

NeoNet – a marketplace for global equity trading

Our objective is that by 2003, our clients will be able to trade 80 percent of global stock market capitalization through NeoNet's electronic execution network; we expect to achieve this level in Europe as early as this year.

We have a straightforward and focused vision of NeoNet being the primary choice for major investors and broker-dealers for direct electronic access to the world's major stock markets.

Execution

The current rapid globalization of investments and equity trading will transform stock exchanges and traditional trading patterns. In practical terms, NeoNet has constructed a virtual stock exchange layer, which creates simpler and more logical equity trading via connections to multiple exchanges. Moreover, we can offer these services at a lower cost through an efficient system and execution-only approach. The demands of international investors, to be able to invest worldwide – securely, anonymously and instantaneously with a single mouse-click – is driving progress.

Efficient, highly liquid and transparent trading are now prerequisites for an exchange's survival. To satisfy these requirements, an increasing number of exchanges are facilitating trading through electronic order books entirely independent of the physical presence of brokers. NeoNet's unique business concept is to connect to the various exchanges' order books through its own electronic execution network, offering clients trading in stocks as if they were quoted on a single exchange.

Access

NeoNet currently offers direct access to the London, Frankfurt, Stockholm, Helsinki and Copenhagen Stock Exchanges. We have secured membership of the Euronext Paris Exchange, and in the third quarter of this year, we expect to connect electronically to the Euronext exchanges in Paris, Amsterdam and Brussels. When this is complete, 80 percent of European stock market capitalization will be available on NeoNet's electronic execution network.

NeoNet was incorporated in 1996 by a group of experienced brokers and IT experts, with low-cost electronic trading for institutional investors being our focus right from inception. Since this time, we have generated robust annual average revenue growth, while retaining high profitability. Last year was no exception, with revenues surging from SEK 86 m to 161 m and earnings improved at all levels. Client growth outside Sweden was strong, a phenomenon particularly apparent in the US, where through NeoNet, clients can trade European stocks more simply and at lower cost than using traditional methods. We expect our connection to the London Stock Exchange to accentuate this trend. At present, NeoNet has clients in the US and ten European countries.

NeoNet's initial public offering on the OM Stockholm Exchange in October was a significant event, with the associated new issue raising capital for ongoing investments in products and markets. Moreover, the IPO enhanced our legitimacy and attracted increased attention.

Speed

Trading on global stock markets is heading for rapid transformation – in a few years, the highest-turnover shares will be traded on exchanges around the globe, enabling trading virtually round the clock. However, whether the traditional stock exchanges will pioneer this progress is far from certain. As accessibility improves, the demands on execution speed increase. New technology has already attracted those new market players that take a novel approach to these possibilities and see potential where others see only obstacles. NeoNet is an example of these new players.

Various major stock exchanges have considered collaborations, alliances and straightforward mergers or acquisitions in various constellations, although so far, with scant results. The pressure from those alternatives that have arisen as electronic execution networks and systems, and start-ups of entirely new exchanges in the US and Europe, have been the catalyst for this ambition to merge. This phenomenon offers an unequivocal illustration of the long-term progress towards order-driven electronic trading.

While the market for electronic equity trading remains in its infancy, many commentators anticipate very robust growth. Some forecasts suggest that the majority of equity trading will be entirely electronic within five years. NeoNet's highly competitive offering, unique competencies and first-class client base confer it with an excellent initial position. We anticipate sustained, highly profitable growth towards achieving our objective – a virtual exchange layer for global equity trading.

Torvald Bohlin, CEO, NeoNet

» We have a sharp focus – clients should be able to trade instantaneously, securely and at lower cost, direct on the world's major stock exchanges.«



TORVALD BOHLIN, CEO

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NeoNet – Creating New Possibilities in Electronic Equity Trading

An international virtual stock exchange layer, an electronic stockbroker, an electronic marketplace for trading equities or an IT corporation – you could view NeoNet in a number of ways.

NeoNet's concept proceeds from providing its clients with efficient, secure and anonymous access to the world's key stock markets. NeoNet's clients trade equities in real time through NeoNet's electronic execution network direct from their keyboards. At present, the system confers access to over 50 percent of the market capitalization of those corporations traded on Europe's stock exchanges.

NeoNet's objective is to be the first choice for institutional investors and broker-dealers for electronic access to the world's major stock exchanges. NeoNet will not offer any associated research or advisory services, nor undertake proprietary trading – NeoNet's exclusive focus will be on execution. NeoNet clients can already trade equities directly on the London, Frankfurt, Stockholm, Helsinki and Copenhagen Stock Exchanges, with a connection to Euronext (the Paris, Amsterdam and Brussels Exchanges) planned for 2001. Thereby, clients will access some 80 percent of the market capitalization of European stock exchanges.

» We don't think it's impossible to connect to the majority of global stock market capitalization within two years.«

Business Concept

NeoNet is to offer institutional investors and broker-dealers efficient, secure and anonymous trading access to multiple equity markets. NeoNet focuses on execution through its electronic execution network. As a complement, NeoNet offers clients manual trading through experienced brokers. NeoNet represents its clients as the counterparty in all transactions on all connected markets.

Vision

NeoNet's vision is to be the first choice of institutional investors and broker-dealers for direct electronic access to the world's major securities markets.

Strategy

To realize its vision and achieve its objectives, NeoNet's primary strategy is:

Connect

NeoNet's objective is to connect to about 80 percent of the European stock market capitalization before year-end 2001, and connect to about 80 percent of global stock market capitalization before year-end 2003.

Support

NeoNet will actively encourage its new and existing clients to increase trading. A broader selection of stock exchanges increases clients' incentives to use NeoNet for more of their total trading. An increasing number of users in each client corporation is a key element of this strategy.

Attract

NeoNet is constantly attracting new international clients. NeoNet primarily focuses on European and US clients; as

new stock markets are connected, potential clients will be offered access to a growing proportion of the world's equity markets. This enhanced access will not only enable increased cross-border trading, but also attract new clients to trade using direct electronic access on their respective domestic markets, which in many cases, represent a high share of client trading.

Enhance

NeoNet is striving continuously to maintain its technological and functional competitive advantages. NeoNet will concentrate on continuously enhancing its client application, trading platform and communications solutions to ensure that investors and broker-dealers are offered the most user-friendly and reliable solution available.

Integrate

There are extensive opportunities to integrate clients' existing trading systems with NeoNet's electronic execution network. This is possible using the standard protocol FIX (Financial Information Exchange), and entails clients' systems being FIX compliant, like NeoNet. This process enables multiple users to connect through a single electronic link. Moreover, it is not unusual for clients in their turn to have a number of institutional clients connected to their proprietary electronic trading systems. Increasingly, FIX is becoming a global financial systems protocol standard.

NeoNet also intends to enhance the client benefit of those execution services offered by enhancing the integration between NeoNet's trading system and client trading and administration systems, into what is termed straight-through processing (STP). This may encompass clients' existing equity trading or risk management systems.

Objectives

NeoNet has achieved robust revenue growth, posting healthy earnings over the last four financial years, and anticipates sustained high growth. Its objectives are to:

- Maintain minimum long-term revenue growth of 50 percent annually.
- Post a sustainable minimum gross margin of 25 percent.
- Generate over 80 percent of commission income from electronic order execution by year-end 2003.

Highlights in 2000

- IPO on the OM Stockholm Exchange.
- NeoNet's trading system became FIX compliant.
- Increased European and US client inflows.
- Electronic trading on the Frankfurt Stock Exchange.
- Membership of the LSE.
- Consolidated management and new CEO.
- Strengthened organizational resources to enable ongoing expansion.

Highlights after the End of the Year

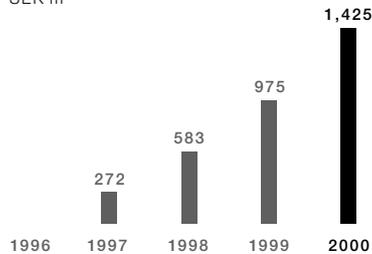
- In January 2001, NeoNet secured membership of the Euronext Paris Stock Exchange.
- In late January 2001, NeoNet inaugurated electronic trading on the London Stock Exchange.

Planned Milestones for 2001

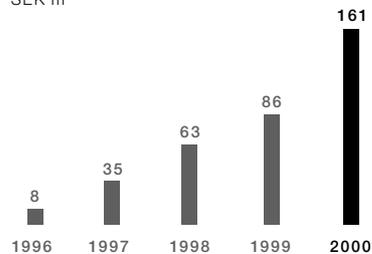
- Electronic trading on Euronext – i.e. the Paris, Brussels and Amsterdam Stock Exchanges.
- Electronic trading on the Oslo Stock Exchange, assuming Oslo links to the Norex constellations system.
- Development of a new version of NeoNet's client application.

The Year in Summary

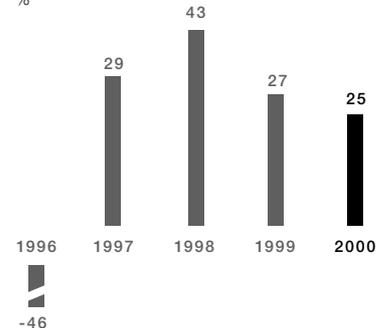
AVERAGE DAILY TRADING VOLUMES
SEK m



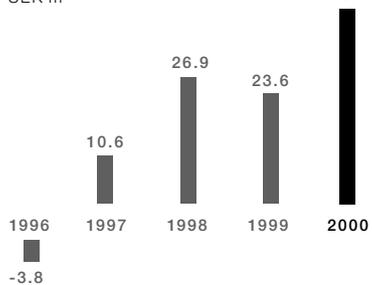
COMMISSION INCOME
SEK m



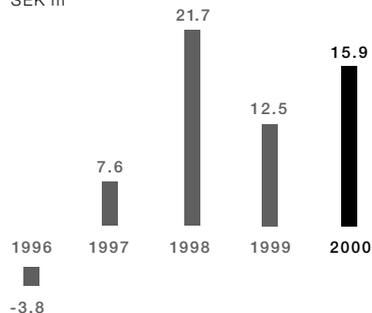
GROSS MARGIN
%



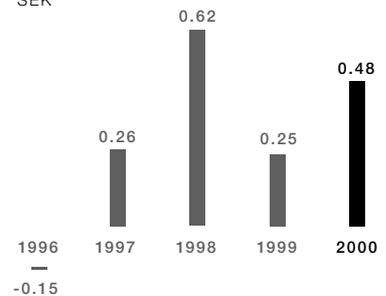
OPERATING EARNINGS BEFORE DEPRECIATION AND NET INTEREST INCOME
SEK m



OPERATING EARNINGS BEFORE TAX
SEK m



EARNINGS PER SHARE
SEK



Financial Overview – the Year in Summary

- Revenues increased by 86% to SEK 160.8 (86.4) m.
- Earnings before depreciation and net financial items rose by 68% to SEK 39.7 (23.6) m.
- Earnings before tax up 27% from SEK 12.5 m to 15.9 m.
- Earnings after tax: SEK 15.8 (6.5) m. The tax charge for the year reduced significantly because of tax-deductible expenses related to the IPO and new issue. In the accounts, these expenses were posted to shareholders' equity.

- Earnings per share increased by 92% to SEK 0.48 (0.25).
- The share of revenues from electronic order execution was 61% in the fourth quarter; the full-year proportion was 50%, against 31% in the previous year.
- NeoNet linked to the Frankfurt Stock Exchange (Deutsche Börse, Xetra) for electronic order execution in March.
- NeoNet received membership of the LSE (London Stock Exchange) in late November.
- Investments were SEK 32.6 (28.2) m in the period.

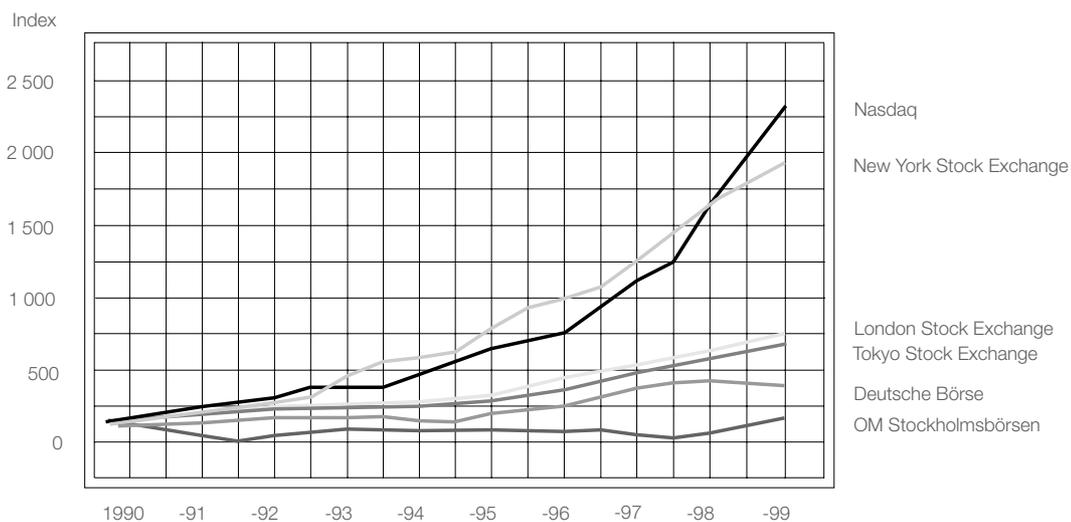
- A new issue was consummated coincident with the company's IPO on OM Stockholm Exchange on 20 October. The issue raised SEK 139.6 m for the company after deducting issue expenses. Moreover, in September and December, exercise of an option program earlier in the year raised a further total of SEK 24.6 m of shareholders' equity.

