

Maintained Operating Earnings and Improved Cash Flow

First Quarter in Summary

- The operating revenues amounted to SEK 58.1 m (SEK 63.9 m).
- The earnings after tax amounted to SEK 4.2 m (SEK 4.7 m).
- The earnings per share amounted to SEK 0.08 (SEK 0.09).
- The operating earnings before depreciation and net financial items, EBITDA, amounted to SEK 12.9 m (SEK 12.9 m), making an operating margin of 23% (21%).
- The underlying cash flow improved to SEK 9.5 m (SEK 8.2 m).
- NeoNet entered into two new distribution agreements with leading industry players.
- New functionality was launched to facilitate and improve the efficiency of clients' trading.
- From 1 January 2005 NeoNet is following the International Financial Reporting Standards (IFRS) in accordance with an EU decree. The effects of the transition have been accounted for by an adjustment of the opening shareholders' equity for 2004. The comparative figures for 2004 have been re-calculated, see the "Accounting principles" section.

NeoNet's First Quarter 2005

At the end of the period NeoNet's operating earnings before depreciation and net financial items, EBITDA, was at the same level as the corresponding period last year and the cash flow was improved despite the decrease in revenues. Cash flow and operating earnings have shown a positive trend the latest four quarters.

The earnings after tax were somewhat lower due to a net financial expense of SEK -2.8 m (SEK -1.6 m), partly as a result of the debenture loan raised in 2004. Action has been taken to improve the net financial income and the effects of this are expected in 2005.

The same period last year started with high trading volumes; this was not the case this year. Lower transaction-related and other expenses are the reasons NeoNet has been able to maintain the operating earnings, operating margin and cash flow – or even improve these values – despite lower trading volumes.

Investments have focused on enhancing the new platform that was launched last year. Investments, amounting to SEK 3.8 m (SEK 4.9 m) have also been kept at a lower level compared to the same period last year.

NeoNet's expanded offering with an increasing number of exchanges on which the clients can trade, has resulted in a more even distribution of revenues. A growing share, corresponding to just under a half of all revenues during the period, was generated on the European exchanges excluding Stockholm and Helsinki. These two exchanges and the U.S. ones will continue to form the foundation of NeoNet's business.

The inflow of new customers continued at a good pace and NeoNet has successfully achieved its aim of increasing trading from clients outside the Swedish market, where we already hold a strong position. Half of the revenues come from clients outside the Nordic market. This is partly the result of the new sales organization that was established during 2004.

NeoNet has entered into new third-party agreements with RoyalBlue, Charles River and Tradeware.

During the year, a first step of proprietary functionality for algorithmic trading was launched.

Markets

The year started with a high level of activity on the leading exchanges, although trading was not as intense as in the beginning of 2004. The year's first and last quarters are usually the most intensive in terms of trading, but in 2004 the differences between the year's quarters were greater than usual. During the summer months the turnover on the exchanges is usually somewhat lower.

Direct Market Access (DMA) is being used by more and more professional investors. This trend is driven by cost consciousness, more complex trading patterns, and a desire for greater transparency in trading transactions.

Direct market access is constantly being developed and the most recent additions are tools for advanced trading such as electronic program trading and algorithmic trading. These tools are based on effective direct market access but increase the flexibility when orders are placed and allow increasingly sophisticated trading strategies to be employed.

During the quarter the inflow of new clients to NeoNet continued at a good pace. New clients the first quarter have generated higher transaction revenues than was the case for new clients during the same period in 2004. Three fifths of the new customers come from the U.S. and Europe outside the Nordic region.

An increasing number of clients started to trade on one or more new marketplaces during the quarter. The clients have mainly added trading options on the U.S. and Continental European markets. New partnerships with software suppliers and other industry players have contributed to the inflow of new clients.

Revenues from clients based in Europe, outside Sweden, increased both in actual figures and as a percentage of total revenues.

Nordic clients accounted for half of the transaction revenues during the first quarter. Clients in the rest of Europe accounted for one third and clients in the U.S. for the remainder.

Product and Business Development

During the period NeoNet increased its offering to include new types of orders and functionality that facilitates clients' trading in large portfolios of shares - so-called program trading. The program trading functionality will be further developed in 2005.

