

Interim Report, January 1 – June 30, 2002

The Period in Summary

- Transaction revenues increased by 9% to SEK 107.2 m compared with SEK 97.9 m last year. Transaction revenues for the last 12-month period increased by 12% compared with the previous 12-month period.
- Increased market shares on the stock exchanges.
- Revenues from electronic trading increased during the period by 44%, totaling 85% (65%) of the transaction revenues.
- 57% (48%) of the period's transaction revenues derived from trading on exchanges other than the Stockholm Stock Exchange. Revenues from exchanges other than Stockholm and Helsinki doubled to reach SEK 28.2 m (14.3 m).
- The share of the transaction revenues from US clients increased to 32%, which is twice as much as the same period last year.
- The operating earnings before depreciation and net financial items were SEK 8.2 m (18.2 m).
- The operating margin was 8% (19%).
- A pre-tax loss of SEK -8.1 m (7.2 m) was reported. Realized and unrealized exchange rate losses of SEK -3.6 m (+0.3 m) on funds tied up in foreign currencies had a negative impact on the period's result.
- NeoNet has initiated actions of measures to reduce costs by at least SEK 25 m annually.
- The consolidated shareholders' equity amounted to SEK 251.6 m (254.6 m) at the end of the period. The Group had cash in hand, excluding items relating to the settlement of clients' securities transactions, of SEK 170.8 m (SEK 193.1 m on January 1).
- Investments were made in the amount of SEK 23.5 m (19.8), which is equivalent to 22% (20%) of the transaction revenues.
- Nasdaq and the Oslo Stock Exchange were connected to NeoNet's global exchange network.
- A sales office was opened in London.

Events after the end of the period

- The Milan Stock Exchange was connected to NeoNet's global network.

CEO's Statement

"Despite a very tough market climate, NeoNet is continuing to report increased daily trading values and an increase in revenues. We have achieved this by expanding our exchange network to include an increasing number of the world's major exchanges and through a steady growth of the client base. During the year the stock prices and turnover at the world's major exchanges continued to fall on a broad

scale, and in particular at exchanges that have, up to now, been the most important for NeoNet's business, namely those in Stockholm and Helsinki.

NeoNet's average daily trading value increased during the reporting period by 14%. In the light of up to 30% drops in revenues on the exchanges, our revenue development must be viewed as an evidence of the strength of NeoNet's offering.

Transaction revenues grew by 9%. Our US clients accounted for 32% of revenues, which is twice as much as last year. Revenues from exchanges other than those in Stockholm and Helsinki doubled to reach SEK 28 m. The growth of the client base is according to plan both in Europe and in the U.S.

The lower rate of revenue growth combined with costs related to the new markets resulted in unsatisfactory second quarter earnings. Actions to reduce operating costs and improve the cash flow have been intensified. The operating costs are expected to be reduced by at least SEK 25 m annually. The actions will have a limited impact this year but full effect from the beginning of next year. In addition, we will reduce product development pace, which is expected to improve the cash flow by around SEK 10 m over and above the cost reductions. Our objective, of providing our clients with trading access to 80% of global stock market capitalization through NeoNet's exchange network by 2003, still stands.

NeoNet's financial position is strong with a good cash position and equity/assets ratio.

We have reached a milestone in our evolution by connecting Nasdaq to NeoNet's exchange network. Clients now have electronic access to stocks on the world's second largest exchange. To reach our objective of offering access to 80% of global stock market capitalization in 2003, two more exchanges, namely Virt-x (where the highest-turnover Swiss stocks are traded) and the NYSE (the world's largest stock exchange), remain to be connected.

There will continue to be major changes in the market for global equity trading and for its players. Factors such as new technology and increased competition combined with client demands for more efficient and less costly management have started to bring about extensive structural changes in the industry.

NeoNet is in a strong position in the face of this development because we offer fast, secure and value-for-money electronic trading on the world's major exchanges through a single system."

NeoNet provides institutional investors and broker-dealers with an exchange network for electronic trading on the world's leading stock exchanges. The NeoNet system gives clients an efficient tool for real-time equity execution on the connected stock exchanges. Through NeoNet, clients experience trading access to one third of the world's equity market capitalization. Focused on providing a single point of access to multiple equity markets worldwide, NeoNet has 80 employees with offices in Stockholm, New York and London, is listed on the Stockholm Stock Exchange (ticker NEO), and has clients in eleven countries including the U.S. and U.K.

