

Interim Report 1 January – 30 September, 2002

The Period in Summary

- Transaction revenues increased by 4% to SEK 142.7 m compared with SEK 136.9 m last year.
- Revenues from electronic trading increased by 29%, totaling 85% (69%) of the transaction revenues.
- 56% (50%) of the period's transaction revenues were derived from trading on exchanges other than Stockholmsbörsen. Revenues from exchanges other than Stockholm and Helsinki increased by 74% to reach SEK 37.4 m (21.5 m).
- The share of transaction revenues from U.S. clients increased to 30%, compared with 18% on the same date last year.
- The operating earnings before depreciation and net financial items amounted to SEK 1.2 m (20.0 m).
- The operating margin was 1% (15%).
- The pre-tax loss was SEK –22.8 m (7.5 m). Realized and unrealized exchange rate losses of SEK –3.1 m (+3.6 m) on funds tied up in foreign currencies had a negative impact on the period's result.
- In the third quarter, NeoNet initiated measures to reduce costs by at least SEK 25 m net and to improve the cash flow by SEK 35 m on an annual basis. The implementation of the program-measures does not include any one-time, or up-front, costs.
- The consolidated shareholders' equity amounted to SEK 237.6 m (254.8 m) at the end of the period and the equity/assets ratio to 67%. The Group had cash in hand, excluding items relating to the settlement of clients' equity transactions, of SEK 157.8 m (193.1 m on 1 January).
- Investments were made in the amount of SEK 29.6 m (27.1 m), which is equivalent to 21% (20%) of the transaction revenues.
- The Milan Stock Exchange was connected to NeoNet's electronic exchange network during the period.

CEO's statement

"Despite a very negative trend on the world's stock exchanges, NeoNet has succeeded, over the past nine-month period, in increasing revenues and has a continued strong financial position with a good cash position. We have also attracted new clients in accordance with our ambitious objectives. This was achieved by intensifying our sales focus, developing closer relationships with clients, and expanding our network to include additional exchanges. NeoNet currently has clients in twelve countries, primarily in Scandinavia, the U.K. and the U.S.

The equity trading market has been experiencing a negative trend for some time and this was intensified in the third quarter. The trend of reduced turnover on the exchanges continued on a broad front. During the third quarter alone the stock turnover on the exchanges fell as high as 30%.

In this climate, the 4% growth in transaction revenues and the increase in average daily trading value of 6% must be seen as evidence of the strength of NeoNet's offering. Income from exchanges other than Stockholm and Helsinki increased by 74%. We have during the period continued to increase our market share on major European exchanges. During the third quarter, NeoNet's transaction revenues decreased by 8%, as compared to larger decreases in overall market.

The lower rate of revenue growth compared with previous quarters, combined with the costs relating to NeoNet's new markets, had a negative impact on the earnings and cash flow. NeoNet has set in motion measures to cut costs by at least SEK 25 m and increase the cash flow by at least 35 m annually. These measures include a new clearing and settlement structure and a slower development pace. These measures will have a limited effect on this year's result, but will be fully implemented by mid-2003.

Despite the development on the world's exchanges, NeoNet has increased its number of clients and market share. The trend towards increased electronic trading is working in NeoNet's favor; we have a strong position in the current climate and we will have good leverage when the market turns."

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 78 employees with offices in Stockholm, New York and London, is listed on the Stockholm Stock Exchange (ticker NEO), and has clients in twelve countries including the U.S. and U.K.

THE GROUP

Operations

In the third quarter, the Milan Stock Exchange was connected to NeoNet's exchange network.

The increase in client base has been good in both Europe and the U.S. NeoNet currently has clients in twelve countries.

In view of the fact that NeoNet has slowed the pace of product development to improve its cash flow, a decision was taken to prioritize the development of the new system platform. The ambition of offering the New York Stock Exchange and Virt-x – and by that 80% of the market capitalization of the world's exchanges – still stands, although completion will probably be delayed until 2004.

Trading value, revenues and earnings

NeoNet's average daily trading value increased by 6% for the nine-month period. On the most important exchanges for NeoNet – Stockholm and Helsinki – NeoNet reported a fall in daily trading value by 8% and 2%, respectively, compared to the same period last year. These two exchanges reported for the same period decreases in trading by 30% and 9% respectively.

