



Nelnet Reports Year-End and Fourth-Quarter 2006 Results

*** Net student loan assets increased 17 percent in 2006 * Fee-based revenue 50 percent of total revenue for the year; 59 percent for the quarter * Quarterly dividend payments begin in March * Stock repurchase program expanded * Co-CEO Butterfield to retire in May**

LINCOLN, Neb., Feb 09, 2007 /PRNewswire-FirstCall via COMTEX News Network/ -- Nelnet, Inc. (NYSE: NNI) today reported GAAP net income for 2006 of \$68.2 million, or \$1.27 per share, compared with \$181.1 million, or \$3.37 per share, for 2005. Base net income for 2006 was \$105.8 million, or \$1.97 per share, compared with \$127.2 million, or \$2.37 per share, for 2005.

GAAP net loss for the fourth-quarter 2006 was \$7.3 million, or \$0.14 per share, compared with net income of \$42.7 million, or \$0.79 per share, for the fourth-quarter 2005. Base net income for the fourth-quarter 2006 was \$9.6 million, or \$0.18 per share, compared with \$31.9 million, or \$0.59 per share, in the fourth-quarter 2005. Excluding previously announced events related to EDULINX and our agreement with the Department of Education, GAAP net income and base net income for 2006 were \$1.57 per share and \$2.27 per share, respectively. For the fourth-quarter 2006, GAAP net income and base net income excluding these events were \$0.16 per share and \$0.48 per share, respectively.

"Our key elements of delivering sustainable, long-term value include: growing high-quality student loan assets, diversifying our revenue streams, increasing our fee-based income, and deploying capital efficiently," said Mike Dunlap, Chairman and Co-Chief Executive Officer of Nelnet. "I am pleased to say that we delivered on each of these elements this year, despite facing considerable challenges. Student loans grew by 17 percent, fee-based revenue increased to 50 percent of our total revenue, and we are instituting a cash dividend and increasing the number of shares we can buy back.

"Our transformation into a world-class diversified education service company is advanced by the vast array of products and services we have put together to help education-seeking families and the institutions that serve them throughout the education life cycle."

Fee-based Revenue

Fee-based revenue for 2006 and the fourth-quarter of 2006 represented 50 percent and 59 percent of Nelnet's total revenue, respectively. This is an increase from 2005 and the fourth quarter of 2005 when fee-based revenue represented 37 percent and 42 percent of total revenue, respectively.

Income from loan and guarantee servicing fees reached \$190.6 million for 2006, up from \$152.5 million in 2005. In the fourth quarter of 2006, loan and guarantee servicing income grew to \$51.0 million, up from \$43.2 million in the fourth quarter of 2005.

Other fee-based income, generated primarily by Nelnet Business Solutions and Enrollment Services, increased to \$102.3 million for 2006 compared with \$35.6 million for 2005. For the fourth quarter of 2006, other fee-based income increased to \$36.9 million, up from \$12.8 million in the same period a year ago. Other income increased to \$23.4 million for 2006 compared with \$7.7 million a year ago. For the fourth-quarter 2006, other fee income increased to \$4.9 million, up from \$2.3 million in the fourth-quarter 2005.

Student Loan Assets

In 2006, net student loan assets increased by \$3.5 billion, or 17 percent, to \$23.8 billion at December 31, 2006. The company reported net new consolidation loan originations of \$1.5 billion and \$611.0 million and net consolidation loan originations of \$2.7 billion and \$918.6 million for 2006 and the fourth quarter of 2006, respectively.

Margin Analysis

Net interest income for 2006 was \$308.7 million compared with \$329.1 million for 2005. For the fourth quarter of 2006, Nelnet reported net interest income of \$63.9 million compared with \$81.3 million for the fourth quarter of 2005. Excluding the impact of the special allowance yield adjustment earned in 2005 and the first six months of 2006, the company's net interest income increased \$49.8 million, or 21 percent, year over year.

