



NeoNet's Interim Report, 1 January – 30 September 2007

26 October 2007

January to September NeoNet's Best Ever Nine Months

- Operating revenues increased by 77 percent to SEK 500.6 m (282.9)
- Operating earnings before depreciation and net financial items (EBITDA) increased by 113 percent to SEK 130.1 m (61.1)
- Earnings before tax were SEK 100.8 m (32.7)
- Earnings after tax were SEK 70.4 m (22.5)
- Earnings per share were SEK 1.12 (0.44)
- Underlying cash flow was SEK 89.8 m (36.3)

Third Quarter Sees Record Results

- Operating revenues increased by 109 percent to SEK 190.8 m (91.4)
- Operating earnings before depreciation and net financial items (EBITDA) increased by 139 percent to SEK 46.3 m (19.4)
- Earnings before tax were SEK 35.0 m (10.0)
- Earnings after tax were SEK 24.5 m (6.6)
- Earnings per share were 0.38 (0.13)
- Underlying cash flow was SEK 31.2 m (9.1)

Significant Events

- Record equity trading during the quarter
- After the end of the reporting period NeoNet added the alternative marketplace Chi-X to its global trading offering

NeoNet in the First Nine Months of 2007

NeoNet is reporting its best ever nine months. Revenues have continued to increase steadily on the majority of NeoNet's markets. There has also been a positive development on the newly added markets in Asia, both in terms of number of clients and revenues generated. The scalable business model and economies of scale in NeoNet's technical platform and system mean once again that EBITDA (+113 percent) are continuing to grow at a faster rate than revenues (+77 percent).

NeoNet has the right offering at the right time. The increased demand for algorithms and other smart order types in combination with the increase in the number of transactions is placing ever-higher demands on technology and performance. New regulations in the form of the EU Markets in Financial Instruments Directive (MiFID) and the US Regulation National Market System (RegNMS) are also contributing to higher demands on both market players and technical systems. The strong interest in global trading and advanced trading services in combination with market developments and a changed financial landscape are providing a strong impetus to NeoNet.

The increased demands made of technology and system performance are behind the launch of NeoNet's XG system and software services. These services enable stock exchange connections and trading applications, for example, to be purchased separately or in combination with NeoNet's broker services. In the long term, the more stable fixed license revenues from NeoNet XG are expected to help to balance out variable revenues from broker services.

Market

The majority of the markets to which NeoNet is connected have been subject to a high level of volatility during the third quarter. This favors NeoNet as high volatility impacts positively on trading, and NeoNet is posting record trading figures for the nine-month period and the quarter under review. Trading figures (volume traded) for the quarter and the reporting period as a whole were the highest ever, with growth of 125 and 80 percent respectively compared with the equivalent periods of 2006. Moreover, the highest ever daily trading figure was also recorded during the quarter. Equivalent records were also achieved in terms of revenues.

NeoNet's global trading offering means that clients can trade in Europe, North America and Asia via NeoNet's system. The geographical breakdown of third quarter revenues by marketplace shows that the Nordic markets represented 25 percent (33 percent in the third quarter of 2006), the rest of Europe 57 percent (46), North America 13 percent (21) and Asia 5 percent. The increased weighting of Europe and Asia in the market mix is in line with efforts to generate a higher level of trading outside the Nordic region. Trading on the American markets has also increased, although not at as fast a rate as in the other regions.

Revenues from the Asian markets have increased by 194 percent since the second quarter. Although these markets are relatively new in NeoNet's range, Asia represented five percent of NeoNet's trading during the third quarter. The number of clients trading via NeoNet in Asia has increased by 23 percent compared with the previous quarter.

Clients

NeoNet's clients are hedge funds, institutional investors, and banks and broker-dealers. The breakdown of third quarter revenues by client group shows that hedge funds represented nine percent, institutional investors 26 percent, and banks and broker-dealers 65 percent.

NeoNet has made good progress with its ambition of increasing the number of clients outside the Nordic region and the Group now has clients in 23 countries. The breakdown of revenues by clients' geographical base shows that clients in the Nordic region represented 23 percent of NeoNet's transaction revenues (Q3 2007), while the rest of Europe accounted for 57 percent and North America 20 percent.

