

NeoNet's Interim Report 1 January – 31 March 2006

Stockholm, 4 May 2006

The First Quarter in Summary

- Operating revenues increased by 53% to SEK 89.0 m (58.1).
- Earnings after tax increased by 79% to SEK 7.5 m (4.2).
- Earnings per share before dilution were SEK 0.15 (0.08).
- Operating earnings before depreciation and net financial items (EBITDA) increased by 51% to SEK 19.5 m (12.9).
- Underlying cash flow was strengthened and amounted to SEK 14.6 m (8.5).

Significant Events

- The offering has been expanded to include trading on the Vienna Stock Exchange and the SWX Swiss Exchange. NeoNet now offers trading on 20 of the world's leading exchanges.
- The Board of Directors proposes to the Annual General Meeting that a mandate be issued to buy back shares and warrants in NeoNet AB (publ) for a maximum value of SEK 22 m.
- A further client agreement has been signed regarding the new system and software services NeoNet XG.

NeoNet in the first quarter of 2006

The year has started well, with revenues increasing by 53% compared with the first quarter of 2005. EBITDA and earnings before tax increasing by 51% and 160% respectively in the first quarter. The operating margin is 22%.

There is evidence that more institutional clients are valuing NeoNet's strengths. Clients appreciate the very fast and stable trading platform, offering access to many marketplaces. Another appreciated aspect is the security of knowing that NeoNet does not engage in proprietary trading, which eliminates the risk of conflicts of interest. As a result, NeoNet's market share increases on several exchanges.

During the first quarter, both the Vienna Stock Exchange and the SWX Swiss Exchange have been added to NeoNet's client offering. The number of accessible exchanges has been expanded at a fast rate and the two latest additions mean that professional investors can trade via NeoNet on 20 leading exchanges in Europe and North America. There is strong interest in the new marketplaces, and a number of clients are already using NeoNet for trading on these exchanges.

The next step is to add the Eurex exchange that will provide clients with access to futures trading. Products which will be accessible via NeoNet include the highly liquid Euro Stoxx and DAX futures, which for many is an important complement to share trading.

There is clear interest from clients in the system and software services launched in 2005 under the name NeoNet XG (NeoNet eXchange Gateway). During the quarter, a further client agreement has been signed. The potential for this product is very good. More banks and brokers are demanding systems which are secure and proven, and which have short implementation times. The opportunity for clients to combine trading on exchanges where they are members with trading via NeoNet in one and the same system is proving attractive to clients.

NeoNet's diversification becomes more evident as trading volumes grow on more marketplaces, an increasing number of clients in many countries, and new revenue flows from NeoNet XG. In the long term, this is altogether expected to generate more stable revenues which are less susceptible to short-term fluctuations on the stock market than previously.

Markets

The level of activity remained high on the exchanges where NeoNet offers trading. The long-term trend of increasing interest in electronic direct market access continues to contribute to the increasing trading volumes.

An increasingly advanced trading pattern among clients is amplifying the requirements made of direct market access, resulting in increased demand for functionality in order to be able to execute trades efficiently. Examples of this functionality include electronic program trading, 'smart order types' and algorithmic trading. Program trading involves simultaneous trading with a basket of a large number of shares. Smart order types and algorithmic trading are tools based on advanced conditions and models.

Demands on the performance and reliability of the trading platform and infrastructure are also increasing as clients are executing an increasing proportion of their trading electronically. One area which has attracted a lot of attention recently is the importance of minimal delay in trading. As trading becoming increasingly advanced, the pursuit of milliseconds becomes ever more important, in order to offer the fastest possible trading access to the connected exchanges. The positive feedback we receive shows that NeoNet's trading platform meets the clients' high demands.

Clients

NeoNet has two offerings: brokerage services via *NeoNet Agency Brokerage* where NeoNet acts as the client's broker, and *NeoNet XG* system and software services where NeoNet is responsible for operation, hardware, software and infrastructure. Currently, the greater part of the revenues derives from broker services.

The trend seen in 2005 of high trading volumes among NeoNet's clients is continuing, and has been further strengthened during the first quarter. Growth compared with the same period of last year is very impressive, and is the result of systematic and successful sales efforts and the exchanges general growth. In many cases NeoNet's volume growth exceeds the general increase on the connected exchanges, which means that NeoNet's market shares have increased on many exchanges.

