NeoNet's Interim Report 1 January – 30 September 2005

Stockholm, 25 October 2005

Third Quarter in Summary

- **The operating revenues increased by 37% and amounted to SEK 62.6 m (45.5).**
- **The earnings after tax improved and amounted to SEK 24.1 m (-3.9). SEK 22.6 m of this amount consists of the one-off effect of a reported deferred tax asset relating to tax-loss carry-forwards.**
- **The earnings per share before dilution amounted to SEK 0.48 (-0.08).**
- **The operating earnings before depreciation and net financial items, EBITDA, improved and amounted to SEK 10.5 m (5.9), an increase of 79%.**
- **The underlying cash flow was strengthened and amounted to SEK 5.3 m (2.8).**

Nine Months in Summary

- **The operating revenues increased by 16% amounting to SEK 179.3 m (155.2).**
- **The earnings after tax improved and amounted to SEK 28.3 m (-9.8). SEK 22.6 m of this amount consists of the one-off effect of a reported deferred tax asset relating to tax-loss carry-forwards.**
- **The earnings per share before dilution amounted to SEK 0.56 (-0.19).**
- **The operating earnings before depreciation and net financial items, EBITDA, improved and amounted to SEK 31.3 m (18.9), an increase of 66%.**
- **The underlying cash flow amounted to SEK 17.6 m (6.2).**

Subsequent events

- **A smaller portion of the trading through NeoNet is executed by sales traders on behalf of clients. NeoNet was in October affected by a larger error trade resulting in a loss of SEK 5.3 m. The amount will burden the fourth quarter. Corrective actions have been taken in the form of changed procedures and control functions to minimize the risk of similar future events.**
- **The offering was in October enhanced with trading on the Dublin exchange (the Irish Stock Exchange) and clients can now trade on 18 European and North American exchanges through NeoNet.**

NeoNet in the First Nine Months of 2005
NeoNet's focus on providing advanced and yet user-friendly trading solutions on leading exchanges is appreciated by our clients. The volumes traded by NeoNet's clients through NeoNet have increased significantly this year. This increased revenues by 37% in the third quarter and by 16% for the first nine months. The increase is partly explained by a general growth in volumes on the world's exchanges, but the main reason is intensified activity among NeoNet's clients.

NeoNet has expanded its product offering further to include trading on the exchanges in Toronto and Dublin. More exchanges will be added gradually, beginning with the addition of the Swiss Exchange SWX and the Vienna Stock Exchange.

NeoNet has continued to develop functionality for so-called algorithmic trading. This is an area where demand from institutional investors and hedge funds has increased over the past year. The demand is driven by clients' increasingly advanced trading strategies and the fact that they are using direct market access for an increasing portion of their trading activity.

A new product area – NeoNet Exchange Gateway – was launched in the third quarter to further strengthen NeoNet's offering. The new product is a cost efficient alternative for banks and broker-dealers to trade using their own exchange membership through NeoNet's system and infrastructure. The product complements NeoNet's trading services and allows the company to further leverage its existing system investments. An agreement has been signed with the first client.

The fast pace of NeoNet's product development indicates good leverage on the investments. During the year NeoNet has launched many new trading functions and a new product area, while keeping investments at a lower level than the previous year.

The operating earnings before depreciation and net financial items, as well as the earnings after tax, were higher for the quarter and year compared to the corresponding periods in 2004. The earnings after tax increased by SEK 22.6 due to the recognition of a deferred tax asset.

Markets and Clients

Trading volumes among NeoNet's clients were high in the third quarter. This is a continuation of the positive trend that was identified in the spring. Trading volumes, the number of transactions and revenues were considerably higher in the third quarter than the same period the previous year, and also increased slightly in relation to both the first and second quarter of 2005.

The increase in trading volumes is partly due to a general increase on many exchanges, but is mainly a result of the fact that more clients are choosing to use NeoNet and existing clients increasing their trading volumes through NeoNet. The increase in volumes is greater than the general increase on the world's exchanges, which has led to an increase in NeoNet's market share on several European exchanges.

The enduring trend whereby an increasing portion of trading by professional investors is done electronically through direct market access is clearly continuing. At the same time, growth in electronic direct market access over the past few years has led to increased competition and a price squeeze. The use of advanced trading tools has strengthened the trend whereby the number of transactions is increasing greatly while the average size of trading blocks is decreasing.

In the third quarter a number of North American and European clients started to trade via NeoNet. The demand among clients for direct market access and related services is increasing as trading behavior is becoming more and more advanced. This trend benefits NeoNet as the company is able to meet the clients' demands by offering a flexible and competitive trading service. The high performance of the trading system and exchange connectivity is an important factor in offering the capacity the clients demand.