The total number of clients continues to grow, increasing by three percent compared with the previous quarter and by 18 percent compared with the third quarter of 2006. The inflow of clients shows that NeoNet's high level of service and fast systems with advanced functionality are in demand. Many of the new clients are high-volume players, and active on a large number of markets. This proves that advanced users set store by NeoNet's infrastructure and systems.

Offering and Product Development

MiFID will contribute to a change in trading behavior and increased competition on the financial market, partly as a result of the emergence of new marketplaces. The new requirements imposed on market players and technical systems favor NeoNet, partly through an expanded client base.

During the third quarter NeoNet has developed its trading system to prepare and adapt it to the forthcoming MiFID, which enters into force on 1 November this year. Development work has concentrated on creating a competitive offering and exploiting the opportunities which the new regulations offer, as well as fulfilling new regulatory requirements.

Revenues

Total operating revenues increased by 77 percent during the nine-month period to SEK 500.6 m (282.9). Operating revenues for the quarter were SEK 190.8 m (91.4), an increase of 109 percent.

Transaction revenues, comprising brokerage commission fees for executed client transactions, increased by 73 percent to SEK 481.0 m (278.1) at the end of the third quarter. Taking the third quarter in isolation, transaction revenues increased by 105 percent to SEK 183.5 m (89.3).

Revenues from NeoNet XG are included in other revenues, which amounted to SEK 19.6 m (4.8) for the nine-month period.

Transaction Margin and Expenses

The high volume growth has again resulted in a significant improvement in net transaction revenues in absolute terms during the third quarter. The transaction

margin, expressed as a percentage, has fallen during the period under review. This is driven by clients' trading behavior in combination with the breakdown of volume between the various marketplaces.

Net interest income for the quarter was SEK -3.5 m, comprising SEK 5.8 m in interest income and SEK -9.3 m in interest expenses. Net interest income for the third quarter of 2006 was SEK -1.7 m, SEK -1.5 m of which related to interest expenses for long-term financing in the form of a debenture loan of SEK 50.6 m. Since this loan was repaid at the end of December 2006, interest expenses have been limited to securities and cash loans. These loans are raised in the event of delays in delivery or payment of equity transactions with a view to eliminating settlement delays. The need for loans is influenced among other things by general trading volumes and the occurrence of corporate activities in the form of buy-outs, dividends, etc. In comparison with 2006, the Group's net interest income has been negatively affected by the strong volume growth (125 percent for the third quarter) and the general rise in interest rates on the markets on which NeoNet operates.

Personnel and other operating expenses for the nine-month period were SEK -147.8 m (-105.6). This increase is due to new appointments, rising costs for variable salaries, and additional costs of new exchange memberships and electronic trading support services.

Earnings

The Group's earnings before depreciation and net financial items (EBITDA) for the quarter were SEK 46.3 m (19.4), giving an operating margin of 25 percent (22). EBITDA for the nine-month period were SEK 130.1 m (61.1) and the operating margin was 27 percent (22).

Reported earnings after tax for the quarter were SEK 24.5 m (6.6). Earnings per share for the quarter were SEK 0.38 (0.13). Reported earnings after tax for the nine-month period were SEK 70.4 m (22.5) and earnings per share were SEK 1.12 (0.44).

(For further details on items in the Income Statement, see pages 4 and 5.)

Cash Flow

Underlying cash flow for the quarter was SEK 31.2 m (9.1) and for the nine-month period SEK 89.8 m (36.3). The positive trend is a result of the strong improvement in EBITDA coupled with a limited increase in investments.

(For further details, see the Underlying Cash Flow diagram on page 4. For a summary of the Cash Flow Statement, see page 6.)

Investments

Investments, comprising system development and purchase of hardware, totaled SEK 8.2 m (7.9) for the quarter and SEK 21.0 m (16.2) for the nine-month period. Investments represented 4 percent (9) of transaction revenues for the quarter and 4 percent (6)

for the nine-month period. The fixed assets do not include any development projects in progress for which depreciation has not yet been started.

