

Stockholm, Sweden, 25 October 2001

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## NeoNet's Interim Report, 1 January – 30 September 2001

### The Period in Summary

#### The Quarter

- Third-quarter revenues grew 13% year on year, from SEK 34.3 m to SEK 38.9 m
- Earnings before tax increased to SEK 0.3 m from SEK -2.3 m last year.
- Market share gains on all stock markets where NeoNet has link-ups.

#### Nine-month Period

- Transaction revenues grew by 20% to SEK 136.9 m. 18% (8%) of the revenues sourced from US clients. Transaction revenue gains for the most recent 12 months were 29% on the previous 12 months.
- Operating earnings before depreciation and net interest amounted to SEK 23.6 m (29.2 m).
- Earnings before tax amounted to SEK 7.5 m (9.2 m).
- NeoNet's earnings per share were SEK 0.14 (0.16).
- The share of electronic order routing grew by 23 percentage points, to 69% (46%), of transaction revenues in the period.
- Of total commission income in the period, 50% (39%) was sourced from marketplaces other than the Stockholm Stock Exchange.
- The consolidated equity ratio was 58% (20%); liquid assets at the end of the quarter stood at SEK 308.4 m (114.2 m).
- NeoNet established an electronic connection to the London Stock Exchange in late January. In the third quarter, revenues from trading on the LSE comprised 7% of total.

#### After the end of the period

- Direct electronic trading on Euronext Paris started after the end of the period; the trading start on Euronext in Amsterdam and Brussels is scheduled for November.
- The agreement signed earlier this year with Orc Software has resulted in a system integration that is now finalized. Some of Orc Software's clients have now started to trade through NeoNet.
- NeoNet reached an agreement regarding NeoNet clients' electronic order routing on Nasdaq stocks from the second quarter of next year.

- The Milan Stock Exchange and virt-x will be connected to NeoNet's electronic exchange network during next year. The trading access to NYSE is planned during 2003.

### CEO's Statement

"Over the past year, NeoNet has continued to consolidate its market position. We have won market shares on all exchanges where we pursue trading.

Our revenues rose 13% in the third quarter—and by 20% so far this year—simultaneous with the majority of other sector players experiencing sharp revenue deterioration. However, a stagnating overall market implies that this revenue expansion does not match previous years' growth, nor our ambitious objectives and plans.

Our clients and revenue growth was particularly brisk in the US—our US clients generated 18% of transaction revenues in the period. Underlying demand for NeoNet's offering is firm and accentuating.

We are maintaining our product development according to plan, pursuing the objective of offering access to 80% of global stock market capitalization through our electronic exchange network in 2003. The launch of direct order routing on the Paris stock exchange and imminent link-ups to Amsterdam and Brussels imply us achieving a key milestone—accessing 80% of the market capitalization of Europe's stock exchanges through a single electronic exchange network. The potential for that player, or those players, able to offer global electronic order routing for the institutional market is substantial. NeoNet, that enjoys a secure financial position, as well as a focused business concept, is well positioned to become one of these players."

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NeoNet is a leading provider of real time equity execution services for institutional investors and broker-dealers. Through its electronic exchange network NeoNet provides its clients with efficient, secure and anonymous access to currently approximately 80 % of the equity market capitalization in Europe. NeoNet focuses on providing single access to multiple stock markets worldwide. Currently NeoNet has clients in eleven countries including the US. NeoNet has 70 employees with offices in Stockholm and New York and is listed on Stockholm Stock Exchange.

## THE GROUP

### Operations

NeoNet's business concept is to offer its clients— institutional investors and broker-dealers—efficient, secure and anonymous direct access to major stock markets. Operations are based on NeoNet's proprietary trading system. At present, NeoNet offers electronic order routing on the London, Frankfurt, Paris, Stockholm, Helsinki and Copenhagen Stock Exchanges, as well as manual trading on the above exchanges and the Oslo Stock Exchange. NeoNet has clients in ten European countries, plus the US.

NeoNet's electronic exchange network linked to the London Stock Exchange in January, and in effect, clients gained electronic access to the LSE in March.

