



NeoNet is a leading provider of real time equity execution services for institutional investors and broker-dealers. Through its electronic execution network NeoNet provides its clients with efficient, secure and anonymous access to currently over 50 % of the equity market capitalization in Europe. NeoNet focuses on providing single access to multiple securities markets worldwide. Currently NeoNet has clients in eleven countries including the U.S. NeoNet has over 60 employees with offices in Stockholm and New York and is listed on Stockholm Stock Exchange.

NeoNet AB (publ)

INTERIM REPORT, 1 JANUARY – 31 MARCH 2001

- **Commission income for the first quarter rose by 27% to 54.7 m (43.2 m). Clients from Europe other than Sweden, the largest market, accounted for 38% of the quarter's income. US clients represented another 10%. Revenues rose for the last 12 months by 60%, compared to the preceding 12 month period.**
- **Operating earnings before depreciation and net financial items increased by 11% to SEK 17.4 m (15.7 m).**
- **Earnings before tax were up by 16%, from SEK 10.4 m to 12.1 m.**
- **Trading on stock exchanges other than Stockholm accounted for 47% (27%) of the quarter's commission income.**
- **The share of automatic order routing increased by 24 percentage points in the period, to 61% (37%) of commission income.**
- **NeoNet linked up to the London Stock Exchange (LSE) for electronic trading in January.**
- **NeoNet received membership of Euronext Paris in January, with an electronic trading link-up scheduled for the third quarter of this year.**
- **NeoNet signed an agreement with US brokerage house and investment bank Jefferies & Co. Inc. in March, implying Jefferies' proprietary trading system and clients connecting electronically to NeoNet's electronic execution network. This deal offers 1,700 US institutional clients direct trading access on several key European stock exchanges through NeoNet.**
- **NeoNet reached an agreement with The BRUT ECN, one of the major Electronic Communications Networks (ECNs) in the US, in April. This deal offers NeoNet access primarily to NASDAQ, but also the possibility of offering access to the NYSE and regional US exchanges. NeoNet client link-ups to NASDAQ through BRUT are scheduled to start early next year.**
- **Investments, primarily in NeoNet's electronic execution network, were SEK 11.9 m for the period (7.7 m).**
- **The consolidated equity ratio was 48% (18%). The closing balance of liquid assets was SEK 272.7 m (131.8 m).**

GROUP

Operations

NeoNet provides services relating to the electronic intermediation of equity transactions for institutional investors and broker-dealers, operations that are based on NeoNet's proprietary trading system. At present, NeoNet offers direct electronic trading access on the London, Frankfurt, Stockholm, Helsinki and Copenhagen Stock Exchanges, while also offering manual trading on the above exchanges, as well as the Oslo Stock Exchange. NeoNet has dients in ten European countries and the US.

NeoNet received membership of the Euronext Paris exchange in January; development modifications for connecting NeoNet's electronic execution network are continuing according to plan. Full-scale electronic trading is scheduled to start in the third quarter. The inception of NeoNet's manual trading on Euronext Paris has been delayed as a consequence of the current settlement system changeover for the Paris Stock Exchange and with its clearing partners. Now, manual trading is expected to start just before electronic trading, during the third quarter.

NeoNet's electronic execution network linked to the LSE on 31 January—in effect, clients had electronic trading access to the LSE for just over one month in the first quarter. Commission income from trading on the LSE amounted to nearly 2% of total quarterly commission income.

In March, NeoNet reached an agreement with US brokerage house and investment bank Jefferies & Co., Inc., implying Jefferies' proprietary trading system and clients connecting to NeoNet's electronic execution network. Thereby, 1,700 US institutional clients will gain access to several key European exchanges through NeoNet.

NeoNet reached another deal with The BRUT ECN, a major US ECN in April, a deal offering NeoNet access to NASDAQ. Access to the NYSE and regional US exchanges is a further possibility. NeoNet client link-ups to NASDAQ through BRUT are scheduled for early next year.