Key Figures	2000	1999	1998	1997	1996
Commission income, SEK 000	160,851	86,359	63,364	35,065	8,326
Operating earnings before depreciation and net interest income, SEK 000	40,134	23,644	26,932	10,561	-3,801
Operating earnings before tax, SEK 000	15,948	12,518	21,721	7,588	-3,774
Earnings after tax, SEK 000	15,755	6,533	15,499	6,408	-3,774
Gross margin	25%	27%	43%	29%	-46%
Profit margin	10%	8%	24%	18%	-45%
Average daily trading volume, SEK 000	1,425,000	975,000	583,000	272,000	-
Earnings per share, SEK	0.48	0.25	0.62	0.26	-0.15
Dividend per share (before full dilution), SEK	-*	0.12	0.04	-	-
No. of employees at the end of the period	62	39	22	12	12

» Some forecasts indicate the majority of equity trading being fully electronic within five years. «

STOCK EXCHANGE VOLUME GROWTH

[FIG 1]



Source: "Fact book 1999", Deutsche Börse, 2000.

The Capital Markets Have Never Been so Changeable – or so Accessible

Progress on the Capital Markets

Developments on the capital markets over the last decade have been nothing short of dramatic; traded volumes on major marketplaces have burgeoned, with lead-times for executing transactions shortening and national borders being progressively eliminated. New technology and liberalized legislation in many countries has contributed to this rapid progress. Overall, this has resulted in significantly enhanced accessibility to the capital markets and the emergence of a plethora of new financial instruments.

Interest in the capital markets amongst private individuals and the media has also advanced. Private individuals' long-term savings, such as pensions, have increased, simultaneous with a distinct realignment away from bank deposits and towards equity-related savings. In continental Europe, this progress has gathered pace in recent years. In countries with venerable traditions of fixed income savings such as Germany, share saving by private individuals has accelerated – in many countries, individuals are taking over responsibility for their future from public welfare systems. This raised interest and improved accessibility has also shadowed the robust value growth of stock markets.

The asset management market has also progressed strongly; the selection of various financial instruments and products has accentuated. The competition between market players has generated a diverse flora of new equity-related instruments.

The awareness and knowledge of the consumer – i.e. the saver – has resulted in the creation of new products and lower prices for asset management and trading. Index-related funds, that trace selected indices, are a good example; over recent years, such products have won an increasing share of the market for asset management services. These mutual funds offer far lower costs than actively managed equity funds. In general terms, technology has contributed to the creation of more efficient and transparent markets. The execution costs of equity trading have contracted, both for private individuals and institutional investors.

[Fig. 1 page 8]

The Market for Equity Trading

Rapid progress on the capital markets, deregulation and technological advances have entirely transformed the market for equity trading in just a few years. In the past, basically all trading was effected over national exchanges, which enjoyed effective monopolies. These transactions were basically executed manually, across trading floors where buyers' and sellers' brokers made deals. Gradually, trading was automated by the introduction of technology, with the Stockholm Stock Exchange one of the world's first to introduce electronic trading, back in 1989. Since then, the world's leading stock exchanges have utilized technology at varying rates to rationalize and simplify equity trading.

The European equity trading market is far more fragmented than its US counterpart – EU deregulation has not yet penetrated

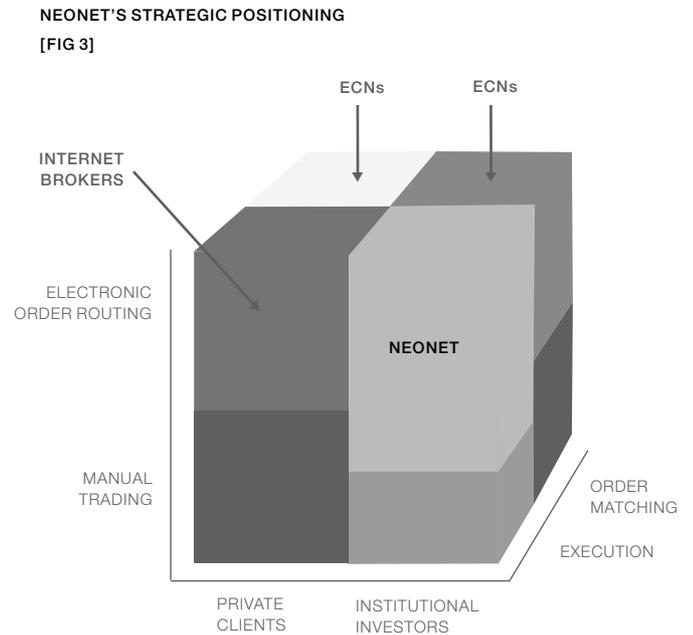
to equity trading, with the result being varying legislative and regulatory structures between countries. The EU has initiated efforts to harmonize trading within the Union, although this process is complex and it may take a few years before the proposed measures are introduced.

US equity trading is concentrated on two marketplaces: Nasdaq and the NYSE (New York Stock Exchange) leading a network of regional exchanges. Equity trading is regulated federally by a single authority, the SEC. Clearing and settlement costs are also way below the European average, although US exchanges have not come as far as their European peers in the migration to electronic trading.

Milestones on the Equity Trading Market

Progress on the market for electronic equity trading remains in its infancy, with technological progress and globalization resulting in the dissolution of national structures. The winners are clients, now able to operate proactively on more competitive and transparent markets. The ability to offer high-volume, efficient, low-cost trading, combined with efficient systems for associated services like clearing and settlement, will be decisive factors for a market's success.

» NeoNet connects to the markets where it perceives the best liquidity – directly to the order books of the exchanges where the stocks are quoted.«



NEONET INTERFACES WITH THE FOLLOWING PLAYERS, AND COMPETES WITH THEM TO VARYING DEGREES

[FIG 2]

Players	Client Groups	
	Institutional Investors	Broker-dealers
Traditional Players		
Global investment banks	High capacity if players opt to initiate electronic order routing, although this risks taking market shares from regular operations. Have close client relationships and strong brands.	Major investments are being made in various inter-broker trading systems. Such operations are often pursued in autonomous enterprises such as ECNs. Have close client relationships and strong brands.
Regional investment banks	Local players often enjoy secure positions on local markets. Unlikely to invest heavily in constructing the necessary infrastructure.	Unlikely to invest sufficiently in technological infrastructure.
Stock exchanges that enter alliances or merge	Not direct competitors, but influence market outlook.	Facilitate brokers becoming direct members through more extensive geographical coverage.
New Players		
ECNs and players offering electronic order routing	Direct competitors to NeoNet. Existing players currently pursue operations not focused exclusively on the execution process.	Direct competitors to NeoNet; many pursue operations not focused exclusively on execution.
Electronic trading arenas that match buy and sell orders in addition to the traditional exchanges.	Low network liquidity; comprise a complement to institutions that trade large blocks with a longer perspective.	Not applicable
New players like NeoNet attempting to simplify cross-border trading	Direct competitors to NeoNet if they achieve the corresponding offering and technology.	Direct competitors to NeoNet if they achieve the corresponding offering and technology.
Internet brokers	Potential competitors in the longer term.	Potential competitors in the longer term. Present focus, however, on equity trading by private individuals.

Restructuring and Consolidation

The European equity trading and clearing market is experiencing acute transformation pressure; attempted mergers and collaborations between various exchanges being an unmistakable trend. In order to be able to compete over liquidity more successfully, and to respond to the market's raised demands for accessibility and cost-efficiency, various exchanges have created alliances.

- The Paris, Brussels and Amsterdam Exchanges have merged into Euronext, and will offer trading in over 1,300 listed corporations. The announced intention is to trade through the Paris Stock Exchange's systems with production expected to begin in the second quarter of 2001.
- The exchanges in Stockholm, Copenhagen, Oslo and Reykjavik have created the Norex alliance with the objective of creating a consistent Nordic technological trading platform. Norex also has plans to absorb the Baltic Exchanges, although Helsinki has not linked up to Norex.
- The Global Equity Market (GEM), which remains at the planning stage, is the most extensive stock market collaboration initiative. If realized, 24-hour trading in high-capitalization corporate stocks may become a reality, with the NYSE, Australia, Tokyo, Hong Kong, Sao Paulo, Mexico, Toronto and Euronext exchanges all participating in the discussions.
- Nasdaq's take-over of its European equivalent, Easdaq.

- Virt-X is the result of the merger of the Zurich Stock Exchange and Tradepoint, the latter being an independent electronic exchange based in London. Institutional investors, market-makers and broker-dealers can link up directly to Virt-X's order book, which encompasses major European corporate stocks.

- Jiway, jointly owned by OM-Gruppen and Morgan Stanley Dean Witter, is the creation of a new exchange in addition to the existing arenas, with an order book maintained by market-makers in various countries, who will guarantee prices in the various stocks. Jiway is oriented towards Internet brokers and banks whose primary clients are private individuals.

In 2000, the London Stock Exchange and Deutsche Börse initiated a merger in order to create a joint exchange: iX. But OM Gruppen's bid for the LSE and the resistance of smaller shareholders undermined this deal.

New Alternative Marketplaces and Trading Systems

New ways to pursue equity trading, originating in the US, have emerged in recent years; user demands for accessibility and speed have increased, while those players exploiting the possibilities presented by new technology have been successful. Manual trading on Nasdaq and the NYSE is in competition with electronic trading systems known as Alternative Trading Systems (ATSs) and Electronic Communication Networks (ECNs), which have attracted a substantial portion of liquidity on the US stock market. ECNs, which are electronic trading systems that match buy and sell orders automatically, generate over 35 percent of trading across Nasdaq and are often interlinked with other trading systems. At present, the majority of the

major US investment banks have ownership interests in ECNs, the most significant with international operations being Reuters-owned Instinet and Bloomberg's Tradebook.

NeoNet's View of Traditional and New Competitors

The external factors influencing NeoNet, and its competitive position, are evolving quickly, and any description is relatively complex because this affects various elements of the market for equity trading. NeoNet's competitors are players, which like NeoNet, offer various types of equity trading for institutional investors and broker-dealers. Such players are attempting to assert their individuality on the market, in order to realize competitive advantages. However, competitors can be divided into traditional and new players.

[Fig. 2 page 10]

Traditional Players

Regional and global investment banks and broker-dealers respond to competition sourced from new or existing competitors in various ways, by:

- Establishing proprietary electronic platforms for order execution and communication;
- Cutting their commission for equity trading;
- Using electronic order routing to exchanges through available electronic networks;
- Complementary services such as equity research, new issues and IPOs;
- Efficient handling of major trading blocks with minimal share price influence.

Traditionally, the majority of broker-dealers offer services in addition to stockbroking. To some extent, NeoNet competes with broker-dealers when offering equity trading to institutions on markets where NeoNet also offers trading. This implies that some of NeoNet's broker-dealer clients may also be potential competitors. However, NeoNet often functions as a complement to broker-dealers, who are able to offer efficient direct access to those exchanges where they do not have membership themselves.

In competition with traditional players, NeoNet focuses entirely on the execution itself, thereby realizing distinct competitive advantages through offering simultaneous access to multiple markets, fast execution and low commission. Generally, traditional players offer bundled solutions comprising execution, clearing and settlement, research and advisory services, which command a higher price. Moreover, such bundled solutions do not even offer the client direct electronic access to exchanges. In the short and medium term, those

exchanges that create alliances through mergers will not constitute direct competition for NeoNet – in fact, they offer opportunities. For example, through Euronext, NeoNet will be able to offer access to equities on all Euronext exchanges through its membership of the Paris Stock Exchange, and thereby, NeoNet will be able to contribute to the further expansion of trading and liquidity.

New Players

The new players on the market for equity trading comprise ECNs and new exchanges. At present, NeoNet perceives the greatest competition from ECNs like Instinet and Tradebook. Through these players, clients – broker-dealers or institutional investors – can enter orders into the relevant systems.

On European markets, alternative trading systems and alternative exchanges have only succeeded in attracting limited liquidity to their order books because European exchanges run proprietary electronic order books, unlike their US counterparts. Instinet, Tradebook, Brut and Island are all examples of ECNs, the majority being owned by global investment banks or financial information players.

Specialization and technological expertise are prerequisites for responding to institutional investors' demands for electronic order execution services. NeoNet thinks that those players intending to compete on the market for electronic order execution for institutional investors and broker-dealers will encounter a series of barriers to entry. These comprise acceptance among clients, substantial investments in technology for trading platforms and systems, for example, plus the time, competencies and costs for establishing connections to each individual exchange.

[Fig. 3 page 10]

NeoNet Offers a Single Access Point to the Major Exchanges, Which is Fast and Secure

NeoNet's Client Offering

- Fast, secure and anonymous direct access to, at present, over 50 percent of aggregate European stock market capitalization;
- A service intended for electronic equity execution, offering clients more efficient trading;
- All elements of the transaction, from processing and order to payment and delivery;
- A solid combination of equity trading experience and technology know-how;
- A technologically sophisticated and user-friendly system with a single client interface for all markets;
- A FIX-compliant system solution, implying that it can be connected to other financial systems;
- A high-security, high-performance communication network;
- Manual equity trading as support to electronic order execution for more complex transactions, and as expert trading support/back-up.

Trading via NeoNet

NeoNet offers institutional investors and broker-dealers direct electronic access to major stock markets. At present, connections exist to the London and Frankfurt Stock Exchanges, OM Stockholm Exchange, plus the Helsinki and Copenhagen Stock Exchanges.

NeoNet clients gain real-time prices, plus information on market activity and order depth via NeoNet's electronic trading system, while they are also able to amend and delete submitted orders instantaneously. The entire system is operated from a single screen, allowing

clients to monitor and trade multiple markets simultaneously. NeoNet clients perform execution with full anonymity on all markets linked to the system.

NeoNet's Competitive Advantages

NeoNet offers its clients an array of advantages.

