

An organization focused on generating business

CEO'S STATEMENT We have implemented many positive changes, the main purpose of which is to create a business that is highly efficient with good growth potential. The results are already apparent in increased revenues, reduced investment requirements, and steadily falling costs.

Revenue Growth and Improved Operating Earnings

It was very exciting to take over as NeoNet's CEO in a period of great transition. Compared to the situation in 2003 when trading on the leading stock markets was at a low ebb, our starting point entering 2004 was more positive.

In the first months of the year the level of activity on the exchanges was high. Trading then declined during the spring and summer months before recovering towards the end of the year. We enjoyed strong growth, and revenues for the year increased by 34% as a result of more intense trading among new and existing clients.

The operating earnings before depreciation and net financial items for the year totaled SEK 26.5 m, which is a significant improvement on the 2003 figure of SEK -17 m. The greatly improved operating earnings in combination with decreased investment levels resulted in a positive underlying cash flow. The annual rate of investment is currently around SEK 15 m. Successful efforts to reduce costs compensated for increased price competition in the direct market access segment. Personnel and other operating expenses were kept at the same level as the previous year thanks to a successfully implemented plan to realize cost synergies following the acquisition of Lexit at the end of 2003 and to a reduced number of employees.

The earnings were, however, affected by high levels of depreciation and net financial expense. Depreciation is expected to fall to around SEK 27 m in 2005, partly due to the end of goodwill amortization. Action has been taken to lower the net financial expense.

New Financial Goals

The Group's growth goal proved to be too aggressive and has therefore been re-evaluated. Our new goal is to steadily increase operating revenues over a four-year period to reach at least SEK 400 m in 2008. The operating margin will be improved to reach 25% towards the end of the four-year period.

Positive Changes for the Future

In 2004 we implemented a number of major changes to promote growth and profitability. The most important actions have been intensifying and developing client relations and establishing a new and stronger sales organization. We can generate revenues earlier by focusing on shortening the time from the first contact with a client to the first executed trade. Many of NeoNet's new clients are based outside the Nordic region, which reflects our efforts to geographically broaden the client base.

During the first half of the year, we concluded extensive development work on our new trading platform, which provides clients with a marked improvement in flexibility and performance. The platform has been in operation since June and we can report that it more than fulfils the requirements posed by increased volumes and several different types of clients.

NeoNet's offering was expanded to include trading on the Madrid and Lisbon exchanges as well as the Swiss Virt-x. To further enhance NeoNet's service to clients and improve the efficiency of our internal processes, new systems were introduced for generating client reports and for clearing and settlement processes.

In 2005 NeoNet's development work will focus mainly on advanced and user-friendly trading functionality. This concentration of resources will allow the rate of investment to be kept at its current low level, while maintaining the necessary stability, performance and flexibility.

Strong Starting Point

NeoNet's strong offering puts the company in a prominent position in the direct market access (DMA) segment. Our strength lies in the combination of a very powerful trading platform, extremely fast direct market access to all of the leading European and U.S. exchanges, and a professional trading desk. One important aspect of our offering is that we exclusively execute trades on behalf of clients, i.e. we are not involved in proprietary trading. This eliminates the potential for conflicts of interest that could otherwise arise. Our business model makes NeoNet neutral and independent.

The DMA market is now transitioning from a build-up phase to a growth and maturity phase. Clients have the potential to trade more efficiently and to increase their returns considerable by making greater use of direct market access. This potential is greatest among institutional investors, who are currently only using DMA to a limited extent and only in a few marketplaces. We believe institutional investors in Europe could increase their use of direct market access from today's average of five to ten percent to a situation where one third of their trading is conducted through direct market access.

Thanks to our highly competitive offering and determined sales efforts, I look forward with confidence to a strong 2005.



Simon Nathanson
President and CEO

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Financial Reporting in 2005

First Quarter Interim Report: May 10, 2005
Annual General Meeting: May 10, 2005
Second Quarter Interim Report: August 18, 2005
Third Quarter Interim Report: October 25, 2005
Year-End Report: February 9, 2006

www.neonet.biz

» Professional investors' natural choice for direct market access «

Business Concept and Offering

NeoNet's ambition is to be the professional investors' natural choice for direct market access. The company's business concept is to offer equity execution for professional investors based on close relationships with clients. We do this by offering clients independent and efficient trading services for very competitive prices.

Clients can trade through electronic direct market access (DMA) or place orders with NeoNet's sales traders. NeoNet is a neutral and independent agency broker that conducts no proprietary trading, only executing trades on behalf of clients, which eliminates the risk for conflicts of interest.

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History

NeoNet was founded in 1996 by a group of experienced traders and IT specialists. The basic concept is just as strong today as it was back then – to challenge the traditional method of trading equities with an efficient, electronic-based service for a very competitive price. Initially, NeoNet offered trading over the trading desk at the Stockholm Stock Exchange. Later the same year, electronic direct market access was added. NeoNet is one of the pioneers in this field and has accumulated expertise and reached a leading position within international direct market access for professional investors.

After enabling direct market access at the Stockholm Stock Exchange, the next step was to expand the offering to include trading on other Nordic exchanges. NeoNet then expanded to include other leading European exchanges, as well as the important U.S. marketplaces. The company now offers trading on 16 exchanges in Europe and the U.S.

The first office outside Sweden was opened in New York in 1999 and sales and representative offices have subsequently been established in the U.K., Italy, Switzerland, Spain and Germany. NeoNet was listed on the O-list of the Stockholm Stock Exchange in the fall of 2000. In 2003 NeoNet acquired Lexit, a U.S. broker. Lexit's operations were integrated into NeoNet in 2004 and is now being operated under the NeoNet brand.

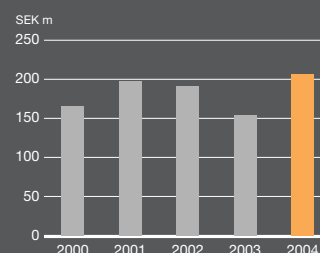
Financial Performance

- **Operating revenues**¹⁾ increased by 34% amounting to SEK 206.8 m (SEK 154.1 m)
- **Operating earnings** before depreciation and net financial items (EBITDA) improved significantly amounting to SEK 26.5 m (SEK -17.0 m)
- **Earnings after tax** amounted to SEK -20.3 m (SEK -47.1 m)
 - **Earnings per share** amounted to SEK -0.40 (SEK -1.05)
- **Underlying cash flow**²⁾ improved and amounted to SEK 10.9 m (SEK -49.4 m)
- **Investments** decreased and totaled SEK 16.6 m (SEK 31.7 m)
- **Consolidated equity** amounted to SEK 212.0 m (SEK 234.3 m) at the end of the period, and the equity/assets ratio was 62% (54%)

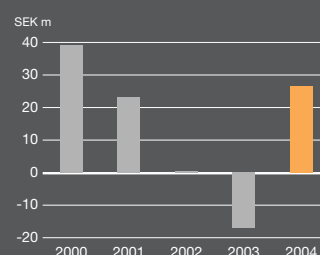
Events During the Year

- **New CEO** – Simon Nathanson took up the position as the new President and CEO in March 2004.
- **New trading platform** – A new generation of NeoNet's trading platform with significantly enhanced performance, flexibility and capacity was launched.
- **Expanded trading opportunities** – The offering was expanded to include trading on the Madrid and Lisbon exchanges and on the Swiss Virt-x. NeoNet now offers trading on 16 exchanges in Europe and the U.S.
- **New co-operation** – In 2003 co-operation was initiated with SIS SegalInterSettle, SimCorp and Thomson Financial. NeoNet now has co-operations with a total of ten industry players.
- **Cost-saving program** – Gradual cost-saving measures were implemented in 2004, as a result, among other things, of realized cost synergies following the Lexit acquisition. Personnel and other operating expenses were kept at the same levels, amounting to SEK 115.2 m (SEK 116.0 m).
- **Integration of Lexit** – The integration process that began after the acquisition at the end of 2003 was concluded. All trading now goes through one trading platform and the subsequent clearing and settlement is handled by a common system.
- **New issue** – At an extraordinary meeting of shareholders in February 2004, the Board's proposal to issue debentures with detachable warrants was adopted. This will finance the increased collateral requirements in connection with clearing and settlement. The issue injected SEK 50.6 m before the deduction of issue and guarantee costs of SEK 2.4 m.

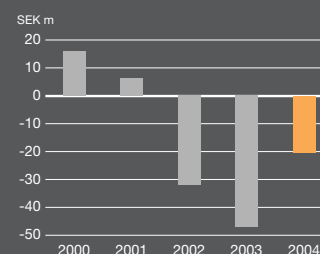
Operating Revenues



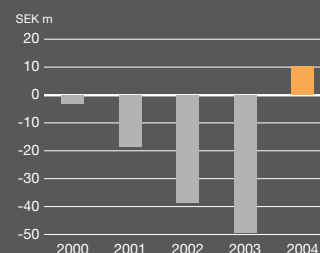
Operating Earnings Before Depreciation and Net Financial Items



Earnings after tax



Underlying Cash Flow



1) Transaction revenues and other operating revenues.

2) Cash flow from operations excluding net interest income/expense before changes in assets and liabilities, less cash flow from investments excluding acquisitions.

The financial objectives will be achieved through increased sales and high efficiency

FINANCIAL OBJECTIVES

The growth goal was assessed to be too aggressive and has therefore been re-evaluated. The previous growth goal involved an increase in revenues of at least 50% per year.

NeoNet's financial objectives up to and including 2008 are as follows:

- The operating revenues shall grow steadily during the period to reach at least SEK 400 m in 2008.
- The operating margin shall be improved to 25% towards the end of the four-year period.

The financial objectives require a continued focus on growth and good profitability. In order to achieve the profitability goal, it will be necessary for fixed and translation-related costs to be maintained at a low level.

A strong focus on client-oriented functionality development will be needed in order to remain competitive. The company expects to be able to achieve this with the current rate of investment.

NeoNet predicts continued strong growth, mainly due to the trend towards the increasing use of direct market access. The company's focus on sales and client-driven product development is strengthening the underlying positive trend.

Achieving the financial objectives is dependent on the performance of the stock markets since there is a clear correlation between NeoNet's revenue trend and the trading values on the markets, which is difficult to predict. The transaction-related expenses are affected by such things as the trading patterns of NeoNet's clients.

»NeoNet has four main strategies for achieving the financial objectives. We are now focusing even more on increasing revenues through intensified sales initiatives in combination with client-driven product development and sustained cost efficiency.«

Strategies for Achieving our Objectives

Attract new clients

Status

The inflow of clients has continued at a good pace and many of the clients are based outside the Nordic region, which reflects NeoNet's focus on geographically broadening the client base.

Outlook

The strategy is to increase the inflow of new clients primarily in Europe and North America. By continuing to focus on players who trade intensively, we will achieve high revenue levels shortly after they have become NeoNet's clients.

One of the ways to achieve this is to reinforce the sales organization. At present over a third of the employees work with sales and developing existing client relations. Local sales representatives are in place in the prioritized client markets.

Increase trading values among existing clients

Status

Many clients have been trading with NeoNet for a long period. 80% of the revenues in 2004 were generated by clients who started trading in or before 2002.

Outlook

The general trend in which direct market access is increasing in importance benefits NeoNet because clients are expected to gradually increase the portion of their trading that is executed through direct market access. Trading is also increased when clients use NeoNet to trade on more and more marketplaces. To further support this positive trend, NeoNet will be intensifying its sales activities to forge closer relationships with clients and thereby increase trading through NeoNet.

Another important aspect of this strategy is to increase integration between NeoNet's trading platform and the clients' trading and administration systems. Much of this system integration comes about through co-operation with various industry players, particularly software suppliers. Clients can keep their existing systems and relationships and still be able to trade through NeoNet. The benefits for the clients are that there are few visible changes, minimal training times, lower transaction costs and greater efficiency.

Expand the product offering

Status

In 2004 NeoNet launched a new generation of its trading platform as an important step towards being able to handle the growing base of clients who trade intensively. Also in 2004, NeoNet introduced new systems for generating client reports and for clearing and settlement processes to further improve NeoNet's service in these areas.

Outlook

A number of services and functions will be launched during the year to further strengthen NeoNet's position as a leading player in the direct market access segment. The offering will be developed to include more advanced trading functionality, such as electronic program trading.

A number of marketplaces in Europe and the U.S. could be added to NeoNet's global offering. New services will be developed based on client requirements with the aim to improve efficiency and facilitate trading through NeoNet.

Improve operational efficiency

Status

Efforts to reduce costs in 2004 were successful at the same time as the rate of investment was reduced considerably. Keeping costs low is an important factor in maintaining margins and being able to compete with an attractive price. The integration of Lexit means that all trading now goes through one trading platform and the subsequent clearing and settlement is handled by a common system. Cost synergies in connection with the acquisition have also been realized according to plan.

The sales process in the direct market access market for professional players is normally a relatively long one. It is not unusual for it to take a number of months from the first contact until trading can begin. This is because the decision processes are extensive and implementation can be complex.

Outlook

There is clear potential in improving efficiency in sales and client implementation. Shortening the time from the first contact with a new client to initiation of trading will enable NeoNet to access new sources of revenue more quickly.

By changing the routines and the organization, and having clear internal goals, the time from first contact to the time when a new client starts to trade can be shortened significantly allowing new revenue to flow in to NeoNet sooner.

Attractive offering for professional investors

NeoNet offers professional investors independent and neutral direct market access to 16 leading exchanges in Europe and the U.S. For a very competitive price, NeoNet's clients can consolidate their national and international trading through a fast, reliable and efficient equity trading service.

NeoNet's clients are offered all of the important stages in the transaction chain – from order entry to execution and delivery – with NeoNet acting as the client's counterparty for executed transactions. In addition to electronic direct market access, NeoNet offers its clients the option to trade via experienced traders at the trading desks in New York and Stockholm.

The New Trading Platform

In the middle of 2004 NeoNet launched an entirely new electronic trading platform with significantly enhanced performance, flexibility and capacity, making it possible to offer additional trading functionality and to handle an increased inflow of new clients. The new platform's capacity is on a par with the powerful trading systems that the exchanges themselves use, and it can also be upgraded relatively easily if necessary.

In addition to the entirely new central platform, NeoNet simultaneously launched a new trading application with a new and more flexible user interface. A new so-called FIX engine (Financial Information

eXchange protocol) was also introduced as part of the trading platform. The FIX engine is a module used for communication with the systems of clients or marketplaces.

During the year, NeoNet also launched functionality enabling clients to send an order electronically to NeoNet's trading desk directly from their trading applications and then monitor the order's execution. This means that the orders that clients wish to be handled by NeoNet's sales traders will also be part of the electronic transaction chain.

New systems for generating client reports and handling clearing and settlement were launched in 2004 for NeoNet's trading on all of the connected exchanges. The new systems allow NeoNet to offer better service to clients and to improve the efficiency of its internal processes.

NeoNet offers clients direct market access to many of the world's leading exchanges. NeoNet has membership at the exchanges in Amsterdam, Brussels, Copenhagen, Frankfurt, Helsinki, Lisbon, London, Milan, Oslo, Paris, Stockholm and Virt-x. Trading is also offered via

ECNs (Electronic Communications Networks) and local intermediaries on the Madrid exchange, Nasdaq, New York Stock Exchange, American Stock Exchange, OTC Bulletin Board and Pink Sheets.

NeoNet will constantly add new services to improve and simplify client trading and administration. The plan is to expand the offering in these as well as other areas:

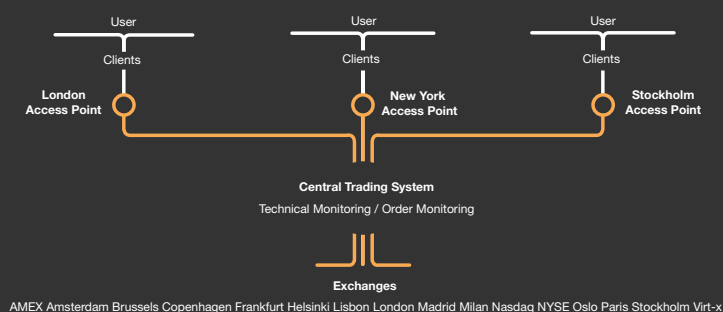
- Program trading – provides support for clients trading equity portfolios on the markets where NeoNet offers trading.
- Algorithmic trading – adds functionality to execute trades with the help of advanced trading conditions and mathematical models.
- New order types – increases flexibility when placing orders and is an adjustment to accommodate the increasingly advanced trading strategies of clients.
- Market data – with an even better use of NeoNet's very fast market data information.
- More marketplaces – based on client demand and revenue potential.

»The demand for direct market access is growing and
our offering to professional investors is very attractive«

The Electronic Trading System

Through NeoNet's electronic trading platform, the clients get real-time information about prices, market activity and order depth. To trade electronically, clients either use NeoNet's proprietary trading application or integrate NeoNet with their existing systems through the standard FIX protocol. Because all trading activities are handled through a single trading platform, clients can monitor and uniformly trade on several

marketplaces simultaneously. NeoNet has also developed a trading application as an alternative for the clients who do not use their own trading system for order entry. NeoNet's trading application, which is the interface used for order entry, is simple to install and use, and all that is needed is a modern PC with a Windows-based operating system.



ONLY IN THE INTEREST OF CLIENTS

NeoNet executes trades exclusively on behalf of clients and conducts no proprietary trading. This eliminates the potential conflicts of interest than can arise for broker-dealers when prioritizing proprietary and client trades. Trading through NeoNet is therefore entirely neutral and independent.