The average daily intermediated trading value for the third quarter was SEK 1,416 m, a decrease of 12% compared to SEK 1,609 m for the same period last year. The reduction should be seen in the context of reported turnover reductions on the exchanges of 20 – 40% during the quarter. Rolling 12-month daily trading values amounted to SEK 2,061 m, which is 8% higher than one year ago.

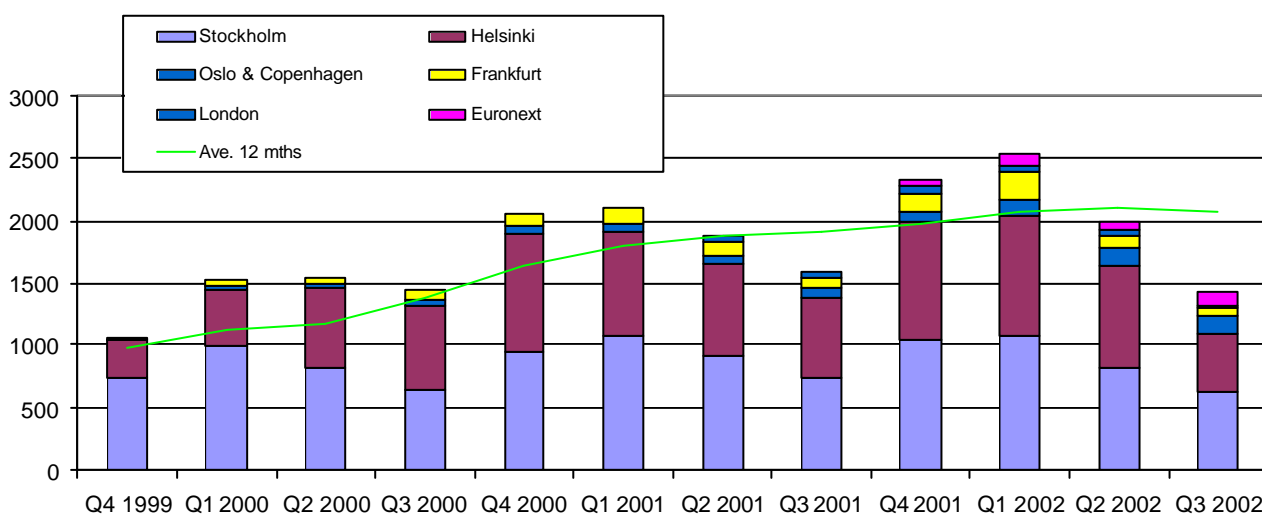
The consolidated transaction revenues for the period increased to SEK 142.7 m compared to SEK 136.9 m for the same period last year, which is an increase of 4%. There were 188 (189) trading days on the exchanges during the period.

Revenues from trading increased for the nine-month period on the exchanges connected to NeoNet with the exception of Stockholm and Helsinki where the trading was strongly effected by the fall in the markets during the third quarter. 56% (50%) of the period's revenues came from trading on exchanges other than Stockholmsbörsen. Revenues from exchanges other than Stockholm and Helsinki increased by 74% to reach SEK 37.4 m (21.5 m). Trading on the Euronext exchanges (connected to NeoNet at the beginning of 2001) grew and accounted for 6% of the revenues for the period. However, the amount of intermediated trading on Nasdaq has so far been very marginal.

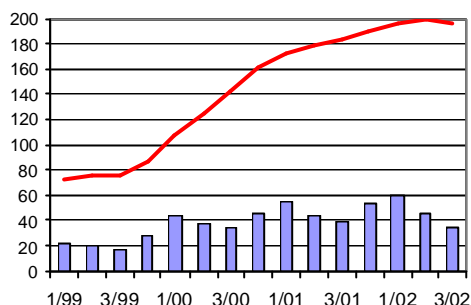
Distribution of Transaction Revenues by Exchange SEK m

	Jan.-Sept. 2002		Jan.-Sept. 2001	
Stockholm	63.0	44%	68.9	50%
Helsinki	42.3	30%	46.5	34%
Copenhagen & Oslo	8.3	6%	5.1	4%
Frankfurt	12.0	8%	10.4	8%
London	8.2	6%	6.0	4%
Euronext & Milan	8.9	6%	-	-
Total	142.7	100%	136.9	100%

Average Daily Trading Values (SEK m)



Total Quarterly Transaction Revenues and Rolling Four Quarters, SEK m



The third quarter's transaction revenues amounted to SEK 35.6 m, an 8% decrease from the same period last year. The usual seasonal downturn in the third quarter was intensified this year by a very strong fall in stock prices and turnover on leading exchanges.

