

NET INSIGHT INTERIM REPORT JANUARY - MARCH 2012

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

First Quarter 2012

- Net Sales of SEK 76.6 million (66.6) corresponding to a growth of 15.0% compared to the same period previous year. The growth rate in comparable currencies amounts to 16.8%.
- Operating earnings of SEK 5.2 million (2.9), corresponding to an operating margin of 6.7% (4.3).
- Earnings per share of SEK 0.01 (0.01).
- Total cash flow of SEK -11.0 million (-19.5).

Net Insight AB discloses the information provided herein pursuant to the Securities Market Act and/or the Financial Instruments Trading Act. The information was submitted for publication on May 4, 2012 at 08.30 am CET.



GOOD REVENUE GROWTH OF 15% THE FIRST QUARTER

Revenues reached 77 MSEK (67 MSEK) which marks a 15 % growth year-over-year. In comparable currencies the revenue increase was 17 %. Most financial ratios improved. The gross margin reached 61.1 % (57.8), and operating earnings as well as the operating margin improved compared with the same period previous year. The cash flow was negative 11 MSEK (-20), mainly due to continued inventory build-up for long lead time components and trade receivables.

First quarter showed a good mix between strong repeat business from larger existing customers, some new customers and a new important media contribution network for Swisscom Broadcast AG, covering many significant sport arenas in Switzerland. Again a large portion of our business 80 % (63) was generated in the Broadcast and Media Network business area (BMN), we also had good repeat business for the Digital Terrestrial TV area (DTT). As I have stated many times before the revenues generated through our partner network will vary over time and for Q1 it represented 40 % (62). We booked business for several large broadcasters and media service providers relating to the major sport event in London this summer. We will deliver the Nimbra MSR platform and transport video and data for many leading service providers and broadcasters from the media center in London. In conjunction with the Olympic Games the Nimbra MSR platform will also be used for specific remote production set ups. It is our aim to drive the trend towards remote production and workflow for increased efficiency, quality of service and reduced costs for live sports production.

Net Insight also won the prestigious SCTE 2012 Technological Innovation Award (Society for Broadband Professionals). Net Insight was selected for our service aware media network solution as the Best Broadband Network Transmission Solution 2012.

In summary the year has started off in a positive way.



Stockholm, May 4, 2012
Fredrik Trägårdh
CEO

BUSINESS ACTIVITIES DURING THE FIRST QUARTER

During the first quarter Broadcast and Media Networks (BMN) represented 80% of total revenues and Digital Terrestrial TV networks (DTT) represented 20%. Swisscom Broadcast selected Net Insight for a new media contribution network to cover all premier league ice hockey and football arenas in Switzerland. This order includes Net Insight's high-density technology to provide low latency video compression. From our existing customers several orders were related to the major sport event in London this summer. Net Insight has for some time been driving the trends towards remote production and at the event mentioned above there will be several commercial installations of remote production. Net Insight's customer TeliaSonera International Carrier will use its Nimbra media network to offer its customers services for remote production.

Net Insight recruited new partners in several regions during the quarter mainly in Eastern Europe and in South East Asia. At the end of the quarter Net Insight had 49 resellers in its Global Partner network.

Net Insight's major event for the first quarter was CABSAT MENA in Dubai. This is the main regional event in the Middle East area for the media and broadcast industry. Net Insight also participated in events in UK, USA, Malaysia, China, Turkey and Switzerland.

Together with Yankee Group Net Insight published a new white paper "New Video Landscape Dynamics Require Smarter Delivery of IP Video". The white paper explores how today's video landscape opens up opportunities for IP service providers to become part of the Over-the-Top value chain.

NEW PRODUCT INTRODUCTION

In February Net Insight released a new version of its Nimbra Vision improving the service-centric network management functionality. Nimbra Vision offers enhanced scalability, improved dynamics and includes support for floor capacity to prevent starvation. The new functionality enables customers to utilize network capacity to the fullest in order to accommodate new services.

SALES AND EARNINGS

Net Sales for the first quarter amounted to SEK 76.6 million (66.6), which represents a year over year growth of 15.0%. In comparable currencies the growth amounted to 16.8%. Revaluation of accounts receivables in foreign currencies had a negative effect on Net Sales of SEK 1.7 million compared to negative effect of SEK 1.4 million for the same period last year.

