

Increased competitiveness in a market with low trading intensity

Despite the upturn on the world's exchanges in 2003, NeoNet's year was characterized by continued, relatively low trading intensity among the company's clients. As a result of the historical low volatility, the upswing in share prices was unable to compensate for the reduced trading values, contributing to a weak result in 2003. Despite this, we are still firmly committed to our focused business model.

Let me start by stating that, in terms of earnings, 2003 was not a good year for NeoNet and we are not satisfied with the year's results. We have, however, implemented a number of measures that will enable us to increase our earnings. This program of measures has already resulted in a reduction in personnel and other operating expenses.

I feel very confident and look forward to my new position as NeoNet's next CEO. We provide an important service to our clients. Ultimately, our business is about giving our clients an opportunity to lower their equity trading expenses – which in turn reduces total trading and administrative costs. Another important aspect is that NeoNet only executes trades on behalf of clients – never for our own portfolio. Thus we avoid any conflicts of interest that could be associated with such activity. Simply put, NeoNet offers independent and efficient trading for professional players at a very competitive price.

Unsatisfactory results but improved prospects



Earnings fell during the year by 20% to SEK 147.6 m, mainly as a result of the low trading intensity. The acquisition of Lexit only impacted the last two months of the business year.

Personnel and other operating expenses were reduced significantly and amounted to SEK 140.0 m for the year, 14% lower than the same period the previous year. However, our expenses were affected in the fourth quarter by non-recurring costs in connection with the Lexit acquisition and remuneration to the retiring CEO.

Despite our best efforts, the year's operating earnings before depreciation and

net financial items were negative at SEK -17.0 m. We therefore intend to maintain our focus on improving the efficiency of our operations.

Over the past few months, NeoNet has had an increasing amount of liquid assets tied up to meet collateral requirements for clearing and settlement. Furthermore, the operating cash flow in 2003 was negative as a result of the investments we made.

As a means of ensuring NeoNet's increasing capital requirement, an extraordinary shareholders' meeting voted in February 2004 in favor of a priority issue of debentures with detachable warrants. The funds – a maximum of around SEK 50 m – guarantee NeoNet's ability to continue to expand and prevent us from being forced to limit our trading values as a consequence of the increased collateral requirements.

Acquisition provides expanded client base



The acquisition of Lexit Financial Group, Inc. was concluded in November. Lexit is a U.S. broker with offices in the U.S. and the U.K. with essentially the same business concept as NeoNet.

The acquisition strengthens NeoNet in several ways and has expanded our client base to a total of 188 clients in over 15 countries.

Altogether, the acquisition means that NeoNet now has an organization with a sharper focus and increased resources in the sales area. NeoNet has taken another step towards establishing itself as a world-leading, independent player in electronic equity trading for the professional investor market.

2004



The strong influx of clients in 2003 has provided NeoNet with a solid foundation from which to build up our earnings in the future. In 2004 we plan to launch a new generation of our trading system. This will provide us with increased flexibility, capacity, and the potential to significantly improve functionality for our clients. This improvement complements the new securities administration system for clearing and settlement that we launched in 2003. With simpler and enhanced routines, we will be able to strengthen our already much-appreciated client back-office service.

The demand among professional players for neutral, direct market access continues to be strong and there is every reason to believe that this trend will continue.

One of the main tasks ahead of us is to continue to recruit new clients in Europe and the U.S., while at the same time, increase trading among existing clients. The challenge is achieving this while maintaining our focus on our variable and fixed costs. As CEO, this will be one of my most important responsibilities, because offering competitive prices to our clients is crucial to NeoNet's success.

NeoNet has had a number of tough years, but with the measures we have implemented in 2003 and with a strong client base in Europe and the U.S., I am convinced that we have a positive future ahead of us.

Simon Nathanson
Incoming CEO
March 15, 2004

“Efficient broker for professional investors’ international equity trading”

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Business Concept and Offering

NeoNet’s business concept is to offer equity execution for professional investors, providing them with the fastest, most reliable and most efficient tool for executing transactions on the world’s leading exchanges. Clients can trade through electronic direct market access to marketplaces or by placing orders with NeoNets’ international trading desks. NeoNet is a neutral and independent broker that only executes trades on behalf of clients, which minimizes the risk for conflicts of interest.

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History

NeoNet was founded in 1996 by a group of experienced brokers and IT specialists. Initially, they offered trading over a trading desk at the Stockholm Stock Exchange. Later the same year, electronic direct market access was added. Between 1998 and 1999, NeoNet started to offer trading on other Nordic exchanges and increased its offering to include other leading European exchanges, as well as the most important U.S. marketplaces. The first office outside Sweden was opened in New York in 1999 and a sales and representative office was subsequently established in London. NeoNet was listed on the O-list of the Stockholm Stock Exchange in the fall of 2000.

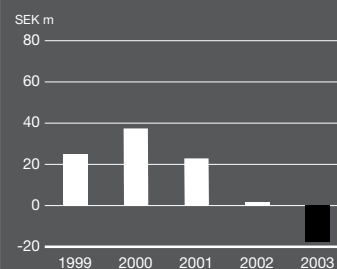
Events in 2003

- In the second half of 2003 NeoNet acquired Lexit, a U.S. company with a similar strategic focus to NeoNet. Among other things, the acquisition strengthened NeoNet's client base – which now comprises 188 clients in over 15 countries – and increased NeoNet's access to U.S. marketplaces. The deal is expected to provide an annual increase in earnings of between SEK 5 and 8 m, taking into account cost synergies, goodwill amortization and interest expenses.
- An extraordinary meeting of shareholders in February 2004 voted in favor of the Board's proposal to issue debentures with detachable warrants to finance the increased collateral requirements for clearing and settlement. The issue funds are expected to amount to around SEK 50 m.
- A comprehensive cost-saving program was implemented in 2003.
- Torvald Bohlin resigned in October as CEO and Torkel Segerstedt took up the post as acting CEO. Staffan Persson took over shortly thereafter as acting CEO when Torkel Segerstedt resigned for personal reasons.
- In the beginning of December Simon Nathanson was appointed as the company's new CEO and will take over in March 2004.

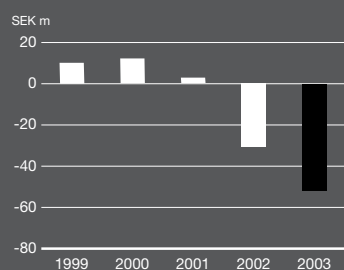
Other financial highlights

- Investments amounted to SEK 31.7 m (SEK 36.9 m), which represents 21% (20%) of the transaction revenues.
- The consolidated equity amounted to SEK 234.3 m (SEK 228.1 m) at the end of the period and the equity/assets ratio was 54% (59%). The Group's cash in hand, adjusted for items relating to the settlement of clients' equity transactions, amounted to SEK 109.8 m (179.5 m).
- The earnings per share amounted to SEK -1.05 (-0.73).

Operating earnings before depreciation and net financial items

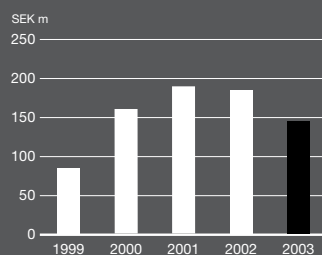


Operating earnings before tax



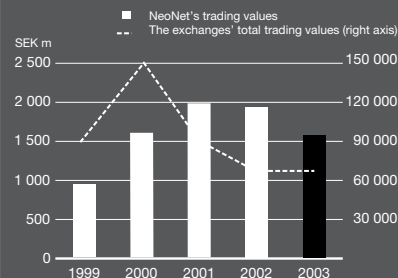
The earnings before tax amounted to SEK -48.4 m (SEK -31.7 m).
The earnings after tax amounted to SEK -47.1 m (SEK -32.0 m).

Transaction revenues



The transaction revenues amounted to SEK 147.6 m, compared to SEK 184.7 m the previous year. Trading on exchanges other than the Stockholm Stock Exchange accounted for 53% (56%) of the transaction revenues.

Trading values for NeoNet and the Exchanges



The trading values fell in the first half of 2003 in comparison with the levels in 2002, before rising again. The number of shares traded in 2003 was 8.0 billion (7.1 billion).

World-leading independent player offers efficient equity trading

NeoNet offers institutional investors and broker-dealers equity trading, providing fast, reliable and efficient execution of transactions on many of the world's leading exchanges. Clients can choose to either trade via electronic direct market access or place orders with NeoNet's international trading desks. NeoNet is a neutral and independent broker that only executes transactions on behalf of clients, thus minimizing the risk of conflicts of interest.

OUR OBJECTIVES AND STRATEGIES	HOW WE WILL ACHIEVE OUR OBJECTIVES	OUTCOME 2003	OUTLOOK FOR 2004
<p>Long-term financial objectives</p> <ul style="list-style-type: none"> • Increase revenues by at least 50% per year. • In the long term, report an operating margin of at least 25%. 	<p>Clear focus on increasing revenues from existing clients and recruiting new ones with good potential.</p> <p>In a positive market climate, the growing client base, combined with an increasing share of client transactions, is expected to lead to an increased turnover.</p> <p>Based on the previously reported earnings for NeoNet, the long-term financial objectives are believed to be entirely realistic and attainable in a market that is demonstrating a positive trend. The acquisition of Lexit will help NeoNet to achieve its financial objectives.</p>	<p>Revenues fell by 20% due to reduced client activity, which was not compensated for by revenues from new clients.</p> <p>Efforts to improve the efficiency of NeoNet's settlement process have continued.</p> <p>Lexit's lower margins affected NeoNet's transaction margin.</p> <p>Although personnel and other operating expenses were reduced by 14%, they were negatively affected in the fourth quarter by non-recurring costs.</p>	<p>The outlook for 2004 is much brighter than 2003. Forecasts for stock market development, both in terms of prices and values, are, however, always associated with considerable uncertainty.</p> <p>The effects of the new organization and improved offering are expected to result in an increase in the number of clients as well as increased volumes from existing ones. The tasks of integrating Lexit and of constantly improving the efficiency of NeoNet's operations will continue. Depreciation will increase because of the good-will amortization from the Lexit acquisition, as well as the launch of the new trading platform.</p>
<p>Attracting new clients</p>	<p>NeoNet places great emphasis on constantly attracting new institutional investors, hedge funds and broker-dealers as clients, especially in Europe and the U.S. through sales offices in New York, London and Stockholm. NeoNet also has sales agents in Continental Europe.</p>	<p>A good inflow of new clients and the acquisition of Lexit increased NeoNet's client base to 188 clients in over 15 countries.</p>	<p>The inflow of new clients in Europe and North America is expected to continue. NeoNet has a reinforced sales and marketing organization with an increased focus on clients and sales. A total of 20 individuals work directly with sales.</p>
<p>Increased trading values among existing clients</p>	<p>Focus on developing relations with and services for existing clients.</p> <p>The aim is to increase the portion of the clients' trading that goes through NeoNet, through customized functionality and by offering clients access to more marketplaces.</p>	<p>74% of the 2003 revenues was generated by clients with whom NeoNet signed contracts over the past four years.</p> <p>A contract was signed in 2003 with Sungard Transaction Network and Radianz for the purpose of offering alternative ways of connection to NeoNet.</p>	<p>Good potential exists for increasing trading values from existing clients. The new exchanges, which are included in NeoNet's offering, will further increase this potential.</p> <p>NeoNet's clients are also offered increased integration between NeoNet's system and the clients' trading and administrative systems. NeoNet is also integrated with established system and network providers, which facilitates trading.</p>

OUR OBJECTIVES AND STRATEGIES	HOW WE WILL ACHIEVE OUR OBJECTIVES	OUTCOME 2003	OUTLOOK FOR 2004
<p>Improve client functionality</p>	<p>Gradually add trading-related services and functionality to make trading more efficient for the client.</p> <p>Ensure fast, reliable and user-friendly service for both trading and settlement of executed transactions.</p>	<p>The launch of NeoNet's new trading platform was initially planned for 2003, but has now been postponed until 2004. A new system for securities administration was launched.</p>	<p>Launch of a new generation of NeoNet's system with greater flexibility and capacity, and that allows new functions to be easily added making it more competitive.</p> <p>In order to maintain its position as a leading, independent and neutral broker, NeoNet is constantly developing functionality to improve the service for clients in terms of order entry, administration and reporting.</p>
<p>Offer access to more marketplaces</p>	<p>As demand from existing and prospective clients grows, NeoNet is increasing its trading on more marketplaces.</p> <p>The connected exchanges are constantly expanding their offering. In the competition between exchanges and alternative marketplaces, NeoNet endeavors to always provide its clients with superior trading access.</p>	<p>The goal of offering trading on all of the major exchanges in Europe and the U.S. was reached in 2003 through the acquisition of Lexit.</p>	<p>In response to demand from clients, NeoNet will continue to connect new exchanges and marketplaces to its offering to supplement the existing trading access.</p>

High quality equity trading offered by an independent and neutral broker

NeoNet offers institutional investors and broker-dealers independent and neutral direct market access to leading stock exchanges in Europe and the U.S. NeoNet's clients are able to consolidate their national and international trading through a fast, reliable and effective equity trading service.