The trend whereby there is a more even distribution of trading on more exchanges is also continuing. This is partly the result of systematic sales efforts to increase the clients' use of NeoNet's product offering. Trading by clients on the European exchanges has grown significantly during the year with double the revenues in several cases compared to the first nine months of 2004. Stockholm and Helsinki were exceptions to the growth trend on the European exchanges, but combined with the U.S. exchanges, they still accounted for half of the transaction revenues.

Revenues from clients based in Europe outside the Nordic region increased both in actual figures and as a percentage of total revenues. During the first nine months, Nordic clients accounted for just under half of all transaction revenues, clients in the rest of Europe for just over a third and clients in North America for the remainder.

Product and Business Development

In the third quarter NeoNet launched a new product area – NeoNet Exchange Gateway. The new product enables banks and broker-dealers to trade using their own exchange membership through NeoNet's system and infrastructure. NeoNet Exchange Gateway is a cost-effective solution that allows clients to lower the threshold for direct membership of exchanges. It also complements NeoNet's brokerage services well. An agreement has been signed with the first client. Unlike the brokerage service, NeoNet Exchange Gateway's revenue model involves monthly license fees that are not directly linked to trading volumes.

During the period, NeoNet added the option to trade on the Toronto Stock Exchange to make the North American offering more complete. Several clients have already started to trade on this exchange. Also, NeoNet recently started to offer clients trading on the Dublin Stock Exchange. The aim is to constantly expand NeoNet's offering of marketplace access. The Vienna Stock Exchange and the Swiss Exchange SWX will be added to the offering next. These exchanges together will the Dublin Stock Exchange will complement the already broad trading offering in Europe and are also important additions to cover securities in leading European indices.

Earlier this year new functionality was added, primarily in the area of program trading; one of NeoNet's focus areas. Program trading involves trading a basket of different securities over a limited period. NeoNet is continuing to develop tools for advanced trading conditions and mathematical models – so-called algorithmic trading. The addition of algorithmic trading and program trading functionality enables clients to further improve the efficiency of their trading activity. The demand for this functionality from institutional investors and hedge funds is growing. Particularly evident is the demand from those clients using more and more advanced trading strategies and executing a large proportion of their trading themselves.

Revenues

Operating revenues have increased this year by 16% to SEK 179.3 m (155.2). Operating revenues for the quarter amounted to SEK 62.6 m (45.5), which is an increase of 37%.

Transaction revenues, which consist of brokerage commission fees for executed client transactions, increased by 16% and amounted to SEK 175.8 m (151.5) so far this year. Transaction revenues for the quarter increased by 40% and amounted to SEK 61.6 m (44.0). The price squeeze, which has persisted for quite some time, continued during this period.

Costs

The variability of NeoNet's trading, clearing and settlement costs is largely related to the number of transactions. Efforts are constantly being made to reduce the cost per transaction. However, during the course of the year, these measures have been counteracted by a decrease in the average size of transactions and a simultaneous increase in the number of transactions.

NeoNet's interest expenses include the debenture loan costs, which amounted to SEK 4.4 m (2.2) for the first nine-month period. The debenture loan was raised in April last year and therefore only partly affected 2004. Measures initiated during the first quarter to improve net interest income have helped to raise interest income during the last two quarters. However, the sharp rise in trading volumes has increased the need for temporary settlement loans, which in turn resulted in lower net interest income than in the second quarter.

Personnel and other operating expenses amounted to SEK 29.8 m (25.7). So far this year these expenses amount to SEK 90.8 m (87.2).

Employees

The number of employees in the Group at the end of the period was 84 (74 at the beginning of the year).

During the course of the year, NeoNet has strengthened its organization in areas such as client support, system testing and the legal department. There has also been an increase in the headcount as a result of the employment of substitute staff.

Earnings

The Group's earnings before depreciation and net financial items (EBITDA) for the first nine months amounted to SEK 31.3 m (18.9), which makes an operating margin of 18% (12%). The EBITDA for the quarter amounted to SEK 10.5 m (5.9).

The earnings after tax were increased by SEK 22.6 m as a result of a one-off effect of a deferred tax asset. The reported earnings after tax for the nine-month period therefore amounted to SEK 28.3 m (-9.8). The earnings after tax for the quarter amounted to SEK 24.1 m (-3.9).

According to IAS 12 (Income Taxes) a deferred tax asset relating to a loss carry-forward is recognized by an entity that has reported a loss over the past few years if there are factors that indicate that taxable income will be reported in the future. Based on the inflow of clients and an enhanced product offering during the period it is the opinion of the management and the Board of Directors that NeoNet within the foreseeable future will generate sufficient surplus to motivate the tax asset. See also the notes under the heading "Tax."