Employees

NeoNet has employees and sales representatives in Sweden, the USA, the UK, Italy and Germany. The number of employees in the Group at the end of the period was 119 (93 at the beginning of the year).

NeoNet has strengthened its organization during the quarter under review, primarily within the operational departments most directly affected by increasing volumes and number of clients.

Liquidity and Financial Position

The NeoNet Group's current liquid net assets are used continuously in operations as collateral and to finance temporary holdings of securities where NeoNet is acting as intermediary.

The holding of current liquid assets comprises the sum of bank deposits, interest-bearing instruments, the difference between contract settlement receivables and liabilities, and receivables – mainly from clearing institutions – less temporary cash and securities loans. The net amount of these items at 30 September was SEK 342.3 m. The corresponding holding of current liquid assets at the beginning of the year was SEK 216.3 m.

The gross liquid assets recognized in the balance sheet were SEK 699.1 m, of which SEK 686.2 m comprised blocked funds, compared with SEK 269.8 m and SEK 245.0 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 and a consequence of variations in the level of equity transactions not fully settled on the closing day.

At 30 September 2007 interest-bearing receivables, mainly in the form of bank deposits, amounted to SEK 699.1 m (269.8 on 1 January 2007) and interest-bearing current liabilities to SEK 429.8 m (171.0). The Group does not have any interest-bearing debts apart from temporary settlement loans.

Consolidated shareholders' equity at the end of the period was SEK 394.0 m (328.8 at 1 January 2007). Equity per share was SEK 6.06 (5.42), and the consolidated assets/equity ratio was 29 percent (28).

New capital adequacy regulations (Basel II) were introduced in February 2007. Under the new regulations, the capital base is compared with the estimated capital requirement. At 30 September NeoNet's capital base amounted to SEK 349.9 m and the capital requirement to SEK 58.3 m, giving a capital adequacy ratio of 6.0. NeoNet therefore fulfils the requirements set out in the new capital adequacy regulations with a good margin. The newly introduced method means that no comparative figures are available. For further information on NeoNet's capital adequacy, see www.neonet.biz.

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

Risks and Uncertainties

NeoNet's activities are exposed to risks on a daily basis. These risks are measured and controlled, and steps taken where necessary to protect the company's capital and reputation. The ways in which NeoNet identifies, monitors and manages these risks is a central element of its activities. A detailed description of the Group's risk exposure and risk management will be found in Note 1 in the Annual Report 2006. No significant risks are considered to have emerged beyond what is described in the annual report.

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 and increasing number of markets, an advanced, high-performance system platform, and a high level of service. These factors, in combination with the fact that NeoNet is a neutral player which primarily uses its own exchange memberships, create a highly competitive equity-trading service.

NeoNet XG builds on NeoNet's strengths, creating new business opportunities and a stronger and more comprehensive offering. NeoNet's diversification is becoming more evident with the addition of NeoNet XG, increasing trading volumes spread over an ever-greater number of marketplaces, and a client base with a wider geographical spread.

The Group's long-term financial targets involve NeoNet achieving a revenue level of at least SEK 800 m and earnings before tax of at least SEK 200 m by 2010.

Apart from the long-term financial targets, 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.

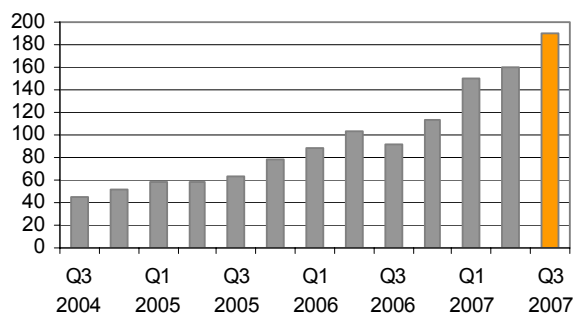
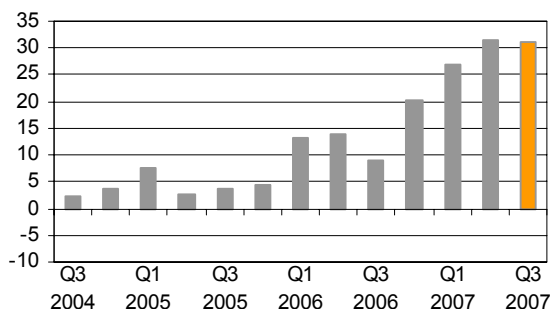
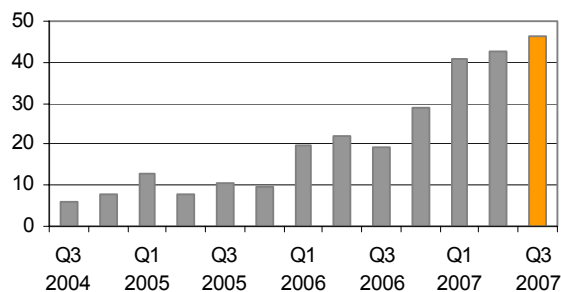
The parent company reported net sales of SEK 1.9 m (0), comprising invoicing to subsidiaries. Earnings before tax for the nine-month period were SEK -10.6 m (-8.8).