NeoNet offers its clients all stages in a transaction, from order entry to execution and delivery. NeoNet also serves as the counterparty for completed executed transactions. In addition to electronic trading, NeoNet offers clients an efficient trading service over the company's trading desks in New York and Stockholm, which are staffed by experienced traders. NeoNet allows clients to trade on many of the world's leading exchanges: Nasdaq, New York Stock Exchange, AMEX, London, Frankfurt, Paris, Amsterdam, Brussels, Lisbon, Milan, Virt-x, Stockholm, Helsinki, Copenhagen and Oslo. There are also plans to integrate Madrid into NeoNet's trading system in the first half of 2004.

NeoNet's competitive advantage

Focus

NeoNet offers neutral and independent equity trading, but does not offer equity analysis or conduct any proprietary trading. NeoNet's focus therefore minimizes the risk of conflicts of interest with the clients' own business.

Speed

NeoNet offers direct market access, market information in real-time and immediate confirmation of executed transactions. Electronic trading provides clients with the fastest possible trading.

Access

Through NeoNet's trading service, clients have uniform, simultaneous access to many of the world's leading stock markets.

Control

NeoNet's trading service provides clients with direct access to connected exchanges and full control over all of their orders in the market. All trading is done in NeoNet's name, which means that the client is entirely anonymous to other market players.

Value for money

Due to NeoNet's focused service, it is possible to offer clients a very competitive price.

The trading system, which is compatible with the leading industry standard, FIX (Financial Information eXchange protocol), can be integrated with the client's own system. The user-friendliness and real-time access give the client full control over information and order entry.

Altogether, this reduces costs and improves the outcome of the client's transactions.

Services through the trading desks

All clients, even those who only trade electronically, are assigned a dedicated contact person at one of the trading desks. NeoNet's experienced traders in New York

and Stockholm offer effective execution of client orders as well as equity portfolio trading. Through the trading desks, NeoNet also offers program trading of equities and equity-related instruments, as well as the execution of complex and large orders. The traders also provide support for clients in other trading-related issues.

A new generation of NeoNet's trading system

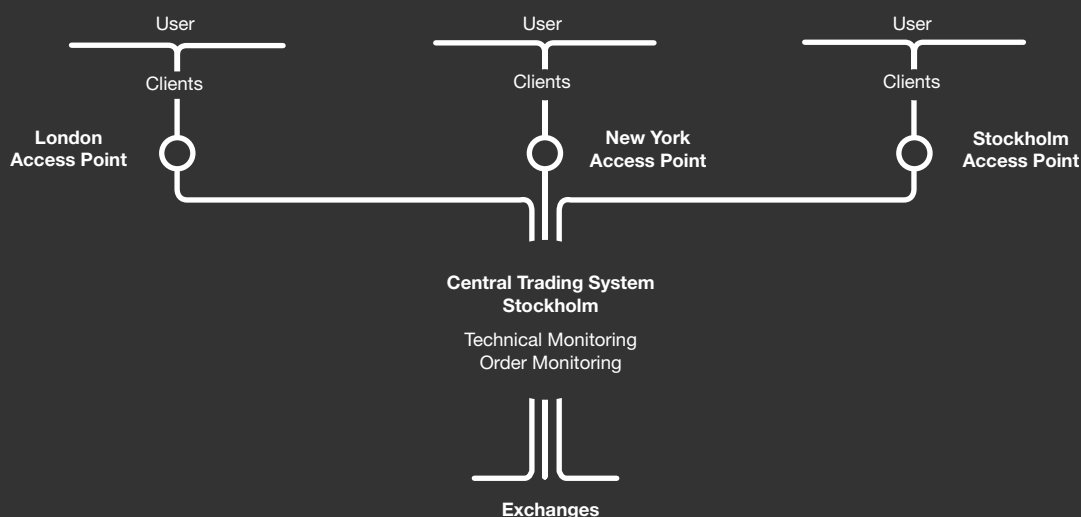
NeoNet's system is constantly being developed. In 2003 investment in system development and hardware was equivalent to 21% of transaction revenues. A new generation of the trading system with increased flexibility, capacity and the ability to greatly improve client functionality is scheduled for launch in stages in 2004.

“Our offering is attractive to professional investors. Efficient equity trading and the benefits it brings are the future”

The Electronic Trading System

Through NeoNet's electronic trading system our clients gain real-time access to 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 system, clients can monitor and trade on several marketplaces simultaneously. NeoNet's own trading application is easy to install and use. All that is needed is a PC with a Windows-based operating system.

Through NeoNet, clients are offered direct market access to many of the world's leading exchanges. NeoNet is a member of the exchanges in Amsterdam, Brussels, Frankfurt, Helsinki, Copenhagen, Lisbon, London, Milan, Oslo, Paris, Stockholm and Virt-x. Trading is also offered on Nasdaq, New York Stock Exchange and Amex through local intermediaries.



AMEX Amsterdam Brussels Frankfurt Helsinki Copenhagen Lisbon London Milan Nasdaq NYSE Oslo Paris Stockholm Virt-x

Recovery and increased trading on the leading exchanges

In 2003 turnover increased on the leading exchanges, although the level of activity among NeoNet's clients was relatively low. NeoNet's revenues and earnings are clearly linked to activity on the connected exchanges since revenues consist of commissions on the values traded by clients through NeoNet.

A Traditional Market in a Period of Change

The decline in the stock markets in recent years has led to an increased cost awareness among players, and the industry is focusing on intensified cost-saving measures. But the pursuit of greater efficiency and lower costs goes further back in time. Broker-dealers' offerings have traditionally included full service packets with manual trading, analysis and advice, but for a higher price.

Meanwhile, a significant and more far-reaching process of change was under way. New types of players, driven by technology and focused international business models established themselves, providing

new alternatives for clients. With a business model that is solely focused on independent and neutral equity trading, NeoNet belongs to this new category of players.

NeoNet is not, however, a primary competitor to the traditional broker-dealers, since the offerings are not entirely comparable. NeoNet's offering essentially supplements traditional broker-dealers services. Institutional investors in many cases choose to use full service brokers in order to gain access to analysis and other services, as well as brokers that only offer efficient execution of trades. It is in this area that NeoNet has a very competitive offering.

The demand for independent trading has increased in recent years. NeoNet is

independent because, in contrast to many other traditional broker-dealers, NeoNet does not conduct any proprietary trading or asset management, or offer corporate finance services. This independence and neutrality, combined with competitive prices and efficiency, are the driving forces behind the development.

Other factors behind the growth of players such as NeoNet, are technological developments and the standardization of systems and data communication in many marketplaces and among many suppliers. The constant de-regulation of equity trading in the global market also increases the potential for more efficient, cross-border trading.

“Demand for direct market access has sharpened and low prices are not enough. They must be combined with neutral and independent execution and a reliable trading system”

The Players and the Equity Trading Services They Offer

Naturally, there are a number of other players similar to NeoNet – i.e. that offer cross-border electronic trading to institutional investors and broker-dealers. The traditional broker-dealers also supplement their offerings with electronic-based services.

Players in the equity trading market can be categorized as follows:

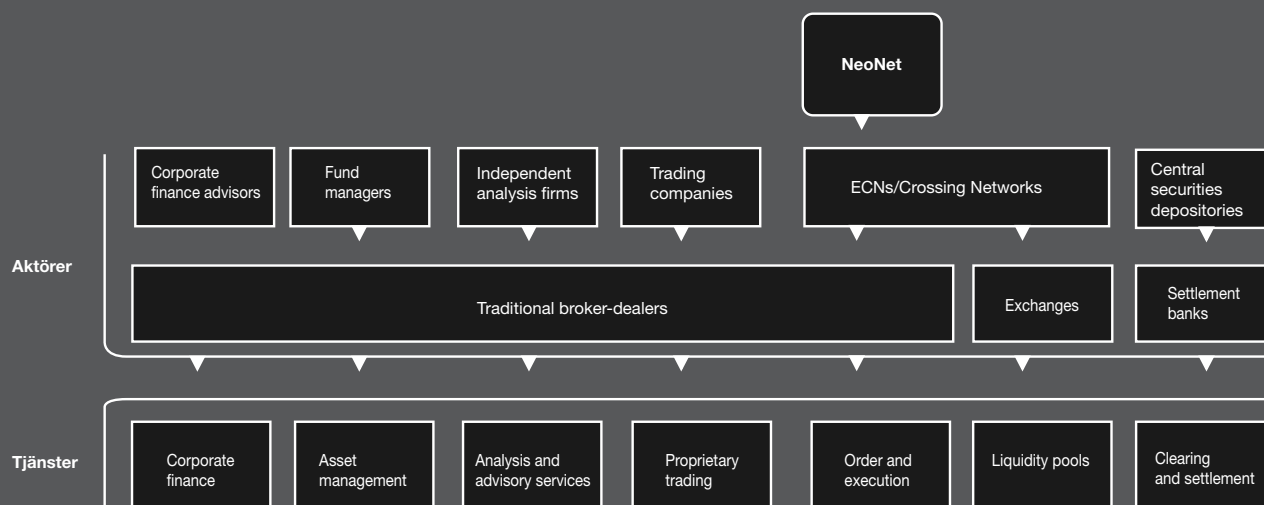
- Marketplaces – exchanges, crossing networks and ECNs that match buy and sell orders. The advantage for clients is that these marketplaces compete to offer the best liquidity.
- Clearing and settlement – central securities depositories that are linked to marketplaces and in certain markets have clearing houses to handle the administration of securities when the transactions have been executed on the exchange. Settlement banks offer additional clearing and settlement services.
- Brokers – traditional full-service broker-dealers and new, more focused brokers acting as intermediaries in equity transactions. Sometimes brokers also function as marketplaces, making it possible to match buy and sell orders outside the exchanges' systems.
- Investors – private individuals or institutional investors.

The traditional full-service brokers usually offer numerous services, but players that only focus on specific services are becoming more common. In addition to brokers with a specific focus, these include independent analysis firms and corporate finance advisors, independent fund managers and trading companies that exclusively conduct proprietary trading.

Even if, in the past, it has proved difficult to move liquidity from the exchange where the equity was originally listed, competition is now beginning to emerge among the traditional national exchanges and even, to a certain extent, from the new marketplaces. De-regulation, globalization and, above all, an increasingly electronic market, are all driving forces behind this trend, and competition is beginning to emerge between what used to be national central securities depositories and clearing houses with international ambitions. More and more electronic links are being made between institutional investors and brokers, mainly due to the fact that the FIX messaging standard, developed for electronic transfer of securities transactions, is becoming increasingly widespread.

Electronic and cross-border trading are also promoted by the growing number of connections being established between the systems of national exchanges, clearing houses, central securities depositories, new marketplaces, electronic trading networks, broker-dealers and institutional investors.

Lower transaction costs and increased trading quality are important objectives when there are fewer and fewer manual elements involved. In addition to low prices, the players' marketplace coverage, speed, functionality, security and user-friendliness are all important success factors for adding value to the transaction chain.



New players

International electronic brokers

For example, NeoNet, Instinet, Tradebook – Offering electronic access to exchanges.

ECNs

For example, Instinet, BRUT, Archipelago – Electronic marketplaces, primarily for U.S. equities. Mainly compete with each other.

Crossing networks

For example, E-crossnet, ITG, Liquidnet – Complement institutions that trade large volumes. Main competitors are exchanges and broker-dealers.

Traditional players

Broker-dealers and full-service providers

For example, Morgan Stanley, Goldman Sachs, JP Morgan – Global players offering a wide range of services.