[Fig. 4 page 14]

NeoNet's Electronic Trading System

NeoNet's system is easy to install, learn and use. For the client, the system requires only a regular PC with Windows NT 4.0 Workstation; the system is run on Windows NT and Oracle platforms centrally. The trading system and network use TCP/IP communication, with clients connecting to NeoNet using dedicated datacommunication links, thus creating a dedicated network where key factors such as capacity, reliability and data protection against undesired break-ins can be maintained at a high, constant level regardless of user numbers. NeoNet has selected Worldcom as its global datacommunication provider.

The latest version of NeoNet's trading system (5.1) was launched in January 2001. This now enables NeoNet's clients to trade equities on the London Stock Exchange trading platform SETS, in the same way as they trade on other exchanges.

The latest version of NeoNet's trading system also features a new method for disseminating market information from all exchanges with electronic links. This new distribution medium exploits bandwidth more efficiently on those connections that link clients directly to NeoNet's network. It thereby becomes possible to

transmit the precise market information corresponding to individual client needs selectively.

[Fig. 5 page 14]

Clearing and Settlement

Wholly owned subsidiary NeoNet Securities AB functions as the formal counterparty in all transactions effected by European clients. NeoNet Securities, Inc. performs the corresponding role for US clients. For clearing and settlement (payment and delivery of stocks), various banks are appointed on each market, with these processes effected in accordance with those the regulatory structures applicable on such markets.

All transactions are settled by delivery versus payment of equities; NeoNet has an indemnity insurance policy with ABB-owned insurance corporation Sirius International (S&P credit rating: AA-) against client losses. Sirius International undertakes a credit review of NeoNet's new clients, then determining whether such client qualifies under the terms of the existing insurance, and if so, the applicable limits. The vast majority of clients are covered by this insurance.

This insurance policy covers potential losses ensuing from clients' potential inability to honor executed transactions because of insolvency. The policy is subject to specific terms and conditions, excess and per client and year limits.

» We're doing things other players are only talking about – we connect multiple exchanges into a single offering.«

NEONET OFFERS ITS CLIENTS MANY ADVANTAGES

[FIG 4]

SPEED

NeoNet offers real-time electronic equity trading, with instantaneous confirmation of executed transactions. As a consequence of the trading system's direct connections to multiple European exchanges, orders are referred immediately from client computers to exchange order books. Traditionally, the party intending to invest needs to call a broker, who in turn, enters the order into the exchange's system. The broker receives confirmation of an execution subsequent to the execution itself, with this information referred to the client only subsequently.

ACCESS

NeoNet's concept implies the user gaining direct access to multiple exchanges on a single screen – clients gain a tool that brings them directly to the market, differentiating NeoNet from competitors that match buy and sell orders in proprietary order books. Using NeoNet, clients gain faster execution, accessing greater liquidity and comprehensive price information. Transactions on multiple equity markets in multiple currencies are possible through a single system.

FOCUS

NeoNet has chosen to focus on offering institutional investors and broker-dealers direct electronic access to major stock exchanges. Thus, NeoNet has no in-house analysts or professionals servicing clients to encourage them to effect specific transactions. Nor does the company pursue any proprietary trading. NeoNet's focus eliminates the risk of a conflict of interest with the client's own business.

ANONYMITY

All trading on NeoNet is anonymous, with NeoNet functioning as the sole counterparty in all transactions. No intermediaries are aware of, or can delay, orders before execution, because investors enter orders directly to the relevant exchange's order book. Obviously, all NeoNet's manual trading is anonymous with NeoNet as the counterparty.

COST SAVINGS

NeoNet is able to maintain low prices by offering an electronic service. In many cases, NeoNet's prices are less than half those of traditional brokers. The system's user-friendliness and real-time access to exchanges confer the user with total control over information and orders, which normally guarantees optimal prices.

The FIX compatibility of NeoNet's system enables more clients to interface with their other related financial systems and tools, in turn generating time-savings and rationalizing their in-house transaction processing.

FLEXIBILITY AND SIMPLICITY

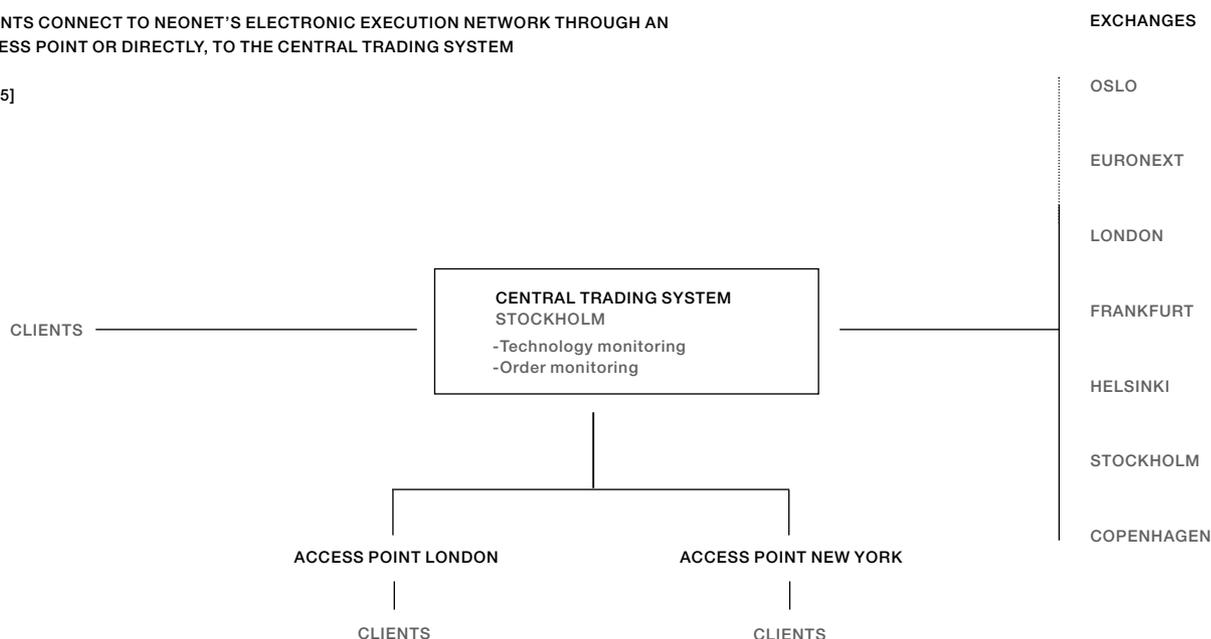
NeoNet's client application is constructed on Windows-based solutions, offering the client an extremely user-friendly system to process. Clients gain an overview of key information on multiple markets simultaneously on a single screen, and can also modify applications to suit their individual preferences and needs.

SECURITY

NeoNet's clients are connected to the company's electronic network, conferring better security than trading routed over the Internet. Each client has a dedicated datacommunication link, which not only reduces the risk of break-ins and enhances reliability, but also guarantees transmission capacity.

CLIENTS CONNECT TO NEONET'S ELECTRONIC EXECUTION NETWORK THROUGH AN ACCESS POINT OR DIRECTLY, TO THE CENTRAL TRADING SYSTEM

[FIG 5]



NEONET'S PATH TO BECOMING AN ELECTRONIC TRADING ARENA

1996

- NeoNet founded, February.
- Manual trading in equities and index futures begins on the Stockholm Stock Exchange.
- Development of proprietary trading system begins.
- Electronic trading through NeoNet begins on the Stockholm Stock Exchange.

1998

- Manual trading on the Helsinki Stock Exchange begins.
- System development transferred to newly incorporated subsidiary NeoNet Technology AB.

1999

- Manual trading begins on the Oslo Stock Exchange.
- NeoNet Securities, Inc. founded, office opens in New York.
- Manual trading begins on Copenhagen Stock Exchange.
- First US clients linked to NeoNet's system.
- Manual trading begins on Frankfurt Stock Exchange.
- New system platform launched, enabling simultaneous trading on multiple markets.
- Electronic trading on the Helsinki and Copenhagen Stock Exchanges.
- Electronic trading in index futures begins on the Stockholm Stock Exchange.

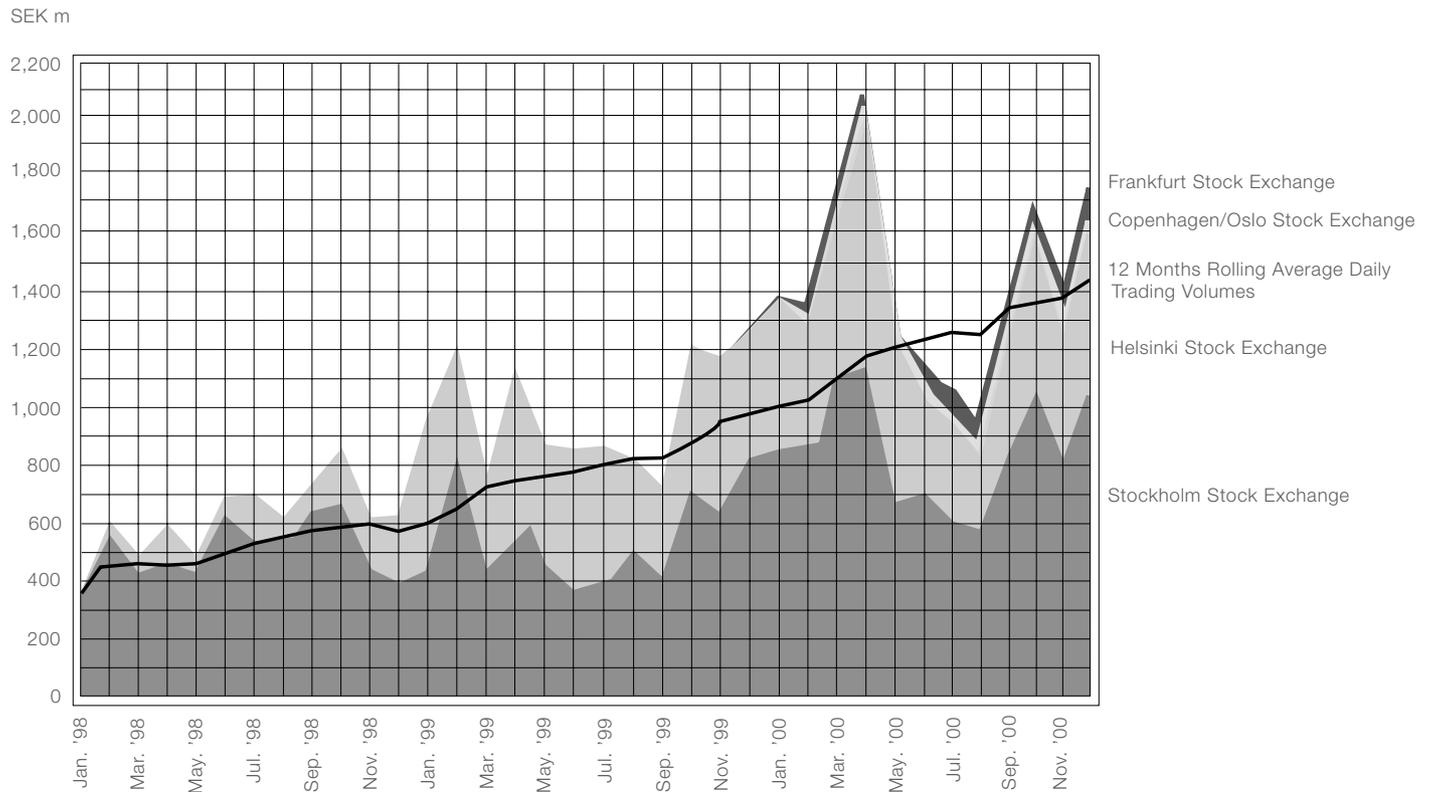
2000

- Electronic trading begins in March on the Frankfurt Stock Exchange's electronic trading system.
- NeoNet's trading system becomes FIX compliant.
- NeoNet's IPO on OM Stockholm Exchange.
- NeoNet receives membership of the London Stock Exchange, manual trading begins.

2001

- NeoNet gains membership of the Paris Stock Exchange.
- Electronic trading begins on the London Stock Exchange.

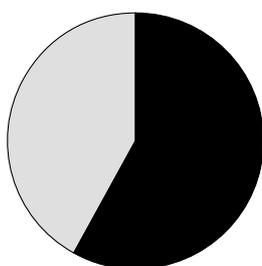
NEONET'S AVERAGE DAILY TRADING VOLUMES



» We know competition will increase – the key to success will be offering the best system with the best access to satisfy client needs for fast, secure global trading.«

DISTRIBUTION OF NEONET CLIENTS, NO.
31 DECEMBER 2000

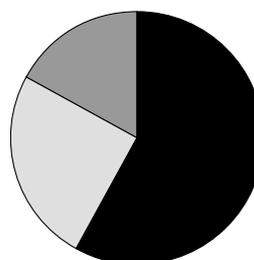
[FIG 6]



■ INSTITUTIONAL INVESTORS 58%
■ BROKER-DEALERS 42%

DISTRIBUTION OF NEONET CLIENTS, NO.
31 DECEMBER 2000

[FIG 7]



■ NORDIC REGION 58%
■ REST OF EUROPE 25%
■ US 17%

NeoNet's Clients are the Capital Markets' Genuine Experts

Clients

NeoNet is oriented towards professional players on the capital markets, and accordingly, NeoNet's clients harbor substantial experience of securities trading. The clients can be divided into two main segments: broker-dealers and institutional investors. NeoNet has clients in the US and ten European countries; the 20 largest clients generate some 75 percent of NeoNet's commission income.

The practical reality is that a single NeoNet client may comprise of many users. A client, such as a broker-dealer, may have multiple users in various departments. Some trade from broker desks and others from the proprietary trading function. Indeed, users may be geographically dispersed.

Client Segments

Institutional Investors

Institutional investors are NeoNet's largest client group, representing 58 percent of the client base as of 31 December 2000. Institutional investors are seldom exchange members themselves, and use NeoNet principally for the system's anonymity and efficient access. Many clients in this segment, particularly the larger players, have their own trading functions. They need a focused service that offers them simple and rapid access to the major stock exchanges. NeoNet regards those institutional investors that trade high volumes on those markets where trading is offered as attractive.