The earnings per share so far this year amount to SEK 0.56 (-0.19). The earnings per share for the quarter amounted to SEK 0.48 (-0.08).

(For more details, please see the Income Statement in Summary table and the EBIDTA diagram, both on page 5.)

Cash flow

The underlying cash flow has strengthened and so far this year amounts to SEK 17.6 m (6.2) and SEK 5.3 m (2,8) for the quarter. This positive trend is the result of the improvement in the EBIDTA and the fact that investments in system development have been kept at a lower level than the corresponding period last year.

(For more details, please see the Underlying Cash Flow graph on page 5. For a summary of the Cash-Flow Statement, see page 7.)

Investments

Investment for the first nine months amounted to SEK 11.1 m (13.3) and SEK 3.0 m for the quarter (3.3). Depreciation was reduced as a result of the lower rate of investment already in 2004. Investments correspond to 6% (9%) of transaction revenues so far this year and 5% (8%) for the quarter. The fixed assets include development projects in progress with a value of SEK 0.6 m.

Liquidity and Financial Position

The NeoNet Group's current liquid assets consist of the sum of bank deposits, interest-bearing instruments, unutilized overdraft facilities, the difference between contract settlement receivables and liabilities, and receivables mainly from clearing houses and similar institutions, excluding temporary cash and securities loans.

The net amount of these items as of 30 September amounted to SEK 163.8 m. The corresponding current liquid assets amounted to SEK 141.1 m at the beginning of the year. The gross liquid assets reported in the balance sheet amounted to SEK 406.1 m, of which SEK 372.9 m consisted of blocked funds, compared to SEK 143.8 m and SEK 90.4 m respectively at the beginning of the year. Fluctuations in the liquid assets as reported in the balance sheet are normal for this kind of business.

The consolidated shareholders' equity amounted to SEK 250.9 m at the end of the period (SEK 220.0 m 1 in January 2005).

The capital coverage was 48% (48%) and the consolidated equity/assets ratio was 33% (58%). The change relate mainly to a temporary increase in the balance sheet total at the time the books were closed.

The equity per share amounted to SEK 4.96 (4.43).

The Group has a significant disputed receivable claim of a nominal EUR 1.1 million. The status of the case is the same as when the last interim report was published.

Tax

In the third quarter NeoNet reported a gross tax revenue of SEK 22.6 m. Tax revenue and deferred tax assets are to be reported to the extent that it is probable that deductions can be made against tax benefits in the future. In accordance with these rules, NeoNet reported a tax asset of SEK 22.6 m and this amount has been credited to the tax line in the income statement. The reason for this decision is described under the heading "Earnings" above. The amount corresponds to tax loss carry-forwards of SEK 77.6 m. The Group has additional tax loss carry-forwards of some USD 6 m in currently not operating U.S. subsidiaries. The value of these tax loss carry-forwards could be affected by certain restrictions. Investigations to determine the effects are in progress.

Subsequent events

A smaller portion of the trading through NeoNet is executed by sales traders on behalf of clients. NeoNet was in October affected by a larger error trade resulting in a loss of SEK 5.3 m. The amount will burden the fourth quarter. Corrective actions have been taken in the form of changed procedures and control functions to minimize the risk of similar future events.

Outlook

The long-term financial goals and the assessment of the market are the same as those expressed in previous quarters.

The use of direct market access (DMA) is expected to increase and there is good growth potential in Europe as well as the U.S. NeoNet has every opportunity to benefit from the increased direct market access trading due to the company's advanced high-performance trading platform, efficient organization, and a business model according to which NeoNet only trades on behalf of clients.

The new product area, NeoNet Exchange Gateway, has potential as an additional source of income and broadens the product offering for broker-dealer and bank clients.

NeoNet does not provide any forecasts.

Parent Company

The parent company, which is not an operating company, carries out certain group-wide functions, such as group management, financial management, business development, investor relations and communication.

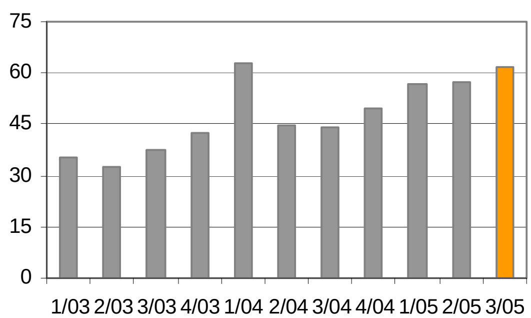
For the first nine months of the year, the parent company reported earnings before tax and year-end appropriations of SEK -7.7 m (-6.7).