In order to meet an increasing demand for advanced direct market access, NeoNet will launch a number of additional functions. These functions will mainly involve advanced trading conditions and models that will enable increased trading efficiency. The target group is primarily institutional investors and hedge funds.

NeoNet will supplement its offering with the Toronto, SWX (Swiss shares), Vienna and Dublin exchanges, resulting in an even more comprehensive offering for European and North American equity trading. These exchanges will become accessible to clients during the fall and winter.

In 2005 NeoNet entered into new third-party agreements with RoyalBlue, Charles River and Tradeware. Co-operations are an important means for NeoNet to broaden its distribution network in order to target different client groups and geographic markets in an efficient way.

Revenues

The operating revenues amounted to SEK 58.1 m (SEK 63.9 m) for the period. The transaction revenues decreased compared to the same period the previous year amounting to SEK 56.9 m (SEK 62.8 m).

The fall in transaction revenues is mainly due to the general decline in market volumes on the exchanges and an increased price squeeze.

Costs

During the winter half-year period a number of changes were implemented to further improve efficiency in the settlement process for executed transactions. The variable trading, clearing and settlement costs have followed a favorable trend and have contributed to a strong margin.

Personnel and other operating expenses were somewhat lower than the corresponding period the previous year and amounted to SEK 29.4 m (SEK 30.8 m).

Employees

The number of employees in the Group at the end of the period was 79 (74 at the beginning of the year).

During the period NeoNet strengthened its organization with the addition of a legal counsel, and a new function was created to focus on effective cash management. In addition, the Client Service and System Test departments were reinforced and a few substitutes have been employed.

Earnings

The Group's earnings before depreciation and net financial items (EBITDA) for the period were unchanged despite the fall in revenues, and amounted to SEK 12.9 m (SEK 12.9 m), making an operating margin of 23% (21%).

Relative to the first quarter last year, the earnings were affected by interest expenses as a result of increased financing in the form of a debenture loan raised in April 2004.

During the period NeoNet initiated a number of measures to improve net financial income. These measures, which were aimed at putting the existing capital to better use, reducing currency effects, and

obtaining a better yield from deposited collateral, are expected to have a gradual impact during the year starting in the second quarter.

The consolidated earnings after tax fell slightly amounting to SEK 4.2 m (SEK 4.7 m). The earnings per share for the period amounted to SEK 0.08 (SEK 0.09).

(For more details, please see the Financial Development in Summary table and the EBITDA graph, both on page 4.)

Cash Flow

The underlying cash flow improved again in relation to the previous quarters and amounted to SEK 9.5 m (SEK 8.2 m). An improved cash flow will gradually lead to an improvement in the net financial income.

(For more details, please see the "Underlying Cash Flow" graph on page 4. See page 6 for a summary Cash Flow Statement.)

Investments

Investments for the quarter amounted to SEK 3.8 m, which is lower than the same period last year (SEK 4.9 m). Depreciation was reduced as a result of the lower rate of investment in 2004. Investments corresponded to 7% (8%) of the transaction revenues. The fixed assets include development projects in progress with a value of SEK 0.9 m.

Liquidity and Financial Position

The NeoNet Group's current liquid assets consist of the sum of bank deposits, the difference between contract settlement receivables and liabilities, and receivables mainly from clearing houses and similar institutions, excluding temporary settlement loan liabilities.

The net of these items as of 31 March amounted to SEK 150.1 m. The corresponding current liquid assets amounted to SEK 141.1 m at the beginning of the year. The gross liquid assets reported in the balance sheet amounted to SEK 175.5 m, of which SEK 115.2 m consisted of blocked funds, compared to SEK 143.8 m and SEK 90.4 m at the beginning of the year. Fluctuations in the liquid assets as reported in the balance sheet are normal for this kind of business.

The consolidated shareholders' equity amounted to SEK 225.0 m at the end of the period (SEK 220.0 m on 1 January 2005).

The capital coverage was 54% (43%) and the consolidated equity/assets ratio was 52% (53%).

The equity per share was SEK 4.45 (SEK 4.72).

The Group has a disputed receivable claim of a nominal EUR 1.1 m. According to Group management, the outcome of this dispute is not expected to result in any significant costs.

