

Positive trend with strong growth and new trading services

The volumes traded by clients through NeoNet increased substantially during 2005. NeoNet's strength lies in offering advanced equity trading services on a large number of leading stock exchanges. The company's services are based on a powerful and extremely fast system platform combined with a high level of service. Complemented by NeoNet's neutral and independent profile, this provides a very competitive offering.

Higher revenues and market shares

Clients have substantially increased the volumes traded through NeoNet during 2005. Higher volumes have led to a 25% increase in revenues compared with 2004, and a 52% increase in the fourth quarter. The full-year operating earnings (EBITDA) increased by 54% to SEK 41.0 m. This is a very strong result, particularly as it was reduced by SEK 5.7 m due to a significant trading error. Without this error, operating earnings would have been SEK 46.7 m, corresponding to a margin of 18%.

Successful sales activities have resulted in an ever-increasing number of clients in Europe and North America choosing to use NeoNet for a larger proportion of their total trading. The growth in trading volumes is also a result of the market trend towards direct market access (DMA) and the positive development in levels of activity on many stock exchanges. NeoNet's increase in volumes is higher than the general turnover increase on many of the connected stock exchanges, which means that our market shares have increased on several stock exchanges.

High-performance trading service

In order to boost our competitiveness, attract new clients and encourage existing clients to execute a larger proportion of their trading through NeoNet, we have broadened our client offering. A number of new functions have been developed within areas such as program trading and distribution of market data in order to meet increasingly complex trading requirements on the part of our clients. The functionality for program trading is available in NeoNet's user-friendly trading application NeoNet Trader. This provides clients with a sophisticated and effective tool for trading baskets of shares and individual shares on all connected stock exchanges.

In addition, we have launched completely new hosted system and software services under the name NeoNet XG (NeoNet eXchange Gateway). NeoNet XG opens up new possibilities and provides clients with a more comprehensive offering, enabling them to execute all their trading with us, whether they are members of the stock exchange themselves or use our broker services. For NeoNet's part, NeoNet XG offers a new opportunity for retaining revenues from clients who have the option of taking the step of stock exchange membership. A further advantage is that the new NeoNet XG services, unlike broker services, do not impose any collateral requirements for trading. Another difference is that clients

pay monthly license fees for the new services and these are not directly related to trading values and volumes.

A number of new markets have also been added to the offering, enabling NeoNet to offer clients trading on 20 stock exchanges at the start of 2006. The number of stock exchanges on which clients trade through NeoNet doubled in 2005 to an average of eight markets per client. This increase is one of many positive outcomes of our focused sales efforts to encourage clients to use a larger proportion of NeoNet's total product offering. Sales activities have also resulted in good growth within program trading as the offering has been strengthened.

A clear trend is apparent in clients' increasing demands for quality in direct market access and related services over recent years. This development favors NeoNet, which can satisfy clients' demands by offering a fast, flexible and stable trading service.

Trend towards increased direct market access

Thanks to an advanced trading platform and expertise within electronic equity transactions, NeoNet has a prominent position within direct market access. The offering is based on a powerful trading platform with extremely fast trading on all the leading European and North American stock exchanges, a high level of advanced trading functionality and a professional trading desk. One aspect of the offering which is highly rated by many clients is that NeoNet trades solely on behalf of clients and does not engage in proprietary trading. This eliminates a potential conflict of interests which could otherwise arise, and means that NeoNet is neutral and independent.

Use of direct market access is expected to continue to increase, and the potential for growth is good, particularly in Europe, but also in the USA. NeoNet XG builds on NeoNet's strengths, creating new opportunities and a stronger and more comprehensive offering for professional clients.

Overall, moving into 2006 we have an even stronger starting point with an attractive offering and a continuing focus on cost effectiveness and targeted sales activities.



Simon Nathanson
President and CEO

Contents

CEO statement	cover
NeoNet in summary	2
The year in summary	3
Objectives and strategies	4
NeoNet's positioning	6
The share	8
Consolidated financial performance, five-year overview	10

Financial reports

Director's report	12
Market	12
Clients	12
Offering and product development	12
Revenues	13
Costs	13
Earnings	13
Cash flow	13
Investments	14
Employees	14
Liquidity and financial position	14
Tax	14
Outlook	14
Group structure	14
Parent company	14
Proposed dividend	15
Proposed distribution of earnings	15
Environmental aspects	15
Trademarks	15

Group

Income statement	16
Balance sheet	17
Statement of changes in shareholders' equity	18
Cash flow statement	19

Parent company

Income statement	20
Balance sheet	21
Statement of changes in shareholders' equity	22
Cash flow statement	23

Notes	24
Audit report	39

Corporate governance	40
Management	42
The Board and auditor	43
Definitions and glossary	44
Annual General Meeting	46

Financial reporting in 2006

First quarter interim report: 4 May, 2006
Annual General Meeting: 4 May, 2006 at Citykonferensen, Malmskillnadsgatan 46, Stockholm.
Second quarter interim report: 17 August, 2006
Third quarter interim report: 25 October, 2006
Year-end press release: 8 February, 2007

www.neonet.biz

Business concept

NeoNet's business concept is to offer equity trading services for professional investors on the world's leading stock exchanges. We do this by offering clients independent and efficient trading services at very competitive prices. NeoNet's business activities are based on close relationships with clients and targeted sales activities, and the ambition is to be the professional investors' natural choice for independent direct market access.

READ ABOUT OBJECTIVES AND STRATEGIES ON PAGE 4 »

Business activities and offering

NeoNet's offering provides professional investors with neutral direct market access to 20 leading stock exchanges in Europe and North America. Clients can bring together all their national and international trading via a fast and reliable high-performance equity trading service with a high level of service at a very competitive price.

For most of the services on offer, NeoNet plays the role of the client's broker. Clients can then either obtain electronic direct access to trade on the stock exchanges themselves or commission NeoNet's trading desk to execute orders. NeoNet trades solely on behalf of clients and does not engage in any proprietary trading. This avoids a potential conflict of interests and means that NeoNet is neutral and independent. In the case of services where NeoNet acts as broker, revenue is earned from commission on the values and volumes the client trades via NeoNet.

During 2005 the offering was strengthened by the launch of a new service area within hosted system and software services under the name NeoNet XG (NeoNet eXchange Gateway). The new IT services enable NeoNet to offer banks and broker-dealers cost-effective trading on stock exchanges of which clients are members. In this case NeoNet is responsible for operation, hardware, software and infrastructure but does not act as the client's broker. Revenue from system and software services is earned from ongoing license fees which, unlike the broker service, are not directly linked to trading values and volumes.

NeoNet XG in combination with the broker service offers a new opportunity for clients to handle all their trading via one provider – NeoNet.

READ MORE ABOUT OFFERING AND PRODUCT DEVELOPMENT ON PAGE 12 »

Clients

NeoNet has clients in about 20 countries and focuses on three main segments of professional clients: institutional investors, hedge funds, and banks and broker-dealers. Institutional investors include fund management, insurance and investment companies. Hedge funds are funds with a more flexible investment focus and are distinctive in that they generally involve more intensive trading, often with advanced trading patterns. Banks and broker-dealers primarily use NeoNet to gain efficient trading access to exchanges where they are not themselves members.

READ MORE ABOUT CLIENTS ON PAGE 12 »

Financial performance

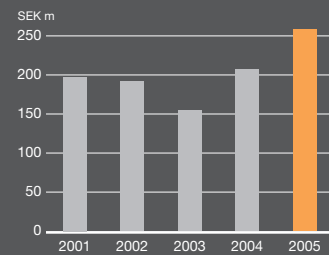
- Operating revenues** increased by 25% to SEK 258.0 m (SEK 206.9 m).
- Operating earnings before depreciation and net financials (EBITDA)** rose to SEK 41.0 m (SEK 26.6 m), an increase of 54%. One major trading error reduced EBITDA and the other income measures by SEK 5.7 m.
- Earnings after tax** increased to SEK 26.8 m (SEK -12.3 m). Earnings have increased by SEK 22.6 m due to the non-recurring effect of recognizing deferred tax assets relating to tax-loss carry-forward.
 - The earnings per share before dilution amounted to SEK 0.53 (SEK -0.24).
- Underlying cash flow¹⁾** improved, and amounted to SEK 23.1 m (SEK 10.9 m).
 - Consolidated shareholders' equity amounted to SEK 249.8 m (SEK 220.0 m) at year-end and the equity/assets ratio was 54% (64%).
 - The Board proposes a dividend of SEK 0.25 per share.

1) see definition on p.43.

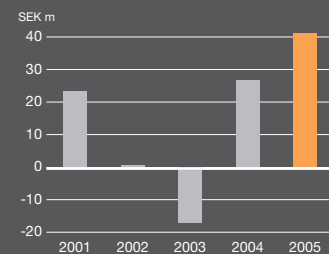
Events during the year

- Expanded trading opportunities** – During 2005 NeoNet expanded its offering to include trading on the Toronto and Dublin exchanges and on the London Stock Exchange's International Order Book (IOB). At the start of 2006 the SWX Swiss Exchange and the Vienna Stock Exchange were also added to the offering. Clients can now trade on a total of 20 exchanges in Europe and North America.
- New advanced functionality** – During 2005 new trading functionality was launched within both electronic program trading and distribution of market data. Work to develop expanded functionality within algorithmic trading was also carried out.
- NeoNet XG** – Launch of hosted system and software services which provide banks and broker-dealers with the opportunity to trade on exchanges where they are members using NeoNet's systems and infrastructure.

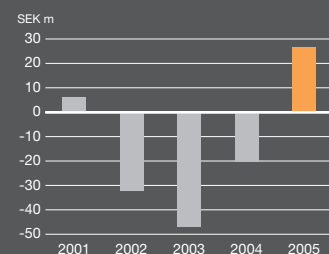
Operating revenues



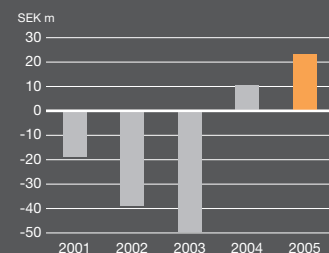
Operating earnings before depreciation and net financials (EBITDA)



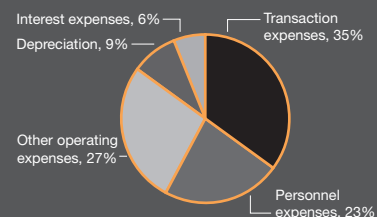
Earnings after tax



Underlying cash flow



Cost structure 2005



Objectives to be achieved through increased sales and efficiency

FINANCIAL OBJECTIVES¹⁾

- Operating revenues will increase gradually, reaching at least SEK 400 m by 2008.
- The operating margin will improve to reach 25% in the latter part of this period.

Achievements of targets

The earnings trend for the year is a step in the direction towards achieving the long-term financial objectives. During the year operating revenues increased by 25% to SEK 258.0 m (SEK 206.9 m). The operating margin improved, rising to 16% (13%).

Equity trading via NeoNet increased substantially during 2005 with more clients in Europe and North America using NeoNet for an ever-larger proportion of their total trading. The increase in clients' trading has led in turn to higher revenues for NeoNet. The growth in trading volumes is also a result of a general growth in turnover on many exchanges and a long-term trend whereby professional investors are making ever-greater use of direct market access.

The operating margin (EBITDA-margin) has been strengthened by increasing trading and by the fact that fixed costs have not increased at the same rate as revenues. Efforts are constantly being made to lower transactions costs, and in 2005 the cost per transaction was noticeably reduced. The positive effect on the operating margin was offset, however, by the continued price squeeze resulting from more intense competition and increased transaction costs. The increase in transaction costs relates to the changed trading patterns that have led to an increase in the number of transactions in relation to traded value.

A small part of NeoNet's trading is executed manually by the company's traders. During the fourth quarter an error was made in processing a large transaction, resulting in a loss which has been set at SEK 5.7 m. Measures in the form of changes to management routines and control functions have been introduced to minimize the risk of similar events in the future.

Measures initiated during the first quarter to improve net interest income helped to raise interest income. However, the significant increase in trading volumes during the year resulted in a greater need for temporary settlement loans, which in turn increased interest expenses. The costs of the debenture loan taken up in April 2004 had a full-year effect during 2005, reducing net interest income by SEK 2.3 m to SEK -10.3 m (SEK -8.0 m).

In view of the earnings development and the expected growth, the Board proposes a dividend of SEK 12.6 m or SEK 0.25 per share.

Outlook

NeoNet has a strong market position within the fast-growing direct market access segment. Its strength lies in access to a large number of markets, an advanced high-performance system platform and a high level of service. In combination with NeoNet's position as a neutral player, primarily using its own membership of exchanges, this creates a highly competitive equity trading service.

The new service, NeoNet XG, builds on these strengths, creating new opportunities and a stronger and more comprehensive offering for professional clients.

The long-term financial objectives up to and including 2008 remain unchanged.

NeoNet does not make forecasts.

1) The financial objectives were revised at the start of 2005

Strategies for achieving the objectives

Attract new clients

Status

NeoNet carried out successful sales activities in 2005, resulting in a good inflow of new clients in Europe and North America.

Next step

The good inflow of new clients, primarily in Europe and North America, will be continued through systematic sales activities. Local sales representatives are in place for the prioritized markets.

The ambition is for clients to start generating revenues shortly after becoming clients of NeoNet.

Increase trading from existing clients

Status

Clients have used NeoNet for an ever-increasing proportion of their total trading. The average number of exchanges on which clients trade via NeoNet has doubled.

Next step

Sales activities are based on clear objectives and strong relationships with clients. The main objective is to encourage clients to use a larger proportion of the product range. Another ambition is to increase the integration between NeoNet and clients' systems in order to simplify trading and increase efficiency for clients. One way of achieving increased integration is through collaborations with system and service providers within order management and clearing and settlement.

Expand the product offering

Status

New functionality was launched in 2005 within program trading, improved distribution of market data and the addition of a number of new order types. System and software services (NeoNet XG) were also introduced for clients who trade as members of exchanges. Additionally, the offering was expanded to include trading on a number of new marketplaces.

Next step

New functions and marketplaces are added continually, based on client demand. The focus continues to be on services with a high level of performance, reliability and service. The offering will be further developed to include increasingly advanced trading functionality within areas such as program and algorithmic trading.

Improve operational efficiency

Status

The company's internal processes have been rationalized in order to cut lead times and handle larger volumes. Costs per transaction have been lowered and measures initiated to improve net interest income, contributing to an increase in interest income. The rate of investment was also lowered.

Next step

Low costs are important in order to be able to maintain margins and offer a competitive price. Work on transaction-related expenses and other costs will remain a high priority. The internal processes will be further rationalized by means of changes to routines and clear internal objectives.

NeoNet's positioning

ONLY IN THE CLIENT'S INTEREST

NeoNet trades solely on behalf of clients and does not engage in any proprietary trading. This avoids the risk of conflicts of interest and questions of doubt surrounding prioritization of proprietary trading and trading on behalf of clients. Trading via NeoNet is therefore completely neutral and independent.

NeoNet's offering is focused on meeting the needs of professional clients. The offering is geared towards clients who can derive significant benefit from NeoNet's advanced trading platform and many years of experience within cross-border electronic trading.

SPEED AND EFFICIENCY

NeoNet offers very fast direct market access, which increases the client's efficiency and opportunity to use advanced trading strategies. The speed derives from the trading platform's high level of performance and an efficient infrastructure with internally developed links to the relevant marketplace.

RELIABLE AND ADVANCED TRADING PLATFORM

NeoNet's trading platform offers high levels of accessibility, security and reli-

ability. The platform has sophisticated trading functionality and a high capacity, in order to handle large trading flows and advanced trading patterns. Using the industry standard FIX (Financial Information eXchange protocol), NeoNet's trading platform has been integrated with many leading order management and trading systems used by clients.

CONSOLIDATED INTERNATIONAL TRADING

NeoNet provides clients with simultaneous access to all 20 connected exchanges in the same way as if they were members of the exchange using electronic access. All the exchanges have been integrated in a uniform way to facilitate cross-border equity trading and to contribute to a high level of user-friendliness. In the case of the services where NeoNet acts as the client's broker, the transactions are carried out in NeoNet's name and the client is therefore anonymous.

HIGHLY COMPETITIVE PRICE

NeoNet has separated out the core service, efficient trading, to offer a new type of service, distinct from traditional broker services. It is therefore very clear what the client is paying for. NeoNet's price

strategy is to offer a highly competitive price compared with other equivalent offerings for direct market access. The price of traditional broker services, which also include analysis, is usually considerably higher.

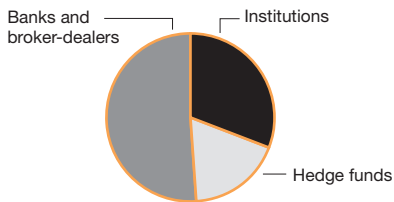
EXECUTION DESK ADDS VALUE

As an alternative to direct market access, clients can also commission NeoNet's trading desks in Sweden or the USA to execute equity transactions. This option is available on all the exchanges where NeoNet offers trading. The traders add value by executing trades based on their experience of electronic and international equity trading. So-called program trading of a basket of shares and execution of complex and major orders is also available via trading desks. Trading via the execution desk is fully integrated with electronic direct market access and the client can send orders to the execution desk electronically and monitor by computer when the order is executed.