Equity in the parent company amounted to SEK 190.5 m at the end of the period (SEK 198.2 m at the beginning of the year). The liquid assets as of 30 September amounted to SEK 0.8 m, compared to SEK 0.2 m at the beginning of the year.

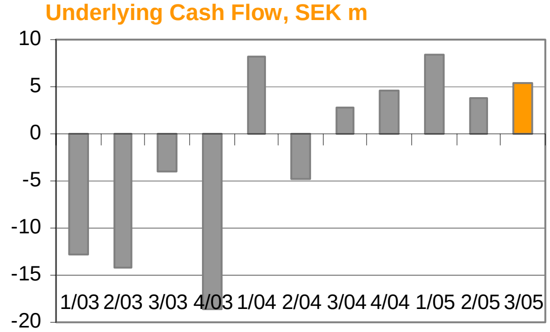
FINANCIAL DEVELOPMENT IN SUMMARY [1)]

SEK m	3 months Jul-Sep 2005	3 months Jul-Sep 2004	9 months Jan-Sep 2005	9 months Jan-Sep 2004	12 montl Oct 2004-Sep 2005	12 months Oct 2003-Sep 2004	12 months Jan-Dec 2004
Income Statement							
Transaction revenues	61,6	44,0	175,8	151,5	225,3	193,7	201,1
Operating earnings before depreciation (EBITDA)	10,5	5,9	31,3	18,9	38,9	11,9	26,5
Operating margin	17%	13%	18%	12%	17%	6%	13%
Earnings after tax	24,3	-3,9	28,5	-9,8	26,1	-24,7	-12,3
Underlying Cash Flow							
from operations (excl. net interest income)	8,3	6,1	28,7	19,5	36,6	12,3	27,5
from investment (excl. acquisitions)	-3,0	-3,3	-11,1	-13,3	-14,3	-24,7	-16,6
Total underlying cash flow	5,3	2,8	17,6	6,2	22,3	-12,4	10,9

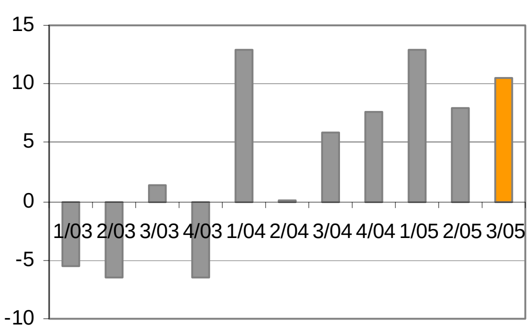
Transaction Revenues, Quarterly, SEK m



Underlying Cash Flow, SEK m



Operating Earnings before Net Financial Items and Deprecation (EBITDA), SEK m



The underlying cash flow consists of the sum of the cash flow from operations and investment activity excluding net interest income, acquisitions and settlement of executed securities transactions. A summary of the Cash-Flow Statement is presented later on in this report.

1) The comparative figures for 2004 have been re-calculated according to IFRS, while the comparative figures for 2003 are according to the recommendations of the Swedish Financial Accounting Standards Council. For more information, please see page 8.

FINANCIAL STATEMENTS IN SUMMARY

Consolidated Income Statement [1) 2)]

SEK m	3 months Jul-Sep 2005	3 months Jul-Sep 2004	9 months Jan-Sep 2005	9 months Jan-Sep 2004	12 months Oct 2004-Sep 2005	12 months Oct 2003-Sep 2004	12 months Jan-Dec 2004
Transaction revenues	**61.6**	**44.0**	**175.8**	**151.5**	**225.3**	**193.7**	**201.1**
Transaction expenses	-22.3	-13.9	-57.2	-49.1	-73.0	-59.1	-65.0
Interest income	1.5	0.7	3.6	1.9	4.4	2.6	2.7
Interest expenses	-4.2	-2.5	-11.1	-7.8	-14.0	-9.3	-10.7
Net earnings from financial transactions	-0.3	-0.8	-0.3	-1.9	-1.3	-2.5	-2.9
Other operating revenues	1.0	1.5	3.5	3.7	5.6	6.2	5.8
Total operating revenues	**37.3**	**29.0**	**114.3**	**98.4**	**147.0**	**131.6**	**131.0**
Other operating expenses	-15.5	-13.6	-48.1	-45.3	-62.3	-67.3	-59.4
Personnel expenses	-14.3	-12.1	-42.7	-42.0	-56.6	-61.6	-55.9
Depreciation	-6.0	-7.2	-17.8	-20.9	-24.8	-29.0	-28.0
Total operating expenses	**-35.8**	**-32.9**	**-108.6**	**-108.2**	**-143.7**	**-157.9**	**-143.3**
Operating earnings/losses	**1.5**	**-3.9**	**5.7**	**-9.8**	**3.3**	**-26.3**	**-12.3**
Tax	22.6	0.0	22.6	0.0	22.6	1.6	0.0
Earnings/losses after tax	**24.1**	**-3.9**	**28.3**	**-9.8**	**25.9**	**-24.7**	**-12.3**
Earnings per share before dilution, SEK	0.48	-0.08	0.56	-0.19	0.51	-0.49	-0.24
Earnings per share after dilution, SEK	0.43	-0.08	0.51	-0.19	0.48	-0.49	-0.24
Number of shares, 000	50 588	50 582	50 588	50 582	50 588	50 582	50 582
Average number of shares, 000	50 586	50 582	50 584	50 582	50 584	49 902	50 582
Average number of shares after dilution, 000	55 960	50 582	55 958	50 582	54 452	49 902	50 582
NeoNet's own shares	-	-	-	-	-	-	-