Tax

At the beginning of the year the companies in the Group had tax loss carry-forwards in excess of SEK 110 m. No tax revenue has been entered in the accounts for a future effect of the Swedish and U.S. loss carry-forwards.

Outlook

More and more market players estimate that the use of DMA is going to grow. This is driven by increased demands on efficiency and the use of more advanced trading methods. The growth in the U.S. has been robust the last couple of years and in Europe a strong growth is expected in the coming years.

NeoNet will expand its offering with trading on additional of marketplaces, new trading functionality and new third-party agreements. This gives NeoNet the opportunity to increase its market share.

NeoNet has every opportunity to benefit from the increased direct market access trading. With a more efficient operation that can handle larger volumes, growth will result in greater profitability and increased cash flows for NeoNet.

The growing use of DMA is accompanied by higher demands from clients for neutrality, stability and functionality. These new demands work in NeoNet's favor with its new trading platform, efficient organization and a business model according to which NeoNet only executes trades on behalf of clients.

NeoNet does not provide any forecasts.

The Parent Company

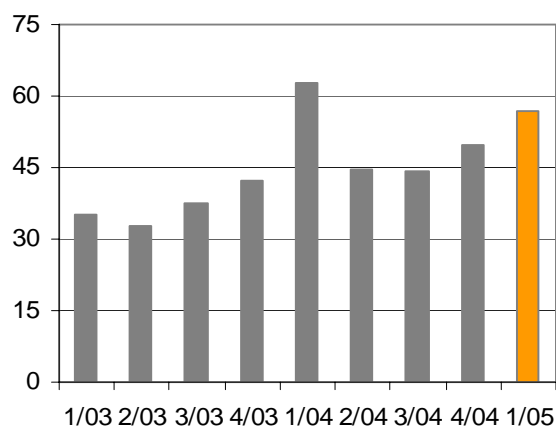
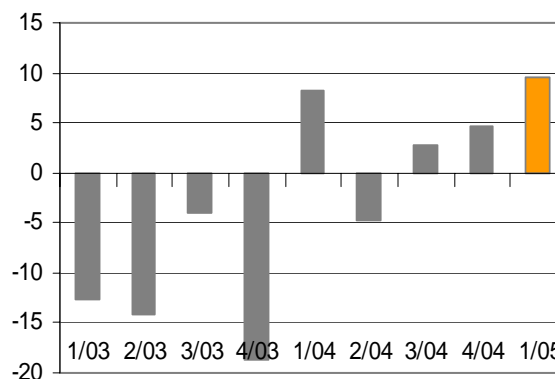
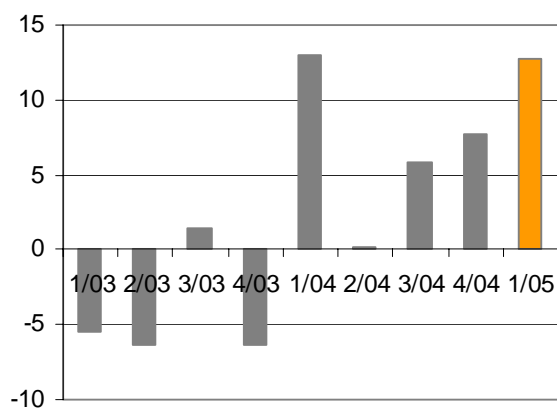
The parent company, which is not an operating company, carries out certain group-wide functions, such as group management, financial management, business development, investor relations and communication.

The parent company reported earnings before tax and year-end appropriations of SEK -2.6 m (SEK -2.4 m).

Equity in the parent company amounted to SEK 195.6 m at the end of the period (SEK 198.2 m at the beginning of the year). The liquid funds as of 31 March amounted to SEK 0.4 m compared to SEK 0.2 m at the beginning of the year.