Broker-dealers

Broker-dealers, the second client category, comprised some 42 percent of the corporation's total client base at year-end. Many such players are accustomed to trading electronically and are them-

selves members of various exchanges. Such players use NeoNet to be able to offer their clients trading on those exchanges where they are not members themselves; they also use NeoNet as an efficient tool for proprietary trading. NeoNet does have some broker-dealer clients that do not have end-clients themselves; instead, such players are pure trading operations.

Because, generally, broker-dealers have multiple institutional clients themselves, this segment offers very substantial potential – potential that is particularly amplified when clients are linked to the broker-dealer electronically. This confers end-clients connected electronically to broker-dealers with the opportunity to trade electronically through NeoNet. Thereby, the link to the broker-dealer becomes a wholesale contract, in turn enabling the broker-dealer to extend its electronic offering to end-clients.

Geographical Distribution

The majority of NeoNet's present clients are in the Nordic region, with a concentration to Sweden. Institutional investors comprise the largest client group in the Nordic region. Outside this region, the US, UK, Germany, France, Benelux and Switzerland are key geographical markets. 58 percent of NeoNet's clients are in the Nordic region, 25 percent in the rest of Europe and the remaining 17 percent in the US.

NeoNet's US clients are major institutional investors and reputable broker-dealers. At present, US clients use NeoNet to gain access to European stock markets through a single gateway system. Over 95 percent of revenues from US clients are sourced from electronic order execution. With the existing differences in regulatory structures and trading possibilities in the various count-

ries through-out Europe, US investors perceive NeoNet's concept as highly attractive, because it radically simplifies trading in European stocks through a single access point with a single provider of execution services, and counterparty for clearing and settlement.

[Fig. 6 & 7 page 16]

Marketing and Sales

Marketing and sales are high-priority activities for expanding and extending NeoNet's client base. Services are targeting on a closely defined, professional client group, and accordingly, a high emphasis is placed on approaching clients personally, and maintaining direct contact with existing and potential clients. NeoNet has increased its sales force as an element of its intensified international sales and marketing initiatives. At year-end, five professionals were active on direct sales. NeoNet's brokers also market the corporation's services through their client contacts.

Until the present, NeoNet has maintained a sharp focus, particularly on technological progress and connections to new exchanges. Adopting the growth objectives NeoNet has established and the planned geographical expansion of its European and US client base, NeoNet will continue to develop its marketing and sales resources.

In order to access a more broad-based international client base more quickly, NeoNet may enter alliances or collaborations of varying types. Other electronic execution networks, ECNs, or major brokerage institutions are examples of such potential collaboration partners.

NeoNet – a Combination of Seasoned Brokers, IT Specialists and Novel Thinking

Human Resources

NeoNet was founded by experienced brokers and IT specialists five years ago, when there was no user-friendly but sophisticated tool on the market to make professional investors' day-to-day business easier, at a time when the Stockholm Stock Exchange was pioneering the introduction of electronic order execution systems. These two conditions fertilized the embryonic NeoNet. NeoNet's professionals are the key of its success, with their experience and innovation winning NeoNet its current well-positioned and competitive status.

Organizational Resources

The group is organized into the following functions: Sales, Operations, Financial Management, Product Development and IT. At present, over 60 people work at NeoNet's Stockholm and New York offices, with 26 directly engaged on systems development and IT. The development of the system with connections to new exchanges, and new functionality, is the emphasis on the IT side, which also harbors ongoing IT operations, maintenance and updates, as well as installations of client connections. Equity trading and the associated administration, which also encompasses the clearing and settlement administration of all transactions on all markets NeoNet is connected to, occupies 19 professionals. On average, NeoNet's brokers have nine years' professional experience and all are accredited by a minimum of three exchanges. NeoNet has five professionals active on direct sales. The remainder of NeoNet's staff work on business and product development, management, accounting and administration.

NeoNet's parent company, NeoNet AB (publ), has three wholly owned subsidiaries: NeoNet Securities AB, NeoNet Securities, Inc. and NeoNet Technology AB. NeoNet is headquartered in Stockholm, where the two Swedish subsidiaries are also located. NeoNet's US subsidiary is in New York City.

NeoNet AB (publ)

The primary responsibilities of the parent company NeoNet AB comprise group management, business development, financial issues, investor relations, plus PR and branding. NeoNet AB employs three professionals located in Stockholm.

NeoNet Securities AB

NeoNet Securities AB has been the primary operational company since NeoNet was founded in 1996. This company is the counterparty in all transactions executed on behalf of European clients. NeoNet Securities AB has an employee headcount of 33.

NeoNet Securities, Inc.

NeoNet Securities, Inc.'s primary role is to market, sell and find growth opportunities on the US market. NeoNet Securities, Inc. also processes systems installation and support for US clients. The company has been operational since February 1999, and is the counterparty in all transactions sourced from US clients. NeoNet Securities, Inc. has an employee headcount of seven.

NeoNet Technology AB

In 1998, systems development was transferred to NeoNet Technology AB. At present, its main operations are NeoNet's systems development, which encompasses the development of the central trading system's functionality and capacity, interfaces with new markets, client applications, communications solutions and system integration. NeoNet Technology AB has an employee headcount of 19.

NeoNet is Building the Foundations of the Equity Trading of the Future

NeoNet and the Future

Since inception, NeoNet has realized robust annual revenue growth, with healthy profitability. Revenues in 2000 virtually doubled from SEK 86 m to SEK 161 m, while earnings improved at all levels; NeoNet posted a gross margin of 25 percent. NeoNet's objective is to secure sustainable minimum annual revenue gains of 50 percent with a minimum gross margin of 25 percent. The combination of NeoNet's ability to win new clients on new markets and to increase the share of existing clients' trading will be the decisive factors for achieving these financial objectives.

Once NeoNet has linked most of the major European exchanges to its system in 2001, the focus will extend to encom-

pass other exchanges. One natural progression is to connect to the major US and Asian stock markets, which is also consistent with NeoNet's strategy of offering access to some 80 percent of total global stock market capitalization before year-end 2003.

Until the present, NeoNet has developed all its exchange links in-house, while its client base has grown organically. In order to connect to new exchanges faster, and increase the expansion of its client base, NeoNet may enter alliances or strategic collaborations with various partners. NeoNet's technology and services offering is also under continuous development in order to satisfy new client standards and respond to the expected increase in competition.

NeoNet's operations comprise equity execution on behalf of clients – the corporation does not pursue any proprietary trading. Accordingly, NeoNet's revenues and earnings are subject to its clients'

day-to-day trading volumes and share price levels on those exchanges where NeoNet pursues trading on behalf of clients. Because trading varies from day to day, and season to season, both volumes and prices may vary in the short term, which implies quarterly revenue and earnings deviations. However, over time, these fluctuations will decrease, particularly as trading is being effected on an increasing number of exchanges and because progressively, NeoNet will have clients on more geographical markets.

The Share

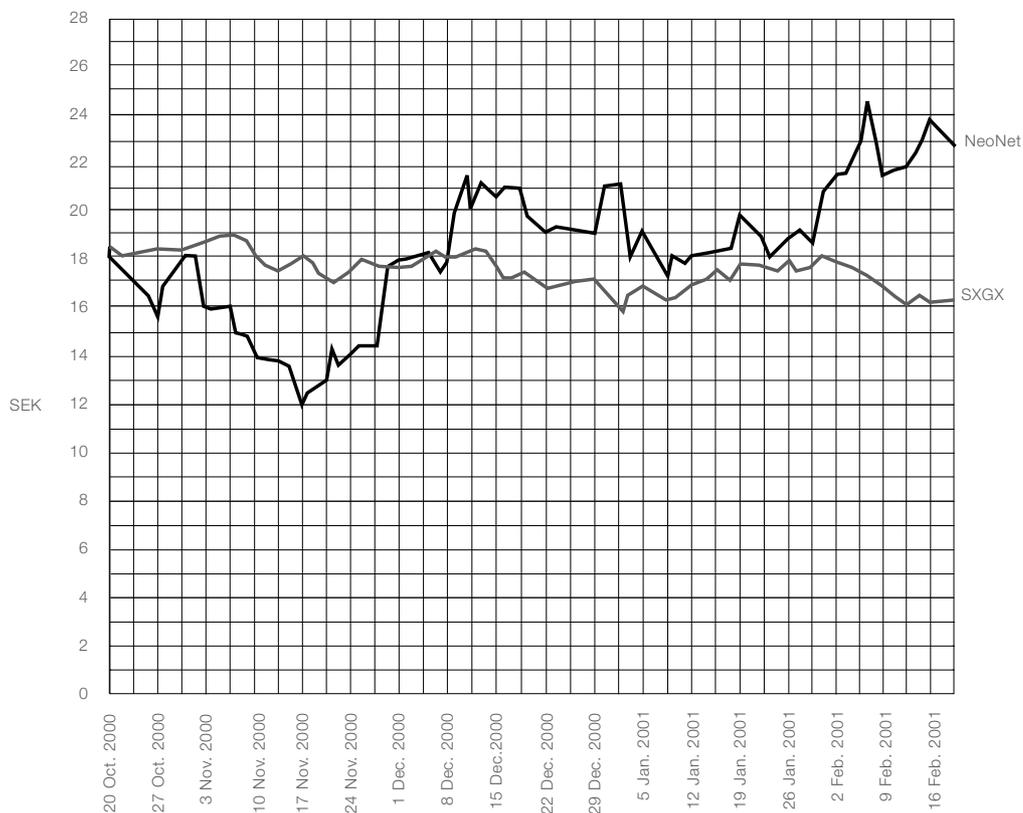
Stock Structure

As of 31 December 2000, the number of shares was 40,588,000, with all shares conferring equal rights to votes and dividends. During the financial year, the number of shares increased by 2,024,300 through subscriptions by existing shareholders, and by 8,000,000 through a new issue coincident with NeoNet's initial public offering.

Share Price Performance

The NeoNet share was quoted on OM Stockholm Exchange's O-list on 20 October 2000, at an issue price of SEK 20. The high for 2000 was achieved in December, when the price paid for the share was SEK 22 for several trading days. The low was a price paid of SEK 12 on 14 November.

NEONET'S SHARE PRICE PERFORMANCE



Turnover

In the period 20 October – 29 December, 2.85 million NeoNet shares changed hands for a total value of some SEK 50 m.

Shareholders with aggregate holdings of approximately 75 percent of the shares have undertaken to refrain from transferring their shares or options in NeoNet until at least 12 months after the first day of trading of NeoNet shares on OM Stockholm Exchange, subject to certain exceptions.

Shareholders

At year-end, NeoNet had 2,030 shareholders, with 1,974 of this total arriving coincident with the initial public offering or later in the year. According to the public share register, and register of fund managers, the ten largest shareholders are as illustrated below.

NeoNet's Ten Largest Shareholders as of 31 December 2000

Shareholder	No. of Shares	Percentage of Share Capital & Votes
Karlsson Hans with family & companies	7,249,000	17.9%
Persson Staffan with family & companies	6,172,080	15.2%
Tilander Jörgen & family	3,781,300	9.3%
Lindell Peter with family & companies	3,478,380	8.6%
Investors Trading AB	2,000,000	4.9%
Rohlin Tomas	1,570,000	3.9%
Albin Hasse	1,514,680	3.7%
Andersson Lena & family	1,367,120	3.4%
Dahlin Lars with family & companies	1,256,900	3.1%
Zetterblom Ola	1,239,980	3.0%
Total, ten shareholders	29,629,440	73.0%
Other	10,958,560	27.0%
Total	40,588,000	100.0%

Ownership Structure

Shareholding	No. of Shares	Percentage of No. of Shares	No. of Shareholders	Percentage of No. of Shareholders
1-500	380,265	0.94%	892	43.94%
501-1,000	527,900	1.30%	531	26.16%
1,001-2,000	457,660	1.13%	244	12.02%
2,001-5,000	708,175	1.74%	177	8.72%
5,001-10,000	568,620	1.40%	65	3.20%
10,001-20,000	528,200	1.30%	32	1.58%
20,001-50,000	1,216,440	3.00%	38	1.87%
50,001-100,000	1,368,140	3.37%	20	0.99%
100 001-	34,832,600	85.82%	31	1.53%
	40,588,000	100%	2,030	100%

Dividend Policy

NeoNet's dividend policy dictates that dividend pay-outs will be adapted for consistence with prevailing capital requirements, which mainly comprise investments, increased working capital tied up, the requirements of the capital markets/authorities and shareholders' desire for a favorable dividend yield. The objective is for dividends to be in the range of 25 – 50 percent of earnings after standard rate tax.

Share Capital History

	Increase in No. of Shares	Total No. of Shares	Chg. in Share Capital, SEK	Total Share Capital, SEK	Nominal Amount, SEK
1996 Incorporation		759,248	759,248	759,248	1.00
1996 New issue	490,784	1,250,032	490,784	1,250,032	1.00
1999 New issue	250,006	1,500,038	250,006	1,500,038	1.00
1999 New issue	28,147	1,528,185	28,147	1,528,185	1.00
2000 Split 20:1	29,035,515	30,563,700	0	1,528,185	0.00
2000 Subscription ¹	1,960,620	32,524,320	98,031	1,626,216	0.05
2000 Non-cash issue ²	60,000	32,584,320	3,000	1,629,216	0.05
2000 New issue ³	8,000,000	40,584,320	400,000	2,029,216	0.05
2000 Subscription ⁴	3,680	40,588,000	184	2,029,400	0.05

Notes

- 1 Subscription through exercise of the 2000/2006 warrants in September 2000.
- 2 Non-cash issue for the acquisition of a convertible debenture in NeoNet Technology AB.
- 3 New issue coincident with flotation on OM Stockholm Exchange O-list.
- 4 Subscription through exercise of the 2000/2006 warrants in December 2000.

