

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(D)
OF THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported)
JANUARY 28, 2005

NELNET, INC.
(Exact name of registrant as specified in its charter)

NEBRASKA

001-31924

84-0748903

(State or other jurisdiction
of incorporation)

(Commission
File Number)

(I.R.S. Employer
Identification No.)

121 SOUTH 13TH STREET
SUITE 201
LINCOLN, NEBRASKA

68508

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code (402) 458-2370

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02. Results of Operations and Financial Condition.

On January 28, 2005, Nelnet, Inc. issued a press release with respect to its earnings for the year and quarter ended December 31, 2004.

Item 9.01. Financial Statements and Exhibits.

A copy of the press release is attached as Exhibit 99.1 to this Current Report. Additional information for the year and quarter ended December 31, 2004, which is available on the Registrant's website at www.nelnet.net, is furnished as Exhibit 99.2.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Dated: January 28, 2005

NELNET, INC.

By: /s/ Terry J. Heimes

Name: Terry J. Heimes
Title: Chief Financial Officer

EXHIBIT INDEX

Exhibit No.	Description
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99.1	Press Release dated January 28, 2005 - "Nelnet reports student loan assets up approximately 29% year over year; strong fourth-quarter earnings"
99.2	Additional Information Available on the Registrant's Website.

Media Contact: Sheila Odom, 402.458.2329
Investors Contact: Cheryl Watson, 317,469.2064

For immediate release

Nelnet reports student loan assets up approximately 29% year over year; strong fourth-quarter earnings

(Lincoln, NE) - Nelnet, Inc. (NYSE: NNI) today reported 2004 base net income of \$161.8 million, or \$3.02 per share, compared with \$27.8 million, or \$0.61 per share, in 2003. GAAP net income for 2004 was \$149.2 million, or \$2.78 per share, compared to \$27.1 million, or \$0.60 per share, in the prior year.

For the fourth quarter of 2004, Nelnet reported base net income of \$31.7 million, or \$0.59 per share, compared to \$9.5 million, or \$0.20 per share, in the same period a year ago. GAAP net income for the fourth-quarter 2004 was \$47.2 million, or \$0.88 per share, compared to \$10.3 million, or \$0.22 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 December 31, 2004 were \$13.5 billion, up approximately 29 percent, or \$3.0 billion, from \$10.5 billion at year-end 2003. Growth in student loan assets is an important measure of Nelnet's success in the marketplace and a key driver of future earnings. It reflects the strength of the company's school-based products, services, and sales team, as well as the effectiveness of its direct-to-consumer strategies.

"Nelnet's first full year as a public company was a record-setter, providing strong growth in base net income and student loan assets, two key measures we use to evaluate our success," said Steve Butterfield, Nelnet Vice Chairman and Co-Chief Executive Officer. "More importantly, our accomplishments in 2004 have laid the foundation for continued growth.

"Acquisitions and strategic partnerships have positioned Nelnet for future student loan asset and fee-based revenue growth by expanding our national footprint and increasing our touch points along the financial aid value chain," stated Butterfield. "In addition, economies of scale continue to provide opportunities for servicing and financing efficiencies. Our long-term focus and strategy have positioned us well to build on the past year's success."

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 our 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 December 31,		Year Ended December 31,	
	2004	2003	2004	2003
	(dollars in thousands)			
GAAP net income	\$ 47,168	\$ 10,332	\$ 149,179	\$ 27,103
Base adjustments:				
Impact of derivative market value adjustments	(27,291)	(3,948)	11,918	1,183
Amortization of intangible assets	2,336	2,785	8,768	12,766
Impact of variable-rate floor income	-	(130)	(348)	(12,830)
Total base adjustments before income taxes	(24,955)	(1,293)	20,338	1,119
Net tax effect (a)	9,483	491	(7,728)	(425)
Total base adjustments	(15,472)	(802)	12,610	694
Base net income	\$ 31,696	\$ 9,530	\$ 161,789	\$ 27,797
Base earnings per share, basic and diluted	\$ 0.59	\$ 0.20	\$ 3.02	\$ 0.61