THE GROUP

Operations

During the quarter, NeoNet connected Nasdaq and the Oslo Stock Exchange to its exchange network. After the end of the period the Milan Stock Exchange was also connected. NeoNet also plans during 2003 to offer electronic trading access, through its exchange network, to the New York Stock Exchange and Virt-x (the European exchange where primarily Swiss stocks are traded). The planned timeframe for the connection of Virt-x has been delayed slightly as a result of the initiated actions. Despite this, we expect to obtain our market coverage objectives, as announced in autumn 2000, namely to offer trading access through a single system to 80% of global market capitalization in 2003.

NeoNet has achieved its objectives with respect to the increase in the client base in both Europe and the U.S. A sales office has been established in London to further explore the potential of the U.K. market.

Trading value, revenues and earnings

The average daily intermediated trading value for the period was SEK 2,271 m, an increase of 14% compared to SEK 1,996 m for the same period last year. Rolling 12-month daily trading values were SEK 2,108 m, which was 13% higher than at the same time last year.

NeoNet's average daily trading value increased during the period by 14%. At the same time, the most significant exchanges for NeoNet - in Stockholm and Helsinki - reported a fall in trading compared to the same period last year of 30% and 12% respectively. NeoNet's trading value on Stockholmsbörsen fell over the same period by 5% and grew by 8% on the Helsinki Stock Exchange.

The consolidated transaction revenues for the period increased to a total of SEK 107.2 m compared to SEK 97.9 m for the same period last year, which is an increase of 9%. There were 123 (124) trading days on the exchanges in the period.

Transaction revenues from U.S. clients increased by 120% compared with the same period last year. At the same time, a fall in revenues was reported from clients in Europe outside Sweden. This was mainly the result of a decline in trading on the Stockholm and Helsinki exchanges.

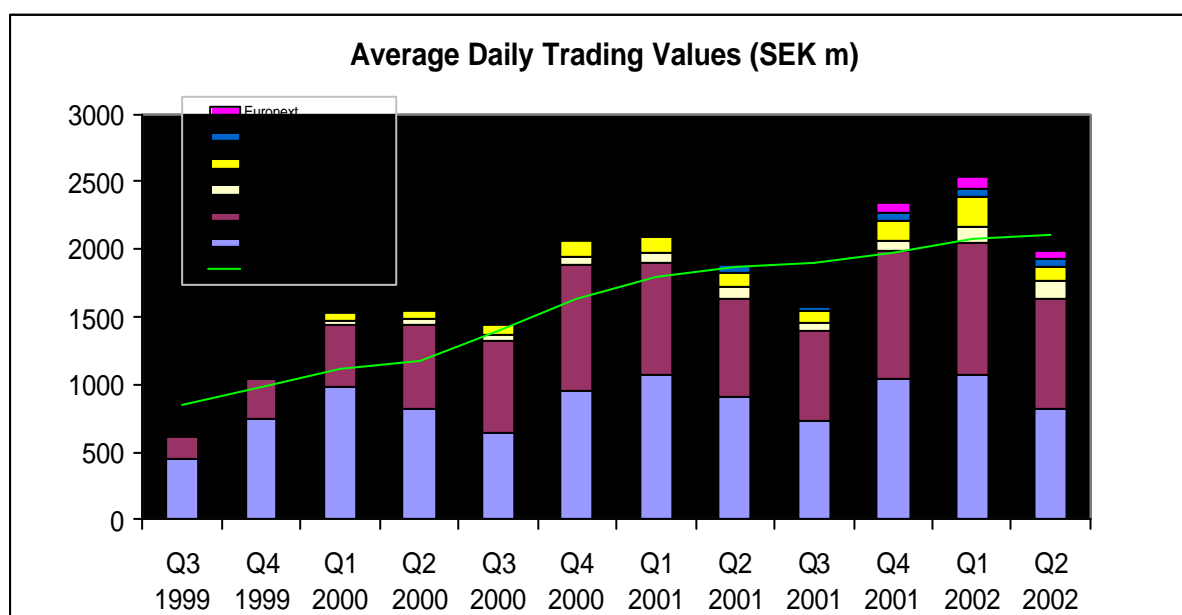
Distribution of Transaction Revenues by Client Location, SEK m

