivalents

	Group		Parent Company	
SEK thousand	Dec 31, 2011	Dec 31, 2010	Dec 31, 2011	Dec 31, 2010
Cash and bank balances	196 210	215 857	123 670	147 650
Investments	0	20 000	0	20 000
Total cash equivalents	**196 210**	**235 857**	**123 670**	**167 650**
of which in blocked account	0	0	0	0

The average interest rate on investments during the year was 0 percent (0,54).

Note 23 Financial assets

	2011			2010		
SEK thousand	Fair value level	Book value	Fair value	Fair value level	Book value	Fair value
Accounts receivables	1	2 602	2 602	1	1 050	1 050
Derivatives	2	151	151	2	827	827
Cash and Cash equivalents	1	196 210	196 210	1	235 857	235 857
Accounts payables	1	26 130	26 130	1	32 719	32 719

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	7 237
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	15 021	2 952
Ten Tech AB, Corp. ID. No. 556669-4559, Domicile: Stockholm, Sweden	100	100	1 000	100	93

Purchase costs, SEK thousand	Dec 31, 2011	Dec 31, 2010
Accumulated purchase costs at the beginning of the year	18 398	18 398
Addition	138 613	215 439
Impairment	-138 613	-215 439
Purchase cost of the period	0	0
Total share in Group companies	**18 398**	**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, 2011	Dec 31, 2010	Dec 31, 2011	Dec 31, 2010
Unrestricted A-shares	1 150 000	1 150 000		
Unrestricted B-shares	388 783 009	388 783 009		
Warrants 2007/2011			0	9 900 000
Warrants 2009/2013			8 500 000	8 500 000
Total	**389 933 009**	**389 933 009**	**8 500 000**	**18 400 000**

Note 26 Other provisions

	Short-term provisions		Long-term provisions		
Group, SEK thousand	Warranty provision	Other provisions	Warranty provision	Cash incentive program provision	Total
As of 1 Jan 2010					
Opening balance	6 080	2 545	6 080	1 219	15 924
- additional provisions	3 642	2 756	0	1 711	8 109
- used amounts	-841	-3 576	-479	0	-4 896
- reversed unused amounts	-1 839	0	-3 181	-348	-5 368
As of 31 dec 2010	**7 042**	**1 725**	**2 420**	**2 582**	**13 769**
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**

	Short-term provisions		Long-term provisions		
Parent Company, SEK thousand	Warranty provision	Other provisions	Warranty provision	Cash incentive program provision	Total
As of 1 Jan 2010					
Opening balance	6 080	2 545	6 080	1 219	15 924
- additional provisions	3 642	2 756	0	1 219	7 617
- used amounts	-841	-3 576	-479	0	-4 896
- reversed unused amounts	-1 839	0	-3 181	-348	-5 368
As of 31 dec 2010	**7 042**	**1 725**	**2 420**	**2 090**	**13 277**
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**

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

	Group		Parent Company	
SEK thousand	Dec 31, 2011	Dec 31, 2010	Dec 31, 2011	Dec 31, 2010
Prepayment from customer	731	3 529	731	3 529
Prepaid extended warranty, short-term	0	870	0	870
Special employer's contribution	687	476	559	450
Tax at source	2 692	2 203	2 531	2 129
Other current liabiltities	7 167	6 779	7 167	6 183
Total current liabilities	**11 277**	**13 857**	**10 988**	**13 161**

Note 28 Accrued expenses

	Group		Parent Company	
SEK thosand	Dec 31, 2011	Dec 31, 2010	Dec 31, 2011	Dec 31, 2010
Vacation pay liability	6 717	5 585	5 989	5 022
Social security contribution	6 408	5 517	6 005	5 343
Accrued bonus	12 089	10 080	10 361	9 231
Prepaid revenue from customer	2 815	5 037	2 815	5 037
Other	3 969	3 653	3 877	3 544
Total accrued expenses	**31 998**	**29 872**	**29 047**	**28 177**

Note 29 Items not affecting liquidity

	Group		Parent Company	
SEK thousand	2011	2010	2011	2010
Translation difference	140	-411	0	0
Provisions	-2 002	-1 543	-3 783	-2 034
Adjustments - employee stock options	1 076	2 949	1 076	2 949
Disposal	1 226	3 000	1 226	3 000
Impairment	0	0	138 614	215 439
Other items	0	296	0	296
Total	**440**	**4 291**	**137 133**	**219 650**

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 2011, SEK 7 780 thousand (952) 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	2011	2010
Within 1 year	0	0
Between 1-5 years	0	0
Total	**0**	**0**

Note 33 Significant events after the period

Net Insight won a significant order from Swisscom Broadcast, the leading Swiss transmitter of terrestrial radio and television signals throughout Switzerland. Net Insight was selected in March 2012 to deliver the Nimbra platform for a new media contribution network to Swisscom Broadcast AG covering all premier league ice hockey and football arenas in Switzerland.