SPEED AND EFFICIENCY

NeoNet offers very fast direct market access, which improves efficiency for clients and allows them to benefit from advanced trading strategies. The speed has been optimized through connections developed by NeoNet to each of the marketplaces and by the direct distribution of market data from the exchanges where NeoNet is a member.

RELIABLE TRADING PLATFORM

The new trading platform is highly accessible, secure and reliable, which is important since NeoNet's clients are increasingly relying on direct market access. The platform offers very high performance and can handle large flows and advanced trading patterns. To achieve a high level of efficiency throughout the transaction chain, the trading platform is also electronically integrated with NeoNet's systems for customized reporting and administration of clearing and settlement.

CONSOLIDATED TRADING

Through NeoNet's offering, clients have access to all of the 16 connected exchanges in the same way as if the clients themselves were members of those exchanges. In NeoNet's offering many of the various distinctive features of the marketplaces have been removed so that clients can uniformly trade on all of them. All trades are executed in NeoNet's name and clients are therefore completely anonymous.

VERY COMPETITIVE PRICE

NeoNet has made its core service – efficient trading – into a separate service, which means that clients can see very clearly what they are paying for. The price of NeoNet's services is significantly lower than that of most other brokers. For broker services that traditionally include analysis, the price is usually three to six times higher. NeoNet's price for direct market access is very competitive compared to other similar offerings.

SALES TRADERS ADD VALUE

As an alternative to direct market access, clients have the option to trade on all of the connected markets via NeoNet's trading desks in Stockholm and New York. The sales traders add value by conducting trades based on their experience in electronic and international equities trading combined with knowledge of the local marketplaces. NeoNet's trading desks also offer so-called program trading for equity portfolios, and execution of complex and sizeable orders. Client trading over the trading desks is fully integrated with electronic market access. The sales traders also act as contacts, providing support for clients in trading-related issues.

NeoNet's offering – a sample transaction

❖ Decision to trade

- The client decides to buy 100,000 Telecom Italia shares on the Milan stock exchange through NeoNet.

❖ Trading on the exchange

- The client submits a buy order electronically and this is forwarded automatically to the Milan stock exchange by NeoNet.
- When the order finds a matching sell order the client receives real-time electronic confirmation of the transaction's execution. (At this point the trade is only a "handshake" as no payment has been made and no shares have been delivered.)
- At the client's request a report can be sent out once or several times a day summarizing the transactions that have taken place via NeoNet during the day.

❖ Allocation of the transaction

- If the client is a fund manager the manager sends NeoNet details of the funds to which the purchased shares are to be allocated.
- NeoNet sends confirmation of the transaction and allocation where applicable, and information about the payable broker's commission. This confirmation, which also serves as a contract note, is sent through the medium and in the format requested by the client.

❖ Instruction to the bank

- The client instructs its bank on all details of the transaction and to which account the bank is to deposit funds for the purchase.

❖ Payment is exchanged for delivery of shares

- (after two or three days, depending on the exchange)
- The shares are exchanged for payment by the Italian central securities depository. The shares are then sent to the client's custody account and the broker's commission is sent to NeoNet. Payment for the shares is deposited in the seller's bank account.
- The share register is updated and the transaction is complete.

Increased demand for direct market access

2004 started with a period of very high trading activity levels on the leading exchanges began. Trading then declined during the spring and summer months before recovering towards the end of the year. NeoNet's revenues and earnings are clearly linked to the activity on the connected exchanges, because the revenues consist of commissions on the values traded by clients via NeoNet.

Direct Market Access is Growing

The use of electronic direct market access (DMA) among professional investors has expanded. Previously only a few pioneers were using this method; now electronic DMA is being used by many professional investors. The importance of DMA has increased sharply over the past few years, particularly in the U.S. but also in Europe.

siderably higher price. Over the past few years, new types of players have challenged the traditional full-service model. With the help of new technology and by offering selected services for a very attractive price, these players have increased their share of the market. NeoNet, with a business model that focuses on independent and neutral direct market access, is a pure player

are increasingly turning to brokers who only offer effective, fast and transparent direct market access. This is where NeoNet's offering is highly competitive.

Clients Increase Demands on Direct Market Access

In addition to a low price, the demand among clients for neutrality has also clearly grown over the past few years. NeoNet trades exclusively on behalf of its clients, conducting no proprietary trading. This eliminates the potential conflicts of interest that can arise when clients trade in the traditional way. NeoNet is seen as a neutral and independent player.

Clients are also demanding greater performance, accessibility and speed from trading systems. These factors are becoming more important because the clients are increasingly realizing that direct market access is a business critical part of their trading activities.

Other factors that indicate continued growth for NeoNet are the technological advances that are creating more and more opportunities for advanced options to make clients' trading as efficient as possible. The constant deregulation of equities trading on the global market also means that there will be greater opportunities for more efficient trading across national boundaries.

»Cost-consciousness and the trend towards more advanced trading patterns are increasing the demand for direct market access«

This development is driven by a number of factors where increased cost-consciousness, more advanced trading patterns, and an aspiration for greater insight and control of order entry are important driving forces. The regulatory requirements relating to increased transparency and competition have also provided impetus to the trend towards the growing use of direct market access.

Full Service Offering is Challenged

Traditionally, broker-dealers offered a full-service package including manual execution, analysis and advice, but for a con-

of this type. Other types of players that have challenged the traditional full-service model are independent research firms, independent corporate finance advisors, and independent fund managers.

It should be noted, however, that NeoNet's offering is, in many respects, a complement to traditional broker-dealer services. NeoNet is not a direct competitor since the services offered are not fully comparable and are purchased, to some extent, for different purposes.

In order to have access to analysis and other services, institutional investors often use full-service brokers. However, they

»In a few years it is entirely conceivable that a third of the professional investors will conduct all of their trading via direct market access«

Direct Market Access Players

A number of players offer direct market access in various forms. They can be roughly divided into the following categories:

Character	Type of player	Services offered	Price index	Level of globalization	Client profile
Major players 	Global broker-dealers	Offering various financial services	100	High	Broad client base with all types of clients
Local players 	Regional and local broker-dealers	Financial services with a local flavor	80	Low	Local client base with all types of clients
The challengers 	Independent direct market access brokers	Pure direct market access. Often supplemented by services via a trading desk.	30	Medium	Professional investors

In simple terms, the equities trading chain consists of the following players who work in cooperation:

- Investors – the end-clients in the chain who are either institutional investors or private individuals.
- Brokers – investors use brokers to trade equities in marketplaces where the brokers are members.
- Marketplaces – mainly exchanges, but also so-called crossing networks or ECNs that match buy and sell orders and compete with the exchanges.
- Clearing and settlement players – central securities depositories and, in many markets, clearing houses that handle the processes when equities are exchanged for payment.

Strong institutional investors, hedge funds and broker-dealers as clients

NeoNet focuses on three main segments of professional clients: broker-dealers, institutional investors and hedge funds. At the end of 2004, NeoNet had clients in 17 countries. In 2004, 20% of the clients accounted for 61% of NeoNet's transaction revenues.

Institutional Investors Require Independent Trading

In 2004, 27% of NeoNet's transaction revenues originated from institutional investors. These investors, who are not usually members of an exchange, include, for example, fund, insurance and investment companies. NeoNet's independent, efficient and transparent offering means lower transaction costs and better insight in the order entry process. This also makes it possible for the entire transaction chain to be electronic, making clients' internal processes more efficient. This client group also uses NeoNet's trading desks to a greater extent than other clients.

Hedge Funds with Advanced Trading Patterns Conducting Intensive Trading

Hedge funds are a form of institutional investor, but they can also be said to make up a segment of their own. A hedge fund has a more flexible investment focus and distinguishes itself in that it normally involves more intensive trading and often has more advanced trading patterns than a regular investment fund. These funds often have the ability to sell short, take loans to add to the fund's capacity, and invest in several different types of securities. In 2004, hedge funds generated 20% of NeoNet's transaction revenues.

Broker-Dealers are Seeking More Efficient Trading Options on More Exchanges

NeoNet's third client category, broker-dealers, accounted for 53% of NeoNet's total transaction revenues in 2004. A broker-dealer can be a player that transacts trades on behalf of clients or one that seeks arbitrage opportunities and conducts proprietary trading activities. They are used to electronic trading and, in many cases, are members of various exchanges. Broker-dealers become NeoNet's clients primarily to gain efficient trading access to exchanges where they are not themselves members.

Geographical Distribution

In 2004, 52% of NeoNet's transaction revenues came from clients in the Nordic region, 20% from clients in North America, and 28% from clients in Europe, excluding the Nordic region. The three largest client markets are Sweden, the U.S. and the U.K.

Sales, Marketing and Client Service

In 2004 the efforts to strengthen relationships with the existing clients and forge agreements with new ones were intensified. NeoNet's offering is aimed at a well-defined and professional client group and the company therefore allocates a considerable amount of its resources to one-

to-one marketing and direct contacts with existing and potential clients. The task of expanding NeoNet's client base through sales activities aimed at new and existing clients has continued to be a top priority.

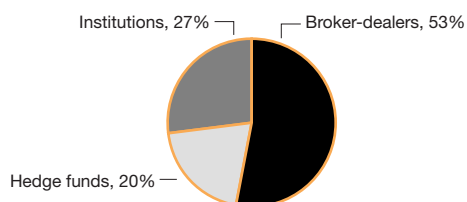
A total of 34% of the staff work in direct contact with clients in sales, brokerage and client support. The clearing and settlement department which handles equity deliveries and settlement processes is another important point of contact and part of NeoNet's client service offering.

In order to penetrate markets quickly and cost-efficiently, NeoNet has focused on PR activities, conferences and seminars in its key markets. The objective is to raise awareness of NeoNet's offering and increase confidence in NeoNet as a leading player in global electronic equity trading. This improves NeoNet's ability to successfully conduct concrete sales activities.

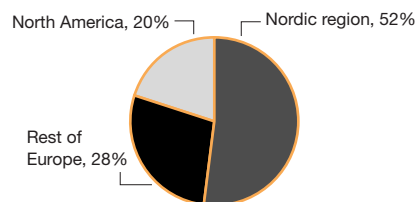
NeoNet has established partnerships with ten different industry players whose systems have been integrated with NeoNet's trading platform. These partnerships have good potential and they expand NeoNet's distribution network to reach more clients. They also enable NeoNet's clients to keep their existing systems and relationships when they trade via NeoNet.

»NeoNet has a highly competitive infrastructure and a solid basis from which to grow. The focus has now shifted to sales and strong client relations.«

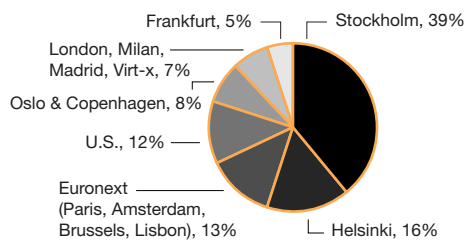
Revenues by Client Category 2004



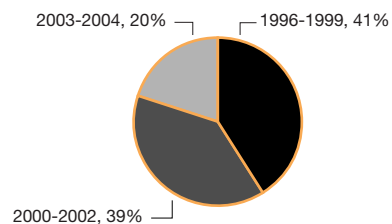
Revenues by Clients' Geographical Location 2004



Revenues by Exchange 2004



Revenues 2004, by the year the client started to do business with NeoNet (%)



An organization with a clear business focus

In 2004 NeoNet shifted the focus from building an infrastructure and a fundamental offering to increasing revenues by strengthening relations with existing clients and through marketing activities to recruit new clients. This has had a clear impact on how NeoNet is organized and on the company's staffing needs.

Staff with Expertise

NeoNet's staff members belong to the group of pioneers who, since the company was formed, have worked on developing cross-border electronic direct market access and have accumulated considerable expertise along the way. The innovative power of the staff and their strong commitment have been crucial factors in securing NeoNet's position as one of the leading players in international direct market access.

NeoNet has staff and sales representatives in Sweden, the U.S., the U.K., Italy, Switzerland, Spain and Germany. In 2004, the average age was 34 and 79% of the staff had at least six years' experience of working in finance or IT. The division between the sexes was 21 women and 53 men. 76% of the employees had a university degree, mainly in IT, technology or finance.

A More Mature Company with a Strong Sales Organization

In 2004 NeoNet strengthened its sales and client relations departments. At the same time the number of staff in system

development was reduced because the resource-intensive work of developing the new trading platform was concluded in 2004. Following the launch of the new trading platform, the focus of system development has shifted to adding new client functionality to further improve the offering within electronic direct market access.

At the end of 2003, NeoNet concluded the acquisition of Lexit, which increased the head count by 17, making of total staff of 88 at the beginning of 2004. As a result of integration activities and cost-saving measures, the total number of employees was reduced during the year to 74.

A Motivating Work Environment

A number of steps were taken in 2004 to increase staff participation, mainly as a direct result of feedback from the staff regarding areas where improvements are needed.

The objective is to offer interesting work assignments with an international character and opportunities for advancement. NeoNet's aim is for the staff to expand their areas of responsibility as part of their personal growth and also to ensure the company's future supply of leaders.

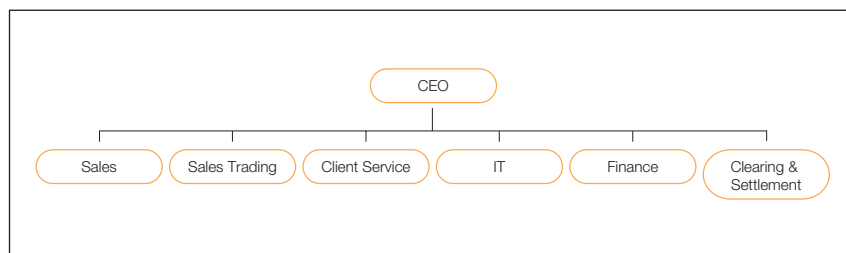
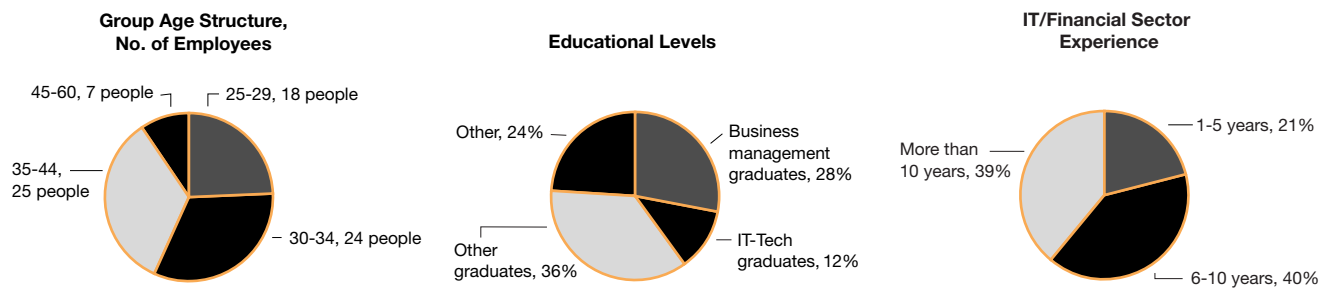


Diagram: Departments within NeoNet

NeoNet's organization has the following departments: Sales, Sales Trading, Client Service, IT, Finance, and Clearing & Settlement. Of NeoNet's 74 employees, 25 work with sales, client service and sales trading. The IT department, which consists of system development and IT operation, has a staff of 20. 16 people work in Clearing & Settlement and the Finance department, which handles risk management and administration, has a staff of 9. Finally, 4 people work with other management and business development tasks including compliance and communication issues.

»The great expertise and strong service mindedness of the staff are the reasons NeoNet holds a leading position in the electronic direct market access segment.»