1) Comparative figures for 2004 have been re-calculated according to IFRS, while comparative figures for 2003 are according to the recommendations of the Swedish Financial Accounting Standards Council. For more information please see page 8.
2) The income statement is prepared according to Swedish legislation governing financial statements for credit institutions and securities companies.

FINANCIAL STATEMENTS IN SUMMARY

Consolidated Balance Sheet [1]

SEK m	05-09-30	04-09-30	04-12-31
ASSETS			
Cash and lending to credit institutions	406.1	152.6	143.8
Intangible fixed assets	55.3	64.0	61.3
Goodwill	77.7	76.9	77.7
Tangible fixed assets	5.8	7.4	6.4
Deferred tax asset	22.6	0.0	0.0
Contract settlement receivables, net	170.8	48.9	22.8
Other assets	18.4	31.0	27.4
Pre-paid expenses and accrued income	8.4	8.9	6.9
Total assets	**765.1**	**389.8**	**346.3**
LIABILITIES, PROVISIONS AND SHAREHOLDERS' EQUITY			
Liabilities to credit institutions	127.0	29.2	14.2
Securities loans	301.9	62.4	40.7
Other liabilities	12.9	9.1	8.9
Accrued expenses and deferred income	23.0	16.4	13.7
Subordinated debt	49.3	48.5	48.8
Shareholders' equity			
Share capital	2.5	2.5	2.5
Restricted reserves	204.1	294.8	270.6
Earnings/losses carried forward	16.0	-63.2	-40.8
Earnings/losses for the period	28.3	-9.8	-12.3
Total liabilities, provisions and shareholders' equity	**765.1**	**389.8**	**346.3**
Memorandum items			
Blocked funds, credit institutions	372.9	114.8	90.4
Blocked funds, clearing houses (included in the item "Other assets")	0.8	13.9	13.6
Floating charge	15.0	15.0	15.0

Consolidated Cash-Flow Statement

SEK m	Jan-Sep 2005	Jan-Sep 2004	Jan-Dec 2004
Cash flow from ongoing operations excluding settlement of executed equity transactions	36.4	18.8	28.9
Cash flow from ongoing operations attributable to settlement of executed equity transactions [2]	236.9	-26.7	-34.1
Cash flow from investment activity	-11.1	-13.4	-17.5
Cash flow from financing activity	0.1	40.6	34.3
Cash flow for the period	**262.3**	**19.3**	**11.6**
Liquid assets [3] at beginning of year	143.8	135.1	135.1
Liquid assets, translation difference	0.0	-1.8	-2.9
Liquid assets [3] at end of period	**406.1**	**152.6**	**143.8**

Change in Consolidated Shareholders' Equity [1]

Jan.-Sep 2004 SEK m	Restricted equity	Non-restricted equity	Total equity
Opening balance 1 Jan. 2004	294.3	-60.0	234.3
Payments received for new share subscriptions	-	-	-
Translation difference	0.8	-1.2	-0.4
Transfer between restricted and non-restricted equity	-	-	-
Earnings/losses for the period	-	-9.8	-9.8
Closing shareholders' equity 30 Sept 2004	**295.1**	**-71.0**	**-224.1**

Jan.-Dec. 2004 SEK m	Restricted equity	Non-restricted equity	Total equity
Opening balance 1 Jan. 2004	294.3	-60.0	234.3
Payments received for new share subscriptions	0.0	0.0	0.0
Translation difference	-8.1	6.1	-2.0
Transfer between restricted and non-restricted equity	-13.1	13.1	-
Earnings/losses for the period	-	-12.3	-12.3
Closing shareholders' equity 31 Dec. 2004	**273.1**	**-53.1**	**220.0**

