
2005 PRELIMINARY RESULTS

CONFERENCE CALL TRANSCRIPT

QUESTION & ANSWER SESSION

28 MARCH 2006, 2PM BST

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RON MARTIN, PRESIDENT & CEO, NETELLER PLC
ERIC HUGHES, CFO, NETELLER PLC

Operator: Thank you, sir. Ladies and gentlemen, the question and answer session will be conducted electronically. If you'd like to ask a question, please press the * key followed by the digit 1 on your touchtone telephone. Please ensure that the mute function on your phone is switched off to allow your signal to reach our equipment. Once again, please press *1 to ask a question. We will pause just for a moment to allow everyone to signal for questions.

Our first question is from Greg Harris from Canaccord. Please go ahead.

Greg Harris: Thank you. Two questions for you that relate to the revenue model, one of which is with regards to your financing products, InstaCASH and Direct Accept. Do you have any plans right now, or a product roadmap, that would push that product offering into new geographies such as Europe, UK, Japan, China or Australia? And then the second question: right now you are benefiting from the leverage associated with your multiplier or dollar churn in the system, which is resulting in increased transaction revenue, and what would impede this from staying at similar levels to what we saw in 2005?

Ron Martin: It's Ron Martin, I'll take the first piece of that. Yes, it is our intent to... We'll offer the InstaCASH / Direct Accept models in additional markets in 2006. We have begun some product development in that direction, and we'll be offering it in our subsequent releases in the second half of '06.

Greg Harris: Can you give any detail as to which markets are the likely first ones to be entered into, which ones you can, which ones you can't?

Ron Martin: Yes and no. The market that we have identified that we believe we can bring it up most quickly because of its use of the NETELLER English platform is the Australian marketplace. The other markets, the other new product releases in other localities are more dependent on technology roadmap issues and we're going to have to wait to give you more detail on that as we get closer.

Greg Harris: All right, thank you.

Eric Hughes: With regards to what would impede churn from staying at where it's at, basically is that if you look back to 2004, the churn was about 1.8, it's risen to about 2.0 during 2005. That has primarily been driven by a shift in the marketplace towards poker as opposed to from sportsbook or

from casinos. We're certainly seeing a continuing trend to poker over the entire gaming sector which should move that or keep that at sort of where it currently is. We're not seeing to date any significant impact from internal view e-wallets that merchants may be offering - that has not had any sort of significant impact on the churn that we're seeing.

Greg Harris: Ok, thank you. And I guess this is the last thing to Ron - with regards to new products, I know that in the past you've guys have talked a little bit about, you know, suggestions of loan-based or credit-based products, something that you could use to leverage your existing user base or member base. Is there anything...can you give us any views as to where, what direction, the company's going in with regards to new products?

Ron Martin: Well, you know, one of our key focuses for the '06, and a continuation of a lot of what Gord talked about in '05, is really to monetise our base in a more effective fashion than we have to date. We have a lot of initiatives around that some products, some service and closely is looking at our opportunities to cross-sell and upsell into our base, whether that be from a joint venture with a financial services organisation or the extension of our wallet into other merchant verticals. So you know, we are heading in that direction, and it's certainly a commitment of the company to get there.

Greg Harris: Ok, that's great. Thanks, guys.

Operator: Thank you. We'll take our next question from Bolko Hohaus from Lombard Odier. Please go ahead.

Bolko Hohaus: Yes, thank you, good afternoon. I have three questions actually. First question would be maybe you can give us an update on the legal situation in the US. It looks like that some of the business passed the first hurdles. It's a bigger risk of that online gambling becomes now illegal this year. What's your view there? And what would you do in case that happens?

The second question is how much of your revenues are now from non-US customers at this point, and how did that evolve over time? And the third question would be, roughly can you give us somehow an indication how much you can grow going forward, or since you have been showing in the last quarter, I think, something close to 100% growth, how much you think you can grow going forward?

Ron Martin: Ok, thanks. Yes, relative to the US regulatory environment, clearly, although we are not an online gaming organisation, we do watch the US regulatory environment closely. You know, we have - and we'd agree with, I believe, the vast majority of the market pundits and analysts in the States - that although there is some renewed energy around this issue in the US that a significant change in the legislative environment is highly unlikely. You know, all the series of bills that are out each have their own challenges. I think, broadly speaking, we don't believe that there is the support for these initiatives that can get any of these pieces of legislation through both Houses of Congress, especially considering the restricted legislative calendar that faces Congress this year. So we're remaining careful and focused, or in touch with the issues, but we don't consider it a significant risk for us this year.

As to what we would do if something like that passed, it's a very difficult question to answer. These bills have taken many forms and try and prohibit online gaming in various ways. You know, we're comfortable that we have mitigated our US exposure to a prudent extent. And in the highly unlikely event that these bills, one of these bills, or a series of these bills were successful, we're also equally comfortable that we would have a significant amount of time to react to what the bill indicated and adjust our operations, if possible, accordingly. So beyond that it's really difficult to speculate on how we would address those kinds of changes.