NeoNet secured membership of the Euronext alliance (Paris, Amsterdam and Brussels) in January. Trading started in Paris in October, with the start-up in Amsterdam and Brussels scheduled for November.

NeoNet also made a deal with BRUT ECN—one of the major ECN's (electronic communications networks) in the US—in April. This agreement will offer NeoNet's clients access to direct order routing, principally in Nasdaq-quoted stocks, by the second quarter of 2002.

NeoNet also reached the decision to link up the electronic exchange network to two more exchanges— Milan and virt-x—during next year. Trading on virt-x comprises Swiss blue-chip equities.

Moreover, NeoNet will be offering electronic order routing on the NYSE through its electronic exchange network by mid-2003. This will imply NeoNet offering access to 80% of market capitalization, in value terms, through a single, global electronic exchange network.

In September, NeoNet transferred to a collaboration with Gerling Credit Insurance Group, as its insurer for credit insurance against client bankruptcy. Most of NeoNet's clients are encompassed by this policy.

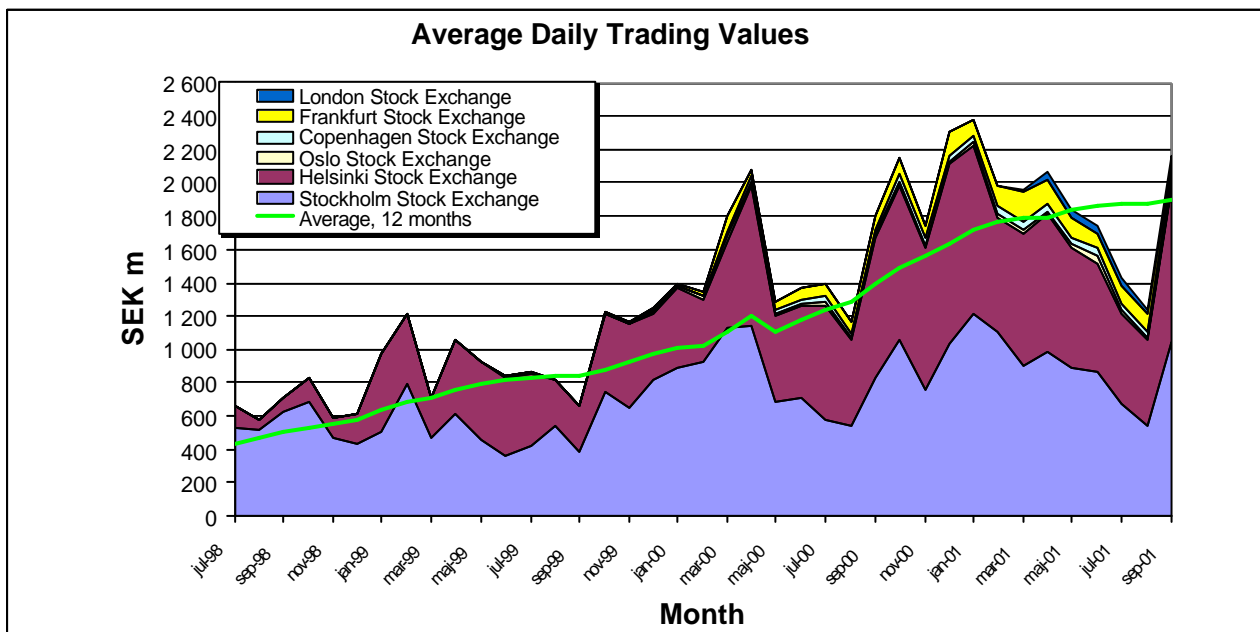
### Revenue and Earnings

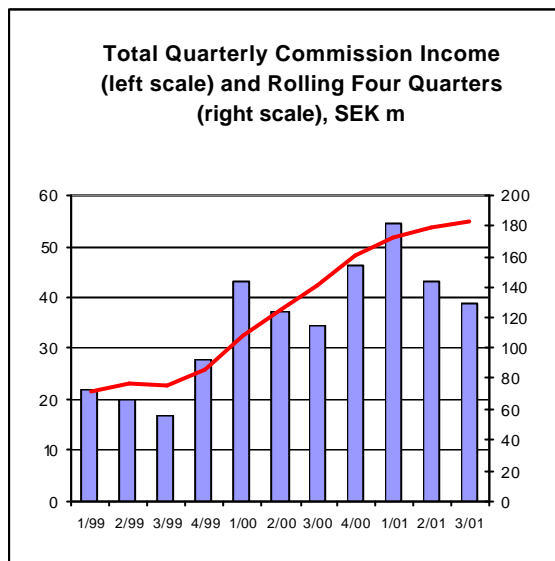
Consolidated transaction revenues expanded to SEK 136.9 m in the nine-month period, against SEK 114.5 m in the corresponding period of the previous year, a 20% increase. In the third quarter isolated, revenues amounted to SEK 38.9 m (34.3 m), representing 13% growth. Revenues for the most recent 12-month period were SEK 183.2 m, 29% growth on the previous 12-month period (142.2 m).

Income by Clients' Geographical Location				
	Jan. – Sep. 2001		Jan. – Sep. 2000	
Sweden	69.9	51%	56.4	49%
Rest of Europe	42.6	31%	49.4	43%
US	24.4	18%	8.7	8%
Total	136.9	100%	114.5	100%

In the third quarter, the average daily intermediated turnover was SEK 1,586 m, up 10% on SEK 1,442 m in the corresponding period of the previous year. Rolling 12-month daily trading values were 37% up on the corresponding period a year previously.