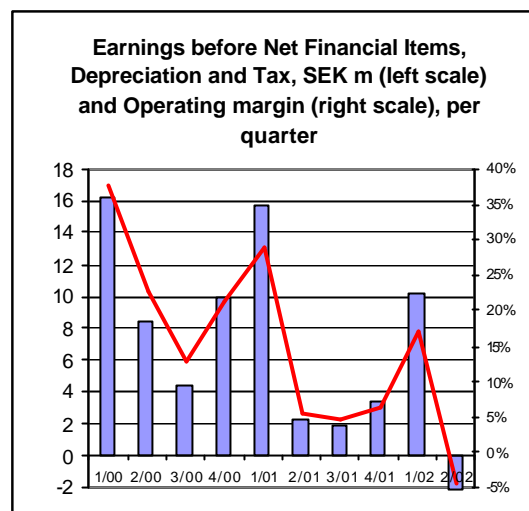
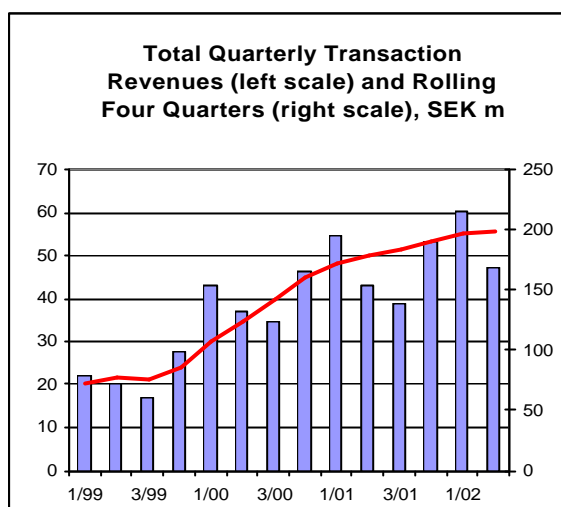
	Jan.-Jun. 2002		Jan.-Jun. 2001	
Sweden	52.4	49%	49.0	50%
Rest of Europe	20.1	19%	33.1	34%
USA	34.7	32%	15.8	16%
Total	107.2	100%	97.9	100%

Increased revenues from trading for the six-month period were reported at all of the exchanges connected to NeoNet with the exception of those in Stockholm and Helsinki. 57% (48%) of the period's revenues came from trading at exchanges other than Stockholmsbörsen. Revenues from exchanges other than those in Stockholm and Helsinki doubled to reach SEK 28.4 m (14.3 m).

Distribution of Transaction Revenues by Exchange, SEK m

	Jan.-Jun. 2002		Jan.-Jun. 2001	
Stockholm	46.4	44%	50.8	51%
Helsinki	32.5	30%	32.8	34%
Copenhagen & Oslo	5.3	5%	3.5	4%
Frankfurt	9.9	9%	7.6	8%
London	7.2	7%	3.2	3%
Euronext	5.9	5%	-	-
Total	107.2	100%	97.9	100%





Operating earnings before depreciation and net financial items amounted to SEK 8.2 m (18.2 m) for the first two quarters and SEK -2.1 m (2.3 m) for the second quarter.

The fall in profit can be explained by the low rate of revenue growth compared with previous quarters, which in turn is a result of a sharp fall in turnover on the exchanges. Furthermore, volume-related costs, such as transaction and settlement costs, increased faster than can be explained by the total growth in revenues.

In order to reduce costs, improve gross margins, and increase the cash flow, the following actions have been intensified:

- Introduction of new structure for services purchased in connection with payment and delivery of shares.
- Reduction in the use of consultants and re-negotiated contracts for datacommunications.
- Slower pace for systems development.

The measures are expected to reduce operating costs by at least SEK 25 m annually, which is equivalent to an improvement in the operating margin of around 10 percentage points. The impact of the measures on this year's result will be limited. The full effect is expected to be apparent from the beginning of next year. The annual cash flow is expected to improve by about SEK 35 m.