The increase in sales comes from EMEA and APAC whereas the Americas came in on par with previous year. The growth in EMEA and APAC is a combination of repeat business and new customer wins.

NET SALES PER REGION

	Q1	Q1	Q2	Q3	Q4	Q2'11-	Full year
Amount in SEK million	2012	2011	2011	2011	2011	Q1'12	2011
EMEA	54,6	50,3	45,1	51,8	56,7	208,2	203,9
Americas	13,7	13,2	21,8	16,8	18,3	70,6	70,1
APAC	8,3	3,1	5,3	6,8	5,3	25,7	20,5
Totalt	76,6	66,6	72,2	75,4	80,3	304,5	294,5

Sales in the Broadcast & Media business area amount to 80% (63) of total sales and Digital Terrestrial TV accounted for 20% (34). IPTV/CATV accounted for 0% (3) of the turnover.

Hardware revenue amounted to SEK 54.5 million (52.3). Sales of software licenses increased by 6.3 million to SEK 11.9 million (5.6) whereas support and service revenue increased to SEK 11.4 million (9.7). The above figures are exclusive of other revenues of SEK -1.2 million (-1.0) which mainly consists of revaluation of the accounts receivables stock in foreign currencies.

As shown in the condensed income statement on page 10, the Gross margin is 61.1% (57.8). This is a result of a favorable product mix and a larger share of repeat business.

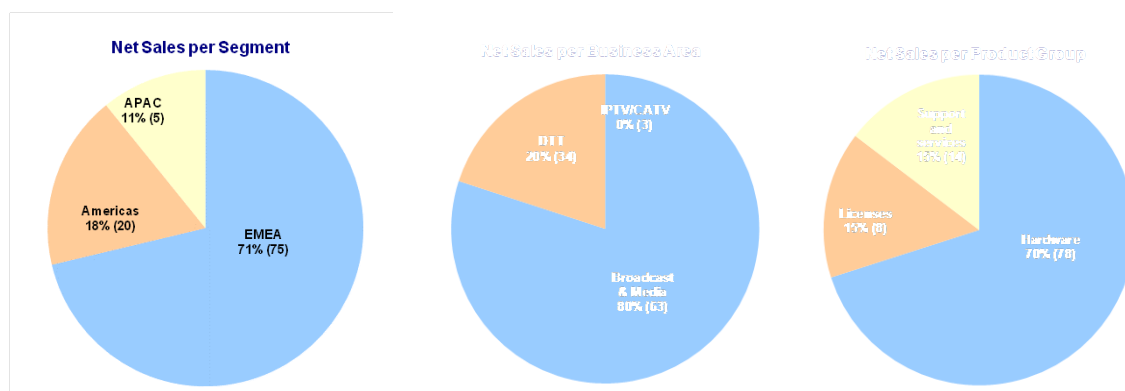
Total operating expenses for the first quarter amounted to SEK 41.6 million (35.6). Sales and marketing expenses amounted to SEK 26.8 (22.4) million. The increase is related to increased sales and sales support staff. Administrative expenses have decreased by SEK 1.2 million to SEK 6.8 million mainly as fewer consultants have been engaged. R&D expenses have increased to SEK 8.1 million (5.2) mainly as more resources have been added.

Operating earnings amounted to SEK 5.2 million (2.9), which correspond to an operating margin of 6.9% (5.7)

The financial net amounted to SEK 0.1 million (0.9). The decrease is due to revaluation effects on bank balances held in foreign currencies.

Earnings before tax amounted to SEK 5.3 million (3.8), which corresponds to a profit margin of 6.9% (5.7).

Net income amounted to SEK 5.3 million (4.7) resulting in a Net Profit margin of 6.9% (7.1).



CASH FLOW AND FINANCIAL POSITION

Cash flow in the first quarter amounted to SEK -11.0 million (-19.5). The negative first quarter cash flow is primarily related to build up of safety stock, increased customer receivables and to some extent increased investments in intangible fixed assets.

Liquid funds at the end of the period totaled SEK 185.2 million (216.3).

Total shareholders' equity amounted to SEK 496.9 million (445.1) with a resulting equity ratio of 85.8% (83.1).

INVESTMENTS

First quarter investments in tangible assets amounted to SEK 0.2 million (0.1) and depreciation of tangible assets amounted to SEK 0.5 million (0.2). Capitalization of development expenditures totaled SEK 18.9 million (16.0). Depreciation of capitalized development expenditures totaled SEK 8.2 million (6.5).