What was the last question, sorry?

Bolko Hohaus: Ok, the other question was what is the percentage of non-US revenue, basically revenues which is not coming from US customers? And third question was, can you give us any indication how much you can grow in 2006?

Ron Martin: Yes, the first part is approximately 15% of our revenue is non-North American based. And, I think the point to make there though, underline that our European business is going rapidly actually, as a percentage basis, at twice rate of our US business. So we're comfortable where we're headed in Europe and clear that the Asian market is something that we'll see in other quarters, other years.

In terms of '06, obviously, we're not going to provide specific direction there. I am very comfortable that we have a very intelligent plan in place. We have come up with a strong year, we feel we can keep a strong level of performance going around it, deepen and extend the strategy that I've spoken of, and our diversification strategy that will bring in additional revenues to the company.

Bolko Hohaus: Ok, thank you.

Operator: Thank you. We'll take our next question from Mark Pignatelli from Nato Hedge Funds. Please go ahead.

Mark Pignatelli: We've had this actually, thanks. The Lombard Odier guy asked exactly what I was interested in.

Operator: We take our next question from Jay Huck from Egerton Capital. Please go ahead.

Jay Huck: Hi. Just one quick question on the cash flow statement. The purchase of capital and intangible assets - the 31 million - can you give us a breakdown of what that is? It appears to be related to intellectual property and website development, but is that acquisition-related or is that internally generated?

Eric Hughes: One second while I just pull it up. Just pulling it up, taking a look.

Jay Huck: Sure, thank you.

: Eric Hughes: The predominant amount of our acquisitions - the \$31 million - you're talking with the...

Jay Huck: Yes, there's two \$31 million, so it's a bit confusing. The \$31.3.

: Eric Hughes: The \$31.3 million is a combination of capital and intangible assets that's coming in that is going to be capital assets, physical capital assets, and website development and software acquisitions that are being done through the current operations, as well as acquisitions of intangible assets which is the non-goodwill components through the acquisitions of NetBanx and Quick Access. And if you go back into the notes of the financial statements which were released as well, if you look on note 11 it gives sort of a reasonably good breakdown as to what we paid for and how much of it pertains to intangible assets and how much of it pertains to capital assets on the acquisitions of subsidiaries. And then in the previous notes, you've got, there is note 7, the acquisitions of various capital assets during the year, which is totalling about, you know, \$5.5 million of just pure capital additions as well as, you know, about \$8.1 million of website developments, and then the \$17.6 million of intellectual property additions is done through the acquisition of NetBanx and Quick Access.

Jay Huck: Ok, so the \$17.6 million of intellectual property, that's acquisition-driven?

: Eric Hughes: That's correct.

Jay Huck: Ok. And so if we look out kind of for the next year would you expect similar levels since we're expanding geographical and that type of thing, to be \$8 million roughly?

: Eric Hughes: As far as website development, I would say that that is a number that is probably on the low end of the range in the development respect.

Jay Huck: Ok.

Eric Hughes : And then as far as capital additions, it will be significantly higher in 2005 because we're having to relocate sort of the major operating centre in Calgary into new space which is going to cost, you know, over 10 million to basically get that completely up and running.

Jay Huck: Great. Thank you for your help there.

Operator: Thank you. We'll take our next question from Matthew Dellorfano from Individual Investors. Please go ahead.

Matthew Dellorfano: Good morning. I was wondering if you guys could briefly discuss your strategy and your attractive prices you have in mind for your stock repurchase programme as well as any other capital allocations you might be making in the future. If you could just detail a little bit more than you previously did.

Ron Martin: I think that you know, in total, we've will have some clarity after the AGM as to what amounts have been approved. I think probably what we've said insofar as having the versatility to do it as see it fit was probably as far as we'd like to go right now.

Eric Hughes: If we consider it to be something that a company of our size should have and something we don't have the ability to do, so we're going to address that in the AGM, but we haven't gone beyond that in our thinking.

Matthew Dellorfano: Ok, is there any specific price or historical prices that you'd find attractive for repurchase.

Ron Martin: I really can't ... really can't comment on that at this point.

Matthew Dellorfano: Ok, would you be able to comment a little bit on the performance for the first quarter of '06 perhaps?

Ron Martin: In generic terms I think all we've given an indication that we're satisfied with the performance of the capital. As an AIM listed company we're really obliged not to give guidance, *per se*, and basically can just refer you to analysts that cover the company insofar as what they're indicating they expect the company to do. From our perspective we view, you know, the exit out of 2005 to be very positive and we just sort of continued on the same sort of path in 2006.

Matthew Dellorfano: Any significant business trends - without providing specifics?

Ron Martin: You know, we haven't seen material changes from the numbers you've seen from '05 in terms of any diversion of those trends.

Matthew Dellorfano: Ok, thank you.