Stock Option Program

The corporation has a total of 228,335 outstanding options, each conferring the right to subscribe for 20 shares, which corresponds to 4.6 million shares, which upon full subscription, would imply an SEK 35.6 m increase to shareholders' equity. The adjacent table illustrates the outstanding options as of 31 December 2000, their exercise price and subscription periods. Of all outstanding warrants, 91 percent are held by group employees.

Option	Subscription date	No.	Subscription Price, SEK	Increase in Shareholders' Equity, SEK	Of which Share capital, SEK
Subordinated debenture 1998/2001	March 2001	1,075,000	2.60	2,795,000	53,750
Subordinated debenture 1999/2002	October 2002	1,400,000	8.00	11,200,000	70,000
Subordinated debenture 2000/2002	Jan - Apr 2002	1,000,000	8.00	8,000,000	50,000
Subordinated debenture 2000/2006	Mar & Jun 2001	1,091,700	12.50	13,646,250	54,585
No. of outstanding warrants		4,566,700		35,641,250	228,335
No. of shares/share capital after full dilution		45,154,700			2,257,735

Consolidated Financial Performance in Summary

SUMMARY INCOME STATEMENT

SEK 000	1 Jan. '00 31 Dec. '00	1 Jan. '99 31 Dec. '99	1 Jan. '98 31 Dec. '98	1 Jan. '97 31 Dec. '97	1 Mar. '96 31 Dec. '96
Commission income	160,851	86,359	63,364	35,065	8,326
Net earnings from financial transactions	1,082	-475	136	-	-
Other operating revenue	5,589	1,636	7,925	30	-
Total operating revenue	167,522	87,520	71,425	35,095	8,326
Commission expenses	-19,701	-10,591	-9,528	-5,004	-1,446
Personnel expenses	-43,565	-26,623	-19,614	-11,628	-6,624
Other operating expenses	-64,122	-26,662	-15,351	-7,902	-4,057
Operating earnings before depreciation and net interest income	40,134	23,644	26,932	10,561	-3,801
% of commission income	25%	27%	43%	30%	-46%
Depreciation	-16,807	-8,864	-5,247	-2,615	-388
Operating earnings after depreciation	23,327	14,780	21,685	7,946	-4,189
% of commission income	15%	17%	34%	23%	-50%
Interest income	4,314	1,417	2,265	891	676
Interest expenses	-11,693	-3,679	-2,229	-1,249	-261
Net interest income	-7,379	-2,262	36	-358	415
Operating earnings before tax	15,948	12,518	21,721	7,588	-3,774
Tax	-193	-5,985	-6,222	-1,180	-
Net earnings	15,755	6,533	15,499	6,408	-3,774

SUMMARY BALANCE SHEET

SEK 000	2000	1999	1998	1997	1996
Assets					
Cash, bank balances and lending to credit institutions	292,185	70,378	88,533	19,105	38,459
Fixed assets	54,723	38,243	19,656	13,310	10,175
Other assets	194,217	63,630	14,684	6,177	10,444
Total assets	541,125	172,251	122,873	38,592	59,078
Liabilities, provisions and shareholders' equity					
Liabilities, credit institutions	130,886	51,029	12,400	10,000	10,000
Other liabilities	170,932	59,666	73,087	8,299	35,913
Provisions	4,120	4,538	2,314	720	0
Restricted equity	213,073	45,025	7,200	3,103	1,250
Non-restricted equity	22,114	11,993	27,872	16,470	11,915
Total liabilities, provisions and shareholders' equity	541,125	172,251	122,873	38,592	59,078

SUMMARY CASH FLOW STATEMENT

SEK 000	2000	1999	1998	1997	1 Mar. '96 31 Dec. '96
Cash flow					
Cash flow from ongoing operations before change in ongoing operations' assets and liabilities	22,774	16,669	22,203	9,743	3,386
Cash flow from ongoing operations	91,288	-1,717	80,533	-13,604	19,049
Cash flow from investment activity	-33,287	-28,239	-11,593	-5,750	-10,563
Cash flow from financing activity	162,724	12,276	352	0	28,723
Cash flow for the year	220,725	-17,680	69,292	-19,354	37,209
Liquid assets, opening balance	70,378	88,533	19,105	38,459	1,250
Translation difference, liquid assets	1,082	-475	136	0	0
Liquid assets, closing balance	292,185	70,378	88,533	19,105	38,459

KEY FIGURES

	1 Jan. '00 31 Dec. '00	1 Jan. '99 31 Dec. '99	1 Jan. '98 31 Dec. '98	1 Jan. '97 31 Dec. '97	1 Mar. '96 31 Dec. '96
Gross margin	25%	27%	43%	29%	neg
Operating margin	15%	17%	34%	22%	neg
Profit margin	10%	8%	24%	18%	neg
Average no. of trading days on connected markets	250	250	250	250	208
Average daily trading volumes	1,425,000	975,000	583,000	272,000	-

Financial position

Equity ratio	43%	33%	29%	51%	22%
Proportion of risk-bearing capital	44%	36%	30%	53%	22%
Interest cover	236%	440%	1,074%	708%	neg
Debt-equity ratio	1.2	1.6	2.0	0.7	3.2
Capital adequacy ratio	124%	51%	70%	105%	28%
Shareholders' equity, SEK 000	235,187	57,018	35,072	19,573	13,165
Average capital employed, SEK 000	269,307	106,487	68,326	43,771	-
Return on equity	16%	14%	57%	39%	neg
Return on capital employed	10%	15%	35%	20%	neg

Share Data

No. of shares	40,588,000	30,563,700	25,000,640	25,000,640	25,000,640
Average no. of shares	32,786,423	25,869,392	25,000,640	25,000,640	25,000,640
Earnings per share, SEK	0.48	0.25	0.62	0.26	neg
Shareholders' equity per share, SEK	5.79	1.87	1.40	0.78	0.53
No. of shares after full dilution	45,154,700	33,038,700	26,075,640	25,000,640	25,000,640
Average no. of shares after full dilution	37,688,519	27,281,926	25,538,140	25,000,640	25,000,640
Earnings per share after full dilution, SEK	0.42	0.24	0.61	0.26	neg
Shareholders' equity per share after full dilution, SEK	6.00	1.81	1.45	0.78	0.53
Dividend per share before full dilution, SEK	-*	0.12	0.04	-	-

Personnel

No. of employees at the end of the period	62	39	22	12	12
Average no. of employees	54	33	18	13	11

DEFINITIONS, KEY FIGURES

Gross margin:	Operating earnings before net interest income and depreciation as a percentage of commission income.
Operating margin:	Operating earnings before net interest income and tax as a percentage of commission income.
Profit margin:	Earnings after tax as a percentage of commission income.
Average capital employed:	Average total assets less average non-interest bearing liabilities including deferred tax liabilities.
Return on equity:	Earnings before tax in relation to average shareholders' equity for the year.
Return on capital employed:	Earnings after financial items plus financial expenses in relation to average capital employed.
Equity ratio:	The closing balance of shareholders' equity as a percentage of the closing balance of total assets.
Proportion of risk-bearing capital:	Shareholders' equity plus deferred tax liabilities as a percentage of total assets.
Interest cover:	Operating earnings plus financial expenses, divided by financial expenses.
Debt-equity ratio:	Closing balance of interest-bearing provisions and liabilities in relation to the closing balance of shareholders' equity.
Capital adequacy ratio:	Total capital base divided by total risk-weighted amount as defined by the capital adequacy requirements for credit and market risks (FFFS 2000:6).
Average number of shares:	Average number of shares in the year adjusted for stock issues and splits.
Average number of shares after full dilution:	Average number of shares in the year adjusted for potential subscription rights.
Earnings per share:	Earnings after tax in relation to average number of shares in the period.
Shareholders' equity per share:	The closing balance of shareholders' equity in relation to average number of shares.
Dividend per share:	Dividend for the year in relation to average number of shares.
Average number of employees:	The average number of employees in the year, converted to full-time employee equivalents.

Glossary

ATS [Alternative Trading System]

An alternative electronic trading system outside the auspices of traditional stock exchanges.

Back Office

Securities institution function responsible for securities administration including clearing and settlement.

Broker-dealer

A brokerage institution that trades on behalf of its clients, but which may also pursue proprietary trading.

Central Trading System

The central element of the trading system installed at NeoNet in Stockholm.

Clearing and Settlement

The buyer of securities effects payment and receives the security, while the seller delivers the security and receives the payment. Contract notes are produced and the share register updated.

Client Application

That element of the trading system installed with the client; comprises a user interface that enables the reception of information and transmission of orders through the central trading system to the relevant marketplace.

Dedicated Link

Rented datacommunication carrier capacity

ECN [Electronic Communication Network]

A corporation (approved by the SEC in the US) that manages electronic trading systems that match buy and sell orders for US quoted stocks on behalf of clients.

Electronic/Automatic Order Routing

Orders registered by the buyer or seller electronically, which are referred for matching/execution subsequently.

Execution

Performing securities transactions vis à vis an exchange or marketplace; a trading transaction where buyers and sellers agree on price and quantity.

FIX Protocol

Financial Information Exchange protocol, a messaging standard specifically developed for the electronic transmission of securities transactions.

FIX Compatibility

A system that can be connected to other financial systems that communicates consistently with the FIX messaging standard.

Market-maker

Broker-dealer functioning as a wholesaler of specific shares, which quotes buy and sell prices in these stocks. The market-maker thus creates a market – its objective is to generate earnings on the spread between buy and sell prices.

MSCI Europe

Index of European stock markets calculated by Morgan Stanley Capital International.

SETS

The London Stock Exchange's electronic trading platform for the FTSE 100 Index's and the most liquid shares.

STP [Straight Through Processing]

Rationalization of working processes coincident with equity transactions. The objective is total automation through the interconnection of differing systems. The intention is to reduce time, expense and the incidence of errors through more straightforward and electronically based processes.

TCP/IP Communication

A packet-switched datacommunication protocol.

Trading System

The collective term for the central element of a trading system and the installed client application.

DEFINITIONS

AEX Amsterdam Exchanges

"The Amsterdam Stock Exchange"

BXS Brussels Exchanges

"The Brussels Stock Exchange"

Deutsche Börse AG

"The Frankfurt Stock Exchange"

Helsinki Exchanges Group Ltd. Oy

"The Helsinki Stock Exchange"

iX International Exchanges plc

"iX"

Københavns Fondsbørs A/S

"The Copenhagen Stock Exchange"

London Stock Exchange plc

"The London Stock Exchange"

The National Association of Securities Dealers

Automatic Quotation

"Nasdaq"

The New York Stock Exchange

"NYSE"

OM Gruppen AB

"OM Gruppen"

Oslo Børs

"The Oslo Stock Exchange"

Euronext Paris

"The Paris Stock Exchange"

Securities and Exchange Commission

"SEC" (US equivalent of the Swedish Financial Supervisory Authority)

Directors' Report

NeoNet AB (publ) (corporate identity no. 556530 -1263) is the parent company of a financial corporate grouping regulated by the Swedish Financial Supervisory Authority. Apart from the parent company, the group includes wholly owned subsidiaries NeoNet Securities AB (corporate identity no. 556530 - 4804) and NeoNet Technology AB (corporate identity no. 556550 - 4858), both with their registered offices in Stockholm, Sweden, as well as NeoNet Securities, Inc. with its registered office in Delaware, USA.

NeoNet provides electronic order routing of equity execution for institutional investors and broker-dealers. Operations are based on the company's proprietary trading system. At present, NeoNet offers direct electronic trading on OM Stockholm Exchange, plus the London, Frankfurt, Helsinki and Copenhagen Stock Exchanges. NeoNet also offers manual trading on these exchanges, and on the Oslo Stock Exchange.

NeoNet has clients in ten countries in Europe and in the US.

Significant Events

- The Frankfurt Stock Exchange linked up to NeoNet's electronic trading system in March 2000 – previously, only manual trading was possible.
- Torvald Bohlin, Board member since 1996, was appointed CEO and President in March 2000.
- On 20 October, NeoNet was floated on OM Stockholm Exchange's O-list, with a coincident new issue waiving the preferential rights of existing shareholders. A total of 8 million new shares were issued, implying an increase in the number of shares from 32.5 million to 40.5 million, at an issue price of SEK 20 per share. The issue was fully subscribed and raised SEK 139.6 m for the corporation after deductions for issue expenses. The number of shareholders increased from just over 60 to some 1,400. At the end of the year, NeoNet had 2,030 shareholders.
- NeoNet secured membership of the London Stock Exchange in November, when manual trading began on a small scale. Electronic order routing, through a connection to the London Stock Exchange's trading system SETS, began in January 2001. Accordingly, the aggregate market capitalization available to NeoNet clients has increased from some 25 percent to over 50 percent of total European stock market capitalization¹.
- NeoNet's application for membership of the Paris Stock Exchange (Euronext Paris) was granted in January 2001. The Paris, Amsterdam and Brussels Exchanges merged into Euronext in September 2000; NeoNet also plans to extend its offering to encompass these two latter markets during the third quarter of 2001.

Financial Review

Revenue

Consolidated commission income increased year-on-year to SEK 160.8 m from 86.4 m, an 86 percent rise. The primary explanation is existing clients increasing their trading through NeoNet. NeoNet's daily trading volumes averaged SEK 1,412 (866) m for the year, up 63 percent.

Moreover, an enhanced market and product mix implied that average commission income in relation to routed order values increased by some 14 percent net in volume terms during the year.

The share of revenues from electronic order routing was 50 percent for the full year, against 31 percent in the previous year.

Earnings

Operating earnings before depreciation and net financial items grew by 70 percent to SEK 40.1 (23.6) m. Consolidated earnings before tax were SEK 15.9 m, against SEK 12.5 m in the previous year.