National exchanges and exchange partnerships

For example, OM HEX, NYSE, Euronext – The exchanges' actions have a major impact on the markets. There is a trend towards alliances and consolidation.

NeoNet's clients are leading asset managers and broker-dealers

NeoNet focuses on two main segments: broker-dealers and institutional investors. At the end of 2003, NeoNet had clients in over 15 countries. In 2003, 20% of the clients accounted for 84% of NeoNet's transaction revenues. No single client accounted for more than 8% of revenues.

Institutional Investors

In 2003, institutional investors generated 59% of NeoNet's transaction revenues. This client category includes mutual funds, insurance companies and hedge funds. Generally, institutional investors are not themselves members of an exchange.

NeoNet's offering provides an important service for this client category since institutional investors generally allocate a portion of their trading to players that offer neutral and independent execution. At the same time, NeoNet's efficient trading services can reduce institutional investors' trading and administrative costs.

Broker-dealers

NeoNet's other client category – broker-dealers – accounted for 41% of the total transaction revenues in 2003. A broker-dealer can be either a player transacting trades on behalf of its 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 clients primarily to gain efficient trading access to exchanges on which they are not themselves members.

Geographical Distribution

59% of NeoNet's transaction revenues in 2003 came from clients in Sweden, 23% from U.S. clients, and 18% from clients in Europe outside Sweden. The three largest client markets are Sweden, the U.S. and the U.K.

Sales, Marketing and Client Service

To widen and increase its client base, NeoNet has set a high priority on marketing, sales and distribution. 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.

A total of 20 staff members work in direct client and sales activities. NeoNet's technical support service, which also covers

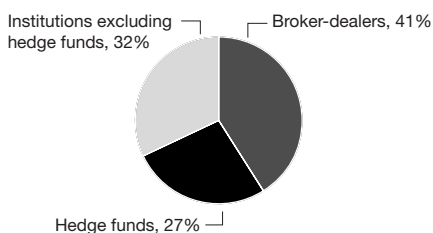
installation and technical integration, is another key part of the relationship with existing clients, as is the back office which handles equity deliveries and settlement processes.

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

In order to promote efficient distribution, NeoNet has a number of partnerships with system suppliers such as Orc Software, Macgregor, Sungard Transaction Network and Eze Castle.

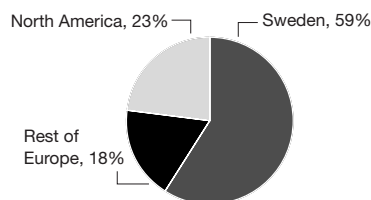
“NeoNet's cost-efficient execution cuts trading costs for professional investors”

Revenues by Client Category 2003



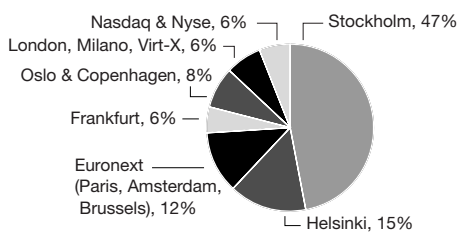
The even distribution between NeoNet's client segments promotes a robust client base.

Revenues by Clients' Geographical Location 2003



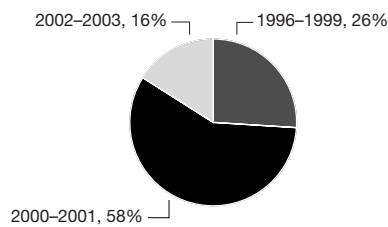
The Swedish market in 2003 represented a large portion of the revenues, in part because there was less European trading among the U.S. clients during the year.

Revenues by Exchange 2003



Revenue distribution between the various exchanges evened out in 2003, although Stockholm still accounts for a large portion. There was strong growth in 2003 on Euronext, Milan and the U.S. exchanges, while the percentage of trading on the Helsinki Exchange was reduced.

Revenues 2003, by the year the client started to do business with NeoNet



In many cases, NeoNet has established long-term relationships with its clients.

Commitment and innovation lead to efficient execution of client transactions

A strong conviction regarding the importance of independent and neutral equity trading, exclusively for professional investors, has been the driving force behind NeoNet since the company was formed.

Human Resources

The client focus and strong commitment of NeoNets' employees have been crucial factors in NeoNet's growth from its inception in 1996 into the international player that NeoNet is today. The innovative vision of the staff and their ability to find cost-effective solutions form the foundation for NeoNet's continued expansion and development into one of the leading players in its field.

At the end of the year, NeoNet had 88 members of staff at its Stockholm, New

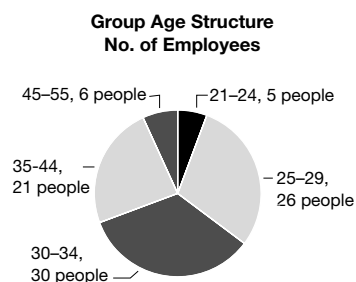
York and London offices. The average age was 33 and 63% off the staff had at least six years' experience of working in finance and IT. The division between the sexes was 26 women and 62 men. 69% of the employees have a university degree, mainly in IT, technology and finance.

Organization

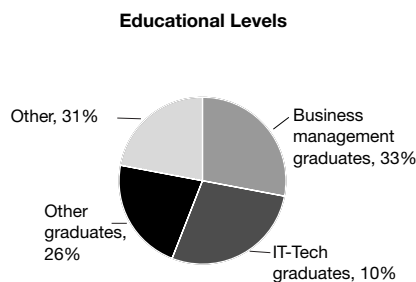
NeoNet is organized into the following departments: Sales, Client Service & Client Development, IT, and Finance & Administration. 11 of NeoNet's 88 staff

work with direct sales and marketing aimed at new clients, 15 individuals work in client service with trading desks and technical support and 29 in system development and IT. The Finance & Administration department has 25 staff members working with back office, accounting, finance and risk management. 8 individuals work with other managerial or business development tasks and are also responsible for compliance and communication issues.

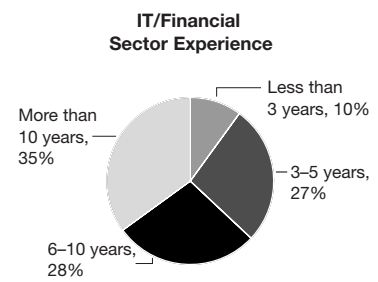
“The strong commitment, high level of expertise, and innovative abilities of our staff have made NeoNet a client-oriented organization with a cost-effective trading service”



There is a relatively even distribution of employees in different age groups, and the average is 33.



A large percentage of the employees have a university education, mainly within IT, technology and business management.



Despite the relatively low average age, many of the employees have considerable experience in the industry.

The Share

Stock Structure

On December 31, 2003, there were 50,582,043 shares, each with equal rights to votes and dividends. During the financial year, the number of shares increased by 6,917,343 through a non-cash issue for the acquisition of Lexit Financial Group, Inc.

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 for the simultaneous issue of shares. The highest closing price in 2003 was reached in August, when, for a few days, buyers paid SEK 8.75. The year low was on December 19, 2003, when the price was SEK 5.30. The turnover for the year was 10.9 million shares, or 22% of the total number of outstanding shares. The corresponding figure for 2002 was 16.2 million shares (37%).

NeoNet's Share Price Performance



The 15 Largest Shareholders in NeoNet as of December 31, 2003

Shareholders

At year-end, NeoNet had 2,964 shareholders, compared with 2,980 at the end of 2002. The 15 largest shareholders according to the public share register and nominee register are listed below.

The 15 largest shareholders in NeoNet as of December 31, 2003

Shareholder	No. of Shares	Percentage of Share Capital & Votes
Hans Karlsson and companies	8,070,750	16.0%
Staffan Persson, family and companies	6,782,970	13.4%
Peter Lindell, family and companies	3,222,380	6.4%
Jörgen Tilander and family	2,331,300	4.6%
Svolder AB	1,884,100	3.7%
Johan Carlsson	1,660,626	3.3%
Lena Andersson and family	1,477,120	2.9%
Peter Kearns	1,453,855	2.9%
Torvald Bohlin and family	1,020,000	2.0%
Clayvard Ltd	962,639	1.9%
Hasse Albin	914,680	1.8%
Lars Dahlin and family	868,940	1.7%
Eskil Johannesson	850,000	1.7%
Royal Skandia Life	702,000	1.4%
Jane & Lars Hallén	700,000	1.4%
Total 15 owners	32,901,360	65.1%
Others	17,680,683	34.9%
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	1,096,528	2.2%	1,944	65.6%
1 001-10 000	3,124,874	6.2%	831	28.0%
10 001-50 000	2,513,549	5.0%	107	3.6%
50 001-100 000	2,388,740	4.7%	32	1.1%
100 001-	41,458,352	81.9%	50	1.7%
Total	50,582,043	100.0%	2,964	100.0%

The total foreign ownership was 44% (38%).

Dividend Policy

NeoNet's dividend policy is to distribute dividends that are consistent with prevailing capital requirements, which mainly comprise investments, increases in the amount of working capital tied up, capital markets or regulatory requirements, and shareholders' expectations of a good dividend yield. The objective is to distribute dividends of between 25-50% of the company's after-tax earnings.

Share Capital History

Changes in share capital since the company was formed in 1996 are as follows:

	Increase in No. 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	8,000,000	40,584,320	400,000	2,029,216
2000 Subscription ⁴	3,680	40,588,000	184	2,029,400
2001 Subscription ⁵	975,000	41,563,000	48,750	2,078,150
2001 Subscription ⁶	11,980	41,574,980	599	2,078,749
2001 Subscription ⁷	1,079,720	42,654,700	53,986	2,132,735
2002 Subscription ⁸	1,000,000	43,654,700	50,000	2,182,735
2002 Subscription ⁹	10,000	43,664,700	500	2,183,235
2003 Non-cash issue ¹⁰	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 the 2000/2006 warrants in December 2000.

⁵ Subscription through exercise of the 1998/2001 warrants in December 2000.

⁶ Subscription through exercise of the 2000/2006 warrants in March 2001.

⁷ Subscription through exercise of the 2000/2006 warrants in June 2001.

⁸ Subscription through exercise of the 2000/2002 warrants in April 2002.

⁹ Subscription through exercise of the 1999/2002 warrants in October 2002.

¹⁰ Non-cash issue for the acquisition of Lexit Financial Group, Inc.

Stock Option Program

As of December 31, 2003, NeoNet had a total of 291,500 outstanding warrants, each carrying the right to subscribe for one share. If all outstanding warrants were to be exercised, this would increase the shareholders' equity by SEK 4.9 m. 98% of the outstanding warrants are held by employees of the Group.