The operating earnings before depreciation and net financial items for the nine-month period amounted to SEK 1.2 m (20.0 m) and for the quarter, SEK –7.0 m (1.8 m).

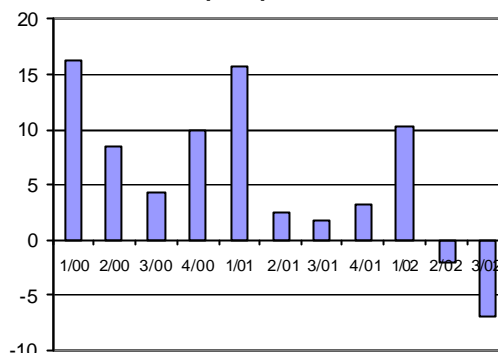
The fall in earnings has two reasons, firstly, a lower rate of revenue growth because of the current market conditions and secondly, a change in cost structure because of newly added exchanges, which have had an effect on the gross margin and operating expenses.

In order to improve gross margin, reduce costs and increase the cash flow, the following measures were therefore initiated during the summer:

- Introduction of a structure for clearing and settlement operations. The changes mean relatively extensive implementation of new procedures and processes and are therefore expected to take another six to nine months to fully implement.
- Reduction in the use of consultants, continued reduction of personnel expenses and renegotiation of datacommunication contracts.
- Slower pace for product development.

These measures, which are being implemented successively and according to plan, are expected to reduce operating costs by at least SEK 25 m annually. This is equivalent to a decrease in cost of 12 percent. The impact on this year's result will be limited, while the reduction is expected to have a greater impact from the beginning of next year and full effect in the mid of 2003. The annual cash flow is expected to increase by at least SEK 35 m.

Earnings before Net Financial Items, Depreciation and Tax, SEK m, per quarter



Income Statement in Summary

SEK m	July-Sept. 2002	July-Sept. 2001	Jan.-Sept. 2002	Jan.-Sept. 2001
Transaction revenues	35.6	38.9	142.7	136.9
Other operating income	1.6	1.4	5.3	5.4
Transaction expenses ¹	-13.9	-10.8	-47.3	-33.4
Personnel expenses	-12.3	-12.9	-40.5	-42.0
Other operating exp. ²	-18.0	-14.8	-59.0	-46.9
Operating earnings/losses before depreciation (EBITDA)	-7.0	1.8	1.2	20.0
Operating margin	-20%	5%	1%	15%
Depreciation	-7.9	-5.8	-21.1	-16.8
Net financial items	0.2	4.3	-2.9	4.3
Pre-tax earnings/losses	-14.7	0.3	-22.8	7.5

Realized and unrealized exchange rate losses in the amount of SEK 3.1 m on funds tied up in foreign currencies had a negative impact on the earnings for the period. The Group reported a pre-tax loss for the quarter of SEK –14.7 m and for the period of SEK –22.8 m compared to SEK 0.3 m and SEK 7.5 m respectively for the same periods last year.

The earnings per share for the period amounted to SEK –0.54 (0.14).

Clients

The client growth has for the period mainly been in the U.S., the U.K. and Sweden.

Transaction revenues from U.S. clients increased by 78% compared with the same period last year. At the same time, a fall in revenue from clients in Europe outside Sweden was reported. This was mainly the result of a decline in trading on the Stockholm and Helsinki exchanges.

¹ Including variable costs for settlements

² Excluding variable costs for settlements, but including costs of services sold

**Distribution of Transaction Revenues by Client Location
SEK m**

	Jan.-Sept. 2002		Jan.-Sept. 2001	
Sweden	71.3	50%	69.9	51%
Rest of Europe	27.9	20%	42.6	31%
U.S.	43.5	30%	24.4	18%
Total	142.7	100%	136.9	100%

Investments

Investments were made in the period in the amount of SEK 29.6 m (27.1 m). Of this amount SEK 23.3 m (19.9 m) was used to enhance NeoNet's electronic exchange network. Investments corresponded to 21% (20%) of the transaction revenues.

Liquidity and financial position

The Group had cash in hand as of 30 September of SEK 157.8 m (193.1 m on 1 January). Of this amount, SEK 16.6 m consisted of a net claim (net liability of 404.3 m on 1 January) in settlement positions and deposits with clearing houses, making reported liquid assets in the balance sheet of SEK 141.2 m as of 30 September, compared with SEK 597.4 on 1 January. The fluctuations are normal for this kind of business.