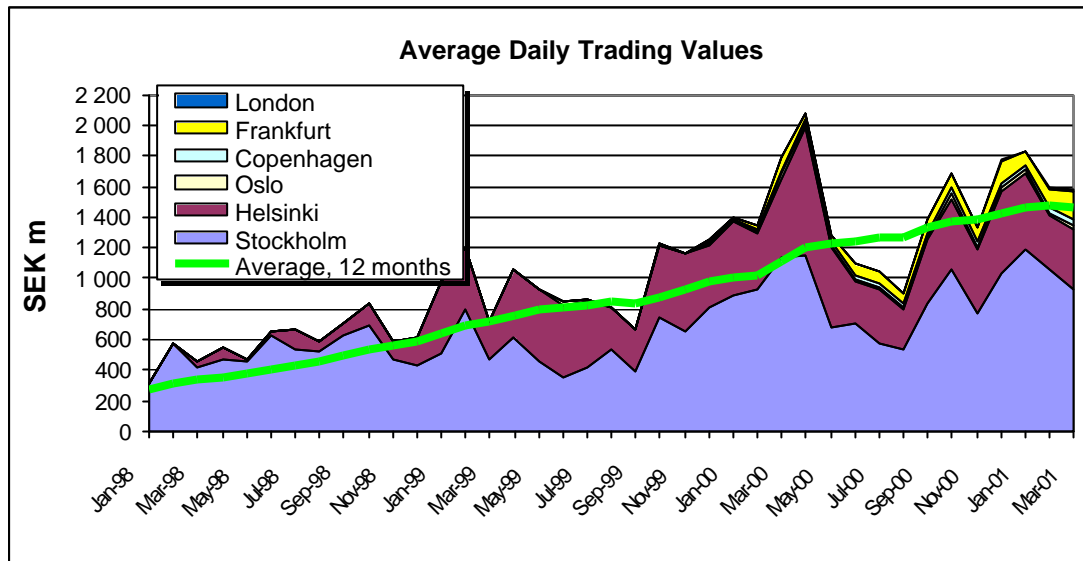
The group employee headcount at the beginning and end of the quarter was 62 (49).

Revenues and Earnings

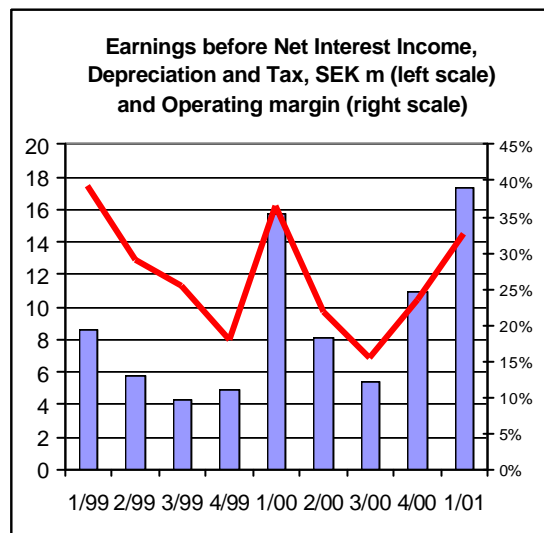
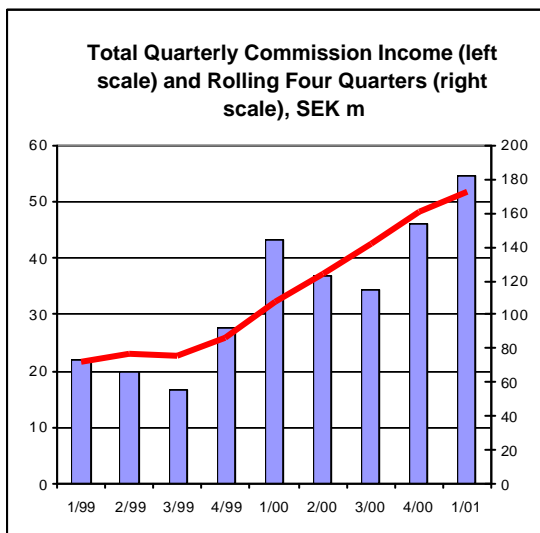
Consolidated commission income increased to SEK 54.7 m in the period, against SEK 43.2 m one year previously, a 27% increase. For the last 12 months revenues rose by 60% to 172.4 m, compared to the preceding 12-month period (107.6 m). The gains are mainly due to NeoNet's expansion on the US market, and existing European clients' increasing trading through NeoNet.