EFFICIENT CLEARING AND SETTLEMENT

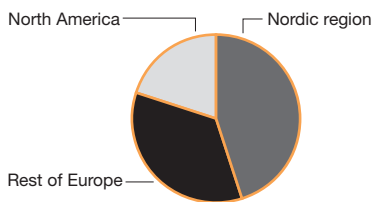
Clearing and settlement is a generic term for the administration which takes place after the client has bought or sold secu-

Distribution of revenues by client category 2005



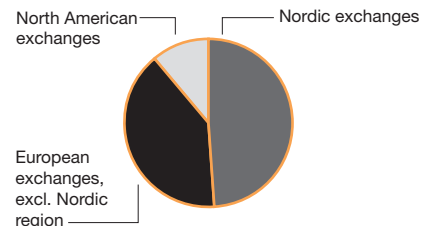
There is a good balance between revenues from institutions and hedge funds on the one hand and from banks and broker-dealers on the other.

Distribution of revenues by geographical location of clients 2005



The proportion of revenues from European clients has increased, giving a more even distribution.

Revenues per exchange 2005



Revenues related to trading on many European exchanges have developed very strongly. The dependence on Stockholm and Helsinki, which previously represented a major share of revenues, has diminished.

rities on the exchange. This administration is therefore an important part of the service to clients. NeoNet has a flexible solution for clearing and settlement and a sound knowledge of local rules governing administration of securities on the

connected marketplaces. The trading platform is integrated with NeoNet's system for clearing and settlement, which is important in creating an electronic transaction flow and achieving a high level of efficiency in the client's transaction chain.

Service provision – a sample transaction

Here we describe a typical transaction and provision of NeoNet's broker services.

Decision to trade

- The client decides to buy 100,000 Fiat shares on the Milan exchange via NeoNet.

Trading on the exchange

- The client issues an electronic buy order, which is automatically forwarded to the Milan exchange via NeoNet.
- When a matching sell order is found, the client receives a real-time electronic confirmation that the transaction has been executed. (At this point the trade is only a "handshake" as no payment has been made and no shares delivered.)
- At the client's request, a report can be sent out once or several times a day summarizing the transactions executed via NeoNet during the day.

Allocation of the transaction

- If the client is a fund manager, the manager sends NeoNet details of the funds to which the purchase will be allocated.

- NeoNet sends out a confirmation of the transaction, details of allocation if applicable and information on the broker's commission payable. The confirmation, which also serves as a contract note, is sent using the medium and format requested by the client.

Instruction to the bank

- The client advises his bank of all the details of the transaction and in which account the bank should deposit the funds for the purchase.

Payment is exchanged for delivery of shares (after two or three days, depending on exchange)

- The shares are exchanged for payment by the Italian central securities depository.
- The shares are then sent to the client's custody account and the broker's fee to NeoNet. Payment is deposited in the seller's bank account.
- The share register is updated and the transaction is complete.

MARKET PLAYERS

There are a number of different players offering various forms of trading for professional players. In simplified terms, the players can be broken down into the following categories:

- *Brokers with direct market access.* Independent players or part of an investment bank focusing on services related to direct market access. The range varies from local to global depending on the player. The price level is generally relatively low and trading with this type of player is increasing. Apart from NeoNet, other players include Instinet and G-Trade.
- *Global broker-dealers and investment banks.* Offer a large range of differ-

ent financial services on a global basis. In many cases trading services are sold as part of a package including manual execution, research and advice. The price level is generally high and the client base is global with many types of client. Examples include Goldman Sachs, Morgan Stanley and Credit Suisse.

- *Regional and local broker-dealers.* Offer a wide range of financial services with a local or regional character. Trading services are normally sold as part of a package including manual execution, research and advice. The client base is local with many types of client. Examples in Sweden include Enskilda, Carnegie and Handelsbanken.

READ MORE ABOUT NEONET'S MARKETS ON PAGE 12 >>

The share

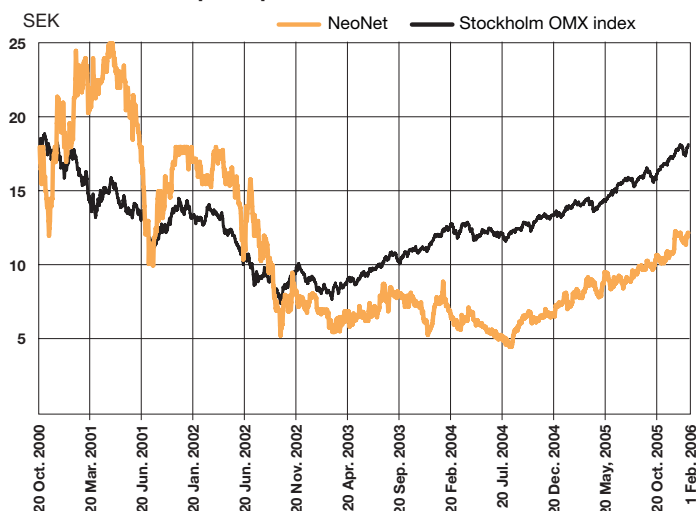
Share structure

At 31 December, 2005 there were 50,590,014 shares, plus 15,166,641 outstanding warrants, each carrying the right to subscribe for one share. All shares have equal voting rights and dividend entitlements.

Share price performance and turnover

NeoNet's share was floated on the O-list of the Stockholm Stock Exchange on 20 October, 2000 at an issue price of SEK 20. The highest closing price in 2005 was reached in December, when the share was traded at SEK 12.30. The lowest closing price in 2005 was SEK 6.55 in January. The turnover for the year was 18.7 million shares, equivalent to a turnover rate of 0.37 (0.57).

NeoNet's share price performance since flotation



Shareholders

At year-end NeoNet had 2,579 shareholders (3,035). The largest shareholders according to the public share register and nominee register are listed below:

NeoNet's largest shareholders at 31 December, 2005

Shareholder	No. of shares	Percentage of share capital and votes
Credit Suisse Luxembourg SA	8,309,830	16.4%
Staffan Persson med family and companies	7,458,970	14.7%
Peter Lindell family and companies	3,287,380	6.5%
Quesada AB	2,585,000	5.1%
Jörgen Tilander and family	2,331,300	4.6%
Michael Löfman	1,541,000	3.0%
Lars Hallén	1,480,000	2.9%
Hans Karlsson and family	1,328,760	2.6%
Peter Kearns and family	1,172,911	2.3%
Johan Carlsson	1,000,000	2.0%
Lena Andersson	887,120	1.8%
Eskil Johannesson	850,000	1.7%
Royal Skandia Life	700,000	1.4%
Hasse Albin	600,000	1.2%
Fidelity Funds	599,000	1.2%
Thord Wilkne and family	500,000	1.0%
Total	34,631,271	52.0%
Others	15,958,743	48.0%
Total	50,590,014	100.0%

Shareholder structure

	2005	2004
Swedish ownership	51%	52%
Breakdown of Swedish ownership:		
Financial and institutional organizations	1%	4%
Relief and interest organizations	2%	2%
Non-financial companies	22%	12%
Public sector	–	–
Private shareholders	75%	82%
Foreign ownership	49%	48%
Total ownership	100%	100%

Source: VPC and the Swedish Financial Supervisory Authority's insider register

Shareholding	No. of shares	Percentage of shares	No. of shareholders	Percentage of shareholders
1–1,000	847,382	1.7%	1,589	61.6%
1,001–10,000	2,894,222	5.7%	771	29.9%
10,001–50,000	3,333,284	6.6%	134	5.2%
50,001–100,000	2,530,956	5.0%	34	1.3%
100,001–	40,984,170	81.0%	51	2.0%
Total	50,590,014	100.0%	2,579	100.0%

Dividend policy

NeoNet's dividend policy is for the dividend level to be adjusted to the prevailing capital requirements, mainly in the form of investments, increased amounts of working capital tied up, capital market or regulatory requirements, and the shareholders' desire for a good dividend yield. The objective is to distribute dividends of 25-50% of the net earnings.

Development of share capital

	Increase in no. of shares	Total no. of shares	Change in share capital, SEK	Total share capital, SEK
1996 Incorporation		759,248	759,248	759,248
1996 New share issue	490,784	1,250,032	490,784	1,250,032
1999 New share issue	250,006	1,500,038	250,006	1,500,038
1999 New share issue	28,147	1,528,185	28,147	1,528,185
2000 Split 20:1	29,035,515	30,563,700	0	1,528,185
2000 Subscription for new shares ¹⁾	1,960,620	32,524,320	98,031	1,626,216
2000 Non-cash issue ²⁾	60,000	32,584,320	3,000	1,629,216
2000 New share issue ³⁾	8,003,680	40,588,000	400,184	2,029,400
2001 Subscription for new shares ¹⁾	2,066,700	42,654,700	103,335	2,132,735
2002 Subscription for new shares ¹⁾	1,010,000	43,664,700	50,500	2,183,235
2003 Non-cash issue ⁴⁾	6,917,343	50,582,043	345,867	2,529,102
2005 Subscription for new shares ¹⁾	7,971	50,590,014	399	2,529,501

1) Subscription for new shares through exercise of warrants.

2) Non-cash issue for the acquisition of convertible debentures in NeoNet Technology AB.

3) New share issue in connection with the flotation of NeoNet on the O-list of the Stockholm Stock Exchange.

4) Non-cash issue in connection with the acquisition of Lexit Financial Group, Inc.

Warrants

At 31 December, 2005 there were 15,159,126 outstanding warrants, each carrying the right to subscribe for one share at an exercise price of SEK 6. The date of expiration is 30 March, 2007. The warrants were issued in connection with the issue in April 2004 of a debenture loan of SEK 50.6 m to which detachable warrants were attached. This offering was targeted at all of NeoNet's shareholders. If fully subscribed, shareholders' equity will be increased by SEK 91 m over the balance sheet amount of SEK 249.8 m.

There were no employee option programs in place at year-end.

	Change in no. of options	Total no. of outstanding options	Total no. of shares
2004 Issue of debenture loan with detachable warrants	15,174,612	15,174,612	
Options exercised, leading to registration of new shares	0	15,174,612	
Options exercised, but where new shares were registered in the following year	-2,850	15,171,762	
2005 Options exercised, leading to registration of new shares	-5,121	15,166,641	
Options exercised, but where new shares were registered in the following year	-7,515	15,159,126	
Registered shares, 31 December, 2005			50,590,014
Outstanding options, 31 December, 2005	-15,166,641	0	15,166,641
No. of options/shares if fully subscribed		0	65,756,655

Consolidated financial performance, five-year overview

Income statement in summary¹⁾

SEK 000	2005	2004	2003	2002	2001
Transaction revenues	253,182	201,056	147,586	184,749	190,067
Other operating revenues	4,786	5,751	6,506	7,027	7,220
Total operating revenues	257,968	206,807	154,092	191,776	197,287
Transaction expenses ²⁾	-99,100	-73,435	-58,696	-76,075	-46,092
Personnel expenses	-59,496	-55,918	-57,741	-53,845	-56,556
Other operating expenses ²⁾	-58,346	-50,920	-54,693	-61,415	-71,343
Operating earnings before depreciation (EBITDA)	41,026	26,534	-17,038	441	23,296
% of Total operating revenues	16%	13%	neg.	0%	12%
Depreciation	-23,933	-27,943	-28,191	-29,806	-23,200
Operating earnings after depreciation	17,093	-1,409	-45,229	-29,365	96
% of Total operating revenues	7%	neg.	neg.	neg.	0%
Interest income	5,290	2,747	3,313	8,147	7,972
Interest expenses	-15,555	-10,651	-4,768	-7,215	-6,509
Net earnings from financial transactions	-583	-2,951	-1,704	-3,242	1,949
Net financial items	-10,848	-10,855	-3,159	-2,310	3,412
Earnings before tax	6,245	-12,264	-48,388	-31,675	3,508
Tax	20,602	-44	1,272	-318	2,812
Earnings after tax	26,847	-12,308	-47,116	-31,993	6,320

The above income statement in summary complies in all material respects with the accepted forms for companies required to prepare financial statements under the Swedish Annual Accounts Act. This form of presentation is well suited to NeoNet's business, where revenue generation is based on transaction revenues rather than revenue sources such as interest income and other financial transactions, which are common among other financial companies. However, the formal part of NeoNet's annual report uses a form of presentation which complies with the Swedish Act on Annual Accounts for Credit Institutions and Securities Companies. See also Notes, Accounting and valuation policies.

Balance sheet in summary¹⁾

SEK 000	31 Dec. 2005	31 Dec. 2004	31 Dec. 2003	31 Dec. 2002	31 Dec. 2001
Assets					
Liquid assets	184,321	143,843	135,089	201,504	597,393
Fixed assets	158,088	145,418	155,886	74,554	67,489
Other assets	145,465	57,012	142,567	108,394	148,216
Total assets	487,874	346,273	433,542	384,452	813,098
Liabilities, provisions and shareholders' equity					
Liabilities to credit institutions	77,070	14,217	91,588	35,833	54,431
Securities, loans and other liabilities	111,498	63,302	107,635	119,221	499,784
Subordinated debt	49,526	48,719	-	-	-
Provisions	-	-	-	1,294	3,239
Share capital and other reserves	206,409	273,150	294,283	243,679	230,202
Accumulated earnings and net earnings for the year	43,371	-53,115	-59,964	-15,575	25,442
Total liabilities, provisions and shareholders' equity	487,874	346,273	433,542	384,452	813,098

1) The figures for 2004 have been restated in line with IFRS; this is the only year affected by the change in accounting policies.

2) With effect from this annual report, one cost item has been reclassified as a result of being transferred from other operating expenses. The comparative figures for previous years have been restated accordingly.

Key figures, SEK 000

Earnings	2005	2004	2003	2002	2001
Total operating revenues	257,968	206,807	154,092	191,776	197,287
Operating earnings depreciation, (EBITDA)	41,026	26,534	-17,038	441	23,296
Earnings before tax	6,245	-12,264	-48,388	-31,675	3,508
Earnings after tax	26,847	-12,308	-47,116	-31,993	6,320
Operating margin (EBITDA margin)	16%	13%	neg.	0%	12%
Profit margin before net financial items and tax	7%	neg.	neg.	neg.	0%
Profit margin before tax	2%	neg.	neg.	neg.	2%
Profit margin after tax	10%	neg.	neg.	neg.	3%
Underlying cash flow					
Underlying cash flow from operating activities, excl. net interest income and before change in assets and liabilities	38,789	27,437	-17,629	-2,378	17,323
Underlying cash flow from investing activities, excl. acquisitions	-15,713	-16,569	-31,742	-36,244	-35,966
Total underlying cash flow	23,076	10,868	-49,371	-38,622	-18,643
Cash flow for the year	40,702	11,705	-64,711	-392,647	303,259
Cash flow per share, SEK	0.81	0.23	-1.28	-8.99	7.11
Financial position					
Equity/assets ratio	51%	64%	54%	59%	31%
Proportion fo risk-bearing capital	62%	78%	55%	61%	32%
Interest cover	140%	neg.	neg.	neg.	154%
Debt/equity ratio	60%	30%	70%	54%	200%
Capital adequacy ratio ¹⁾	66%	52%	32%	68%	64%
Shareholders' equity	249,780	220,036	234,319	228,104	255,644
Average capital employed	566,047	392,605	332,641	427,229	415,871
Return on shareholders' equity after tax	12%	neg.	neg.	neg.	3%
Return on capital employed	4%	neg.	neg.	neg.	2%
Return on capital employed before tax	1%	neg.	neg.	neg.	1%
Share data					
Number of shares	50,590,014	50,582,043	50,582,043	43,664,700	42,654,700
Average number of shares	50,585,282	50,582,043	44,725,991	43,344,042	41,926,791
Earnings per share, SEK	0.53	-0.24	-1.05	-0.73	0.15
Shareholders' equity per share, SEK	4.94	4.35	4.63	5.22	5.99
Number of shares after dilution	55,751,044	50,582,043	50,582,043	43,664,700	44,815,700
Average number of shares after dilution	55,745,395	50,582,343	44,725,991	44,623,341	45,078,703
Earnings per share after dilution, SEK	0.48	-0.24	-1.13	-0.73	0.14
Shareholders' equity per share after dilution, SEK	4.48	4.35	4.63	5.22	6.09
Dividend per share before dilution, SEK	0.25 ²⁾	-	-	-	-
Share price at 31 December, SEK	12.15	6.65	5.60	7.20	17.60
Employees					
Number of employees at year-end	80	74	88	78	76
Average number of employees	80	78	78	76	67

1) The capital adequacy ratio has been restated for the comparative years in accordance with FFFS 2004:19.

2) Proposed

Director's report

The Board of Directors and CEO of NeoNet AB (publ) hereby submit their report for the 2005 financial year.