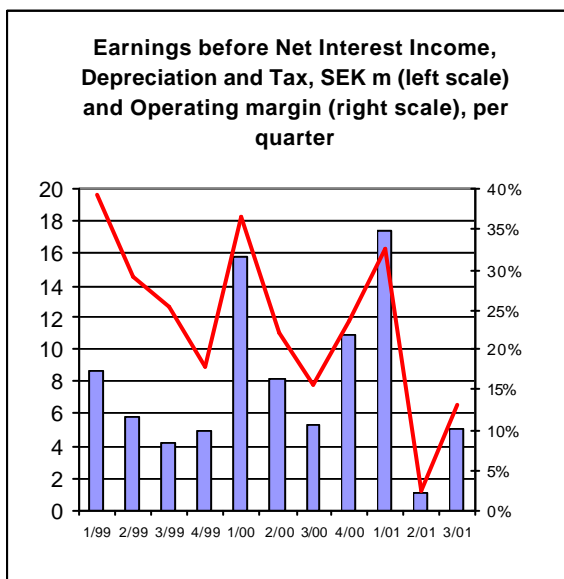
The sector experienced sustained share price downturns through the second and third quarters 2001, coupled with contracting trading volumes, resulting in a reduction in turnover on Europe's stock exchanges. Compared to the third quarter of the previous year, total turnover on those stock exchanges most significant to NeoNet—Stockholm and Helsinki—was down, by 23% in both cases. During the same period, the value of those equity transaction intermediated by NeoNet rose by 5%, whereas NeoNet's growth at all of its connected exchanges was 10%.





As the above figure illustrates, NeoNet's quarterly sales are subject to pronounced seasonality, trading volumes and revenues typically declining in the second and third quarters, from the first, to recover during the final quarter.

Third-quarter operating earnings before depreciation and net interest were SEK 5.1 m (5.3 m); the actual for the nine-month period was SEK 23.6 m, equating to an operating margin of 17%. The corporation's market expansion and product development initiatives have resulted in operating expenses increasing on the previous year, and encompass expanded sales operations in the US and Europe, link-ups to new exchanges and ongoing systems development.



Consolidated earnings before tax for the period were SEK 7.5 m, against SEK 9.2 m for the corresponding period of the previous year.

**Quarterly Earnings**

SEK m	Q3 '00	Q4 '00	Q1 '01	Q2 '01	Q3 '01
Transaction revenues	34.3	46.3	54.7	43.2	38.9
Operating earnings before net interest income and depreciation	5.3	10.9	17.5	1.0	5.1
Operating margin	16%	24%	32%	2%	13%
Earnings before tax	-2.3	6.7	12.1	-4.9	0.3

The high gross margins of NeoNet's operations imply that generally, changes in market volumes and revenues also imply relatively sizeable fluctuations in quarterly earnings figures.