Commission Income by Clients' Geographical Location, First quarter 2001		
Sweden	28,5	52%
Other Nordic countries	1,8	3%
Europe	18,9	35%
US	5,5	10%
Total	54,7	100%

Average daily trading value was SEK 1,669 m in the first quarter, up 10% on the SEK 1,522 m achieved for the corresponding period of 2000. Rolling 12-month daily trading values are 32% up on the corresponding point in 2000.



The sector experienced a significant share price downturn and reduced trading volumes in the first quarter of 2001, which have resulted in a significant contraction in turnover on European stock exchanges. For example, on 15 March, the Stockholm Stock Exchange's OMX index was 36% down on one year previously; the corresponding downturn for the Helsinki Stock Exchange's HEX index was 47%. Total turnover on these exchanges declined by 1 and 6% respectively in Q1 compared to the corresponding period of the previous year. Against this background, the value of those equity transactions NeoNet intermediates (+10%), and the commission income and earnings it has achieved (27%), are very positive.



Operating earnings before depreciation and net financial items rose by 11% to SEK 17.4 m (15.7 m). The operating margin was 32%. Depreciation expenses rose by SEK 1.4 m, the result of continued investments in systems development intended to enable NeoNet's sustained robust expansion. Consolidated earnings before tax were SEK 12.1 m, against SEK 10.4 m in the previous year (+16%).

Quarterly Earnings					
SEK m	Q1 '00	Q2 '00	Q3 '00	Q4 '00	Q1 '01
Commission income	43.2	37.0	34.3	46.3	54.7
Total operating revenue, inc. net interest income	37.3	31.3	28.7	43.2	52.3
Operating earnings before net interest income and depreciation	15.7	8.1	5.3	10.9	17.4
Earnings before tax	10.4	1.1	-2.3	6.7	12.1

First-quarter 2000 earnings gained a major positive impact from extreme share price and turnover levels on exchanges.

Earnings per share were SEK 0.19 (0.22), the decline due to an increased number of shares resulting from new issues, mainly coincident with NeoNet's initial public offering in October 2000.

Investments

Investments in the period were SEK 11.9 m (7.7 m), and primarily relate to enhancements of the group's electronic execution network.

Liquidity and Financial Position

The closing balance of consolidated shareholders' equity was SEK 246.2 m (63.9 m); liquid assets were SEK 272.7 m on 31 March, against SEK 131.8 m on 31 March 2000. Of the total closing balance of liquid assets, SEK 185.4 m (121.0 m) were blocked funds—collateral for trading credits drawn down. The consolidated equity ratio at the end of the period was 48% (18%).

NeoNet's capital adequacy ratio was 99% at the end of the period (24%).

Outlook

NeoNet operates exclusively on the execution of equity transactions on major stock exchanges on behalf of institutional clients. NeoNet generates revenues from commission based on the value of transactions executed. NeoNet does not pursue any proprietary trading, and accordingly, revenues and earnings in any given period are a function of client activity and quoted share prices. Accordingly, the value of daily trading volumes, and consequently revenues and earnings, are subject to short-term variations within certain limits.

NeoNet expects to achieve sustained revenue growth through its brisk expansion by connecting to more stock markets for automatic order routing and by adding more clients in more countries. NeoNet also anticipates an increase in the share of its existing clients' trading. Link-ups to the LSE and forthcoming connections to Euronext Paris and NASDAQ, plus the ongoing accumulation of a US and European client base, are all examples of such market initiatives.

The primary strategy is to offer access to 80% of the market capitalization of European stock exchanges before year-end 2001, and to offer access to 80% of global stock market capitalization before year-end 2003. The over-arching financial objective is to post minimum annual sustainable revenue growth of 50%, and earnings before depreciation and net financial items of a minimum of 25% of commission income.

PARENT COMPANY

The non-operational parent company pursues certain over-arching functions such as group management, finance, business development, IR and PR.

The parent company posted earnings before tax of SEK -2.0 m (-1.1 m) for the period.

In March, just over 49,000 subscription rights for new shares in the company were exercised, implying a SEK 2.7 m increase to restricted equity. The new issue is scheduled for registration in April, whereupon the number of shares will increase by 986,980 to a total of 41,574,980 shares.

Annual General Meeting

The AGM will be held on 17 May 2001.

The Board has decided to propose to the AGM that no dividends are paid.