Clients are using an increasing share of NeoNet's offering in the form of marketplaces, functions and services, as a result of which NeoNet's share of clients' total trading volumes is increasing.

During the first quarter a further client signed agreement for NeoNet XG. This means that NeoNet has a total of two clients contracted for this service. There is growing interest in the hosted system and software services launched during 2005. These services have short lead times for implementation and enable NeoNet to offer banks and broker-dealers cost-effective trading on exchanges where the clients are members. However, this service has a longer sales process compared with the brokerage services.

Revenues from system and software services comprise ongoing license fees which, unlike in the case of the broker service, are not directly linked to trading volumes. In combination with the broker service, NeoNet XG offers a new opportunity for clients to handle all their trading via one supplier - NeoNet.

NeoNet XG primarily offers a new source of revenues for NeoNet. The risk that revenues from NeoNet XG will interfere with revenues from the brokerage services is considered to be low. The opinion is rather that when a client chose NeoNet XG, this provides incentives to also use NeoNet's brokerage services offered on the same technical platform.

Various component services have crystallized within the framework of NeoNet XG, for example exchange connectivity and order routing, trading application services, and services for distribution of market data.

Cooperation with industry players are important for the sales and marketing of NeoNet's services. NeoNet and BT Radianz have deepened their cooperation with a joint marketing agreement. BT Radianz is a leading provider of connectivity, network and hosting services for the financial services community.

NeoNet co-operates with 19 system and service providers and, during the first quarter, a new agreement was signed with Abaris AB, providing clients with improved back office and trading integration. These co-operations are important in broadening NeoNet's distribution network and in reaching new clients in different geographical markets even more easily.

Offering and product development

During the first quarter NeoNet added trading opportunities on both the Vienna Stock Exchange and the SWX Swiss Exchange. This means that professional investors can trade via NeoNet on 20 leading exchanges in Europe and North America.

NeoNet has rapidly expanded clients' trading opportunities, with Vienna being the fifth new marketplace to be added since September 2005. Clients are showing a clear interest in the new marketplaces and a number of clients are already trading via NeoNet on these exchanges.

In the next stage, NeoNet will offer trading in futures on Eurex, which is one of the largest European futures and options exchanges. The option to trade index futures and other futures is closely linked to share trading and important to many fund managers and professional investors, making it a natural complement to NeoNet's broad offering for share trading. Trading in OMX futures on the Stockholm Stock Exchange has already been offered for some time, and NeoNet's trading in this instruments has shown good growth. The addition of Eurex and, in the longer term, other futures and options exchanges, is a response to the demand from clients to be able to trade the major European futures such as Euro Stoxx and DAX futures.

The functionality in the trading system has been expanded with the addition of more smart order types, refinement to interfaces, increase of NeoNet XG functions and refinement of the program trading component in NeoNet Trader. Development of algorithmic trading is continuing, and the next stage will concentrate on developing extended support for clearing and settlement.

Revenues

Operating revenues in the first quarter amounted to SEK 89.0 m (58.1), an increase of 53%.

Transaction revenues, which comprise brokerage commission fees for executed client transactions, increased by 54% to SEK 87.9 m (56.9) for the year to date.

The increase in revenues is due partly to an increasing number of clients executing a larger proportion of their trading via NeoNet and partly to the general increase in volumes on many exchanges.

Revenues from clients' trading on the exchanges in both North America and Europe outside the Nordic region are showing strong growth, both as a proportion of revenues and in absolute terms. Revenues from the Nordic exchanges are also increasing. Transaction revenues from trading on the Nordic and other European markets are roughly equal, representing approximately three sevenths each. Trading on the North American exchanges represents just over one seventh of revenues.

The trend in revenues from clients based in Europe outside the Nordic region remains very positive. These clients have increased both in absolute terms and as a proportion of total revenues. Clients from other geographical regions are also showing good growth. During the first quarter of 2006 Nordic clients accounted for less than half of the transaction revenues, clients in the rest of Europe for over one third and clients in North America for approximately one fifth.