Jan.-Sept 2005 SEK m	Restricted equity	Non-restricted equity	Total equity
Opening balance 1 Jan. 2005	273.1	-53.1	220.0
Payments received for new share subscriptions	0.0	0.0	0.0
Translation difference	14.2	-11.6	2.6
Transfer between restricted and non-restricted equity	-80.7	80.7	-
Earnings/losses for the period	-	28.3	28.3
Closing shareholders' equity 30 Sept 2005	**206.6**	**44.3**	**228.1**

The accumulated translation difference as of 30 September 2005 was SEK -2.7 m (-3.5).

1) The comparative figures have been re-calculated according to IFRS. For more information, please see page 8.

2) The cash flow attributable to the settlement of equity transactions executed on behalf of clients varies considerably from period to period depending on the situation on the balance day with respect to the settlement positions.

3) Liquid assets consist of the amount that is indicated in the balance sheet as "Cash and lending to credit institutions."

Accounting principles
This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting, which is in line with what is required according to the Swedish Financial Accounting Standards Council's recommendation RR31 Interim Reporting for Groups.

As of 1 January 2005, the NeoNet Group is using the International Financial Reporting Standards (IFRS), formerly IAS, in accordance with an EU decree, Swedish legislation governing credit institutions and securities corporations (ÅRKL), and the Swedish Financial Supervisory Authority's stipulation FFFS 2003:11. The transition to IFRS from the previously used accounting principles as prescribed in the EU decree has been executed according to IFRS 1. The effects on NeoNet of the transition to IFRS, and the re-calculated quarterly information according to IFRS, are described in an appendix.

The accounting principles are different to those described in the 2004 Annual Report due to the transition to IFRS. The company's new accounting principles in response to the introduction of the IFRS accounting principles are published on the company's website www.neonet.biz under Investor Relations. Otherwise, the same accounting principles, definitions of key figures and calculation methods as in the last Annual Report are used.

Certain IFRS standards are still under review and changes can be expected in 2005. Also, new standards with effect from 1 January 2006 may be introduced in advance of that date. The definitive accounting principles for 2005 will therefore be published in the 2005 Annual Report.
The parent company applies the Swedish Financial Accounting Standards Council's recommendation RR 32 Accounting for Legal Entities.

Stockholm, 25 October 2005

NeoNet AB (publ)

Simon Nathanson
President and CEO

The interim report is issued by the President and CEO following authorization from the Board of Directors.

Auditor's Review Report
(Translation of the Swedish original)

We have carried out a review of this interim report in accordance with the recommendation issued by FAR. A review is significantly limited in comparison with an audit.

Nothing has come to our attention which would cause us to believe that the interim report and consolidated financial statement does not meet the requirement of the Annual Accounts Acts for the parent company, the Annual Accounts Act for Credit Institutions and Securities Companies for the group and IAS 34.

Stockholm, 25 October 2005

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Financial Calendar 2005-2006
Year-End Report 2005, 9 February 2006, 8.15 a.m. CET
Interim Report Q1 2006, 4 May 2006, 8.15 a.m. CET
Annual General Meeting, 4 May 2006, 6.30 p.m. CET. Citykonferensen, Malmskillnadsgatan 46, Stockholm.
Interim Report Q2 2006, 17 August 2006, 8.15 a.m. CET
Interim Report Q3 2006, 25 October 2006, 8.15 a.m. CET
Year-End Release 2006, 8 February 2007, 8.15 a.m. CET

Appendix: Reconciliation between the current accounting principles and IFRS

In June 2002 the EU Council of Ministers introduced the International Accounting Standards ("IAS"), now called the International Financial Reporting Standards ("IFRS"), and as a result, all listed companies within the EU must prepare their consolidated accounts in accordance with IAS/IFRS. All of the information presented below on the transition to IFRS 2005 is preliminary; however, it provides an overview of the new accounting rules and their expected impact on NeoNet.

Reconciliation for the opening balance sheet as of January 1, 2004

NeoNet has no IFRS adjustments in its opening balance sheet and accordingly, the opening balance sheet according to IFRS is the same as the balance sheet as of December 31, 2003 in accordance with the Swedish accounting principles. For this reason, no specific reconciliation for the opening balance sheet was prepared.

Reconciliation of the information in the 2004 quarterly reports

Below is a reconciliation of certain information in the interim financial statements with an explanation of how the above-mentioned effects impact each of the interim financial statements in 2004 and the full year 2004.