FINANCIAL DEVELOPMENT IN SUMMARY ¹⁾

SEK m	3 months Jan.-Mar. 2005	3 months Jan.-Mar. 2004	12 months Apr.-Mar. 2005	12 months Apr.-Mar. 2004	12 months Jan.-Dec. 2004
Income Statement					
Transaction revenues	56.9	62.8	195.2	175.2	201.1
Operating earnings before depreciation (EBITDA)	12.9	12.9	26.4	1.2	26.5
Operating margin	23%	21%	14%	1%	13%
Earnings after tax	4.2	4.7	-12.8	-27.7	-12.3
Underlying cash flow					
from operations (excl. net interest income)	13.3	13.1	27.6	1.1	27.5
from investment (excl. acquisitions)	-3.8	-4.9	-15.4	-29.6	-16.6
Total underlying cash flow	9.5	8.2	12.2	-28.5	10.9

Transaction Revenues, Quarterly, SEK m

Underlying Cash Flow, SEK m

Operating Earnings Before Net Financial Items and Depreciation (EBITDA), SEK m


The underlying cash flow consists of the sum of cash flow from ongoing operations excluding net interest income and cash flow from investment activity. It is an important measure of the Group's earning capacity. The trend is illustrated in the graph above.

The cash-flow statement in summary is presented further on in this report.

1) Comparative figures have been re-calculated according to IFRS. For more information, please see page 7.

Consolidated Income Statement ^{1) 2)}

SEK m	3 months Jan.-Mar. 2005	3 months Jan.-Mar. 2004	12 months Apr.-Mar. 2005	12 months Apr.-Mar. 2004	12 months Jan.-Dec. 2004
Transaction revenues	56.9	62.8	195.2	175.2	201.1
Transaction expenses	-15.8	-20.2	-60.5	-61.0	-65.0
Interest income	0.9	0.7	2.9	3.1	2.7
Interest expenses	-3.3	-2.3	-11.6	-6.0	-10.7
Net earnings from financial transactions	-0.4	0.0	-3.3	-1.2	-2.9
Other operating revenues	1.2	1.1	5.8	6.1	5.8
Total operating revenues, net	39.5	42.1	128.5	116.2	131.0
Other operating expenses	-15.4	-15.0	-59.9	-59.0	-59.4
Personnel expenses	-14.0	-15.8	-54.2	-60.1	-55.9
Depreciation	-5.9	-6.6	-27.2	-26.3	-28.0
Total operating expenses	-35.3	-37.4	-141.3	-145.4	-143.3
Operating earnings/losses	4.2	4.7	-12.8	-29.2	-12.3
Tax	0.0	0.0	0.0	1.5	0.0
Earnings/losses after tax	4.2	4.7	-12.8	-27.7	-12.3
Earnings per share, SEK	0.08	0.09	-0.25	-0.55	-0.24
Earnings per share after full dilution, SEK	0.08	0.09	-0.25	-0.55	-0.24
Number of shares, 000	50,583	50,582	50,583	50,582	50,582
Average number of shares, 000	50,583	50,582	50,582	46,443	50,582
Average number of shares after full dilution, 000	53,860	50,582	51,720	46,443	50,582

1) The comparative figures have been re-calculated according to IFRS. For more information, please see page 7.

2) The income statement is prepared according to Swedish legislation governing financial statements for credit institutions and securities corporations.

Consolidated Balance Sheet ¹⁾

SEK m	31 Mar. 2005	31 Mar. 2004	31 Dec. 2004
ASSETS			
Cash and lending to credit institutions	175.5	143.1	143.8
Intangible fixed assets	59.3	67.3	61.3
Goodwill	77.7	76.9	77.7
Tangible fixed assets	6.3	10.0	6.4
Contract settlement receivables, net	81.0	101.9	22.8
Other assets	25.2	45.0	27.4
Pre-paid expenses and accrued income	8.8	8.1	6.9
Total assets	433.8	452.3	346.3
LIABILITIES, PROVISIONS AND SHAREHOLDERS' EQUITY			
Liabilities to credit institutions	56.9	78.3	14.2
Securities loans	67.3	67.5	40.7
Other liabilities	20.1	47.4	8.9
Accrued expenses and deferred income	15.6	20.3	13.7
Subordinated debt	48.9	-	48.8
Shareholders' equity			
Share capital	2.5	2.5	2.5
Restricted reserves	276.4	295.0	270.6
Earnings/losses carried forward	-58.1	-63.4	-40.8
Earnings/losses for the period	4.2	4.7	-12.3
Total liabilities, provisions and shareholders' equity	433.8	452.3	346.3
Memorandum items			
Blocked funds, credit institutions	115.2	110.0	90.4
Blocked funds, clearing houses (included in the item "Other assets")	2.6	25.5	13.6
Floating charge	15.0	15.0	15.0

