

## **NeoNet's Year-End Report, 1 January – 31 December 2001**

### **The Period in Summary**

#### **The Full Year 2001**

- Transaction revenues increased 18% to SEK 190.1 m, against SEK 160.9 m in the previous year; 21% (9%) of revenues were derived from US clients.
- NeoNet's market shares have increased on all the exchanges where it is connected.
- Operating earnings before depreciation and net financial items amounted to SEK 25.2 (40.1) m.
- Earnings before tax were SEK 3.5 m (15.9 m).
- Earnings per share: SEK 0.15 (0.48).
- Revenues from electronic order routing increased by 77% and amounted to 75% (50%) of total transaction revenues.
- 51% (42%) of transaction revenues in the period were sourced from trading on exchanges other than Stockholm.
- The closing balance of consolidated shareholders' equity rose to SEK 255,6 m (235.1 m) at the end of the period. Out of the SEK 597.4 m liquid funds, SEK 412.3 m were attributable to the settlement of equity transactions executed on behalf of clients, which means that the company's own cash amounted to SEK 185.1 m (SEK 204.3 m).
- NeoNet established an electronic link-up to the LSE (London Stock Exchange) at the end of January 2001, with 7% of trading revenues derived from this exchange in the fourth quarter, and 5% in the full year.
- An agreement has been reached regarding electronic trading of Nasdaq stocks, with launch scheduled for the second quarter of 2002.
- Decision was made that NeoNet will in 2002 connect the Milan and virt-x exchanges to the company's trading system. Connection to the NYSE is scheduled for mid 2003.

#### **The Fourth Quarter**

- Fourth-quarter revenues grew 15% year on year, to SEK 53.2 m; against in the previous year SEK 46.3 m.
- Earnings before tax were SEK -4.0 m, against SEK 6.7 m in 2000.
- Electronic order routing increased by 70% over fourth quarter in the previous year, and amounted to 90% (61%) of total transaction revenues.
- 54% of fourth-quarter revenues came from trading on exchanges other than Stockholm.
- Electronic trading began on the Euronext Paris and Amsterdam exchanges.

### **CEO's statement**

"The uncertainty featuring on the world's stock markets through the year basically sustained in the fourth quarter, with market activity and stock prices remaining significantly below the fourth quarter of 2000. Many of the industry's players have experienced significant decreases, in commission or transaction revenues. Despite this, NeoNet posted quarter-on-quarter revenue gains of 15%, and year-on-year gains of 18%. Our revenues from electronic order routing grew 77% on an annual basis and reached 90% revenue share in the fourth quarter. This proves the strength in NeoNet's business concept. Revenue growth from our US clients—which now generate about a quarter of total revenues—was particularly positive. During the year, NeoNet increased market shares on all the exchanges it is connected to; underlying client base growth has been healthy, both in absolute terms and as a rising share of client trading. Our strategy of also making our electronic exchange network available for integration to clients' own legacy trading applications has expanded our market substantially, implying increased revenues as early as 2001.

The currently pronounced contraction of the global equity trading market prevented us from realizing our revenue and earnings objectives last year, but has by no means compromised our long-term prospects or opportunities. Accordingly, we have prioritized initiatives aimed at market growth, both through an expanding client base and link-ups to more exchanges, above short-term profitability. Investments in development and linking our electronic exchange network to the key London, Paris and Amsterdam Stock Exchanges, have increased our cost levels, but obviously, are expected to contribute to substantial revenue growth through forthcoming years.

NeoNet now makes a highly attractive offering to the institutional equity trading market with satisfied clients in more than ten countries. Moreover, during the second quarter 2002, we will also offer electronic trading on Nasdaq, and thereby, nearly 50% of global stock market capitalization will become available to our clients. Our corporate development is proceeding according to plan, towards our objective of offering access to 80% of global stock market capitalization through our electronic exchange network in 2003. In our view the growth potential is substantial, as we will be able to offer global electronic trading through a single trading system."