The company reported core student loan spread of 1.42 percent for 2006 compared with 1.51 percent in 2005. For the fourth

quarter of 2006, Nelnet reported core student loan spread of 1.31 percent compared with 1.44 percent in the same period of 2005 and 1.34 percent for the third quarter of 2006.

Operating Expenses

For 2006, the company reported operating expenses of \$511.0 million compared with \$322.3 million for 2005. Operating expenses were \$159.6 million in the fourth quarter of 2006 compared with \$98.1 million for the same period a year ago. The increase in operating expenses is primarily attributable to recent acquisitions.

Dividend Policy

Nelnet is instituting a quarterly cash dividend and will issue a cash dividend for the first-quarter 2007 on its outstanding shares of Class A common stock and Class B common stock of \$0.07 per share. The dividend will be paid on March 15, 2007 to shareholders of record at the close of business on March 1, 2007. Nelnet currently has approximately 52.5 million shares of common stock outstanding.

Retirement of Co-Chief Executive Officer

Nelnet announced that Steve Butterfield, Vice Chairman and Co-Chief Executive Officer, will retire as Co-Chief Executive Officer following the company's annual meeting of shareholders in May 2007. Mr. Butterfield will remain on the Board of Directors (Board) as Vice Chairman.

"Steve and I have worked side by side for more than 15 years to make educational dreams possible for so many people, and we've led the company as Co-CEOs since the public offering in 2003," said Mr. Dunlap. "We're fortunate that Steve will continue to serve as Vice Chairman and will stay active in supporting our marketing efforts and building client relationships."

"I am proud of the great company we have built at Nelnet," said Mr. Butterfield. "So much of what we have accomplished has been through the hard work of our associates. It has been my great privilege to work for them. Their dedication and professionalism gives me great confidence in the future of Nelnet."

As Mr. Butterfield transitions his role with Nelnet, he is planning to reduce his position in Nelnet stock. Therefore, the Board has approved a privately negotiated share repurchase of approximately 2.0 million shares of Class B common stock from Mr. Butterfield. After the repurchase, Mr. Butterfield will continue to be a major Nelnet shareholder, holding approximately 4.0 million shares of Class B common stock.

In addition, the Board approved the repurchase of approximately 700,000 shares of Class A common stock from certain members of management seeking to diversify their holdings. Mr. Dunlap is not participating in the share repurchase. The approximately 2.7 million shares of Class A and Class B common stock will be repurchased at a discount to market price.

The Board also approved an increase to 10 million the total number of shares of common stock authorized for repurchase under the company's existing stock repurchase program. Including the above, the company will have repurchased approximately 4.6 million shares out of the 10 million share authorization. The authorization provides the company the flexibility to repurchase shares from time to time in the future when it makes sense as a part of the company's capital management strategy.

Non-GAAP Performance Measures

A description of base net income and a reconciliation of GAAP net income to base net income can be found in supplemental financial information to this earnings release that is available online at www.nelnetinvestors.net/releases.cfm?reltype=Financial.

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 800.310.6649 and international callers should dial 719.457.2693 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 11:45 p.m. (Eastern) February 16, 2007. 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 7164392. A replay of the audio Web cast will also be available at www.nelnetinvestors.net.

