



## NetOnNet AB (publ)

### Year-end report, January-December 2000

*Unless otherwise stated, the comparative figures in the report relate to the same period in 1999.*

## Strong growth in 2000 - profitability within reach

- Sales amounted to SEK 70.1 million (5.8).
- Sales in the fourth quarter totalled SEK 36.6 million as against SEK 15.2 million in the previous quarter. This is an increase of 141 per cent.
- The result for the year, including establishment costs in Germany and Belgium, was a loss of SEK 38.7 million (-6.4).
- Sales started in Germany at the end of September and amounted to SEK 4.2 million in the fourth quarter.
- All key figures were improved during the year, and the Swedish business is expected to start generating a profit as from the third quarter of 2001.
- The current cash balance is expected to be sufficient to carry the company into profitability.

*NetOnNet (www.netonnet.se) supplies TV, video, mobile phones, etc. from leading manufacturers such as Sony and Philips. The items are delivered directly to private customers and businesses. The company was established in 1999, and its head office is in Borås, the logistics centre. Operations have also been conducted in Germany and Belgium since the end of 2000.*

### Market

The market for domestic electronic appliances on which NetOnNet operates is currently undergoing remarkably rapid development. It is estimated that the sector as a whole grew by 14.2 per cent in 2000, according to the snabbindeks (monthly index of sales) of Swedish Commercial Analysis Institute. A range of new products are contributing to the rapid expansion. These have appeared in traditional segments such as TV, where larger models designed to accommodate the new Widescreen Format in particular made large gains over the year. Digitalisation has now fully achieved its breakthrough in this sector, and a number of product categories will continue to grow as a result of the ongoing developments. These include DVD, MiniDisc, MP3, digital TV and digital cameras. This development means that the market for services linked to the products will also increase. Together, these developments have resulted in both increased order volumes and higher average prices per order, which is reflected in the fact that NetOnNet's total average order value has risen over the year to more than SEK 3,000, excluding VAT. In the field of e-commerce, the area of domestic electronic appliances has not previously enjoyed the same secure position as books and CDs, for example. However, this picture changed dramatically in 2000, and today, the area of domestic electronic appliances is increasingly being mentioned among the segments for which a bright future is forecast in the field of e-commerce. On this basis, together with the growth forecasts available for e-commerce in general, the management of the company considers that NetOnNet's opportunities for growth remain very promising.

### The NetOnNet model

As e-commerce is a relatively new phenomenon, which, via the medium of the Internet, is opening up a range of new opportunities for rapid and accurate measurement, for example, attention has been focused on measurement methods that are currently considered useful in analysing the development of various e-commerce companies. Measurement of the number of visitors to a Web site is an example of a statistic followed up in different media every month. In order to maintain focus on the appropriate areas, NetOnNet has developed its own model for monitoring operations.

The following section contains a brief description of the different parameters:

- Focus on sales: both management and employees have a solid background in sales, and all activities are intended to create transactions.
- Sector familiarity: together, the members of the management team have more than 60 years of experience in the market for domestic electronic appliances, and sales and marketing personnel are primarily recruited within the sector.
- Low costs: as commerce often involves using low prices to capture customers, all running costs such as pay, travel and rental of premises must be kept to a minimum. For example, NetOnNet leases office and storage space in Borås for roughly SEK 300 per m2.
- Own logistics in own premises with own personnel make it possible to rectify any delivery errors very quickly. Logistics is considered a core activity.
- High average order value results in lower processing costs per order and reduces demands on volume as a whole. At present, average order value is around SEK 3,000 excluding VAT.
- High emphasis on control and follow-up of the business. The areas mentioned above contain important key figures to target. It is a matter of making the right choices and following up regularly. For example, NetOnNet gives high priority to acquisition costs per customer (see the figure in the Marketing section), but accords less emphasis to the number of visitors.