---

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 76 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 the world's major stock markets. Operations are based on NeoNet's proprietary trading system, with at present, electronic order routing on the London, Frankfurt, Paris, Amsterdam, Stockholm, Helsinki and Copenhagen Stock Exchanges, alongside manual trading on the above exchanges and the Oslo Stock Exchange. NeoNet has clients in 11 countries including the US.

NeoNet's electronic exchange network linked up to the LSE (London Stock Exchange) in January.

NeoNet secured membership of the Euronext exchange (the Paris, Amsterdam and Brussels stock exchanges) in January, with trading in Paris and Amsterdam starting in October and December respectively, but as a consequence of delays in a clearing-house systems platform change-over, the trading start in Brussels is now scheduled for the first half of 2002.

In April, NeoNet reached an agreement with BRUT ECN— one of the pre-eminent US ECNs (electronic communications networks)—conferring NeoNet's clients with electronic trading, primarily on NASDAQ stocks, by the second quarter of 2002.

NeoNet has reached a decision regarding the objective of linking the Milan and virt-x exchanges to NeoNet's electronic exchange network in 2002. The Zurich Stock Exchange's blue chips are traded on virt-x.

Additionally, by mid-2003, NeoNet is planning to offer electronic order routing on the NYSE through its electronic exchange network, thus offering access to 80% of the world's stock market capitalization through a single global trading system.

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 covered by this policy which significantly reduces the firm's exposure to credit losses.

### Revenue and Earnings

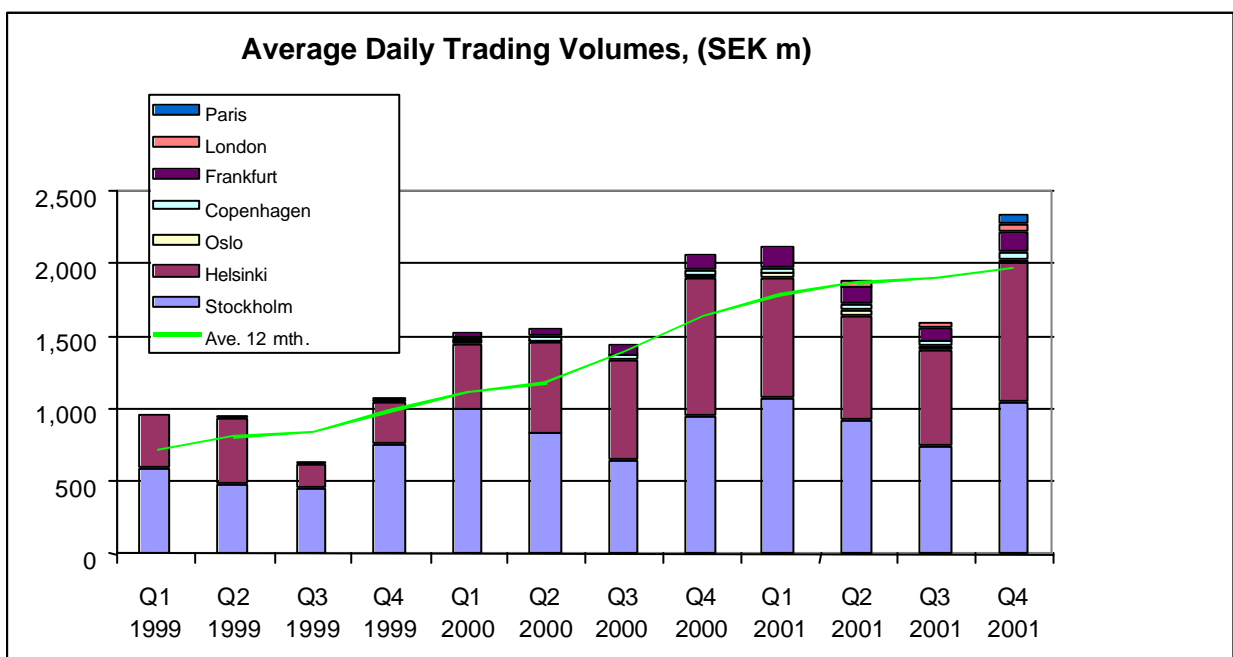
Consolidated transaction revenues grew to SEK 190.1 m in the year, against SEK 160.9 m in 2000, an 18% increase. Fourth-quarter revenues were SEK 53.2 m (46.3 m), 15% growth.