Option	Subscription Date	Exercise Date	No. of Options	No. of Shares	Exercise Price, SEK
Warrants	2002	May 2004	264,500	264,500	17.50
Staff options	2002	May 2004	5,000	5,000	13.00
Staff options	2002	May 2004	22,000	22,000	10.00
No. outstanding warrants			291,500	291,500	
No. shares after full subscription			50,873,543		

Consolidated Financial Performance, 5-Year Overview

Income Statement in Summary

SEK 000	2003	2002	2001	2000	1999
Transaction revenues	147,586	184,749	190,067	160,851	86,359
Other operating revenues	6,506	7,027	7,220	5,589	1,636
Total operating revenues	154,092	191,776	197,287	166,440	87,995
Transaction expenses	-51,851	-63,632	-49,180	-42,676	-17,079
Personnel expenses	-57,741	-53,845	-56,556	-43,565	-26,623
Other operating expenses	-61,538	-73,858	-68,255	-41,147	-20,174
Operating earnings before depreciation (EBITDA)	-17,038	441	23,296	39,052	24,119
% of transaction earnings	-12%	0%	12%	24%	28%
Depreciation	-28,191	-29,806	-23,200	-16,807	-8,864
Operating earnings after depreciation (EBIT)	-45,229	-29,365	96	22,245	15,255
Net margin	-31%	-16%	0%	14%	18%
Interest income	3,313	8,147	7,972	4,314	1,417
Interest expenses	-4,768	-7,215	-6,509	-11,693	-3,679
Exchange-rate fluctuations	-1,704	-3,242	1,949	1,082	-475
Net financial items	-3,159	-2,310	3,412	-6,297	-2,737
					0
Operating earnings before tax	-48,388	-31,675	3,508	15,948	12,518
Tax	1,272	-318	2,812	-193	-5,985
Net earnings	-47,116	-31,993	6,320	15,755	6,533

The above table showing the consolidated income statement 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. However, since NeoNet is a financial group, 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, 2003	Dec. 31, 2002	Dec. 31, 2001	Dec. 31, 2000	Dec. 31, 1999
Assets					
Cash, bank balances and lending to credit institutions	135,089	201,504	597,393	292,185	70,378
Fixed assets	155,886	74,554	67,489	54,723	38,243
Other assets	142,567	108,394	148,216	194,217	63,630
Total assets	433,542	384,452	813,098	541,125	172,251
Liabilities, provisions and shareholders' equity					
Liabilities to credit institutions	91,588	35,833	54,431	130,886	51,029
Securities loans and other liabilities	107,635	119,221	499,784	170,932	59,666
Provisions	0	1,294	3,239	4,120	4,538
Restricted equity	294,283	243,679	230,202	213,073	45,025
Non-restricted equity	-59,964	-15,575	25,442	22,114	11,993
Total liabilities, provisions and shareholders' equity	433,542	384,452	813,098	541,125	172,251

Cash-Flow Statement in Summary

SEK 000	2003	2002	2001	2000	1999
Cash flow					
Cash flow from ongoing operations, excluding settlement of executed equity transactions	-26,349	-2,098	10,848	26,814	17,386
Cash flow attributable to settlement of executed equity transactions*	6,520	-357,734	324,401	64,474	-19,103
Cash flow from investment activity	-54,876	-36,871	-35,966	-33,287	-28,239
Cash flow from financing activity	9,994	4,056	3,976	162,724	12,276
Cash flow for the year	-64,711	-392,647	303,259	220,725	-17,680
Liquid assets at beginning of year	201,504	597,393	292,185	70,378	88,533
Liquid assets, translation difference	-1,704	-3,242	1,949	1,082	-475
Liquid assets at year-end	135,089	201,504	597,393	292,185	70,378

*Cash flow attributable to the settlement of securities transactions executed on behalf of clients varies considerably from day to day depending on trading values and time variations in counterparty processing. Normally, transactions are settled two to three days after the transaction date.

Key Figures

Transaction revenues, SEK 000	147,586	184,749	190,067	160,851	86,359
Operating earnings before tax, SEK 000	-48,388	-31,675	3,508	15,948	12,518
Earnings after tax, SEK 000	-47,116	-31,993	6,320	15,755	6,533
Transaction margin	62%	62%	73%	73%	80%
Operating margin	neg.	0%	12%	24%	28%
Net margin	neg.	neg.	0%	14%	18%
Profit margin	neg.	neg.	3%	10%	8%
Average number of trading days on connected markets*	252	252	251	250	250
Average daily trading value, SEK 000	1,580,000	1,918,000	1,975,000	1,640,000	975,000

Financial position

Equity/assets ratio	54%	59%	31%	43%	33%
Proportion of risk-bearing capital	55%	61%	32%	44%	36%
Interest cover	neg.	neg.	154%	236%	440%
Debt/equity ratio	0.7	0.5	2.0	1.2	1.6
Capital adequacy ratio	58%	92%	79%	124%	51%
Shareholders' equity, SEK 000	234,319	228,104	255,644	235,187	57,018
Average capital employed, SEK 000	332,641	427,229	415,871	269,307	106,487
Return on shareholders' equity	neg.	neg.	3%	16%	14%
Return on capital employed	neg.	neg.	2%	10%	15%

Share data

Number of shares	50,582,043	43,664,700	42,654,700	40,588,000	30,563,700
Average number of shares	44,725,991	43,344,042	41,926,791	32,786,423	25,869,392
Earnings per share, SEK	-1.05	-0.73	0.15	0.48	0.25
Equity per share, SEK	4.63	5.22	5.99	5.79	1.87
P/E ratio	neg.	neg.	118.8	53.8	-
Number of shares after full dilution	50,582,043	43,664,700	44,815,700	45,154,700	33,038,700
Average number of shares after full dilution	44,725,991	44,623,341	45,078,703	37,688,519	27,281,926
Earnings per share after full dilution, SEK	-1.05	-0.73	0.14	0.42	0.24
Equity per share after full dilution, SEK	4.63	5.22	6.09	6.00	1.81
Dividend per share before full dilution, SEK	**	-	-	-	0.12

Employees

Number of employees at year-end	88	78	76	62	39
Average number of employees	78	75	67	54	33

* Estimate ** Proposed

DEFINITIONS, KEY FIGURES

EBITDA:

Earnings before net financial items, depreciation, amortization and tax.

Transaction expenses:

Commission expenses and other variable expenses directly attributable to transactions on the respective exchanges.

Transaction margin:

Transaction revenues excluding billed-through services, less transaction expenses (i.e. variable exchange and clearing costs and variable sales commission), as a percentage of transaction revenues excluding billed-through services.

Operating margin:

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

Net margin:

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

Profit margin:

Earnings after tax as a percentage of transaction revenues.

Average capital employed:

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

Return on shareholders' equity:

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

Return on capital employed:

Earnings after financial items plus interest expenses, in relation to average capital employed.

Equity/assets ratio:

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

Percentage of risk-bearing capital:

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

Interest cover:

Earnings before tax plus financial expenses, divided by financial expenses.

Debt/equity ratio:

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

Capital adequacy ratio:

Total capital base divided by total risk-weighted amount as defined by the capital adequacy requirements for credit and market risks (FFFS 2000:6).

Earnings per share:

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

Equity per share:

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

Equity per share after full dilution:

Closing shareholders' equity adjusted for the coming new issue, in relation to the total number of shares after the new issue.

P/E ratio:

Price paid for NeoNet shares on the closing day, multiplied by the number of shares, divided by the earnings after tax.

Dividend per share:

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

Average number of employees:

Average number of employees in the year, converted to full-time employee equivalents.

* Net financial items include realized and unrealized currency translation differences on assets held in foreign currencies. Comparison figures for previous periods have been converted.

Directors' Report

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 subsidiary NeoNet Securities AB (corporate identity no. 556530-4804), NeoNet Technology AB (corporate identity no. 556550-4858), both with registered offices in Stockholm, Sweden, NeoNet Securities, Inc., and Lexit Financial Group, Inc. with subsidiaries in the U.S. and the U.K. In addition, NeoNet has a sales and representative office in London. NeoNet provides equity transaction services to institutional investors and broker-dealers. The business is based on the company's proprietary trading system. NeoNet offers trading on the exchanges in London, Paris, Amsterdam, Brussels, Milan, Frankfurt, Stockholm, Helsinki, Copenhagen and Oslo, as well as on Nasdaq, NYSE and AMEX. In February 2004, the Lisbon Exchange and the Swiss Virt-x were added. NeoNet has 188 clients in over 15 countries.

Financial Overview

Revenues

Transaction revenues amounted to SEK 147.6 m compared with SEK 184.7 m the year before. The reduction of 20% is directly related to the lower trading values. The average daily turnover intermediated by NeoNet in 2003 was SEK 1,580 m, which was 18% less than the year before (SEK 1,918 m). For the full year, the share of revenues generated by electronically transmitted orders amounted to 77%, compared with 85% the previous year.

Earnings

Operating earnings before depreciation and net financial items amounted to SEK -17.0 m (SEK 0.4 m). Consolidated earnings before tax were SEK -48.4 m compared to SEK -31.7 m the previous year.

The fall in earnings is mainly the result of lower revenues. As a result of the histor-

ical low volatility on the exchange, the increase in share prices was unable to compensate for the reduced trading values that have afflicted NeoNet since 2002.

Personnel and other operating expenses were SEK 23.7 m lower than the previous year and amounted to SEK 140.0 m, despite NeoNet's acquisition of Lexit Financial Group, Inc.

Net Earnings after Tax

Net earnings for the year after tax amounted to SEK -47.1 m, a fall of SEK 15.1 m from last year (SEK -32.0 m). The earnings per share amounted to SEK -1.05 (SEK -0.73).

System Development

Investments in system development and computers decreased to SEK 31.7 m (SEK 36.9 m). SEK 28.6 m (SEK 28.0) of this amount was used to enhance NeoNet's electronic trading system and for investment in the administrative system. The acquisition of Lexit involved an investment of SEK 78.3 m. Investments, excluding the Lexit acquisition, amounted to 21% (20%) of the transaction revenues. The fixed assets include development projects in progress, primarily in respect of the new system platform, at SEK 37.3 m. According to the accounting principles applied by the company, depreciation according to plan commences when the system is put into use, which, in the case of the new system platform, is expected to be during the first half of 2004. Depreciation of the platform will amount to SEK 10.7 m on an annual basis.

Liquidity and Financial Position

The NeoNet Group's current liquid assets consist of the sum of funds deposited with banks, the difference between contract settlement receivables and liabilities, and receivables primarily from clearing houses and similar institutions, excluding liabilities for temporary settlement loans. The net amount of these items as of

December 31, 2003 was SEK 109.8 m. The corresponding current liquid assets as of December 31, 2002 amounted to SEK 179.5 m. The gross cash-in-hand reported in the balance sheet was SEK 135.1 m, of which SEK 103.9 consisted of blocked funds, compared to SEK 201.5 m and SEK 133.3 m respectively at the beginning of the year. Fluctuations in the liquid assets reported in the balance sheet are normal for this kind of business.

Due to the increased amount of liquid assets tied up to meet the collateral requirements for clearing and settlement, the two main shareholders, Hans Karlsson and Staffan Persson, provided NeoNet with a loan in the fourth quarter of up to SEK 20 m at a yearly interest rate of 6%. As of December 31, installments had been paid leaving a remaining principal of SEK 10 m with an annual interest rate of 10%.

The consolidated shareholders' equity amounted to SEK 234.3 m at the end of the period (SEK 228.1 m at the beginning of the period). The capital adequacy ratio amounted to 58% (92%) and the consolidated equity/assets ratio was 54% (59%). The fall in both of these ratios is related to the Group's negative earnings, higher settlement risk and the higher total assets on the closing day. The large variation in total assets is due to the nature of the business. Transactions with counterparties arise momentarily during the period between the execution of a securities transaction on the market on behalf of a client and the settlement of the transaction. The fluctuations in total assets are very large as they are influenced by fluctuations in trading values as well as the varying degrees of delay in the settlement process and the size of the associated securities and money loans.

The Group has a deferred tax liability relating to untaxed reserves and intra-group profit. Since the Group has a total loss carry forward in excess of SEK 100 m, these untaxed reserves are expected to be able to be utilized without any actual resulting tax effect. For this reason, a tax receivable

of SEK 3.4 m was reported in the fourth quarter, which is equivalent to a loss carry forward of around SEK 12 m. The deferred tax receivables and tax liabilities were reported in their net amounts in the balance sheet as of December 31, 2003.

Other

The subsidiary, NeoNet Securities AB, has in June 2002 along with a number of other stock exchange members filed a suit against 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. The amount has not been entered as an asset in the balance sheet.

The Group has a disputed accounts receivable of a nominal SEK 10.1 m (EUR 1.1). In September 2003, a suit was filed with Stockholm District Court. At present, no reserve for this is deemed necessary. The Group is also involved in other legal disputes, which are a natural aspect of the business. According to Group Management, the outcome of such disputes will not result in significant costs for NeoNet.

Events after the Closing Day

NeoNet has established a trading desk in New York for trading on the U.S. exchanges.

An extraordinary shareholders' meeting on Thursday, February 19, 2004 voted in favor of a new issue of debentures with detachable warrants for the purpose of financing the increased collateral requirements for clearing and settlement. The issue funds are estimated at around SEK 50 m.

Human Resources

The number of employees in the Group at year-end was 88 (78), of which 17 joined the Group as a result of the Lexit acquisition. 63 individuals are employed in Sweden, 16 in the U.S., and 9 in Europe outside the Nordic region.

Environmental Factors

NeoNet's operations have a very limited impact on the environment as most business is transacted electronically. The main environmental factors are energy use for offices and computer rooms,

business trips, which are mainly by air, and replacement of computer equipment.

Financial Objectives

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

Outlook

The market volumes for equity trading have stabilized recently and although the outlook for equity trading is very difficult to predict, there are several indications that 2004 will be a much better year for NeoNet than 2003.

Parent Company

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

The parent company reported earnings for the period before tax and year-end appropriations of SEK -4.9 m (SEK 0.0 m).