	December 31, 2006 (unaudited)	September 30, 2006 (unaudited)	December 31, 2005 (unaudited)
(dollars in thousands, except share data)			
Interest income:			
Loan interest	\$410,015	\$401,704	\$309,890
Amortization of loan premiums and deferred origination costs	(22,838)	(21,568)	(24,160)
Investment interest	24,310	25,986	17,616
Total interest income	411,487	406,122	303,346
Interest expense:			
Interest on bonds and notes payable	347,615	333,766	222,066
Net interest income	63,872	72,356	81,280
Less provision for loan losses	1,800	1,700	1,473
Net interest income after provision for loan losses	62,072	70,656	79,807
Other income (expense):			
Loan and guarantee servicing income	50,985	48,462	43,180
Other fee-based income	36,868	31,221	12,755
Software services income	4,064	4,399	2,410
Other income	4,850	13,617	2,277
Derivative market value, foreign currency, and put option adjustments	(19,510)	(79,941)	21,927
Derivative settlements, net	7,013	4,973	2,041
Total other income (expense)	84,270	22,731	84,590
Operating expenses:			
Salaries and benefits	60,842	65,383	49,117
Other expenses	60,916	56,925	44,156
Amortization of intangible assets	6,794	6,534	4,828
Impairment expense	31,090	--	--
Total operating expenses	159,642	128,842	98,101
Income (loss) before income taxes	(13,300)	(35,455)	66,296
Income tax expense (benefit)	(5,990)	(13,101)	23,246
Net income (loss) before minority interest	(7,310)	(22,354)	43,050
Minority interest in net earnings of subsidiaries	--	--	(374)
Net income (loss)	\$(7,310)	\$(22,354)	\$42,676
Earnings (loss) per share, basic and diluted	\$(0.14)	\$(0.42)	\$0.79
Weighted average shares outstanding	52,506,936	53,348,466	53,915,812

Year ended
December December

	31, 2006	31, 2005
	(unaudited)	
	(dollars in thousands, except share data)	
Interest income:		
Loan interest	\$1,543,108	\$981,479
Amortization of loan premiums and deferred origination costs	(87,393)	(76,530)
Investment interest	94,151	44,259
Total interest income	1,549,866	949,208
Interest expense:		
Interest on bonds and notes payable	1,241,174	620,111
Net interest income	308,692	329,097
Less provision for loan losses	15,308	7,030
Net interest income after provision for loan losses	293,384	322,067
Other income (expense):		
Loan and guarantee servicing income	190,563	152,493
Other fee-based income	102,318	35,641
Software services income	15,890	9,169
Other income	23,360	7,659
Derivative market value, foreign currency, and put option adjustments	(31,075)	96,227
Derivative settlements, net	23,432	(17,008)
Total other income (expense)	324,488	284,181
Operating expenses:		
Salaries and benefits	246,116	172,732
Other expenses	208,675	140,092
Amortization of intangible assets	25,122	9,479
Impairment expense	31,090	--
Total operating expenses	511,003	322,303
Income (loss) before income taxes	106,869	283,945
Income tax expense (benefit)	38,472	102,220
Net income (loss) before minority interest	68,397	181,725
Minority interest in net earnings of subsidiaries	(242)	(603)
Net income (loss)	\$68,155	\$181,122
Earnings (loss) per share, basic and diluted	\$1.27	\$3.37
Weighted average shares outstanding	53,593,056	53,761,727

Condensed Consolidated Balance Sheets and Financial Data

As of December 31,

	2006 (unaudited)	2005
	(dollars in thousands)	
Assets:		
Student loans receivable, net	\$23,789,552	\$20,260,807
Cash, cash equivalents, and investments	1,777,494	1,645,797
Goodwill	191,420	99,535
Intangible assets, net	162,994	153,117
Other assets	875,413	639,437
Total assets	\$26,796,873	\$22,798,693
Liabilities:		
Bonds and notes payable	\$25,562,119	\$21,673,620
Other liabilities	562,904	474,955
Total liabilities	26,125,023	22,148,575
Minority interest in subsidiaries	--	626
Shareholders' equity	671,850	649,492
Total liabilities and shareholders' equity	\$26,796,873	\$22,798,693
Return on average total assets	0.27%	1.00%
Return on average equity	9.6%	32.4%

For 28 years, Nelnet has been helping the education-seeking family plan for their education, pay for their education, and prepare for their careers. The company has invested hundreds of millions of dollars in products, services, and technology improvements for students and the educational institutions they attend. These services include live counseling to help families through all aspects of the financial aid process, benefits for borrowers, including tens of millions of dollars in fee reductions, and Nelnet sponsored scholarships. Nelnet serves students in 50 states, employs approximately 4,000 associates, and has \$23.8 billion in net student loan assets.

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. For more information see our filings with the Securities and Exchange Commission.

(code #: nnif)

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