Equity in the parent company amounted to SEK 266.9 m at the end of the quarter (281.0 at the beginning of the year).

No investments have been made in the parent company during the nine-month period. Liquid assets at 30 September were SEK 1.9 m compared with SEK 21.3 m at the beginning of the year.

FINANCIAL DEVELOPMENT IN SUMMARY

SEK m	3 months Jul.-Sep. 2007	3 months Jul.-Sep. 2006	9 months Jan.-Sep. 2007	9 months Jan.-Sep. 2006	12 months Oct. 2006- Sep. 2007	12 months Oct. 2005- Sep. 2006	12 months Jan.-Dec. 2006
Income Statement							
Transaction revenues	183.5	89.3	481.0	278.1	591.3	355.5	388.4
Total operating revenues	190.8	91.4	500.6	282.9	614.8	361.6	397.1
Operating earnings before depreciation (EBITDA)	46.3	19.4	130.1	61.1	159.0	70.9	90.0
Operating margin (EBITDA)	25%	22%	27%	22%	27%	20%	23%
Earnings before tax	35.0	10.0	100.8	32.7	118.6	33.2	50.5
Earnings after tax	24.5	6.6	70.4	22.5	82.3	21.0	34.4
Underlying cash flow ¹⁾							
- from operations	39.4	17.0	110.8	52.5	136.8	61.6	78.5
- from investments in system development and hardware	-8.2	-7.9	-21.0	-16.2	-26.9	-20.8	-22.1
Total underlying cash flow	31.2	9.1	89.8	36.3	109.9	40.8	56.4
Current liquid assets ²⁾	342.3	208.7	342.3	208.7	342.3	208.7	216.3

Operating Revenues, quarterly, SEK m

Underlying Cash Flow, SEK m

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


- ¹⁾ Underlying cash flow comprises the sum of:
- Cash flow from ongoing operations, excluding changes in assets and liabilities related to settlement of executed equity transactions
 - Investment activity, excluding acquisitions/ disposal of financial investments.

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

- ²⁾ For a definition of Current liquid net assets, see the description under Liquidity and Financial Position.

