

2005 PRELIMINARY RESULTS

CONFERENCE CALL SCRIPT

28 MARCH 2006, 2PM BST

This discussion and analysis contains forward-looking statements relating to future events and future performance. In some cases, forward-looking statements can be identified by terminology such as "may", "will", "should", "expects", "projects", "plans", "anticipates", and similar expressions. These statements represent management's expectations or beliefs concerning, among other things, future operating results and various components thereof or the economic performance of NETELLER. The projections, estimates and beliefs contained in such forward-looking statements necessarily involve known and unknown risks and uncertainties, which may cause the actual performance and financial results in future periods to differ materially from any projections of future performance or results expressed or implied by such forward-looking statements. Accordingly, readers are cautioned that events or circumstances could cause results to differ materially from those predicted.

RON MARTIN, PRESIDENT & CEO, NETELLER PLC

Thank you. Good afternoon and good morning, ladies and gentlemen, and welcome to NETELLER's conference call to discuss its preliminary results for the year ended 31 December 2005. This is Ron Martin, President & CEO of NETELLER, speaking and with me are Eric Hughes, Chief Financial Officer, and Andrew Gilchrist, Vice President Communications.

The statement we released this morning shows that we produced in 2005 another record performance with continued revenue growth, improved margins and profitability, while at the same time, we have invested heavily in the business to deliver further success in 2006.

Additionally, trading has remained strong since the start of this year and we are seeing positive trends across all our business segments. We are pleased to announce that during the 1st quarter we added our 2.5 millionth customer and had a record day for new customer sign ups in February. With the new initiatives we have planned for 2006, there is considerable opportunity to further our global expansion, through deepening and extending our offering to merchants and customers.

Looking at the full year performance, I would like to draw your attention to the following highlights:

- Group revenues rose 108% to \$172.1m compared with the \$82.6m achieved in 2004.
- The total number of customers at the end of 2005 was 2.32 million, and average daily sign ups during 2005 were 2,930 compared with 1,821 in 2004.
- Average daily receipts from customers increased 90% from \$1.81 million in 2004 to \$3.44 million.
- In the 4th quarter of 2005, our average daily sign ups were 3,197, an increase of 4% on the 3rd quarter of 2005, and an increase of 54% on the same period in 2004.
- Average daily receipts in Q4 2005 were \$4.18 million, up 15% on the previous quarter, and up 78% on the same period in 2004.

I will let Eric talk to the financials in more detail, but in summary, our gross margins improved again from 69.4% to 73.5%, and our net income after tax increased from \$33.0 million in 2004 to \$91.5 million in 2005, an increase of 177%. Basic EPS increased from \$0.37 in 2004 up 105% to \$0.76 in 2005. We finished the year with \$114.6 million of free cash, demonstrating the strength of our balance sheet. We continue to review the best use of this cash including developing our operations through both organic growth and acquisitions.

2005 represented a landmark year for a number of reasons:

Our geographic expansion is proceeding with localised products in North America, Europe and Asia. NETELLER continues to grow strongly in its original markets of North America. Our Calgary based operations have been the cornerstone of our growth during 2005. We added over 300 new staff across all our departments, strengthening Customer Service, Quality Assurance, Investigations, Marketing and Human Resources. We have recently moved to a larger site which has improved the effectiveness of our organisation. Our contact centre achieved an industry Gold award for its performance in 2005, and the quality and experience of our team is demonstrated through the exceptional service our merchants and customers receive.

We continue to monitor the US regulatory environment. NETELLER has merchants that are involved with the online gambling business, which is subject to US regulatory uncertainty. Should the current regulatory environment change such that US-based individuals are unable to use NETELLER as a payments service, the Company would be materially adversely affected.

Our European operations have continued to expand. NETELLER (UK) Limited is authorised by the FSA to operate as a regulated e-money issuer. This regulated status has been passported into all 28 EEA member states. More than 250,000 customers have now signed up from the European region and we expect a substantial increase in this during 2006. The roll-out of language-specific sites in certain major European countries will enable more focused merchant coverage and should lead to increasing penetration in the key markets of Germany, France, Italy and Spain during 2006.

In October 2005 we completed the acquisition of NetBanx, a UK-based payment processing business, for \$23 million. This acquisition doubled the number of merchants of the Group to over 3,400 and more importantly, allowed us to enhance the value proposition to our existing merchants by offering new card processing services alongside the existing e-wallet funds transfer. NetBanx represents a prime example of NETELLER's strategy of vertical integration in the payment processing area. We will continue to look at extending our products and platform within this space, including possible further acquisitions, to enhance our competitive advantage in the European region.

The Asian business has made considerable progress during 2005. Under Dale Johnson's leadership, we have renewed our focus on the Asian Operations and are looking to position Quick Access, acquired in January 2005, to be a leading payment platform in the region. Our primary focus in Asia in 2005 was to develop localised products for our key target countries of Japan, China and Australia.