The Group has no interest-bearing liabilities except for intra-day loans to cover 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 amounted to SEK 237.6 m (254.8) and the capital adequacy ratio was 112% (94%). The consolidated equity/assets ratio was 67% (58%) and the shareholders' equity per share was SEK 5.44 (5.97).

The Group has a disputed claim of a nominal amount of SEK 10 m (EUR 1.1 m). At present, the judgement is that there is no cause for provisions.

The subsidiary NeoNet Securities AB, together with other exchange members, have sued the Stockholm Stock Exchange in a dispute concerning repayment of value added tax. NeoNet's share of the total claim amounts to SEK 4.3 m. The amount has not been posted as an asset in the balance sheet.

Financial objectives

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.

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.

As a result, 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 through an anticipated increase in trading among its clients, and through a continued expansion of its client base, which is mainly the result of the fact that a growing number of the world's exchanges are connected to NeoNet's exchange network.

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 0.8 m (-3.2 m). The equity in the parent company amounted to SEK 238.9 m (234.9 m) at the end of the period. It had liquid assets as of 30 September of SEK 1.2 m compared with SEK 54.4 m as of the same date in 2001. The fall is explained by the fact that funds have been loaned to the wholly owned subsidiaries.

No investments were made during the nine-month period, while investments in the same period last year amounted to SEK 0.3 m.

Consolidated Income Statement*

SEK m	3 month July-Sept. 2002	3 month July-Sept. 2001	9 month Jan.-Sept. 2002	9 month Jan.-Sept. 2001	12 month Oct.-Sept. 2002	12 month Oct.-Sept. 2001	12 month Jan.-Dec. 2001
Transaction revenues	35.6	38.9	142.7	136.9	195.9	183.2	190.1
Commission expenses	-6.2	-5.3	-20.4	-16.9	-27.6	-22.5	-24.1
Interest income	1.4	2.0	5.9	5.5	8.3	7.0	8.0
Interest expenses	-1.7	-1.0	-5.7	-4.8	-7.4	-7.1	-6.5
Net earnings from financial transactions	0.5	3.3	-3.1	3.6	-4.7	4.6	1.9
Other operating revenues	1.6	1.4	5.3	5.4	7.1	7.7	7.2
Total operating revenues, net	31.2	39.3	124.7	129.7	171.6	172.9	176.6
General administrative expenses							
Other operating expenses	-25.7	-20.3	-85.9	-63.4	-115.8	-82.8	-93.3
Personnel expenses	-12.3	-12.9	-40.5	-42.0	-55.1	-55.7	-56.6
Depreciation	-7.9	-5.8	-21.1	-16.8	-27.5	-20.2	-23.2
Total operating expenses	-45.9	-39.0	-147.5	-122.2	-198.4	-158.7	-173.1
Operating earnings/losses	-14.7	0.3	-22.8	7.5	-26.8	14.2	3.5
Tax	0.6	0.2	-0.3	-1.7	4.2	2.3	2.8
Earnings/losses for the period	-14.1	0.50	-23.1	5.8	-22.6	16.5	6.3
Earnings per share, SEK	-0.34	0.01	-0.54	0.14	-0.52	0.40	0.15
Earnings per share after full dilution, SEK	-0.34	0.01	-0.54	0.13	-0.52	0.37	0.14
No. of shares, 000	43,655	42,655	43,655	42,655	42,655	42,655	42,655
Average number of shares, 000	43,655	42,655	43,237	41,681	43,090	41,011	41,927
Average no. of shares after full dilution, 000	44,816	45,055	44,816	45,088	44,875	44,710	45,079