Consolidated Income Statement (SEK m)

	1 Jan 01 31 Mar 01	1 Jan 00 31 Mar 00	1 Jan 00 31 Dec 00	1 Apr 00 31 Mar 01	1 Apr 99 31 Mar 00
Interest income	1,7	0,4	4,3	5,7	1,3
Interest expenses	<u>-1,6</u>	<u>-1,8</u>	<u>-11,7</u>	<u>-11,5</u>	<u>-4,7</u>
Net interest income	0,1	-1,4	-7,4	-5,8	-3,4
Commission income	54,7	43,2	160,9	172,4	107,6
Commission expenses	-6,5	-4,7	-19,7	-21,5	-12,8
Net earnings from financial transactions	1,6	-0,5	1,1	3,2	-1,0
Other operating revenue	<u>2,4</u>	<u>0,7</u>	<u>5,5</u>	<u>7,2</u>	<u>1,8</u>
Total net operating income	52,3	37,3	140,4	155,5	92,2
Other operating expenses					
Other operating expenses	-19,5	-13,8	-64,1	-69,9	-32,8
Personnel expenses	-15,2	-9,1	-43,6	-49,7	-32,0
Depreciation	<u>-5,5</u>	<u>-4,0</u>	<u>-16,8</u>	<u>-18,3</u>	<u>-11,2</u>
Total operating expenses	-40,2	-26,9	-124,5	-137,9	-76,0
Operating earnings	12,1	10,4	15,9	17,6	16,2
Tax	-4,2	-3,6	-0,2	-0,7	-7,8
Net earnings	7,9	6,8	15,7	16,9	8,4
Earnings per share, SEK	0,19	0,22	0,48	0,48	0,31
Earnings per share after full dilution, SEK	0,17	0,20	0,42	0,42	0,29
No. of shares	40 588 000	30 563 700	40 588 000	40 588 000	30 563 700
Av. no of shares	40 588 000	30 563 700	32 786 423	35 258 168	27 241 105
Av. no. of shares after full dilution	45 154 700	33 916 478	37 688 519	40 459 588	29 215 283

Consolidated Balance Sheet (SEK m)

ASSETS	31 Mar 01	31 Mar 00	31 Dec 00
Cash and bank balances with central banks	0.1	0.0	0.0
Lending to credit institutions	272.6	131.8	292.2
Intangible fixed assets	44.7	31.2	42.0
Tangible fixed assets	16.4	10.8	12.7
Other assets	173.8	176.6	187.9
Prepaid expenses and accrued income	9.1	3.9	6.3
Total assets	516.7	354.3	541.1

LIABILITIES, PROVISIONS AND SHAREHOLDERS' EQUITY

Liabilities, credit institutions	111.5	148.3	130.9
Other liabilities	132.9	122.2	154.1
Accrued expenses and deferred income	21.5	15.5	16.3
Subordinated debt	0.6	0.2	0.6
Provisions	4.0	4.2	4.1
Shareholders' equity			
Restricted equity			
Share capital	2.0	1.5	2.0
Restricted reserves	212.1	43.6	211.0
New issue undergoing registration	2.7	-	-
Non-restricted equity			
Retained earnings	21.5	12.0	6.4
Net earnings for the period	7.9	6.8	15.7
Total liabilities, provisions and shareholders' equity	516.7	354.3	541.1

Change in shareholders' equity (SEK m)

	1 Jan 01	1 Jan 00	1 Jan 00
	31 Mar 01	31 Mar 00	31 Dec 00
Opening balance, shareholders' equity	235.1	57.0	57.0
New issue 2000			139.5
New issue coincident with utilization of warrants	2.7		24.6
Warrants premium	0.0		0.5
Non-cash issue			1.2
Repurchase of warrants	-0.5		-0.9
Translation differences	1.0	0.1	0.6
Dividend			-3.1
Net earnings for the period	7.9	6.8	15.7
Closing balance, shareholders' equity	246.2	63.9	235.1

Consolidated Cash Flow Statement (SEK m)	1 Jan 01 31 Mar 01	1 Jan 00 31 Mar 00	1 Jan 00 31 Dec 00
Cash flow from ongoing operations before change in ongoing operations' assets and liabilities	14.4	14.9	22.8
Cash flow from ongoing operations	-12.3	69.6	91.3
Cash flow from investment activities	-11.9	-7.7	-33.3
Cash flow from financing activities	3.1	0.0	162.7
Cash flow for the period	-21.1	61.9	220.7
Liquid assets, opening balance	292.2	70.4	70.4
Liquid assets, translation differences	1.6	-0.5	1.1
Liquid assets, closing balance	272.7	131.8	292.2