Earnings per share for the nine-month period were SEK 0.14 (0.16). The reason for this downturn, despite higher earnings, is an increased number of shares (+36%), the consequence of new issues, primarily coincident with NeoNet's October 2000 initial public offering.

**Investments**

Investments were SEK 27.1 m (21.7 m) in the period, and basically relate to the enhancement of NeoNet's electronic exchange network.

**Liquidity and Financial Position**

The closing balance of consolidated shareholders' equity was SEK 254.8 m (84.5 m); as of 30 September, liquid assets were SEK 308.4 m, against 114.2 m at the corresponding point of 2000. Of the closing balance of liquid assets, SEK 185.0 m (94.0 m) comprised blocked funds—collateral for trading credits drawn down. At the end of the period, the consolidated equity ratio was 58% (20%). NeoNet's capital adequacy ratio was 94% (20%) at the end of the period.

**Outlook**

NeoNet is exclusively active within the execution of equity transactions on major stock exchanges on behalf of institutional investors. Revenues are generated through commission, based on the value of the transactions executed. NeoNet does not pursue any proprietary trading, and accordingly, revenues and earnings in any given period are a function of client activity and quoted share prices. The implication is that the value of daily trading volumes, and thereby revenues and earnings, are subject to short-term variations.

NeoNet expects to sustain revenue growth through expansion, by connecting to more stock exchanges for electronic order routing and by initiatives to accumulate client base in the US and Europe. Moreover, NeoNet's share of client trading is expected to increase, primarily as NeoNet links a growing number of the world's stock exchanges to its electronic exchange network. NeoNet's link-up to the London Stock Exchange and the Euronext alliance (the Paris, Amsterdam and Brussels Exchanges), as well as forthcoming link-ups to Nasdaq, virt-x, the Milan Stock Exchange and the NYSE, are all examples of such initiatives.

NeoNet's over-arching financial objectives are to be able to post minimum annual sustainable revenue growth of 50%, and earnings before depreciation and

net financial items of a minimum of 25% of transaction revenues.

At the end of the period, the group's staff headcount was 70 (58).

## **PARENT COMPANY**

The non-operational parent company pursues certain over-arching functions such as group management, finance, business development, IR and PR.

For the period, the parent company posted earnings before tax of SEK -3.2 m (-5.2 m).

The new issue in March, resulting from the exercise of subscription rights, was registered in April, and resulted in the number of shares increasing to 41,574,980. The corporation gained SEK 2.7 m in restricted equity.

In June, 53,986 subscription rights were exercised for the subscription of new NeoNet stock, implying a SEK 13.5 m increase in restricted equity. The new issue was registered on 12 July, and resulted in the number of shares increasing by 1,079,720 to a total of 42,654,700.

