



Nelnet Reports Student Loan Assets Grow 30 Percent; First-Quarter 2005 Earnings Strong

LINCOLN, Neb., April 29, 2005 /PRNewswire-FirstCall via COMTEX/ -- Nelnet, Inc. (NYSE: NNI) today reported base net income for the first-quarter 2005 of \$31.4 million, or \$0.59 per share, compared with \$11.8 million, or \$0.22 per share, in 2004. GAAP net income for the first-quarter 2005 was \$68.1 million, or \$1.27 per share, compared to \$9.1 million, or \$0.17 per share, in the prior year.

Base net income as defined by Nelnet is GAAP net income excluding derivative market value adjustments, amortization of intangible assets, and variable-rate floor income. A description of base net income and reconciliation of GAAP net income to base net income are included in this release.

Net student loan assets at March 31, 2005 were \$14.5 billion, up approximately 30 percent, or \$3.3 billion, from \$11.2 billion at March 31, 2004. Since the beginning of 2005, student loan assets were up 8 percent, or \$1.1 billion, from \$13.5 billion at December 31, 2004.

"Nelnet's strong first-quarter earnings demonstrate our focus on long-term growth through asset generation, revenue diversification, and economies of scale," said Steve Butterfield, Nelnet Vice Chairman and Co-Chief Executive Officer. "In particular, our growth in student loan assets drives earnings and reflects our success in the campus-based and direct-to-consumer markets."

Nelnet prepares financial statements in accordance with generally accepted accounting principles (GAAP). In addition to evaluating the company's GAAP-based financial information, management and analysts also evaluate the company on certain non-GAAP performance measures that are referred to as base income adjustments. While base net income is not a substitute for reported results under GAAP, Nelnet provides base net income as additional information regarding the company's financial results.

Nelnet's base net income is a non-GAAP financial measure and may not be comparable to similarly titled measures reported by other companies. The company's base net income presentation does not represent another comprehensive basis of accounting.

The following table provides a reconciliation of GAAP net income to base net income.

	Three months ended March 31,	
	2005	2004
	(dollars in thousands, except share data)	
GAAP net income	\$68,087	\$9,121
Base adjustments:		
Derivative market value adjustments	(60,290)	2,527
Amortization of intangible assets	1,173	2,078
Variable-rate floor income	--	(348)
Total base adjustments before income taxes	(59,117)	4,257
Net tax effect (a)	22,464	(1,618)
Total base adjustments	(36,653)	2,639
Base net income	\$31,434	\$11,760
 Base earnings per share, basic and diluted	 \$0.59	 \$0.22

(a) Tax effect computed at 38%.

Nelnet will host a conference call to discuss this earnings release at 11:00 a.m. (Eastern) today. To access the call live, participants in the United States and Canada should dial 877.502.9276 and international callers should dial 913.981.5591 at least 15 minutes prior to the call. A live audio Web cast of the call will also be available at www.nelnetinvestors.net under the conference calls and Web casts menu. A replay of the conference call will be available between 2:00 p.m. (Eastern) today and 11:59 p.m. (Eastern) May 6. To access the replay via telephone within the United States and Canada, callers should dial 888.203.1112. International callers should dial 719.457.0820. All callers accessing the replay will need to use the confirmation code 8007478. A replay of the audio Web cast will also be available at www.nelnetinvestors.net. Supplemental financial information to this earnings release is available online at <http://www.nelnetinvestors.net/releases.cfm?reltype=Financial>.

Condensed Consolidated Statements of Income

	Three months ended March 31,	
	2005 (unaudited)	2004 (unaudited)
	(dollars in thousands, except share data)	
Interest income:		
Loan interest, excluding variable- rate floor income	\$200,107	\$108,196
Variable-rate floor income	--	348
Amortization of loan premiums and deferred origination costs	(15,782)	(19,817)
Investment interest	7,002	3,651
Total interest income	191,327	92,378
Interest expense:		
Interest on bonds and notes payable	104,525	49,043
Net interest income	86,802	43,335
Less provision for loan losses	2,031	3,115
Net interest income after provision for loan losses	84,771	40,220
Other income:		
Loan and guarantee servicing income	37,176	26,063
Other fee-based income	3,356	1,889
Software services income	2,206	1,892
Other income	1,400	1,443
Derivative market value adjustments	60,290	(2,527)
Derivative settlements, net	(10,086)	(1,214)
Total other income	94,342	27,546
Operating expenses:		
Salaries and benefits	39,327	27,769
Other expenses	30,888	23,365
Amortization of intangible assets	1,173	2,078
Total operating expenses	71,388	53,212
Income before income taxes	107,725	14,554
Income tax expense	39,638	5,433
Net income	\$68,087	\$9,121
Earnings per share, basic and diluted	\$1.27	\$0.17
Weighted average shares outstanding	53,682,569	53,635,631

Condensed Consolidated Balance Sheets and Financial Data

	As of March 31, 2005 (unaudited)	As of December 31, 2004	As of March 31, 2004 (unaudited)
(dollars in thousands)			
Assets:			
Student loans receivable, net	\$14,540,316	\$13,461,814	\$11,206,609
Cash, cash equivalents, and investments	993,894	1,302,954	1,099,678
Other assets	497,341	395,237	326,307
Total assets	\$16,031,551	\$15,160,005	\$12,632,594
Liabilities:			
Bonds and notes payable	\$15,318,517	\$14,300,606	\$12,140,725
Other liabilities	187,723	403,224	177,232
Total liabilities	15,506,240	14,703,830	12,317,957
Shareholders' equity	525,311	456,175	314,637
Total liabilities and shareholders' equity	\$16,031,551	\$15,160,005	\$12,632,594
Return on average total assets	1.73%	1.11%	0.30%
Return on average equity	54.4%	39.7%	11.7%

Nelnet is one of the leading education finance companies in the United States and is focused on providing quality student loan products and services to students and schools nationwide. With more than \$14.5 billion in student loan assets, Nelnet originates in excess of \$3 billion for itself and its service partners annually, and its servicing software is used by approximately 35 clients, including Nelnet, to service more than \$50 billion in student loans. Nelnet ranks among the nation's leaders in terms of total student loan assets.

Nelnet offers a broad range of student loan and financial services and technology-based products, including student loan origination and lending, guarantee servicing, and a suite of software solutions. Our products are designed to simplify the student loan process by automating financial aid delivery, loan processing, and funds disbursement. Our services help to facilitate and streamline education finance for all involved in the industry, including student and parent borrowers, lenders, financial aid officers, guaranty agencies, governmental agencies, servicers, and the capital markets.

Additional information is available at www.nelnet.net.

Information contained in this press release, other than historical information, may be considered forward-looking in nature and is subject to various risks, uncertainties, and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated, or expected. Among the key factors that may have a direct bearing on Nelnet's operating results, performance, or financial condition are changes in terms of student loans and the educational credit marketplace, changes in the demand for educational financing or in financing preferences of educational institutions, students and their families, or changes in the general interest rate environment and in the securitization markets for education loans.

(code #: nnif)

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