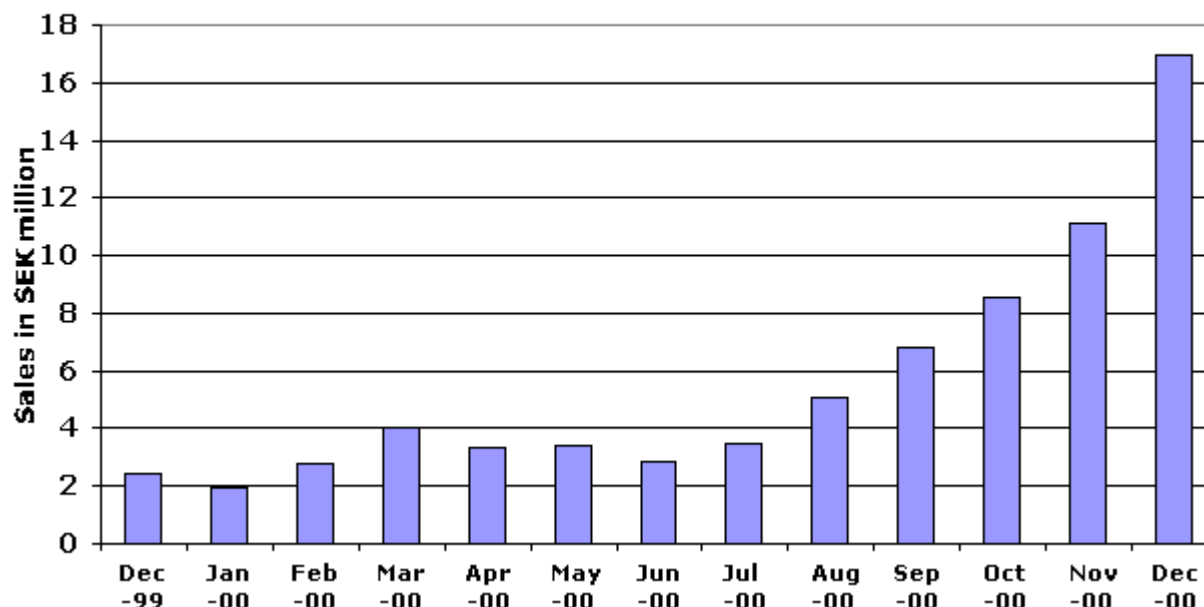
**Sales**

Sales during the year amounted to SEK 70.1 million (5.8).

The fourth quarter showed the highest increase of the year, growing by 141 per cent in relation to the third quarter.

	Sweden	Germany	Belgium	Total
Sales in 2000	66,1	4,0	0,0	SEK 70.1 million
Of which in Q4	32,6	3,9	0,0	SEK 36.5 million

**Sales, December 1999-December 2000**



**Products**

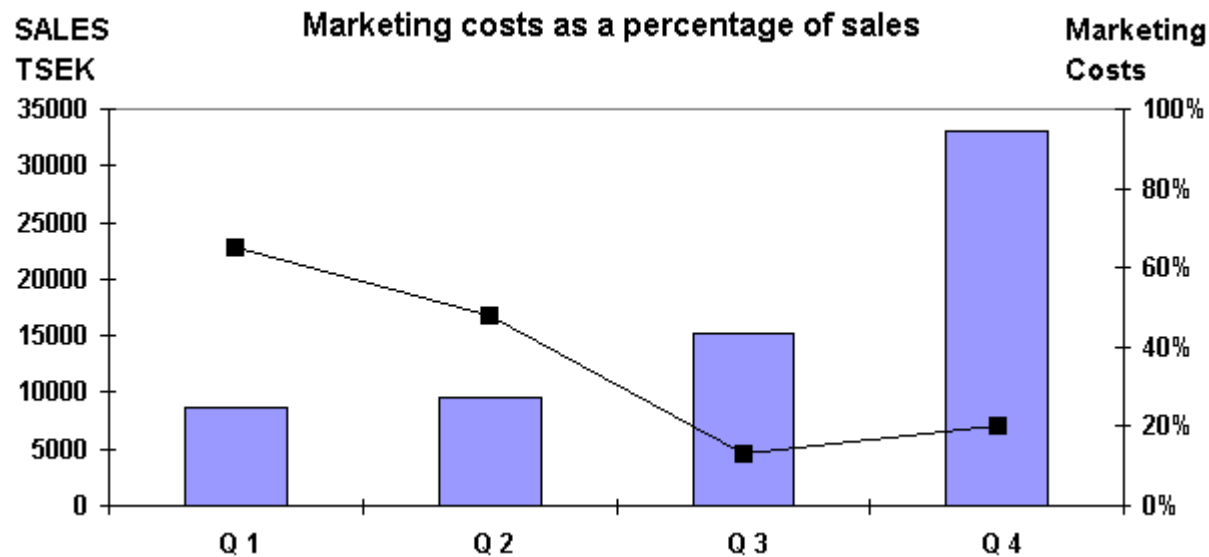
The three largest product categories during the period were TV (48.6% of total sales), DVD and video products (17.2 %) and Hi-fi (11.4 %). The largest increases in sales between the third and fourth quarters were recorded in Accessories (+235%), Stereo systems (+217%) and TV (+149%). IT products were introduced during the fourth quarter and accounted for 1.5 per cent of sales in Sweden during this quarter.