(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 800.946.0783 and international callers should dial 719.457.2658 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) February 4. 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 645901. 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 December 31,		Year Ended December 31,	
	2004	2003	2004	2003
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	(dollars in thousands, except share data)			
Interest income:				
Loan interest, excluding variable-rate floor income	\$ 185,977	\$ 108,312	\$ 705,036	\$ 413,301
Variable-rate floor income	-	130	348	12,830
Amortization of loan premiums and deferred origination costs	(17,121)	(19,556)	(70,370)	(69,316)
Investment interest	6,012	3,219	17,762	15,203
Total interest income	174,868	92,105	652,776	372,018
Interest expense:				
Interest on bonds and notes payable	84,670	48,812	254,610	200,296
Net interest income	90,198	43,293	398,166	171,722
Less provision (recovery) for loan losses	477	2,600	(529)	11,475
Net interest income after provision (recovery) for loan losses	89,721	40,693	398,695	160,247
Other income:				
Loan servicing and other fee income	26,273	25,635	98,661	102,959
Software services and other income	6,870	5,341	25,868	19,017
Derivative market value adjustments	27,291	3,948	(11,918)	(1,183)
Derivative settlements, net	(14,751)	(1,077)	(34,140)	(1,601)
Total other income	45,683	33,847	78,471	119,192
Operating expenses:				
Salaries and benefits	31,802	31,524	133,667	124,273
Other expenses	27,703	23,893	100,316	96,002
Amortization of intangible assets	2,336	2,785	8,768	12,766
Total operating expenses	61,841	58,202	242,751	233,041
Income before income taxes	73,563	16,338	234,415	46,398
Income tax expense	26,395	6,006	85,236	19,295
Net income	\$ 47,168	\$ 10,332	\$ 149,179	\$ 27,103
Earnings per share, basic and diluted	\$ 0.88	\$ 0.22	\$ 2.78	\$ 0.60
Weighted average shares outstanding	53,662,152	46,928,358	53,648,605	45,501,583

CONDENSED CONSOLIDATED BALANCE SHEETS AND FINANCIAL DATA

	As of December 31,	
	2004	2003
	(unaudited)	
	(dollars in thousands)	
Assets:		
Student loans receivable, net	\$ 13,461,814	\$ 10,455,442
Cash, cash equivalents, and investments	1,302,954	1,155,215
Other assets	395,237	321,529
	-----	-----
Total assets	\$ 15,160,005	\$ 11,932,186
	=====	=====
Liabilities:		
Bonds and notes payable	\$ 14,300,606	\$ 11,366,458
Other liabilities	403,224	260,239
	-----	-----
Total liabilities	14,703,830	11,626,697
	-----	-----
Shareholders' equity	456,175	305,489
	-----	-----
Total liabilities and shareholders' equity	\$ 15,160,005	\$ 11,932,186
	=====	=====
Average student loans	\$ 11,809,663	\$ 9,316,354
Return on average total assets	1.11%	0.25%
Return on average equity	39.7%	19.4%

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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 over \$15 billion in total 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 nearly \$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.

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 RELEASE: 1/28/05
 MEDIA CONTACT: Sheila Odom, 402.458.2329
 INVESTOR CONTACT: Cheryl Watson, 317.469.2064

NELNET, INC. SUPPLEMENTAL FINANCIAL INFORMATION FOR THE FOURTH QUARTER 2004

The following supplemental information should be read in connection with the fourth-quarter 2004 earnings press release of Nelnet, Inc. (the "Company"), dated January 28, 2005.

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 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 a substantial impact on future results. For more information see our filings with the Securities and Exchange Commission.

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Average student loans	\$ 11,809,663	\$ 9,316,354
Return on average total assets	1.11%	0.25%
Return on average equity	39.7%	19.4%

NON-GAAP BASE NET INCOME

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

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Net tax effect (a)	9,483	491	(7,728)	(425)
Total base adjustments	(15,472)	(802)	12,610	694
Base net income	\$ 31,696	\$ 9,530	\$ 161,789	\$ 27,797
Base earnings per share, basic and diluted	\$ 0.59	\$ 0.20	\$ 3.02	\$ 0.61

(a) Tax effect computed at 38%.

Base and GAAP net income included approximately \$203 million and \$36 million of special allowance yield adjustments for the year and fourth quarter ended December 31, 2004, respectively. These amounts are offset by net settlements of approximately \$31 million and \$14 million, respectively, on derivative products used to hedge the loan portfolio earning the excess yield. The earnings per share effect of the excess yield, net of derivative settlements and taxes, is \$2.00 and \$0.26 for the year and fourth quarter ended December 31, 2004, respectively.

Our 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. A more detailed discussion of the differences between GAAP and base net income follows.

DERIVATIVE MARKET VALUE ADJUSTMENTS: Base net income excludes the periodic unrealized gains and losses caused by the change in market value on those derivatives in which the Company does not qualify for hedge accounting. The Company maintains an overall interest rate risk management strategy that incorporates the use of derivative instruments to reduce the economic effect of interest rate volatility. Derivative instruments that are currently 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, the majority of the Company's derivative instruments do not qualify for hedge accounting under Statement of Financial Accounting Standards No. 133, ACCOUNTING FOR DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES, and thus may adversely impact earnings.

AMORTIZATION OF INTANGIBLE ASSETS: We exclude amortization of acquired intangibles in our base net income.

VARIABLE-RATE FLOOR INCOME: Loans that reset annually on July 1 can generate excess spread income as compared to the rate based on the special allowance payment formula in declining interest rate environments. We refer to this additional income as variable-rate floor income. Base net income excludes variable-rate floor income.