Costs

NeoNet's variable trading, clearing and settlement costs are largely related to the number of transactions. Efforts are constantly being made to lower transaction costs. However, the positive effect this has on the operating margin is continuously counteracted by the price squeeze resulting from increasingly intense competition. There are also cost increases as a result of a change in clients' trading patterns, which has led to an increased number of transactions in relation to the value traded.

Measures initiated during 2005 to improve net interest income have helped to raise interest income. However, the sharp increase in trading volumes during the first quarter has led to a greater need for temporary settlement loans, which increased interest costs. The aggregate effect was a fall in net interest income of SEK 0.1 million to SEK -2.5 m (-2.4).

Personnel and other operating expenses for the quarter were SEK 33.7 m (26.3 m). Among other things, this

increase was due to additional costs for new exchange memberships and strengthening the organization.

Earnings

The Group's earnings before depreciation and net financial items (EBITDA) for the quarter were SEK 19.5 m (12.9), giving an operating margin of 22% (22%).

The reported earnings after tax for the quarter were SEK 7.5 m (4.2 m). Earnings per share for the period were SEK 0.15 (0.08).

(For further details, see the Income Statement in Summary table and the EBITDA diagram, both on page 5.)

Cash flow

Underlying cash flow for the quarter was SEK 14.6 m (8.5). The positive trend is a result of the improvement in EBITDA.

(For further details, see the Underlying Cash Flow graph on page 5. For a summary of the Cash Flow Statement, see page 7.)

Investments

Investments, comprising system development and hardware, totaled SEK 3.9 m (3.8) for the quarter.

Investments represented 4% (7%) of transaction revenues for the quarter. Fixed assets include development projects in progress worth SEK 0.1 m. An impairment test will be carried out on intangible assets at year-end, comparing the accounting value and the recovery value.

Employees

NeoNet has employees and sales representation in Sweden, the USA, the UK, Italy, France and Germany. The number of employees in the Group at the end of the period was 87 (80 at the beginning of the year).

During the first quarter, NeoNet strengthened its organization in areas such as brokerage, sales, IT and clearing & settlement.

Liquidity and Financial Position

The NeoNet Group's current liquid assets comprise the sum of bank deposits, interest-bearing instruments, unutilized overdraft facilities, the difference between contract settlement receivables and liabilities, and receivables - mainly from clearing houses and similar institutions - less temporary cash and securities loans.

The net amount of these items at 31 March 2006 was SEK 165.3 m. The corresponding holding of current liquid assets at the beginning of the year was SEK 149.1 m. The gross liquid assets recognized in the balance sheet were SEK 407.4 m, of which SEK 393.3 m comprised blocked funds, compared with SEK 184.3 m and SEK 158.4 m respectively at the beginning of the year. Fluctuations in the liquid assets recognized in the balance sheet are normal for this kind of business.

At 31 March 2006 interest-bearing receivables amounted to SEK 406.8 m (175.4 m) and interest-bearing current liabilities to SEK 117.5 m (56.9 m).

The debenture loan of SEK 50.6 m is subject to interest at 10% and falls due for payment on 13 April 2007. The company has the right to redeem the loan in December 2006.

The consolidated shareholders' equity at the end of the period was SEK 256.8 m (249.7 on 1 January 2006). Equity per share was SEK 5.08 (4.45).

Capital coverage was 46% (52%) and the consolidated equity/assets ratio 34% (52%).

The Group has a significant disputed receivable claim with a nominal value of EUR 1.1 m. The status of the case has not changed since the last report was published.

The Board of Directors has proposed to the Annual General Meeting a program to buy back shares and warrants in NeoNet to a maximum value of SEK 22 m. The aim of the proposal is to enable the Board to tailor the capital structure to the company's needs on an ongoing basis, in order to be able to contribute to increased shareholder value and transfer shares in connection with possible acquisitions.

A market maker has been engaged for the trade of the NeoNet share. The purpose of this is to increase the share's liquidity and reduce the difference between the buying and selling rates, with a view to lowering investment costs and reducing the risk for investors in trading the share.

Outlook

NeoNet has a strong market position within the rapidly growing direct market access segment. The company's strength lies in access to a large number of marketplaces, an advanced, high-performance system platform, and a high level of service. These factors, combined with the fact that NeoNet is perceived as a neutral player which primarily uses its own exchange memberships, create a highly competitive equity trading service.