Depreciation expenses were up by SEK 7.9 m to SEK 16.8 m – the consequence of increasing investments in systems development intended to secure sustained robust expansion. Earnings were burdened by net interest expenses of SEK 7.4 m relating to increased loan financing of operations during the first ten months of the year. A new issue of SEK 139.6 m net, coincident with the corporation's IPO, and a SEK 24.6 m new issue, significantly enhanced liquidity and net interest income during the latter part of the year.

Earnings after Tax

Earnings after tax for the year were SEK 15.8 m, up 9.2 m on the previous year (SEK 6.5 m). Tax-deductible losses relating to expenses attendant to the IPO and coincident new issue enabled a significant reduction to the tax expense. These IPO expenses, posted to shareholders' equity in the accounts, amounted to SEK 20.4 m. The aggregate tax ratio was also influenced by the fact that it was not possible to utilize tax-deductible losses in the US subsidiary, which was amongst the influences on the consolidated tax expense.

A normalized tax rate for future consolidated earnings is assessed at around 28 percent. Earnings per share were SEK 0.48 (0.25). This SEK 0.23 increase comprises SEK 0.06 attributable to improved operating earnings and SEK 0.17 from a reduced tax expense.

Investments

Investments in the period were SEK 33.3 (28.2) m, almost entirely related to the enhancement of the group's electronic trading system.

Liquidity and Financial Position

The closing balance of consolidated shareholders' equity was SEK 235.2 (57.0) m. Liquid assets were SEK 292.2 m on 31 December, against SEK 70.4 m at the end of 1999. Of the total closing balance of liquid assets, SEK 195.5 (55.5) m were blocked funds – collateral for trading credits drawn down. The consolidated equity ratio was 43 percent (33) at the end of the period.

Cash flow from ongoing operations stood at SEK 91.3 (-1.7) m.

The capital adequacy ratio was 124 percent at year-end, compared to 51 percent in the previous year.

NeoNet undertakes credit assessments of all clients, being covered by insurance against losses for the absolute majority of clients. This policy, signed with Sirius International, covers damages relating to client losses for an annual maximum of SEK 120 m, and SEK 60 m per client and year. When new clients connect to NeoNet, Sirius International undertakes a credit assessment, then determining whether such client comes under the auspices of the policy, and if so, the applicable limits. This insurance covers potential losses NeoNet suffers as a consequence of a client's inability to consummate executed transactions because of insolvency. This insurance policy is subject to specific terms and conditions, excess and per client and year limits.

Human Resources

At the end of the year, the group had an employee headcount of 62 (39). Of this total, 55 were active in Sweden and 7 in the US.

Outlook

The group is exclusively active in the routing and execution of equity transactions on major exchanges on behalf of its clients; NeoNet does not pursue any proprietary trading, and accordingly during any period, revenues and earnings are a function of clients' activity and share price levels on those exchanges where the group is active. This implies that daily trading volumes, and thereby revenues and earnings, exhibit short-term variations within certain limits.

NeoNet expects to sustain revenue growth by a robust expansion through connecting to more exchanges, and by the addition of more clients in more countries. Moreover, this progression is expected to mean the group's share of each client's trading increasing. Examples of such initiatives include the connection to the London Stock Exchange and Euronext Paris, as well as the accumulation of a client base in the US and Europe.

The group's main strategy is to offer access to about 80² percent of European stock market capitalization by the end of the third quarter 2001, and to offer access to 80 percent of global stock market capitalization before the end of 2003. The group's overall financial target is to attain minimum long-term revenue growth of 50 percent annually and to return a minimum gross margin of 25 percent.

Parent Company

An Extraordinary General Meeting on 15 August 2000 resolved to change the parent company's corporate name from NeoNet Holding AB (publ) to NeoNet AB (publ). This parent company, which is non-operational, handles certain over-arching functions such as group management, financial management and business development.

The parent company posted earnings before tax of SEK -6.4 (4.4) m for the period, the earnings downturn due to the accumulation of organizational resources caused by the IPO and ongoing market expansion, as well as deteriorated net interest income. Earnings in the previous year were favored by profit shares from subsidiaries of SEK 4.4 m.

The new issue of 258,153 shares effected in November 1999 was registered at the Swedish Patent and Registration Office in February. A shareholders' meeting on 21 June 2000 resolved to change the company's classification from private to public, and to change the nominal value of shares to SEK 0.05.

To strengthen the group's financial position, assure capital adequacy requirements and satisfy an increasing need for working capital in the context of NeoNet's rapid expansion, the corporation raised a subordinated debenture with detachable options in May. This issue, targeted at existing shareholders, raised SEK 70.3 m for the corporation. In September to November, SEK 70.0 m of this loan was repaid. In September and December, 98,215 of the 152,800 subscription rights were exercised, raising SEK 24.6 m for NeoNet.

The new issues implemented in September and October increased the number of shares by 1,960,620 and 8,000,000 respectively. Additionally, subscription in December, through the exercise of warrants, created a further 3,680 shares.

In October, the corporation effected a new issue of 60,000 shares, utilized as payment for the acquisition of minority shareholders' shares in the subsidiary NeoNet Technology AB – now wholly owned by the group's parent company NeoNet AB (publ).

At the end of the year, the number of shares was 40,588,000, with the average for the year being 32,786,423. After full dilution, the corresponding figures are 45,154,700 and 37,688,519 respectively.

Board Actions

The company's Board comprises seven members appointed at the Annual General Meeting and Extraordinary General Meeting in 2000. During the year, the Board convened on 20 occasions when minutes were kept, of which three by circular. The Board observes Procedural Rules containing rules and guidelines governing the distribution of responsibilities between the Board and Chief Executive Officer, as well as instructions relating to procedures for, and content of, Board meetings. The CEO presents the Board members with a written report on a monthly basis. This report includes information relating to the group's operations and business conditions, earnings for the most recent month with comments on any deviations from budget as well as an update on organization and personnel.

Proposed Distribution of Earnings (SEK)

Group

Consolidated non-restricted equity amounts to SEK 22,113,589.

Parent Company

The following funds are at the disposal of the Annual General Meeting:

Retained earnings	342,042
Group contributions received	19,335,188
Net earnings	1,085,575
	<u>SEK 20,762,805</u>

The Board and Chief Executive Officer propose that the earnings are distributed as follows:

Carried forward	20,762,805
	<u>SEK 20,762,805</u>

Earnings and Financial Position

With regard to consolidated and parent company earnings and financial position at the end of the financial year, please refer to the following Income Statement and Balance Sheet, as well as the Cash Flow Statement and the associated notes and comments.

² Estimate based on MSCI Europe

Consolidated Income Statement

SEK 000	Note	1 Jan. 2000 31 Dec. 2000	1 Jan. 1999 31 Dec. 1999
Interest income		4,314	1,417
Interest expenses		-11,693	-3,679
Net interest income	1	-7,379	-2,262
Commission income	3	160,851	86,359
Commission expenses	4	-19,701	-10,591
Net earnings from financial transactions	5	1,082	-475
Other operating revenue	6	5,589	1,636
Total net operating revenue		140,442	74,667
Other operating expenses			
Other operating expenses	7	-64,122	-26,662
Personnel expenses	8	-43,565	-26,623
Depreciation of tangible and intangible assets	13	-16,807	-8,864
Total operating expenses		-124,494	-62,149
Operating earnings		15,948	12,518
Tax	10	-193	-5,985
Net earnings		15,755	6,533
Earnings per share, SEK		0.48	0.25
Earnings per share after full dilution, SEK		0.42	0.24

Consolidated Balance Sheet

SEK 000 Note 31 Dec. 2000 31 Dec. 1999

ASSETS

	Note	31 Dec. 2000	31 Dec. 1999
Cash and balances with central banks		38	8
Lending to credit institutions	11	292,147	70,370
Intangible fixed assets	13	42,039	27,946
Tangible fixed assets	13	12,684	10,297
Other assets	14	187,912	60,245
Prepaid expenses and accrued income		6,305	3,385
Total assets		541,125	172,251

LIABILITIES, PROVISIONS AND SHAREHOLDERS' EQUITY

Liabilities to credit institutions	15	130,886	51,029
Other liabilities	16	154,124	49,579
Accrued expenses and deferred income	17	16,250	9,838
Subordinated debt	18	558	249
Provisions	19	4,120	4,538
Shareholders' equity	21		
Restricted equity			
Share capital		2,029	1,250
Restricted reserves		211,044	11,787
New issue undergoing registration		-	31,988
Non-restricted equity			
Retained earnings		6,359	5,460
Net earnings		15,755	6,533
Total liabilities, provisions and shareholders' equity		541,125	172,251

Memorandum items

Other assets pledged			
Blocked funds, credit institutions		195,532	55,501
Floating charge		16,000	16,000
Assets pledged for NeoNet's own liabilities			
Shares in subsidiaries		27,456	30,493

Consolidated Cash Flow Statement

SEK 000	1 Jan. 2000 31 Dec. 2000	1 Jan. 1999 31 Dec. 1999
Ongoing operations		
Interest and commission received	145,464	77,185
Interest paid	-11,693	-3,679
Payments made to suppliers and employees	-107,687	-53,285
Payments from clients	5,589	1,636
Tax paid	-8,899	-5,188
Cash flow from ongoing operations before change in ongoing operations' assets and liabilities	22,774	16,669
Changes in other assets of ongoing operations	-130,587	-48,158
Changes in liabilities of ongoing operations	199,101	29,772
Cash flow from ongoing operations	91,288	-1,717
Investment activity		
Proceeds from sales of tangible fixed assets	47	14
Goodwill	-1,140	-
Acquisitions of intangible fixed assets	-24,743	-18,789
Acquisitions of tangible fixed assets	-7,451	-8,676
Acquisitions of financial fixed assets	-	-788
Cash flow from investment activity	-33,287	-28,239
Financing activity		
New issue undergoing registration	-	31,988
New issue	139,556	-
New issue coincident with exercise of warrants	24,557	-
Debenture	70,358	8
Pre-payment of debenture	-70,049	-3,145
Premium, detachable warrants	505	-
Non-cash issue	1,200	-
Re-payment of shareholders' contribution	-	-15,689
Re-purchased warrants	-897	-
Translation differences, foreign subsidiaries	550	114
Dividends paid	-3,056	-1,000
Cash flow from financing activity	162,724	12,276
Cash flow for the year	220,725	-17,680
Liquid assets, opening balance	70,378	88,533
Exchange rate differences, liquid assets	1,082	-475
Liquid assets, closing balance	292,185	70,378

Parent Company Income Statement

SEK 000	Note	1 Jan. 2000 31 Dec. 2000	1 Jan. 1999 31 Dec. 1999
Operating expenses			
Other external expenses	7	-2,550	-943
Personnel expenses	8	-4,713	-
Depreciation of tangible fixed assets	13	-35	-9
Total operating earnings		-7,298	-952
Financial items			
Dividends from shares in subsidiaries	2	-	4,400
Interest income	1	5,324	1,038
Interest expenses	1	-4,429	-1,478
Earnings from financial items		895	3,960
Earnings after financial items		-6,403	3,008
Appropriations	9	-31	1,382
Tax	10	7,519	-1
Net earnings		1,085	4,389

Parent Company Balance Sheet

SEK 000	Note	31 Dec. 2000	31 Dec. 1999
ASSETS			
Fixed assets			
Tangible fixed assets			
Equipment	13	190	41
Financial fixed assets			
Shares in subsidiaries	12	51,858	36,065
Share in tenant-owners' association		788	788
Total fixed assets		52,836	36,894
Current assets			
Receivables from subsidiaries	11	93,882	9,217
Prepaid expenses and accrued income		235	9
Cash and bank balances	11	85,400	1,168
Total assets		232,353	47,288
LIABILITIES AND SHAREHOLDERS' EQUITY			
Shareholders' equity			
Restricted equity			
Share capital (40,588,000 shares with a par value of SEK 0.05)		2,029	1,250
Share premium reserve		197,023	-
Restricted reserves		3	3
New issue undergoing registration		-	31,988
Non-restricted equity			
Retained earnings		342	-990
Group contributions received		19,335	-
Net earnings		1,085	4,389
Total shareholders' equity		219,817	36,640
Untaxed reserves	20	37	6
Long-term liabilities			
Subordinated debt	18	559	169
Current liabilities			
Liabilities to credit institutions	15	10,000	10,000
Accounts payable		207	-
Other current liabilities	16	345	28
Accrued expenses and deferred income	17	1,388	445
Total current liabilities		11,940	10,473
Total liabilities and shareholders' equity		232,353	47,288
Memorandum items			
Assets pledged for NeoNet's own liabilities			
Shares in subsidiaries		26,939	26,939
Contingent liabilities			
Guarantee in favor of subsidiary		1,000	1,000

Parent Company Cash Flow Statement

SEK 000	1 Jan. 2000 31 Dec. 2000	1 Jan. 1999 31 Dec. 1999
Ongoing operations		
Operating earnings	-7,298	-952
Depreciation	35	9
Interest received	5,324	1,038
Dividend received	-	4,400
Interest paid	-4 425	-1,478
Tax paid	-1	-1
Cash flow from ongoing operations before change in working capital	-6,365	3,016
Changes in other assets of ongoing operations	-77,372	-6,238
Changes in liabilities of ongoing operations	1,464	394
Cash flow from ongoing operations	-82,273	-2,828
Investment activity		
Acquisitions of tangible fixed assets	-184	-50
Shares in subsidiaries	-15,793	-8,726
Acquisitions of financial fixed assets	-	-788
Cash flow from investment activity	-15,977	-9,564
Financing activity		
New issue undergoing registration	-	31,988
New issue	139,556	-
New issue coincident with exercise of warrants	24,557	-
Debenture	70,358	8
Pre-payment of debenture	-69,969	-3,135
Premium, detachable warrants	505	-
Non-cash issue	1,200	-
Re-payment of shareholders' contribution	-	-15,689
Group contribution received	19,335	1,388
Dividends paid	-3,056	-1,000
Cash flow from financing activity	182,486	13,560
Cash flow for the year	84,236	1,168
Liquid assets, opening balance	1,168	0
Exchange rate differences, liquid assets	-4	-
Liquid assets, closing balance	85,400	1,168

Notes to the Financial Statements

Accounting Principles

Accounting Regulations

The consolidated financial statements have been prepared in accordance with the legislation regulating annual reports for credit institutions and securities corporations (ÅRKL), the Swedish Financial Accounting Standards Council's recommendations and the Swedish Financial Supervisory Authority's regulation FFFS 1999:14, a consequence of the parent company's status as a financial holding company, defined as a company that exclusively or predominately operates for profit, acquiring and managing shares in credit institutions and securities corporations. The accounts of the parent company have been prepared in accordance with the Annual Accounts Act (ÅRL).