In June the parent company made a conditional shareholder contribution of SEK 20 m to the subsidiary NeoNet Securities AB, and another to NeoNet Technology AB in the amount of SEK 2.2 m. Another conditional shareholder contribution of SEK 60 m was made to NeoNet Securities AB in December.

No investments were made in the parent company in 2003 or 2002.

The shareholders' equity in the parent company amounted to SEK 289.8 m (SEK 239.9 m) at the end of the year.

As of December 31 the parent company had liquid assets of SEK 1.6 m compared with SEK 2.9 m as of the same date in 2002.

Board Actions

The company's Board comprises six members appointed at the Annual General Meeting in 2003, and one co-opted member appointed by the employees. During the year, the Board convened twenty-two meetings at which minutes were taken. The Board observes a set of

procedural rules and guidelines regarding the division of responsibilities between the Board and the Chief Executive Officer, as well as instruction relating to the structure and content of Board meetings. The CEO presents a written report to the Board on a monthly basis, including information about the Group's operations and business situation, earnings figures for the past month with comments on any deviations from the budget, as well as an update on the staff situation. One of the major decisions last year was the acquisition of the Lexit Group. The Board has appointed a Remuneration Committee (see Note 7) and an Audit Committee.

Adjustment to IFRS (International Financial Reporting Standards)

Starting in 2005, NeoNet's financial accounting will be conducted according to the International Financial Reporting Standards (IFRS, formerly IAS). The 2004 Annual Report will therefore be the last annual report prepared in accordance with the Swedish Accounting Standards Council's recommendations. In the interim report for the first quarter of 2005 and the 2005 Annual Report, there will be a reconciliation of the balance sheets and income statements for 2004 according to IFRS in comparison with the company's current accounting principles. Based on what is known at this time, the only difference between the current accounting principles and the upcoming IFRS is that goodwill and certain intangible assets will no longer be amortized according to the straight-line principle. Instead, there will be an obligatory, annual analysis to determine whether or not write-down is required. The company's financial reports will also be affected by the amended classification and information requirements according to IFRS. These changes are expected to have only a minimal effect.

The company is currently reviewing its reporting routines to be able to gather the data needed for IFRS accounting. In 2004, the company will also obtain information to be used for comparative amounts in the interim reports and the annual report in 2005. NeoNet has appointed a project group led by the CFO to work with these issues.

Proposed Distribution of Earnings (in SEK)

Group

The accumulated consolidated loss according to the consolidated balance sheet is SEK -59,962,814.

No provision for restricted reserves is needed.

Parent Company

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

Retained earnings	15,628,356
Group contributions received	81,836
Net earnings	-4,788,539
	<hr/>
	SEK 10,921,653

The Board and Chief Executive Officer propose that these earnings be distributed as follows:

Carried forward	10,921,653
	<hr/>
	SEK 10,921,653

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 and Balance Sheets, Cash-Flow Statements and the associated notes and comments.

Consolidated Income Statement

SEK 000		Jan. 1, 2003 Note Dec. 31, 2003	Jan. 1, 2002 Dec. 31, 2002
Transaction revenues	1	147,586	184,749
Commission expenses	2	-31,135	-27,635
Interest income	3	3,313	8,147
Interest expenses	3	-4,768	-7,215
Net earnings from financial transactions	4	-1,704	-3,242
Other operating revenues	5	6,506	7,027
Total operating revenues, net		119,798	161,831
Operating expenses	6	-82,254	-109,855
Personnel expenses	7	-57,741	-53,845
Amortization and depreciation of intangible and tangible assets	12,13,14	-28,191	-29,806
Total operating expenses		-168,186	-193,506
Net operating earnings		-48,388	-31,675
Tax for the year	9	1,272	-318
Net earnings		-47,116	-31,993
Earnings per share, SEK		-1.05	-0.73
Earnings per share after full dilution, SEK		-1.05	-0.73
Number of shares, 000		50,582	43,665
Average number of shares, 000		44,726	43,344
Average number of shares after full dilution, 000		44,726	44,623

Consolidated Balance Sheet

SEK 000

Note Dec. 31, 2003 Dec. 31, 2002

ASSETS

Cash and lending to credit institutions	10	135,089	201,504
Intangible fixed assets	12	67,884	58,268
Goodwill	13	76,886	627
Tangible fixed assets	14	11,116	15,659
Contract settlement receivables, net	15	86,460	69,023
Other assets	16	50,929	32,278
Prepaid expenses and accrued income		5,178	7,093
Total assets		433,542	384,452

LIABILITIES, PROVISIONS AND SHAREHOLDERS' EQUITY

Liabilities to credit institutions	17	91,588	35,833
Securities loans		61,948	87,792
Other liabilities	18	21,701	16,244
Accrued expenses and prepaid income	19	23,986	15,185
Total current liabilities		199,223	155,054

Provisions	20	0	1,294
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Shareholders' equity

<i>Restricted equity</i>	21		
Share capital		2,529	2,183
Restricted reserves		291,754	241,496
<i>Non-restricted equity</i>			
Retained earnings		-12,848	16,418
Net earnings		-47,116	-31,993
Total shareholders' equity		234,319	228,104

Total liabilities, provisions and shareholders' equity		433,542	384,452
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Memorandum items

<i>Other pledged securities</i>			
Blocked funds, credit institutions (included in Cash and lending)		103,934	133,326
Blocked funds, clearing houses (included in Other assets)		11,626	17,613
Floating charge		15,000	15,000

Change in Consolidated Shareholders' Equity

SEK 000	Share Capital	Restricted Reserves	Non-Restricted Shareholders' Equity	Total Shareholders' Equity
Opening balance Jan. 1, 2002	2,133	228,069	25,442	255,644
New issue of shares in connection with utilization of warrants	50	8,030	–	8,080
Premium warrants	–	210	–	210
Translation difference, subsidiaries	–	-4,882	1,045	-3,837
Transfer between restricted and non-restricted equity	–	10,069	-10,069	–
Net earnings	–	–	-31,993	-31,993
Closing balance December 31, 2002	2,183	241,496	-15,575	228,104
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, subsidiaries	–	-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

Consolidated Cash-Flow Statement

SEK 000	Jan. 1 2002 Dec. 31 2002	Jan. 1 2001 Dec. 31 2001
Ongoing operations		
Interest and transaction revenues received	150,933	193,221
Interest paid	-4,836	-7,215
Payments to suppliers and staff	-157,503	-193,753
Payments from clients	6,887	7,064
Tax paid	-1,003	-2,820
Cash flow from ongoing operations before change in assets and liabilities of ongoing operations	-5,522	-3,503
Change in other assets of ongoing operations	-11,504	3,928
Change in other liabilities of ongoing operations	-9,323	-2,523
Cash flow from changes in assets and liabilities of ongoing operations	-20,827	1,405
Cash flow from ongoing operations, excluding settlement of equity transactions executed on behalf of clients		
	-26,349	-2,098
Change in assets of ongoing operations attributable to settlement ¹	-23,391	42,244
Change in liabilities of ongoing operations attributable to settlement ¹	29,911	-399,978
Cash flow from ongoing operations, attributable to settlement of equity transactions executed on behalf of clients	6,520	-357,734
Cash flow from ongoing operations	-19,829	-359,832
Investment activity		
Goodwill	-23,134	-
Acquisitions of intangible fixed assets	-28,554	-28,588
Acquisitions of tangible fixed assets	-3,188	-8,283
Cash flow from investment activity	-54,876	-36,871
Financing activity		
New issue in connection with utilization of warrants	-	8,080
Premium in connection with transfer of detachable warrants	-	1,134
Repurchased warrants	-6	-
Repaid subordinated debt	-	-397
Loan, shareholders	10,000	-
Translation difference relating to foreign subsidiaries	-	-3,837
Transaction expenses in connection with option program	-	-924
Cash flow from financing activity	9,994	4,056
Cash flow for the year	-64,711	-392,647
Liquid assets at beginning of year	201,504	597,393
Liquid assets, exchange rate differences	-1,704	-3,242
Liquid assets at year-end²	135,089	201,504

¹ Cash flow attributable to the settlement of executed securities transactions varies sharply from day to day depending on trading values and time variations in counterparty processing. The typical settlement period is two to three days after the transaction.

² The Group's cash in hand, adjusted for items relating to settlements of clients' equity transactions (i.e. contract settlement receivables, securities loans, short-term settlement loans and securities deposited with clearing houses), amounted to SEK 109.8 m (SEK 179.5 m at the beginning of the year).

Parent Company Income Statement

SEK 000		Jan. 1 2003	Jan. 1 2002
	Note	Dec. 31 2003	Dec. 31, 2002
Operating expenses			
Other external expenses	6	-4,765	-6,895
Personnel expenses	7	-12,744	-8,212
Depreciation of tangible fixed assets	14	-142	-143
Total operating earnings		-17,651	-15,250
Financial items			
Interest income	3	12,959	15,283
Interest expenses	3	-5	-4
Net earnings from financial transactions		-183	1
Earnings from financial items		12,771	15,280
Earnings after financial items		-4,880	30
Appropriations	8	60	35
Tax for the year	9	32	-156
Net earnings		-4,788	-91

Parent Company Balance Sheet

SEK 000

Note Dec. 31, 2003 Dec. 31, 2002

ASSETS

Fixed assets

Equipment	14	162	283
Shares in subsidiaries	11	239,354	78,858
Total fixed assets		239,516	79,141

Current assets

Receivables from subsidiaries		67,331	159,360
Other receivables	16	1,039	1,021
Prepaid expenses and accrued income		314	553
Cash and bank balances		1,577	2,883
Total assets		309,777	242,958

LIABILITIES AND SHAREHOLDERS' EQUITY

Shareholders' equity

<i>Restricted equity</i>	21		
Share capital (50,582,043 shares with a par value of SEK 0.05)		2,529	2,183
Share premium reserve		276,350	222,049
Reserve fund		3	3
<i>Non-restricted equity</i>			
Retained earnings		15,628	16,128
Group contributions paid/received		82	-402
Net earnings		-4,788	-91
Total shareholders' equity		289,804	239,870

Untaxed reserves	22	-	32
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Current liabilities

Accounts payable		717	874
Other current liabilities	18	12,104	713
Accrued expenses and prepaid income	19	7,152	1,469
Total current liabilities		19,973	3,056

Total shareholders' equity and liabilities		309,777	242,958
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Memorandum items

Contingent liabilities

Guarantee in favor of subsidiary ¹		2,396,264	369,936
Subsidiary surety ²		7,275	-

¹ The parent company stands surety for the subsidiary NeoNet Securities AB in respect of undertakings related to the execution and settlement of securities transactions on behalf of clients. These undertakings pertain to trading in equities on the Stockholm, Helsinki, Frankfurt and Euronext exchanges. The undertakings are largely offset by corresponding accounts receivable in the subsidiary. At the end of the year, these receivables amounted to SEK 2,392,761,000. At the group level, the corresponding receivables and liabilities are represented in the balance sheet, see Note 15.

² Surety has been issued for the subsidiary NeoNet Securities, Inc. for the period December 31, 2003 to December 31, 2004 and accordingly, the parent company undertakes to contribute up to USD 1.0 m if 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, 2002	2,133	212,889	16,128	231,150
New issue of shares in connection with utilization of warrants	50	8,030	–	8,080
Premium warrants	–	1,133	–	1,133
Group contributions provided	–	–	-558	-558
Deferred tax on group contributions	–	–	156	156
Net earnings	–	–	-91	-91
Closing balance December 31, 2002	2,183	222,052	15,635	239,870
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 provided	–	–	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

Parent Company Cash-Flow Statement

SEK 000	Jan. 1, 2003 Dec. 31, 2003	Jan. 1, 2002 Dec. 31, 2002
Ongoing operations		
Operating earnings	-17,651	-15,250
Depreciation	142	143
Interest received	12,959	15,283
Interest paid	-5	-4
Cash flow from ongoing operations before change in working capital	-4,555	172
Change in other assets of ongoing operations	92,282	8,565
Change in other liabilities of ongoing operations	16,945	-2,723
Cash flow from assets and liabilities of ongoing operations	109,227	5,842
Cash flow from ongoing operations	104,672	6,014
Investment activity		
Acquisition of tangible fixed assets	-22	-
Conditional shareholder contribution to subsidiaries	-82,200	-20,000
Shares in subsidiaries	-23,649	-7,000
Cash flow from investment activity	-105,871	-27,000
Financing activity		
New issue in connection with exercise of warrants	-	8,080
Premium in connection with transfer of detachable warrants	-	1,133
Repaid subordinated debenture	-	-397
Repurchased warrants	-6	-
Repaid loan	-	-
Group contribution paid/received	82	-402
Cash flow from financing activity	76	8,414
Cash flow for the year	-1,123	-12,572
Liquid assets at beginning of year	2,883	15,454
Liquid assets, exchange rate differences	-183	1
Liquid assets at year-end	1,577	2,883

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 (ÅRK), regulation FFFS 2003:11 of 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, 2003, the parent company and the Group have been following the Swedish Financial Accounting Standards Council's new recommendations RR22 Presentation of Financial Reports (IAS 1), RR25 Reporting for Segments (IAS 14), RR26 Events after the Closing Day (IAS 10), RR27 Financial Instruments: Classification and Information (IAS 32), and RR23 Information on Related Parties (IAS 24). In other respects, the same accounting principles are used as those applied in last year's annual report. The Swedish Financial Accounting Standards Council's new recommendations that went into effect on January 1, 2003, have not had any impact on NeoNet's income statements and balance sheets. RR29 will not involve any changes for NeoNet because the company only uses premium-based plans.