Consolidated Income Statement	**Jan. 1, 2004-Dec 2004.**			**Jan. 1, 2004-Sept. 30. 2004**			**Jan. 1, 2004-June 30, 2004**			**Jan. 1, 2004-Mar. 31, 2004**		
SEK m	As per IFRS	Adjust-ment-	As per public report*	As per IFRS	Adjust-ment	As per public report*	As per IFRS	Adjust-ment	As per public report*	As per IFRS	Adjust-ment	As per public report*
Transaction revenues	201.1		201.1	151.5		151.5	107.4		107.4	62.8		62.8
Transaction expenses	-65.0		-65.0	-49.1		-49.1	-35.2		-35.2	-20.2		-20.2
Interest income	2.7		2.7	1.8		1.8	1.2		1.2	0.7		0.7
Interest expenses	-10.7		-10.7	-7.8		-7.8	-5.3		-5.3	-2.3		-2.3
Net earnings from financial transactions	-2.9		-2.9	-1.9		-1.9	-1.0		-1.0	0.0		0.0
Other operating revenues	5.8		5.8	3.7		3.7	2.2		2.2	1.1		1.1
Total operating revenues, net	**131.0**		**131.0**	**98.4**		**98.4**	**69.3**		**69.3**	**42.1**		**42.1**
Other operating expenses	-59.4		-59.4	-45.2		-45.2	-31.5		-31.5	-15.1		-15.1
Personnel expenses	-55.9		-55.9	-42.0		-42.0	-29.9		-29.9	-15.7		-15.7
Depreciation Note 1	-28.0	8.0	-36.0	-21.0	6.0	-27.0	-13.8	4.0	-17.8	-6.6	2.0	-8.6
Total operating expenses	**-143.3**	**8.0**	**-151.3**	**-108.2**	**6.0**	**-114.2**	**-75.2**	**4.0**	**-79.2**	**-37.4**	**2.0**	**-39.4**
Operating earnings/losses	**-12.3**	**8.0**	**-20.3**	**-9.8**	**6.0**	**-15.8**	**-5.9**	**4.0**	**-9.9**	**4.7**	**2.0**	**2.7**
Tax	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0
Earnings/losses for the period	**-12.3**	**8.0**	**-20.3**	**-9.8**	**6.0**	**-15.8**	**-5.9**	**4.0**	**-9.9**	**4.7**	**2.0**	**2.7**
Consolidated Key figures												
Operating margin	13%		13%	12%		12%	12%		12%	21%		21%
Net margin	Neg.		Neg.	Neg.		Neg.	Neg.		Neg.	10%		7%
Average capital employed	392.6		388.6	408.6		405.6	446.5		444.5	479.1		478.1
Equity/assets ratio	64%		62%	58%		57%	47%		46%	53%		53%
Earnings per share before dilution SEK	-0.24		-0.40	-0.19		-0.31	-0.12		-0.20	0.09		0.05
Earnings per share after dilution SEK	-0.24		-0.40	-0.19		-0.31	-0.12		-0.20	0.09		0.05
Consolidated Balance Sheet	**Dec 31, 2004**			**Sept. 30, 2004**			**June 30, 2004**			**Mar. 31, 2004**		
ASSETS												
Cash and lending to credit institutions	143.8		143.8	152.6		152.6	224.3		224.3	143.1		143.1
Intangible fixed assets	61.3		61.3	64.0		64.0	66.5		66.5	67.3		67.3
Goodwill Note 1	77.7	8.0	69.7	76.9	6.0	70.9	76.9	4.0	72.9	76.9	2.0	74.9
Tangible fixed assets	6.4		6.4	7.4		7.4	8.7		8.7	10.0		10.0
Contract settlement receivables, net	22.8		22.8	48.9		48.9	77.5		77.5	101.9		101.9
Other assets Note 2	27.3	-1.9	29.2	31.0	-2,.1	33.1	26.4	-2.3	28.7	45.0		45.0
Pre-paid expenses and accrued income	6.9		6.9	8.9		8.9	10.1		10.1	8.1		8.1
Total assets	**346.2**	**6.1**	**340.1**	**389.7**	**3.9**	**385.8**	**490.4**	**1.7**	**488.7**	**452.3**	**2.0**	**450.3**
LIABILITIES, PROVISIONS AND SHAREHOLDERS' EQUITY												
Liabilities to credit institutions	14.2		14.2	29.2		29.2	59.0		59.0	78.3		78.3
Securities loans	40.7		40.7	62.4		62.4	129.0		129.0	67.5		67.5
Other liabilities	8.9		8.9	9.0		9.0	8.6		8.6	47.4		47.4
Accrued expenses and deferred income	13.7		13.7	16.5		16.5	17.3		17.3	20.3		20.3
Subordinated debt Note 2	48.7	-1.9	50.6	48.5	-2.1	50.6	48.3	-2.3	50.6	-		-
Shareholders' equity												
Share capital	2.5		2.5	2.5		2.5	2.5		2.5	2.5		2.5
Restricted reserves	270.6		270.6	292.6		292.6	294.8		294.8	295.0		295.0
Earnings/losses carried forward	-40.8		-40.8	-61.2		-61.2	-63.2		-63.2	-63.4		-63.4
Earnings/losses for period Note 1	-12.3	8.0	-20.3	-9.8	6.0	-15.8	-5.9	4.0	-9.9	4.7	2.0	2.7
Total liabilities, provisions and shareholders' equity	**346.2**	**6.1**	**340.1**	**389.7**	**3.9**	**385.8**	**490.4**	**1.7**	**488.7**	**452.3**	**2.0**	**450.3**