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 loan losses. The following table describes the components of our loan portfolio:

	As of December 31,			
	2004		2003	
	Dollars	Percent of Total	Dollars	Percent of Total
(dollars in thousands)				
Federally insured:				
Stafford	\$ 5,047,487	37.5 %	\$ 4,900,249	46.9 %
PLUS/SLS (a)	252,910	1.9	249,217	2.4
Consolidation	7,908,292	58.7	5,073,081	48.5
Non-federally insured	90,405	0.7	92,327	0.9
Total	13,299,094	98.8	10,314,874	98.7
Unamortized premiums and deferred origination costs	169,992	1.3	156,594	1.5
Allowance for loan losses:				
Allowance - federally insured	(117)	(0.0)	(9,755)	(0.1)
Allowance - non-federally insured	(7,155)	(0.1)	(6,271)	(0.1)
Net	\$ 13,461,814	100.0 %	\$ 10,455,442	100.0 %

(a) Supplemental loans for students, or SLS, are the predecessor to unsubsidized Stafford loans.

During 2004, the Company's allowance for loan losses on federally insured loans was reduced to account for the estimated effects of the Exceptional Performer designation received by the majority of the service providers that service the Company's loan portfolio.

The following table sets forth the loans originated or acquired through each of our channels:

	Three Months Ended December 31,		Year Ended December 31,	
	2004	2003	2004	2003
	(dollars in thousands)			
Beginning balance	\$ 12,630,456	\$ 9,913,870	\$ 10,314,874	\$ 8,404,388
Direct channel:				
Consolidation loan originations	891,053	796,875	3,060,427	2,266,499
Less consolidation of existing portfolio	(388,300)	(401,000)	(1,282,100)	(1,160,000)
Net consolidation loan originations	502,753	395,875	1,778,327	1,106,499
Stafford/PLUS loan originations	57,370	48,160	279,885	236,855
Branding partner channel	183,214	85,820	989,867	808,843
Forward flow channel	157,789	117,443	780,803	602,777
Other channels	46,547	31,390	250,609	338,040
Total channel acquisitions	947,673	678,688	4,079,491	3,093,014
Loans acquired in subsidiary acquisition	-	-	136,138	-
Repayments, claims, capitalized interest, and other	(279,035)	(277,684)	(1,231,409)	(1,182,528)
Ending balance	\$ 13,299,094	\$ 10,314,874	\$ 13,299,094	\$ 10,314,874

INTEREST RATE SENSITIVITY

As a portion of the Company's student loan assets earn a fixed rate, management uses fixed-rate debt and interest rate swaps to reduce the economic effect of interest rate volatility. As of December 31, 2004, the Company had fixed-rate debt of \$713 million and interest rate swaps with a notional amount of \$4.2 billion which mature in varying amounts through 2010. The following table shows the Company's student loan assets currently earning at a fixed-rate as of December 31, 2004:

Fixed Interest Rate Range	Borrower/Lender Weighted Average Yield	Estimated Variable Conversion Rate (a)	Current Balance of Fixed Rate Assets
			(in thousands)
5.0 - 5.5%	5.13 %	2.49%	\$ 89,727
5.5 - 6.0	5.69	3.05	148,983
6.0 - 6.5	6.21	3.57	293,269
6.5 - 7.0	6.71	4.07	356,572
7.0 - 8.0	7.52	4.88	311,288
> 8.0	8.56	5.92	995,187
9.5 floor yield	9.50	6.86	3,364,722
			\$ 5,559,748

(a) The estimated variable conversion rate is the estimated short-term interest rate at which loans would convert to variable rate.

STUDENT LOAN SPREAD

The following table analyzes the student loan spread on our portfolio of student loans. This table represents the spread on assets earned in conjunction with the liabilities used to fund the assets, including the effects of net derivative settlements.

	Year ended December 31,	
	2004	2003
Student loan yield	6.55 %	5.01 %
Consolidation rebate fees	(0.58)	(0.44)
Premium and deferred origination costs amortization	(0.60)	(0.74)
Student loan net yield	5.37	3.83
Student loan cost of funds (a)	(2.25)	(1.91)
Student loan spread	3.12	1.92
Variable-rate floor income	-	(0.14)
Special allowance yield adjustment, net of settlements on derivatives (b)	(1.46)	-
Core student loan spread	1.66 %	1.78 %
Average balance of student loans (in thousands)	\$ 11,809,663	\$ 9,316,354

(a) The student loan cost of funds includes the effects of the net settlements on the Company's derivative instruments.

(b) The special allowance yield adjustment represents the impact on net spread had loans earned at statutorily defined rates under a taxable financing, and has been reduced by the net settlements on derivative instruments used to hedge the loan portfolio earning the excess yield.

STUDENT LOAN SERVICING

The Company performs servicing activities for itself and third parties. The following table summarizes the Company's loan servicing volumes:

	As of December 31,									
	2004					2003				
	Internal	%	External	%	Total	Internal	%	External	%	Total
	(dollars in millions)									
FFELP and private loans	\$11,888	56%	\$ 9,188	44%	\$ 21,076	\$ 9,171	49%	\$ 9,603	51%	\$ 18,774
Canadian loans	-	-	8,680	100%	8,680	-	-	-	-	-
Total	\$11,888	40%	\$ 17,868	60%	\$ 29,756	\$ 9,171	49%	\$ 9,603	51%	\$ 18,774