Revised Accounting Principles

Fixed assets have been redistributed and are posted to the Balance Sheet as intangible and tangible assets. The company's electronic trading system has been reclassified from a tangible asset to an intangible asset. The comparative figures have been adjusted accordingly.

Statutory Consolidation

The consolidated accounts include the Parent Company NeoNet AB as well as the subsidiaries NeoNet Securities AB (corporate identity number 556530-4804), NeoNet Technology AB (corporate identity number 556550-4858) and NeoNet Securities, Inc., in which the parent company holds 100 percent of the votes. The Consolidated Balance Sheet has been prepared in accordance with the acquisition method, whereby the parent company's initial acquisition value of shares in subsidiaries has been eliminated against the subsidiaries' shareholders' equity. The consolidated financial statements have been prepared in accordance with the Swedish Financial Accounting Standards Council's recommendation number 1 regarding consolidated accounts.

Valuation Principles, Receivables and Liabilities

All receivables and liabilities have been valued at cost, which coincides with their actual value. Unless otherwise stated, assets are to be considered as assets held for dealing purposes.

Translation of Foreign Subsidiaries' Balance Sheet and Income Statement

Foreign subsidiaries' accounts have been translated according to the current method, implying that all items in the Balance Sheet have been translated at the exchange rate prevailing on the balance sheet date, while all Income Statement items have been translated using monthly average exchange rates. Any resulting translation differences that occur have been posted to shareholders' equity.

Foreign Currency Receivables and Liabilities

Foreign currency receivables and liabilities have been translated at the exchange rate prevailing on the balance sheet date.

Depreciation of Fixed Assets

The operating earnings item in the Income Statement is subject to depreciation according to plan based on the estimated financial life-span of assets, with the following rates applied:

Electronic trading systems	(intangible asset)	30 percent (40 months)
Computer equipment	(tangible asset)	30 percent (40 months)
Other	(tangible asset)	20 percent (60 months)

Depreciation of new versions of the company's electronic trading system acquired in 2000 but not taken into operation, will begin at the start of operation. Leasing of cars, office equipment and other assets is effected through operational leasing contracts. There are no financial leasing contracts.

Counterparty Risk

Counterparty risks are reduced because in securities trading, payment is made on delivery. In the event of a counterparty not fulfilling its commitments, the company would be exposed to a market risk in the period until the holding is divested. The clients of NeoNet's subsidiaries are institutions, banks and broker-dealers with high credit ratings. Moreover, for the overwhelming majority of clients, the company is covered by insurance against losses, which NeoNet might incur as a consequence of clients' inability to consummate executed transactions.

Interest Rate Risk

Financial assets and liabilities in the Balance Sheet are subject to floating interest, with the exception of the promissory note loan and subordinated debt (Note 18).

1 Jan. 2000 1 Jan. 1999
31 Dec. 2000 31 Dec. 1999

NOTE 1 NET INTEREST INCOME

Group

Interest income

Lending to credit institutions	4,314	1,417
Total interest income	4,314	1,417

Interest expenses

Liabilities to credit institutions	-7,712	-2,645
Subordinated debt	-3,049	-210
Other interest expenses	-932	-824
Total interest expenses	-11,693	-3,679

Net interest income

-7,379 -2,262

Parent company

Interest income

Lending to credit institutions	1,067	1,038
Other interest income	4,257	-
Total interest income	5,324	1,038

Interest expenses

Liabilities to credit institutions	-502	-449
Subordinated debt	-3,049	-205
Other interest expenses	-878	-824
Total interest expenses	-4,429	-1,478

Net interest income

895 -440

NOTE 2 DIVIDENDS RECEIVED

Parent company

Dividends from subsidiaries	-	2,000
Anticipated dividends from subsidiaries	-	2,400
Total dividends received	0	4,400

1 Jan. 2000 1 Jan. 1999
31 Dec. 2000 31 Dec. 1999

NOTE 3 COMMISSION INCOME

Commission from securities transactions	160,851	86,359
Total commission income	160,851	86,359

Commission Income by Clients' Geographical Location			Commission Income by Transaction Method	
Sweden	73,733	46%	Electronic trading	80,425
Other Nordic countries	7,948	5%	Manual trading	80,426
Europe	65,141	40%		
US	14,029	9%		
Total	160,851	100%	Total	160,851

NOTE 4 COMMISSION EXPENSES

Other commission expenses	-19,701	-10,591
Total commission expenses	-19,701	-10,591

The item relates to floating transaction expenses from stock exchanges and clearing-houses in those countries where the subsidiary NeoNet Securities AB is a member

NOTE 5 NET EARNINGS FROM FINANCIAL TRANSACTIONS

Group		
Exchange rate differences	1,082	-475
Total earnings from financial transactions	1,082	-475

NOTE 6 OTHER OPERATING REVENUE

Fees for computer consulting	2,609	348
Datacommunication services	2,519	1,288
Other revenue	461	-
Total other operating revenue	5,589	1,636

Note 6, cont.

INTRA-GROUP TRANSACTIONS

Subsidiary NeoNet Technology AB made sales totaling SEK 23,902,000 to NeoNet Securities AB and subsidiary NeoNet Securities AB made sales totaling SEK 5,266,000 to NeoNet Securities, Inc. The amounts have been eliminated in the consolidated accounts.

NOTE 7 OTHER OPERATING EXPENSES

The item includes the following expenses: fees to banks relating to clearing and settlement, computing expenses, fees relating to administrative services, insurance, auditors' fees, other fees and costs of premises.

	1 Jan. 2000	1 Jan. 1999
	31 Dec. 2000	31 Dec. 1999
Auditing		
Group		
Öhrlings PricewaterhouseCoopers AB	-255	-180
Tomas Johansson Revision AB	-81	-44
Rothstein, Kass & Company P.C	-289	-63
Other assignments excluding auditing		
Öhrlings PricewaterhouseCoopers AB	-86	-27
Total Auditors' fees	-711	-314
Parent Company		
Öhrlings PricewaterhouseCoopers AB	-73	-20
Total Auditors' fees	-73	-20

NOTE 8 PERSONNEL

	2000		1999	
Average Number of Employees	No. of Employees	Of which men	No. of Employees	Of which men
Sweden	48	36	30	24
US	6	4	3	2
Group	54	40	33	26

SALARIES, REMUNERATION AND SOCIAL SECURITY EXPENSES

	2000		1999	
	Salaries and Remuneration	Social Security Expenses (of which Pension Expenses)	Salaries and Remuneration	Social Security Expenses (of which Pension Expenses)
Parent company	2,749	1,702 (625)	300	99 (-)
Subsidiaries	32,754	13,457 (2,751)	17,722	6,755 (1,522)
Group	35,503	15,159 (3,376)	18,022	6,854 (1,522)

In the table above, other personnel expenses of SEK 4,073,000 (SEK 1,747,000) have been included in total personnel expenses. Total personnel expenses amounted to SEK 54,735,000, of which 11,170,000 are included in the acquisition value of intangible assets.

SALARIES AND REMUNERATION

	2000		1999	
	Board and CEO (of which bonuses, etc.)	Other Employees	Board and CEO (of which bonuses, etc.)	Other Employees
Parent company				
Board of Directors	400	-	300	-
CEO	1,818 (133)	531	-	-
Subsidiaries				
Sweden	2,829 (352)	24,823	1,896 (495)	12,839
US	1,903 (143)	3,199	2,196 (581)	791
Group	6,950	28,553	4,392	13,630

Board remuneration totaling SEK 300,000 was payable to Board members not employed by the company in the financial year 1999, of which SEK 100,000 to the Chairman. Board remuneration amounted to SEK 400,000 in 2000, with the final distribution yet to be determined by the Board.

Note 8, cont.

Terms of Notice, Severance Pay and Pensions

The Chief Executive Officer is subject to a six-month mutual notice period. Upon termination of employment from the company's side, over and above salary and other benefits during the notice period, the CEO is entitled to a lump sum amounting to twelve months' salary. In addition, a pension provision shall be made, at an amount corresponding to twelve months' salary.

The pension agreement, which comprises retirement pension, survivorship annuity and disablement pension, includes the right and obligation for the CEO to retire at 60. Upon the death of the CEO, survivorship annuity is paid for five years.

Three senior executives are subject to a twelve-month notice period upon termination of employment from the company's side, and three to six months upon resignation.

One senior executive is subject to a six-month mutual notice period. Upon termination of employment from the company's side, this executive is entitled to a lump sum amounting to twelve months' salary, and a pension provision based on this amount.

31 Dec. 2000 31 Dec. 1999

NOTE 9 APPROPRIATIONS

Parent company		
Received group contribution from subsidiary	-	1,388
Difference between book value depreciation and depreciation according to plan	-31	-6
Total appropriations	-31	1,382

NOTE 10 TAX

Group		
Tax paid	-1,265	-3,761
Deferred tax	1,072	-2,224
Total tax for the year	-193	-5,985
Parent company		
Tax paid	-	-1
Deferred tax, group contributions received	7,519	-
Total tax	7,519	-1

NOTE 11 LENDING TO CREDIT INSTITUTIONS/SUBSIDIARIES

Group		
Swedish credit institutions	264,529	65,464
Foreign credit institutions	27,618	4,906
Total lending to credit institutions	292,147	70,370

Maturity structure, lending

Payable on demand	242,049	56,915
Remaining term of maximum 3 months	50,098	13,455
	292,147	70,370

Parent company

Swedish credit institutions	85,400	1,168
Receivables from subsidiaries	93,882	9,217
Total lending	179,282	10,385

Maturity structure, lending

Payable on demand	179,281	7,351
Over 3 months, maximum 1 year	1	3,034
	179,282	10,385

NOTE 12 SHARES IN SUBSIDIARIES

Company	Registered Office	Corporate Identity No.	No. of Shares	Proportion	Book Value
NeoNet Securities AB	Stockholm	(556530-4804)	200,000	100%	26,939
NeoNet Technology AB	Stockholm	(556550-4858)	2,300	100%	1,600
NeoNet Securities, Inc.	Delaware, USA		300	100%	23,319
					51,858

NOTE 13 FIXED ASSETS**INTANGIBLE FIXED ASSETS**

Group

Electronic trading system

Acquisition value, opening balance	38,835	20,046
Acquisitions	24,743	18,789
Obsolescence	-69	-
Acquisition value, closing balance	63,509	38,835
Depreciation according to plan, opening balance	-10,889	-4,901
Obsolescence	69	-
Depreciation according to plan for the year	-11,733	-5,988
Depreciation according to plan, closing balance	-22,553	-10,889
Residual value according to plan	40,956	27,946

Goodwill

Acquisition value, opening balance	-	-
Acquisitions	1,140	-
Acquisition value, closing balance	1,140	0
Depreciation according to plan, opening balance	-	-
Depreciation according to plan	-57	-
Depreciation according to plan, closing balance	-57	0
Residual value according to plan	1,083	0
Residual value according to plan	42,039	27,946

TANGIBLE FIXED ASSETS

Group

Acquisition value, opening balance	15,212	7,860
Acquisitions	7,451	8,676
Sales	-60	-32
Obsolescence	-	-1,292
Acquisition value, closing balance	22,603	15,212

Note 13, cont.