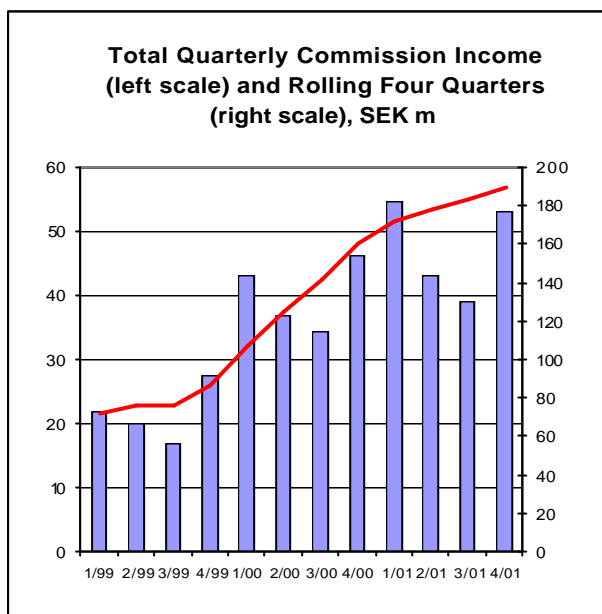
Distribution of Revenues by Client Location, SEK m				
	Jan – Dec 2001		Jan-Dec 2000	
Sweden	94.5	50%	73.7	46%
Rest of Europe	54.8	29%	73.1	45%
US	40.8	21%	14.1	9%
Total	190.1	100%	160.9	100%

NeoNet's average daily intermediated turnover was SEK 2,337 m in the fourth quarter, a year-on-year increase of 12%, against SEK 2.058 m in 2000. Rolling 12-month daily trading values were SEK 1,975 m, a year-on-year increase of 20%.

Trading values vary significantly through the year, a consequence of market activity and pricing on the exchanges where NeoNet pursues trading.

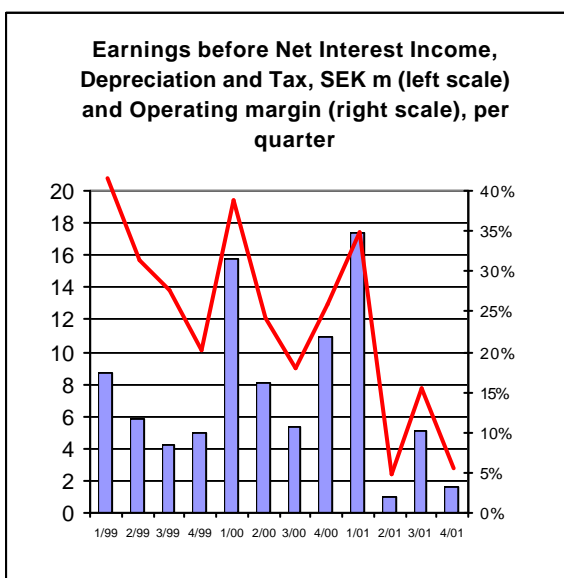
During the fourth quarter, NeoNet's average daily trading volumes were divided between exchanges as follows: Stockholm, 44%; Helsinki, 41%; Oslo, 1%; Copenhagen, 2%; Frankfurt, 6%; London, 3% and Paris, 3%.





As the above figure illustrates, NeoNet's quarterly turnover exhibits significant seasonality as a consequence of the fact that typically, trading volumes and revenues reduce during the second and third quarters against the first, and then usually, increase during the final quarter.

Operating earnings before net financial items and depreciation were SEK 1.6 m (10.9 m) in the quarter, with earnings burdened by increased expenses relating to the Euronext exchanges, which NeoNet linked up to in the quarter—revenues from these exchanges were insignificant. Full-year earnings of SEK 25.2 m were achieved, equivalent to a 13% operating margin. Market expansion and product development initiatives elicited an increase in operating expenses on the previous year, with such initiatives including increased sales activities in the US and Europe, link-ups to new exchanges and continued systems enhancements.



