



Nelnet, Inc. Supplemental financial information Fourth quarter 2003

The following supplemental information should be read in connection with the 2003 earnings press release of Nelnet, Inc. (the "Company"), dated January 30, 2004.

Statements in this supplemental financial information release, which refer to expectations as to future developments, are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements contemplate risks, uncertainties, and other factors that may cause the actual results to differ materially from such forward-looking statements. Such factors are included in the prospectus dated December 10, 2003 and include among others, changes in, or arising from, the implementation of applicable laws and regulations or changes in laws and regulations affecting the education finance marketplace. Changes in the terms of student loans and the educational credit marketplace arising from the implementation of applicable laws and regulations and from changes in such laws and regulations, changes in the demand for educational financing or in financing preferences of educational institutions, students and their families, and changes in the general interest rate environments, could also have substantial impact on future results. For more information see our filings with the Securities and Exchange Commission.

Effective August 14, 2003, the shareholders of the Company approved amended and restated articles of incorporation. The amended and restated articles of incorporation effected a recapitalization of the Company whereby each share of Class A voting common stock, and each share of Class B non-voting common stock held by two principal shareholders and a related entity (the "Principal Shareholders"), was converted into 210 shares of new Class B common stock, and each share of Class B non-voting common stock (other than those owned by the Principal Shareholders) was converted into 210 shares of new Class A common stock. In addition, the Company completed an initial public offering of its Class A common stock issuing 8,000,000 shares on December 11, 2003. The underwriters exercised their rights related to the over-allotment of shares, resulting in an issuance of an additional 586,800 shares of Class A common stock on December 24, 2003. All share and per share amounts presented have been retroactively restated for the stock split and 2003 weighted-average share calculations have included the current period issuances.



Student loans receivable, net

Student loans receivable, net includes all student loans owned by or on behalf of the Company and includes the unamortized cost of acquisition or origination less an allowance for losses.



Net interest income

Nelnet's net interest income included approximately \$12.8 million of variable-rate floor income for 2003, as compared to approximately \$49.8 million for the fiscal year 2002. Net interest income includes \$69.3 million of amortization of acquisition costs for 2003, compared to \$55.1 million for 2002.



Derivative accounting

The Company maintains an overall interest rate risk management strategy that incorporates the use of derivative instruments to minimize the economic effect of interest rate volatility. Derivative instruments that are used as part of the Company's interest rate risk management strategy include interest rate swaps and basis swaps. The Company's goal is to manage interest rate sensitivity by modifying the re-pricing or maturity characteristics of certain balance sheet assets and liabilities. Management has structured all of the Company's derivative transactions with the intent that each is economically effective. However, such derivative instruments may not qualify for hedge accounting under SFAS No. 133 and thus may adversely impact earnings. The unrealized loss adjustment in the fair value of derivative instruments that do not qualify for hedge accounting under SFAS No. 133 was \$1.2 million for the year ended December 31, 2003, as compared to \$0.6 million in 2002.

Operating expenses

Operating expenses include a non-recurring \$5.2 million non-cash compensation charge incurred in the third quarter

of 2003 for stock purchased by employees in the first quarter of 2003. The Company incurred the charge in the third quarter upon consummation of the initial public offering on December 11, 2003. The charge is not deductible for income tax purposes. The Company's 2003 operating expenses also include \$5.1 million of expenses associated with the termination of consulting and employment agreements, of which \$1.8 million was incurred during the fourth quarter of 2003.

The Company's operating expenses also include \$12.8 million in amortization of intangible assets during 2003, as compared to \$22.2 million for the year ended December 31, 2002. Nondeductible amortization for federal income tax purposes was \$6.7 million and \$16.2 million for the 2003 and 2002 fiscal years respectively.