NeoNet Exchange Gateway builds on these strengths, creating new opportunities, and a stronger and more comprehensive offering for professional clients.

NeoNet's diversification becomes more evident as trading volumes grow on more marketplaces, an increasing number of clients in many countries, and new revenue flows from NeoNet XG. In the long term, this is altogether expected to generate more stable revenues which are less susceptible to short-term fluctuations on the stock market than previously.

NeoNet does not provide forecasts.

Parent company

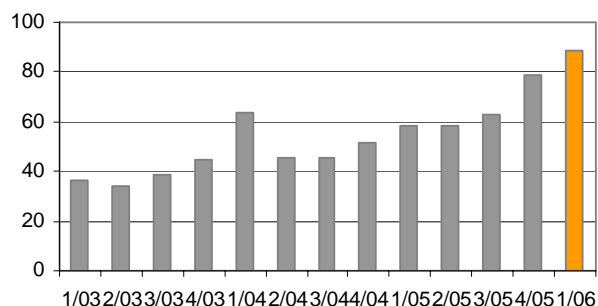
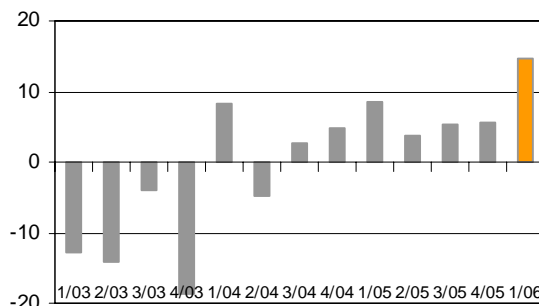
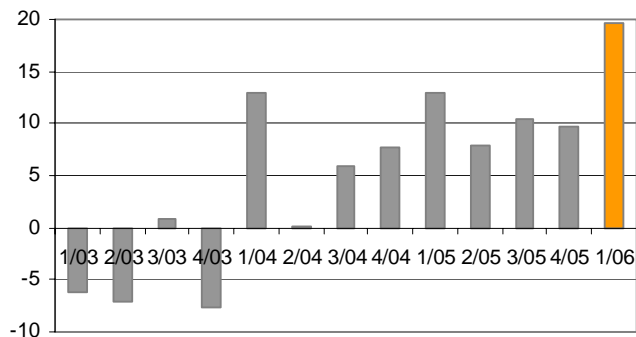
The parent company, which is not an operating company, carries out certain group-wide functions such as group management, financial management, business development, investor relations and communication.

The parent company reported earnings after tax for the quarter of SEK -2.3 m (-2.6).

Equity in the parent company amounted to SEK 233.5 m at the end of the period (233.7 at the beginning of the year). Liquid assets on 31 March totaled SEK 0.5 m, compared to SEK 0.4 m at the beginning of the year.

FINANCIAL DEVELOPMENT IN SUMMARY

SEK m	3 months Jan.-Mar. 2006	3 months Jan.-Mar. 2005	12 months Apr. 2005- Mar. 2006	12 months Apr. 2004- Mar. 2005	12 months Jan.-Dec. 2005
Income statement					
Transaction revenues	87.9	56.9	284.2	195.2	253.2
Operating revenues	89.0	58.1	288.9	201.1	258.0
Operating earnings before depreciation (EBITDA)	19.5	12.9	47.8	26.6	41.0
Operating margin	22%	22%	17%	13%	16%
Earnings after tax	7.5	4.2	30.2	-12.8	26.8
Underlying cash flow					
from operations (excl. net interest income)	18.5	12.3	45.0	26.6	38.8
from investments	-3.9	-3.8	-15.8	-15.4	-15.7
Total underlying cash flow	14.6	8.5	29.2	11.2	23.1

Operating Revenues, quarterly, SEK m

Underlying Cash Flow, SEK m

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


Underlying cash flow comprises the sum of:

- cash flow from ongoing operations, excluding interest income and changes in assets and liabilities of ongoing operations
- investment activity, excluding acquisitions.

A summary of the Cash Flow Statement will be found later in the report.