### Quarterly Earnings

SEK m	Q4 '00	Q1 '01	Q2 '01	Q3 '01	Q4 '01
Transaction revenues	46.3	54.7	43.2	38.9	53.2
Operating earnings before net interest income and depreciation	10.9	17.5	1.0	5.1	1.6
Operating margin	24%	32%	2%	13%	3%
Earnings before tax	6.7	12.1	-4.9	0.3	-4.0

Consolidated full-year earnings before tax were SEK 3.5 m, against SEK 15.9 m in the previous year.

Full-year earnings per share were SEK 0.15 (0.48), and apart from reduced earnings, an increased number of shares (+28%), the consequence of new issues primarily coincident with the initial public offering in October 2000, explain the reduced EPS.

Tax for the year amounted to SEK +2.8 m (-0.2 m), this positive item being the consequence of deferred tax on the reversal of tax allocation reserves, and an expectation of utilizing the US subsidiary's tax loss carry-forwards.

The group's employee headcount at the end of the period was 76 (62).

### Investments

Investments in the period were SEK 36.0 m (33.3 m), with 26.9 m (24.7 m) of this total relating to enhancements to NeoNet's electronic exchange network.

### Liquidity and Financial Position

The closing balance of consolidated shareholders' equity was SEK 255.6 m (235.1 m), and as of 31 December, liquid assets were SEK 597.4 m, against SEK 292.9 m at the end of 2000. Of the closing balance of liquid assets, SEK 557.0 m (195.5 m) comprised blocked funds—collateral for trading credits drawn down as of this date. Out of the SEK 597.4 m liquid funds, SEK 412.3 m were attributable to the settlement of equity transactions executed on behalf of clients, which means that the company's own cash amounted to SEK 185.1 m (SEK 204.3 m). The consolidated equity ratio was 31% (43%) at the end of the period, while the capital adequacy ratio was 79% (124%). The increase in liquidity and pledged assets, like the downturn in NeoNet's equity and capital adequacy ratios, is a consequence of temporary, and abnormally high, volumes of unsettled trading transactions as at year-end.

### Outlook

NeoNet is exclusively active in the execution of equity transactions on major stock exchanges on behalf of institutional investors. Revenues are sourced through commission based on the value of transactions executed. NeoNet does not pursue any proprietary equity trading, and accordingly during any given period, revenues and earnings are influenced by client activity and quoted stock prices. The result is that the value of daily trading volumes, and consequently, revenues and earnings, exhibit short-term variations.

NeoNet expects to achieve continued revenue growth by connecting to more stock exchanges for electronic order routing, and an initiative based on the expansion of its US and European client bases. Moreover, it expects to increase the share of its clients' trading, principally by means of linking a progressively growing share of the world's stock markets to its electronic execution network. Examples of such initiatives include a link-up to the LSE and the Euronext (Paris, Amsterdam and Brussels) constellation, and forthcoming connections to Nasdaq, the Milan Stock Exchange, the virt-x exchanges and NYSE. Also, in 2002 a new generation of the trading system will be developed.

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.

## **PARENT COMPANY**

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

The parent company posted earnings before tax of SEK -3.3 m (-6.4 m).

The closing balance of parent company shareholders' equity was SEK 231.2 m (219.8 m). As of 31 December, liquid assets were SEK 15.5 m, against SEK 85.4 m as of year-end 2000. The decline is explained by lending to subsidiaries.

Investments in the period stood at SEK 0.4 m (16.0 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 in July, and resulted in the number of shares increasing by 1,079,720 to a total of 42,654,700.

The parent company has re-purchased 11 950 warrants, reducing non-restricted equity with 3.3 m.

## **Annual General Meeting**

The AGM will be held on 24 April 2002.

The Board intends to propose to the AGM that no dividends are paid.