At the end of the period, net book value of capitalized development expenditures amounted to SEK 167.4 million (131.1).

EMPLOYEES

At the end of the period Net Insight had 155 (137) employees. The parent company Net Insight AB had 144 (128) employees, Net Insight Intellectual Property AB 5 (5) and the US subsidiary Net Insight Inc. had 6 (4) employees.

PARENT COMPANY

The parent company's net sales during the first quarter amounted to SEK 97.6 million (88.3). Net income amounted to a loss of SEK 57.2 million (8.3). During the quarter, Group internal charges for development expenditures have been adjusted which resulted in a one-time charge affecting the Net Income by SEK 68.3 million. This adjustment does not affect over-all Group results

Remaining tax losses carried forward amount to SEK 126 million.

RISK AND SENSITIVITY ANALYSIS

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

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

No additional significant risks or uncertainties than those described in the annual report 2011 have developed in the first quarter.

For a complete description of the Company's risk analysis and risk management, see page 23 in the 2011 Annual report.

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.

KEY FIGURES

	Q1 2012	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Q3 2010	Q2 2010
Net sales	76 627	80 303	75 367	72 236	66 618	88 060	67 644	71 465
Profit/loss after financial items	5 254	16 503	17 008	9 745	3 815	16 293	9 580	11 672
Earnings per share, SEK	0,01	0,06	0,04	0,02	0,01	0,05	0,03	0,02
Cash flow from operations per share, SEK	-3%	0%	1%	-12%	-5%	8%	-1%	1%
Return on capital employed (%)	1,1%	3,4%	3,7%	2,2%	0,9%	3,8%	2,3%	2,9%
Return on equity (%)	1,1%	4,5%	3,1%	2,1%	1,1%	4,4%	2,7%	2,2%
Equity per share, SEK								
- before dilution, SEK	1,27	1,26	1,20	1,17	1,14	1,13	1,08	1,05
- after dilution, SEK	1,27	1,26	1,20	1,17	1,14	1,13	1,08	1,05

CONSOLIDATED INCOME STATEMENT

Amount in SEK thousands	Q1 2012	Q1 2011	Q2'11-Q1'12 12 months	Full year 2011
Net sales	76 627	66 618	304 533	294 524
Cost of goods & service sold	-29 829	-28 104	-114 077	-112 352
Gross earnings	46 798	38 514	190 456	182 172
Sales and marketing expenses	-26 752	-22 388	-96 282	-91 918
Administration expenses	-6 792	-8 022	-26 135	-27 365
Development expenses	-8 103	-5 222	-22 946	-20 065
Operating earnings	5 151	2 882	45 093	42 824
Net financial items	103	934	3 416	4 247
Earnings before tax	5 254	3 816	48 509	47 071
Tax	0	915	1 942	2 857
Net income	5 254	4 731	50 451	49 928
Net income for the period attributable to the stockholders of the parent company	5 254	4 731	50 451	49 928

Earnings/loss per share, based on net profit attributable to the parent company's shareholders during the period (in SEK per share)

Earnings per share before dilution	0,01	0,01	0,13	0,13
Earnings per share after dilution	0,01	0,01	0,13	0,13
Average number of shares in thousands before dilution	389 933	389 933	389 933	389 933
Average number of shares in thousands after dilution	389 933	389 933	389 933	389 933

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Amount in SEK thousands				
Net income	5 254	4 731	50 451	49 928
Other comprehensive income				
Exchange rate differences	-308	-503	334	139
Total other comprehensive income, net after tax	-308	-503	334	139
Total comprehensive income for the period	4 946	4 228	50 785	50 067
Total comprehensive income for the period attributable to the stockholders of the parent company	4 946	4 228	50 785	50 067