A new version of our Japanese language application was launched in the first quarter 2006, following successful beta testing. The Japanese e-wallet is fully integrated within the primary NETELLER platform, and we are beginning to see a small increase in sign-ups as merchants expand their offerings in this region. Our new Asian e-wallet, based on the Quick Access 1-Pay platform, was developed and tested during 2005 and early 2006 and the product launch is planned for the second quarter of 2006. We are now able to offer a localised e-wallet to our Chinese customers, which has improved our product offering to merchants. China remains a difficult market to predict in terms of sign-ups and volumes. However, we are confident that our localised and innovative products will generate value for the Company and its shareholders over the medium to long term. Australia represents a clear opportunity given the recent legislative changes and new merchant entrants, and also the ability to leverage our English language platform to serve this important market. We remain alert to other possible opportunities in the Asian region, which will permit us to grow in this dynamic business market.

The implementation of the next generation platform and migration is substantially complete. This will support the growth of our business in the future by providing a scalable, modular and robust platform which is able to adapt to and meet the requirements of our merchants and customers. Our IT team in Calgary deserves a great deal of credit for continuing to successfully manage this migration process.

During 2005 we extended the Direct Accept product into new merchants, allowing customers to deposit funds instantly into the system while the merchant pays the transaction fees. Merchant fees now represent the majority of our revenue income (approximately 61% of direct fees). We continue to develop innovative new products tailored to each geographical market where we process online payments.

Our key objective for 2006 is to continue the record growth and profitability while improving our market leading position. The key focus for NETELLER will be to “deepen and extend”:

Deepen: Re-focus on our merchants and customers, by offering compelling value through the introduction of innovative new offerings.

Extend: Become a truly global business with localised products and services in new European and Asian markets.

A key part of this strategy will be the implementation of initiatives to drive the acquisition of new customers, to become better at converting them into more active users of the NETELLER e-wallet, and to retain them for longer periods. We will work even more closely with our online merchants to improve our value proposition, through innovative, localised products and continued excellence in merchant and customer support.

There has been substantial investment in strengthening NETELLER’s management team to enable it to continue to grow successfully. My appointment as COO in June 2005, and subsequent appointment as President & CEO on 1 January this year has been supported by a number of key hires across the Group. As we deepen and extend our business in 2006, there has been a significant focus on product management and marketing with the appointments of Rohit Joshi as Executive Vice President, Products, and Dan Starr as Vice President of Worldwide Marketing. Mark Healy joined us as Vice President, Security and Risk for North America, and in Europe Tim Hoskins, Vice President Business Development was appointed Acting General Manager of NetBanx. Andrew Gilchrist also joined as Vice President, Corporate Development & Communications, to lead our investor relations programme.

At the end of the year, we had over 660 employees, more than doubling since the end of 2004. We will continue to recruit talented individuals during 2006 to ensure that we can meet the demands from our merchants for our products whilst ensuring the highest commitment to exceptional service. Our employees are the key to the success of NETELLER and I would like to thank them for their efforts.

Finally, before I hand over to Eric, I would like to say a few words about the Board changes announced this morning. With effect from the AGM on 11 May, Gord Herman, currently Executive Vice Chairman, will succeed Steve Lawrence as Chairman of NETELLER. Steve will continue as a non-executive director, and I would like to thank him for his leadership of the Group since he founded the business in 1999. I look forward to continuing to work closely with Gord in the future and believe that, under our stewardship, NETELLER has the resources and vision to become even more successful in 2006.

I would now like to hand over to Eric Hughes, our CFO, who will talk about our financial achievements in 2005.

ERIC HUGHES, CFO, NETELLER PLC

Thank you Ron and good afternoon Ladies and Gentlemen

This past year was another year of growth and improvement for NETELLER. Our top line revenue growth of 108% brought us to \$172 million. The composition of our revenue figure consists of transaction fees of \$164.5 million and interest of \$7.5 million which is earned on both our free cash and the float off the business.

Within our transaction fees, we have see a slight shift in the base with 61% of transaction fees from the merchant up from 60% in 2004 and a correlating drop in the customer paid fees from 40% to 39%. This shift was caused by an increased merchant churn number and greater acceptance of our Direct Accept product. Churn, or the number of times funds move to merchants was about 2 for the year ended 2005.

Funds receipted into the Company in 2005 were split at 45% coming through Instacash and 36% through Direct accept. We are now earning revenue on 81% of funds moving into our e-wallet. The remaining funds came into the Company from other options which drive little revenue.

Foreign exchange fees charged to customers were \$8.5 million dollars representing 5% of total revenue. The foreign exchange revenue plus interest and other revenue items bring our “Other” revenue amount up to 15% of total.