NeoNet AB (publ) (corporate identity no. 556530-1263) is the parent company of a financial group regulated by the Swedish Financial Supervisory Authority. Apart from the parent company, the Group comprises the wholly owned operating subsidiaries NeoNet Securities AB (corporate identity no. 556530-4804), NeoNet Technology AB (corporate identity no. 556550-4858), both with registered offices in Stockholm, and NeoNet Securities, Inc., registered in Delaware and operative in New Jersey, USA.

NeoNet offers professional investors electronic direct market access and services via the company's trading desks on 20 marketplaces. The company also offers system and software services (NeoNet XG) which provide clients with a cost-effective solution for trading using own exchange memberships.

Market

Trading volumes on the exchanges where NeoNet offers trading were high in 2005. There is a continuing clear long-term trend towards an increasing proportion of professional investors' trading being executed electronically via direct market access. At the same time, pressure on prices has continued during the year due to increasing competition. The use of advanced trading tools has reinforced the trend towards increased volumes. The change in trading behavior has also, in many cases, resulted in a reduction of the average size of trading lots, which increases NeoNet's transaction cost.

Fast and cost-effective direct market access of the type offered by NeoNet both challenges and complements the traditional full service offering of banks and broker-dealers, where trading is packaged to include research and advice. The demand among clients for function-

ality and service in connection to direct market access is increasing as trading behavior becomes more and more advanced. This trend favors NeoNet, which offers a flexible, stable and competitive trading service.

The high performance and reliability of the trading system and stock exchange connections are important factors in offering the capacity and quality demanded by clients. Another aspect of the offering which is highly rated by many clients is that NeoNet trades solely on behalf of clients and does not engage in proprietary trading. This eliminates the potential conflict of interests which could otherwise arise.

Clients

During the year NeoNet carried out systematic and successful sales activities. The purpose of this was to attract new clients with high potential and to encourage both new and existing clients to use NeoNet for a greater portion of their trading.

NeoNet has clients in about 20 countries and focuses on the three main segments of professional clients: institutional investors, hedge funds, and banks and broker-dealers.

Institutional investors include fund management, insurance and investment companies. In 2005 these accounted for just under one third of transaction revenues. This type of client demands independent trading and integration with third-party systems and makes more frequent use of NeoNet's trading desk than other clients.

Hedge funds are funds with a more flexible investment focus and are distinctive in that they generally involve more intensive trading, often with advanced trading patterns. This group of clients accounted for around one fifth of transaction revenues in 2005.

Finally, banks and broker-dealers pri-

marily use NeoNet to gain efficient trading access to exchanges where they are not themselves members. This client group accounted for around half of transaction revenues in 2005.

During 2005 co-operations were established with an additional six industry players. NeoNet now has co-operations with 17 system and service providers active within order management and settlement. These collaborations are important in order to broaden NeoNet's distribution network and to gain even easier access to new clients in different geographical markets.

Offering and product development

Via NeoNet, professional investors can trade on 20 leading exchanges in Europe and North America. Clients can bring together all their local and international trading at a very competitive price, using a high-speed, secure and cost-effective equity trading service which provides access to the exchanges. Clients can either send their orders themselves via the system or commission NeoNet's trading desk to execute orders.

In 2005 NeoNet expanded its offering to include trading on the Toronto and Dublin exchanges and on the London Stock Exchange's International Order Book (IOB). From 2006 clients can also trade on the Vienna Stock Exchange and the SWX Swiss Exchange. The ambition is to continue to expand the range of accessible marketplaces.

In 2005 NeoNet launched a completely new service area within hosted system and software services, NeoNet XG. Within this area NeoNet provides systems and infrastructures for trading on exchanges of which the client is a member. This means that a client who has traded with NeoNet as broker and has the option of taking the step towards trading using own membership on an exchange can use NeoNet XG and thus remain a client

of NeoNet. For NeoNet's part this offers the opportunity to retain some of the revenues from a client who chooses to move to trading in their own membership. The system and software services within NeoNet XG offer banks and broker-dealers a cost-efficient solution where NeoNet is responsible for operation, hardware, software and infrastructure. In contrast to the rest of the range, NeoNet does not act as broker where these services are concerned. The new services therefore represent a diversification of NeoNet's business model. Unlike the broker services, NeoNet XG does not impose any collateral requirements in the form of settlement loans or with respect to clearing centers. Another difference is that clients pay monthly license fees for the new services and these are not directly related to trading volumes.

New functionality was added primarily in the area of program trading, which is one of NeoNet's focus areas. The offering has also been expanded within the area of real-time distribution of market and price information.

NeoNet is continuing to develop tools for advanced trading conditions and mathematical models – so-called algorithmic trading. The demand for this functionality from institutional investors and hedge funds is increasing.

Revenues

Operating revenues increased by 25% in 2005 to SEK 258.0 m (SEK 206.9 m). Transaction revenues, comprising broker's commission on client transactions executed, increased by 26% to SEK 253.2 m (SEK 201.1 m).

The increase in revenues is partly the result of an ever-increasing number of clients executing a larger proportion of trading via NeoNet and partly the result of a general increase in turnover on many exchanges. In several 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. NeoNet's revenues have doubled compared with 2004 on several marketplaces.

Revenues from clients based in Europe, excluding the Nordic region, increased both in absolute terms and as a share of total revenues. Client trading on the European exchanges showed very good growth in 2005. The average number of markets on which a client trades increased to eight in 2005, compared with four at the end of 2004.

Costs

NeoNet's variable trading, clearing and settlement costs are largely related to the number of transactions. Efforts are constantly being made to lower transactions costs, and in 2005 the cost per transaction was noticeably reduced. The positive effect on the operating margin was offset, however, by the continued price squeeze resulting from more intense competition and increased transaction costs. The increase in transaction costs relates to the changed trading patterns that have led to an increase in the number of transactions in relation to traded value.

Measures initiated during the first quarter to improve net interest income helped to raise interest income. However, the significant increase in trading volumes during the year resulted in a greater need for temporary settlement loans, which in turn increased interest expenses. The costs of the debenture loan which was taken up in April 2004 and reduced earnings for eight months in 2004 had a full-year effect in 2005. The overall effect was a deterioration in net interest income of SEK 2.3 m to SEK -10.3 m (SEK -8.0 m).

A small part of NeoNet's trading is executed manually by the company's traders. During the fourth quarter an error was made in processing a large transac-

tion, resulting in a loss which has been set at SEK 5.7 m. Measures in the form of changes to management routines and control functions have been introduced to minimize the risk of similar events in the future.

Personnel and other operating expenses totaled SEK 117.8 m (SEK 106.9 m). Operating expenses for the year were increased by SEK 5.7 m as a result of the error mentioned above.

Earnings

The Group's operating earnings before depreciation and net financial items (EBITDA) was SEK 41.0 m (SEK 26.6 m), equivalent to an operating margin of 16% (13%). The error mentioned above reduced EBITDA and other income measures by SEK 5.7 m.

The reported earnings after tax was SEK 26.8 m (SEK -12.3 m). Earnings per share were SEK 0.53 (SEK -0.24).

Net earnings for the year after tax was positively affected by the non-recurring effect of a deferred tax asset worth SEK 22.6 m. Pursuant to IAS 12 (Income Taxes), a deferred tax asset attributable to tax-loss carry-forward must be reported in companies which have reported losses in recent years, provided that there are factors which suggest that a taxable profit will be generated in the future. Based on the inflow of clients and an expanded product range, the Management and Board have assessed that NeoNet will generate sufficient profits within the foreseeable future to justify this tax asset. See also comments under Tax.

Cash flow

The underlying cash flow was SEK 23.1 m (SEK 10.9 m). The positive trend during the year was mainly the result of the improvement in EBITDA, but also because investments in system development have been kept at a lower level than in 2004.

Investments

Investments, comprising system development and hardware, totaled SEK 15.7 m (SEK 17.5 m).

Depreciation fell compared with last year as a result of the decrease in the rate of investment in 2004. Investments amounted to 6% (9%) of transaction revenues. The fixed assets include development projects in progress with a value of SEK 0.6 m. Where intangible assets are concerned, an annual impairment test is performed to compare the carrying amount with the recoverable amount. The calculation is based on estimated future cash flows discounted at an interest rate of 12.5%. The result shows that no write-downs are necessary.

Employees

NeoNet has employees and sales representation in Sweden, the US, the UK, Italy, France and Germany. The number of employees in the Group at year-end was 80 (74 at the start of the year), which breaks down into 36% women and 64% men. The average age was 34.

During 2005 the organization was strengthened within areas such as client support, system development, finance and legal. The number of employees has also increased as a result of temporary appointments. Read more about NeoNet's employees in Note 8.

Liquidity and financial position

The NeoNet Group's current liquid net assets comprise the sum of funds deposited with banks, interest-bearing instruments, unutilized overdraft facilities, the difference between contract settlement receivables and liabilities, and receivables from clearing houses and similar institutions, excluding liabilities for temporary cash and equity loans.

The net total of these items at 31 December, 2005 was SEK 165.0 m (SEK 141.1 m at the start of the year). The

gross cash figure shown in the balance sheet was SEK 184.3 m (SEK 143.8 m), of which SEK 158.4 m (SEK 118.4 m) comprised blocked funds. Fluctuations in cash and cash equivalents reported in the balance sheet are normal for this kind of business.

At 31 December, 2005 interest-bearing receivables totaled SEK 179 m (SEK 129 m) and interest-bearing current liabilities SEK 72 m (SEK 14 m).

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

Consolidated shareholders' equity amounted to SEK 249.8 m at year-end (SEK 220.0 m at 1 January, 2005). Equity per share was SEK 4.94 (SEK 4.35).

The capital adequacy ratio was 66% (52%) and the Group's equity/assets ratio was 51% (64%).

The Group has a disputed trade receivable with a nominal value of EUR 1.1 m. The status of this matter has not changed since the last annual report.

Tax

A tax income of SEK 22.6 m (gross) was reported in the third quarter. This amount is equivalent to utilization of tax-loss carry-forwards of SEK 77.8 m. Additional tax-loss carry-forwards of around USD 6 m in currently non-operating subsidiaries in the US are not considered to be utilizable and have not therefore generated any tax income.

Outlook

NeoNet has a strong market position within the fast-growing direct market access segment. Its strength lies in access to a large number of markets, an advanced high-performance system platform and a high level of service. In combination with NeoNet's position as a neutral player, primarily using its own

membership of exchanges, this creates a highly competitive equity trading service. NeoNet XG (NeoNet eXchange Gateway) builds on these strengths, creating new opportunities and a stronger and more comprehensive offering for professional clients.

The long-term financial objectives up to and including 2008 remain unchanged. The objectives mean that operating revenue shall increase gradually in order to reach at least SEK 400 m by 2008 and that the operating margin shall be improved in order to reach 25% during the latter part of the period.

NeoNet does not provide forecasts.

Group structure

NeoNet AB (publ) is the parent company of the Group and is listed on the Stockholm Stock Exchange. The parent company has the following wholly owned operating subsidiaries:

NeoNet Securities AB: a Swedish broker-dealer offering broker services and products to clients in Europe. Supervised by the Swedish Financial Supervisory Authority.

NeoNet Securities, Inc: an American broker-dealer offering broker services and products to clients in the US under the NeoNet trademark. Supervised by the US Securities and Exchange Commission, and a member of NASD/SIPC.

NeoNet Technology AB: Swedish IT development company which develops NeoNet's trading systems.

The parent company

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

The parent company reported earnings before tax and appropriations of SEK 11.4 m (SEK -91.8 m). The result for 2004

was negatively affected by a write-down of SEK 82.2 m in the value of shares in the subsidiary Lexit Financial Group, Inc. as a result of restructuring within the Group.

The parent company's equity amounted to SEK 233.7 m at year-end (SEK 198.2 m at the start of the year). Liquid assets totaled SEK 0.4 m at 31 December, compared with SEK 0.2 m at the start of the year.

Proposed dividend

Based on the Group's financial position, earnings development and expected growth, the Board and CEO propose payment of a dividend of SEK 0.25 per share or SEK 12,649,382 (0), equivalent to approximately 47% (0) of the earnings after tax for the year.

The Board of Directors' reasoning behind the proposed dividend

The proposed dividend to the shareholders reduces the company's assets/equity ratio from 80 to 76% and the Group's assets/equity ratio from 51 to 49%. The dividend reduces the Group's capital adequacy ratio from 66 to 57%. Given that the company's and the Group's operations continue to be profitable, the equity/assets ratio and capital adequacy ratio are satisfactory. It is assessed that the liquidity in the company and the Group can be maintained at a similarly satisfactory level.

It is the opinion of the Board that the proposed transfer of value will not prevent the company, or other companies in the Group, from meeting its commitments in the short and long term, nor from making the required investments. The proposed transfer of value is therefore defensible in view of the provisions of chapter 17 section 3 paras 2-3 of the Swedish Companies Act (the prudence rule).

Proposed distribution of earnings

The Annual General Meeting has the following funds at its disposal (SEK):

Retained earnings	358,771
Group contributions received	16,842,115
Net earnings for the year	18,158,932
	<u>SEK 35,359,818</u>

The Board and CEO propose that the funds be distributed as follows (SEK):	
Dividend to shareholders of SEK 0.25 per share	12,649,382
Transferred to new account	22,710,436
	<u>SEK 35,359,818</u>

Environmental aspects

NeoNet's operations have a limited impact on the environment as most business is transacted electronically. The main environmental aspects relate to the energy supply for offices and computer rooms, business trips, which are mainly by air, and replacement of computer equipment.

Trademarks

In order to coordinate communication more effectively and save costs by avoiding the need to develop additional trademarks, the strategy is to use NeoNet as the central trademark in all marketing and communications. Where individual parts of the offering need a service trademark, the strategy is based on the NeoNet trademark plus a description, such as NeoNet XG (eXchange Gateway).

The NeoNet name is a registered trademark in the following countries: Australia, Benelux, Denmark, Finland, France, Canada, Norway, Switzerland, Spain, the UK, Sweden, Germany, Hungary, the USA and Austria. Applications are pending for a trademark in Italy and a so-called Community Trade Mark.

More information on earnings and financial position

For more information on the Group's and the parent company's reported earnings and position at year-end, see the following income statements, balance sheets, cash flow statements and the associated notes and comments.

Consolidated income statement

SEK 000		1 Jan. 2005– Note 31 Dec. 2005	1 Jan. 2004– 31 Dec. 2004
Transaction revenues	4	253,182	201,056
Transaction expenses ¹⁾	5	-99,100	-73,435
Transaction revenues, net		154,082	127,621
Other operating revenues	6	4,786	5,751
Other operating expenses ¹⁾	7	-58,346	-50,920
Personnel expenses	8	-59,496	-55,918
Net earnings from financial transactions	9	-583	-2,951
Depreciation and amortization of tangible and intangible assets	13, 14, 15	-23,933	-27,943
Interest income	10	5,290	2,747
Interest expense	10	-15,555	-10,651
Net interest income		-10,265	-7,904
Operating earnings		6,245	-12,264
Tax for the year	11	20,602	-44
Net earnings for the year		26,847	-12,308
Earnings per share, SEK		0.53	-0.24
Earnings per share after dilution, SEK		0.48	-0.24
Number of shares, 000		50,590	50,582
Average number of shares, 000		50,585	50,582
Average number of shares after dilution, 000		55,745	50,582

1) With effect from this annual report, one cost item has been reclassified as a result of being transferred from other operating expenses to transaction expenses. The comparative figures for 2004 have been restated accordingly.

Consolidated balance sheet

SEK 000

Note 31 Dec. 2005 31 Dec. 2004

ASSETS

Liquid assets	12	184,321	143,843
Intangible fixed assets	13	53,733	61,334
Goodwill	14	77,682	77,682
Tangible assets	15	5,783	6,402
Deferred tax assets	16	20,890	–
Contract settlement receivables, net	17	115,749	22,823
Other assets	18	20,224	27,284
Prepaid expenses and accrued income		9,492	6,905
Total assets		487,874	346,273

LIABILITIES, PROVISIONS AND SHAREHOLDERS' EQUITY

Liabilities to credit institutions	19	77,070	14,217
Securities loans		73,915	40,731
Other liabilities	20	17,566	8,926
Accrued expenses and deferred income	21	20,017	13,645
Total current liabilities		188,568	77,519
Subordinated debt	23	49,526	48,719
Shareholders' equity			
Share capital	24	2,529	2,529
Other capital contribution		206,167	286,803
Reserves		-2,369	-16,182
Retained earnings including net earnings for the year		43,453	-53,115
Total shareholders' equity		249,780	220,035
Total liabilities, provisions and shareholders' equity		487,874	346,273

Memorandum items

Other pledged assets

Blocked funds included in cash and cash equivalents ¹⁾		158,390	118,418
Blocked funds included in contract settlement receivables ¹⁾		76,953	3,956
Floating charges		15,000	15,000

1) The Group invests a high proportion of its liquidity in interest-bearing instruments, especially Swedish treasury bills and bonds, which are placed in custody accounts used as security by the banks that handle settlement and act on NeoNet's behalf in transactions with clearing houses. Security is required by exchanges, central securities depositories and clearing houses, and as supplementary surety for temporary bridge loans when clients' settlement is delayed. The value of these custody accounts is indicated above under the item 'Blocked funds included in cash and cash equivalents' and 'Blocked funds included in contract settlement receivables'. Of the value stated in the table of SEK 235,343,000 at 31 December, 2005 (SEK 122,374,000 at 31 Dec. 2004), the total amount used as security by the banks was SEK 204,395,000 (SEK 57,851,000).