FINANCIAL STATEMENTS IN SUMMARY
Consolidated Income Statement

SEK m	3 months Jan.-Mar. 2006	3 months Jan.-Mar. 2005	12 months Apr. 2005- Mar. 2006	12 months Apr. 2004- Mar. 2005	12 months Jan.-Dec. 2005
Transaction revenues	87.9	56.9	284.2	195.2	253.2
Transaction expenses	-35.8	-18.9	-116.0	-70.6	-99.1
Transactions revenues, net	52.1	38.0	168.2	124.6	154.1
Other operating revenues	1.1	1.2	4.7	5.9	4.8
Other operating expenses	-14.4	-12.3	-60.3	-49.7	-58.3
Personnel expenses	-19.3	-14.0	-64.8	-54.2	-59.5
Net earnings from financial transactions	-0.5	-0.4	-0.7	-3.3	-0.6
Depreciation	-5.7	-5.9	-23.8	-27.3	-24.0
Interest income	1.9	0.9	6.3	2.9	5.3
Interest expenses	-4.3	-3.3	-16.6	-11.7	-15.6
Net interest expense	-2.5	-2.4	-10.3	-8.8	-10.3
Earnings before tax	10.9	4.2	13.0	-12.8	6.2
Tax	-3.4	0.0	17.2	0.0	20.6
Earnings after tax	7.5	4.2	30.2	-12.8	26.8
Earnings per share before dilution, SEK	0.15	0.08	0.60	-0.25	0.53
Earnings per share after dilution, SEK	0.13	0.08	0.53	-0.25	0.48
Number of shares, 000	50,598	50,583	50,598	50,583	50,590
Average number of shares, 000	50,593	50,583	50,588	50,582	50,585
Average number of shares after dilution, 000	58,587	53,860	57,118	51,720	55,745

FINANCIAL STATEMENTS IN SUMMARY
Consolidated Balance Sheet

SEK m	31 Mar. 06	31 Mar. 05	31 Dec. 05
ASSETS			
Liquid assets	407.4	175.5	184.3
Intangible fixed assets	52.2	59.3	53.7
Goodwill	77.7	77.7	77.7
Tangible fixed assets	5.5	6.3	5.8
Deferred tax asset	17.5	-	20.9
Contract settlement receivables, net	161.0	81.0	115.7
Other assets	35.4	25.2	20.2
Pre-paid expenses and accrued income	7.2	8.8	9.5
Total assets	763.9	433.8	487.9

LIABILITIES, PROVISIONS AND SHAREHOLDERS' EQUITY

Liabilities to credit institutions	118.4	56.9	77.1
Securities loans	294.5	67.3	73.9
Other liabilities	17.5	20.1	17.7
Accrued expenses and deferred income	27.0	15.6	20.0
Subordinated debt	49.7	48.9	49.5
Shareholders' equity			
Share capital	2.5	2.5	2.5
Other injected capital	206.2	286.8	206.2
Reserves	-2.7	-1.4	-2.3
Retained earnings	50.8	-62.9	43.3

Total liabilities, provisions and shareholders' equity	763.9	433.8	487.9
---	--------------	--------------	--------------

Memorandum items

Blocked funds, liquid assets	393.3	137.9	158.4
Blocked funds, contract settlement receivables	118.4	56.9	77.0
Floating charge	15.0	15.0	15.0

Consolidated Cash Flow Statement

SEK m	Jan.-Mar. 2006	Jan.-Mar. 2005	Jan.-Dec. 2005
Cash flow from ongoing operations, excluding settlement of executed equity transactions	22.9	24.1	48.3
Cash flow from ongoing operations attributable to settlement of executed equity transactions ¹⁾	204.6	11.8	13.1
Cash flow from investment activity	-3.9	-3.8	-15.7
Cash flow from financing activity	0.0	-0.0	-5.0
Cash flow for the period	223.6	32.1	40.7

Liquid assets at beginning of year	184.3	143.8	143.8
Liquid assets, translation difference	-0.5	-0.5	-0.2
Liquid assets at end of period	407.4	175.5	184.3

Change in Consolidated Shareholders' Equity

Jan.-Mar. 2006 SEK m	Share capital	Other injected capital	Reserves	Retained earnings	Total shareholders' equity
Opening balance 1 Jan. 2006	2.5	206.2	-2.3	43.3	249.7
Translation difference	-	-	-0.4	-0.0	-0.4
Transfer between restricted and non-restricted equity	-	-	-	-	-
Earnings/losses for the period	-	-	-	7.5	7.5
Closing shareholders' equity 31 Mar. 2006	2.5	206.2	-2.7	50.8	256.8