The Share

Share Structure

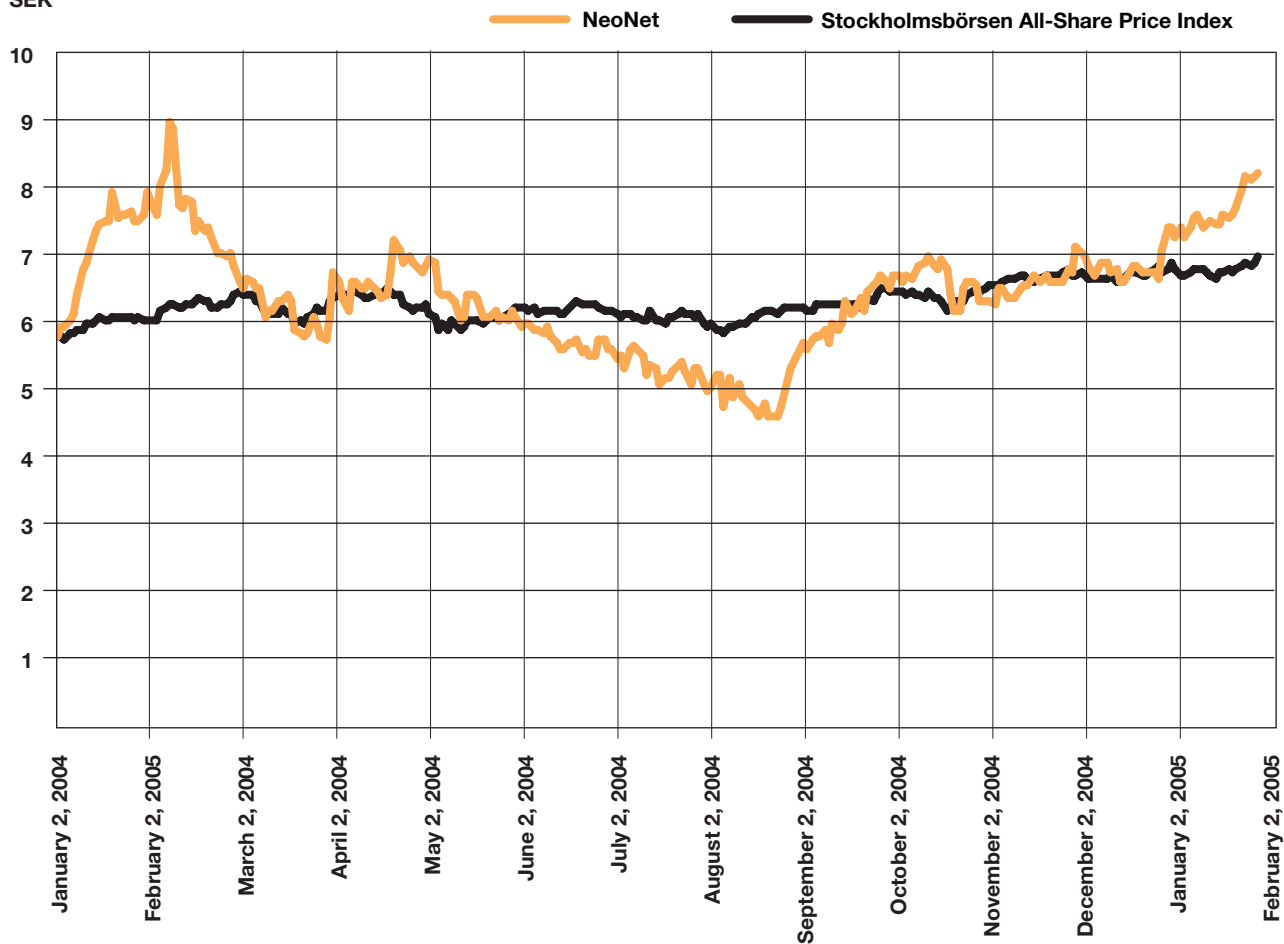
On December 31, 2004, there were 50,582,043 shares, each with equal rights to votes and dividends.

Share Price Performance and Turnover

NeoNet's share was quoted on the O-list of the Stockholm Stock Exchange on October 20, 2000. The issue price was SEK 20. The highest closing price in 2004 was reached in February when buyers paid SEK 8.90. The lowest price in 2004 was SEK 4.50 in August. The turnover for the year was 28.9 million shares or around 57% of the total number of outstanding shares. The corresponding figure for 2003 was 10.9 million shares (22%).

NeoNet's Share Price Performance

SEK



NeoNet's 15 largest shareholders as of December 31, 2004

Shareholders

At year-end, NeoNet had 3,035 shareholders, compared to 2,964 at the end of 2003. The 15 largest shareholders according the public share register and nominee register are listed below.

NeoNet's largest shareholders as of December 31, 2004

Shareholder	No. of shares	Percentage of Shares Capital & Votes
Staffan Persson, family and companies	7,158,970	14.2%
Credit Suisse Luxembourg SA	5,145,340	10.2%
Peter Lindell, family and companies	3,350,380	6.6%
ING Luxembourg SA	2,482,190	4.9%
Jörgen Tilander and family	2,331,300	4.6%
Jane & Lars Hallén	1,480,000	2.9%
Johan Carlsson	1,475,626	2.9%
Mikael Löfman	1,460,000	2.9%
Peter Kearns	1,421,641	2.8%
Lena Andersson and family	1,337,120	2.6%
Hans Karlsson and family	1,328,760	2.6%
Eskil Johannesson	850,000	1.7%
Hasse Albin	714,680	1.4%
Royal Skandia Life	702,000	1.4%
Lars Dahlin and family	674,200	1.3%
Fidelity Funds	586,000	1.2%
Ola Zetterblom	500,269	1.0%
Torvald Bohlin and family	493,000	1.0%
Ingemar Skaret	493,000	1.0%
SEB Private Bank SA	449,125	0.9%
Anista SARL	400,000	0.8%
Thord Wilkne	400,000	0.8%
Total 22 owners	35,233,601	69.7%
Others	15,348,442	30.3%
Total	50,582,043	100.0%

Ownership structure

Shareholding	No. of Shares	Percentage of No. of Shares	No. of Shareholders	Percentage of Shareholders
1-1,000	1,002,078	2.0%	1,769	58.3%
1,001-10,000	4,105,469	8.1%	1,026	33.8%
10,001-50,000	3,659,716	7.2%	154	5.1%
50,001-100,000	2,646,028	5.2%	35	1.2%
100,001-	39,168,752	77.4%	51	1.7%
Total	50,582,043	100.0%	3,035	100.0%

Dividend Policy

NeoNet's dividend policy is for the dividend level to be adjusted to the prevailing capital requirements, mainly in the form of investments, increased amounts of working capital tied up, capital market or regulatory requirements, and the shareholders' desire for a good dividend yield. The objective is to distribute dividends of between 25-50% of the after-tax earnings.

Share Capital History

	Increase in No. of Shares	Total No. of Shares	Change in Share Capital, SEK	Total Share Capital, SEK
1996 Incorporation		759,248	759,248	759,248
1996 New issue	490,784	1,250,032	490,784	1,250,032
1999 New issue	250,006	1,500,038	250,006	1,500,038
1999 New issue	28,147	1,528,185	28,147	1,528,185
2000 Split 20:1	29,035,515	30,563,700	0	1,528,185
2000 Subscription 1)	1,960,620	32,524,320	98,031	1,626,216
2000 Non-cash issue 2)	60,000	32,584,320	3,000	1,629,216
2000 New issue 3)	8,003,680	40,588,000	400,184	2,029,400
2001 Subscription 4)	2,066,700	42,654,700	103,335	2,132,735
2002 Subscription 5)	1,010,000	43,664,700	50,500	2,183,235
2003 Non-cash issue 6)	6,917,343	50,582,043	345,867	2,529,102

1) Subscription through exercise of the 2000/2006 warrants in September 2000.

2) Non-cash issue for the acquisition of a convertible debenture in NeoNet Technology AB.

3) New issue in connection with the flotation of NeoNet on the O-list of the Stockholm Stock Exchange.

4) Subscription through exercise of warrants.

5) Subscription through exercise of warrants.

6) Non-cash issue in connection with the acquisition of Lexit Financial Group, Inc.

Warrants

As of December 31, 2004, NeoNet had a total of 15,171,762 outstanding warrants, each carrying the right to subscribe for one share. The warrants were issued in connection with the issue in April 2004 of a debenture loan of SEK 50.6 m to which detachable warrants were attached. This offering was aimed at all of NeoNet's shareholders. If fully subscribed, the company's equity would be increased by SEK 91.0 m.

As of the closing day, there were no stock option programs in place aimed at the employees.

Name	Issued	Expiration	No. of Warrants	Corresponding No. of Shares	Exercise Price, SEK
NEO TO5	April 2004	March 2007 ¹⁾	15,171,762	15,171,762	6.00
Existing shares, no. Issue in progress ²⁾				50,582,043 2,850	
No. of shares after full dilution				65,756,655	

1) Subscription can take place every calendar quarter.

2) In 2004, 2,850 warrants were exercised to subscribe for shares.

When the books were closed, this issue had not yet been registered with the Swedish Companies Registration Office.

Consolidated Financial Performance, Five-Year Overview

Income Statement in Summary

SEK 000	2004	2003	2002	2001	2000
Transaction revenues	201,056	147,586	184,749	190,067	160,851
Other operating revenues	5,751	6,506	7,027	7,220	5,589
Total operating revenues	206,807	154,092	191,776	197,287	166,440
Transaction expenses	-65,043	-55,168	-67,021	-46,092	-44,944
Personnel expenses	-55,918	-57,741	-53,845	-56,556	-43,565
Other operating expenses	-59,312	-58,221	-70,469	-71,343	-38,879
Operating earnings before depreciation (EBITDA)	26,534	-17,038	441	23,296	39,052
% of total operating revenues	13%	-11%	0%	12%	23%
Depreciation	-35,953	-28,191	-29,806	-23,200	-16,807
Operating earnings after depreciation (EBIT)	-9,419	-45,229	-29,365	96	22,245
Net margin	-5%	-29%	-15%	0%	13%
Interest income	2,747	3,313	8,147	7,972	4,314
Interest expense	-10,651	-4,768	-7,215	-6,509	-11,693
Exchange rate fluctuations	-2,951	-1,704	-3,242	1,949	1,082
Net financial items	-10,855	-3,159	-2,310	3,412	-6,297
Earnings before tax	-20,274	-48,388	-31,675	3,508	15,948
Tax	-44	1,272	-318	2,812	-193
Earnings for the year	-20,318	-47,116	-31,993	6,320	15,755

The above income statement in summary complies in all material respects with generally accepted accounting principles for companies that are required to produce financial statements under the Swedish Annual Reports Act. This accounts structure is well suited to NeoNet's business, whose revenues are generated from transactions rather than revenue sources such as interest and other financial transactions, which are common among other financial businesses. The formal part of NeoNet's Annual Report follows the structure prescribed in the Swedish Act on the Annual Reports of Credit Institutions and Securities Companies. See also Notes and Accounting Principles.

Balance Sheet in Summary

SEK 000	Dec. 31, 2004	Dec. 31, 2003	Dec. 31, 2002	Dec. 31, 2001	Dec. 31, 2000
Assets					
Cash, bank balances and lending to credit institutions	143,843	135,089	201,504	597,393	292,185
Fixed assets	137,408	155,886	74,554	67,489	54,723
Other assets	58,875	142,567	108,394	148,216	194,217
Total assets	340,126	433,542	384,452	813,098	541,125
Liabilities, provisions and shareholders' equity					
Liabilities to credit institutions	14,217	91,588	35,833	54,431	130,886
Securities loans and other liabilities	63,302	107,635	119,221	499,784	170,932
Subordinated debt	50,582	—	—	—	—
Provisions	—	—	1,294	3,239	4,120
Restricted equity	273,128	294,283	243,679	230,202	213,073
Non-restricted equity	-61,103	-59,964	-15,575	25,442	22,114
Total liabilities, provisions and shareholders' equity	340,126	433,542	384,452	813,098	541,125

Key Figures, SEK 000

Result	2004	2003	2002	2001	2000
Transaction revenues, SEK 000	206,807	154,092	191,776	197,287	166,440
Operating earnings before depreciation, SEK 000	15,679	-20,197	-1,869	26,708	32,755
Earnings before tax, SEK 000	-20,274	-48,388	-31,675	3,508	15,948
Earnings after tax, SEK 000	-20,318	-47,116	-31,993	6,320	15,755
Operating margin	13%	Neg.	0%	12%	23%
Net margin	Neg.	Neg.	Neg.	0%	13%
Profit margin	Neg.	Neg.	Neg.	3%	9%

Underlying cash flow

Underlying cash flow from operations, excl. net interest income/loss and before change in assets and liabilities	27,437	-17,629	-2,378	17,323	30,153
Underlying cash flow from investments excl. acquisitions	-16,569	-31,742	-36,244	-35,966	-33,287
Total underlying cash flow	10,868	-49,371	-38,622	-18,643	-3,134

Financial position

Equity/assets ratio	62%	54%	59%	31%	43%
Proportion of risk-bearing capital	77%	55%	61%	32%	44%
Interest cover	neg	neg	neg	154%	236%
Debt/equity ratio	0.3	0.7	0.5	2.0	1.2
Capital adequacy ratio ¹⁾	52%	32%	68%	64%	103%
Shareholders' equity, SEK 000	212,025	234,319	228,104	255,644	235,187
Average capital employed, SEK 000	388,600	332,641	427,229	415,871	269,307
Return on shareholders' equity	Neg.	Neg.	Neg.	3%	16%
Return on capital employed	Neg.	Neg.	Neg.	2%	10%

Share data

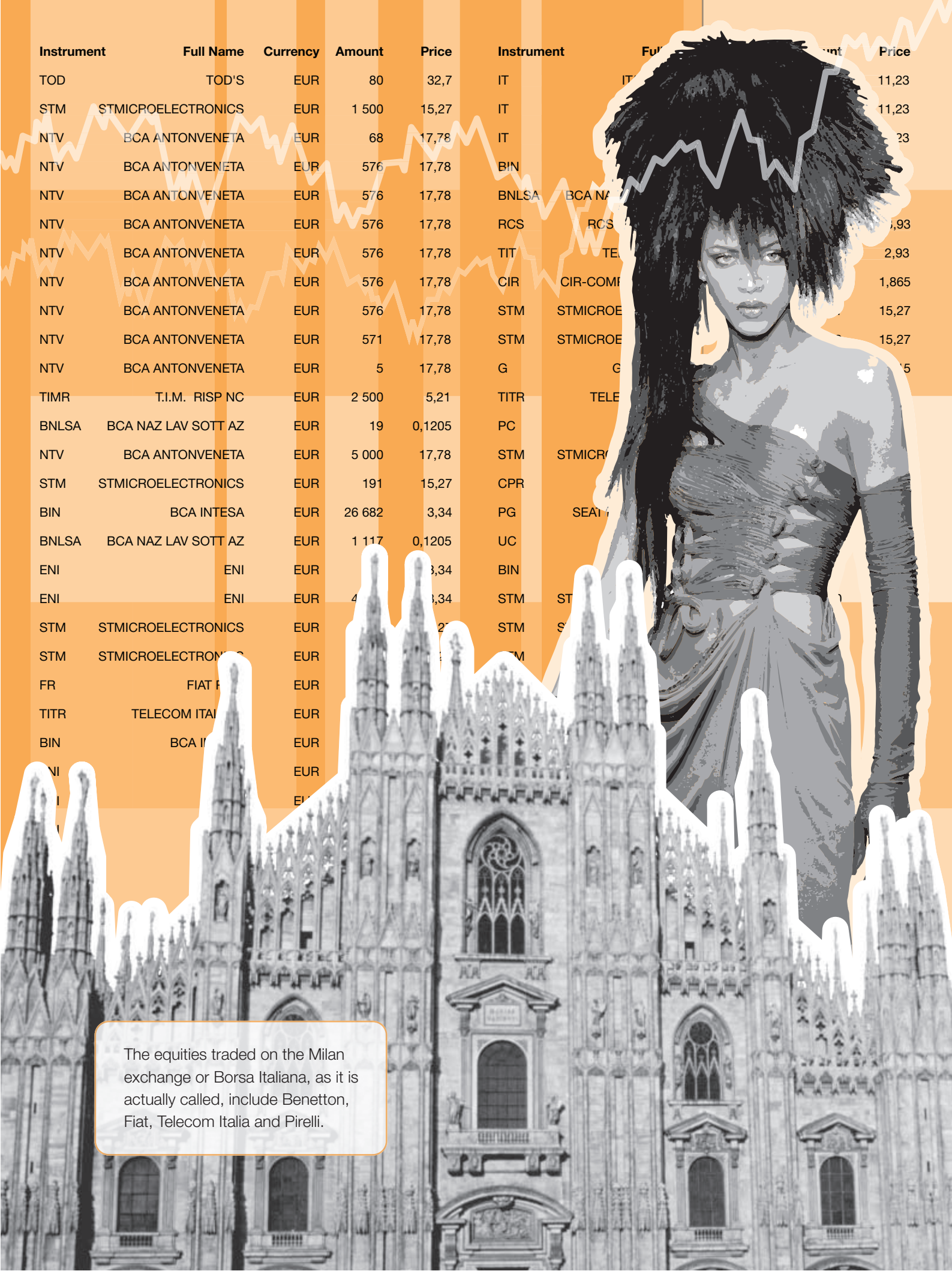
Number of shares	50,582,043	50,582,043	43,664,700	42,654,700	40,588,000
Average number of shares	50,582,043	44,725,991	43,344,042	41,926,791	32,786,423
Earnings per share, SEK	-0.40	-1.05	-0.73	0.15	0.48
Equity per share, SEK	4.19	4.63	5.22	5.99	5.79
Number of shares after full dilution	50,582,043	50,582,043	43,664,700	44,815,700	45,154,700
Average number of shares after full dilution	50,582,043	44,725,991	44,623,341	45,078,703	37,688,519
Earnings per share after full dilution, SEK	-0.40	-1.13	-0.73	0.14	0.42
Equity per share after full dilution, SEK	4.19	4.63	5.22	6.09	6.00
Dividend per share before full dilution, SEK	-2)	-	-	-	-

Employees

Number of employees at end of period	74	88	78	76	62
Average number of employees	80	78	76	67	54

1) The capital adequacy ratio is re-stated for the comparative years according the Swedish Financial Supervisory Authority's recommendation FFFS 2004:8.