**Marketing**

Marketing costs for the year amounted to SEK 21.6 million (4.2), of which SEK 18.7 million (4.2) was used in Sweden.

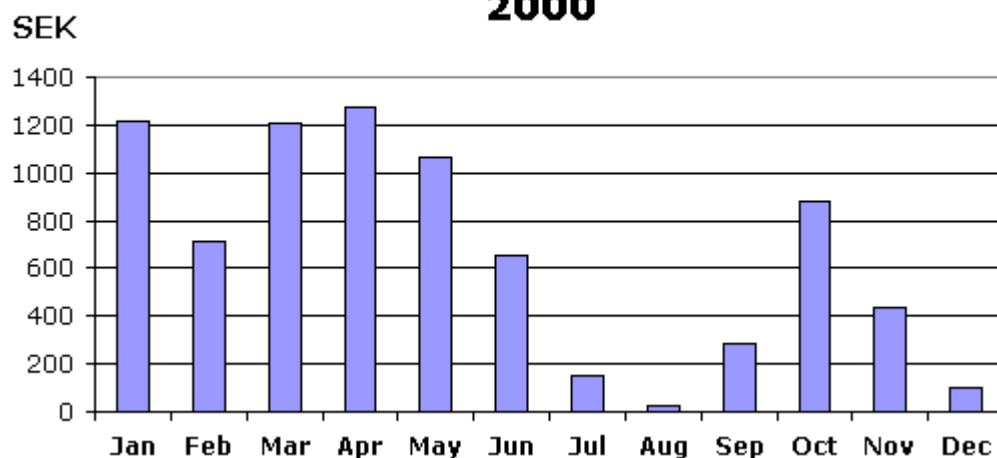
In Sweden, it is clear that investments in marketing are becoming increasingly effective.

The graph below illustrates how marketing was developed in relation to sales:



Acquisition costs for new customers continue to fall, dropping from approximately SEK 1,200 in January to around SEK 100 in December.

**Acquisition costs per new customer 2000**



Note: acquisition costs per new customer are defined as the total marketing costs for the period divided by the number of new customers less the contribution margin per new customer.

**Customer Service & Logistics**

During the year, volume increased eight-fold from 250 to 2,000 packages per week. An increase of this magnitude naturally placed a great deal of strain on the customer service and logistics departments. NetOnNet coped with this by using its own resources, and now has excellent control over the flow of orders. Additional focus will be accorded to these processes in 2001 in order to ensure that the high level of quality is maintained within the rapid growth.

**Result and gross margin**

The loss for the period after financial items was SEK 38.7 million (-6.4). Of this, SEK 11.1 million is attributable to establishment costs for operations in Germany and Belgium. The gross margin was 16.9 per cent (49). In Sweden, this figure rose from 13.1 per cent in 1999 to around 18 per cent at the end of the year.

**Financial position and liquidity**

Net cash reserves amounted to SEK 84.6 million as of 31 December 2000 - equivalent to SEK 14.41 per share - the equity/assets ratio was 79,2 percent. Total equity amounted to SEK 102.6 million, equivalent to SEK 17.48 per share.

#### Personnel

The company employs 35 people - 22 in Sweden, 9 in Germany and 4 in Belgium.

#### Annual General Meeting

The Annual General Meeting is to be held in Borås on 25 April 2001. The Board of Directors will propose that no dividend be paid for 2000.