CONSOLIDATED CASH FLOW STATEMENT

Amount in SEK thousands	Q1 2012	Q1 2011	Q2 '11-Q1 '12 12 months	Full year 2011
Ongoing operations				
Net income before tax	5 254	3 815	48 510	47 071
Depreciation	8 737	6 898	31 295	29 456
Other items not affecting liquidity	2 213	-1 716	4 369	440
Cash flow from ongoing operations before change in working capital	16 204	8 997	84 174	76 967
Change in working capital				
Increase-/decrease+ in inventories	-7 019	-10 469	-4 675	-8 125
Increase-/decrease+ in receivables	-6 341	-3 688	-30 598	-27 945
Increase+/decrease- in current liabilities	5 190	1 722	-7 572	-11 040
Cash flow from ongoing operations	8 034	-3 438	41 329	29 857
Investment activity				
Acquisitions of intangible fixed assets	-18 905	-15 980	-68 931	-66 006
Acquisitions of tangible fixed assets	-195	-139	-3 510	-3 454
Acquisition of net assets	0	0	0	0
Increase-/decrease+ in long-term receivables	105	32	29	-44
Cash flow from investment activity	-18 995	-16 087	-72 412	-69 504
Increase/decrease in liquid funds	-10 961	-19 525	-31 083	-39 647
Liquid funds, opening balance	196 210	235 857	216 332	235 857
Liquid funds, closing balance	185 249	216 332	185 249	196 210

CONSOLIDATED BALANCE SHEET

Amount in SEK thousands	Mar 31 2012	Mar 31 2011	Dec 31 2011
ASSETS			
Intangible assets			
Capitalized expenditure for development	167 367	131 101	158 871
Goodwill	4 354	4 354	4 354
Other intangible assets	1 075	1 940	1 291
Tangible fixed assets			
Equipment	3 945	1 637	4 075
Equipment for leasing	0	0	0
Financial assets			
Deferred tax asset	31 932	29 990	31 932
Deposits paid, long-term	292	321	397
Total fixed assets	208 965	169 343	200 920
Current assets			
Inventory	43 372	38 697	36 353
Customer receivables	129 017	98 209	123 896
Other receivables	12 733	12 943	11 513
Cash and bank balances	185 249	216 332	196 210
Total current assets	370 371	366 181	367 972
Total assets	579 336	535 524	568 892
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Restricted shareholders' equity			
Share capital	15 597	15 597	15 597
Other contributed capital	1 192 727	1 192 727	1 192 727
Translation difference	-1 828	-2 162	-1 520
Accumulated deficit	-709 609	-761 092	-715 088
Total shareholders' equity	496 887	445 070	491 716
Long-term liabilities			
Long-term liabilities	0	0	0
Provisions	3 769	5 580	7 771
Total long-term liabilities	3 769	5 580	5 001
Current liabilities			
Accounts payable	25 935	36 905	26 130
Other liabilities	52 745	47 969	43 275
Total current liabilities	78 680	84 874	69 405
Total liabilities and equity	579 336	535 524	568 892

CHANGES IN GROUP SHAREHOLDERS' EQUITY

Amount in SEK thousands	Share capital	Other contributed capital	Translation difference	Accumulated deficit	Total shareholders' equity
2011-01-01	15 597	1 192 727	-1 659	-766 091	440 574
Total comprehensive income	0	0	-503	4 730	4 227
New shares issued - employee stock options	0	0	0	0	0
Employee stock option program:					
Value of employees' services	0	0	0	269	269
2011-03-31	15 597	1 192 727	-2 162	-761 092	445 070
2011-04-01					
Total comprehensive income	0	0	642	45 198	45 840
New shares issued - employee stock options	0	0	0	0	0
Employee stock option program:					
Value of employees' services	0	0	0	806	806
2011-12-31	15 597	1 192 727	-1 520	-715 088	491 716
2012-01-01	15 597	1 192 727	-1 520	-715 088	491 716
Total comprehensive income	0	0	-308	5 254	4 946
Employee stock option program:					
Value of employees' services	0	0	0	225	225
2012-03-31	15 597	1 192 727	-1 828	-709 609	496 887

SEGMENT REPORT

Amount in SEK million	Q1 2012				Q1 2011			
	EMEA	APAC	AM	Total	EMEA	APAC	AM	Total
Net Sales	55	8	14	76	50	3	13	67
Regional Contribution	15	1	3	19	10	-1	5	14
Regional Contribution (%)	28%	7%	23%	25%	20%	-23%	36%	21%
Adjusted for R&D Depreciation	6	1	1	8	6	0	0	6
Adjusted Regional Contribution	21	2	4	27	16	-1	5	20
Adjusted Regional Contribution (%)	39%	19%	31%	35%	31%	-19%	40%	31%