2) Proposed



Instrument	Full Name	Currency	Amount	Price	Instrument	Full Name	Currency	Amount	Price
TOD	TOD'S	EUR	80	32,7	IT	IT	EUR	11,23	
STM	STMICROELECTRONICS	EUR	1 500	15,27	IT	IT	EUR	11,23	
NTV	BCA ANTONVENETA	EUR	68	17,78	IT	IT	EUR	11,23	
NTV	BCA ANTONVENETA	EUR	576	17,78	BIN	BIN	EUR	11,23	
NTV	BCA ANTONVENETA	EUR	576	17,78	BNLSA	BCA NA	EUR	11,23	
NTV	BCA ANTONVENETA	EUR	576	17,78	RCS	RCS	EUR	11,23	
NTV	BCA ANTONVENETA	EUR	576	17,78	TIT	TE	EUR	11,23	
NTV	BCA ANTONVENETA	EUR	576	17,78	CIR	CIR-COM	EUR	11,23	
NTV	BCA ANTONVENETA	EUR	576	17,78	STM	STMICROE	EUR	11,23	
NTV	BCA ANTONVENETA	EUR	571	17,78	STM	STMICROE	EUR	11,23	
NTV	BCA ANTONVENETA	EUR	5	17,78	G	G	EUR	11,23	
TIMR	T.I.M. RISP NC	EUR	2 500	5,21	TITR	TELE	EUR	11,23	
BNLSA	BCA NAZ LAV SOTT AZ	EUR	19	0,1205	PC	PC	EUR	11,23	
NTV	BCA ANTONVENETA	EUR	5 000	17,78	STM	STMICRO	EUR	11,23	
STM	STMICROELECTRONICS	EUR	191	15,27	CPR	CPR	EUR	11,23	
BIN	BCA INTESA	EUR	26 682	3,34	PG	SEAT	EUR	11,23	
BNLSA	BCA NAZ LAV SOTT AZ	EUR	1 117	0,1205	UC	UC	EUR	11,23	
ENI	ENI	EUR		3,34	BIN	BIN	EUR	11,23	
ENI	ENI	EUR	4	3,34	STM	ST	EUR	11,23	
STM	STMICROELECTRONICS	EUR		27	STM	S	EUR	11,23	
STM	STMICROELECTRONICS	EUR		27	STM	S	EUR	11,23	
FR	FIAT F	EUR							
TITR	TELECOM ITA	EUR							
BIN	BCA I	EUR							
NI		EUR							
I		EUR							

The equities traded on the Milan exchange or Borsa Italiana, as it is actually called, include Benetton, Fiat, Telecom Italia and Pirelli.

Directors' Report

The Board of Directors and CEO of NeoNet AB (publ) hereby present the financial report and statements for the 2004 financial year.

NeoNet AB (publ) (corporate identity no. 556530-1263) is the parent company of a financial group regulated by the Swedish Financial Supervisory Authority. Apart from the parent company, the Group includes the wholly-owned operating subsidiaries NeoNet Securities AB (corporate identity no. 5565300-4804), NeoNet Technology AB (corporate identity no. 556550-4858), both with registered offices in Stockholm, and NeoNet Securities, Inc. with a registered office in New York. In addition, NeoNet has sales offices in the U.K. and sales and representative offices in Germany, Switzerland, Italy and Spain. NeoNet provides equity transaction services to institutional investors and broker-dealers. The business is based on the company's proprietary trading system. NeoNet currently offers electronic direct market access and sales trading services via the company's trading desks on the Amex, Amsterdam, Brussels, Copenhagen, Frankfurt, Helsinki, Lisbon, London, Madrid, Milan, Nasdaq, NYSE, Oslo, Paris, Stockholm and Virt-x exchanges. NeoNet has clients in 17 countries.

Financial Overview

Operations

In 2004 a number of important projects were carried out to increase efficiency and strengthen the company's position for the future.

Organizational changes were implemented for the purpose of creating more effective sales routines and to strengthen client relations.

The extensive project involving the development of a new generation of the trading platform was concluded in 2004. The new platform was launched in June and offers significantly enhanced performance, flexibility and capacity.

NeoNet's offering of independent and efficient equity transaction services was

expanded to include trading on the Madrid and Lisbon exchanges, as well as trading on the Swiss Virt-x. NeoNet now offers direct market access to 16 exchanges in Europe and the U.S.

Enhanced functionality has been developed to facilitate efficient trading for clients. This functionality was added to the new trading platform in the beginning of 2005. New systems for generating client reports and for more efficient clearing and settlement processes have been introduced for NeoNet's trading on all of the connected exchanges.

Lexit's operation, which was acquired in November 2003, was fully integrated into NeoNet in 2004 and is now being run under the NeoNet brand. Since Autumn 2004, all trading is being carried out via the new trading platform and subsequent clearing and settlement processes are being handled within one system.

New co-operation was established in 2004 with various industry players, including SimCorp and SIS Sega InterSettle. The purpose of these agreements is partly to expand NeoNet's offering and partly to increase the company's distribution network to reach more clients. The partnerships have strong potential and make it easier for clients to trade through NeoNet while maintaining their existing relationships and systems.

Revenues and Earnings

The Group's transaction revenues for the year amounted to SEK 206.8 m compared to SEK 154.1 m for the previous year, which is an increase of 34%.

Revenues for the full year from trading on the connected exchanges increased significantly across the board. The very substantial increase in revenues on the U.S. exchanges is attributed to the acquisition of Lexit. Revenues from trading in the U.S. thus accounted for a significant share, 12%, of total revenues. As in previous reporting periods, the Stockholm Stock Exchange is the marketplace that represents the largest portion of NeoNet's revenues. Transaction

revenues on the Stockholm Stock Exchange increased by 14%. However, as a result of higher growth figures on the other marketplaces, the significance of Stockholm was diminished and the share of revenues it represented was 39% for 2004.

For the full year 2004, personnel and other operating expenses amounted to SEK 115.2 m compared to SEK 116.0 m for 2003. Considerable savings were realized as a result of synergy effects and cost levels in the beginning of 2005 were largely the same as before the Lexit acquisition.

Operating earnings before depreciation and net financial items improved considerably amounting to SEK 26.5 m, compared to SEK -17.0 m the previous year.

Net financial items were significantly burdened in 2004 by financing associated with the debenture loan and the preceding temporary financing. In addition, the sharp increase in trading values has increased the need for utilizing credit facilities in the form of temporary securities and cash loans. Moreover, the net financial items were impacted by currency translation effects relating to items in the balance sheet and income statement, partly as a consequence of the sharp decline in the fourth quarter of the U.S. dollar rate. Actions have been taken to optimize the utilization of credit facilities, investment alternatives and FX hedging.

Earnings After Tax for the Year

The earnings after tax for the year amounted to SEK -20.3 m, compared to SEK -47.1 m the previous year. The earnings per share amounted to SEK -0.40 (SEK -1.05).

Underlying Cash Flow

The cash flows that are crucial for the Group's earning capacity are the flows from ongoing operations and from investment activity, which together make up the underlying cash flow. There are also considerable cash flows from the settlement of clients' equity transactions; however, these flows, which fluctuate considerably, have little

bearing on the actual earnings. The improved operating earnings in combination with significantly reduced investments resulted in a greatly increased underlying cash flow (see Definitions on page 52), which for the full year amounted to SEK 10.9 m (SEK -49.4 m).

The current liquid assets amounted to SEK 141.1 m at the end of the period.

Clients

The inflow of new clients has continued at a good pace and a large percentage of the clients are based outside the Nordic region, reflecting the focus on geographical expansion of the client base. In 2004, 20% of the clients accounted for 61% of the transaction revenues.

Investments

Development of the new trading platform was concluded during the first half of 2004. Since then it has been possible to keep investments in system development and computers at a much lower level than in past years. Investments for the full-year period were reduced to SEK 16.6 m (SEK 31.7 m), which is equivalent to 8% (21%) of transaction revenues.

Liquidity and Financial Position

The NeoNet Group's current liquid assets consist of the sum of funds deposited with banks, bonds and treasury bills, unutilized overdraft facilities, the difference between contract settlement receivables and liabilities, and receivables from clearing houses and similar institutions, excluding liabilities for temporary settlement loans. The net of these items as of December 31, 2004 was 141.1 m (SEK 109.8 m at the beginning of the year). The gross liquid assets reported in the balance sheet amounted to SEK 143.8 m (SEK 135.1 m), of which SEK 90.4 m (SEK 103.9 m) consisted of blocked funds. Fluctuations in the liquid assets reported in the balance sheet are normal for this kind of business.

An issue of debentures with detachable warrants aimed at the shareholders during the spring injected SEK 50.6 m before deducting issue and guarantee costs in the amount of SEK 2.4 m.

The interest-bearing liabilities at the end of the year consisted of the debenture loan of SEK 50.6 m. There is also variable financing associated with loans relating to settlement of client equity transactions.

The consolidated equity amounted to

SEK 212.0 m (SEK 234.3 m). The capital adequacy ratio was 52% (32%) and the consolidated equity/assets ratio was 62% (54%). The equity per share amounted to SEK 4.19 (SEK 4.63). The companies in the Group had tax loss carry-forwards in excess of SEK 110 m, of which around SEK 45 m is related to the U.S. operation. There is limited potential for utilizing part of the loss carry-forward in the U.S. No tax revenue has been entered in the accounts for a future effect of the Swedish and U.S. loss carry-forwards.

Other Information

In June 2002, the subsidiary, NeoNet Securities AB, along with a number of other stock exchange members, filed a suit against the Stockholm Stock Exchange in relation to a dispute over the reimbursement of value-added tax. NeoNet's nominal share of the total claim is SEK 4.3 m. In October 2004, an agreement was reached in the dispute.

The Group has a disputed accounts receivable of a nominal EUR 1.1 m. In September 2003 a suit was filed with the Stockholm District Court. At present no reserve for this is deemed necessary.

Events after the Closing Day

NeoNet has entered into an agreement with the analysis company Redeye to offer clients independent analysis. New client functionality has been added to NeoNet's trading platform.

Human Resources

The number of employees in the Group at the end of the period was 74 (88).

Environmental Factors

NeoNet's operations have a very limited impact on the environment as most business is transacted electronically. The main environmental factors relate to the energy supply for offices and computer rooms, business trips, which are mainly by air, and replacement of computer equipment.

Outlook

The Group's growth goal was assessed to be too aggressive and was therefore re-evaluated in February 2005. NeoNet's financial objectives up to and including 2008 are as follows:

- The operating revenues shall grow steadily during the period to reach at least SEK 400 m in 2008.

- The operating margin shall be improved to 25% towards the end of the four-year period.

The financial objectives require a continued focus on growth and good profitability. In order to achieve the profitability goal, it will be necessary for fixed and translation-related costs to be maintained at a low level.

A strong focus on client-oriented functionality development will be needed in order to remain competitive. The company expects to be able to achieve this with the current rate of investment.

NeoNet predicts continued strong growth, mainly due to the trend towards the increasing use of direct market access.

Achieving the financial objectives is dependent on the performance of the stock markets since there is a clear correlation between NeoNet's revenue trend and the trading values on the markets, which are difficult to predict. The transaction-related expenses are affected by such things as the trading patterns of NeoNet's clients.

THE PARENT COMPANY

Simon Nathanson took up the position as President and CEO of the parent company on March 15, 2004 replacing Staffan Persson, who had been the acting CEO since October 2003.

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.

The parent company reported earnings before tax and year-end appropriations of SEK -91.8 m (SEK -4.9 m). The fall in earnings is mainly explained by a write-down of stock in the subsidiary, Lexit Financial Group, Inc., of SEK 82.2 m due to restructuring within the Group. As a result of the restructuring, the operations of the Lexit sub-group were transferred to other parts of the NeoNet Group. This measure did not give rise to a need to revalue the consolidated goodwill of SEK 69.5 m relating to the acquired business, because the relevant cash-flow generating units between which the consolidated goodwill is divided are not affected by this restructuring.

The parent company's net interest income was reduced by SEK 9.5 m to SEK 3.5 m (SEK 13.0 m), mainly as a result of the debenture loan of SEK 50.6 m.

In June the parent company provided a conditional shareholder contribution of USD 300,000 to the subsidiary NeoNet Securities, Inc.

No investments were made in the parent company in 2004 or 2003.

Equity in the parent company amounted to 198.2 m (289.8 m). The liquid assets as of December 31 amounted to SEK 0.2 m (SEK 1.6 m).

The Work of the Board

The Board of Directors consists of five members elected at the 2004 Annual General Meeting and a co-opted member appointed by the employees. Former member Torvald Bohlin declined to run for re-election at the Annual General Meeting. The Board's composition is described on page 51. The Chief Executive Officer is not a member of the Board. Other company officials participate in Board meetings to present reports and to keep the minutes. The Board convened eleven meetings at which the minutes were taken in 2004 and paid particular attention to financial issues and the focus of sales initiatives. The Board held two additional meetings to discuss at length the company's strategy.

The Board observes a set of procedural rules and guidelines regarding the division of responsibilities between the Board and the Chief Executive Officer, and instructions relating to the structure and content of Board meetings. These basic documents are revised annually. The CEO presents a written report to the Board members once a month containing, among other things, information about the Group's operations, business status, earnings figures for the past month, and comments on any deviations from the budget, as well as an update on the staff situation. The Board has appointed from its ranks a Remuneration Committee (see Note 7) and an Audit Committee.

The Remuneration Committee's task is to address issues, on behalf of the Board, concerning remuneration for the CEO and other members of senior management, including remuneration policy, principles for setting salary levels, and other conditions of employment, as well as issues concerning incentive schemes for the management and employees.

The Audit Committee, consisting of Hans Karlsson and Mats Sundström, is assigned the task, on behalf of the Board, of reviewing issues concerning the appoint-

ment of an auditor and audit fees, the company's accounting and internal control, external audits, and the company's financial information. In these matters, the committee represents the entire Board and acts on its behalf. Both the Remuneration Committee and the Audit Committee are assigned to assist the Board in various matters and report their observations, recommendations and proposals for action and decisions.

NeoNet's auditor reports once a year in person to the Board on his audit observations and his opinion on the Group's internal control. Moreover, representatives from the auditing firm meet with the Audit Committee four times a year in connection with completed reviews of the interim reports.

The procedure for nominating Board members is such that the biggest shareholders at the end of the year appoint the Chairman of the Board and an additional two representatives to form the Nominating Committee. The representatives shall prepare proposals for the Board to be presented to and voted on at the Annual General Meeting. The Committee's composition was published in the fourth quarter of 2004.

Adjustment to IFRS (International Financial Reporting Standards)

Starting in 2005, listed companies in the EU are required to prepare their consolidated accounts according to the International Financial Reporting Standards (IFRS). The Swedish Accounting Standards Councils' recommendations are largely the same as the existing IAS/IFRS, which means that much of NeoNet's consolidated accounting already complies with the new standards. The standards are to be applied from January 1, 2005, which means that the figures for the comparative year, 2004, must be restated. The 2004 Annual Report will be the last annual report prepared in accordance with the Swedish Accounting Standards Council's recommendations. The transition rules are described in IFRS 1 on first-time application of the international accounting standards, and according to these rules, most of the standards are to be applied retroactively. The significant effect of the transition for NeoNet is that amortization of goodwill according to plan will cease. The financial impact of re-statement in line with IFRS of the 2004 earnings and consolidated equity and reconciliations of the balance sheets and income statements for 2004 according to IFRS and according to the company's current accounting principles,

are described on pages 48-49. The effects that are reported are preliminary and based on the standards in place, which may be changed before December 31, 2005. As yet, not all of the International Financial Reporting Standards to be applied in 2005 are available in their definitive form. NeoNet is monitoring developments in order to adjust its accounting to the new standards. Based on what is known at this time, NeoNet does not expect there to be any major differences, other than what is stated above, between the current accounting principles and IFRS.

Proposed Distribution of Earnings (in SEK)

Group

The accumulated consolidated loss as of December 31, 2004 amounted to SEK -61,103,000. No provision for restricted reserves is needed.

Parent Company

The parent company's accumulated loss amounted to SEK -80,685,250.

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

Retained earnings	10,921,653
Group contributions received	107,568
Net earnings	-91,714,471
	SEK -80,685,250

The Board and the Chief Executive Officer propose reducing the parent company's share premium reserve by SEK 80,685,250 to offset the accumulated loss. Following this reduction, the company's equity would be distributed as follows:

Share capital	SEK 2,529,102
Other restricted equity	SEK 195,690,076
Unrestricted equity	SEK 0

No dividend is proposed.

Earnings and Financial Position

With regards to the reported consolidated and parent company earnings and financial position at the end of the financial year, please refer to the following Income Statements, Balance Sheets and Cash-Flow Statements and the associated notes and comments.

Consolidated Income Statement

SEK 000	Note	Jan. 1, 2004 Dec. 31, 2004	Jan. 1, 2003 Dec. 31, 2003
Transaction revenues	1	201,056	147,586
Transaction expenses	2	-65,043	-55,168
Interest income	3	2,747	3,313
Interest expenses	3	-10,651	-4,768
Net earnings from financial transactions	4	-2,951	-1,704
Other operating revenues	5	5,751	6,506
Total operating revenues, net		130,909	95,765
Other operating expenses	6	-59,297	-58,221
Personnel expenses	7	-55,918	-57,741
Amortization and depreciation of tangible and intangible assets	12,13,14	-35,969	-28,191
Total operating expenses		-151,184	-144,153
Operating earnings		-20,275	-48,388
Tax for the year	9	-44	1,272
Net earnings		-20,319	-47,116
Earnings per share, SEK		-0.40	-1.05
Earnings per share after full dilution, SEK		-0.40	-1.05
Number of shares, 000		50,582	50,582
Average number of shares, 000		50,582	44,726
Average number of shares after full dilution, 000		50,582	44,726

Consolidated Balance Sheet

SEK 000	Note	Dec. 31, 2004	Dec. 31, 2003
ASSETS			
Cash and lending to credit institutions	10	143,843	135,089
Intangible fixed assets	12	61,334	67,884
Goodwill	13	69,672	76,886
Tangible fixed assets	14	6,402	11,116
Contract settlement receivables, net	15	22,823	86,460
Other assets	17	29,147	50,929
Prepaid expenses and accrued income		6,905	5,178
Total assets		340,126	433,542
LIABILITIES, PROVISIONS AND SHAREHOLDERS' EQUITY			
Liabilities to credit institutions	18	14,217	91,588
Securities loans		40,731	61,948
Other liabilities	19	8,926	21,701
Accrued expenses and prepaid income	20	13,645	23,986
Total current liabilities		77,519	199,223
Subordinated debt	21	50,582	–
Provisions	22	0	0
Shareholders' equity	23		
<i>Restricted equity</i>			
Share capital		2,529	2,529
Restricted reserves		270,599	291,754
<i>Non-restricted equity</i>			
Retained earnings		-40,784	-12,848
Net earnings		-20,319	-47,116
Total shareholders' equity		212,025	234,319
Total liabilities, provisions and shareholders' equity		340,126	433,542
Memorandum items			
<i>Other pledged securities</i>			
Blocked funds, credit institutions (included in 'Cash and lending') ¹⁾		90,364	103,934
Blocked funds, clearing houses (included in 'Other assets')		13,583	11,626
Floating charge		15,000	15,000

1) The Group invests a large portion of its assets in interest-bearing instruments, primarily Swedish treasury bills and bonds, which are placed in custody accounts that are used as security by the banks that handle settlement and act on NeoNet's behalf in transactions with clearing houses. Security is required by exchanges, central securities depositories and clearing houses, and as supplementary surety for temporary bridge loans when clients' settlement is delayed. The value of these custody accounts is indicated above under the item 'Blocked funds, credit institutions'. Of the value stated in the table of SEK 90,364,000, the total amount used as security by the banks was SEK 50,557,000 as of December 31, 2004.