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. (USA), and Lexit Financial Group, Inc. (USA), 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 of shares in subsidiaries has been offset by shareholders' equity in the subsidiaries. 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 booked 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 booked for the period it is accrued.

Valuation of Receivables and Liabilities

Receivables and liabilities are valued at cost, 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 conversion effects are reported directly in shareholders' equity.

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 2003 but have not yet been taken into operation, will be depreciated from the time of deployment. Fixed assets include development projects in progress, mainly relating to the new system platform, in the amount of SEK 37.3 m. Depreciation of the new platform will amount to an annual amount of SEK 10.7 m. Investments 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 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

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 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.

Investments in the form of a corporate acquisition in 2003 amounted to SEK 78.3 m, resulting in goodwill of SEK 77.8 m.

Financial Instruments

Financial instruments including derivative contracts are valued at their market value on the closing day. The change in value 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 differences between the written-down value and the book value of assets and liabilities give 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 to employees

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

Definition of liquid assets

The term 'liquid assets' in the cash-flow statement refers to cash and lending to credit institutions.

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

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 booked for the period it is incurred.

Risk

Risk Management

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 prepares written policies for general risk management as well as specific 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.

Counterparty Risk

NeoNet's counterparty risk is the risk that one of NeoNet's counterparties may be unable to fulfill its undertaking to deliver securities or funds (pre-settlement risk).

However, 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.

NeoNet has no authorization to conduct proprietary trading activities, nor are such activities part of the company's business concept. Consequently, NeoNet has no securities portfolio of its own and therefore does not need to measure and manage what is generally termed market risk (falling prices), i.e. the risk of losing funds as a result of changes in the value of a holding. However, NeoNet is exposed on a daily basis to what are known as potential market risks, which arise 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, which means that in each transaction it has the following counterparties: the client and the other or those other stock exchange members who represent the client's counterparty in the transaction.

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 also taken out credit insurance with Atradius Credit Insurance NV (formerly Nederlansche Credietverzekering Maatschappij NV, NCM), 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 determined individually for each client and reviewed on an annual basis.

Only after a credit assessment is complete is each client assigned a daily trading limit representing the maximum risk that NeoNet is willing to assume. In the event of a client exceeding its limit, NeoNet would limit the client's future trading (the client would then normally only be permitted to conduct trades that reduce the risk).

Members of stock exchanges are subject to the supervision and monitoring of a regulatory body (in Sweden, the Financial Supervisory Authority). Exchanges and central security depositories (CSDs) also make certain requirements on their members in terms of regulations and capital adequacy. Counterparty risks in relation to other exchange members are limited in those cases where trades are executed on a marketplace in which a clearing house assumes the role of central counterparty (CCP). In such cases, the clearing house acts as buyer in all transactions with selling members and as seller in all transactions with buying members, which reduces the counterparty risk. The clearing house receives collateral from both buyers and sellers, which is intended to cover any costs that may arise if the clearing house is forced to close a position because a counterparty is no longer able to fulfill its undertakings. In addition to the protection provided by clearing, some CSDs have built-in counterparty protection, such as guarantee funds.

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:

- System risk** The risk that one of NeoNet's systems ceases to function.
- Settlement risk** The risk of an equity transaction on behalf of a client failing or not being settled correctly.
- Human error** 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.

Liquidity 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, stock broking businesses like NeoNet require significant access to working capital for various forms of collateral. These collateral requirements usually come from the central security depositories, exchanges and central clearing houses. 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 central clearing houses. The undertakings that NeoNet must fulfill vary in size,

require action the same day, and are very difficult to predict. The liquidity 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 a number of banks, selected on the basis of a number of selection criteria. These include the service level, data integration possibilities, securities loan facilities, and not least the solutions that are offered for financing the collateral requirements of the central securities depositories, exchanges and central clearing houses.

The NeoNet Group's short-term liquid assets consist of the sum of bank balances, 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. Liquid asset planning is conducted by the finance department in cooperation with the back office.

Interest Risk and Currency Risk

The financial assets and liabilities on NeoNet's balance sheets are subject to interest at a floating rate. Short-term risk exposure is limited, as most of these assets and 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, 2003, the interest-bearing receivables amounted to SEK 109 m and the interest-bearing liabilities to SEK 102 m, with an effective average interest of 1.96% and 4.01% respectively.

NeoNet has pledged assets on foreign-currency accounts as collateral for its undertakings to clearing banks, clearing houses and securities centers. Since December 2002, NeoNet has been taking out forward cover to reduce the currency risk in major euro-denominated holdings. As of the closing day, December 31, 2003, NeoNet had forward contracts amounting to EUR 3.1 m for the company's positions in euro.

In August a forward contract was purchased to hedge the cash payment in USD for Lexit. The value of this forward contract (SEK -1.0 m) makes up a portion of the acquisition value for Lexit.

The Group on December 31, 2003

Currency	Closing day rate SEK/Currency	Current Assets in Foreign Currency (000s)	Current Liabilities in Foreign Currency (000s)
DKK	1.222	60	575
EUR	9.094	10,454	13,639
GBP	12.913	490	245
NOK	1.081	18,743	17,861
USD	7.275	1,150	1,216

Earnings of the Group's foreign subsidiaries have been translated at the average rate (SEK/USD) 7.329.

Note 1 Transaction revenues

	2003	2002
Commission from securities transactions	147,586	184,749
Total transaction revenues	147,586	184,749

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 seen as supplementary information.

Revenues by Clients' Geographical Location

	2003	%	2002	%
Sweden	88,001	59	96,230	52
Rest of Europe	26,032	18	37,245	20
North America	33,553	23	51,274	28
Total	147,586	100	184,749	100

Revenues by Transaction Method

	2003	%	2002	%
Electronic trading	113,641	77	156,779	85
Manual trading	33,945	23	27,970	15
Total	147,586	100	184,749	100

Revenues by Exchange

	2003	%	2002	%
Stockholm	69,001	47	82,138	44
Helsinki	22,776	15	51,850	28
Oslo and Copenhagen	11,148	8	11,331	6
Frankfurt	8,176	5	13,938	8
Euronext (Paris, Amsterdam, Brussels)	17,263	12	15,432	8
London, Milano and Virt-X	9,819	7	10,002	6
Nasdaq and NYSE	9,403	6	58	0
Total	147,586	100	184,749	100

Note 2 Commission Expenses

	2003	2002
Other commission expenses	-31,135	-27,635
Total commission expenses	-31,135	-27,635

The item comprises commissions payable to exchanges, clearing houses and central securities depositories. These fees are normally based on the number of transactions or, in some cases, the trading value.

Note 3 Net Interest Income

	2003	2002
<i>Group</i>		
Interest income		
Lending to credit institutions	3,192	8,001
Other interest income	121	146
Total interest income	3,313	8,147
Interest expenses		
Liabilities to credit institutions for securities and money loans	-4,511	-7,198
Other interest expenses	-257	-17
Total interest expenses	-4,768	-7,215
Net interest income	-1,455	932

Parent company

	2003	2002
<i>Parent company</i>		
Interest income		
Lending to credit institutions	54	115
Interest income from subsidiaries	12,903	15,165
Other interest income	2	3
Total interest income	12,959	15,283
Interest expenses		
Liabilities to credit institutions	-	-
Other interest expenses	-5	-4
Total interest expenses	-5	-4
Net interest income	12,954	15,279

Note 4 Net Earnings from Financial Transactions

	2003	2002
<i>Group</i>		
Exchange-rate fluctuations	-2,962	-2,618
Change in value, currency forwards	1,258	-624
Total earnings from financial transactions	-1,704	-3,242

The Group's currency exposure comprises assets in foreign currencies, which have been paid as deposits for required margin cover or retained for use as supplementary collateral for overnight and securities loans if required. Since December 2002, NeoNet has been using currency forwards on a regular basis to offset the effects of fluctuations in exchange rates.

Note 5 Other Operating Revenues

	2003	2002
Data communication and real-time share price information	4,597	6,776
Other revenues	1,909	251
Total other operating revenues	6,506	7,027

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 20,280,000 to NeoNet Securities AB, and the NeoNet Securities AB made sales of SEK 37,703,000 to NeoNet Securities, Inc. 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 such as fees to banks for clearing and settlement services, data-related expenses, stock exchange membership fees, fees for administrative services, insurances, office expenses, auditor's fees and other types of fees. The parent company did not invoice any expenses to the subsidiaries.

	2003	2002		2003	2002
<i>Group</i>			<i>Parent company</i>		
Auditing			Auditing		
PricewaterhouseCoopers AB	-1,962	-461	PricewaterhouseCoopers AB	-1,399	-229
Ernst & Young	-104	-			
Rothstein, Kass & Company P.C	-	-299			
Other assignments excluding auditing			Other assignments excluding auditing		
PricewaterhouseCoopers AB	-565	-128	PricewaterhouseCoopers AB	-530	-22
Total auditors' fees	-2,631	-888	Total auditors' fees	-1,929	-251

The fees for auditing and other assignments excluding auditing include fees for a review of a prospectus and evaluation in connection with the acquisition of Lexit.

••• Note 7 Personnel

Absence due to illness of employees of the Group's Swedish company

Absence due to illness of employees in Sweden amounted to 4% (6%) of the total working hours of the employees. 70% (49%) of such absence was for a continuous period of more than 60 days.

Absence due to illness as a percentage of regular working hours

	2003	2002
Age		
29 and younger	6%	8%
30 and older	3%	4%
Gender		
Men	1%	2%
Women	10%	16%
Total	4%	6%

No information is given regarding absence due to illness in age categories where the information only relates to one individual.

Number of employees

Average Number of Employees	2003		2002	
	No. of Employees	Of which Men	No. of Employees	Of which Men
Sweden	61	44	66	48
U.K.	1	1	-	-
U.S.	10	8	9	6
Group	72	53	75	54
Number of Employees at End of Year	2003		2002	
	No. of Employees	Of which Men	No. of Employees	Of which Men
Sweden	64	42	70	49
U.K.	7	7	-	-
U.S.	17	13	8	6
Group	88	62	78	55

Salaries, Remuneration and Social Security Expenses

	2003		2002	
	Salaries and Remuneration	Social Security Expenses (of which Pension Expenses)	Salaries and Remuneration	Social Security Expenses (of which Pension Expenses)
Parent Company	7,107	4,362 (1,960)	4,487	2,973 (1,406)
Subsidiaries	38,805	15,092 (4,479)	40,665	16,282 (5,053)
Group	45,912	19,454 (6,438)	45,152	19,255 (6,459)

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

Note 7, cont.

Salaries and Remuneration for Board, CEO and Other Employees

	2003		2002	
	Board and CEO (of which bonuses, etc.)	Other Employees	Board and CEO (of which bonuses, etc.)	Other Employees
Parent company	4,992	2,115	2,418	2,071
	(-)		(-)	
Subsidiaries				
Sweden	966	30,633	1,102	32,025
U.S. and U.K.	1,730	5,477	2,396	5,140
Group	7,688	38,225	5,916	39,236
	(-)		(-)	

Personnel expenses

	2003	2002
<i>Group</i>		
Salaries and remuneration	45,912	45,152
Social security expenses – pensions	6,438	6,459
Social security expenses – other	13,015	12,796
Other personnel expenses	5,389	5,126
Total personnel expenses	70,754	69,533

Personnel expenses reported as acquisition value of intangible assets (development of trading system)	13,013	15,688
Personnel expenses according to income statement	57,741	53,845
Total personnel expenses	70,754	69,533

Stock Option Program

In 2002, NeoNet introduced two stock option programs aimed at all of the employees in Sweden and the United States respectively. A total of 354,500 warrants and 85,000 employee stock options were issued. At the end of 2003, the figures were reduced to 264,500 warrants and 27,000 employee stock options. The reduction is the result of cancelled or forfeited options in connection with employees leaving the company. In 2003 no new stock option programs were introduced.