Income Statement in Summary

SEK m	Apr-Jun 2002	Apr-Jun 2001	Jan-Jun 2002	Jan-Jun 2001
Transaction revenues	46.9	43.2	107.2	97.9
Other operating income	1.9	1.6	3.7	4.0
Transaction expenses	-6.1	-5.2	-14.2	-11.7
Personnel expenses	-13.8	-13.8	-28.3	-29.0
Other operating exp.	-31.1	-23.5	-60.2	-43.0
Operating earnings/losses before depreciation (EBITDA)	-2.2	2.3	8.2	18.2
Operating margin	-5%	5%	8%	19%
Depreciation	-6.7	-5.5	-13.2	-11.0
Net financial items	0.5	-1.7	-3.1	0.0
Pre-tax earnings/losses	-8.4	-4.9	-8.1	7.2

The Group reported a pre-tax loss for the second quarter of SEK -8.4 m and SEK -8.1 m for the entire period compared to SEK -4.9 m and SEK 7.2 m for the same periods last year. Realized and unrealized exchange rate losses in the amount of SEK 3.6 m on funds tied up in foreign currencies had a negative impact on the result for the period.

The earnings per share for the period amounted to SEK -0.21 (0.13).

At the end of the period the Group's employee headcount was 80 (65). On January 1 the number of employees was 76. The personnel expenses are unchanged compared to same period last year.

Investments

Investments were made in the period in the amount of SEK 23.5 m (19.8). Of this amount SEK 17.6 m (13.2 m) was used to enhance NeoNet's electronic exchange network. Investments corresponded to 22% (20%) of the transaction revenues.

Liquidity and financial position

The Group had cash in hand as of June 30 of SEK 170.8 m (SEK 193.1 m on January 1). In addition, settlement positions amounted to SEK 8.6 m (SEK

412.3 m on January 1), making reported liquid assets of SEK 179.4 m as of June 30, compared to SEK 597.4 m on January 1. The fluctuations are normal for this kind of business.

The Group has no interest-bearing liabilities except for bridge loans taken due to delays in clients' delivery or payment of securities. The duration of such loans is from the settlement due date until settlement of the underlying transaction has taken place, normally less than three days.

At the end of the period, the consolidated shareholders' equity was SEK 251.6 m (254.6 m) and the capital adequacy ratio was 110% (132%). The consolidated equity/assets ratio was 69% (67%) and the shareholders' equity per share was SEK 5.76. (5.97).

Outlook

NeoNet works exclusively with equity transactions on the major stock exchanges on behalf of institutional clients. Revenues are sourced from commissions based on the value of the transactions executed. NeoNet does not conduct any proprietary equity trading and accordingly, revenues and earnings over a given period are influenced by client activity and quoted stock prices. The result is that the daily trading values, and consequently NeoNet's revenues and earnings, exhibit short-term fluctuations. Revenues and earnings are also subject to seasonal variations.

NeoNet expects to maintain revenue growth following an anticipated increase in trading among its clients, since a growing number of the world's major exchanges are now connected to NeoNet's exchange system. The connection in 2003 of the New York Stock Exchange - the world's largest exchange - will provide substantial, additional revenue potential.

The overall financial objective is to be able to report revenue growth of at least 50% annually and, in the long-term, earnings before depreciation and net financial items of at least 25% of transaction revenues.

THE PARENT COMPANY

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

The parent company reported a pre-tax result for the period before year-end appropriations of SEK 0.0 m (-3.6 m). The equity in the parent company amounted to SEK 238.5 m (234.5 m) at the end of the period. It had liquid assets as of June 30 of SEK 3.0 m compared to SEK 57.8 m as of the same date in 2001. The fall is explained by the fact that funds have been loaned to wholly owned subsidiaries.

During the first two quarters no investments were made, while during the same period last year, investments amounted to SEK 0.3 m.

In April 50,000 warrants were utilized to subscribe for 1,000,000 new shares. This resulted in an increase in restricted shareholders' equity of SEK 8.0 m. The new share issue was registered on May 14, resulting in an increase to a total of 43,654,700 shares.

In accordance with a decision taken at the Annual General Meeting in April, the parent company issued a debenture loan to the subsidiary, NeoNet Securities AB, after which the subsidiary sold the 354,500 detachable warrants to the Group's employees. This raised SEK 1.1 m, which was added to the Group's restricted equity. The strike price for the warrants was set at SEK 17.50.