**Consolidated Income Statement**

SEK m	3 mth.	3 mth.	12 mth.	12 mth.
	Oct. - Dec. 2001	Oct. - Dec. 2000	Jan. - Dec. 2001	Jan. - Dec. 2000
<b>Transaction revenues</b>	<b>53.2</b>	<b>46.3</b>	<b>190.1</b>	<b>160.9</b>
Transaction expenses	-7.2	-5.6	-24.1	-19.7
Interest income	2.5	1.5	8.0	4.3
Interest expenses	-1.7	-2.3	-6.5	-11.7
Net earnings from financial transactions	-1.6	1.0	1.9	1.1
Other operating revenue	1.8	2.3	7.2	5.5
<b>Total operating revenue, net</b>	<b>47.0</b>	<b>43.2</b>	<b>176.6</b>	<b>140.4</b>
General administration expenses				
Other operating expenses	-30.0	-19.4	-93.3	-64.1
Personnel expenses	-14.6	-13.7	-56.6	-43.6
Depreciation	-6.4	-3.4	-23.2	-16.8
<b>Total operating expenses</b>	<b>-51.0</b>	<b>-36.5</b>	<b>-173.1</b>	<b>-124.5</b>
<b>Operating earnings</b>	<b>-4.0</b>	<b>6.7</b>	<b>3.5</b>	<b>15.9</b>
Tax on earnings for the period	4.5	4.0	2.8	-0.2
<b>Net earnings</b>	<b>0.5</b>	<b>10.7</b>	<b>6.3</b>	<b>15.7</b>
Earnings per share, SEK	0.01	0.27	0.15	0.48
Earnings per share after full dilution, SEK	0.01	0.24	0.14	0.42
No. of shares, 000	42,655	40,588	42,655	40,588
Average no. of shares, 000	42,655	39,163	41,927	32,786
Average no. of shares after full dilution, 000	45,052	43,732	45,079	37,689

**Consolidated Balance Sheet**

SEK m	31 Dec. '01	31 Dec. '00
<b>ASSETS</b>		
Cash and lending to credit institutions	597.4	292.2
Intangible fixed assets	51.1	40.9
Goodwill	0.8	1.1
Tangible fixed assets	15.5	12.7
Other assets	141.6	187.9
Prepaid expenses and accrued income	6.7	6.3
<b>Total assets</b>	<b>813.1</b>	<b>541.1</b>
<b>LIABILITIES, PROVISIONS AND SHAREHOLDERS' EQUITY</b>		
Liabilities, credit institutions	54.4	130.9
Other liabilities	481.6	154.1
Accrued expenses and deferred income	17.9	16.3
Subordinated debt	0.4	0.6
Provisions	3.2	4.1
Shareholders' equity		
Share capital	2.1	2.0
Restricted reserves	228.1	211.0
Earnings carried forward	19.1	6.4
Net earnings	6.3	15.7
<b>Total liabilities, provisions and shareholders' equity</b>	<b>813.1</b>	<b>541.1</b>

**Memorandum items**

<i>Other assets pledged</i>		
Blocked funds, credit institutions	548,9	195,5
Blocked funds, clearinghouse	8,1	-
Floating charge	16,0	16,0
<b>Assets pledged for NeoNet's own liabilities</b>		
Aktier i dotterbolag	23,5	27,5

**Consolidated Cash Flow Statement**

SEK m	Jan. - Dec. 2001	Jan. - Dec. 2000
<b>Cash flow from ongoing operations, exc. settlement</b>	<b>0.9</b>	<b>26.8</b>
Cash flow from ongoing operations attributable to settlement of equity transactions executed*	324.4	64.5
Cash flow from investment activity	-36.0	-33.3
Cash flow from financing activity	14.0	162.7
<b>Cash flow for the period</b>	<b>303.3</b>	<b>220.7</b>
Liquid assets, opening balance	292.2	70.4
Liquid assets, translation differences	1.9	1.1
<b>Liquid assets, closing balance</b>	<b>597.4</b>	<b>292.2</b>

\* Cash flow attributable to the settlement, on account of clients, 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.