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

CONDENSED CONSOLIDATED INCOME STATEMENT

Amount in SEK, millions	Q1 2012	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Full year 2011
Net Sales	76,6	66,6	72,2	75,4	80,3	294,5
Gross earnings	46,8	38,5	44,2	49,6	49,9	182,2
Gross margin	61,2%	57,8%	61,2%	65,8%	62,1%	61,9%
Operating earnings	5,2	2,9	8,3	15,5	16,1	42,8
Operating margin	6,8%	4,4%	11,5%	20,6%	20,0%	14,5%
Pretax profit	5,3	3,8	9,7	17,0	16,5	47,0
Net income	5,3	4,7	9,3	14,3	21,5	49,8
Net margin	6,9%	7,1%	12,9%	19,0%	26,8%	16,9%

PARENT COMPANY INCOME STATEMENT

Amount in SEK thousands	Q1 2012	Q1 2011	Q2'11-Q1'12 12 months	Full Year 2011
Net Sales	97 649	88 280	390 580	381 211
Cost of goods & services sold	5 204	-45 777	-136 716	-187 697
Gross earnings	102 853	42 503	253 864	193 514
Sales and marketing expenses	-25 491	-21 210	-90 946	-86 665
Administration expenses	-6 790	-8 020	-26 134	-27 364
Development expenses	-131 853	-5 222	-146 696	-20 065
Operating earnings	-61 281	8 051	-9 912	59 420
Net financial items	-242	665	-136 646	-135 739
Earnings before tax	-61 523	8 716	-146 558	-76 319
Tax	0	-385	-951	-1 336
Net income	-61 523	8 331	-147 509	-77 655

PARENT COMPANY BALANCE SHEET

Amount in SEK thousands	Mar 31, 2012	Mar 31, 2011	Dec 31, 2011
ASSETS			
Intangible assets			
Capitalized expenditure for development	0	131 101	158 871
Other intangible assets	1 075	1 940	1 291
Tangible fixed assets			
Equipment	3 945	1 637	4 075
Financial assets			
Shares in group companies	117 427	18 398	18 398
Deferred tax asset	17 109	25 195	17 109
Deposits paid, long-term	292	321	397
Total fixed assets	139 848	178 592	200 141
Current assets			
Inventory	43 372	38 697	36 353
Customer receivables	129 017	98 209	123 896
receivables, subsidiaries	448 651	561 244	429 097
Other receivables	14 803	14 296	13 390
Cash and bank balances	121 110	150 055	123 670
Total current assets	756 953	862 501	726 406
Total assets	896 801	1 041 093	926 547
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Restricted shareholders' equity			
Share capital	15 597	15 597	15 597
Other contributed capital	112 822	112 822	112 822
Non-restricted equity/Accumulated deficit	646 567	773 049	707 865
Total shareholders' equity	774 986	901 468	836 284
Long-term liabilities			
Other provisions	3 703	5 022	7 771
Total long-term liabilities	3 703	5 022	7 771
Current liabilities			
Accounts payable	25 751	36 817	25 839
Liabilities, subsidiaries	42 773	51 878	16 618
Other liabilities	49 588	45 908	40 035
Total current liabilities	118 112	134 603	82 492
Total liabilities and equity	896 801	1 041 093	926 547

ADDITIONAL INFORMATION

This interim report has been prepared in accordance with IAS 34 Interim financial Reporting and applicable rules in the Annual Accounting Act. The interim report for the parent company was prepared in accordance with Chapter 9 of the annual Accounts Act, interim report. The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2011, as described in those annual financial statements.

The company's auditors have not examined this report.

REPORTING DATES

Interim Report January – June	20 July, 2012
Interim Report January – September	24 October, 2012

NET INSIGHT

Business concept and model

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. Revenue is generated through direct and indirect sales of products and licenses, support and maintenance services, installation services and training.

Strategy

Net Insight's objective is to grow faster than the market with good profitability. 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.

Value Drivers

Net Insight benefits from the general increase in video traffic such as higher consumption of mobile and broadband TV (OTT), adoption of remote workflows and production as well as wider coverage of live events. An important driver is also the conversion to new TV formats in the broadcast and media industry.

Stockholm, May 4, 2012

Fredrik Trägårdh
Chief Executive Officer

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 Insights 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.

World class customers run mission critical video services over Net Insight products for more than 100 million people in more than 50 countries. Net Insight is quoted on the NASDAQ OMX, Stockholm.

For more information, visit www.netinsight.net