Consolidated Income Statement*

SEK m	3 month Apr.-Jun. 2002	3 month Apr.-Jun. 2001	6 month Jan.-Jun. 2002	6 month Jan.-Jun. 2001	12 month Jul.-Jun. 2002	12 month Jul.-Jun. 2001	12 month Jan.-Dec. 2001
Transaction revenues	46.9	43.2	107.2	97.9	199.3	178.6	190.1
Transaction expenses	-6.1	-5.2	-14.2	-11.7	-26.6	-21.9	-24.1
Interest income	2.0	1.8	4.5	3.5	8.9	6.7	8.0
Interest expenses	-1.8	-2.2	-4.0	-3.8	-6.7	-10.4	-6.5
Net earnings from financial transactions	0.3	-1.3	-3.6	0.3	-1.9	2.2	1.9
Other operating revenues	1.9	1.6	3.7	4.0	6.9	6.9	7.2
Total operating revenues, net	43.2	37.9	93.6	90.2	179.9	162.1	176.6
General administrative expenses							
Other operating expenses	-31.1	-23.5	-60.2	-43.0	-110.6	-78.2	-93.3
Personnel expenses	-13.8	-13.8	-28.3	-29.0	-55.8	-52.9	-56.6
Depreciation	-6.7	-5.5	-13.2	-11.0	-25.4	-19.4	-23.2
Total operating expenses	-51.6	-42.8	-101.7	-83.0	-191.8	-150.5	-173.1
Operating earnings/losses	-8.4	-4.9	-8.1	7.2	-11.9	11.6	3.5
Tax	0.2	2.3	-0.9	-1.9	3.8	1.1	2.8
Earnings/losses for the period	-8.2	-2.6	-9.0	5.3	-8.1	12.7	6.3
Earnings per share, SEK	-0.19	-0.06	-0.21	0.13	-0.19	0.33	0.15
Earnings per share after full dilution, SEK	-0.18	-0.06	-0.20	0.12	-0.18	0.30	0.14
No. of shares, 000	43,655	42,655	43,655	42,655	43,655	42,655	42,655
Average number of shares, 000	43,391	41,777	43,025	41,187	42,838	38,054	41,927
Average no. of shares after full dilution, 000	44,816	45,055	44,816	45,104	44,936	42,704	45,079

Consolidated Balance Sheet

SEK m	June 30, 2002	June 30, 2001	Dec. 31, 2001
ASSETS			
Cash and lending to credit institutions	179.4	214.6	597.4
Intangible fixed assets	60.1	46.2	51.1
Goodwill	0.7	1.0	0.8
Tangible fixed assets	17.0	16.3	15.5
Other assets	98.9	93.2	141.6
Prepaid expenses and accrued income	9.9	8.0	6.7
Total assets	366.0	379.3	813.1
LIABILITIES, PROVISIONS AND SHAREHOLDERS' EQUITY			
Liabilities to credit institutions	12.8	7.6	54.4
Other liabilities	80.1	93.4	481.6
Accrued expenses and deferred income	17.9	19.1	17.9
Subordinated debt	0.1	0.4	0.4
Provisions	3.5	4.2	3.2
Shareholders' equity			
Share capital	2.2	2.1	2.1
Restricted reserves	232.4	228.4	228.1
Earnings carried forward	26.0	18.8	19.1
Earnings for the period	-9.0	5.3	6.3
Total liabilities, provisions and shareholders' equity	366.0	379.3	813.1
Memorandum items			
<i>Other pledged securities</i>			
Blocked funds, credit institutions	107.5	124.0	548.9
Blocked funds, other institutions	6.1	-	8.1
Floating charge	16.0	16.0	16.0
<i>Securities pledged for own debt</i>			
Shares in subsidiaries	23.9	32.8	23.5

Consolidated Cash-Flow Statement

SEK m	Jan.- Jun. 2002	Jan.- Jun. 2001	Jan.- Dec. 2001
Cash flow from ongoing operations, excluding settlement of executed equity transactions	2.3	5.4	10.9
Cash flow from ongoing operations attributable to settlement of executed equity transactions**	-397.9	-77.4	324.4
Cash flow from investment activity	-23.5	-19.8	-36.0
Cash flow from financing activity	4.6	13.9	4.0
Cash flow for the period	-414.5	-77.9	303.3
Liquid assets, opening balance	597.4	292.2	292.2
Liquid assets, translation differences	-3.5	0.3	1.9
Liquid assets, closing balance	179.4	214.6	597.4

* The Income Statement is according to Swedish legislation governing financial statements for credit institutions and securities corporations.

** The cash flow attributable to settlement of equity transactions executed on behalf of clients varies considerably from day to day because of delays in clients' delivery or payment of securities.