FINANCIAL STATEMENTS IN SUMMARY
Consolidated Income Statement

SEK m	3 months Jul.-Sep. 2007	3 months Jul.-Sep. 2006	9 months Jan.-Sep. 2007	9 months Jan.-Sep. 2006	12 months Oct. 2006- Sep. 2007	12 months Oct. 2005- Sep. 2006	12 months Jan.-Dec. 2006
Transaction revenues	183.5	89.3	481.0	278.1	591.3	355.5	388.4
Transaction expenses	-91.1	-37.9	-222.7	-116.2	-267.8	-150.0	-161.3
Transaction revenues, net	92.4	51.4	258.3	161.9	323.5	205.5	227.1
Other operating revenues	7.3	2.1	19.6	4.8	23.5	6.1	8.7
Other operating expenses	-21.5	-14.0	-60.2	-44.0	-76.1	-62.3	-59.9
Personnel expenses	-31.9	-20.1	-87.6	-61.6	-111.9	-78.4	-85.9
Net earnings from financial transactions	-0.3	-1.4	-0.3	-1.5	-1.0	-1.8	-2.2
Depreciation	-7.5	-6.3	-21.4	-17.9	-28.2	-24.1	-24.7
Interest income	5.8	3.1	16.0	8.3	19.2	10.0	11.5
Interest expenses	-9.3	-4.8	-23.6	-17.3	-30.4	-21.8	-24.1
Net interest expenses	-3.5	-1.7	-7.6	-9.0	-11.2	-11.8	-12.6
Earnings before tax	35.0	10.0	100.8	32.7	118.6	33.2	50.5
Tax	-10.5	-3.4	-30.4	-10.2	-36.3	-12.2	-16.1
Earnings after tax	24.5	6.6	70.4	22.5	82.3	21.0	34.4
Earnings per share before dilution, SEK	0.38	0.13	1.12	0.44	1.36	0.41	0.66
Earnings per share after dilution, SEK	0.38	0.12	1.12	0.40	1.36	0.37	0.60
Number of shares, 000	65 066	52 294	65 066	52 294	65 066	52 294	55 512
Average number of shares, 000	65 066	51 517	62 707	50 929	60 682	50 843	51 872
Average number of shares after dilution, 000	65 066	57 055	62 707	56 466	60 682	56 086	57 661

FINANCIAL STATEMENTS IN SUMMARY
Consolidated Balance Sheet

SEK m	30 Sep. 2007	30 Sep. 2006	31 Dec. 2006
ASSETS			
Liquid assets	0.0	0.0	0.0
Chargeable government bonds	94.7	54.7	61.3
Loans to credit institutions	560.8	385.9	158.1
Bonds and other interest-bearing securities	43.6	30.1	50.4
Shares and participations	1.0	-	-
Intangible fixed assets	44.2	48.3	47.7
Goodwill	77.7	77.7	77.7
Tangible fixed assets	12.4	9.5	9.3
Deferred tax asset	-	11.0	6.1
Contract settlement receivables, net	478.2	319.4	210.3
Other assets	46.1	52.4	45.8
Pre-paid expenses and accrued income	8.3	5.6	6.6
Total assets	1 367.0	994.6	673.3
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities to credit institutions	429.8	247.5	171.0
Securities loans	389.2	342.3	99.5
Tax liability	17.8	-	-
Other liabilities	59.4	29.8	30.5
Accrued expenses and deferred income	76.8	41.6	43.5
Subordinated debt	-	50.1	-
Shareholders' equity	394.0	283.3	328.8
Total liabilities and shareholders' equity	1 367.0	994.6	673.3
Memorandum items			
Blocked funds, contract settlement receivables	429.8	247.5	171.0
Other blocked funds	686.2	442.6	245.0
Floating charges	15.0	15.0	15.0

Consolidated Cash Flow Statement

SEK m	Jan.-Sep. 2007	Jan.-Sep. 2006	Jan.-Dec. 2006
Cash flow from ongoing operations, excluding settlement of equity transactions	168.9	54.9	91.4
Cash flow ¹⁾ from ongoing operations attributable to settlement of equity transactions	286.0	238.3	26.7
Cash flow from investment activity:			
- Financial investments	-27.6	-11.5	-38.5
- Other fixed assets	-21.0	-16.2	-22.1
Cash flow from financing activity	-3.0	11.0	-8.2
Cash flow for the period	403.3	276.5	49.3
Liquid assets at beginning of year ²⁾	158.1	111.1	111.1
Liquid assets, translation difference	-0.6	-1.7	-2.3
Liquid assets at end of period²⁾	560.8	385.9	158.1

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

2) The term 'liquid assets' in the Cash Flow Statement refers solely to cash and loans to credit institutions, i.e. bank deposits.