Option	Issued	Exercise Date	No. of Options	No. of Shares	Exercise Price, SEK	Premium
Warrants	2002	maj 2004	264,500	264,500	17.5	3.10
Employee stock options	2002	maj 2004	5,000	5,000	13.0	-
Employee stock options	2002	maj 2004	22,000	22,000	10.0	-
No. of outstanding options			291,500	291,500		
No. of shares after full subscription				50,873,543		
No. of potential shares according to RR18				50,582,043		

In view of the current share price, no dilution was thought to have arisen on the balance-sheet date.

Senior Executives

During the first ten months of 2003, Group Management consisted of ten individuals, the same individuals as at the end of the previous year. In the beginning of November, in connection with the acquisition of Lexit, a new Group Management team of five individuals was formed.

The Board consists of six members, five of whom are men. One of the five members of Group Management is a woman.

Remuneration of Senior Executives

The Chairman and other Directors receive remuneration in accordance with the decision of the Annual General Meeting. No separate fees are paid for committee work. The employee representative and group employees do not receive any Directors' fees.

For the 2002/2003 term of office, NeoNet paid SEK 470,000 in Directors' fees in 2003 to Directors who are not employed by the company, of which SEK 150,000 went to the Chairman of the Board. The Chairman has not received any remuneration other than his Directors' fees. According to a decision at the 2003 Annual General Meeting, the Directors' fees for the 2003/2004 term of office shall amount to SEK 605,000. SEK 257,000 of this amount was paid out in November (SEK 68,000 to the Chairman of the Board).

In October 2003, Torvald Bohlin left his position as CEO after 3.5 years. In addition to salaries during the period of notice, the 2003 earnings were charged with severance pay in the amount of SEK 2,145,000 and a pension provision of SEK 538,000. The Group's acting CEO was paid SEK 319,000.

Remuneration of the CEO and other senior executives comprises a basic salary, other benefits, pensions, as well as variable performance-based compensation and financial instruments, etc. 'Other senior executives' refers to the four individuals who, together with the CEO, make up Group Management. For details about members of Group Management, please see page 46.

In November, Simon Nathanson signed a contract to become the new CEO with effect from March 2004. He will receive SEK 1,950,000 per year and an additional 25% in pension premiums.

Like all NeoNet employees, the CEO and other senior executives are

entitled to variable compensation that is essentially based on the financial performance of the Group. Like the overall salary, such variable compensation should be proportionate to the 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 30% 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 NeoNet's pensions, please see below.

Terms of Notice, Severance Pay and Pensions

For the incoming CEO a period of notice of twelve months applies if the company terminates his employment, and if he resigns, a period of notice of six months applies. The CEO's pension premium is 25% of his fixed monthly salary.

No specific period of notice has been agreed upon by the company and the acting CEO, and no other remuneration applies except the monthly salary.

At the end of 2003, there were four other senior executives. For two of the senior executives, no period of notice entitlement applies, neither from the company's nor the employee's side, until early fall 2006, unless a serious breach of contract occurs. For other senior executives, the period of notice on the part of the employee is 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 salary during the six-month period of notice. The other senior executive is entitled to twelve months' termination salary, subject to a settlement procedure against income from other active duty. No severance pay is issued in case of termination initiated by the employee.

With respect to pension, the other senior executives have received pension premiums amounting to a maximum of 29% of the salary costs.

Stock Option Program for Senior Executives

As of December 31, 2003, NeoNet's senior executives held a total of 30,000 warrants exclusively from the 2002/2004 program, which was offered to all NeoNet employees. The acquisition price was SEK 93,000. Other programs from previous years have expired. For more information on senior executives' holdings of shares and warrants, please see page 46.

Drafting and Decision-Making Process

During the year, the Remuneration Committee issued recommendations to the Board of Directors on the principles to be used for remuneration of senior executives as well as other employees.

The recommendations cover variable compensation as well as salaries and other remuneration to senior executives. The Remuneration Committee also proposed a set of criteria for the determination of bonuses.

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

None of the bonus programs provided dividends in 2003.

The Board has decided on the remuneration of the CEO for the 2003 financial year on the basis of the Remuneration Committee's recommendation. The CEO has decided on the remuneration of other senior executives based on the principles suggested by the Remuneration Committee.

The Remuneration Committee convened on three occasions in 2003. The Committee consists of the Chairman of the Board, Hans Karlsson, and Board members Staffan Persson and Kari Lotsberg.

Remuneration and Other Benefits in 2003

	Basic Salary/ Directors' Fees	Commission	Other Variable Compensation	Other Benefits**	Pension Expenses	Benefit Financial Instruments, etc.***	Other Compensation	Total
Board of Directors	605	–	–	–	–	–	–	605
Acting CEO	319	–	–	–	–	–	–	319
Retiring CEO	1,924	–	–	199	600	–	2,683	5,406
Other senior executives*	8,960	500	–	325	1,342	–	–	11,127
Total	11,808	500	–	524	1,942	0	2,683	17,457

*During the first ten months of the year, Group Management consisted of ten individuals, the same individuals as at the end of the previous year. In the beginning of November, in connection with the acquisition of Lexit, a new Group Management was appointed consisting of five individuals.

**Other benefits refers to company cars and housing.

***The figure for benefits relating to financial instruments has been calculated from market data at the time the option was issued.

••• Note 8 Appropriations

	2003	2002
<i>Parent company</i>		
Difference between booked depreciation and depreciation according to plan	60	35
Total appropriations	60	35

••• Note 9 Tax for the Year and Deferred Tax

	2003	2002
<i>Group</i>		
Current tax for the year	-1,631	1,756
Deferred tax	-464	27
Reporting of deferred tax receivable relating to tax loss carry-forwards	3,367	-
Reinstatement of deferred tax receivable relating to tax loss carry-forwards	-	-2 101
Total tax for the year	1,272	-318

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

Reported earnings before tax	-48,232	-31,675
Tax at current tax rate	13,505	8,869
Tax effect of non-deductible expenses	-234	-314
Tax effect of non-taxable revenues	14	40
Deferred tax on untaxed reserves	1,758	1,918
Deferred tax on intra-group profit	-464	-
Reinstatement of deferred tax receivable relating to tax loss carry forwards	-	-2 101
Tax effect of the year's unreported loss carry forward	-13,285	-8,730
Effect of foreign tax rates	-22	-
Tax on net earnings according to Income Statement	1,272	-318

Tax Rate and Tax Receivables Not Included in the Accounts

The current tax rate, 28% (28%) is the rate applied to income tax in the Group. The Group has a deferred tax liability relating to untaxed reserves and internal gains of SEK 3.4 m. The deferred tax on the untaxed reserves and intra-group profit of SEK 3.4 m has been used to offset a deferred tax receivable on parts of the loss carry forward. The effect of this is a deferred tax reserve of SEK 3.4 m. As of December 31, the Group had an unreported deferred tax receivable in respect of a loss

carry forward in excess of SEK 100 m. As a result of this loss carry forward, the Group will not be in a taxable position over the next few years. The deferred tax receivable and liability are reported as net amounts in the balance sheet as of December 31, 2003.

	2003	2002
<i>Parent company</i>		
Deferred tax, group contributions received	32	-156
Total tax for the year	32	-156

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

Reported earnings before tax	-4,880	65
Group contributions paid/received	114	-558
Total taxable earnings	-4,766	-493
Tax at current tax rate (28%)	1,334	138
Tax effect of non-deductible expenses	95	-138
Tax effect of the year's unreported loss carry forward	-1,429	-
Tax effect of group contributions	32	-156
Tax on net earnings according to Income Statement	32	-156

The parent company has a loss carry forward totaling SEK 4.5 m, representing a tax receivable of SEK 1.3 m, which is not reported in the balance sheet and income statement.

••• Note 10 Lending to Credit Institutions

	2003	2002
<i>Group</i>		
Investment information		
Cash	19	19
Swedish credit institutions	48,898	88,638
Foreign credit institutions	86,172	112,847
Total cash and lending to credit institutions	135,089	201,504
Maturity structure, lending		
Payable on demand	94,015	157,196
Remaining term of up to 3 months	41,055	44,289
	135,070	201,485

❖ 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, U.S.		300	100%	23,319
Lexit Financial Group, Inc.	Delaware, U.S.		100	100%	78,296

During the year, the book value of the subsidiary, NeoNet Securities AB, increased by SEK 80 m following two conditional shareholder contributions of SEK 20 m and SEK 60 m.

The book value of the subsidiary, NeoNet Technology AB, increased in 2003 by SEK 2.2 m as a result of a conditional shareholder contribution.

Acquisition of Subsidiary

In 2003 the following subsidiary was acquired:

Company	Business	Acquisition Date	Percentage of Equity	Percentage of Votes
Lexit Financial Group, Inc.	Financial business	November 6, 2003	100%	100%

In addition to the parent company, the Lexit Group comprises the wholly-owned subsidiaries Lexit Capital LLC (registered in Delaware, U.S.) and NeoNet Securities Ltd., formerly Lexit Capital UK Ltd. (registered in London, U.K.). The acquisition has been reported in the consolidated financial statement according to the acquisition method.

In the financial statement as of December 31, 2003, the total purchase sum was SEK 78,296,000 with a breakdown as follows:

Cash payment	SEK 11,472,000
Actual value non-cash issue	SEK 54,647,000
Acquisition costs	SEK 12,177,000
Total	SEK 78,296,000

For the acquired subsidiary and its subsidiaries, the total value of the acquired assets and liabilities, purchase sum and effect on the Group's liquid assets are as follows, in SEK 000s

Goodwill	77,781
Fixed assets	2,326
Contract settlement receivables, net	3,900
Other assets	5,035
Liabilities	-10,746
Total purchase sum	78,296
Unpaid part of the purchase sum, non-cash issue	-54,647
Effect on the Group's liquid assets from the acquisition in 2003	23,649

In the consolidated income statement, SEK 4,618,000 of the net sales and SEK -520,000 of the year's earnings relate to the acquired business.

❖ Note 12 Intangible fixed assets

	2003	2002
<i>Group</i>		
Electronic trading system		
Acquisition value, opening balance	116,642	90,361
Acquisitions	28,554	28,588
Obsolescence	-2,045	-2,307
Acquisition value, closing balance	143,151	116,642
Depreciation according to plan, opening balance	-58,374	-39,268
Obsolescence	2,045	2,307
Depreciation according to plan	-18,938	-21,413
Depreciation according to plan, closing balance	-75,267	-58,374
Residual value according to plan	67,884	58,268

Acquisition value, closing balance for the electronic trading system includes system modules that are in development and have not yet been taken into to use. The modules are intended for the new system platform scheduled for completion in 2004. Their total value is SEK 37.3 m. No depreciation has yet been made. Depreciation of the platform will amount to SEK 10.7 on an annual basis.