Consolidated statement of changes in shareholders' equity

SEK 000	Share capital	Other capital contribution	Reserves	Accumulated earnings	Total shareholders' equity
Opening balance, 1 January, 2004	2,529	299,868	-8,116	-59,962	234,319
New share issue through exercise of warrants	-	22	-	-	22
Currency translation differences relating to subsidiaries	-	-	-8,066	6,068	-1,998
Transfer between restricted and non-restricted equity	-	-13,109	-	13,109	0
Net earnings for the year	-	-	-	-12,308	-12,308
Closing balance, 31 December, 2004	2,529	286,781	-16,182	-53,093	220,035
Opening balance, 1 January, 2005	2,529	286,781	-16,182	-53,093	220,035
Reclassification of currency translation differences	-	-	11,068	-11,068	0
New share issue through exercise of warrants	0	71	-	-	71
Currency translation differences relating to subsidiaries	-	-	2,745	82	2,827
Reduction of share premium reserve	-	-80,685	-	80,685	0
Net earnings for the year	-	-	-	26,847	26,847
Closing balance, 31 December, 2005	2,529	206,167	-2,369	43,453	249,780

Accumulated translation losses at 31 December, 2005 were SEK 2,369,000 (SEK 5,114,000).

Consolidated cash flow statement

SEK 000	1 Jan. 2005– 31 Dec. 2005	1 Jan. 2004– 31 Dec. 2004
Ongoing operations		
Interest and transaction revenues received	257,348	204,105
Interest paid	-9,690	-6,616
Payments to suppliers and employees	-216,942	-180,258
Payments from clients	4,786	5,686
Tax paid	-1,114	787
Cash flow from operating activities before change in assets and liabilities of operating activities	34,388	23,704
Change in other assets of ongoing operations	-1,125	18,362
Change in other liabilities of ongoing operations	15,015	-13,116
Cash flow from change in assets and liabilities of ongoing operations	13,890	5,246
Cash flow from ongoing operations, excluding settlement of equity transactions executed on behalf of clients		
	48,278	28,950
Change in assets of ongoing operations attributable to settlement ¹⁾	-82,935	64,483
Change in liabilities of ongoing operations attributable to settlement ¹⁾	96,038	-98,588
Cash flow from ongoing operations, attributable to settlement of equity transactions executed on behalf of clients	13,103	-34,105
Cash flow from ongoing operations	61,381	-5,155
Investment activity		
Goodwill	–	-796
Acquisition of intangible fixed assets	-12,219	-14,996
Acquisition of tangible fixed assets	-3,494	-1,699
Cash flow from investment activity	-15,713	-17,491
Financing activity		
New share issue under registration	45	5
New share issue in connection with exercise of warrants	47	–
Debenture loan	–	50,582
Interest and transaction fees paid in connection with debenture loan	-5,058	-6,236
Loan from shareholders	–	-10,000
Cash flow from financing activity	-4,966	34,351
Cash flow for the year	40,702	11,705
Liquid assets at beginning of year	143,843	135,089
Liquid assets, exchange rate differences	-224	-2,951
Liquid assets at year-end²⁾	184,321	143,843

1) Cash flow for the year attributable to the settlement of executed securities transactions varies sharply depending on the settlement positions on the balance sheet dates.

2) The Group's current liquid assets, net, adjusted for items attributable to settlement of clients' equity transactions (i.e. contract settlement receivables, securities loans, short-term settlement loans and securities deposited with clearing houses), amounted to SEK 165.0 m (SEK 141.1 m at the start of the year).

Parent company income statement

SEK 000		1 Jan. 2005– Note 31 Dec. 2005	1 Jan. 2004– 31 Dec. 2004
Operating expenses			
Other external costs	7	-4,751	-3,863
Personnel expenses	8	-8,391	-8,474
Depreciation and amortization of intangible and tangible assets	15	-76	-82,258
Total operating earnings		-13,218	-94,595
Financial items			
Interest income	10	7,498	7,708
Interest expenses	10	-5,865	-4,247
Dividend		22,200	–
Net earnings from financial transactions		749	-622
Earnings from financial items		24,582	2,839
Earnings after financial items		11,364	-91,756
Appropriations	25	-9	–
Tax for the year	11	6,804	42
Net earnings for the year		18,159	-91,714

Parent company balance sheet

SEK 000

Note 31 Dec. 2005 31 Dec. 2004

ASSETS

Fixed assets

Tangible assets	15	49	85
Financial assets	16	254	–
Shares in subsidiaries	22	163,261	163,261
Total fixed assets		163,564	163,346

Current assets

Receivables from subsidiaries	26	125,536	83,764
Other receivables	18	1,097	814
Prepaid expenses and accrued income		332	577
Cash and bank balances		443	234
Total assets		290,972	248,735

SHAREHOLDERS' EQUITY AND LIABILITIES

Shareholders' equity

Restricted equity

Share capital	24	2,529	2,529
Share premium reserve		–	276,350
Statutory reserve		195,716	3
Ongoing new share issue		45	22

Non-restricted equity

Retained earnings		359	10,922
Group contributions received		16,842	107
Net earnings for the year		18,159	-91,714

Total shareholders' equity		233,650	198,219
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Untaxed reserves		9	–
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Non-current liabilities

Subordinated debt	23	49,526	48,719
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Current liabilities

Accounts payables		281	122
Other current liabilities	20	5,311	242
Accrued expenses and deferred income	21	2,195	1,433

Total shareholders' equity and liabilities		290,972	248,735
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Memorandum items

Contingent liabilities

Surety in favor of subsidiary ¹⁾		241,544	1,241,903
Subsidiary guarantee ²⁾		3,181	6,245

1) The parent company stands surety for the subsidiaries NeoNet Securities AB and NeoNet Securities, Inc. in respect of undertakings related to the execution and settlement of securities transactions on behalf of clients. The value of the guarantees is calculated as the net value of all of the guarantees for the relevant outstanding buy and sell transactions within each of the acquired classes of stock. For details of the total gross value of all of the Group's outstanding securities transactions, see Note 15.

2) A guarantee has been issued for the subsidiary NeoNet Securities, Inc. for the period 31 December, 2005 to 31 December, 2006, in accordance with which the parent company undertakes to contribute up to USD 0.4 m as needed to improve the subsidiary's liquidity.

Parent company statement of changes in shareholders' equity

SEK 000	Share capital	Restricted reserves	Non-restricted equity	Total shareholders' equity
Opening balance, 1 January, 2004	2,529	276,353	10,922	289,804
Payment for share subscriptions	0	22	–	22
Group contributions received	–	–	149	149
Deferred tax on group contributions	–	–	-42	-42
Net earnings for the year	–	–	-91,714	-91,714
Closing balance, 31 December, 2004	2,529	276,375	-80,685	198,219
Opening balance, 1 January, 2005	2,529	276,375	-80,685	198,219
Subscription for new shares through exercise of warrants	0	71	–	71
Transfer between restricted and non-restricted equity	–	-80,685	80,685	0
Exchange gain on loan to subsidiary	–	–	359	359
Group contributions received	–	–	23,392	23,392
Deferred tax on group contributions	–	–	-6,550	-6,550
Net earnings for the year	–	–	18,159	18,159
Closing balance, 31 December, 2005	2,529	195,761	35,360	233,650

There are 50,590,014 shares, each with a nominal value of SEK 0.05.

Parent company cash flow statement

SEK 000	1 Jan. 2005– 31 Dec. 2005	1 Jan. 2004– 31 Dec. 2004
Ongoing operations		
Operating earnings	-13,218	-94,595
Depreciation and write-down	76	82,258
Adjustment for non-cash items	314	–
Interest received	6,725	5,726
Interest paid	–	-262
Tax paid	-231	–
Cash flow from ongoing operations before change in working capital	-6,334	-6,873
Change in other assets of ongoing operations	5,617	-18,185
Change in other liabilities of ongoing operations	5,990	-18,199
Cash flow from assets and liabilities of ongoing operations	11,607	-36,384
Cash flow from ongoing operations	5,273	-43,257
Investment activity		
Acquisition of tangible assets	-40	–
Conditional shareholder contribution to subsidiaries	–	-2,203
Cash flow from investment activity	-40	-2,203
Financing activity		
New share issue under registration	45	5
New share issue in connection with exercise of warrants	47	–
Payment of debenture loan	–	50,582
Interest and costs of taking up debenture loan	-5,865	-5,848
Cash flow from financing activity	-5,773	44,739
Cash flow for the year	-540	-721
Liquid assets at beginning of year	234	1,577
Liquid assets, exchange rate differences	749	-622
Liquid assets at year-end	443	234

Notes

ACCOUNTING AND VALUATION POLICIES

Accounting regulations

With effect from 1 January, 2005 the NeoNet Group has applied International Financial Reporting Standards (IFRS), as adopted by the EU, the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (ÅRKL) and regulation FFS 2002:22 issued by the Swedish Financial Supervisory Authority, as the parent company is a financial holding company. 'Financial holding company' refers to a company whose business consists entirely or almost entirely of the acquisition and management of shares in credit institutions and securities companies for profit. In accordance with the EU Regulation, the transition to IFRS from the previous accounting policies has taken place in compliance with IFRS 1. The Group further applies the Swedish Financial Accounting Standards Council's recommendation RR 30 Supplementary accounting regulations for groups. The parent company prepares its financial statements in accordance with the Swedish Annual Accounts Act and applies RR 32 Accounting for Legal Entities in compiling its financial statements. Standards, interpretations and amendments which become effective from 2006 have not been applied in advance.

Accounting standards

With effect from 1 January, 2005 NeoNet's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) in the form adopted by the European Union. The Group's and the parent company's assets and liabilities are recognized at amortized cost or nominal value unless otherwise specified. Revenues and expenses are reported for the period to which they relate.

Judgments and assumptions

Preparation of financial statements requires the Board and corporate management to make judgments and apply certain assumptions. Judgments and assumptions affect both the income statement and the balance sheet and notes. Actual results may differ from these judgments under different assumptions or under different conditions. Areas where judgments and assumptions have a significant bearing are:

- Impairment testing of goodwill and other assets
- Valuation of deferred tax
- The effect of the Group's financial position in terms of ongoing disputes and valuation of contingent liabilities.

Consolidated financial statements

The consolidated financial statements comprise the parent company NeoNet AB (publ) and the subsidiaries NeoNet Securities AB (corporate identity number 556530-4804), NeoNet Technology AB (corporate identity number 556550-4858), NeoNet Securities Inc (U.S.) and Lexit Financial Group Inc (U.S.), in which the parent company owns 100% of the capital and votes. The consolidated balance sheet has been drawn up using the acquisition method, which means that the parent company's cost for shares in subsidiaries has been offset against the subsidiary's reported equity. Accordingly, consolidated shareholders' equity only includes the part of shareholders' equity in subsidiaries relating to the period after the acquisition. All intra-group transactions and earnings have been fully eliminated.

Revenue recognition

Transaction revenues are recognized at the time of completion of the underlying transaction. Revenues from billed-through services are booked in the period in which the service is used. Interest income is recognized in the period in which it is accrued.

Translation of foreign subsidiaries' balance sheets and income statements

The functional currency for each of the Group's subsidiaries, i.e. the currency in which the company normally makes and receives payments, is determined by the primary economic environment within which the company operates. The Group's reporting currency, i.e. the currency in which the financial statements are prepared, is Swedish kronor (SEK).

Translation of foreign subsidiaries' income statements is based on average monthly exchange rates. Balance sheets are translated at the rate prevailing on the balance sheet date. Currency translation differences arising on translation of balance sheets are taken directly to equity and do not therefore impact net earnings. Currency translation differences arising as a result of income statements being translated at average rate while balance sheets are translated at the rate prevailing on the balance sheet date are taken directly to unrestricted equity.

Receivables and liabilities in foreign currencies

Receivables and liabilities in foreign currencies are valued at the rate prevailing on the balance sheet date, and impact the result via the income statement. Exchange rate differences on loans to subsidiaries which are viewed as a net investment in foreign companies and which are not expected to be repaid are offset against shareholders' equity.

Fixed assets and depreciation

System development costs

The company's electronic trading system is an internally developed intangible asset. New versions of the company's trading system, which have been acquired but not taken into use, will be depreciated from the time of deployment. Impairment testing is carried out at the start of each year until the systems are ready to be put into operation. Investments in computer programs which increase the value of NeoNet's electronic equity trading offering are booked as intangible assets.

Leases

Leasing agreements for cars, office equipment, etc. are always regarded as operating leases. NeoNet has no finance leases.

Depreciation

Equipment is recognized at cost and depreciated according to plan. The difference between depreciation according to plan and tax depreciation is recognized as additional depreciation or write-downs. In the income statement operating earnings is reduced by depreciation according to plan, which is based on the economic life of the assets, using the following percentage rates:

- Electronic trading system, basic platform (intangible asset) 20% (60 months)
- Electronic trading system, other parts, and administrative system (intangible asset) 30% (40 months)
- Computer equipment (tangible asset) 30% (40 months)
- Other (tangible asset) 20% (60 months)

The basic platform for the electronic trading system was commissioned in June 2004. The period of use is assessed to be at least five years and, accordingly, this asset is depreciated over a longer period than other parts of the trading system.

Goodwill and other acquisition-related intangible assets

The introduction of IFRS 3, IAS 36 (revised 2004) and IAS 38 (revised 2004) resulted in a change in the accounting policy for goodwill. To 31 December, 2003 inclusive, goodwill was amortized on a straight-line basis over 5 to 10 years and impairment testing was carried out on each balance sheet date.

In accordance with the provisions in IFRS 3:

- The Group ceased amortization of goodwill with effect from 1 January, 2004.
- Accumulated amortization at 31 December, 2003 has been reversed, resulting in a corresponding reversal of amortization of goodwill.
- With effect from the financial year ending 31 December, 2004 and henceforth, goodwill will be subject to impairment testing on an annual basis and whenever there is an indication that impairment is required.

The Group has reviewed the economic life of its intangible non-current assets in accordance with the provisions of IAS 38. This review did not give rise to any adjustments.

Goodwill is the positive difference between the acquisition price and the fair value of the Group's share of the identifiable net assets in the acquired company/business at the acquisition date. Goodwill is tested for impairment annually and recognized at cost less accumulated impairment. Gains and losses in connection with the disposal of companies include the book value of the goodwill attributable to the company disposed of.

Definition of liquid assets

The term 'liquid assets' in the cash flow statement and the balance sheet refers to cash and loans to credit institutions, and deposits administered by credit institutions comprising interest-bearing instruments which can be immediately converted on the money market. Otherwise the Group's current liquid assets comprise the sum of funds deposited with banks, interest-bearing instruments, unutilized overdraft facilities, the difference between contract settlement receivables and liabilities, and receivables from clearing houses and similar institutions, excluding liabilities for temporary settlement and other short-term loans.

Provisions

A provision is recognized where an obligation has been occurred as a result of past events, it is probable it will lead to an outflow of financial resources and a reliable estimate of the amount can be made. Provisions are recognized at the amount equivalent to the best estimate of the payment required to settle the obligation on the balance sheet date. Provisions are reviewed on each balance sheet date.

Tax, including deferred tax

Tax which will be paid or received relating to the current year is recognized in the income statement. Any change in deferred tax assets or liabilities during the year is recognized as deferred tax. Any differences between the taxable and book value of assets and liabilities give rise to deferred tax assets or liabilities. Tax-loss carry-forwards expected to be utilized give rise to deferred tax assets. The Group's deferred tax assets and liabilities have been calculated using a tax rate of 28% for Sweden and the respective countries' tax rates in the case of foreign companies. Deferred tax assets which cannot be offset against deferred tax liabilities are recognized as other assets. Deferred tax liabilities are recognized as provisions.

Impairment

Goodwill and other acquisition-related intangible assets are allocated to cash-generating units (CGU) at the level used for follow-up within NeoNet. This allocation forms the basis for annual impairment testing. Where there is an indication that an asset or a group of assets has diminished in value, an assessment is made of its carrying amount. Where the carrying amount exceeds the estimated recoverable amount, the carrying amount is immediately written down to the lower amount. Where goodwill relates to a group of assets for which an impairment loss has been

established, the impairment loss is allocated first to goodwill and then to other assets in proportion to their carrying amounts.

Previous impairment losses are reversed if there has been a change in the assumptions applied in establishing the asset's recoverable amount at the time of the write-down. The reversed amount increases the asset's carrying amount, but not to more than the value the asset would have had (less normal depreciation) if impairment had not taken place. Impairment of goodwill is never reversed. See also Note 3 Impairment testing of goodwill.

Group contributions

Group contributions paid and received in order to minimize the Group's tax are recognized in the various companies as a decrease or increase in unrestricted equity after adjustment for estimated tax.