*Refers to earlier published reports.

Other effects of the introduction of IFRS
As a result of the introduction of IFRS, NeoNet will amend its accounting principles. The main change is that the previous accounting principles for goodwill and goodwill will be replaced by the following:

Goodwill: Goodwill consists of the amount by which the acquisition value exceeds the actual value of the Group's share in the acquired subsidiary's net assets at the time of the acquisition. Goodwill has an indefinite period of benefit and accordingly, an annual assessment of the write-down requirement is made. NeoNet is using the exception in IFRS1, First-time Adoption of IFRS, and is not adjusting the acquisition analysis for acquisitions completed before January 2004. Goodwill is reported at the acquisition value less the goodwill amortization up to and including December 31, 2003.

Write-down: The write-down requirement for assets with an indefinite period of use that are not subject to depreciation is assessed on an annual basis. In the case of assets that are subject to depreciation, an assessment is made of the write-down requirement when there is an indication that an asset or group of assets has decreased in value. In cases where a write-down requirement assessment indicates that the reported value exceeds the estimated recovery value, the reported value is immediately written down to the recovery value.

These principles have been applied in the reconciliation between the current accounting principles and IFRS. In addition to the above, the following should also be noted:

Introduction of IAS 39 Financial Instruments: NeoNet has been complying with the Swedish legislation governing the annual reports of credits institutions and securities corporations (ÅRKL), which requires that the market value of financial instruments be assessed and reported. Thus the effects of the introduction of IAS 39 as of January 1, 2005 are expected to be limited. However, the introduction of IAS 39 Financial Instruments means that NeoNet's hedging instruments are to be classified in the balance sheet as "Financial assets or financial liabilities at the actual value reported in the income statement" instead of as they are today as "Other assets" or "Other liabilities."

- **Segment information**: NeoNet runs its business in one segment. The introduction of IAS 14 Segment Reporting does not affect this.

- **Stock-based remuneration IFRS 2**: The Group had no such employee programs that fall within the framework of IFRS 2 as of December 31, 2004.

- **Employee Benefits (RR 29 / IAS 19)**: As mentioned in the company's accounting principles with respect to NeoNet's pension obligations, the Group only uses premium-based pension plans, and accordingly, the introduction of RR 29 / IAS 19 Employee Benefits, is not expected to have any effect on NeoNet's accounting.

- **Explanation for the significant adjustments in the 2004 cash-flow statement**: There are no differences between the cash flow reported according to IFRS and the cash flow that was reported according to the previous accounting principles, neither for the full-year nor for the quarterly statements in 2004.

- **The parent company's accounting**: NeoNet AB will comply with the recommendation in RR 32 Legal Entity Accounting when the parent company prepares its financial statements for 2005. It is NeoNet AB's opinion that the only difference this will involve is the one described in Note 2 below.

The company also believes that, at present, there are no significant differences in the accounting methods according to IFRS over a business cycle of five to ten years for NeoNet compared to the previous norms, with the exception of IFRS 3 Company Acquisitions, as a result of which goodwill amortization will cease from January 1, 2005 to be replaced by an assessment of write-down requirements.
NeoNet believes that new accounting rules will be introduced that will affect the company's accounting. The possible effects of future changes in the rules cannot be predicted.

Note 1 According to IFRS 3, there is no amortization of goodwill according to plan, instead the write-down requirement is assessed at the end of each statement period. For this reason, the amortization of goodwill in 2004 is reversed, resulting in an increase in operating earnings of the same amount.

Note 2 Reclassification of loan issue expenses relating to the subordinated debt which was previously reported as gross in 'Other assets.'