❖ Note 13 Goodwill

	2003	2002
<i>Group</i>		
Acquisition value, opening balance	1,140	1,140
Acquisitions	77,781	-
Acquisition value, closing balance	78,921	1,140
Depreciation according to plan, opening balance	-513	-285
Depreciation according to plan	-1,522	-228
Depreciation according to plan, closing balance	-2,035	-513
Residual value according to plan	76,886	627

••• Note 14 **Tangible fixed assets**

	2003	2002
<i>Group</i>		
Acquisition value, opening balance	33,860	28,243
Acquisitions	3,188	8,283
Obsolescence	-129	-2,666
Acquisition value, closing balance	36,919	33,860
Depreciation according to plan, opening balance	-18,201	-12,702
Obsolescence	129	2,666
Depreciation according to plan	-7,731	-8,165
Depreciation according to plan, closing balance	-25,803	-18,201
Residual value according to plan	11,116	15,659
<i>Parent company</i>		
Acquisition value, opening balance	594	594
Acquisitions	21	-
Acquisition value, closing balance	615	594
Depreciation according to plan, opening balance	-311	-168
Depreciation according to plan	-142	-143
Depreciation according to plan, closing balance	-453	-311
Residual value according to plan	162	283

••• Note 15 **Net Contract Settlement Receivables**

	2003	2002
<i>Group</i>		
Contract settlement receivables	2,774,440	1,138,534
Contract settlement liabilities	-2,687,980	-1,069,511
Net contract settlement receivables	86,460	69,023

••• Note 16 **Other assets**

	2003	2002
<i>Group</i>		
Share in tenant-owners' association	788	788
Tax receivables	1,003	3,353
Funds deposited with clearing houses	11,626	15,782
Receivables from clearing banks	21,727	-
Other receivables	15,785	12,355
Total other assets	50,929	32,278
<i>Parent company</i>		
Share in tenant-owners' association	788	788
Other receivables	251	233
Total other assets	1,039	1,021

••• Note 17 **Liabilities to Credit Institutions**

	2003	2002
<i>Group</i>		
Lender categories		
Swedish credit institutions	6,641	-
Foreign credit institutions	84,947	35,833
Total liabilities to credit institutions	91,588	35,833
Maturity structure, liabilities to credit institutions		
Payable on demand	91,588	35,833

••• Note 18 **Other Liabilities**

	2003	2002
<i>Group</i>		
Accounts payable	8,217	12,389
Tax liability	29	-
Loans from shareholders	9,997	-
Other liabilities*	3,458	3,855
Total other liabilities	21,701	16,244
<i>Parent Company</i>		
Liability to subsidiary	11,804	561
Other current liabilities	300	152
Total other current liabilities	12,104	713

* Other liabilities includes a forward contract for EUR 3.1 m with a negative book value of SEK 539,000

Transactions with related parties

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 fourth quarter of up to SEK 20 m at a yearly interest rate of 6%. As of December 31, SEK 10 m had been repaid and the remaining principal carries an annual interest rate of 10%. There have been no other transactions with related parties other than those described in Note 7 Personnel.

❖ Note 19 **Accrued Expenses and Deferred Income**

	2003	2002
<i>Group</i>		
Transaction expenses	2,433	2,216
Social security expenses	1,967	2,430
Vacation pay	3,254	3,038
Expenses paid to clearing banks	2,844	2,324
Data communication	505	853
Interest expenses	142	210
Personnel expenses	4,852	356
Other accrued expenses	7,989	3,758
Total accrued expenses and deferred income	23,986	15,185
<i>Parent Company</i>		
Directors' fees	348	470
Social security expenses	568	476
Vacation pay	434	270
Personnel expenses	3,384	–
Interest expenses	–	–
Other accrued expenses	2,418	253
Total accrued expenses and deferred income	7,152	1,469

❖ Note 20 **Provisions**

	2003	2002
<i>Group</i>		
Deferred tax		
Untaxed reserves	-3,368	27
Depreciation exceeding plan	3,671	2,035
Other deferred tax	-303	-768
Total provisions	0	1,294

❖ Note 23 **Capital Adequacy (Group)**

The company is subject to capital adequacy requirements 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 consolidated goodwill. An analysis of the company's capital adequacy follows, indicating that the consolidated capital adequacy ratio was 58% (92%).

Capital Adequacy Requirement, Credit Risks

Segment	Weighting according to FFFS 2000:6	Balance Sheet Items	Off balance Sheet Items	Risk-weighted Amount 2003	Risk-weighted Amount 2002
A	0%	79,012	–	–	–
B	20%	135,070	–	27,014	40,297
C	50%	–	–	–	–
D	100%	133,000	–	133,000	110,573
Total risk-weighted amount, credit risks				160,014	150,870

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.

❖ Note 21 **Change in Shareholders' Equity**

	Increase in No. of Shares	Total No. of Shares	Change in Shareholders' Equity, SEK	Total Shareholders' Equity, 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

Dilution effect

No. of shares if option program fully subscribed	291,500	50,873,543	14,575	2,543,677
No. of potential shares according to RR18	0	50,582,043	0	2,529,102

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.

❖ Note 22 **Untaxed reserves**

	2003	2002
<i>Parent company</i>		
Depreciation exceeding plan	–	32
Total untaxed reserves	–	32

Capital Base	2003	2002
Shareholders' equity	234,319	228,104
Consolidated goodwill	-76,886	-627
Tier 1 capital	157,433	227,477
Tier 2 capital	–	–
Total capital base	157,433	227,477

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

Note 23, cont.

Risk-weighted Amount	2003	2002	Capital adequacy ratio	2003	2002
Credit risk	160,014	150,870	Total capital base	157,433	227,477
Settlement risk in outstanding, delayed transactions	56,259	27,662	Total risk-weighted amount	272,100	247,876
Currency risk	55,827	69,344	Capital adequacy ratio, percent	58%	92%
Total risk-weighted amount	272,100	247,876			

••• Note 24 Rents and major leasing contracts

Group

The year's rental expenses amounted to SEK 6,127,000 compared with SEK 5,004,000 the previous year.

	2004	2005	2006	2007	2008	Total
Contracted future rental expenses	8,575	6,493	199	–	–	15,266

The Swedish companies' leasing contracts expire at the end of 2005 with an option to extend. This is a compound instrument which is not assigned any value.

Parent company

The year's rental expenses amounted to SEK 35,000 compared to SEK 24,000 the previous year. The parent company has not signed any future leasing agreements.

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

Stockholm, March 10, 2004

Hans Karlsson
Chairman

Mats Sundström

Staffan Persson
Acting CEO

Thord Wilkne

Torvald Bohlin

Kari Lotsberg

Our Audit Report was presented on March 10, 2004
PricewaterhouseCoopers AB

Per-Ove Zetterlund
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 2003 as well as the Board of Directors and Chief Executive Officer's administration of NeoNet AB during the year. Responsibility for the accounts and for the administration of the company 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 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 Act on the Annual Accounts of Credit Institutions and Securities Companies 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 for the parent company and in accordance with the Act on the Annual Accounts of Credit Institutions and Securities Companies for the Group and therefore 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.

We recommend to the Annual General Meeting that the income statements and balance sheets of the parent company and group be adopted, that the earnings 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 10, 2004

PricewaterhouseCoopers AB

Per-Ove Zetterlund

Authorized Public Accountant

Management



Peter Kearns

Head of Sales and Marketing and 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: 1,453,855 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 30,000 warrants conferring rights to subscribe for 30,000 shares.

Simon Nathanson

Taking up the post as President and Chief Executive Officer of NeoNet AB (publ) on March 15, 2004. Graduate in Economics. Simon Nathanson was formerly Executive Vice President of Stockholmsbörsen (Stockholm Stock Exchange) and President of the derivative exchange OM Stockholm, and President of the OM Fixed Income Exchange. NeoNet AB shareholding: 100,000 shares.

Johan Carlsson

Head of Client Services. Johan Carlsson was formerly Head of Client Services for Lexit Financial Group, Inc. and is also one of Lexit's founders. Employed by NeoNet since November 2003. NeoNet AB shareholding: 1,560,626 shares.

Pia Hofstedt

Chief Information Officer and President of the subsidiary NeoNet Technology AB. M.Sc. Business and Economics. Pia Hofstedt was formerly a Consultant Manager at Guide Konsult Stockholm AB and member of the management team of Guide Consulting. Employed by NeoNet since September 1998. NeoNet AB shareholding: 51,680 shares.

The Board and Auditor

Hans Karlsson

Chairman of the Board since October 2003
Board member since 1996.
M.Sc. Engineering
Other Board assignments: Board member of HiQ International AB and Industriförvaltnings AB Johnson Pump.
NeoNet AB shareholding (incl. companies): 8,070,750 shares.

Staffan Persson

Chairman since 1996.
Acting Chief Executive Officer October 10, 2003 to March 14, 2004.
Graduate in Economics.
Senior Partner of the venture capital company ITP.
Other Board assignments: Chairman of Optovent AB. Board member of several companies, including Kentor AB and ARK Travel AB.
NeoNet AB shareholding (incl. family and companies): 6,782,970 shares.

Torvald Bohlin

Board member since 1996.
President and Chief Executive Officer of NeoNet AB 2000 – 2003.
M.Sc. Business and Economics.
Other Board assignments: Board member of several companies, including Tradedoubler AB and Svenska Golförbundet Affärsutveckling AB.
NeoNet AB shareholding (incl. family): 573,000 shares.

Kari Lotsberg

Board member since 2003.
M.Sc. Business and Economics.
Other Board assignments: Board member of Econ Analyse AS, Swedsec AB (from beginning of 2004) and Svaneli AB.
NeoNet AB shareholding (including companies): 5,000 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 Svenskt Näringsliv and Temagruppen Sverige AB, among others.
NeoNet AB shareholding: 400,000 shares.

Nicolas de Champs

Employees' co-opted Board representative.
Appointed by the employees.
NeoNet AB shareholding: 202,760 shares.

AUDITOR

PricewaterhouseCoopers AB is the auditing firm appointed by the Annual General Meeting of NeoNet AB and Per-Ove Zetterlund is the Authorized Public Accountant with chief responsibility. He has been the auditor for NeoNet AB since 2000. The auditor is appointed for a period of four years and the current term started at the beginning of 2003.

Glossary

Settlement

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

Back Office

Department in a securities institution with responsibility for securities administration, including settlement.

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).

Clearing

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

ECN (Electronic Communications Network)

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

FIX Protocol

Financial Information eXchange protocol (FIX) is a messaging standard specifically developed for the electronic exchange of securities transactions. FIX was designed by the international FIX Committee, which consists of representatives from a number of institutional investors, broker-dealers and other financial industry players.

FIX-compatible

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

Hedge Fund

A fund with a less restricted investment strategy than an ordinary fund. In many cases, hedge funds can sell short, raise loans to add to their managed capital and invest in different types of securities. To sell short is to sell equities which one has borrowed in the hope of buying them back at a lower price at a later point.

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 system to the respective marketplaces. The front-end application installed 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.

Liquidity

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

STP (Straight Through Processing)

Rationalization of working 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.

DEFINITIONS

AMEX

American Stock Exchange LLC, USA

The Amsterdam Stock Exchange

Euronext Amsterdam, The Netherlands

The Brussels Stock Exchange

Euronext Brussels, Belgium

Euronext

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

The Frankfurt Stock Exchange

Deutsche Börse AG, Germany

The Helsinki Stock Exchange

HEX Helsinki, OM HEX AB, Sweden

The Copenhagen Stock Exchange

Københavns Fondsbørs A/S, Denmark

Lisbon Exchange

Euronext Lisbon, Portugal

The London Stock Exchange

London Stock Exchange plc, UK

The Milan Stock Exchange

Borsa Italiana, Italy

NASD

National Associations of Securities Dealers, USA.

Nasdaq

National Association of Securities Dealers Automatic Quotation, USA

NYSE

New York Stock Exchange, USA

The Oslo Stock Exchange

Oslo Børs, Norway

The Paris Stock Exchange

Euronext Paris, France

Securities and Exchange

Commission (SEC)

The U.S. regulatory body.

Stockholmsbörsen

Stockholm Stock Exchange, OM HEX AB, Sweden

Virt-x

Virt-x Exchange Limited, U.K. Part of the SWX Group. The exchange on which the most popular Swiss equities are traded.

Annual General Meeting

Time and Place

The Annual General Meeting (AGM) will be held at 6.30 p.m. on Thursday, May 6, 2004 in "Polhemsalen" at Citykonferensen, Malm-skillnadsgatan 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 8, 2004.

Shareholders who wish to take part in the Annual General Meeting must

- be registered in the share register maintained by VPC AB no later than Monday, April 26, 2004,
- notify the company of their intention to take part in the AGM no later than 4 p.m. on April 30, 2004.

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 of their intention well in advance of April 26, 2004.

Application

Shareholders must notify the company of their intention to attend the AGM in writing no later than April 30:

- by fax: +46 8 10 40 84
- by e-mail: investor.relations@neonet.biz, or
- by mail to NeoNet AB, "AGM Application," Box 7545, 103 93 Stockholm, Sweden.

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

Financial Reports – 2004

First-Quarter Interim Report, May 6, 2004

Second-Quarter Interim Report, August 19, 2004

Third-Quarter Interim Report, October 26, 2004

Year-End Report 2004, February 10, 2005



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