**Consolidated Income Statement**

SEK m	3 mth.	3 mth.	9 mth.	9 mth.	12 mth.	12 mth.	12 mth.
	Jul.-Sep. 2001	Jul.-Sep. 2000	Jan.-Sep. 2001	Jan.-Sep. 2000	Oct.-Sep. 2001	Oct.-Sep. 2000	Jan.-Dec. 2000
<b>Transaction revenues</b>	<b>38.9</b>	<b>34.3</b>	<b>136.9</b>	<b>114.5</b>	<b>183.2</b>	<b>142.2</b>	<b>160.9</b>
Transaction expenses	-5.3	-4.7	-16.9	-14.1	-22.5	-17.6	-19.7
Interest income	2.0	1.6	5.5	2.8	7.0	3.1	4.3
Interest expenses	-1.0	-4.3	-4.8	-9.4	-7.1	-10.3	-11.7
Net earnings from financial transactions	3.3	1.0	3.6	0.1	4.6	-0.2	1.1
<b>Other operating revenue</b>	<b>1.4</b>	<b>0.8</b>	<b>5.4</b>	<b>3.3</b>	<b>7.7</b>	<b>3.8</b>	<b>5.5</b>
<b>Total operating revenue, net</b>	<b>39.3</b>	<b>28.7</b>	<b>129.7</b>	<b>97.2</b>	<b>172.9</b>	<b>121.0</b>	<b>140.4</b>
General administration expenses							
Other operating expenses	-20.3	-15.8	-63.4	-44.7	-82.8	-54.0	-64.1
Personnel expenses	-12.9	-10.2	-42.0	-29.9	-55.7	-40.0	-43.6
Depreciation	-5.8	-5.0	-16.8	-13.4	-20.2	-17.0	-16.8
<b>Total operating expenses</b>	<b>-39.0</b>	<b>-31.0</b>	<b>-122.2</b>	<b>-88.0</b>	<b>-158.7</b>	<b>-111.0</b>	<b>-124.5</b>
<b>Operating earnings</b>	<b>0.3</b>	<b>-2.3</b>	<b>7.5</b>	<b>9.2</b>	<b>14.2</b>	<b>10.0</b>	<b>15.9</b>
Tax on earnings for the period	0.2	-0.9	-1.7	-4.1	2.3	-5.5	-0.2
<b>Net earnings</b>	<b>0.5</b>	<b>-3.2</b>	<b>5.8</b>	<b>5.1</b>	<b>16.5</b>	<b>4.5</b>	<b>15.7</b>
Earnings per share, SEK	0.01	neg	0.14	0.16	0.40	0.15	0.48
Earnings per share after full dilution, SEK	0.01	neg	0.13	0.14	0.37	0.13	0.42
No. of shares, 000	42,655	32,524	42,655	32,524	42,655	32,524	40,588
Average no. of shares, 000	42,655	30,926	41,681	30,686	41,011	30,122	32,786
Average no. of shares after full dilution, 000	45,055	37,095	45,088	35,700	44,710	34,480	37,689

**Consolidated Balance Sheet**

SEK m	30 Sep. '01	30 Sep. '00	31 Dec. '00
<b>ASSETS</b>			
Cash and lending to credit institutions	308.4	114.2	292.2
Intangible fixed assets	49.7	40.3	42.0
Tangible fixed assets	15.3	6.3	12.7
Other assets	53.6	243.7	187.9
Prepaid expenses and accrued income	10.2	8.8	6.3
<b>Total assets</b>	<b>437.2</b>	<b>413.3</b>	<b>541.1</b>
<b>LIABILITIES, PROVISIONS AND SHAREHOLDERS' EQUITY</b>			
Liabilities, credit institutions	4.2	188.7	130.9
Other liabilities	156.1	71.0	154.1
Accrued expenses and deferred income	17.1	13.8	16.3
Subordinated debt	0.4	50.8	0.6
Provisions	4.6	4.5	4.1
Shareholders' equity			
Share capital	2.1	1.5	2.0
Restricted reserves	228.1	69.0	211.0
Earnings carried forward	18.8	8.9	6.4
Net earnings	5.8	5.1	15.7
<b>Total liabilities, provisions and shareholders' equity</b>	<b>437.2</b>	<b>413.3</b>	<b>541.1</b>

**Consolidated Cash Flow Statement**

SEK m	Jan. - Sep. 2001	Jan. - Sep. 2000	Jan. - Dec. 2000
<b>Cash flow from ongoing operations, exc. settlement</b>	<b>7.5</b>	<b>8.1</b>	<b>26.8</b>
Cash flow from ongoing operations attributable to settlement of equity transactions executed*	18.5	-15.6	64.5
Cash flow from investment activities	-27.1	-21.7	-33.3
Cash flow from financing activities	13.7	73.0	162.7
<b>Cash flow for the period</b>	<b>12.6</b>	<b>43.8</b>	<b>220.7</b>
Liquid assets, opening balance	292.2	70.4	70.4
Liquid assets, translation differences	3.6	0.0	1.1
<b>Liquid assets, closing balance</b>	<b>308.4</b>	<b>114.2</b>	<b>292.2</b>

\*Cash flow attributable to the settlement of executed securities transactions varies significantly from day to day, depending on trading volumes and time variations in processing at the counterparty level. The typical settlement period is two to three days after the trading date.