Employee benefits

In accordance with the company's pension policy, NeoNet has only defined contribution plans. Premium expenses are charged to earnings in the respective period.

Share-based payment

IFRS 2 Share-Based Payment deals with share-based payments and, for accounting purposes, divides these into equity-settled and cash-settled payment transactions. IFRS will be applied to plans with a distribution date on or after 7 November, 2002 and a vesting date after 1 January, 2005. None of NeoNet's warrant programs are of the type classified as share-based payments.

Financial instruments: recognition and valuation

The Group classifies its financial instruments in the following categories: financial assets valued at fair value via the income statement, loan receivables and trade receivables, financial instruments held to maturity and available-for-sale financial assets. The classification depends on the purpose for which the instruments were acquired. Management determines classification of the instruments on initial recognition and reviews this decision on each reporting occasion.

Financial assets valued at fair value via the income statement

This category has two subcategories: available-for-sale financial assets and those assigned from the outset to the category 'valued at fair value via the income statement'. A financial asset is classified in this category if it is acquired primarily with a view to sale within the short term or if this classification has been determined by Management. Derivative instruments are also categorized as available for sale if they are not identified as hedges. Assets in this category are classified as current assets if they are either held for sale or are expected to be realized within 12 months of the balance sheet date. The Group's holdings in this category relate first and foremost to derivative and hedging instruments.

Trade receivables

Trade receivables, like receivables and liabilities relating to contract settlements, normally have defined or definable payments and are not listed on an active market. One distinctive characteristic of trade receivables is that they arise when the Group provides services directly to a client without the intention of trading the receivable arising. They are included in current assets, with the exception of items with a due date more than 12 months after the balance sheet date, which are classified as non-current assets. The majority of the Group's financial instruments, if they are not hedging or derivative instruments, are classified within the category Loan receivables and trade receivables.

Acquisition and disposal of financial instruments is recognized on

the transaction date, i.e. the date on which NeoNet undertakes to purchase or sell the asset. Financial assets are initially valued at fair value plus transaction costs, which applies to all financial assets which have not been valued via the income statement. Financial instruments are removed from the balance sheet when the entitlement to any cash flow from the instrument has expired or been transferred and NeoNet has essentially transferred all the risks and benefits of ownership. Loan receivables, trade receivables and financial investments held to maturity are recognized at amortized cost less any write-downs.

Fair value of listed investments is based on actual purchase prices. If the market for a specific financial asset is not active (and in the case of unlisted securities), the Group establishes the fair value using valuation techniques.

Recognition of derivative instruments and hedging

Derivative instruments are recognized in the balance sheet on the contract date and valued at fair value, both initially and on subsequent revaluations. The Group does not apply hedge accounting pursuant to IAS 39 and therefore any change in the fair value of such instruments is recognized immediately in the income statement in the line Net earnings from financial transactions.

Valuation of receivables and liabilities

All receivables and liabilities are valued at amortized cost, which is equivalent to fair value. Unless otherwise specified the assets are viewed as current assets. Financial instruments including derivative contracts are valued at fair value on the balance sheet date.

Other accounting policies

Receivables and liabilities relating to contract settlements which are settled via clearing organizations in the respective markets where NeoNet is a member of the exchange have been offset in the balance sheet. Changes in liabilities relating to temporary cash loans and securities loans are recognized in the balance sheet on a daily basis. The company does not engage in proprietary trading and does not offer securities lending. All interest expenses are recognized in the period in which they are incurred. Issue expenses for debenture loans are also recognized under interest expenses and are allocated over the period of the loan.

The parent company

The parent company's financial statements have been prepared in accordance with the Swedish Annual Accounts Act and RR 32 Accounting for Legal Entities. The parent company applies the same accounting policies as the Group where applicable, with the exception of the areas specified below. The differences in the accounting policies of the parent company and the Group arise from restrictions on applying IFRS to the parent company as a result of the Swedish Annual Accounts Act, and the option provided in the transitional provisions in RR 32:

IAS 17 Leases

Finance leases cannot be recognized for legal entities due to the absence or incompleteness of separate regulations on taxation. Finance leases for legal entities can therefore be recognized in accordance with the accounting policies applicable to operating leases. This restriction is of no material significance as the parent company has not entered into any leases which can be classified as finance leases.

IAS 39 Financial instruments: Recognition and Measurement

In accordance with the transitional provisions in RR 32, the parent company has chosen to apply IAS 39 with effect from the 2006 financial year. The parent company does not hold any financial derivative instruments,

for which reason application of IAS 39 will have no impact on recognition or measurement of financial instruments.

Note 1 Reconciliation between previous accounting policies and IFRS

In June 2002 the EU Council of Ministers introduced the International Accounting Standards (IAS), now called the International Financial Reporting Standards (IFRS), as a result of which all listed companies within the European Union must prepare consolidated financial statements in compliance with IAS/IFRS.

Reconciliation of opening balance sheet at 1 January, 2004

NeoNet did not make any IFRS adjustments to its opening balance sheet, and the opening balance sheet pursuant to IFRS was therefore the same as the balance sheet at 31 December, 2003 pursuant to Swedish accounting principles. For this reason no specific reconciliation has been carried out relating to the opening balance sheet.

Reconciliation of information in the full-year financial statements for 2004

The section below contains a reconciliation of selected information with an explanation of how the above effects have impacted the full-year financial statements for 2004.

Other impacts of the introduction of IFRS

The introduction of IFRS has led to NeoNet changing its accounting policies. The main change is that the previous accounting policies for goodwill and amortization of goodwill have been replaced by the following:

Goodwill: Goodwill is the amount by which cost exceeds the fair value of the Group's share in the net assets of the acquired subsidiary at the acquisition date. Goodwill has an indefinite useful life and is therefore subject to annual impairment testing. NeoNet applies the exemption contained in IFRS 1 First-time Adoption of IFRS and does not adjust acquisition analyses for acquisitions made before January 2004. Goodwill is therefore recognized at cost less amortization of goodwill up to and including 31 December, 2003.

Impairment of assets: Assets with an indefinite useful life which are not subject to depreciation are tested for impairment on an annual basis. In the case of assets which are subject to depreciation, an impairment test is performed if there is an indication that an asset or a group of assets has diminished in value. Where the impairment test shows that the carrying amount exceeds the estimated recoverable amount, the carrying amount is immediately written down to the lower amount.

These principles have been applied in preparing the reconciliation of the previous accounting policies and IFRS. The following should also be noted:

- **Introduction of IAS 39 Financial Instruments:** The NeoNet Group was already applying ÅRK, which requires recognition and measurement of financial instruments at fair value. The effects of the introduction of IAS 39 on 1 January, 2005 were therefore limited.

- **Segment information:** NeoNet operates in one business segment. The introduction of IAS 14 Segment Reporting does not affect this judgment, which is described in Note 4.

- **Share-based payment, IFRS 2:** At 31 December, 2004 the Group did not have any share-based payment programs for employees within the scope of IFRS 2.

- **Employee benefits (RR 29/ IAS 19):** As specified in the company's

accounting policies with respect to pension commitments, the Group has only defined contribution plans, for which reason the introduction of RR 29/ IAS 19 Employee benefits is not considered to have any impact on NeoNet's financial statements.

- **Explanation of significant adjustments to the cash flow statement for 2004:** There are no differences in the cash flow statement under IFRS and the cash flow statement prepared under the previous accounting policies.

- **Financial statements for the parent company:** NeoNet AB has followed the recommendation contained in RR 32 Accounting for Legal Entities in preparing the parent company's financial statements for

Consolidated income statement, 1 January, 2004–31 December, 2004

SEK m	Acc. to IFRS	Adjustment	Acc. to public report*
Transaction revenues	201.1		201.1
Transaction expenses	-65.0		-65.0
Transaction revenues, net	136.1		136.1
Other operating revenues	5.8		5.8
Other operating expenses	-59.4		-59.4
Personnel expenses	-55.9		-55.9
Net earnings from financial transactions	-2.9		-2.9
Depreciation	note 1 -28.0	8.0	-36.0
Interest income	2.7		2.7
Interest expenses	-10.7		-10.7
Net interest expenses	-8.0		-8.0
Operating earnings/losses	-12.3	8.0	-20.3
Tax	0.0		0.0
Earnings/losses for the period	-12.3	8.0	-20.3
Consolidated Key figures			
Operating margin	13%		13%
Net margin	neg.		neg.
Average capital employed	392.8		388.6
Equity/assets ratio	64%		62%
Earnings per share before dilution, SEK	-0.24		-0.40
Earnings per share after dilution, SEK	-0.24		-0.40

2005. NeoNet AB assesses the only difference this will give rise to is as described in Note 2 below.

The company further assesses that, compared with previous standards, this does not at present entail any significant differences in reporting in accordance with IFRS over a business cycle of five to ten years, with the exception of IFRS 3: Business Combinations, as a result of which amortization of goodwill has ceased from 1 January, 2004 and been replaced by impairment testing.

It is not possible to estimate the effects of future changes to the regulations.

Consolidated balance sheet, 31 December, 2004

SEK m	Acc. to IFRS	Adjustment	Acc. to public report*
Assets			
Liquid assets	143.8		143.8
Intangible fixed assets	61.3		61.3
Goodwill	note 1 77.7	8.0	69.7
Tangible fixed assets	6.4		6.4
Contract settlement receivables, net	22.8		22.8
Other assets	note 2 27.3	-1.9	29.2
Prepaid expenses and accrued income	6.9		6.9
Total assets	346.2	6.1	340.1
Liabilities, provisions and shareholders' equity			
Liabilities to credit institutions	14.2		14.2
Securities loans	40.7		40.7
Other liabilities	8.9		8.9
Accrued expenses and deferred income	13.7		13.7
Subordinated debt	note 2 48.7	-1.9	50.6
Shareholders' equity			
Share capital	2.5		2.5
Restricted reserves	270.6		270.6
Earnings/losses carried forward	-40.8		-40.8
Earnings/losses for the period	note 1 -12.3	8.0	-20.3
Total liabilities, provisions and shareholders' equity	346.2	6.1	340.1

*Refers to Annual Report 2004.

Note 1 Pursuant to IFRS 3, amortization of goodwill according to plan is not recognized; impairment testing is carried out instead at each year-end. As a result, amortization of goodwill was reversed in 2004, leading to an equivalent increase in operating earnings.

Note 2 Reclassification of costs of raising loans attributable to subordinated debt, which was previously recognized gross under Other assets.

Note 2 Risk

Overview

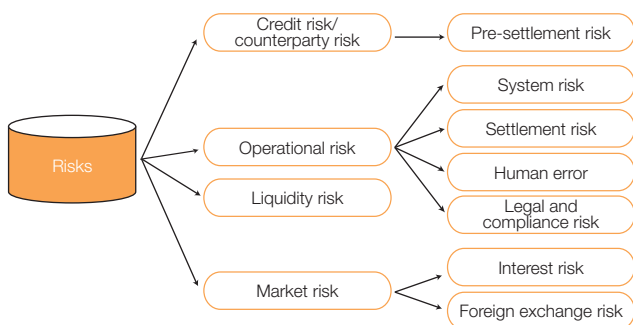
NeoNet's business had largely the same structure and therefore the same risk components in 2005 as in the previous year, although the trading volumes increased significantly. NeoNet's offering has been expanded to include trading on a number of new exchanges. The addition of the new exchanges has not caused any significant increase in the level of risk. On the other hand, NeoNet's generally increased trading volumes have affected the level of risk, primarily for credit risk (counterparty risk) and operational risk. The effect of the volume increase is largely offset by a general strengthening of the financial position of NeoNet's counterparties during the year.

Within the part of NeoNet's trading executed manually by the company's traders, an error was made in processing a large transaction during the fourth quarter, resulting in a loss which has been set at SEK 5.7 m. Measures in the form of changes to management routines and control functions have been introduced to minimize this type of operational risk in the future.

During the year NeoNet also appointed a company lawyer, whose duties include responsibility for managing legal risks.

Risk management

Like other players on the stock market, NeoNet is exposed to various types of risk as a natural part of the business. These risks include credit risk, operational risk, liquidity risk and a very small degree of market risk.



The different types of risk to which NeoNet's business is exposed.

Effective management of risk is important for all parties associated with NeoNet, e.g. clients, clearing banks, lenders, and shareholders. NeoNet's day-to-day risk management is the responsibility of the company's Risk Manager and is conducted according to policies established by the Board. NeoNet's risk management function is independent and reports directly to senior management and the Board. Ultimate responsibility for limiting and monitoring the Group's risks rests with NeoNet's Board. The Board of NeoNet Securities AB has drawn up a written policy for general risk management as well as specific areas of risk.

The Board has appointed a Risk Evaluation Committee responsible for providing the Board with recommendations regarding limits, new clients, changes in risk policies, etc. The Committee comprises the CEO, CFO, Risk Manager and Head of Compliance.

Credit risk (counterparty risk)

'Counterparty risk' is the risk that one of the Group's clients may be unable to fulfill its undertaking to deliver securities or funds (pre-settlement risk). There is no risk involved in the actual settlement of transactions (settlement risk), as all deliveries are made on the principle of DVP (Delivery Versus Payment) or RVP (Receipt Versus Payment).

NeoNet does not engage in proprietary trading. Consequently, NeoNet has no portfolio of its own and therefore does not need to measure and manage what is generally termed market risk, i.e. the risk of losing money as a result of changes in the value of a holding.

However, NeoNet is exposed on a daily basis to what is known as potential market risk, which arises during the period between the execution of a transaction and its settlement (i.e. the pre-settlement period). This type of risk arises because NeoNet in all trading transactions acts as a representative for its client.

Members of stock exchanges are subject to the supervision and monitoring of a regulatory body (in Sweden, the Financial Supervisory Authority). Exchanges and central securities depositories (CSDs) also require their members to comply with regulations and capital adequacy requirements.

Counterparty risk in relation to other exchange members is limited in cases where trades are executed on a marketplace in which a clearing house assumes the role of central counterparty (CCP). The clearing house receives collateral from both buyers and sellers. In addition to the protection provided by clearing, some CSDs have built-in counterparty protection, such as guarantee funds.

In the event of a client failing to complete a transaction, NeoNet could suffer financial damage, as it may then need to buy or sell securities on the market at a different price than the one applying in the original transaction in order to complete the transaction with the counterparty. The pre-settlement risk in relation to the clients is minimized by the fact that all NeoNet clients are required to undergo a credit check before being approved for trading. An internally developed client classification model is used to assess counterparty risk. The model is based on a scoring system which evaluates and rates a number of risk factors (financial factors combined with risks specific to the client category).

NeoNet has taken out credit insurance with Atradius Credit Insurance NV, assigned a credit rating of A by Standard & Poors and A2 by Moody's. After an internal credit assessment, Atradius sets a maximum indemnification amount for each client. The insurance is intended to cover any losses that may arise in the event of a NeoNet client failing to fulfill its payment or delivery undertakings. The vast majority of NeoNet's clients are covered by the insurance, subject to certain conditions, deductibles and limitations per client and per year. The maximum insurance amount and deductible is the same as in 2004.

Operational risks, quality assurance and regulatory compliance

The term 'operational risk' covers a broad category of risks that may result in financial damage for NeoNet. Operational risk exists in all operations within the organization, in operations outsourced to subcontractors and in all collaborations with external parties. The following are a few typical examples of operational risk:

- System risk: The risk that one of NeoNet's systems or electronic communication with clients ceases to function as intended.
- Settlement risk: The risk of a failed or incorrect settlement of equity transactions executed on behalf of a client.
- Human error: The risk of errors caused by the human factor.
- Legal and compliance risks: Legal risks can arise in connection with agreements between NeoNet and clearing banks, NeoNet's clients and suppliers of miscellaneous services, and between NeoNet and its employees. NeoNet's legal risks are managed internally by a full-time company lawyer.

The regulatory compliance function is managed by NeoNet's two compliance officers in the two securities brokerage companies. The compliance officers ensure that operations are conducted in accordance with applicable laws and regulations, and help to ensure quality, integrity and ethical practices within the business. NeoNet's compliance officers are

independent and report directly to senior management and the Board.

Responsibility for disseminating knowledge of laws and regulations within NeoNet rests with the legal/compliance function.

Successful management of operational risk requires good internal control and quality assurance, which is best achieved by means of good management and competent personnel. NeoNet manages operational risks by continuously improving its internal routines and day-to-day control procedures. Among other things, NeoNet uses an independent external auditor to help identify any weaknesses in the company's internal routines. In respect of the trading system and its communication with the exchange systems and, where applicable, clients' order management systems, NeoNet aims to achieve the highest possible security levels and applies standards in the form of tried-and-tested data communications solutions, software and generally accepted communications protocols. With a view to limiting the effect of future losses, NeoNet has previously adopted a crisis management plan and taken out comprehensive insurance cover for major events.

Liquidity risk

'Liquidity risk' is the risk of NeoNet being forced to fulfill its undertakings at a higher cost or, in the worst-case scenario, not being able to fulfill its undertakings. The Group's business requires high levels of liquid assets relative to revenues. The business requires a high level of access to working capital in order to provide various forms of collateral. These collateral requirements come mainly from CCPs and clearing banks.