Jan.-Mar. 2005

Jan.-Mar. 2005 SEK m	Share capital	Other injected capital	Reserves	Retained earnings	Total shareholders' equity
Opening balance 1 Jan. 2005	2.5	286.8	-16.2	-53.1	220.0
Reclassification of translation differences	-	-	14.0	-14.0	0.0
Translation difference	-	-	0.8	-	0.8
Earnings/losses for the period	-	-	-	4.2	4.2
Closing shareholders' equity 31 Mar. 2005	2.5	286.8	-1.4	-62.9	225.0

Jan.-Dec. 2005

Jan.-Dec. 2005 SEK m	Share capital	Other injected capital	Reserves	Retained earnings	Total shareholders' equity
Opening balance 1 Jan. 2005	2.5	286.8	-16.2	-53.1	220.0
Reclassification of translation differences	-	-	11.1	-11.1	0.0
Payments received for new share subscriptions	0.0	0.1	-	-	0.1
Translation difference	-	-	2.7	-0.1	2.8
Reduction of share premium reserve	-	-80.7	-	80.7	0.0
Earnings/losses for the period	-	-	-	26.8	26.8
Closing shareholders' equity 31 Mar. 2005	2.5	206.2	-2.4	43.4	249.7

Accumulated translation differences at 31 March 2006 were SEK -2.7 m (-1.4).

1) Cash flow attributable to settlement of equity transactions executed on behalf of clients varies considerably from period to period, depending on the situation on the closing day with respect to settlement positions.

Accounting Policies

The present interim report has been prepared in accordance with IAS 34 Interim Financial Reporting.

As of 1 January 2005 the NeoNet Group is applying International Financial Reporting Standards (IFRS), as adopted in the EU; the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (ÅRKL); and the regulations of the Swedish Financial Supervisory Authority. The transition to IFRS, as adopted in the EU, from the previous accounting policies has taken place in accordance with IFRS 1.

The same accounting policies, definitions concerning key figures and calculation methods are used as in the most recent annual report.

The parent company applies RR 32 Accounting for Legal Entities.

Stockholm, 4 May 2006

NeoNet AB (publ)

Simon Nathanson
President and CEO

The interim report is issued by the President and CEO following authorization from the Board of Directors.

Auditor's Review Report

We have performed a review of the interim report for NeoNet AB (publ) for the period 1 January 2006 to 31 March 2006. Responsibility for preparing and presenting a fair interim report in accordance with IAS 34 rests with the company's management. Our

responsibility is to express an opinion on the interim report based on our review.

We have performed our review in accordance with standard SÖG 2410 Review of interim financial information performed by the company's elected auditor, issued by FAR. A review consists in asking questions, in the first instance to persons responsible for financial and accounting issues; performing an analytical review; and carrying out other review measures. A review has a different focus and a significantly reduced scope compared with the focus and scope of an audit in accordance with Swedish Auditing Standards and good auditing practice in general. The review measures carried out in a review do not allow us to be certain that we are aware of all the important circumstances which could have been identified if an audit had been performed. The opinion expressed on the basis of a review does not therefore offer the certainty of an opinion expressed on the basis of an audit.

Based on our review, no circumstances have emerged which give us reason to assume that the interim report is not, in all material aspects, prepared in accordance with IAS 34.

Stockholm, 4 May 2006

PricewaterhouseCoopers AB

Eva Riben
Authorized Public Accountant

Contact information:

Simon Nathanson
Tel. +46 8-454 15 51
simon.nathanson@neonet.biz

NeoNet AB (publ)

Corporate identity number: 556530-1263
Address: Box 7545, SE-103 93 Stockholm
Visiting address: Kungsgatan 33
Tel. +46 8-454 15 00
Fax: +46 8-10 40 84
www.neonet.biz

Financial calendar

Annual General Meeting, 4 May 2006, 18:30 CET. Citykonferensen, Malmskillnadsgatan 46, Stockholm.
Interim report Q2 2006, 17 August 2006, 08:25 CET
Interim report Q3 2006, 25 October 2006, 08:25 CET
Year-End Release 2006, 8 February 2007, 08:25 CET