In general our revenue growth was robust in 2005 as we added more than \$89 million in revenue compared to the \$46 million we added in 2004.

Our Direct Costs for 2005 were \$45.6 million or 26.5% of revenue. This represents an improvement of approximately 4% in gross margin compared to 2004. As the company has scaled in operations, there have been efficiencies obtained in direct costs. For 2005, customer support has fallen from 8.5% of revenue down to 7.0%, site maintenance has dropped from 3% to 2% and bad debts has dropped from 14.2% to 12.4% of total revenue. Deposit and withdrawal fees has increased from 4.7% to 5.5% of revenue due to the introduction of additional deposit and withdrawal options in Europe.

General and administrative costs are continuing to increase as we add to the depth of skills in the Company which permit us to execute our strategies. We have added over 100 people to our IT development team in 2005. As a result of our growth in our total team, our G & A expenses have increased to \$21.7 million in the year up from \$9.3 million in 2004.

Included in general and admin expenses are share option costs of \$3.2 million which is a non cash expense. This is up from \$400k in 2004.

Depreciation and amortization has increased to \$5.5 million up from \$2.2 million in 2004. Our asset base has increased significantly through acquisitions which is reflected in this charge.

Income taxes for 2005 have dropped to about 6.4% of pre tax income compared to 28% in 2004 as we have now fully completed our transition to the Isle of Man where the corporate tax rate is 0%. Taxes are driven by our operations in taxable jurisdictions whose costs are charged back to our Isle of Man parent company with a mark up in order to drive taxable income into these jurisdictions. This was the first year of calculating income taxes in this manner and we were pleased with the net result. Our tax advisers believe that our taxation rate for 2005 is sustainable into the foreseeable future.

After tax net income is \$91.5 million resulted in a basic EPS of \$0.76 and fully diluted EPS of \$0.75. per share. This is up from our 2004 EPS of \$0.37 cents.

Our Net Income after tax is now roughly 53% of revenue. We believe that this reflects a true commitment of the Company to effectively manage our costs in all areas. We have scale to lever our operating costs, controls to mitigate our bad debts, discipline in our discretionary spending and a corporate tax structure which ensures we maximize the potential benefits of being in the e-commerce industry.

Moving to our balance sheet, we have a very healthy cash position of \$114.6 million in free cash for the year end 2005. This has been driven solely from operations less the cost of our 2 acquisitions made during the year.

Our restricted cash balance of \$16 million reflects the net surplus held in trust accounts in the Isle of Man. We are required to have a buffer in these accounts to ensure that daily balance and currency fluctuations do not result in a deficit trust account position.

The current assets for 2005 also have a new item denoted as Qualifying Liquid Assets held for European Customers. This category of asset is essentially funds held by the company for European customers but segregated from operating cash. Unlike our trust funds held in the Isle of Man, these segregated funds are not fully legally offset and are shown gross on the balances sheet.

Total capital assets almost doubled from \$5.7 million to \$9.5 million. These additions are primarily the result of purchasing computer hardware and software.

Intangible assets include the acquisition of intellectual property for \$24 million through the purchase of Quick Access and NetBanx. We also have capitalized website development cost of \$8.1 million in the year which includes some internal costs of development.

Cash flow from operations reached \$96 million for the year which closely correlates to our net income of \$91.5 million. As our revenue for the year is \$172 million, we are turning 56% of revenue into cash from operations. That, combined with a very low rate of replacement capital, means that NETELLER continues to be a remarkable cash generating company.

In total, the company holds \$218 million of assets which is more than double from the \$91 million in 2004. We have a working capital ratio of 4.0 and cash in excess of \$100 million. This naturally will lead to the question of what are we going to do with the cash and whether we are going to either pay a dividend or start a share buy back plan.

We note that our Directors are not recommending that a dividend be paid for this year end. The Company has proposed that we obtain shareholder approval for a share buy back program. If the shareholders approve this plan, we will have flexibility to repurchase up to 6.1 million shares if the Company feels that our share value has fallen below reasonable levels.

The fact that the Directors have chosen not to recommend the payment a dividend for 2005 indicates that the Company is still in growth mode. We are expanding operations and wish to retain the strategic flexibility that a healthy balance sheet brings.

Over the next year NETELLER will be focusing on our operations. We believe that we are uniquely positioned to be focused on driving value to our current merchant and customer base. We are developing the opportunities to expand our current product offering into new markets and diversify the breadth of our products offering.

We intend to lever our market leadership and will work diligently to deepen our relationships with our merchants. These commitments by the company to our customers are supported by a strong development team and significantly improved management bench strength. The growth of 2005 has set the stage for moving into 2006 with momentum and confidence.

At this time I would like to open the lines for any questions.