NeoNet's undertakings require the company to provide collateral in the form of pledged bank deposits. Some of the undertakings that NeoNet must fulfill are likely to fluctuate in size, are very difficult to predict and require action the same day. The liquidity risk is therefore mainly related to unforeseen sharp increases in collateral requirements.

NeoNet endeavors always to find optimal solutions for the entire settlement process on the respective stock markets, including methods for ensuring that collateral requirements as described above are met. The Group works with a number of banks, selected on the basis of a number of criteria, including service level, data integration possibilities, securities loan facilities and, not least, the solutions that are offered for financing collateral requirements.

Current assets and current liabilities in foreign currencies Group as at 31 December, 2005

Currency	Rate on balance sheet date, SEK/currency	Current assets in foreign currency (000s)	Current liabilities in foreign currency (000s)
CHF	6.0580	1,263	427
DKK	1.2640	13,537	11,465
EUR	9.4300	17,101	12,612
GBP	13.7325	1,065	917
NOK	1.1760	13,155	12,285
USD	7.9525	3,100	1,427
CAD	6.8400	43	0

The earnings in the Group's foreign subsidiaries has been translated at the average rate for the month as published by the Swedish central bank.

The NeoNet Group's current liquid assets comprise the sum of bank balances, short-term investments, unutilized overdraft facilities, the difference between contract settlement receivables and liabilities, and receivables mainly from clearing houses and similar institutions, less liabilities for temporary settlement loans. NeoNet's Cash Manager is responsible for managing the liquidity risk.

Market risk (interest risk and foreign exchange risk)

'Market risk' refers to the risk of losses in the form of reduced market value as a result of price changes relating to interest rates, currencies or shares. In accordance with the company's investment policy, in 2005 NeoNet invested a large portion of its liquid assets in Swedish bonds and treasury bills. NeoNet's market risk associated with this investment is limited because the bond portfolio is permitted to have an average duration of no more than one year. The risk is measured, monitored and reported on a daily basis.

The current liabilities in NeoNet's balance sheets are subject to interest at a floating rate. Short-term risk exposure is limited, as most of these liabilities are very short term, normally just one or a few days. The fair value of both the financial assets and liabilities is the same as the book value. On the balance sheet date, 31 December, 2005, interest-bearing receivables amounted to SEK 179 m (SEK 129 m) and interest-bearing current liabilities to SEK 72 m (SEK 14 m), with an average interest rate of 2.0% and 2.7% respectively.

NeoNet is exposed to foreign exchange risk as a result of sales and expenses in foreign currencies, translation of the balance sheets and income statements of foreign subsidiaries into Swedish kronor, and assets and liabilities in foreign currencies arising in connection with the settlement process. NeoNet regularly enters into forward contracts to reduce the foreign exchange risk in major holdings denominated in EUR, GBP and USD.

At the balance sheet date, 31 December, 2005, NeoNet had forward contracts amounting to EUR 4.5 m, GBP 0.4 m and USD 0.3 m.

Parent company's risk exposure

The parent company's risk exposure corresponds in all essential respects to that of the Group, as described above.

❖ Note 3 Impairment testing of goodwill

Goodwill is the amount by which cost exceeds the fair value of the Group's share in the net assets of the acquired subsidiary at the acquisition date. The Group's goodwill has an indefinite useful life and is therefore subject to annual impairment testing. This compares the carrying amount with the recoverable amount, which is the higher of the asset's fair value less selling expenses and the value in use. Where impairment testing shows that the carrying amount exceeds the estimated recoverable amount, the carrying amount is immediately written down to the lower amount.

As all of NeoNet's operations are conducted as an integrated line of business, the cash-generating unit to which goodwill is allocated is the same as the Group as a whole. For the same reason, impairment testing of goodwill has been offset against estimated future cash flows in the Group.

The calculation used in impairment testing takes its starting point in estimated future cash flows based on financial forecasts approved by the Board covering a five-year period. The discount rate applied is 12.5%.

The impairment test does not reveal any write-down requirement for goodwill.

❖ Note 4 Transaction revenue

	2005	2004
Commission from securities transactions	253,182	201,056
Total transaction revenues	253,182	201,056

NeoNet's business is focused on offering electronic direct market access on a number of exchanges. As a supplementary service, NeoNet also offers its clients traditional trading through the company's trading desks. However, sales, marketing, operations and administration are run as a single business area and so there is no division into segments, either organizationally or in terms of responsibility. Accordingly, NeoNet has no reason to report revenue by business area.

❖ Note 5 Transaction expenses

	2005	2004
Other transaction expenses	99,100	73,435
Total transaction expenses	99,100	73,435

This item includes variable transaction expenses from exchanges, clearing houses, central securities depositories and banks. In comparison with previous annual reports, variable costs for supplementary services have been reclassified from 'Other operating expenses'.

❖ Note 6 Other operating revenues

	2005	2004
Data communication and market data	3,093	3,912
Other revenues	1,693	1,839
Total other operating revenues	4,786	5,751

The item 'Data communication and market data' refers to revenues from billed-through services which form part of NeoNet's offering to clients using the electronic trading system. The corresponding expense is reported under 'Other operating expenses'.

Intra-group transactions

The subsidiary NeoNet Technology AB made sales of SEK 11,819,000 (SEK 15,269,000) to NeoNet Securities AB; NeoNet Securities AB made sales of SEK 64,151,000 (SEK 39,319,000) to NeoNet Securities, Inc.; and NeoNet Securities, Inc. made sales of SEK 3,762,000 (SEK 0) to NeoNet Securities AB. These amounts have been eliminated in the consolidated financial statements. The parent company made no sales to or purchases from subsidiaries.

❖ Note 7 Other operating expenses

This item includes expenses of the following type: external services, data-related expenses, stock exchange membership fees, fees for administrative services, insurance, rent and office expenses, auditors' fees and other fees. The parent company did not invoice the subsidiaries for any expenses.

Specification of auditors' fees

	2005	2004
<i>Group</i>		
Audit		
PricewaterhouseCoopers AB	1,084	1,208
Ernst & Young	0	132
Other assignments		
PricewaterhouseCoopers AB	598	119
Ernst & Young	98	227
Martyn Chilvers & Co	40	–
Total remuneration to auditors	1,820	1,686
<i>Parent company</i>		
Audit		
PricewaterhouseCoopers AB	409	385
Other assignments		
PricewaterhouseCoopers AB	345	10
Total remuneration to auditors	754	395

Audit engagements include auditing the annual report and accounting records, and reviewing the corporate governance by the Board and CEO. This category also includes other tasks that fall to the company's auditors and consultancy following observations made during audit work. All other services are categorized 'Other assignments'.

Not 8 Personnel

Average number of employees	2005		2004	
	No. of employees	Of which men	No. of employees	Of which men
Sweden ¹⁾	69	46	64	44
USA	11	10	14	13
Group	80	56	78	57

Number of employees at year-end				
	2005	2004	2005	2004
Sweden ¹⁾	69	41	64	44
USA	11	10	10	9
Group	80	51	74	53

1) Personnel based in Europe outside Sweden are employed in the Swedish subsidiary.

Absence due to illness and health risks in Sweden

Absence due to illness of employees in Sweden was 2% (2%) of total working hours. 38% (52%) of absence due to illness related to continuous periods of more than 60 days.

Absence due to illness as a proportion of ordinary working hours*

	2005	2004
29 and under	3%	3%
30 and over	2%	2%
Men	1%	1%
Women	4%	4%
Total	2%	2%

*Data on absence due to illness is not broken down into smaller age groups as it could then be attributed to individuals.

The number of incidents in 2005 was very limited. The primary health risks leading to long-term absence have historically been stress-related illnesses.

Age structure in the Group

	2005	2004
20-29 years	19%	24%
30-34 years	35%	32%
35-44 years	37%	35%
45-60 years	9%	9%
Total	100%	100%

Industry experience, IT/Finance

	2005	2004
1-5 years	26%	21%
6-10 years	38%	40%
10+ years	36%	39%
Total	100%	100%

Educational level

	2005	2004
University - Finance	29%	28%
University - IT or technology	18%	12%
University - other	30%	36%
Other	23%	24%
Total	100%	100%

Period of employment

	2005	2004
Less than 1 year	18%	26%
1-2 years	24%	9%
3-5 years	43%	58%
6-10 years	15%	7%
Total	100%	100%

Option program

At the balance sheet date there were no stock option programs in place aimed at the employees.

Senior executives

The Management Group comprised seven individuals in 2004, all men. The Board of Directors comprised six members, one of whom is a woman.

Remuneration of senior executives

The Chairman and other Directors are paid fees as approved at the Annual General Meeting. When determining the distribution of fees, committee work and membership of the boards of subsidiaries are taken into consideration. The employee representative on the Board does not receive a fee. For the 2004/2005 term of office, NeoNet paid out SEK 630,000 in directors' fees in 2005, SEK 150,000 of which to the Chairman. The Chairman received no remuneration apart from this fee. In accordance with a resolution at the 2005 Annual General Meeting, the directors' fees for board and committee work in the 2005/2006 term of office will be SEK 730,000, SEK 365,000 of which was paid out in November (SEK 85,000 to the Chairman).

The CEO Simon Nathanson was paid SEK 2,075,000 and an additional 25% in pension premiums in 2005. Remuneration of the CEO and other senior executives comprises a basic salary, other benefits, pension, plus variable performance-based remuneration. 'Other senior executives' refers to the six individuals who, together with the CEO, make up Group Management. For details of members of Group Management, see page 40.

Like all NeoNet employees, the CEO and other senior executives are entitled to variable remuneration that is essentially based on the Group's financial performance. Like the overall salary, the variable remuneration should be proportionate to the employee's level of responsibility and performance. The CEO is entitled to variable remuneration up to a maximum value equivalent to six monthly salaries. The other senior executives are entitled to variable remuneration not exceeding 50% of their annual basic salary.

The Group has only defined contribution pension plans. 'Pension expenses' refers to the expenses charged to net earnings for the year. For more information on pensions, see below.

Terms of notice, severance pay and pensions

For the CEO, a period of notice of six months applies if he resigns and twelve months if the company terminates his employment.

There were six other senior executives at year-end. For one senior executive, no period of notice entitlement applies from either the company's or the employee's side before November 2006, unless a serious breach of contract occurs. For the other senior executives, the period of notice on the part of the employee is three or six months. In the event of termination by the company, one senior executive is entitled to lump-sum compensation of twelve months' salary in addition to his salary during the six-month period of notice. The other senior executives are entitled to three to nine monthly salaries. If the executive resigns, no severance pay is payable.

Pension premiums amounting to a maximum of 28% of salary costs have been paid in respect of other senior executives.

Stock option programs, financial instruments, etc. for senior executives

At year-end 2005 there were no stock option programs, financial instruments, etc. in place aimed at senior executives or other employees.

Bonuses and reward programs for employees

The basic salary for the company's sales representatives and brokers is commission-based. Remuneration is based on the contribution generated by new and existing clients.

For other employees not covered by commission-based salaries, there is a discretionary allocation program. The program comprises distribution of profits based on earnings before tax. Profit distribution only takes place if the full-year result, minus all other expenses, exceeds a preset threshold value, determined on the basis of the shareholders' entitlement to a good

return. The Remuneration Committee and the Board are the ultimate decision-making bodies with respect to reward programs.

Drafting and decision-making process

In 2005 the Remuneration Committee submitted recommendations to the Board on the principles to be applied to remuneration of senior executives and other employees.

The recommendations cover variable remuneration as well as salaries and other remuneration for senior executives. The Committee also proposed a set of criteria for the determination of bonuses. The Board has discussed the Committee's proposals and has taken a decision based on the Committee's recommendations. Remuneration to the CEO for the 2005 financial year has been determined by the Board. Remuneration to other senior executives has been proposed by the CEO based on

the principles drafted by the Remuneration Committee. The Committee, which comprises Board members Hans Karlsson and Kari Lotsberg, convened two meetings in 2005.

Other employee information

An employee survey was carried out in 2005, and showed a clear improvement on 2004 in how NeoNet is perceived by its employees. The result was an average employee index of 5.0 (4.5) on a seven-point scale. The results of the employee survey form the basis for identifying areas for improvement and facilitating measures.

Employee turnover¹⁾ in 2005 was 15% (28%).

1) The total number of terminations divided by the average number of employees during the year.

	2005			2004		
	Salaries and other remunerations	Pension expenses	Other social security expenses	Salaries and other remunerations	Pension expenses	Other social security expenses
Parent Company	5,297	1,194	1,698	5,045	1,328	1,820
Subsidiaries	43,271	4,160	11,475	40,439	3,676	10,635
Group	48,568	5,354	13,173	45,484	5,004	12,455

In accordance with the company's pension policy, NeoNet makes regular premium-based provisions into defined contribution plans for personnel in the Swedish companies. The premium is determined by the employee's salary and age.

	2005		2004	
	Board and CEO (of which bonuses etc.)	Other employees	Board and CEO (of which bonuses etc.)	Other employees
Parent company	2,886	2,411	2,448	2,597
	(-)		(-)	
Subsidiaries:				
Sweden	849	33,522	996	28,508
USA and UK	1,691	7,209	1,518	9,417
Group	5,426	43,142	4,962	40,522
	(-)		(-)	

	2005	2004
Personnel expenses		
Salaries and other remunerations	48,568	45,484
Social security expenses – pensions	5,354	5,004
Social security expenses – other	13,173	12,455
Other personnel expenses	2,385	2,982
Total personnel expenses	69,480	65,925

Personnel expenses reported in costs of intangible assets (development of trading system)	9,984	10,006
Personnel expenses in accordance with income statement	59,496	55,919
Total personnel expenses	69,480	65,925

Remuneration and other benefits to the Board, CEO and other senior executives in 2005

	Basic salary/ Directors' fee	Commission- based salary	Other variable remuneration	Other benefits**	Pension expenses	Benefit in form of financial in- struments, etc.	Other remuneration	Total
The Board	706	-	-	-	-	-	-	706
CEO	2,075	-	-	80	525	-	-	2,680
Other senior executives*	6,614	864	295	96	913	-	-	8,782
Total	9,395	864	295	176	1,438	0	0	12,168

* The Management Group comprises six persons in addition to the CEO.

** Other benefits refer to company cars.

•❖ Note 9 Net earnings from financial transactions

	2005	2004
Group		
Exchange gain/loss	2,303	-2,527
Value adjustment, currency forwards	-2,886	-424
Net earnings from financial transactions	-583	-2,951

The Group's currency exposure mainly comprises assets in foreign currencies that have been paid as a deposit for required margin cover or retained for use if required as supplementary collateral for overnight and securities loans. Currency forwards are used on a regular basis to offset the effects of fluctuations in exchange rates.

•❖ Note 10 Net interest income

	2005	2004
Group		
Interest income		
Loans to credit institutions	4,101	2,527
Value adjustment, interest-bearing securities	1,185	212
Other interest income	4	8
Total interest income	5,290	2,747
Interest expenses		
Liabilities to credit institutions for securities and cash loans	-7,443	-5,845
Subordinated debt	-5,864	-3,985
Other interest expenses	-2,248	-821
Total interest expenses	-15,555	-10,651
Net interest income	-10,265	-7,904

Parent company

Interest income		
Loans to credit institutions	8	18
Interest income from subsidiaries	7,490	7,684
Other interest income	-	6
Total interest income	7,498	7,708
Interest expenses		
Liabilities to credit institutions	0	-4
Subordinated debt	-5,864	-3,985
Other interest expenses	-1	-258
Total interest expenses	-5,865	-4,247
Net interest income	1,633	3,461

Interest expenses relating to subordinated debt include accrued transaction costs of SEK 806,000 (SEK 557,000) incurred in connection with issuance of the debenture loan.

•❖ Note 11 Tax for the year and deferred tax

	2005	2004
Group		
Current tax for the year	-	-44 ^{*)}
Deferred tax	-381	-
Recognition of deferred tax assets relating to tax-loss carry-forward	20,983	-
Total	20,602	-44

* relates to tax in American subsidiaries.

Difference between the Group's tax expense and tax expense based on current tax rate

<i>Earnings before tax</i>	6,245	-20,274
Tax in accordance with current tax rate	-1,749	5,677
Tax effect of non-deductible expenses	-255	-22,453
Tax effect of non-taxable income	1	1
Deferred tax on untaxed reserves	-2	-
Deferred tax on internal profits	-381	-280
Tax effect of unreported tax-loss carry-forward for the year	-	17,055
Tax effect of reported tax-loss carry-forward for the year	22,988	-
Effect of foreign tax rates	-	-44

Tax on earnings for the year in accordance with income statement

	2005	2004
Parent company		
Deferred tax	254	-
Deferred tax on group contributions received	6,550	42
Total tax for the year	6,804	42

Difference between the parent company's tax expense and tax expense based on current tax rate

<i>Earnings before tax</i>	-10,836	-91,756
Tax in accordance with current tax rate (28%)	3,034	25,692
Tax effect of non-taxable income recognized in shareholders' equity	-96	-
Tax effect of non-deductible expenses for the year	-26	-21,958
Deferred tax on untaxed reserves	-2	-
Tax effect of unreported tax-loss carry-forward for the year	-	-3,692
Tax effect of reported tax-loss carry-forward for the year	3,894	-
Tax on earnings for the year in accordance with income statement	6,804	42

❖ Note 12 **Liquid assets**

	2005	2004
<i>Group</i>		
Information on investments		
Cash	7	7
Chargeable government bonds	38,533	25,800
Bonds and other interest-bearing treasury bills	34,701	23,410
Swedish credit institutions	8,735	29,478
Foreign credit institutions	102,345	65,148
Total	184,321	143,843
Information on term of loans		
Payable on demand	133,714	106,636
Remaining term of up to 3 months ¹⁾	50,600	37,200
Total	184,314	143,836

1) This item refers to securities which can be sold immediately on the money market.