Consolidated Balance Sheet

SEK m	Sept. 30, 2002	Sept. 30, 2001	Dec. 31, 2001
ASSETS			
Cash and lending to credit institutions	141.2	308.4	597.4
Intangible fixed assets	59.2	48.8	51.1
Goodwill	0.7	0.9	0.8
Tangible fixed assets	16.2	15.3	15.5
Other assets	127.5	53.6	141.6
Prepaid expenses and accrued income	7.9	10.2	6.7
Total assets	352.7	437.2	813.1
LIABILITIES, PROVISIONS AND SHAREHOLDERS' EQUITY			
Liabilities to credit institutions	38.1	4.2	54.4
Other liabilities	58.0	156.1	481.6
Accrued expenses and deferred income	15.4	17.1	17.9
Subordinated debt	0.1	0.4	0.4
Provisions	3.5	4.6	3.2
Shareholders' equity			
Share capital	2.2	2.1	2.1
Restricted reserves	247.5	228.1	228.1
Earnings carried forward	11.0	18.8	19.1
Earnings for the period	-23.1	5.8	6.3
Total liabilities, provisions and shareholders' equity	352.7	437.2	813.1
Memorandum items			
<i>Other pledged securities</i>			
Blocked funds, credit institutions	110.1	185.2	548.9
Blocked assets, other institutions	23.4	0.1	8.1
Floating charge	16.0	16.0	16.0
<i>Securities pledged for own debt</i>			
Shares in subsidiaries	23.4	23.5	23.5

Consolidated Cash-Flow Statement

SEK m	Jan.- Sept. 2002	Jan.- Sept. 2001	Jan.- Dec. 2001
Cash flow from ongoing operations, excluding settlement of executed equity transactions	-22.7	7.5	10.9
Cash flow from ongoing operations attributable to settlement of executed equity transactions**	-405.5	18.5	324.4
Cash flow from investment activity	-29.6	-27.1	-36.0
Cash flow from financing activity	4.7	13.7	4.0
Cash flow for the period	-453.1	12.6	303.3
Liquid assets, opening balance	597.4	292.2	292.2
Liquid assets, translation differences	-3.1	3.6	1.9
Liquid assets, closing balance	141.2	308.4	597.4

* The Income Statement is drawn up 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.-Sept. 2002	Jan.-Sept. 2001	Jan.-Dec. 2001
Shareholders' equity, opening balance	255.6	235.1	235.1
New issue of shares coincident with utilization of warrants	8.0	16.0	16.0
Stock premium warrants	1.1		
Repurchase of warrants		-3.3	-3.3
Translation differences	-3.1	1.6	1.5
Reduction of restricted shareholders' equity	-0.9	-0.5	
Net earnings	-23.1	5.8	6.3
Shareholders' equity, closing balance	237.6	254.8	255.6

The restricted equity was SEK 249.7m (230.5 m) at the end of the period. The non-restricted equity was SEK -12.1 m (24.6 m).

The accumulated translation differences as of 30 September, 2002 amounted to SEK -1.0 m (2.1 m).

Consolidated Key Figures

SEK m	Jan.-Sept. 2002	Jan.-Sept. 2001	Jan.-Dec. 2001
Earnings/losses in summary			
Operating earnings before net financial items and depreciation	1.2	20.0	23.3
Operating earnings/losses before net financial items	-19.9	3.2	0.1
Margins			
Gross margin	62%	78%	75%
Operating margin	1%	15%	12%
Net margin	Neg.	2%	0%
Profit margin	Neg.	4%	3%
Yield			
Average capital employed	448.4	378.2	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	188	189	251
Average daily trading value	1,969	1,856	1,975
Financial position			
Equity/assets ratio	67%	58%	31%
Interest cover	Neg.	256%	154%
Debt/equity ratio	0.4	0.6	2.0
Capital adequacy	112%	94%	79%
Share data			
No. of shares, 000	43,655	42,655	42,655
Average no. of shares, 000	43,237	41,681	41,927
Earnings per share, SEK	-0.54	0.14	0.15
Equity per share, SEK	5.44	5.97	5.99
No. of shares after full dilution, 000	45,055	45,055	44,816
Average no. of shares after full dilution, 000	44,816	45,088	45,079
Earnings per share after full dilution, SEK	-0.52	0.13	0.14
Equity per share after full dilution, SEK	5.48	6.08	6.09

No. of employees at end of period	78	70	76
Average no. of employees	79	65	67

Definitions, key financial ratios
Gross Margin

Gross profit, i.e. total revenues less transaction expenses and costs of services sold, in percent of transaction revenues.

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.

Audit Review

Auditors from Öhrlings PricewaterhouseCoopers AB have reviewed the Swedish version of this report.

Additional information is available from:

Torvald Bohlin, CEO
Tel.: +46 (0)8 454 15 39
torvald.bohlin@neonet.se

Website

www.neonet.se

Future financial reports

Year-end release 2002, 30 January, 2003
Annual General Meeting 2003, 7 May, 2003
Interim report Q1 2003, 7 May, 2003

Stockholm, 24 October, 2002

NeoNet AB (publ)

Torvald Bohlin
Chief Executive Officer