**Change in shareholders' equity**

SEK m	Jan. - Sep. 2001	Jan. - Sep. 2000	Jan. - Dec. 2000
Opening balance, shareholders' equity	235.1	57.0	57.0
New issue 2000			139.5
New issue coincident with utilization of warrants	16.1	24.6	24.6
Warrants premium		0.5	0.5
Non-cash issue			1.2
Repurchase of warrants	-3.3		-0.9
Translation differences	1.6	0.4	0.6
Reduction in restricted equity	-0.5		0.0
Dividend		-3.1	-3.1
Net earnings	5.8	5.1	15.7
<b>Closing balance, shareholders' equity</b>	<b>254.8</b>	<b>84.5</b>	<b>235.1</b>

**Consolidated Key Figures**

SEK m	Jan. - Sep. 2001	Jan. - Sep. 2000	Jan. - Dec. 2000
<b>Earnings in summary</b>			
Operating earnings before net interest income and depreciation	23.6	29.2	40.1
Operating earnings before net interest income	6.8	15.8	23.3
<b>Margins</b>			
Operating margin	17%	26%	25%
Net margin	5%	14%	15%
Profit margin	4%	4%	10%
<b>Yield</b>			
Average capital employed	378.2	235.5	269.3
Return on equity	2%	8%	16%
Return on capital employed	3%	8%	10%
<b>Operational Key Figures</b>			
Ave. no. of trading days on connected markets	189	189	250
Ave. daily trading volume	1,856	1,501	1,640
<b>Financial Position</b>			
Equity ratio	58%	20%	43%
Interest cover	256%	198%	236%
Debt-equity ratio	0.6	2.9	1.2
Capital adequacy	94%	20%	124%
<b>Share data</b>			
No. of shares, 000	42,655	32,524	40,588
Ave. no of shares, 000	41,681	30,686	32,786
Earnings per share, SEK	0.14	0.16	0.48
Shareholders' equity per share, SEK	5.97	2.60	5.79
Number of shares after full dilution, 000	45,055	37,095	45,155
Average number of shares after full dilution, 000	45,088	35,700	37,689
Earnings per share after full dilution	0.13	0.14	0.42
Shareholders' equity per share after full dilution, SEK	6.08	3.24	6.00

**Employee Data**

	70	58	62
Number of employees at the end of the period			
Average number of employees	65	52	54

**Definitions**
**Operating margin**

Operating earnings before net interest income and depreciation as a percentage of transaction revenues.

**Net margin**

Operating earnings before net interest income and tax as a percentage of transaction revenues.

**Profit margin**

Profit 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 equity**

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

**Return on capital employed**

Earnings net of financial items plus financial expenses as a percentage of average capital employed.

**Equity ratio**

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

**Interest cover**

Operating earnings plus financial expenses divided by financial expenses.

**Debt/equity ratio**

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

**Capital adequacy ratio**

Total capital base divided by the total risk-weighted credit and market risk amounts (Swedish Financial Supervisory Authority stipulation FFFS 2000:6).

**Earnings per share**

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

**Shareholders' equity per share**

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

**Accounting Principles**

The consolidated accounts have been prepared in accordance with Swedish legislation relating to statutory accounting by credit institutions and securities corporations (ÅRKL) and the Swedish Financial Supervisory Authority's stipulation FFFS 2000:18 applicable because of the parent company's status as a financial holding company.

This Interim Report has been produced in accordance with the Swedish Financial Accounting Standards Council's recommendation RR20 regarding interim reports.

The transference rules of the new recommendations have been utilized, implying the correction of some comparative figures. This revision of accounting principles has not implied any material effect on the corporation's earnings and position.

### **Audit Review**

The corporation's auditors have not reviewed this Quarterly Report.

Stockholm, Sweden, 25 October 2001

Torvald Bohlin  
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### **Internet**

[www.neonet.se](http://www.neonet.se)

### **Forthcoming Reports**

Financial Statement 2001, 31 January 2002  
Interim Report, First Quarter 2002, 24 April 2002  
Annual Report for 2001, April 2002  
Annual General Meeting 2002, 24 April 2002