The income statement and balance sheet will be submitted to
the Annual General Meeting on April 26 for adoption.

Stockholm February 17, 2012.

Lars Berg
Chairman

Clifford H Friedman

Bernt Magnusson

Anders Harrysson

Gunilla Fransson

Arne Wessberg

Fredrik Trägårdh
Chief Executive Officer

Our auditors' report was submitted on March 8, 2012.

Sten Håkansson
Authorized Public 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 2011. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 21–61.

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 2011 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act, and 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 2011 and of their financial performance and cash flows in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. The statutory administration report is 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 examined 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 2011.

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 8th of March 2012
Öhrlings PricewaterhouseCoopers AB

Sten Håkansson
Authorized Public 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 2011: 6/6

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 where she most recently was Head of portfolio at Ericsson Multimedia and Head of Product Management at Ericsson Enterprise between 2005 and 2008. 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 2011: 6/6

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 TVONE, Hibernia Atlantic, Widevine Technologies. 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 2011: 6/6

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 is 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 2011: 5/6

Bernt Magnusson

Board Member

Born in 1941.

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

Chairman 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 2011: 6/6

Arne Wessberg

Board member

Born in 1943. Studies in Economics at Tammerfors University. Board member since 2008. Arne Wessberg is the President of Prix Europa and the President of IIC (International Institute of Communications) and Chairman of the Board of DigiTVPlus O y and 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. Between 1999 and 2003, Arne was Chairman of the Board of Digita Oy and also served on the Board of Directors of the Nokia Corporation during five years until 2006. Independent in relation to the Company and in relation to major shareholders of the Company.

Shareholdings in Net Insight: 0 shares.

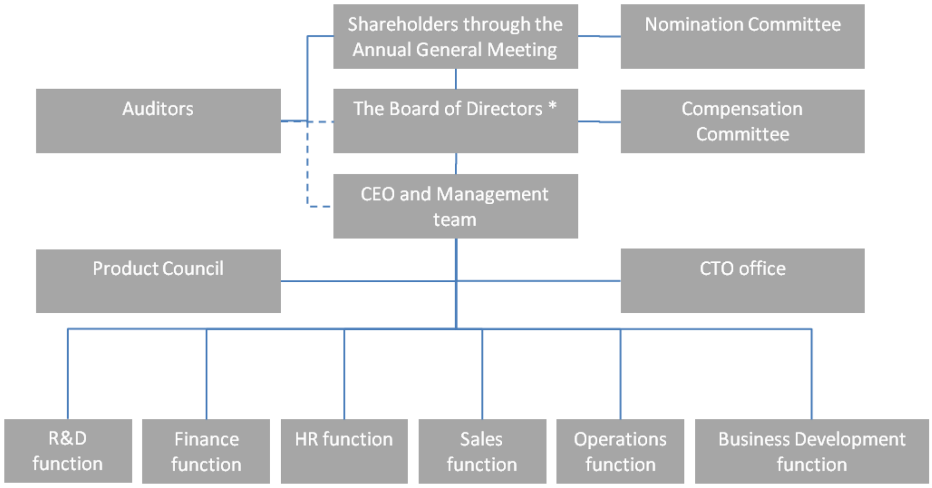
Presence at board meetings 2010: 6/6

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 2011: 5/6

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 Midcap 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.

Corporate Governance at Net Insight



* The Board of Directors in its entirety also handles audit matters

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 second 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 second 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 28, 2011. 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 and Anders Harrysson were re-elected members of the board and Fredrik Trägårdh was new-elected member of the board.
- Lars Berg was re-elected chairman of the board.
- PriceWaterhouseCoopers 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 other member of the board of directors who is not employed by the company. Remuneration to the auditor, PriceWaterhouseCoopers, 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 of September 30 each year, who are then each entitled to appoint a representative for membership on the Nomination Committee. The composition of the Nomination Committee was published on September 15, 2011. Net Insight's nomination committee for the 2012 Annual General Meeting is as follows: Lars Bergkvist (Lannebo Fonder), Clifford H. Friedman (Constellation Growth Capital), Åsa Nisell (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 three meetings in preparation for the 2012 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 second 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 six meetings during the year, not counting two 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 second 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 four meetings at which minutes were kept, discussing the following matters: the CEO's variable compensation for 2010 to be decided by the Board; a decision on variable compensation for 2010 for the rest of the management team; the CEO's business goals for 2011 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 full Board handles audit matters. 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, PriceWaterhouseCoopers also provides Net Insight with general accounting and tax advice. It is the responsibility of PriceWaterhouseCoopers to ensure its independence as auditors in its role as advisor. The legally mandated term of auditors is one year. The Company's auditor, PricewaterhouseCoopers AB, was re-elected at the 2011 Annual General Meeting for a term lasting until the 2012 annual meeting. Sten Håkansson was appointed the auditor in charge.