❖ Note 13 **Intangible assets**

	2005	2004
<i>Group</i>		
Acquisition value, opening balance	158,021	143,151
Acquisitions	12,219	14,997
Disposals	-	-127
Acquisition value, closing balance	170,240	158,021
Amortization according to plan, opening balance	-96,687	-75,267
Disposals	-	127
Amortization according to plan	-19,820	-21,547
Amortization according to plan, closing balance	-116,507	-96,687
Residual value according to plan	53,733	61,334

This item relates to the electronic trading system and administrative system. The non-current assets include SEK 0.6 m for ongoing development projects. See Accounting policies for information on amortization periods. The reported residual value of intangible assets at 31 December, 2005 is estimated to be written down by the following amounts (SEK m):

2006	19.3
2007	16.3
2008	13.8
2009	4.3
2010	0.0

❖ Note 14 **Goodwill**

	2005	2004
<i>Group</i>		
Acquisition value, opening balance	77,682	76,886
Additions	-	796
Acquisition value, closing balance	77,682	77,682

❖ Note 15 **Tangible assets**

	2005	2004
<i>Group</i>		
Acquisition value, opening balance	38,201	36,919
Acquisitions	3,641	1,818
Sales	-501	-
Disposals	-3,051	-246
Currency translation differences	350	-290
Acquisition value, closing balance	38,640	38,201
Depreciation according to plan, opening balance	-31,799	-25,803
Sales	492	-
Disposals	2,867	243
Depreciation according to plan	-4,113	-6,412
Currency translation differences	-304	173
Depreciation according to plan, closing balance	-32,857	-31,799
Residual value according to plan	5,783	6,402
<i>Parent company</i>		
Acquisition value, opening balance	576	615
Disposals	-	-39
Acquisitions	40	0
Acquisition value, closing balance	616	576
Depreciation according to plan, opening balance	-491	-453
Disposals	-	39
Depreciation according to plan	-76	-77
Depreciation according to plan, closing balance	-567	-491
Residual value according to plan	49	85

❖ Note 16 **Deferred tax asset**

	2005	2004
<i>Group</i>		
Deferred tax, opening balance	-	-
Change during the year	20,890	-
Deferred tax, closing balance	20,890	-
<i>Parent company</i>		
Deferred tax, opening balance	-	-
Change during the year	254	-
Deferred tax, closing balance	254	-

Pursuant to IAS 12 (Income Taxes), a deferred tax asset attributable to tax-loss carry-forward must be reported in companies if there are factors which suggest that a taxable profit will be generated in the future. Based on the year's inflow of clients and an expanded product range, the Management and Board have assessed that NeoNet will generate sufficient profits within the foreseeable future to justify this tax asset.

❖ Note 17 **Net contract settlement receivables**

	2005	2004
<i>Group</i>		
Contract settlement receivables	6,506,881	2,807,904
Contract settlement liabilities	-6,391,131	-2,785,081
Total net contract settlement receivables	115,749	22,823

❖ Note 18 **Other assets**

	2005	2004
<i>Group</i>		
Share in tenant-owners' association	788	788
Tax asset	2,296	1,660
Funds deposited with clearing houses	1,766	14,335
Other receivables	15,374	10,501
Total other assets	20,224	27,284
<i>Parent company</i>		
Share in tenant-owners' association	788	788
Other receivables	309	26
Total other assets	1,097	814

❖ Note 19 **Liabilities to credit institutions**

	2005	2004
<i>Group</i>		
Lender categories		
Swedish credit institutions	-	8,964
Foreign credit institutions	77,070	5,253
Total liabilities to credit institutions	77,070	14,217
Term of liabilities		
Payable on demand	77,070	14,217
Total	77,070	14,217

This item refers to temporary loans raised with a view to facilitating settlement in the event of delays.

❖ Note 22 **Shares in subsidiaries**

Company	Registered office	Corporate identity number	Number of shares	Participation	Book value
NeoNet Securities AB	Stockholm	556530-4804	480,000	100%	133,939
NeoNet Technology AB	Stockholm	556550-4858	2,300	100%	3,800
NeoNet Securities, Inc.	Delaware, USA		300	100%	25,522
Lexit Financial Group Inc.	Delaware, USA		100	100%	0
<i>Subsidiary, Lexit Financial Group Inc.:</i>					
Lexit Capital LLC	New Jersey, USA				
NeoNet Securities Ltd	London				
Total book value					163,261

	2005	2004
<i>Acquisitions and write-downs</i>		
Acquisition value, opening balance	163,261	239,354
Acquisitions	-	6,088
Acquisition value, closing balance	163,261	245,442
<i>Write-downs</i>		
Write-downs, opening balance	0	0
Write-downs	-	-82,181
Total book value	163,261	163,261

❖ Note 20 **Other liabilities**

	2005	2004
<i>Group</i>		
Accounts payables	12,650	4,969
Tax liability	2,242	893
Other liabilities	2,674	3,064
Total other liabilities	17,566	8,926
<i>Parent company</i>		
Liabilities to subsidiaries	5,116	74
Other current liabilities	195	168
Total other current liabilities	5,311	242

❖ Note 21 **Accrued expenses and deferred income**

	2005	2004
<i>Group</i>		
Transaction expenses	5,527	4,745
Data communication	1,320	817
Interest expenses	169	140
Social security expenses	937	827
Vacation pay	3,087	2,440
Personnel expenses	4,627	1,384
Other accrued expenses	4,092	3,042
Deferred income	258	250
Total accrued expenses and deferred income	20,017	13,645
<i>Parent company</i>		
Directors' fee	122	421
Social security expenses	136	112
Vacation pay	309	185
Personnel expenses	623	389
Other accrued expenses	1,006	326
Total accrued expenses and deferred income	2,195	1,433

❖ Note 23 **Debenture loans**

At an extraordinary meeting of shareholders on 19 February, 2004 a decision was taken to issue a new debenture loan with detachable warrants aimed at shareholders. The debenture loan amounts to SEK 50,582,040. The funds were received in full in April 2004.

Terms and conditions of issue: For every 10 shares in NeoNet, the holder is offered the chance to subscribe for a debenture of nominal value SEK 10.00 with three detachable warrants.

Loan amount: A nominal SEK 50,582,040, represented by 5,058,204 debentures each worth SEK 10.00. Each debenture has three detachable warrants.

Interest: The debenture loan carries an annual interest rate of 10.00%.

The interest is paid annually in arrears at the end of the period on December 30, 2004, 2005 and 2006, and on 13 April, 2007.

Term: The debenture loan falls due for payment on 13 April, 2007.

Early redemption: The company has the right, once a year in connection with payment of interest, to redeem the loan for the nominal amount.

Warrants

Number of warrants: The number of warrants is 15,174,612.

Subscription price: Each warrant entitles the holder to subscribe for one new share of a nominal SEK 0.05 for a subscription price of SEK 6.00.

Subscription period: Subscription requests may be submitted during the last ten banking days before the end of each calendar quarter, with the final opportunity from 19 March up to and including 30 March, 2007.

The transaction expenses relating to issuance of the loan, which amounted to SEK 2.4 m, plus interest on the loan, are recognized on an ongoing basis over the term of the loan.

❖ Note 24 **Share capital performance**

	Increase in number of shares	Total number of shares	Change in share capital, SEK	Total share capital, SEK
Opening balance 2002	–	42,654,700	–	2,132,735
2002 New subscription ¹⁾	1,010,000	43,664,700	50,500	2,183,235
2003 Non-cash issue ²⁾	6,917,343	50,582,043	345,867	2,529,102
2004	–	50,582,043	–	2,529,102
2005 New subscription ¹⁾	7,971	50,590,014	399	2,529,501

1) New subscription through exercise of warrants. 2) Non-cash issue for the acquisition of Lexit Financial Group, Inc.

❖ Note 25 **Appropriations**

	2005	2004
<i>Parent company</i>		
Difference between booked depreciation and depreciation according to plan	-9	–
Total appropriations	-9	–

❖ Note 26 **Receivables from subsidiaries**

Receivables from subsidiaries include a subordinated loan of USD 550,000 to the subsidiary NeoNet Securities, Inc. The parent company's ability to call in the loan for repayment is limited due to the way the loan is structured.

••• Note 27 Capital adequacy analysis (Group)

The company is subject to statutory capital adequacy requirements (FFFS 2004:19) stipulating that at least 8% of risk-weighted investments, in view of the credit risk, be covered by the capital base. 'Investments' refers to both on- and off-balance sheet items. The capital base comprises shareholders' equity less intangible assets and consolidated goodwill. An analysis of the capital adequacy situation follows, showing that the consolidated capital adequacy ratio was 66% (52%). The comparative figures for 2004 have been restated according to FFFS 2004:19.

Capital base	31, Dec, 2005	31, Dec, 2004
The capital base includes the Board's proposals for appropriations and allocation of profit.		
Shareholders' equity	249,780	220,035
Deferred tax assets	-20,890	-
Intangible assets	-53,733	-61,334
Consolidated goodwill	-77,682	-77,682
Primary capital	97,475	81,019
Supplementary capital	-	-
Total capital base	97,475	81,019

Capital adequacy requirement, credit risks	Weighting according to FFFS 2004:19	On-balance sheet items	Off-balance sheet items	Risk-weighted amount, 31, Dec, 2005	Risk-weighted amount, 31, Dec, 2004
Group					
A	0%	137,164	-	0	0
B	20%	111,080	-	22,216	23,607
C	50%	-	-	0	0
D	100%	35,498	-	35,498	41,284
Total risk-weighted amount for credit risks				57,714	64,891

The various segments mainly comprise the following:

- A Claims on or guaranteed by government/central bank within OECD or Swedish municipality.
- B Claims on or guaranteed by municipalities, banks and certain financial institutions within the OECD, and current receivables relating to banks in general.
- C Claims against mortgage deed security in residential real estate.
- D Other claims/assets.

Risk-weighted amount	2005	2004
Credit risks	57,714	64,891
Interest risks	1,084	732
Counterparty risks	9,940	6,848
Settlement risks in outstanding, delayed transactions	13,956	11,807
Currency risks	65,430	71,294
Total risk-weighted amount	148,124	155,572

Capital adequacy ratio	2005	2004
Total capital base	97,475	81,019
Total risk-weighted amount	148,124	155,572
Capital adequacy ratio	66%	52%

••• Note 28 Rental and major lease commitments

Group

The year's rental expenses amounted to SEK 6,040,000, compared with SEK 8,422,000 in 2004.

Contracted future rental expenses	
2006	3,776
2007	3,723
2008	3,229
2009	-
2010	-
Total	10,728

Operating leases relating to cars, office equipment, etc. are reported under operating expenses.

••• Note 29 Transactions with related parties

Apart from the transaction described in Note 8, none of the Board members, the senior executives or the company's auditors, either on their own behalf or through companies or related parties, have participated directly in any business transactions carried out by the company that were unusual in nature or in respect of their terms and conditions during the current or any previous financial year.

••• Note 30 Dividend

Based on the Group's financial position, profit performance and expected growth, the Board and CEO have decided to propose that the Annual General Meeting approve payment of a dividend of SEK 12,649,000 or SEK 0.25 per share.

••• Note 31 Events after the balance sheet date

At the start of 2006 the offering was expanded to include trading on the Vienna exchange and the Swiss SWX exchange. This means that NeoNet now offers trading on 20 of the world's leading exchanges.

The income statement and balance sheet are subject to ratification by the Annual General Meeting on 4 May, 2006.

Stockholm, 16 March, 2006

Simon Nathanson
CEO

Staffan Persson
Chairman

Hans Karlsson

Nils-Robert Persson

Kari Lotsberg

Thord Wilkne

Gerard Versteegh

Our Audit Report was presented on 16 March, 2006
PricewaterhouseCoopers AB

Eva Riben
Authorized Public Accountant

Audit Report

(translation of the Swedish original)

To the Annual General Meeting of NeoNet AB (publ)

Corporate identity number 556530-1263

We have audited the annual report, consolidated financial statements and accounting records for 2005, as well as the Board's and Chief Executive Officer's administration of NeoNet AB (publ) during the year (p. 12-38). Responsibility for the annual report, administration of the company, and compliance with the Annual Accounts Act in the preparation of the annual report and with International Financial Reporting Standards (IFRS) as adopted by the EU and the Annual Accounts Act for Credit Institutions and Securities Companies in the preparation of the consolidated financial statements, rests with the Board and the Chief Executive Officer. Our responsibility is to express an opinion on the annual report, consolidated financial statements and administration based on our audit.

The audit has been conducted in accordance with good auditing practice in Sweden. This means that we have planned and conducted the audit in a way that enables us to obtain reasonable assurance that the annual report and consolidated financial statements are free of material misstatement. An audit involves examining, on a test basis, evidence supporting the amounts and other information in the accounting documents. An audit also involves assessing the accounting policies used and their application by the Board and the Chief Executive Officer, as well as evaluating significant estimates made by the Board and the Chief Executive Officer in preparing the annual report and consolidated financial statements, and assessing the overall presentation of information in the annual report and consolidated financial statements. As a basis for our opinion concerning discharge from liability, we have examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any Board member or the Chief Executive Officer. We have also examined whether any Board member or the Chief Executive Officer has in any other way acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for the following statements:

The annual report and consolidated financial statements have been prepared in accordance with the Annual Accounts Act and are a fair presentation of the company's earnings and financial position in accordance with generally accepted accounting principles in Sweden. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and the Annual Accounts Act for Credit Institutions and Securities Companies and provide a fair presentation of the Group's earnings and financial position. The Directors' Report is consistent with the other parts of the annual report and consolidated financial statements.

We recommend to the Annual General Meeting that the income statements and balance sheets of the parent company and group be adopted, that the profit of the parent company be allocated in accordance with the proposal in the Directors' Report and that the members of the Board of Directors and the Chief Executive Officer be discharged from liability for the financial year.

Stockholm, 16 March, 2006

PricewaterhouseCoopers AB

Eva Riben

Authorized Public Accountant

Corporate governance

Application of corporate governance code

NeoNet is not initially covered by the requirements of the Swedish Corporate Governance Code, although the company has been influenced by the Code in some respects.

Annual General Meeting

The Annual General Meeting is NeoNet's supreme decision-making body, in which the shareholders can exercise their right to make decisions on the company's affairs. The Annual General Meeting was held on 10 May, 2005 in Stockholm.

Matters discussed at the Annual General Meeting include the following: presentation and adoption of the annual report; allocations of the company's profit or loss; consideration of discharge of liability for members of the Board and the CEO; election of Board and auditors, where applicable; setting of directors' and auditors' fees; and other important issues. Pursuant to the company's Articles of Association, the Annual General Meeting must be held in Stockholm within six months of the end of each financial year (1 January – 31 December).

Notice of the Annual General Meeting or of extraordinary general meetings convened to discuss amendments to the Articles of Association must be sent out no earlier than six weeks and no later than four weeks before the meeting. Notice of other extraordinary general meetings must be sent out no earlier than six weeks and no later than two weeks before the meeting.

The Annual General Meeting 2005 was attended by shareholders representing 36% of the share capital and votes in the company.

Brief information on the Annual General Meeting for 2006, which will be held on 4 May, was contained in the Third Quarter Interim Report 2005 and appears again on page 44.

The Nominating Committee

The procedure for nominating board members consists in the major shareholders appointing the Chairman of the Board and two further representatives as a Nominating Committee at the end of each year. The representatives work under the leadership of the committee chairman to draw up a proposal for the composition of the board, which is submitted to and voted on at the Annual General Meeting. The Committee prior to the Annual General Meeting 2005 comprised Staffan Persson (chairman), Hans Karlsson and Peter Lindell, as published in the fourth quarter of 2004. The Nominating Committee met twice prior to the Annual General Meeting 2005. The Nominating Committee for the Annual General Meeting 2006 comprises Hans Karlsson (chairman), Staffan Persson and Peter Lindell, as published in the fourth quarter of 2005. No separate remuneration has been paid to the members of the Nominating Committee.