**Consolidated Change in Shareholders' Equity**

SEK m	Jan. - Dec. 2001	Jan. - Dec. 2000
Opening balance, shareholders' equity	235.1	57.0
New issue 2000	-	139.5
New issue coincident with utilization of warrants	16.0	24.6
Warrants premium	-	0.5
Non-cash issue	-	1.2
Repurchase of warrants	-3.3	-0.9
Translation differences	1.5	0.6
Dividend	-	-3.1
Net earnings	6.3	15.7
<b>Closing balance, shareholders' equity</b>	<b>255.6</b>	<b>235.1</b>

As of year-end, restricted equity was SEK 230.2 m (213.1 m); non-restricted equity was SEK 25.4 m (22.1 m).

Accumulated translation differences were SEK 2.2 m (0.7 m) as of 31 December 2001.

**Consolidated Key Figures**

SEK m	Jan. - Dec. 2001	Jan. - Dec. 2000
<b>Earnings in summary</b>		
Operating earnings before net interest income and depreciation	25.2	40.1
Operating earnings before net interest income	2.0	23.3
<b>Margins</b>		
Operating margin	13%	25%
Net margin	1%	15%
Profit margin	3%	10%
<b>Yield</b>		
Average capital employed	415.9	269.3
Return on equity	3%	16%
Return on capital employed	2%	10%
<b>Operational Key Figures</b>		
Ave. no. of trading days on connected markets	251	250
Ave. daily trading volume	1,975	1,640
<b>Financial Position</b>		
Equity ratio	31%	43%
Interest cover	154%	236%
Debt-equity ratio	2.0	1.2
Capital adequacy	79%	124%
<b>Share data</b>		
No. of shares, 000	42,655	40,588
Ave. no of shares, 000	41,927	32,786
Earnings per share, SEK	0.15	0.48
Shareholders' equity per share, SEK	5.99	5.79
Number of shares after full dilution, 000	44,816	45,155
Ave. number of shares after full dilution, 000	45,079	37,689
Earnings per share after full dilution	0.14	0.42

Shareholders' equity per share after full dilution, SEK	6.09	6.00
Number of employees at the end of the period	76	62
Average number of employees	67	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 FFS 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.

**Shareholders' equity per share after full dilution**

The closing balance of shareholders' equity plus new issue in relation to the average number of shares after new issue.

### Accounting Principles

The consolidated accounts have been prepared in accordance with Swedish legislation relating to the annual reports of 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. NeoNet AB has adopted the following new recommendations from the Swedish Financial Accounting Standards Council:

- RR 9 Income taxes
- RR 11 Revenues
- RR 12 Tangible fixed assets
- RR 18 Earnings per share
- RR 20 Interim Reports

Otherwise, the same accounting principles as in NeoNet's latest Annual Report have been applied. The transference rules of the new recommendations have been utilized, meaning that the comparative figures have been corrected. This revision of accounting principles has not implied any material effect on the corporation's earnings and position.

Stockholm, Sweden, 31 January 2002

NeoNet AB (publ)  
The Board of Directors

### Review report

We have carried out a review of this interim report / year-end report in accordance with the recommendation issued by the Swedish Institute of Authorised Public Accountants (FAR). A review is significantly limited in comparison with an audit.

Nothing has come to our attention which would cause us to believe that the interim report/year-end report does not meet the requirement of the (Swedish) Securities Exchange Act and the Act on annual Accounts of Credit Institutions and Securities Corporations.

Stockholm, Sweden, 30 January 2002

Öhrlings PricewaterhouseCoopers AB

Stephan Tolstoy  
Authorized Public  
Accountant

Per-Ove Zetterlund  
Authorized Public  
Accountant

### Further information available from:

Torvald Bohlin, Chief Executive Officer  
Tel: +46 (0)8 454 1539  
[torvald.bohlin@neonet.se](mailto:torvald.bohlin@neonet.se)

### Internet

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

At the web site NeoNet's financial information is posted and the annual report will be available on the site in April.

### Forthcoming Reports

Annual Report for 2001, 10 April 2002  
Annual General Meeting 2002, 24 April 2002  
Interim Report, First Quarter 2002, 24 April 2002  
Interim Report, Second Quarter 2002, 22 August 2002  
Interim Report, Third Quarter 2002, 24 October 2002  
Year-End Report 2002, 30 January 2003