Change in Consolidated Shareholders' Equity

SEK 000	Share Capital	Restricted Reserves	Non-restricted Shareholders' Equity	Total Shareholders' Equity
Opening balance Jan. 1, 2003	2,183	241,496	-15,575	228,104
Non-cash issue	346	54,301	–	54,647
Repurchased warrants	–	–	-6	-6
Translation difference	–	-8,181	6,871	-1,310
Transfer between restricted and non-restricted equity	–	4,138	-4,138	–
Net earnings	–	–	-47,116	-47,116
Closing balance December 31, 2003	2,529	291,754	-59,964	234 319
Opening balance Jan. 1, 2004	2,529	291,754	-59,964	234,319
Payments for share subscriptions	-	-	22	22
Translation difference	-	-8,066	6,069	-1,997
Transfer between restricted and non-restricted equity	-	-13,089	13,089	0
Net earnings	-	-	-20,319	-20,319
Closing balance December 31, 2004	2,529	270,599	-61,103	212,025

The accumulated negative translation differences as of December 31, 2004 were SEK 5,114,000 (SEK 3,117,000).

Consolidated Cash-Flow Statement

SEK 000	Jan. 1, 2004 Dec. 31, 2004	Jan. 1, 2003 Dec. 31, 2003
Ongoing operations		
Interest and transaction revenues received	204,105	150,933
Interest paid	-6,616	-4,836
Payments to suppliers and staff	-180,258	-157,503
Payments from clients	5,686	6,887
Tax paid	787	-1,003
Cash flow from ongoing operations before change in assets and liabilities of ongoing operations	23,704	-5,522
Change in other assets of ongoing operations	18,362	-11,504
Change in other liabilities of ongoing operations	-13,116	-9,323
Cash flow from changes in assets and liabilities of ongoing operations	5,246	-20,827
Cash flow from ongoing operations, excluding settlement of equity transactions executed on behalf of clients	28,950	-26,349
Change in assets of ongoing operations attributable to settlement ¹⁾	64,483	-23,391
Change in liabilities of ongoing operations attributable to settlement ¹⁾	-98,588	29,911
Cash flow from ongoing operations, attributable to settlement of equity transactions executed on behalf of clients	-34,105	6,520
Cash flow from ongoing operations	-5,155	-19,829
Investment activity		
Goodwill	-796	-23,134
Acquisition of intangible fixed assets	-14,996	-28,554
Acquisition of tangible fixed assets	-1,699	-3,188
Cash flow from investment activity	-17,491	-54,876
Financing activity		
New issue in process of registration	5	—
Debenture loan	50,582	—
Interest and transaction fees paid in connection with debenture loan	-6,236	—
Repurchased warrants	—	-6
Loan from shareholders	-10,000	10,000
Cash flow from financing activity	34,351	9,994
Cash flow for the year	11,705	-64,711
Liquid assets at beginning of year	135,089	201,504
Liquid assets, exchange rate differences	-2,951	-1,704
Liquid assets at year-end²⁾	143,843	135,089

1) Cash flow attributable to the settlement of executed securities transactions varies sharply depending on the settlement positions on the closing day.

2) The Group's cash in hand, adjusted for items relating to clients' equity transactions (i.e. contract settlement receivables, securities loans, short-term settlement loans and securities deposited with clearing houses), amounted to SEK 141.1 m (SEK 109.8 m at the beginning of the year).

Parent Company Income Statement

SEK 000	Note	Jan. 1 2004 Dec. 31 2004	Jan. 1 2003 Dec. 31 2003
Operating expenses			
Other external expenses	6	-3,863	-4,765
Personnel expenses	7	-8,474	-12,744
Amortization and write-down of intangible and tangible fixed assets	14	-82,258	-142
Total operating earnings		-94,595	-17,651
Financial items			
Interest income	3	7,708	12,959
Interest expenses	3	-4,247	-5
Net earnings from financial transactions		-622	-183
Earnings from financial items		2,839	12,771
Earnings after financial items		-91,756	-4,880
Appropriations	8	–	60
Tax for the year	9	42	32
Net earnings		-91,714	-4,788

Parent Company Balance Sheet

SEK 000

Note **Dec. 31, 2004** Dec. 31, 2003

ASSETS

Fixed assets

Equipment	14	85	162
Shares in subsidiaries	11	163,261	239,354
Total fixed assets		163,346	239,516

Current assets

Receivables from subsidiaries	16	83,764	67,331
Other receivables	17	814	1,039
Prepaid expenses		2,440	314
Cash and bank balances		234	1,577
Total assets		250,598	309,777

LIABILITIES AND SHAREHOLDERS' EQUITY

Shareholders' equity

23

Restricted equity

Share capital (50,582,043 shares with a par value of SEK 0.05)		2,529	2,529
Share premium reserve		276,350	276,350
Reserve fund		3	3
Ongoing new issue		22	–

Non-restricted equity

Retained earnings		10,922	15,628
Group contributions provided/received		107	82
Net earnings		-91,714	-4,788

Total shareholders' equity		198,219	289,804
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Long-term liabilities

Subordinated debt	21	50,582	–
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Current liabilities

Accounts payable		122	717
Other current liabilities	19	242	12,104
Accrued expenses	20	1,433	7,152

Total current liabilities		1,797	19,973
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Total shareholders' equity and liabilities		250,598	309,777
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Memorandum items

Contingent liabilities

Surety in favor of subsidiary ¹⁾		1,241,903	2,396,264
Subsidiary guarantee ²⁾		7,275	7,275

1) The parent company stands surety for the subsidiaries NeoNet Securities AB and NeoNet Securities, Inc. in respect of undertakings related to the execution and settlement of securities transactions on behalf of clients. The value of the guarantees is calculated as the net value of all of the guarantees for the relevant outstanding buy and sell transactions within each of the acquired classes of stock. For details of the total gross value of all of the Group's outstanding securities transactions, see Note 15. The comparative figure indicating the surety commitments on December 31, 2003 is the value of the contract settlement liabilities for the outstanding transactions for the guarantee.

2) A guarantee has been issued for the subsidiary NeoNet Securities, Inc. for the period December 31, 2004 to December 31, 2005 and accordingly, the parent company undertakes to contribute up to USD 0.4 m as needed to improve the subsidiary's liquidity.

Change in Parent Company Shareholders' Equity

SEK 000	Share Capital	Restricted Reserves	Non-restricted Shareholders' Equity	Total Shareholders' Equity
Opening balance Jan. 1, 2003	2,183	222,052	15,635	239,870
Non-cash issue	346	54,301	–	54,647
Repurchased warrants	–	–	-6	-6
Group contributions received	–	–	113	113
Deferred tax on group contributions	–	–	-32	-32
Net earnings	–	–	-4,788	-4,788
Closing balance December 31, 2003	2,529	276,353	10,922	289,804
Opening balance Jan. 1, 2004	2,529	276,353	10,922	289,804
Payment for share subscriptions	–	22	–	22
Group contributions received	–	–	191	191
Deferred tax on group contributions	–	–	-42	-42
Net earnings	–	–	-91,756	-91,756
Closing balance December 31, 2004	2,529	276,375	-80,685	198,219

Parent Company Cash-Flow Statement

SEK 000	Jan. 1 2004 Dec. 31 2004	Jan.1 2003 Dec. 31 2003
Ongoing operations		
Operating earnings	-94,595	-17,651
Depreciation and write-down	82,258	142
Interest received	5,726	12,959
Interest paid	-262	-5
Cash flow from ongoing operations before change in working capital	-6,873	-4,555
Change in other assets of ongoing operations	-18,185	92,282
Change in other liabilities of ongoing operations	-18,199	16,945
Cash flow from assets and liabilities of ongoing operations	-36,384	109,227
Cash flow from ongoing operations	-43,257	104,672
Investment activity		
Acquisition of tangible fixed assets	-	-22
Conditional shareholder contribution to subsidiaries	-2,203	-82,200
Shares in subsidiaries	-	-23,649
Cash flow from investment activity	-2,203	-105,871
Financing activity		
New issue in connection with exercise of warrants	5	-
Payment of debenture loan	50,582	-
Costs for raising debenture loan	-5,848	-
Repurchased warrants	-	-6
Group contribution received	-	82
Cash flow from financing activity	44,739	76
Cash flow for the year	-721	-1,123
Liquid assets at beginning of year	1,577	2,883
Liquid assets, exchange rate differences	-622	-183
Liquid assets at year-end	234	1,577

Notes

Accounting Principles

Accounting Regulations

The consolidated financial statements follow the provisions of the Swedish Act on the Annual Reports of Credit Institutions and Securities Companies (ÅRKL) and regulation FFFS 2003:11 issued by the Swedish Financial Supervisory Authority, which apply since the parent company is a financial holding company, and the recommendations of the Swedish Financial Accounting Standards Council, to the extent that these do not conflict with the Financial Supervisory Authority's regulations. A financial holding company is a company whose business consists entirely or almost entirely of the acquisition and management of shares in credit institutions and securities companies for profit. The financial statements of the parent company have been drawn up in accordance with the Swedish Annual Accounts Act (ÅRL). Since January 1, 2004, the parent company and the Group have been following the Swedish Financial Accounting Standards Council's new recommendation, RR29 Employee Benefits. RR29 does not involve any changes for NeoNet because the company only uses premium-based plans. All other accounting principles are the same as those applied in the preparation of the last annual report.

Consolidated Accounts

The consolidated accounts include the parent company NeoNet AB (publ) and the subsidiaries NeoNet Securities AB (corporate identity no. 556530-4804), NeoNet Technology AB (corporate identity no. 556550-4858), NeoNet Securities, Inc. (U.S.), and Lexit Financial Group, Inc. (U.S.), in which the parent company holds 100% of the capital and votes.

The consolidated balance sheet has been drawn up in accordance with the acquisition method, which means that the parent company's acquisition value for shares in subsidiaries has been offset against the subsidiaries' reported equity. The consolidated accounts have been prepared in accordance with the Swedish Financial Accounting Standards Council's recommendation RR1 Consolidated Accounts.

Reporting of Revenues

Transaction revenues are recognized at the time of completion of the underlying transaction. Revenues from billed-through services are booked during the period the service is used.

Interest income is recognized in the period it is accrued.

Valuation of Receivables and Liabilities

Receivables and liabilities are valued at historical value, which is the same as the actual value. Unless otherwise stated, assets are to be considered as current assets.

Conversion of Foreign Subsidiaries' Balance Sheets and Income Statements

The current exchange rate method has been used to convert foreign subsidiaries' accounts to Swedish kronor. This means that all balance sheet items have been converted at the exchange rate prevailing on the balance sheet date, while income statement items have been converted using monthly average exchange rates. The resulting translation differences are reported directly in shareholders' equity.

When the parent company conducts hedging to offset and protect against exchange rate differences on net investment in an independent subsidiary, the exchange rate difference of the hedging instrument is reported directly in shareholders' equity, to the extent there is a corresponding translation difference during the year.

Foreign Currency Receivables and Liabilities

Receivables and liabilities in foreign currencies are valued at the exchange rate prevailing on the balance sheet date.

Fixed Assets and Depreciation

System development costs

The company's electronic trading system is an intangible asset that has been built up internally. New versions of NeoNet's trading system, which were acquired in 2004 but have not yet been put into operation, will be depreciated from the time of deployment. Investment in computer programs that raise the value of NeoNet's offering of electronic equity trading are booked as intangible assets.

Leasing

Leasing agreements for cars, office equipment etc. are always regarded as operational leasing agreements. NeoNet has no financial leasing agreements.

Depreciation

Equipment is entered at its acquisition value and depreciated according to plan. The difference between planned depreciation and tax depreciation is reported as excess depreciation or write-off.

In the income statements, operating earnings are subject to depreciation according to plan. The depreciation is based on the economic life of the assets and the following percentage rates are applied:

Electronic trading system, basic platform	(intangible asset)	20%	(60 months)
Electronic trading system, other parts, and administrative system	(intangible asset)	30%	(40 months)
Goodwill from 2000	(intangible asset)	20%	(60 months)
Goodwill from 2003	(intangible asset)	10%	(120 months)
Computer equipment	(tangible asset)	30%	(40 months)
Other	(tangible asset)	20%	(60 months)

The period of use of the electronic trading system's basic platform is expected to be at least five years, and accordingly, this asset is depreciated over a longer period than other parts of the trading system.

The value of the client base and organization of the acquired business of Lexit is expected to have a positive impact on the Group for more than 10 years, and consequently, a depreciation period of 10 years is applied.

Definition of Liquid Assets

The term 'liquid assets' in the cash-flow statement refers to cash and lending to credit institutions and custody accounts administered by credit institutions containing interest-bearing instruments which can be immediately converted in the money market.

In other respects, the Group's short-term cash position is defined as the sum of bank deposits, interest-bearing instruments, utilized overdraft facilities, the difference between receivables and liabilities relating to contract settlements, and receivables mainly from clearing houses and similar institutions, less liabilities for temporary settlement loans and other short-term loans.

Financial Instruments

Financial instruments including derivative contracts are valued at their market value on the closing day. The change in value in interest instru-

ments is reported as interest, while the change in value of derivative contracts is reported in net financial transactions.

Provisions

A provision is reported when an undertaking can be deemed the result of an event that has occurred where it is likely that an outflow of resources will be required to pay for the undertaking and a reliable estimate of the amount can be made. Provisions are made in the amount that represents the best estimate of funds needed to pay for the undertaking on the closing day. Provisions are made for restructuring measures when a detailed and formal restructuring plan is in place and well-founded expectations are formed among those who will be affected by the restructuring.

Taxes, Including Deferred Tax

In the income statements, tax that is to be paid or received is reported for the current year as a current tax liability or receivable. Changes during the year in deferred tax receivables or tax liabilities are reported as deferred tax. The difference between the written-down value and the book value of assets and liabilities gives rise to a deferred tax receivable or tax liability. Loss carry forward, to the extent it is deemed usable, gives rise to a deferred tax receivable. The consolidated deferred tax receivable and tax liability have been calculated with a tax rate of 28% in Sweden and with the applicable tax rate in the respective countries for the foreign companies. Deferred tax receivables that cannot be offset against deferred tax liabilities are booked as 'Other assets.' Deferred tax liabilities are booked as 'Provisions.'

Group Contributions

Group contributions that are provided or received for the purpose of minimizing the Group's tax are reported for the different companies as a reduction or increase in non-restricted equity after adjustment for the estimated tax.

Remuneration of Employees

According to the company's pension policy, only premium-based pension plans are used. The pension costs are charged against the earnings.

Other Accounting Principles

Contract settlement receivables and liabilities which are settled through clearing houses on the markets where NeoNet is a member have been reported at the net amount in the balance sheet. Changes in the liabilities relating to loans for borrowed securities are recorded in the balance sheet on a daily basis. The company has no proprietary trading activities and does not offer securities lending.

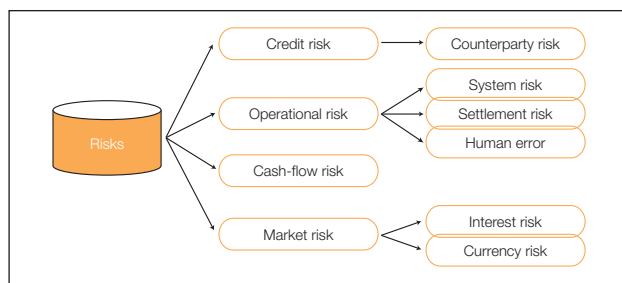
All interest expense is recognized in the period it is incurred. The arrangement fees for the debenture loan are also reported under interest expense and these are spread over the life of the loan.

Risk

Risk Management

Like other players in the stock market, NeoNet is exposed, as a natural part of the business, to various types of risk. This risk consists, among other things, of credit risk, operational risk, cash-flow risk and very limited market risk.

Effective management of risk is important for all parties associated with NeoNet, e.g. clients, clearing banks, lenders, and shareholders. NeoNet's day-to-day risk management is the responsibility of the company's Risk Manager and is conducted according to policies established by the Board of Directors. The Board of Directors of NeoNet Securities AB prepares written policies for general risk management as well as specific



The different types of risk to which NeoNet's operation is exposed.

areas of risk. The Board has appointed a Risk Evaluation Committee responsible for providing the Board with recommendations regarding limits, new clients, changes in risk policies etc. The Committee consists of the CEO, CFO, Risk Manager and the Head of Compliance.