Change in Consolidated Shareholders' Equity,

SEK m	Jan.- Jun. 2002	Jan.- Jun. 2001	Jan.- Dec. 2001
Shareholders' equity, opening balance	255.6	235.1	235.1
Debtenture loan with detachable warrants	1.1		
New issue of shares coincident with utilization of warrants	8.0	16.0	16.0
Repurchase of warrants		-3.3	-3.3
Translation differences	-3.4	1.7	1.5
Reduction of restricted shareholders' equity	-0.7	-0.2	
Net earnings	-9.0	5.3	6.3
Shareholders' equity, closing balance	251.6	254.6	255.6

The restricted equity was SEK 234.6 m (230.5 m) at the end of the period. The non-restricted equity was SEK 17.0 m (24.1 m).

The accumulated translation differences as of June 30, 2002 amounted to SEK -1.3 m (2.4 m).

Consolidated Key Figures

SEK m	Jan.-Jun. 2002	Jan.-Jun. 2001	Jan.-Dec. 2001
Earnings/losses in summary			
Operating earnings before net financial items and depreciation	8.2	18.2	23.3
Operating earnings/losses before net financial items	-5.0	7.2	0.1
Margins			
Operating margin	8%	19%	12%
Net margin	neg.	7%	0%
Profit margin	neg.	5%	3%
Yield			
Average capital employed	479.3	390.6	415.9
Return on equity	neg.	2%	3%
Return on capital employed	neg.	3%	2%
Operational Key Figures			
Average no. of trading days on connected exchanges	123	124	251
Average daily trading value	2,271	1,999	1,975
Financial Position			
Equity/assets ratio	69%	67%	31%
Interest cover	neg.	290%	154%
Debt/equity ratio	0.3	0.3	2.0
Capital adequacy	110%	132%	79%
Share data			
No. of shares, ,000	43,655	42,655	42,655
Average no. of shares	43,025	41,187	41,927
Earnings per share, SEK	-0.21	0.13	0.15
Equity per share, SEK	5.76	5.97	5.99
No. of shares after full dilution, ,000	44,816	45,055	44,816
Average no. of shares after full dilution, ,000	44,816	45,104	45,079
Earnings per share after full dilution, SEK	-0.20	0.12	0.14
Equity per share after full dilution, SEK	5.82	6.08	6.09

No. of employees at end of period	80	65	76
Average no. of employees	79	64	67

Definitions, key financial ratios
Operating margin

Operating earnings before net financial items (*) and depreciation as a percentage of transaction revenues.

Net margin

Operating earnings before net financial items (*) and tax as a percentage of transaction revenues.

Profit margin

Earnings after tax as a percentage of transaction revenues.

Average capital employed

Average total assets less average interest-free liabilities including deferred tax liability.

Return on equity

Net earnings for the period as a percentage of the average shareholders' equity for the period.

Return on capital employed

Earnings for the year after net financial items plus interest costs in relation to the average capital employed.

Equity/assets ratio

Closing shareholders' equity as a percentage of the closing balance of total assets.

Interest cover

Operating earnings for the period plus interest expenses, divided by interest 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 the total risk-weighted amount of capital requirements for credit and market risk. (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.

Equity per share

The closing balance of shareholders' equity in relation to the average number of shares in the period.

Equity per share after full dilution

Closing shareholders' equity plus upcoming new issue in relation to the average number of shares after the new issue.

*Net financial items include, as from the Q1 2002 interim report, realized and unrealized exchange rate gains/losses on funds tied up in foreign currencies. The comparative figures for the previous periods have been re-stated.

Accounting Principles

The consolidated accounts have been prepared in accordance with Swedish legislation governing the annual reports of credit institutions and securities corporations (ÅRKL) and the Swedish Financial Supervisory Authority's stipulation FFFS 2001:19, applicable because the parent company is a financial holding company.

This Interim Report has been prepared in accordance with the Swedish Financial Accounting Standards Council's recommendation RR20 on Interim Reports.

All other accounting principles are the same as those applied in the preparation of the most recent Annual Report. The transference rules of the new recommendations have been applied since the interim report for first quarter 2001.

Audit Report

NeoNet's auditors have not reviewed this interim report.

Stockholm, August 22, 2002

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Future financial reports

Interim report Q3, 2002, October 24, 2002
Year-end-release 2002, January 30, 2003