Operator: Thank you. We'll take our next question from Phil Clark from RCM Asset Management. Please go ahead.

Phil Clark: Yes, hi, thanks. I just have a couple question kind of relating to geographical split of the business. So, I just wonder, could you firstly clarify the comment you made earlier about European growing about twice the rate of the States, that's just on an underlying organic basis, it's [no merger] and acquisitions. And secondly, I just wondered if you could sort of flesh a little bit more in Asia what you think kind of the impediments are currently in terms of growing that business - whether it's sort of structural or whether it's because of what operators, you know, the issues surrounding what operators are out there etc., etc.

Ron Martin: Yes, the first part of your question - yes, I was referring to organic, nothing to do with our acquisition. So we're seeing a positive sign trend in Europe. Growth of Asia, we have to take it into different markets clearly. The Japanese market, in which we've, as you heard, recently re-launched our platform and we, you know, we've done it fairly quietly and have a few merchants up and running on it today. We are in the process of bringing more online as we prove out the platform and prove out the payment, the underlying payment capabilities. So you know, I think there's been some inflated expectations around Japan, but in general, we are very positive about its future and as we pick up speed with merchants coming on to the platform, you know, we'll see some good results there. I will say that between Japan, similar to China, there's only a segment of the merchants that are ready for both Japan and China in terms of their own phasing in solutions into those countries. So they're going to need to learn the market as well and NETELLER is there when they're ready.

In terms of China - and sorry, back to Japan for one second - I think we have a decent enough amount of data we can plot out how we think that business will grow, and again, while it may not be quite up to some of the expectations that I've heard out there, I think it's going to be very positive for us, you know, especially into '07 and '08. Welcome to China...I described it talking to many of you, I think, as a big rock rolling uphill. We have ... we now have a very strong platform there. We have strong leadership, we have a good business development team on the ground, and you know, we're looking forward to bringing our merchants on. Again, similar to Japanese markets there is only a small setup of our 1,800 merchants worldwide that can take advantage of where we are in China. And so that will be a slow process, I think. Meanwhile, you know, we're continuing to learn the marketplace. Our merchants are learning the marketplace. We're committed to being there because over the long haul we feel there is a tremendous opportunity there.

Phil Clark: Ok, as a second question, switching back to sort of the North America and Western Europe, do you think that's there much greater scope for deeper penetration within, sort of, the key largest 5-10 merchants, or do you think broadly growth should mirror growth in the market?

Ron Martin: If I understood your question: do you think we gain share with some particular, some of our top merchants? Is that the first part of your question?

Phil Clark: Yes, yes.

Ron Martin: Yes, I think there is opportunity there. I mean, I think that, you know, as part of the strategy is to really demonstrate NETeller's innovative leadership here, and we have certainly identified in our account planning with all our top twenty merchants and beyond, opportunities that we think we can add value to their business as a strategic partner, and in return [pick up] the larger piece of the pie. So, I think, there's both opportunities for both enhanced share with the big merchants and, you know, the natural growth of the industry.

Phil Clark: Ok, great. Thanks a lot.

Operator: Thank you. As the last question we take questions from Will James from Adam & Co. Please go ahead. Mr James, your line is open.

Will James: Hi there. Sorry, I had my mute button on. I had a question with regards to ... there was some mention last year about a strategic alliance with possibly another financial services firm. I was wondering whether that came to anything, or whether I'm just imagining that I had heard it.

Ron Martin: No, you didn't imagine that you heard it. And we are still...I think we are still in discussions with some of the financial institutions, and frankly believe that there is some opportunities there for us. I think we got a little ahead of ourselves perhaps in some communication on it. But we will ... it continues to be an objective in concert with a broad diversification strategy that includes other areas that we see as opportunities. So we'll come back to you when we have something concrete to tell you about it, Will.

Will James: And there was some talk, connected to that there was some talk about possibly moving off the AIM listing. I don't know whether that was connected with people being interested in and

preferring to be involved with a company that had a main listing. Am I right in remembering that, or...?

Ron Martin: Yes, I'm not sure [going to] mention it, whether accidentally, we've had some discussion around it. We have come to the conclusion that in the near term that we want to - and this is strongly my opinion - in the near term we want to focus on adding, you know, we want the energies of the company focused to execute its strategy and performing well. I think there will be a revisit of this issue at the end of '06 and evaluate the opportunities at that time.

Will James: Thank you very much.

Ron Martin: Thank you.

Operator: Thank you. As there are no further questions, I would like to turn the call back over to you, Mr Martin, for any additional or closing remarks.

Ron Martin: I appreciate everybody - and especially in New York - getting up pretty early today and, you know, in closing we just want to... We're focused, we're comfortable with our '05 and we're very excited about our prospects in '06 and as we go out to execute our plans, we'll continue to update you as to how we're making out in our performance, and I hope it will speak for itself in that regard. Thank you.

Operator: That will conclude today's conference call. Thank you for your participation, ladies and gentlemen, you may now disconnect.