Consolidated Cash-Flow Statement

SEK m	Jan.-Mar. 2005	Jan.-Mar. 2004	Jan.- Dec. 2004
Cash flow from ongoing operations			
excluding settlement of executed equity transactions		24.1	28.5
Cash flow from ongoing operations attributable to settlement of executed equity transactions ²⁾	11.8	-34.4	-34.1
Cash flow from investment activity	-3.8	-4.9	-17.5
Cash flow from financing activity	-0.0	18.8	34.3
Cash flow for the period	32.1	8.0	11.6
Liquid assets at beginning of year	143.8	135.1	135.1
Liquid assets, translation difference	-0.5	0.0	-2.9
Liquid assets at end of period	175.5	143.1	143.8

Change in Consolidated Shareholders' Equity

SEK m	Jan. -Mar. 2005	Jan. -Mar. 2004	Jan. - Dec. 2004
Opening shareholders' equity	220.0	234.3	234.3
Effect of introduction of IFRS	-	2.0	8.0
New opening balance	220.0	236.3	242.3
Translation difference	0.8	-0.2	-2.0
Earnings/losses for the period	4.2	2.7	-20.3
Closing shareholders' equity	225.0	238.8	220.0

1) The comparative figures have been re-calculated according to IFRS. For more information, please see page 7.

2) Cash flow attributable to settlement of equity transactions executed on behalf of clients varies considerably from period to period depending on the settlement positions on the closing day.

Accounting principles

This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting, which is in line with what is required according to the Swedish Financial Accounting Standards Council's recommendation RR 31, Interim Reporting for Groups.

From 1 January 2005, the NeoNet Group is using the International Financial Reporting Standards (IFRS), formerly IAS, in accordance with an EU decree, Swedish legislation governing credit institutions and securities corporations (ÅRKL) and the Swedish Financial Supervisory Authority's stipulation FFFS 2003:11. The transition to IFRS from the previous accounting principles, in line with the EU decree, has been carried out according to IFRS 1. The effects on NeoNet of the transition to IFRS, and the re-calculated quarterly information according to IFRS are described in the 2004 Annual Report on pages 48-49. The most significant effect for NeoNet is that amortization of goodwill ceased from 1 January 2004 to be replaced by a continuous assessment of possible write-down requirements. IFRS 1, First time Adoption of Financial Reporting Standards, contains a number of permitted exceptions for the transition from previously applied rules to IAS/IFRS. NeoNet has decided to apply exception IFRS 3, Company Acquisitions, whereby acquisitions made before 2004 are not re-calculated according to IFRS.

The accounting principles, compared to those described in the 2004 Annual Report, have changed as a result of the transition to IFRS. The company's new accounting principles in response to the introduction of the IFRS accounting principles are

published on the company's website www.neonet.biz under Investor Relations. Otherwise, the same accounting principles, definitions of key figures and calculation methods as in the last Annual Report are used.

Stockholm, 10 May 2005

NeoNet AB (publ)

Simon Nathanson
President and CEO

Auditor's review report

We have reviewed this interim report in accordance with the recommendation issued by FAR (the institute for the accountancy profession in Sweden)

A review is significantly limited compared to an audit.

Nothing has come to our attention that would cause us to believe that the interim report does not meet the requirements of the Swedish Securities Exchange and Annual Accounts Acts and IAS 34.

Stockholm, 10 May 2005

PricewaterhouseCoopers AB

Eva Riben
Authorized Public Accountant

Contact information:

Tel. +46 (0)8 454 15 51
simon.nathanson@neonet.biz

NeoNet AB (publ)

Corporate identity number: 556530-1263
Address: Box 7545, 103 93 Stockholm
Tel.: +46 (0)8 454 15 00
Fax: +46 (0)8 10 40 84
www.neonet.biz

Financial Reporting 2005

Annul General Meeting, 10 May 2005, 6.30 p.m.
Interim Report Q2 2005, 18 August 2005
Interim Report Q3 2005, 25 October 2005
Year-End Report 2005, 9 February 2006