Credit Risk (Counterparty Risk)

NeoNet's counterparty risk is the risk that one of the Group's clients may be unable to fulfill its undertaking to deliver securities or funds (pre-settlement risk). There is no risk involved in the actual settlement of transactions (settlement risk), as all deliveries are made on the principle of DVP, Delivery Versus Payment, or RVP (Receipt versus payment).

NeoNet has no permit to conduct proprietary trading activities, nor are such activities part of the company's business concept. Consequently, NeoNet has no portfolio of its own and therefore does not need to measure and manage what is generally termed market risk, i.e. the risk of losing money as a result of changes in the value of a holding.

However, NeoNet is exposed on a daily basis to what is known as potential market risk, which arises during the period between the execution of a transaction and its settlement (i.e. the pre-settlement period). This type of risk arises because NeoNet in all trading transactions acts as a representative for its client.

Members of stock exchanges are subject to the supervision and monitoring of a regulatory body (in Sweden, the Financial Supervisory Authority). Exchanges and central securities depositories (CSDs) also require their members to comply with regulations and capital adequacy requirements. Counterparty risk in relation to other exchange members is limited in those cases where trades are executed on a marketplace in which a clearing house assumes the role of central counterparty (CCP). The clearing house receives collateral from both buyers and sellers. In addition to the protection provided by clearing, some CSDs have built-in counterparty protection, such as guarantee funds.

In the event of a client failing to complete a transaction, NeoNet could suffer financial damage, as it may then need to buy or sell securities on the market at a different price than the one applying in the transaction concerned in order to complete the transaction with the counterparty. The pre-settlement risk in relation to the clients is minimized by the fact that all NeoNet clients are required to undergo a credit check before being approved for trading.

NeoNet has taken out credit insurance with Atradius Credit Insurance NV, assigned credit rating A according to Standard & Poors and A2 according to Moody's. After an internal credit assessment, Atradius sets a maximum indemnification amount for each client. The insurance is intended to cover any losses that may arise in the event of a NeoNet client failing to fulfill its payment or delivery undertakings. The vast majority of NeoNet's clients are covered by the insurance, subject to certain conditions, deductibles and limitations for each client and reviewed on an annual basis.

Operational Risks and Quality Assurance

The term operational risk covers a broad category of risks that may result in financial damage for NeoNet. The following are a few typical examples of operational risk:

<i>System risk</i>	The risk that one of NeoNet's systems or electronic communication with clients ceases to function.
<i>Settlement risk</i>	The risk of an equity transaction on behalf of a client failing or not being executed correctly.
<i>Human error</i>	The risk of errors caused by the human factor.

NeoNet manages these risks by continuously improving its internal routines and day-to-day control procedures. NeoNet uses an independent external auditor who helps to identify any weaknesses in the company's internal routines. In respect of the trading system and its communication with the exchange systems and, where applicable, the client's order management system, NeoNet aims to achieve the highest possible security level and employs standards in the form of tried and tested data communications solutions, software and, where required, generally accepted communications protocols.

Cash-flow risk

To conduct its business, the Group requires large amounts of liquid assets, in relation to the revenues. Normal causes of increased working capital, for example revenues that lead to accounts receivable, are uncommon. On the other hand, the business requires significant assets for working capital for various forms of collateral. These collateral requirements usually come from CSDs, CCPs and clearing banks. Furthermore, additional collateral is required for temporary loans taken out in the settlement process, in addition to what is received from the counterparty who has delivered on time. Both of these kinds of undertakings require NeoNet to provide collateral in the form of pledged bank deposits.

As NeoNet expands into more and more markets, the company has become subject to increased collateral requirements, mainly from CCPs. Some of the undertakings that NeoNet must fulfill fluctuate in size, require action the same day, and are very difficult to predict. The cash-flow risk is therefore mainly related to unforeseen sharp increases in collateral requirements.

NeoNet endeavors to always find optimal solutions for the entire settlement process on the respective stock markets, including methods for ensuring that collateral requirements as described above are met. The Group works with various banks, selected on the basis of a number of selection criteria, including service level, data integration possibilities, securities loan facilities, and not least, the solutions that are offered for financing collateral requirements.

The NeoNet Group's short-term liquid assets consist of the sum of bank balances, short-term investments, unutilized overdraft facilities, the difference between contract settlement receivables and liabilities, and receivables mainly from clearing houses and similar institutions, less liabilities for temporary settlement loans. Liquid asset planning is conducted by the finance department in cooperation with the clearing and settlement department.

Market risk (Interest Risk and Currency Risk)

In 2004 NeoNet invested a large portion of its liquid assets in Swedish bonds and treasury bills in accordance with the company's investment policy. NeoNet's market risk associated with this investment is limited because the bond portfolio is permitted to have an average duration of no more than one year. The risk is measured, monitored and reported on a daily basis.

The current liabilities in NeoNet's balance sheets are subject to interest at a floating rate. Short-term risk exposure is limited, as most of these liabilities are very short term, normally three to four days. The actual value of both the financial assets and liabilities is the same as the book value. On the closing day, December 31, 2004, the interest-bearing receivables amounted to SEK 129 m and the interest-bearing current liabilities to SEK 14 m, with an average interest of 1.7% and 2.5% respectively.

Trading on foreign markets is associated with currency risk as a result of the receivables and liabilities in foreign currencies that are associated with settlement of executed equity transactions.

NeoNet has pledged assets on foreign-currency accounts as collateral for its undertakings to clearing banks, CCPs and CSDs. NeoNet enters into forward contracts to reduce the currency risk in major euro and GBP denominated holdings on a regular basis. As of the closing day, December 31, 2004, NeoNet had forward contracts amounting to EUR 3.2 m and GBP 0.4 m.

Current assets and current liabilities in foreign currencies

The Group on December 31, 2004

Currency	Closing day rate SEK/Currency	Current Assets in Foreign Currency (000s)	Current Liabilities in Foreign Currency (000s)
CHF	5.8270	275	22
DKK	1.2115	4,071	286
EUR	9.0070	8,670	3,291
GBP	12.7100	784	97
NOK	1.0880	6,927	4,931
USD	6.6125	3,135	438

Earnings of the Group's foreign subsidiaries have been translated at the average monthly rates, published by the Central Bank of Sweden.

Note 1 Transaction Revenues

	2004	2003
Commission from securities transactions	201,056	147,586
Total transaction revenues	201,056	147,586

NeoNet's business is focused on direct electronic trading on a number of different stock exchanges. As a supplementary service, NeoNet also offers its clients traditional trading through the company's trading desks. However, sales, marketing, operations and administration are run as a single business area and there is no division into separate areas of activity, either organizationally or in terms of responsibility. Accordingly, NeoNet has no reason to report net sales by business area. The following information on the breakdown of NeoNet's transaction revenues should therefore be viewed as supplementary information.

Revenues by Clients' Geographical Location

	2004	%	2003	%
Nordic region	103,627	52	94,329	64
Rest of Europe	56,985	28	19,704	13
U.S.	40,444	20	33,553	23
Total	201,056	100	147,586	100

Revenues by Transaction Method

	2004	%	2003	%
Electronic trading	164,100	82	113,641	77
Manualseales trading	36,956	18	33,945	23
Total	201,056	100	147,586	100

Revenues by Exchange

	2004	%	2003	%
Stockholm	78,840	39	69,001	47
Helsinki	32,210	16	22,776	15
Oslo and Copenhagen	15,906	8	11,148	8
Frankfurt	10,033	5	8,176	5
Euronext (Paris, Amsterdam, Brussels, Lisbon)	25,515	13	17,263	12
London, Milan, Virt-x and Madrid	14,307	7	9,819	7
Nasdaq and NYSE	24,245	12	9,403	6
Total	201,056	100	147,586	100

Note 2 Transaction Expenses

	2004	2003
Other commission expenses	65,043	55,168
Total transaction expenses	65,043	55,168

The item comprises variable transaction expenses from exchanges, clearing houses, central securities depositories and banks.

Variable transaction expenses for settlement services have been reclassified. In previous annual reports this item was reported as "Other operating costs."

Note 3 Net Interest Income

	2004	2003
<i>Group</i>		
Interest Income		
Lending to credit institutions	2,527	3,192
Change in value, interest-bearing securities	212	–
Other interest income	8	121
Total interest income	2,747	3,313

Note 3 cont.

	2004	2003
Interest expenses		
Liabilities to credit institutions for securities and money loans	-5,845	-4,511
Subordinated debt	-3,985	–
Other interest expenses	-821	-257
Total interest expenses	-10,651	-4,768
Net interest income	-7,904	-1,455

Parent company

Interest income		
Lending to credit institutions	18	54
Interest income from subsidiaries	7,684	12,903
Other interest income	6	2
Total interest income	7,708	12,959
Interest expenses		
Liabilities to credit institutions	-4	–
Subordinated debt	-3,985	–
Other interest expenses	-258	-5
Total interest expenses	-4,247	-5
Net interest income	3,461	12,954

Interest expense relating to subordinated debt includes period transaction costs of SEK 557,000 incurred in connection with the issuance of the debenture loan.

Note 4 Net Earnings from Financial Transactions

	2004	2003
<i>Group</i>		
Exchange-rate fluctuations	-2,527	-2,962
Change in value, currency forwards	-424	1,258
Total earnings from financial transactions	-2,951	-1,704

The Group's currency exposure comprises assets in foreign currencies that have been paid as a deposit for required margin cover or retained for use as supplementary collateral for overnight and securities loans if required. NeoNet has been using currency forwards on a regular basis to offset the effects of fluctuations in exchange rates.

Note 5 Other Operating Revenues

	2004	2003
Data communication and real-time share price information	3,912	4,597
Other revenues	1,839	1,909
Total other operating revenues	5,751	6,506

The item "Data communication and real-time share price information" refers to revenues from services for which the charge is passed on to clients and which form part of NeoNet's offering to clients using the electronic trading system. The corresponding expense is reported under "Other operating expenses."

Intra-group transactions

The subsidiary NeoNet Technology AB made sales of SEK 15,269,000 (SEK 20,280,000) to NeoNet Securities AB, and NeoNet Securities AB made sales of SEK 39,319 (SEK 37,703,000) to NeoNet Securities, Inc. The sub-group Lexit made sales to NeoNet Securities AB of SEK 2,190,000 (SEK 0). The amounts have been eliminated in the consolidated accounts. The parent company had no sales to nor any purchases from the subsidiaries.

Note 6 Operating Expenses

This item includes expenses of the following type: Data-related expenses, stock exchange membership fees, fees for administrative services, insurances, rent and office expenses, auditor's fees and other types of fees. The parent company did not invoice the subsidiaries for any expenses.

Specification of fees to accounting firms

	2004	2003
<i>Group</i>		
Auditing		
PricewaterhouseCoopers	-1,208	-1,962
Ernst & Young	- 132	-104
Other assignments excluding auditing		
PricewaterhouseCoopers	-119	-565
Ernst & Young	-227	-
Total auditors' fees	-1,686	-2,631

	2004	2003
<i>Parent Company</i>		
Auditing		
PricewaterhouseCoopers	-385	-1,399
Other assignments excluding auditing		
PricewaterhouseCoopers	-10	-530
Total auditors' fees	-395	-1,929

Auditing assignments include auditing the annual report and accounts, and reviewing the corporate governance by the Board and CEO. This category also includes other tasks that befall the company's auditors and advice following observations made during auditing duties. All other services are categorized as "Other assignments."

Note 7 Personnel

Number of employees

	2004		2003	
Average Number of Employees	No. of Employees	Of which Men	No. of Employees	Of which Men
Sweden	64	44	61	44
Rest of Europe	-	-	1	1
U.S.	14	13	10	8
Group	78	57	72	53

Average Number of Employees	No. of Employees	Of which Men	No. of Employees	Of which Men
Sweden	64	44	64	42
Rest of Europe	-	-	7	7
U.S.	10	9	17	13
Group	74	53	88	62

Absence due to illness of employees in Sweden

Absence due to illness of employees in Sweden amounted to 2% (4%) of the total working hours of the employees. 52% (70%) of such absence was for a continuous period of more than 60 days.

Absence due to illness as a percentage of regular working hours*

	2004	2003
Age < 29	3%	6%
30 <	2%	3%
Men	1%	1%
Women	4%	10%
Total	2%	4%

*Information is not provided on absence due to illness in smaller age categories since this information would only relate to individuals employees.

Salaries, Remuneration and Social Security Expenses

	2004			2003		
	Salaries and Remuneration	Pension Expenses	Other Social Expenses	Salaries and Remuneration	Pension Expenses	Other Social Expenses
Parent Company	5,045	1,328	1,820	7,267	1,960	2,454
Subsidiaries	40,439	3,676	10,635	38,805	4,479	10,613
Group	45,484	5,004	12,455	46,072	6,439	13,067

In accordance with the company's pension policy, NeoNet makes regular premium-based provisions for the Swedish companies' staff pensions. The premium is determined by the employee's salary and age.

Salaries and Remuneration for Board, CEO and Other Employees

	2004		2003	
	Board and CEO (of which bonuses, etc.)	Other Employees	Board and CEO (of which bonuses, etc.)	Other Employees
Parent Company	2,448 (-)	2,597	5,152 (-)	2,115
Subsidiaries:				
Sweden	996	28,508	966	30,633
U.S. and U.K.	1,518	9,417	1,730	5,477
Group	4,962 (-)	40,522	7,848 (-)	38,225

Note 7, cont.

Personnel expenses	2004	2003
<i>Group</i>		
Salaries and remuneration	45,484	46,072
Social security expenses – pensions	5,004	6,439
Social security expenses – other	12,454	13,067
Other personnel expenses	2,983	5,176
Total personnel expenses	65,925	70,754
Personnel expenses reported as acquisition value of intangible assets (development of trading system)	10,006	13,013
Personnel expenses according to income statement	55,919	57,741
Total personnel expenses	65,925	70,754

Stock Option Program

As of the closing day, there were no stock option programs in place aimed at the employees. The warrants that were held at the beginning of the year became worthless during the year.

Senior Executives

Group management consisted of six individuals in 2004, all of which are men. The Board consisted of five members, one of which is a woman.

Remuneration of Senior Executives

The Chairman and other Directors receive remuneration as approved at the Annual General Meeting. When determining the distribution of fees, committee work and membership in the boards of the subsidiaries are taken into consideration. The employee representative on the Board does not receive any directors' fees.

For the 2003/2004 term of office, NeoNet paid out in 2004 SEK 282,000 in directors' fees to directors who are not employed by the company, of which SEK 67,000 went to the Chairman. The Chairman received no remuneration other than his directors' fees. According to a decision at the 2004 Annual General Meeting, the directors' fees for the 2004/2005 term of office shall amount to SEK 660,000. SEK 315,000 of this amount was paid out in November (SEK 75,000 to the Chairman of the Board).

Simon Nathanson took up the post as the new CEO in March 2004. He received SEK 1,788,000 and an additional 25% in pension premiums.

Remuneration of the CEO and other senior executives comprises a basic salary, other benefits, pensions, as well as variable performance-based compensation. 'Other senior executives' refers to the five individuals who, together with the CEO, make up Group Management. For details of members of Group Management, please see page 50.

Like all NeoNet employees, the CEO and other senior executives are entitled to variable compensation that is essentially based on the Group's financial performance. Like the overall salary, the variable compensation should be proportionate to the level of responsibility and performance of the employee. The CEO is entitled to variable compensation up to a maximum value equivalent to six monthly salaries. The other senior executives are entitled to variable compensation not exceeding 50% of their annual basic salary.

The Group uses only premium-based pension plans. 'Pension expenses' refers to the expenses charged to earnings for the year. For more information about pensions, please see below.

Terms of Notice, Severance Pay and Pensions

For the CEO, a period of notice of six months applies if he resigns and twelve months if the company terminates his employment.

At the end of the year there were five other senior executives. For one senior executive, no period of notice entitlement applies, neither from the company's nor the employee's side before November 2006 unless a serious breach of contract occurs. For other senior executives, the period of notice on the part of the employee is three or six months. One senior executive is, in case of termination by the company, entitled to a one-off compensation of twelve months' salary in addition to his salary during the six-month period of notice. The other executives are entitled to three to six monthly salaries. If the executive resigns, no severance pay is payable.

Pension premiums amounting to a maximum of 28% of salary costs have been paid in respect of the other senior executives.

Stock Option Program, Financial Instruments etc. for Senior Executives

The 30,000 warrants held by senior executives at the beginning of the year became worthless during the year. At the end of 2004 there were no stock option programs in place aimed at senior executives or other employees.

Bonus

No bonus programs for 2004 resulted in pay-outs in 2004.

Drafting and Decision-Making Process

In 2004, the Remuneration Committee drafted recommendations for the Board of Directors on the principles to be used for remuneration of senior executives and other employees.

The recommendations cover variable compensation as well as salaries to senior executives. The Committee also proposed a set of criteria for the determination of bonuses in the coming years.

The Board has discussed the Committee's proposals and has taken the decision on the basis of the Committee's recommendations.

Compensation to the CEO for the 2004 financial year was determined by the Board. Compensation to other senior management has been determined by the CEO based on the principles drafted by the Remuneration Committee. The Committee, which consists of Board members Hans Karlsson and Kari Lotsberg, convened meetings on four occasions in 2004.

Note 7, cont.