The work of the Board

General information

The Board of Directors comprises six members elected at the Annual General Meeting in 2005 plus one co-opted member appointed by the employees. Nils-Robert Persson and Gerard Versteegh were elected as new members at the Annual General Meeting. Former member Mats Sundström declined re-election at the Annual General Meeting 2005. A presentation of the Board appears on page 41. The CEO is not a member of the Board. Other company officials participate in Board meetings to present reports. The Board held eight minuted meetings in 2005, one being the inaugural meeting of the new board, with special attention being paid to sales and product development. The Board also held one

longer meeting to discuss company strategy. One further meeting was held per capsulam.

Board meetings follow a pre-approved agenda. Agendas and background material are distributed to the members before each board meeting. The Board takes decisions following an open discussion led by the chairman. No differences of opinion on any issue requiring a decision were minuted in 2005.

Attendance at ordinary board meetings

	08.02.05	13.04.05	10.05.05	10.05.05 (inaugural)	29.06.05	02.09.05	24.10.05	15.12.05
Staffan Persson	•	•	•	•	•	•	•	•
Hans Karlsson	•	•	•	•	•	•	•	•
Kari Lotsberg	•	•	•	•	•	•	•	•
Nils-Robert Persson	–	–	•	•	•	•	•	•
Mats Sundström	•	x	x	–	–	–	–	–
Gerard Versteegh	–	–	•	•	•	•	•	•
Thord Wilkne	•	•	•	•	•	•	•	•
Nicolas de Champs	•	•	•	•	•	•	•	•

• = present x = not present – = not applicable

Governance and reporting principles

The Board of Directors observes a set of procedural rules and guidelines regarding the division of responsibilities between the Board and the CEO, and instructions relating to the structure and content of Board meetings. These basic documents are reviewed annually.

The Board's procedural rules and guidelines regulate the work of the Board and address the following areas:

- meetings: inaugural board meeting, meeting frequency over the year, conditions for extra meetings, procedures for setting time of meeting, and notice of meeting
- reporting list: compilation and distribution
- matters to be dealt with at ordinary/inaugural board meetings
- procedures for submitting ongoing reports and other information to the Board and auditors
- division of responsibilities between Board and CEO
- quorum and attendance
- minute-writing procedure
- disqualification and other issues.

The CEO also follows instructions regulating obligations and competences relating to NeoNet's operating activities. The CEO provides Board members with a written report once a month. Among other things, this report contains information on the Group's operations and business status, earnings for the last month, comments on deviations from budget and an update on the staff situation.

Evaluation of the work of the Board

The chairman of the Board evaluates the Board and the work of its members over the year and reports to the Board. The chairman also presents his assessment of needs in terms of the Board's profile and competencies to the Nominating Committee and compares this with existing resources within the Board.

The Remuneration Committee

The Remuneration Committee, which comprises board members Hans Karlsson (chairman) and Kari Lotsberg, has an advisory role. Its task, on behalf of the Board, is to address issues concerning remuneration

for the CEO and other senior executives, including remuneration policy, principles for setting salary levels, and other conditions of employment, as well as issues concerning incentive schemes for the management and employees. The Remuneration Committee assists the Board on relevant issues and reports its observations, recommendations and proposals for measures and decisions to the Board. The Board has adopted specific instructions for the work of the Remuneration Committee, describing, among other things, the composition of the Committee, meeting procedures, minute-taking, reporting and duties. The Remuneration Committee shall comprise two board members appointed by the Board of NeoNet. The Committee shall appoint a chairman from among its members.

In 2005 the Remuneration Committee submitted recommendations to the Board on the principles to be applied to remuneration of senior executives and other employees.

The recommendations cover variable remuneration as well as salaries and other remuneration for senior executives. The Committee also proposed a set of criteria for the determination of bonuses.

The Board has discussed the Committee's proposals and has taken a decision based on the Committee's recommendations. Remuneration to the CEO for the 2005 financial year has been determined by the Board. Remuneration to other senior executives has been proposed by the CEO based on the principles drafted by the Remuneration Committee. The Remuneration Committee met twice in 2005. A fee of SEK 20,000 per person per year was paid to members of the Remuneration Committee in 2005.

See Note 8 for additional information on remuneration to the Board and other senior executives.

The Audit Committee and communication with auditors

The Audit Committee, which comprises board members Hans Karlsson (chairman) and Staffan Persson, has an advisory role. Its task, on behalf of the Board, is to review issues concerning the appointment of an auditor and audit fees, the company's accounting and internal control, external audits, and the company's financial information. The Committee represents the entire Board in these matters and acts on its behalf. The Audit Committee shall assist the Board on these matters and report its observations, recommendations and proposals for measures and decisions. The Board has adopted specific instructions for the work of the Audit Committee. The Audit Committee met four times in 2005, and subsequently submitted information on its observations to the Board.

NeoNet's auditor reports once a year in person to the Board on her audit observations and her opinion on the Group's internal control. Moreover, representatives from the auditing firm met with the Audit Committee five times in 2005 in connection with completed reviews of the interim reports and ongoing audit work. None of the meetings included representatives of the company management. A fee of SEK 20,000 per person per year was paid to members of the Audit Committee in 2005.

Internal control

The Audit Committee monitors the independence and objectivity of the external auditors in relation to the company, among other things by keeping itself informed of their relationship to the company and management. The Committee must therefore participate in and issue guidelines for the procurement of non-audit-related consultancy services provided by the company for which the auditors work. The Committee must then monitor the provision of these services with a view to ensuring the independence and objectivity of the external auditors.

The Audit Committee audits NeoNet's accounting policies and ensures that these comply with generally accepted accounting principles and that the company applies the policies correctly. The Committee monitors NeoNet's compliance with applicable laws and regulations governing the company's financial reporting. The Audit Committee has also familiarized itself with the audit plan drawn up by the external auditors.

The Audit Committee also audits NeoNet's internal control in terms of book-keeping, asset management and the company's financial circumstances in general. The Committee discusses with company management and the external auditors the items in NeoNet's annual and interim reports which have been the subject of significant judgments and valuations in preparing the report.

The Audit Committee discusses and follows up assessment of risks, risk management and significant exposure to financial risk with the external auditors and company management.

The Committee also follows up the measures which company management has taken or intends to take to limit, monitor or control exposure to risk.

READ MORE ABOUT NEONET'S OPERATIONAL RISKS AND QUALITY ASSURANCE IN NOTE 2 »

Auditor

PricewaterhouseCoopers AB is the auditing firm appointed by the Annual General Meeting of NeoNet AB and Eva Riben is the Authorized Public Accountant with chief responsibility. Eva Riben has been the auditor for NeoNet AB since 2004. PricewaterhouseCoopers AB is appointed for a period of four years and the current term started at the beginning of 2003. PricewaterhouseCoopers is also the auditor for the operating subsidiaries in Sweden and the USA.

As well as audit engagements relating to auditing of quarterly and annual reports, book-keeping, and the Board and CEO's administration, PricewaterhouseCoopers has also performed other assignments. These comprised an independent examination of the business of the subsidiary NeoNet Securities AB and tax consultancy for the subsidiary NeoNet Securities, Inc.

See Note 7 for information on auditors' fees.

Management

Simon Nathanson

President and Chief Executive Officer.

Graduate in Economics.

Simon Nathanson was formerly Executive Vice President of the Stockholm Stock Exchange, President of the Derivatives Exchange OM Stockholm, and President of the OM Fixed Income Exchange. Employed by NeoNet since March 2004.

External board positions: member of the board of the Swedish Securities Dealers Association.

NeoNet AB shareholding*: 200,000 shares and 139,448 warrants conferring rights to subscribe for 139,448 shares.

Per Lindberg

Chief Financial Officer and President of the subsidiary NeoNet Securities AB

M.Sc. Business and Economics.

Per Lindberg was formerly Business Controller for various Ericsson business units and CFO of Digital Equipment AB and Digital System Services AB. Employed by NeoNet since September 2000.

External board positions: none.

NeoNet AB shareholding*: 184,500 shares and 58,488 warrants conferring rights to subscribe for 58,488 shares.

Peter Kearns

President of the subsidiary NeoNet Securities, Inc.

Bachelor of Arts.

Peter Kearns was formerly CEO of Lexit Financial Group, Inc. and is also one of Lexit's founders. Previously held positions within Merrill Lynch and Prudential Financial. Employed by NeoNet since November 2003.

External board positions: none.

NeoNet AB shareholding* (including family members): 1,172,911 shares and 427,155 warrants conferring rights to subscribe for 427,155 shares.

Peter Johansson

Head of European Sales Trading.

Graduate in Economics.

Peter Johansson was formerly pan-European Sales Trader with HSBC Investment Bank in London and Stockholm. Employed by NeoNet since January 2000.

External board positions: none.

NeoNet AB shareholding*: 1,000 shares.



Back row, from left: Peter Kearns, Gustaf Frisk, Simon Nathanson and Peter Johansson.

Front row, from left: Per Lindberg, Patrik Westerberg and Nicolas de Champs.

Nicolas de Champs

Head of European Sales.

Nicolas de Champs was formerly Marketing Executive at Intervalor and, before that, District Manager Brokers and Corporates at Reuters Sweden. Employed by NeoNet since March 1999.

External board positions: co-opted employee-elected representative on board of NeoNet AB.

NeoNet AB shareholding*: 202,760 shares.

Patrik Westerberg

Chief Information Officer and President of the subsidiary NeoNet Technology AB.

M.Sc. Business and Economics.

Patrik Westerberg was formerly Business Analyst at OMX. Employed by NeoNet since August 2001.

External board positions: none.

NeoNet AB shareholding*: 2,000 shares.

Gustaf Frisk

General counsel.

Master of Laws in Banking and Finance Law. Gustaf Frisk was previously legal counsel at the Stockholm Stock Exchange. Employed by NeoNet since February 2005.

External board positions: none.

NeoNet AB shareholding*: 22,000 shares and 21,000 warrants conferring rights to subscribe for 21,000 shares.

* Joint shareholder with a number of other employees in a company that holds 1,400,000 warrant futures.

The Board and Auditors

Staffan Persson

Chairman; Board member since 1996.

Graduate in Economics.

Main occupation: Senior Partner of the venture capital company ITP.

Other board positions: board member of companies including Kentor AB, Klar Invest AB, ARK Travel AB and Accelerator i Linköping AB.

NeoNet AB shareholding (incl. family members and companies): 7,458,970 shares and 2,178,843 warrants conferring rights to subscribe for 2,178,843 shares. Futures have been issued for 478,378 warrants.

Hans Karlsson

Board member since 1996.

M.Sc. Engineering.

Other board positions: board member of AB Custos.

NeoNet AB shareholding (incl. family members): 1,328,760 shares and 349,593 warrants conferring rights to subscribe for 349,593 shares. Futures have been issued for 569,368 warrants.

Kari Lotsberg

Board member since 2003.

M.Sc. Business and Economics.

Main occupation: own consulting firm.

Other board positions: Board member of Swedsec AB, Third Swedish National Pension Fund, Save the Children Sweden and Svaneli AB.

NeoNet AB shareholding (including companies): 5,000 shares and 1,500 warrants conferring rights to subscribe for 1,500 shares.

Nils-Robert Persson

Board member since 2005.

M.Sc. Engineering.

Main occupation: active in Cinnober Financial Technology.

Other board positions: Chairman of the board of Cinnober Financial Technology AB and Triona AB.

NeoNet AB shareholding (including companies): 150,000 shares.

Gerard Versteegh

Board member since 2005.

M.Sc. Business and Economics.

Main occupation: working chairman of Commercial Estates Group Limited.

Other board positions: member of board of companies including Catena AB and GLP Properties AB.

NeoNet AB shareholding: 150,000 shares.

Thord Wilkne

Board member since 2000.

Other board positions: board member of companies including WM-data AB, the Confederation of Swedish Enterprises, Intellecta AB, Temagruppen Sverige AB and Lindebergs Grant Thornton AB.

NeoNet AB shareholding (including wife's shareholding): 500,000 shares and 126,807 warrants conferring rights to subscribe for 126,807 shares.

Nicolas de Champs

Employees' co-opted Board representative.

Appointed by the employees.

Other board positions: none.

NeoNet AB shareholding: see page 40.

AUDITOR

PricewaterhouseCoopers AB is the auditing firm appointed by the Annual General Meeting of NeoNet AB and Eva Riben is the Authorized Public Accountant with chief responsibility. Eva Riben has been the auditor for NeoNet AB since 2004. PricewaterhouseCoopers AB is appointed for a period of four years and the current term started at the beginning of 2003.

Definitions and glossary

Average capital employed

Average balance sheet total less average non-interest-bearing liabilities including deferred tax liabilities.

Average number of employees

Average number of employees during the year, calculated as full-year employees.

Capital adequacy ratio

Total capital base divided by the total risk-weighted amount relating to capital requirements for credit and market risk (FFFS 2004:19).

Cash flow per share

Cash flow for the year in relation to number of shares.

Central counterparty clearing

A central clearing house guarantees the execution of transactions and thereby becomes a counterparty, taking on the role as new buyer for the seller and new seller for the buyer. Also called central counterparty (CCP).

CSD

Central securities depository.

Clearing

A process that compiles and offsets transactions in the exchange of shares and payment.

Debt/equity ratio

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

Direct market access

The option for clients to send orders electronically by means of order routing to a marketplace via a broker's network and systems without manual intervention from a trading desk. The client does not need to be a member of the exchange as trading takes place in the broker's name.

Dividend per share

Proposed dividend in relation to the number of shares.

Earnings per share

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

EBITDA

Earnings before net financial items, depreciation and tax.

Employee turnover

Number of terminations during the year divided by the average number of employees during the year.

Equity/assets ratio

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

Equity per share

Closing shareholders' equity in relation to the closing number of shares for the period.

FIX compatible

System or software that can be connected to other financial systems using the FIX messaging standard.

FIX protocol

Financial Information eXchange protocol (FIX) is a messaging standard developed specifically for electronic transfer of securities transactions.

Front-End Application

The software installed at the client's site. It comprises a user interface and software enabling the reception of information and transmission of orders through NeoNet's central trading platform to the respective marketplace. The installed front-end application can be the application developed by NeoNet or another application provided by a different supplier. In the latter case, a link to NeoNet's trading network based on FIX or another interface is required.

Interest cover

Earnings before tax plus interest expenses divided by interest expenses.

Liquidity

A highly liquid security is a security with a high trading turnover and a narrow spread between buy and sell prices.

NASD

National Association of Securities Dealers. Approximate US equivalent of the Swedish Securities Dealers Association.

Operating revenues

Transaction revenues and other operating revenues.

Operating margin

Operating earnings before net financial items and depreciation as a percentage of total operating revenues.

Profit margin after tax

Earnings after tax as a percentage of total operating revenues.

Profit margin before tax

Earnings before tax as a percentage of total operating revenues.

Profit margin before net financial items and tax

Earnings before net financial items and tax as a percentage of total operating revenues.

Proportion of risk-bearing capital

The sum of shareholders' equity and deferred tax liabilities divided by the balance sheet total.

Return on capital employed

Net earnings for the year after net financial items plus interest expenses, in relation to average capital employed.

Return on capital employed before tax

Earnings before tax in relation to average capital employed.

Return on shareholders' equity

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

SEC

Securities and Exchange Commission, which is a U.S. regulatory body. Approximate U.S. equivalent of the Swedish Financial Supervisory Authority.

Settlement

Buyers of securities pay and receive securities, while sellers deliver securities and receive payment. Contract notes are issued and the share register is updated.

SIPC

Securities Investor Protection Corporation.

Transaction expenses

Commission expenses and other operating expenses directly related to transactions and earnings on the respective exchanges.

Underlying cash flow

Underlying cash flow comprises the total of
– cash flow from operating activities excluding net interest income and change in assets and liabilities
– cash flow from investing activities excluding acquisitions.

Annual General Meeting

Time and Place:

The Annual General Meeting (AGM) will be held at 6.30 p.m. on 4 May, 2006 at Citykonferensen, Malmskillnadsgatan 46, Stockholm. Notice to attend will be published in Post och Inrikes Tidningar (the Swedish Official Gazette) and Dagens Industri, and will be available on NeoNet's website www.neonet.biz no later than 6 April, 2006.

Shareholders who wish to attend the AGM must:

be registered in the share register maintained by VPC AB no later than 26 April, 2006,
notify the company of their intention to attend the AGM no later than 4 p.m. on 26 April, 2006.

Shareholders whose shareholding is registered in the name of a trustee must, in order to have the right to attend the AGM, temporarily register their shares in their own name. Shareholders who require such re-registration should notify their trustee well in advance of 26 April, 2006, when the re-registration must have been executed.

Registration

Shareholders must notify the company of their intention to attend the AGM in writing:

by fax: +46 (0)8 10 40 84

by e-mail: investor.relations@neonet.biz, or

by post to NeoNet AB (publ), "AGM registration," Box 7545, SE-103 93 Stockholm, Sweden.

When registering, shareholders shall state their name, personal or corporate identity number, address, telephone number, shareholding and details of any assistants attending.

Financial calendar 2006

First Quarter Interim Report: 4 May, 2006

Annual General Meeting: 4 May, 2006. Citykonferensen, Malmskillnadsgatan 46, Stockholm

Second Quarter Interim Report: 17 August, 2006

Third Quarter Interim Report: 25 October, 2006

Year-End Report: 8 February, 2007



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