Change in Consolidated Shareholders' Equity

January-September 2007		Other injected		Retained	Total
SEK m	Share capital	capital	Reserves	earnings	shareholders' equity
Opening balance, 1 Jan. 2007	2.8	271.1	-4.6	59.5	328.8
Translation difference	-	-	-2.2	-	-2.2
Reclassification	-	-	-0.5	0.5	0.0
New subscription through exercise of warrants	0.5	21.1	-	-	21.6
Dividend paid	-	-	-	-24.6	-24.6
Total transactions recognized directly in shareholders' equity	3.3	292.2	-7.3	35.4	323.6
Net earnings	-	-	-	70.4	70.4
Closing balance, 30 Sep. 2007	3.3	292.2	-7.3	105.8	394.0

January-September 2006

SEK m					
Opening balance, 1 Jan. 2006	2.5	206.2	-2.4	43.4	249.7
Translation difference	-	-	-0.9	-0.4	-1.3
Payments received for new share subscriptions	0.1	29.4	-	-	29.5
Warrant buy-back	-	-	-	-4.5	-4.5
Dividend paid	-	-	-	-12.6	-12.6
Total transactions recognized directly in shareholders' equity	2.6	235.6	-3.3	25.9	260.8
Net earnings	-	-	-	22.5	22.5
Closing balance, 30 Sep. 2006	2.6	235.6	-3.3	48.4	283.3

January-December 2006

SEK m					
Opening balance, 1 Jan. 2006	2.5	206.2	-2.4	43.4	249.7
Translation difference	-	-	-2.2	-0.5	-2.7
New subscription through exercise of warrants	0.3	29.2	-	-	29.5
Payments received for new share subscriptions	-	35.7	-	-	35.7
Warrant buy-back	-	-	-	-5.2	-5.2
Dividend paid	-	-	-	-12.6	-12.6
Total transactions recognized directly in shareholders' equity	2.8	271.1	-4.6	25.1	294.4
Net earnings	-	-	-	34.4	34.4
Closing balance, 31 Dec. 2006	2.8	271.1	-4.6	59.5	328.8

Accumulated translation differences at 30 September 2007 were SEK -7.3 m (-3.3).

PARENT COMPANY FINANCIAL STATEMENTS
Parent Company Income Statement

	3 months Jul. -Sep.	3 months Jul. -Sep.	9 months Jan. -Sep.	9 months Jan. -Sep.
SEK m	2007	2006	2007	2006
Operating income	1.9	-	1.9	-
Operating expenses	-4.6	-4.2	-16.7	-6.5
Total operating earnings	-2.7	-4.2	-14.8	-6.5
Financial items	1.4	0.4	4.1	0.6
Earnings after financial items	-1.3	-3.8	-10.7	-5.9
Tax	-	-	-	-
Earnings after tax	-1.3	-3.8	-10.7	-5.9

Parent Company Balance Sheet

SEK m	30 Sep. 2007	30 Sep. 2006	31 Dec. 2006
ASSETS			
Fixed assets	199.3	164.3	163.6
Current assets	107.3	129.3	164.4
Total assets	306.6	293.6	328.0
LIABILITIES AND SHAREHOLDERS' EQUITY			
Shareholders' equity	266.9	236.8	281.0
Non-current liabilities	-	50.1	-
Current liabilities	39.7	6.7	47.0
Total liabilities and shareholders' equity	306.6	293.6	328.0

Accounting Policies

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

Since 2005 the NeoNet Group has been 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 was made 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 the Swedish Annual Accounts Act and RR 32 Accounting for Legal Entities.

Stockholm, 26 October 2007

Simon Nathanson
President and CEO

The interim report is published by the President and CEO with the authorization of the Board of Directors.

Auditor's Review Report

We have performed a review of the interim report for NeoNet AB (publ) at 30 September 2007 and for the period 1 January 2007 to 30 September 2007. Responsibility for preparing and presenting a fair interim report in accordance with IAS 34, the Annual Accounts Act for the parent company, and the Annual Accounts Act for Credit Institutions and Securities Companies for the Group rests with the Company's Board and CEO. 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. A review consists in asking questions, in the first instance of 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 has not, in all material aspects, been prepared in accordance with IAS 34, the Annual Accounts Act for the parent company, and the Annual Accounts Act for Credit Institutions and Securities Companies for the Group.

Stockholm, 26 October 2007

Öhrlings PricewaterhouseCoopers AB

Eva Riben, Authorized Public Accountant

NeoNet AB (publ)

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

Financial calendar

Year-End Report 2007, 7 February 2008