Remuneration and Other Benefits in 2004

	Basic Salary/ Directors' fees	Commission	Other Variable Compensation	Other benefits**	Pension Expenses	Benefits, Financial Instru- ments, etc.	Other Com- pensation	Total
Board of Directors	660	–	–	–	–	–	–	660
CEO	1,788	–	–	–	574	–	–	2,362
Other senior executives*	6,396	130	–	101	636	–	–	7,263
Total	8,844	130	–	101	1,210	–	–	10,285

* Group management consists of five individuals in addition to the CEO.

** Other benefits refers to company cars.

Note 8 Appropriations

	2004	2003
<i>Parent Company</i>		
Difference between booked depreciation and depreciation according to plan	–	60
Total appropriations	–	60

Note 9 Tax for the Year and Deferred Tax

	2004	2003
<i>Group</i>		
Current tax for the year	-44*	-1,631
Deferred tax	–	-464
Reporting of deferred tax receivable relating to tax loss carry-forwards	–	3,367
Total tax for the year	-44	1,272

* refers to U.S. subsidiary's tax

Difference between consolidated tax expense and tax expense based on applicable tax rates

<i>Reported earnings before tax</i>	-20,274	-48,232
Tax at current tax rate	5,677	13,505
Tax effect of non-deductible expenses	-22,453	-234
Tax effect of non-taxable revenues	1	14
Deferred tax on untaxed reserves	–	1,758
Deferred tax on intra-group profit	-280	-464
Tax effect of the year's unreported loss carry-forward	17,055	-13,285
Effect of foreign tax rates	-44	-22
Tax on net earnings according to Income Statement	-44	1,272

Tax Rates

The current tax rate, 28% (28%) is the rate applied to income tax for the Group. The Group has a deferred tax liability relating to untaxed reserves and internal gains of SEK 1 m. The deferred tax on the untaxed reserves and intra-group profit of SEK 1 m has been used to offset a deferred tax receivable on parts of the loss carry-forward. The effect of this is deferred tax revenue of SEK 1 m. The companies in the Group had loss carry-forwards in excess of SEK 110 m, of which SEK 45 m related to the U.S. operation. There is limited potential for utilizing part of the loss carry-forward in the U.S. No tax revenue has been entered in the accounts for a future effect of the Swedish and U.S. loss carry-forwards.

	2004	2003
<i>Parent Company</i>		
Deferred tax, group contributions received	42	32
Total tax for the year	42	32

Difference between company's tax expense and tax expense based on applicable tax rates

Reported earnings before tax	-91,756	-4,880
Group contributions provided/received	149	114
Total taxable earnings	-91,607	-4,766
Tax at current tax rate (28%)	25,650	1,334
Tax effect of non-deductible expenses	-21,958	95
Tax effect of the year's unreported loss carry forward	-3,692	-1,429
Tax effect of group contributions	42	32
Tax on net earnings according to Income Statement	42	32

Note 10 Lending to Credit Institutions

	2004	2003
<i>Group</i>		
Investment information		
Cash	7	19
Chargeable treasury bonds	25,800	–
Bonds and other interest-bearing treasury bills	23,410	–
Swedish credit institutions	29,478	48,898
Foreign credit institutions	65,148	86,172
Total cash and lending to credit institutions	143,843	135,089

Maturity structure, lending

Payable on demand	106,636	94,015
Remaining term of up to 3 months	37,200	41,055
Total	143,836	135,070

❖ Note 11 Shares in Subsidiaries

Company	Registered Office	Corporate Identity No.	No. of Shares	Share	Book Value
NeoNet Securities AB	Stockholm	556530-4804	480,000	100%	133,939
NeoNet Technology AB	Stockholm	556550-4858	2,300	100%	3,800
NeoNet Securities, Inc.	Delaware, USA		300	100%	25,522
Lexit Financial Group, Inc.	Delaware, USA		100	100%	0
subsidiaries:					
Lexit Capital LLC	New Jersey, USA				
NeoNet Securities Ltd	London				
					163,261

	2004	2003
Acquisitions and write-down		
Acquisition value, opening balance	239,354	78,858
Acquisitions	6,088	160,496
Acquisition value, closing balance	245,442	239,354
Write-down, opening balance	–	–
Write-down	-82,181	–
Depreciation according to plan, closing balance	-82,181	–
Total book value	163,261	239,354

The book value in the subsidiary NeoNet Securities, Inc. has increased by SEK 2,203,000 as a result of a conditional shareholders' contribution of USD 300,000. The book value of the shares in the subsidiary Lexit Financial Group, Inc. increased by SEK 3,885,000 in 2004 as a result of accrued acquisition costs and capital injection. The shares in the subsidiary Lexit Financial Group, Inc. were written off in the amount of SEK 82,181,000 to SEK 0 due to restructuring within the Group. This operation has been transferred to other parts of the Group. This measure did not give rise to a need to revalue the consolidated goodwill of SEK 69.5 m relating to the acquired business, because the relevant cash-flow generating units between which the consolidated goodwill is divided are not affected by this restructuring.

❖ Note 12 Intangible Fixed Assets

	2004	2003
<i>Group</i>		
Electronic trading system and administrative system		
Acquisition value, opening balance	143,151	116,642
Acquisitions	14,997	28,554
Obsolescence	-127	-2,045
Acquisition value, closing balance	158,021	143,151
Amortization according to plan, opening balance	-75,267	-58,374
Obsolescence	127	2,045
Amortization according to plan	-21,547	-18,938
Amortization according to plan, closing balance	-96,687	-75,267
Residual value according to plan	61,334	67,884

The fixed assets include development projects in progress amounting to SEK 4.1 m.

For details of amortization periods, please see the Accounting Principles. The residual value reported as of December 31, 2004 for intangible assets is expected to be amortized in the amounts as follows:

2005	19.5
2006	15.6
2007	12.6
2008	10.6
2009	3.0

❖ Note 13 Goodwill

	2004	2003
<i>Group</i>		
Acquisition value, opening balance	78,921	1,140
Acquisitions	796	77,781
Acquisition value, closing balance	79,717	78,921
Amortization according to plan, opening balance	-2,035	-513
Amortization according to plan	-8,010	-1,522
Amortization according to plan, closing balance	-10,045	-2,035
Residual value according to plan	69,672	76,886

❖ Note 14 Tangible Fixed Assets

	2004	2003
<i>Group</i>		
Acquisition value, opening balance	36,919	33,860
Acquisitions	1,818	3,188
Obsolescence	-246	-129
Translation difference	-290	—
Acquisition value, closing balance	38,201	36,919
Depreciation according to plan, opening balance	-25,803	-18,201
Sales		
Obsolescence	243	129
Depreciation according to plan	-6,412	-7,731
Translation difference	172	—
Depreciation according to plan, closing balance	-31,799	-25,803

Residual value according to plan	6,402	11,116
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<i>Parent Company</i>		
Acquisition value, opening balance	615	594
Obsolescence	-39	-
Acquisitions	-	21
Acquisition value, closing balance	576	615
<hr/>		
Depreciation according to plan, opening balance	-453	-311
Obsolescence	39	-
Depreciation according to plan	-77	-142
Depreciation according to plan, closing balance	-491	-453

Residual value according to plan	85	162
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SEK 82,181,000 was written down for the value of the shares in the subsidiary Lexit Financial Group, Inc. See also Note 11.

❖ **Note 15 Net Contract Settlement Receivables**

	2004	2003
<i>Group</i>		
Contract settlement receivables	2,807,904	2,774,440
Contract settlement liabilities	-2,785,081	-2,687,980
Net contract settlement receivables	22,823	86,460

❖ Note 16 Receivables from Subsidiaries

Receivables from subsidiaries include subordinated loans of USD 550,000 to the subsidiary NeoNet Securities, Inc. The parent company's ability to call in the loans for repayment is limited due to the way the loan is structured.

❖ Note 17 Other Assets

	2004	2003
<i>Group</i>		
Share in tenant-owners' association	788	788
Tax receivables	1,660	1,003
Funds deposited with clearing houses	14,335	11,626
Receivables from clearing banks	–	21,727
Other receivables	12,364	15,785
Total other assets	29,147	50,929

<i>Parent Company</i>		
Share in tenant-owners' association	788	788
Other receivables	26	251
Total other assets	814	1,039

❖ Note 18 Liabilities to Credit Institutions

	2004	2003
<i>Group</i>		
Lender categories		
Swedish credit institutions	8,964	6,641
Foreign credit institutions	5,253	84,947
Total liabilities to credit institutions	14,217	91,588

Maturity structure of liabilities

Payable on demand	14,217	91,588
Total	14,217	91,588

❖ Note 19 Other Liabilities

	2004	2003
<i>Group</i>		
Accounts payable	4,969	8,217
Tax liability	893	29
Loans from shareholders	–	9,997
Other liabilities	3,064	3,458
Total other liabilities	8,926	21,701

<i>Parent Company</i>		
Liability to subsidiary	74	11,804
Other current liabilities	168	300
Total other current liabilities	242	12,104

'Other liabilities' includes forward contracts amounting to GBP 400,000 and EUR 3,200,000 (EUR 3,100,000) with a book value of SEK 24,000 and SEK 278,000 (SEK 539,000) respectively.

Note 20 Accrued Expenses and Deferred Income

	2004	2003
<i>Group</i>		
Transaction expenses	2,710	2,433
Social security expenses	827	1,967
Vacation pay	2,440	3,254
Expenses paid to clearing banks	2,035	2,844
Data communication	817	505
Interest expenses	140	142
Personnel expenses	1,384	4,852
Other accrued expenses	3,292	7,989
Total accrued expenses and deferred income	13,645	23,986
<i>Parent Company</i>		
Directors' fees	421	348
Social security expenses	112	568
Vacation pay	185	434
Personnel expenses	389	3,384
Interest expenses	1	-
Other accrued expenses	325	2,418
Total accrued expenses and deferred income	1,433	7,152

Note 22 Provisions

	Dec. 31, 2004	Dec. 31, 2003
<i>Group</i>		
Untaxed reserves	-	-3,368
Depreciation exceeding plan	3,671	3,671
Value adjustment reserve	-3,671	-
Other deferred tax	-	-303
Total provisions	-	-

Note 23 Share Capital History

	Increase in No. of Shares	Total No. of Shares	Change in Share Capital, SEK	Total Share Capital, SEK
Opening balance 2002		42,654,700		2,132,735
2002 Subscription ¹	1,000,000	43,654,700	50,000	2,182,735
2002 Subscription ²	10,000	43,664,700	500	2,183,235
2003 Non-cash issue ³	6,917,343	50,582,043	345,867	2,529,102
2004	-	50,582,043	-	2,529,102
Dilution effect				
No. of shares if option program fully subscribed	15,174,612 ⁴	65,756,655	758,731	3,287,833

¹ Subscription through exercise of 2000/2002 warrants in April 2002.

² Subscription through exercise of 1999/2002 warrants in October 2002.

³ Non-cash issue for the acquisition of Lexit Financial Group, Inc.

⁴ On December 31, 2004, shareholders had subscribed for 2,850 shares.

Note 21 Debenture Loan

At an extraordinary meeting of shareholders on February 19, a decision was taken on issuing a debenture loan with detachable warrants aimed at the shareholders. The debenture loan amounts to SEK 50,582,040. The funds were received in full in April 2004.

Issue terms and conditions: For every 10 shares in NeoNet, the holder is offered the option to subscribe for a debenture of a nominal SEK 10.00 with three detachable warrants.

Loan amount: A nominal SEK 50,582,040 represented by 5,058,204 debentures each worth SEK 10.00. Each debenture has three detachable warrants.

Interest: The debenture loan carries an annual interest of 10.00%. The interest is paid annually at the end of the period on December 30, 2004, 2005 and 2006, and on April 13, 2007.

Life: The debenture loan falls due for payment on April 13, 2007.

Pre-extinguishment: The company has the right once a year in connection with payment of interest to extinguish the loan for the nominal amount.

Warrants

Number of warrants: The number of warrants is 15,174,612.

Subscription price: Each warrant entitles the holder to subscribe for one new share of a nominal SEK 0.05 for a subscription price of SEK 6.00.

Subscription period: Subscription requests may be submitted during the ten last banking days before the end of each calendar quarter, and the final opportunity is from March 19 up to and including March 30, 2007.

The transaction costs relating to the issue of the loan, which amounted to SEK 2.4 m, and interest for the loan are reported periodically during the life of the loan.

❖ Note 24 Capital Adequacy (Group)

The company is subject by law to capital adequacy requirements (FFFS 2004:8) stipulating that at least 8% of risk-weighted investments, in view of the credit risk, be covered by the capital base. 'Investments' refers to both on and off balance sheet items. The capital base comprises shareholders' equity less intangible assets and consolidated goodwill. An analysis of the company's capital adequacy follows, showing that the consolidated capital adequacy ratio was 52% (32%). Comparative figures for 2003 have been re-calculated according to FFFS 2004:8.

Capital Base	2004	2003
Shareholders' equity	212,025	234,319
Intangible assets	-61,334	-67,884
Consolidated goodwill	-69,672	-76,886
Tier 1 capital	81,019	89,549
Tier 2 capital	–	–
Total capital base	81,019	89,549

The capital base includes the appropriations and distribution of earnings proposed by the Board.

Capital Adequacy Requirement, Credit Risks

Segment	Weighting according to FFFS 2004:8	Balance Sheet Items	Off balance Sheet Items	Risk-weighted Amount Dec. 31, 2004	Risk-weighted Amount Dec. 31, 2003
A	0%	96,649	–	0	0
B	20%	118,036	–	23,607	27,014
C	50%	–	–	0	0
D	100%	41,284	–	41,284	133,000
Total risk-weighted amount, credit risks				64,891	160,014

The various segments mainly include the following:

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

Risk-weighted Amount	2004	2003
Credit risk	64,891	160,014
Interest risk	732	–
Counterparty risk	6,848	5,694
Settlement risk in outstanding, delayed transactions	11,807	56,259
Currency risk	71,294	57,185
Total risk-weighted amount	155,572	279,152

Capital adequacy ratio	2004	2003
Total capital base	81,019	89,549
Total risk-weighted amount	155,572	279,152
Capital adequacy ratio, percent	52%	32%

❖ Note 25 Rents and Major Leasing Contracts

Group

The year's rental expenses amounted to SEK 8,422,000 compared with SEK 7,479,000 the previous year.

Contracted future rental expenses					
2005	2006	2007	2008	2009	Total
5,108	3,292	2,983	2,983	–	14,366

Operational leasing agreements relating to cars, office equipment, etc. are reported under operating expenses.

❖ Note 26 Transactions with Related Parties

The following transactions with related parties have taken place in addition to those described in Note 7.

Due to the increase in the amount of liquid assets tied up as a result of the collateral requirements for clearing and settlement, the two main shareholders, Hans Karlsson and Staffan Persson, provided NeoNet with a loan in the first quarter of up to SEK 20 m at a yearly interest rate of 10%. Three other shareholders, who have agreed to provide security in connection with the debenture loan issue, provided NeoNet with a loan at the end of March of SEK 9 m with an annual interest rate of 10%. All of these loans were repaid at the beginning of April 2004.

Related parties providing security received commission of 3% for security relating to debenture subscription over and above what the respective guarantor subscribed for using subscription privileges. These commissions totaled SEK 261,000.

In addition to the above-mentioned transaction, none of the Board members, the senior executives or the company's auditors, neither on their own behalf, nor through companies or related parties, have participated directly in any business transactions carried out by the company that were unusual in nature or in respect of their terms and conditions during the current or any previous financial year.

The statements of income and balance sheets are subject to ratification by the Annual General Meeting on May 10, 2005.

Stockholm, March 17, 2005

Simon Nathanson
CEO

Staffan Persson
Chairman

Hans Karlsson

Mats Sundström

Kari Lotsberg

Thord Wilkne

Our Audit Report was presented on March 17, 2005

PricewaterhouseCoopers AB

Eva Riben
Authorized Public Accountant

Audit Report

(translation of the Swedish original)

To the Annual General Meeting of NeoNet AB (publ)

Corporate identity number 556530-1263

We have audited the annual accounts, consolidated financial statements, accounting records for 2004 as well as the Board of Directors and Chief Executive Officer's administration of NeoNet AB (556530-1263) during the year. Responsibility for the accounts and for the administration of the company, and for compliance with the Annual Accounts Act in the preparation of the annual accounts and consolidated financial statements, rests with the Board of Directors and the Chief Executive Officer. Our responsibility is to express an opinion on the annual accounts, consolidated financial statements and administration based on our audit.

The audit has been conducted in accordance with generally accepted accounting principles in Sweden. This means that we have planned and conducted the audit in a way that enables us to obtain reasonable assurance that the annual accounts and consolidated financial statements are free of material misstatement. An audit involves examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also involves assessing the accounting principles used and their application by the Board of Directors and the Chief Executive Officer, as well as evaluating significant assessments made by the Board and the Chief Executive Officer when they prepared the annual accounts and consolidated financial statements, and assessing the overall presentation of information in the annual accounts and consolidated financial statements. As a basis for our opinion concerning discharge from liability, we have examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any Board member or the Chief Executive Officer. We have also examined whether any Board member or the Chief Executive Officer has in any other way acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for the following statements:

The annual accounts and consolidated financial statements have been prepared in accordance with the Annual Accounts Act and give a true and fair view of the company's and the Group's earnings and financial position in accordance with generally accepted accounting principles in Sweden. The Directors' Report is consistent with the other parts of the annual accounts and consolidated financial statements.