31 Dec. 2000 31 Dec. 1999

Depreciation according to plan, opening balance	-4,915	-3,349
Sales	13	18
Obsolescence	-	1,292
Depreciation according to plan	-5,017	-2,876
Depreciation according to plan, closing balance	-9,919	-4,915
Residual value according to plan	12,684	10,297

Parent company

Acquisition value, opening balance	50	-
Acquisitions	184	50
Acquisition value, closing balance	234	50

Depreciation according to plan, opening balance	-9	-
Depreciation according to plan	-35	-9
Depreciation according to plan, closing balance	-44	-9
Residual value according to plan	190	41

NOTE 14 OTHER ASSETS**Group**

Contract settlements, receivable	1,497,741	888,740
Contract settlements, payable	-1,320,808	-829,900
Total contract settlements, receivable	176,933	58,840
Share in tenant-owners' association	788	788
Tax receivables	5,150	-
Other receivables	5,041	617
Total other assets	187,912	60,245

NOTE 15 LIABILITIES TO CREDIT INSTITUTIONS

Group		
Swedish credit institutions	30,631	10,000
Foreign credit institutions	100,255	41,029
Total liabilities to credit institutions	130,886	51,029
Maturity structure, liabilities to credit institutions		
Payable on demand	120,886	41,029
Maximum remaining term, 3 months	10,000	10,000
	130,886	51,029
Parent company		
Swedish credit institutions	10,000	10,000
Total liabilities to credit institutions	10,000	10,000
Maturity structure, liabilities to credit institutions		
Payable on demand	-	41,029
Maximum remaining term, 3 months	10,000	10,000
	10,000	51,029

NOTE 16 OTHER LIABILITIES

Group		
Securities loans	143,982	41,272
Accounts payable	5,838	2,692
Tax liability	-	3,136
Other liabilities	4,304	2,479
Total other liabilities	154,124	49,579
Parent company		
Liabilities to subsidiaries	173	-
Other current liabilities	172	28
Total other current liabilities	345	28

NOTE 17 ACCRUED EXPENSES AND DEFERRED INCOME

Group		
Commission expenses	2,878	1,359
Social security expenses	2,447	2,172

<i>Note 17, cont.</i>	31 Dec. 2000	31 Dec. 1999
Insurance	2,040	357
Vacation pay	1,809	727
Expenses paid to clearing banks	1,439	167
Accrued interest expenses	296	174
Other accrued expenses	5,341	4,882
Total accrued expenses and deferred income	16,250	9,838
Parent company		
Board fees	400	300
Social security expenses	395	99
Vacation pay	93	-
Accrued interest expenses	27	6
Other accrued expenses	473	40
Total accrued expenses and deferred income	1,388	445

NOTE 18 SUBORDINATED DEBT

Group and parent company

Debenture with warrants	1998/2001	1999/2002:2	2000/2002	2000/2006
Issued	1 Mar. 1998	1 Mar. 2000	18 Jan. 2000	26 May 2000
Nominal amount, SEK	262,500	70,000	1,000	70,288,000
Remaining nominal amount, SEK	161,250	70,000	1,000	326,600
Nominal interest, %	5%	0%	STIBOR 90 day+1%	12%
Maturity date	1 Apr. 2001	1 Nov. 2002	28 Sep. 2001	26 May 2006
Subscription price, SEK	2.60	8.00	8.00	12.50
Number of share upon full				
subscription, original	1,075,000	1,400,000	1,000,000	3,056,000
Number of shares upon				
full subscription, unutilized	1,075,000	1,400,000	1,000,000	1,091, 700
Subscription period	1 Mar. 2001 – 1 Apr. 2001	1 Oct. 2002 – 1 Nov. 2002	1 Jan. 2002 – 30 Apr. 2002	1 Mar. 2001 – 14 Mar. 2001 1 Jun. 2001 – 14 Jun. 2001

A shareholders' meeting of NeoNet AB on 26 May 1999 resolved that the company would raise a loan of a maximum nominal amount of SEK 12,000 by issuing a debenture with detachable warrants for share subscription. A number of group employees would be assigned preferential rights to subscribe for the new shares. An Extraordinary General Meeting of 12 Jan. 2000 resolved to waive the authorization to undertake a new issue received from the Annual General Meeting of 26 May 1999. The amount paid to NeoNet has been repaid.

Group

A convertible debenture of a nominal SEK 80,000 in NeoNet Technology AB was amortized in full in advance in December 2000.

NOTE 19 PROVISIONS

Group		
Deferred tax		
Untaxed reserves	2,361	2,208
Depreciation exceeding plan	2,831	2,330
Other deferred tax	-1,072	-
Total provisions	4,120	4,538

NOTE 20 UNTAXED RESERVES

Parent company		
Depreciation exceeding plan	37	6
Total untaxed reserves	37	6

NOTE 21 CHANGE IN SHAREHOLDERS' EQUITY

Group	Share Capital	Restricted Reserves	New Issue Undergoing Registration	Retained Earnings	Net Earnings
Opening balance, 1999	1,250	5,950	-	12,373	15,499
Earnings carried forward				15,499	-15,499
New issue undergoing registration			31,988		
Translation differences, subsidiary		114			
Repayment, shareholders' contribution				-15,689	
Increase in restricted equity		5,720		-5,720	
Allocation to statutory reserves		3		-3	
Dividend				-1,000	
Net earnings					6,533
Closing balance, 1999	1,250	11,787	31,988	5,460	6,533

Note 21, cont.	Share Capital	Restricted Reserves	New Issue Undergoing Registration	Retained Earnings	Net Earnings
Opening balance, 2000	1,250	11,787	31,988	5,460	6,533
Earnings carried forward				3,477	-3,477
Registration of new issue in 1999	278	31,710	-31,988		
New issue in 2000	400	139,156			
New issue coincident with					
exercise of warrants	98	24,455			
Premium, warrants		505			
Non-cash issue	3	1,197			
Re-purchased warrants				-897	
Translation differences, subsidiary		553			
Increase in restricted equity		1,681		-1,681	
Dividend					-3,056
Net earnings					15,755
Closing balance, 2000	2,029	211,044	0	6,359	15,755

Parent Company	Share Capital	Restricted reserves	New Issue Undergoing Registration	Retained Earnings	Net Earnings
Opening balance, 1999	1,250		-	15,669	33
Earnings carried forward				33	-33
New issue undergoing registration			31,988		
Repayment, shareholders' contribution				-15,689	
Allocation to statutory reserves		3		-3	
Dividend				-1,000	
Net earnings					4,389
Closing balance, 1999	1,250	3	31,988	-990	4,389

Opening balance, 2000	1,250	3	31,988	-990	4,389
Earnings carried forward				1,332	-1,332
Registration of new issue in 1999	278	31,710	-31,988		
New issue in 2000	400	139,156			
New issue coincident with					
exercise of warrants	98	24,455			
Premium, warrants		505			
Non-cash issue	3	1,197			
Group contributions, received				26,854	
Deferred tax, group contributions				-7,519	
Dividend					-3,056
Net earnings					1,085
Closing balance, 2000	2,029	197,026	0	19,677	1,085

Additional Information

CAPITAL ADEQUACY (GROUP)

The company is subject to capital adequacy requirements, stipulating that at least 8 percent of risk-weighted investments in terms of credit risk must be covered by the capital base. Investments include on and off-balance sheet items. The capital base comprises shareholders' equity less consolidated goodwill. An analysis of the company's capital adequacy follows, indicating that the consolidated capital adequacy ratio is 124 percent:

CAPITAL BASE

	31 Dec. 2000	31 Dec. 1999
The capital base includes the Board's proposed appropriations.		
Tier 1 capital	234,104	53,962
Tier 2 capital	-	-
Total capital base	234,104	53,962

CAPITAL ADEQUACY REQUIREMENT, CREDIT RISK

Segment	Weighting	Balance Sheet Item	Off-balance Sheet Item	Risk-weighted Amount
A	0%	5,188	-	0
B	20%	292,147	-	58,429
C	50%	-	-	0
D	100%	66,857	-	66,857
Total risk-weighted amount, credit risks				125,286

The various segments mainly include the following

- A Claims on or guaranteed by government/central bank within the OECD or Swedish municipalities.
- B Claims on or guaranteed by municipalities, banks, certain financial institutions within the OECD and current receivables from banks in general.
- C Claims against mortgage deed security in residential real estate.
- D Other claims/assets.

	31 Dec. 2000	31 Dec. 1999
Credit risk	125,286	57,117
Settlement risk	22,589	31,767
Currency risk	40,553	15,996
Total risk-weighted amount	188,428	104,880

CAPITAL ADEQUACY RATIO

	31 Dec. 2000	31 Dec. 1999
Total capital base	234,104	53,962
Total risk-weighted amount	188,428	104,880
Capital adequacy ratio, percent	124.24	51.45

RENTS AND MAJOR LEASING CONTRACTS

	31 Dec. 2000	31 Dec. 1999
Group		
Leasing charges for the year	2,975	1,951
Agreed future leasing charges	22,285	15,027
Total	25,260	16,978

Parent Company

Leasing charges for the year	32	24
Agreed future leasing charges	135	135
Total	167	159

Operational leasing contracts regarding leasing of cars, office equipment etc. have been posted to operating expenses.

Stockholm, Sweden 23 February 2001

Staffan Persson, Chairman

Mats Sundström

Torvald Bohlin, Chief Executive Officer

Thord Wilkne

Lars Dahlin

Johan Englund

Hans Karlsson

Our Audit Report was presented on 23 February 2001

Öhrlings PricewaterhouseCoopers AB

Stephan Tolstoy

Authorized Public Accountant

Per-Ove Zetterlund

Authorized Public Accountant

Audit Report

To the Annual General Meeting of NeoNet AB (publ)

Corporate identity number 556530-1263

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the Board of Directors and the Chief Executive Officer of NeoNet AB for the year 2000. These accounts and the administration of the company are the responsibility of the Board of Directors and the Chief Executive Officer. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted accounting principles in Sweden. These standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the Board of Directors and the Chief Executive, as well as evaluating the overall presentation of information in the annual accounts and the consolidated financial statements. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any Board member or the Chief Executive Officer. We also examined whether any Board member or the Chief Executive Officer has in any other way acted in contravention of the Companies Act, Act on Annual Accounts of Credit Institutions and Securities Corporations or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion stated below.

The annual accounts and the consolidated accounts have been prepared in accordance with the Annual Accounts Act for the parent company in accordance with Act on Annual Accounts of Credit Institutions and Securities Corporations for the group and, thereby, give a true and fair view of the company's and the group's financial position and results of operations in accordance with generally accepted accounting principles in Sweden.

We recommend to the Annual General Meeting that the Income Statements and Balance Sheets of the parent company and the group be adopted, that the profit of the parent company be dealt with in accordance with the proposal in the Directors' Report and that the members of the Board of Directors and the Chief Executive Officer be discharged from liability for the financial year.

Stockholm, Sweden, 23 February 2001

Öhrlings PricewaterhouseCoopers AB

Stephan Tolstoy
Authorized Public Accountant

Per-Ove Zetterlund
Authorized Public Accountant

Management



Torvald Bohlin,
born in 1950

President and Chief Executive Officer of NeoNet AB. Board member since 1996.

Torvald Bohlin was formerly a.o. President and CEO of Swedish daily newspaper *Aftonbladet* and Senior Executive Vice President of Telia AB. With NeoNet since March 2000. NeoNet AB shareholdings (incl. family): 40,000 shares and 50,200 warrants conferring rights to subscribe for 1,004,000 shares.



Helena Levander,
born in 1957

Chief Operating Officer and President of the subsidiary NeoNet Securities AB. Helena Levander was formerly Chief Investment Officer and President of ODIN Fonder Stockholm and Fund Manager at MeritaNordbanken and SEB. With NeoNet since January 2000. NeoNet AB shareholdings: 69,720 shares and 38,914 warrants conferring rights to subscribe for 778,280 shares.



Per Lindberg,
born in 1956

Chief Financial Officer. Per Lindberg was formerly Business Controller for various Ericsson group functions and CFO of Digital Equipment AB and Digital System Services AB. With NeoNet since September 2000. NeoNet AB shareholdings: 34,500 shares and 1,250 warrants conferring rights to subscribe for 25,000 shares.



Johan Englund,
born in 1960

Chief Technical Officer. Johan Englund was formerly Product Manager at Accept Data Kapitalmarknadssystem and options market-manager at United Securities Fondkommission. With NeoNet since April 1996. NeoNet AB shareholdings: 1,023,420 shares and 5,117 warrants conferring rights to subscribe for 102,340 shares.



Mikael Kvibäck,
born in 1956

Head of Product Sales
Mikael Kvibäck was formerly a self-employed management consultant and worked for Modul1 Data. He was also President and broker at Harlow Butler Sweden AB. With NeoNet since February 2001.
NeoNet AB shareholdings: 0 shares.



Pia Hofstedt,
born in 1961

Chief Information Officer and President of the subsidiary NeoNet Technology AB. Pia Hofstedt was formerly a Consultant Manager at Guide AB (Framfab) and was member of the management team of Guide Consulting. With NeoNet since September 1998.
NeoNet AB shareholdings: 51,680 shares.



Peter Gaffney,
born in 1965

President US operations, President of the subsidiary NeoNet Securities, Inc. Peter Gaffney was formerly Vice President of Business and Technologies for Capital Markets at Paine Webber, Inc. With NeoNet since September 2000. NeoNet AB shareholdings: 0.

Board and Auditors

The Board

Staffan Persson, born in 1956

Chairman since 1996. Senior Partner of venture capital corporation ITP. Other Board assignments: Chairman of ARK Travel AB. Board member of corporations including Kentor AB, GLP Intressenter AB and Optovent AB. NeoNet AB shareholdings (incl. family and companies): 6,172,080 shares and 2,000 warrants conferring rights to subscribe for 40,000 shares.

Lars Dahlin, born in 1944

Board member since 1996. Other Board assignments: Board member of corporations including ARK Travel AB. NeoNet AB shareholdings (incl. family and companies): 1,256,900 shares.

Hans Karlsson, born in 1950

Board member since 1996. Other Board assignments: Chairman of HiQ International AB. Board member of corporations including AB Jacobson & Widmark and TMT One AB. NeoNet AB shareholdings (incl. companies): 7,249,000 shares.

Torvald Bohlin, born in 1950

President and Chief Executive Officer. Board member since 1996. Other Board assignments: Board member of corporations including Arrowhead AB and Svenska Golförbundet Affärsutveckling AB. NeoNet AB shareholdings (incl. family): 40,000 shares and 50,200 warrants conferring rights to subscribe for 1,004,000 shares.

Thord Wilkne, born in 1943

Board member since 2000. Other Board assignments: Chairman of WM-data AB. Board member of corporations including Scandiaconsult AB and Temagruppen Sverige AB. NeoNet AB shareholdings: 170,000 shares.

Mats Sundström, born in 1955

Board member since 2000. Other Board assignments: Chairman of OTW-Media. Board member of corporations including DHJ-Media AB and Ibizkit AB. NeoNet AB shareholdings: calls conferring rights to acquire 6,000 shares.

Johan Englund, born in 1960

Employees' Board representative since 2000. NeoNet AB shareholdings: 1,023,420 shares and 5,117 warrants conferring rights to subscribe for 102,340 shares.

Auditors

Stephan Tolstoy, born in 1940

Authorized Public Accountant Öhrlings PricewaterhouseCoopers AB

Per-Ove Zetterlund, born in 1964

Authorized Public Accountant Öhrlings PricewaterhouseCoopers AB



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