Consolidated Key Figures (SEK m)	1 Jan 01 31 Mar 01	1 Jan 00 31 Mar 00	1 Jan 00 31 Dec 00
Summary Income Statement			
Operating earnings before net interest income and depreciation	17.4	15.7	40.1
Operating earnings before net interest income	12.0	11.8	23.3
Margins			
Operating margin	32%	37%	25%
Net margin	22%	27%	15%
Profit margin	14%	16%	10%
Yield			
Average capital employed	435.8	217.2	269.3
Return on equity	3%	11%	16%
Return on capital employed	3%	6%	10%
Operational Key Figures			
Ave. no. of trading days on connected markets	64	64	250
Ave. daily trading value	1,669.3	1,521.5	1,425.0
Financial Position			
Equity ratio	48%	18%	43%
Interest cover	872%	689%	236%
Debt-equity ratio	0.9	3.9	1.2
Capital adequacy	99%	24%	124%
Share Data			
No. of shares	40,588,000	30,563,700	40,588,000
Ave. no of shares	40,588,000	30,563,700	32,786,423
Earnings per share, SEK	0.19	0.22	0.48
Shareholders' equity per share, SEK	6.07	2.09	5.79
Number of shares after full dilution	45,154,700	34,038,700	45,154,700
Average number of shares after full dilution	45,154,700	33,916,478	37,688,519
Earnings per share after full dilution, SEK	0.17	0.20	0.42
Shareholders' equity per share after full dilution, SEK	6.18	2.52	6.00
Employee Data			
Number of employees at the end of the period	62	49	62
Average number of employees	62	47	54

Definitions

Operating margin:	Operating earnings before net interest income and depreciation as a percentage of commission income.
Net margin:	Operating earnings before net financial items and tax as a percentage of commission income.
Profit margin:	Profit 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:	Net earnings as a percentage of average shareholders' equity for the year.
Return on capital employed:	Earnings net of financial items plus financial expenses as a percentage of average capital employed.
Equity ratio:	Closing balance of shareholders' equity as a percentage of the closing balance of total assets.
Interest cover:	Operating earnings plus financial expenses divided by financial expenses.
Debt/equity ratio:	Closing balance of interest-bearing liabilities and provisions in relation to the closing balance of shareholders' equity.
Capital adequacy ratio:	Total capital base divided by the total risk-weighted credit and market risk amounts (Swedish Financial Supervisory Authority stipulation FFFS 2000:6).
Earnings per share:	Earnings after tax in relation to the average number of shares for the period.

Accounting Principles

The consolidated accounts have been prepared in accordance with Swedish legislation relating to statutory accounting by credit institutions and securities corporations (ÅRKL) and the Swedish Financial Supervisory Authority's stipulation FFFS 1999:14 applicable because of the parent company's status as a financial holding company. The accounts of the parent company and subsidiary NeoNet Technology AB have been prepared in accordance with the Swedish Annual Accounts Act (ÅRL).

This Interim Report has been produced in accordance with the Swedish Financial Accounting Standards Council's recommendation RR20 regarding interim reports. NeoNet AB has adopted the following new recommendations from the Swedish Financial Accounting Standards Council from this report onwards:

- RR 9 Income taxes
- RR 11 Revenues
- RR 12 Tangible fixed assets
- RR 18 Earnings per share
- RR 20 Interim Reports

Otherwise, the same accounting principles as in NeoNet's latest Annual Report have been applied. The transference rules of the new recommendations have been utilized, implying

the correction of some comparative figures. This revision of accounting principles has not implied any material effect on the corporation's earnings and position.

Audit Review

The corporation's auditors have not reviewed this Quarterly Report.

Stockholm, Sweden, 25 April 2001

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Forthcoming Reports

Annual General Meeting 2001:	17 May 2001
Second-quarter Interim Report 2001:	24 August 2001
Third-quarter Interim Report 2001:	25 October 2001
Financial Statement 2001:	31 January 2002