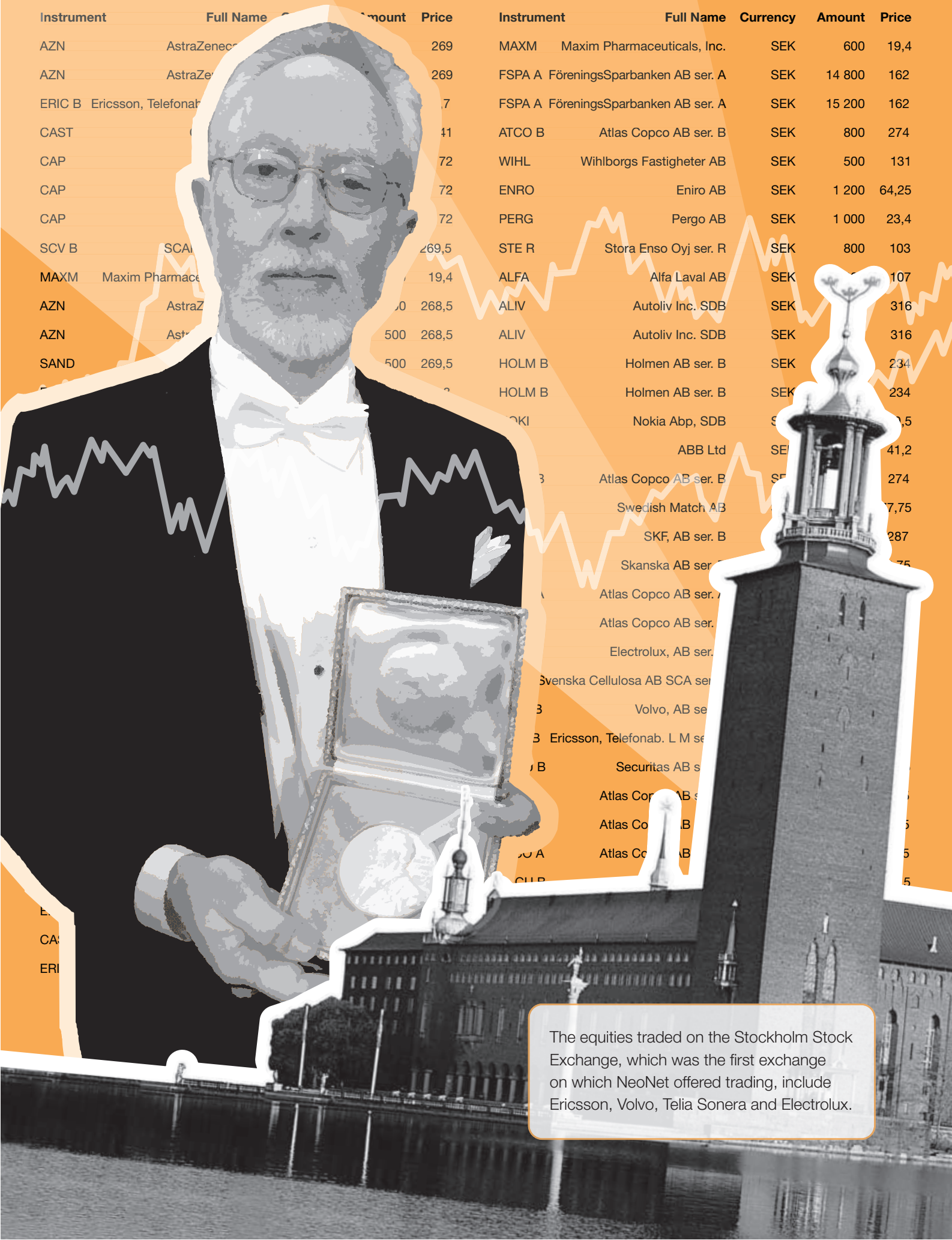
We recommend to the Annual General Meeting that the income statements and balance sheets of the parent company and group be adopted, that the losses of the parent company be dealt with in accordance with the proposal in the Directors' Report and that the members of the Board of Directors and the Chief Executive Officer be discharged from liability for the financial year.

Stockholm, March 17, 2005

PricewaterhouseCoopers AB

Eva Riben

Authorized Public Accountant



Instrument	Full Name	Currency	Amount	Price	Instrument	Full Name	Currency	Amount	Price
AZN	AstraZeneca	SEK	269		MAXM	Maxim Pharmaceuticals, Inc.	SEK	600	19,4
AZN	AstraZeneca	SEK	269		FSPA A	FöreningsSparbanken AB ser. A	SEK	14 800	162
ERIC B	Ericsson, Telefonab	SEK	7		FSPA A	FöreningsSparbanken AB ser. A	SEK	15 200	162
CAST		SEK	41		ATCO B	Atlas Copco AB ser. B	SEK	800	274
CAP		SEK	72		WIHL	Wihlborgs Fastigheter AB	SEK	500	131
CAP		SEK	72		ENRO	Eniro AB	SEK	1 200	64,25
CAP		SEK	72		PERG	Pergo AB	SEK	1 000	23,4
SCV B	SCA	SEK	269,5		STE R	Stora Enso Oyj ser. R	SEK	800	103
MAXM	Maxim Pharmace	SEK	19,4		ALFA	Alfa Laval AB	SEK		107
AZN	AstraZ	SEK	500	268,5	ALIV	Autoliv Inc. SDB	SEK		316
AZN	Astr	SEK	500	268,5	ALIV	Autoliv Inc. SDB	SEK		316
SAND		SEK	500	269,5	HOLM B	Holmen AB ser. B	SEK		234
		SEK			HOLM B	Holmen AB ser. B	SEK		234
		SEK			NOKI	Nokia Abp, SDB	SEK		1,5
		SEK			ABB Ltd	ABB Ltd	SEK		41,2
		SEK			Atlas Copco AB ser. B	Atlas Copco AB ser. B	SEK		274
		SEK			Swedish Match AB	Swedish Match AB	SEK		17,75
		SEK			SKF, AB ser. B	SKF, AB ser. B	SEK		287
		SEK			Skanska AB ser. B	Skanska AB ser. B	SEK		75
		SEK			Atlas Copco AB ser. B	Atlas Copco AB ser. B	SEK		
		SEK			Atlas Copco AB ser. B	Atlas Copco AB ser. B	SEK		
		SEK			Electrolux, AB ser. B	Electrolux, AB ser. B	SEK		
		SEK			Svenska Cellulosa AB SCA ser. B	Svenska Cellulosa AB SCA ser. B	SEK		
		SEK			Volvo, AB ser. B	Volvo, AB ser. B	SEK		
		SEK			Ericsson, Telefonab. L M ser. B	Ericsson, Telefonab. L M ser. B	SEK		
		SEK			Securitas AB ser. B	Securitas AB ser. B	SEK		
		SEK			Atlas Copco AB ser. B	Atlas Copco AB ser. B	SEK		
		SEK			Atlas Copco AB ser. B	Atlas Copco AB ser. B	SEK		
		SEK			Atlas Copco AB ser. B	Atlas Copco AB ser. B	SEK		
		SEK			Atlas Copco AB ser. B	Atlas Copco AB ser. B	SEK		

The equities traded on the Stockholm Stock Exchange, which was the first exchange on which NeoNet offered trading, include Ericsson, Volvo, Telia Sonera and Electrolux.

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. NeoNet is now prepared to report the company's financial accounts according to the new accounting rules, which apply from 2005. 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. 31, 2004			Jan. 1, 2004-Sept. 30, 2004			Jan. 1, 2004-June 30, 2004			Jan. 1, 2004-Mar. 31, 2004		
	As per IFRS	Adjustment	As per public report*	As per IFRS	Adjustment	As per public report*	As per IFRS	Adjustment	As per public report*	As per IFRS	Adjustment	As per public report*
SEK m												
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	-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	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	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	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	-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 amortization (see the accounting principles section in the annual report on page 34) 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."

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.'

- **Segment information:** NeoNet runs its business in one segment. The introduction of IAS 14 Segment Reporting, which is described in Note 1 on page 37, 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 above.

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.

Management

Simon Nathanson

President and Chief Executive Officer.

Graduate in Economics.

Simon Nathanson was formerly Executive Vice President of Stockholmsbörsen (Stockholm Stock Exchange), President of the Derivative Exchange OM Stockholm, and President of the OM Fixed Income Exchange. Employed by NeoNet since March 2004.

NeoNet AB shareholding*: 200,000 shares and 139,448 warrants conferring rights to subscribe for 139,448 shares.

Per Lindberg

Chief Financial Officer and President of the subsidiary NeoNet Securities AB.

M.Sc. Business and Economics.

Per Lindberg was formerly Business Controller for various Ericsson business units and CFO of Digital Equipment AB and Digital System Services AB. Employed by NeoNet since September 2000.

NeoNet AB shareholding*: 184,500 shares and 58,488 warrants conferring rights to subscribe for 58,488 shares.

Peter Kearns

President of the subsidiary NeoNet Securities, Inc.

Bachelor of Arts

Peter Kearns was formerly CEO of Lexit Financial Group, Inc. and is also one of Lexit's founders. Employed by NeoNet since November 2003.

NeoNet AB shareholding* (including family members): 1,421,641 shares and 427,155 warrants conferring rights to subscribe for 427,155 shares.

Peter Johansson

Head of European Sales Trading

Graduate in Economics

Peter Johansson was formerly pan-European Sales Trader with HSBC Investment Bank in London and Stockholm. Employed by NeoNet since January 2000.

NeoNet AB shareholding*: 1,000 shares.



Peter Johansson, Nicolas de Champs, Per Lindberg, Patrik Westerberg, Peter Kearns and Simon Nathanson.

Nicolas de Champs

Head of European Sales

Nicolas de Champs was formerly Marketing Executive at Intervalor and before that, District Manager Brokers and Corporates at Reuters Sweden. Employed by NeoNet since March 1999.

NeoNet AB shareholding*: 202,760 shares.

Patrik Westerberg

Chief Information Officer and President of the subsidiary NeoNet Technology AB.

M.Sc. Business and Economics.

Patrik Westerberg was formerly Business Analyst at OMX.

Employed by NeoNet since August 2001.

NeoNet AB shareholding*: 2,000 shares.

* Joint shareholder with a number of other employees in a company that has 1,400,000 warrant futures.

The Board and Auditors

Staffan Persson

Chairman. Board member since 1996.

Graduate in Economics.

Main occupation: Senior Partner of the venture capital company ITP.

Other Board assignments: Board member of several companies, including Kentor AB, Klar Invest AB, ARK Travel AB and Optovent AB.

NeoNet AB shareholding (incl. family members and companies): 7,158,970 shares and 2,163,843 warrants conferring rights to subscribe for 2,163,843 shares. Futures have been issued for 478,378 warrants.

Hans Karlsson

Board member since 1996.

M.Sc. Engineering

Other Board assignments: Board member of Industriförvaltnings AB Johnson Pump.

NeoNet AB shareholding (incl. family members and companies): 1,328,760 shares and 349,593 warrants conferring rights to subscribe for 349,593 shares. Futures have been issued for 569,368 warrants.

Kari Lotsberg

Board member since 2003.

M.Sc. Business and Economics.

Main occupation: Own consulting firm.

Other Board assignments: Board member of Swedsec AB and Svaneli AB.

NeoNet AB shareholding (including companies): 5,000 shares and 1,500 warrants conferring rights to subscribe for 1,500 shares.

Mats Sundström

Board member since 2000.

M.Sc. Business and Economics.

Other Board assignments: Chairman of Unibet Plc.

Board member of iBizkit AB.

NeoNet AB shareholding: 0 shares.

Thord Wilkne

Board member since 2000.

Other Board assignments: Chairman of WM-data AB. Board member of Föreningen Svensk Näringsliv and Temagruppen Sverige AB, among others.

NeoNet AB shareholding: 400,000 shares and 126,807 warrants conferring rights to subscribe for 126,807 shares.

Nicolas de Champs

Employees' co-opted Board representative.

Appointed by the employees.

AUDITOR

PricewaterhouseCoopers AB is the auditing firm appointed by the Annual General Meeting of NeoNet AB and Eva Riben is the Authorized Public Accountant with chief responsibility. Eva Riben has been the auditor for NeoNet AB since 2004. PricewaterhouseCoopers AB is appointed for a period of four years and the current term started at the beginning of 2003.

Definitions and Glossary

Amex

American Stock Exchange LLC, USA

Amsterdam Stock Exchange

Euronext Amsterdam, The Netherlands

Average capital employed

Average balance sheet total less average non-interest-bearing liabilities including deferred tax liabilities.

Average number of employees

Average number of employees during the year, calculated as full-year employees.

Sell short

The sale of shares that have been borrowed for the purpose of later buying the shares back for a lower price.

Capital adequacy ratio

Total capital base divided by the total risk-weighted amount relating to capital requirements for credit and market risk (FFFS 2004:8). The basis of calculation according to FFFS 2004:8 has affected the key figures in previous periods.

Central counterparty clearing

A central clearing house guarantees the execution of transactions and thereby becomes a counterparty, taking on the role as new buyer for the seller and new seller for the buyer. Also called central counterparty (CCP).

CSD

Central securities depositary.

Clearing

A process that compiles and sets off transactions in the exchange of shares and payment.

Crossing network

Electronic marketplace, other than an exchange, where buy and sell orders are matched.

Debt/equity ratio

Closing interest-bearing provisions and liabilities in relation to closing shareholders' equity.

Direct market access

Client orders are forwarded by broker-dealer directly to the marketplace without intermediaries and with minimal delay.

Dividend per share

Dividends for the year in relation to the number of shares.

Earnings per share

Earnings after tax in relation to the average number of shares in the period.

EBITDA

Earnings before net financial items, depreciation and tax.

ECN (Electronic Communications Network)

A U.S. corporation authorized by the SEC to manage electronic trading systems that match buy and sell orders for listed U.S. stocks on behalf of clients.

Equity/assets ratio

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

Equity per share

Closing shareholder's equity in relation to the closing number of shares for the period.

Euronext

Euronext N.V. and the subsidiaries Euronext Paris, Euronext Amsterdam, Euronext Brussels and Euronext Lisbon.

FIX compatible

System or software that can be connected to other financial systems using the FIX messaging standard.

FIX protocol

Financial Information eXchange protocol, FIX, is a messaging standard developed specifically for electronic transfer of securities transactions.

Front-End Application

The software installed at the client's site. It comprises a user interface and software enabling the reception of information and transmission of orders through NeoNet's central trading platform to the respective marketplaces. The installed front-end application can be the application developed by NeoNet or another application provided by a different supplier. In the latter case, a link based on FIX or another interface to NeoNet's trading network is required.

Interest cover

Earnings before tax plus interest expenses divided by interest expenses.

Liquidity

A highly liquid security is a security with a high trading turnover and a narrow spread between buy and sell prices.

NASD

National Association of Securities Dealers.

Nasdaq

National Association of Securities Dealers Automatic Quotation, USA

Net margin

Operating earnings before net financial items and tax as a percentage of total operating revenues.

NYSE

New York Stock Exchange, USA

Operating margin

Operating earnings before net financial items and depreciation as a percentage of total operating revenues.

Operating revenues

Transaction revenues and other operating revenues.

P/E ratio

The NeoNet share's closing price on the closing day multiplied by the number of shares, divided by the net earnings.

Profit margin

Net profit as a percentage of total operating revenues.

Proportion of risk-bearing capital

The sum of shareholders' equity and deferred tax liabilities divided by the balance sheet total.

Return on capital employed

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

Return on shareholders' equity

The net earnings for the period as a percentage of the period's average shareholders' equity.

Securities and Exchange Commission (SEC)

The U.S. regulatory body.

Settlement

Buyers of securities pay and receive securities, while sellers deliver securities and receive payment. Contract notes are issued and the share register is updated.

Shareholders' equity after full dilution

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

STP (Straight Through Processing)

Rationalization of work processes in connection with equity transactions. The objective is to create an automated process linking or fully integrating different equity transaction systems, settlement and other trading-related administrative procedures. The more direct, uninterrupted and electronically-based processes save time, cut expenses and reduce error frequency.

Transaction expenses

Commissions expenses and other operating expenses directly related to transactions on the respective exchanges.

Transaction margin

Transaction revenues excluding billed-through services less transaction expenses as a percentage of transaction revenues excluding billed-through services.

Underlying cash flow

Cash flow from operations excluding net interest income/loss and before change in assets and liabilities, less cash flow from investments excluding acquisitions.

Annual General Meeting

Time and Place:

The Annual General Meeting (AGM) will be held at 6.30 p.m. on May 10, 2005 in "Polhemsalen" at Citykonferensen, Malmkillnadsgatan 46, Stockholm. Notice to attend will be published in the Swedish press in Post och Inrikes Tidningar and Dagens Industri, and will be available on NeoNet's website www.neonet.biz no later than April 12, 2005.

Shareholders who wish to take part in the AGM must:

be registered in the share register maintained by VPC AB no later than April 29, 2005,
notify the company of their intention to take part in the AGM no later than 4 p.m. on May 3, 2005.

Shareholders whose shareholding is registered in the name of a trustee must, in order to have the right to participate at the AGM, temporarily register their shares in their own name. Shareholders who require such re-registration should notify their trustee well in advance of April 29, 2005.

Notification

Shareholders must notify the company of their intention to attend the AGM in writing no later than May 3:

by fax: +46 8 10 40 84

by e-mail: investor.relations@neonet.biz, or

by mail to NeoNet AB, "AGM Application," Box 7545, SE-103 93 Stockholm, Sweden.

When notifying, shareholders shall state their name, personal or corporate identity number, address, telephone number, shareholding and the number of assistants attending.

Financial Reporting in 2005

First-Quarter Interim Report: May 10, 2005

Annual General Meeting: May 10, 2005

Second-Quarter Interim Report: August 18, 2005

Third-Quarter Interim Report: October 25, 2005

Year-End Report: February 9, 2006



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