2011 Attendance

Attendance by each Board member is presented below.

Name	Presence at Board meetings	Compensation Committee
Lars Berg	6/6	4/4
Bernt Magnusson	6/6	4/4
Clifford H. Friedman	6/6	
Ragnar Bäck	1/6	
Gunilla Fransson	5/6	
Arne Wessberg	6/6	
Anders Harrysson	5/6	
Fredrik Trägårdh	5/6	

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 2011 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 8th of March 2012
Öhrlings PricewaterhouseCoopers AB

Sten Håkansson
Authorized Public 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.
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: Mr and Mrs 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 16 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: 100 000 employee stock options

Per Lindgren
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 and is a board member of Tilgin 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 14 years of experience from a broad variety of Marketing roles in an international environment primarily within the telecom sector. Anna Karin was recently Head of Enterprise Marketing and Communication at Aastra Telecom Sweden and she has held various Marketing positions within the Ericsson group, lately 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
BSc 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 LA N 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). minutes 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 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 infra-structure.

Annual General Meeting

The Annual General Meeting will be held Thursday April 26, 2012, 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 20 April 2012 and apply to the Company no later than 20 April 2012 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. Shareholders who wish to have a matter considered at the Annual General Meeting may submit their proposals to the Chairman of the Board of Directors to agm@netinsight.net no later than March 9th, 2012.

Dividend

The Board proposes that the AGM resolves that no dividend be paid for the financial year 2011.

Distribution of the Annual Report

The Annual Report 2011 is published in the week starting with April 2, 2012 on www.netinsight.net. A printed version can be ordered at info@netinsight.net.

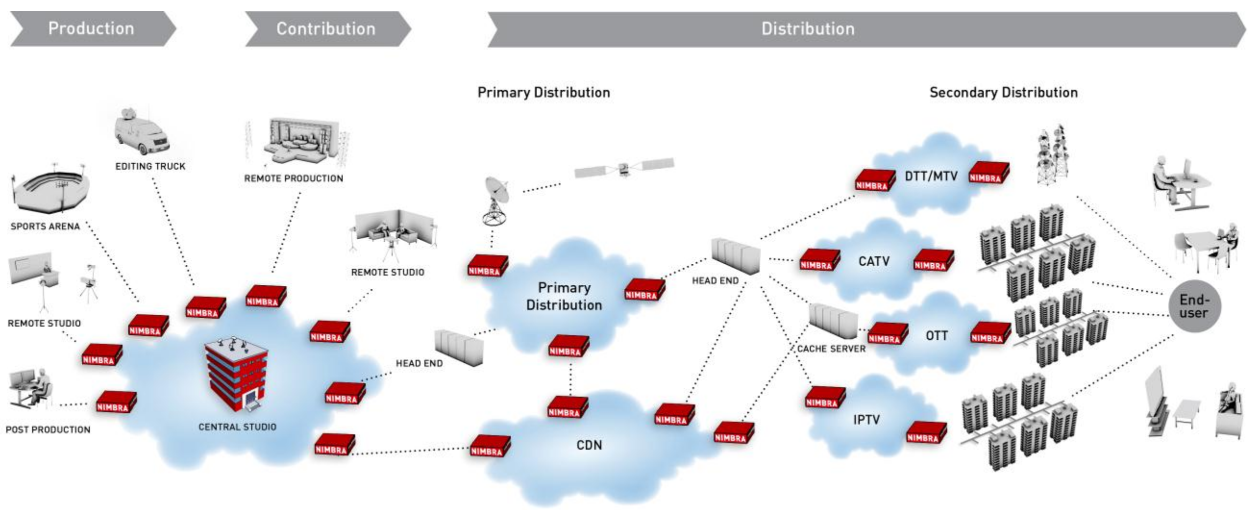
Financial information

Annual General Meeting:	**April 26**
Interim Report January – March:	**May 4**
Interim Report January – June:	**July 20**
Interim Report January- September:	**October 24**

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 by telephone +46 (0)8 685 04 00.

Area of usage, Nimbra platform

Illustration shows transport of media from production to end-user



SWEDEN

CORPORATE HEADQUARTERS

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