#### Events after the close of the period

Sales in January 2001 totalled SEK 10.4 million (1.9) and the gross margin improved appreciably, reaching 20.0 per cent (16.0). Please refer to the separate monthly report for January 2001.

After the end of the period, NetOnNet received recognition as Best Internet Store in both Sweden and Germany. The award in Sweden is one of the Retail Awards presented by Svensk Handel (Swedish Commerce). The award in Germany is one of the Best of Internet awards presented by the journal "Tomorrow".

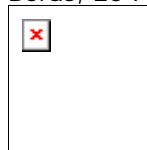
In January, the staff have subscribed for debenture loans linked to separable warrants. Full uptake of these warrants in the period 1 January-30 June 2003 will increase share capital by SEK 77,500 and the number of shares by 77,500.

#### Outlook for 2001

The basis for continued growth is very good. In Sweden, sales are expected to continue to rise, even though the company will be focusing more intently on improving the operating margin. The markets of Germany and Belgium have started in a way reminiscent of Sweden in 1999, which means that the prospects for development are in line with that experienced in Sweden. However, the key figures for marketing are expected to reflect the increase in efficiency in this area.

All key figures improved during the year, and the Swedish business is expected to start generating a profit as from the third quarter of 2001. The current cash balance is expected to be sufficient to carry the company into profit with operations in Sweden, Germany and Belgium.

Borås, 20 February 2001



Anders Halvarsson  
Managing Director

Please direct questions and enquiries relating to this report to Anders Halvarsson, Managing Director, on +46 705-48 55 56. This report is also published in electronic form at [www.netonnet.se](http://www.netonnet.se)

#### Future reports

NetOnNet files monthly reports with regard to development in sales and earnings.

Monthly report, February 16 March 2001

Annual General Meeting 25 April 2001

Interim report January-March 25 April 2001

#### PROFIT AND LOSS FIGURES

SEK 000	Jan-Dec 2000	Jan-Dec 1999	Oct-Dec 2000	Oct-Dec 1999
	12 months	12 months	3 months	3 months
Net sales	70.086	5.783	36.586	4.678
Cost of goods	-58.257	-5.026	-30.548	-4.147
<b>Gross profit</b>	<b>11.829</b>	<b>757</b>	<b>6.038</b>	<b>531</b>

Personnel costs	-13.139	-754	-4.316	-291
Marketing costs	-21.616	-4.191	-8.372	-3.825
Retail costs	-5.309	-686	-1.407	-340
Other external costs	-12.941	-1.460	-6.705	-909
Depreciation	-486	-20	19	-11
<b>Operating profit</b>	<b>-41.662</b>	<b>-6.354</b>	<b>-14.743</b>	<b>-4.845</b>
<b>Financial items</b>	<b>2.961</b>	<b>-57</b>	<b>1.067</b>	<b>-13</b>
<b>Net profit/loss for the period</b>	<b>-38.701</b>	<b>-6.411</b>	<b>-13.676</b>	<b>-4.858</b>

### BALANCE SHEET FIGURES

SEK 000

	31 December 2000	31 December 1999
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#### Assets

Subscribed capital not yet paid in	-	1.016
Fixed assets	3.116	182
Long-term receivables	636	
Inventories	18.634	1.383
Short-term receivables	14.226	3.553
Cash in hand and bank deposits	92.894	4.719

<b>Total assets</b>	<b>129.506</b>	<b>10.853</b>
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#### Shareholders' equity and liabilities

Shareholders' equity	102.616	5.704
Long-term liabilities	-	1.000
Current liabilities	26.890	4.149

<b>Total shareholders' equity and liabilities</b>	<b>129.506</b>	<b>10.853</b>
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### KEY FINANCIAL FIGURES

SEK 000	Jan-Dec 2000	Oct-Dec 2000
Net sales	70.086	15.230
Gross margin, %	16,9	16,5
Net profit/loss for the period	-38.701	-13.676
Equity ratio, %	79,2	79,2
Net investments	3.420	664
Equity per share, SEK	17,48	17,48

Number of shares at end of period	5.869.360	5.869.360
Total outstanding options at end of period	102.920	102.920
Number of employees at end of period	35	35