

NetOnNet AB Interim report for January-June 2000

Unless indicated to the contrary, comparisons in the report are with the first half of 1999.

Continued positive development for the NetOnNet model

- Sales have developed according to plan, totalling SEK 18.3 (0.4) million
- In spite of the low season and reduced marketing, sales for the second quarter totalled SEK 9.5 million compared with SEK 8.7 million during the first quarter
- Commencement of sales of household products and the Sony Playstation during 2nd quarter
- It has been decided that business activities will be established in a total of two new countries during 2000
- It is estimated that Swedish business activities will make a profit as from the 3rd quarter of 2001
- It is expected that the present funds will suffice to bring the entire company into profit
- At the close of the period of the report, NetOnNet's net funds amounted to SEK 20.81 per share

The NetOnNet model

- *Focus on sales*
- *Knowledge of the industry - collectively, management has over 60 years' experience of the home electronics industry.*
- *Low costs - premises for just over SEK 300: -/m2. Just over 20 people in Borås to look after Swedish and International management*
- *Own logistics in own premises with own staff*
- *High average order values (currently approx. SEK 2,400 kronor excl. VAT)*
- *Marked focus on management and follow-up of business activities*

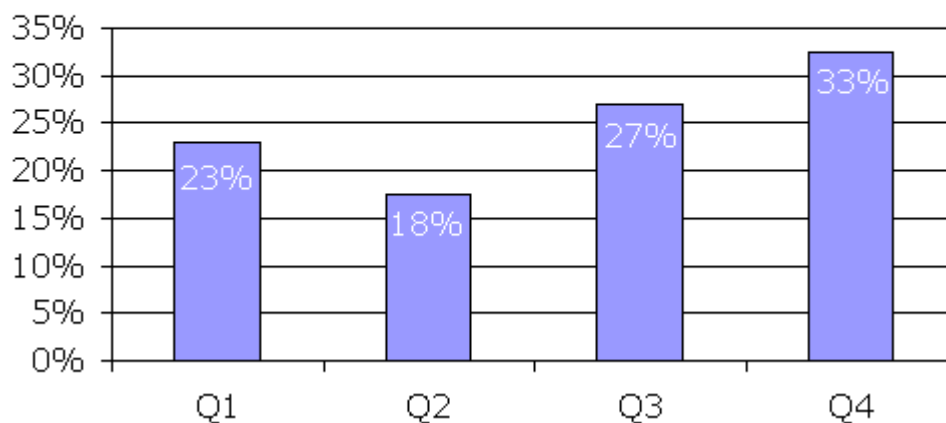
NetOnNet (www.netonnet.se) is Europe's first shop devoted to home electronics on the net. NetOnNet offers TV, video, mobile phones etc., including leading makes such as Sony and Philips. The products are delivered directly to private individuals and companies. The company was started up in March 1999 and has its main office in the "logistics town" of Borås. During 2000 the company will be establishing itself in Germany and Belgium.

Market

The home electronics market on which NetOnNet is operating is currently in a period of intense development. A series of new products is contributing to this growth. These are partly in traditional segments such as TV, where the main trend is towards the new wide-screen format and larger models. Digitalisation means that a number of new types of product are being added, of which one might mention mini-discs, DVD and MP3. All in all this contributes both to increased volumes and to higher average prices. Furthermore, within the field of e-commerce the product area is not as well established as is for example the case with books and CDs. Taking into account these factors together with the growth forecasts available for e-commerce in general, and alongside the seasonal variation to be found within the home electronics industry, company management assesses NetOnNet as having very good potential for growth.

Source: Market information from trade headquarters

Seasonal variation within the home electronics industry (1999) (share of annual sales in %)



The NetOnNet model

Since e-commerce is a relatively new phenomenon which thanks to the medium of the Internet is opening up a series of new possibilities for fast and precise measurement, methods of measurement have been brought to the fore which are currently deemed to be of interest for analysis of the development of the various e-commerce companies. Measurement of the number of visitors to the website is an example of a statistic which is followed up in the media every month. To keep things in focus, NetOnNet has developed its own model for controlling business operations.

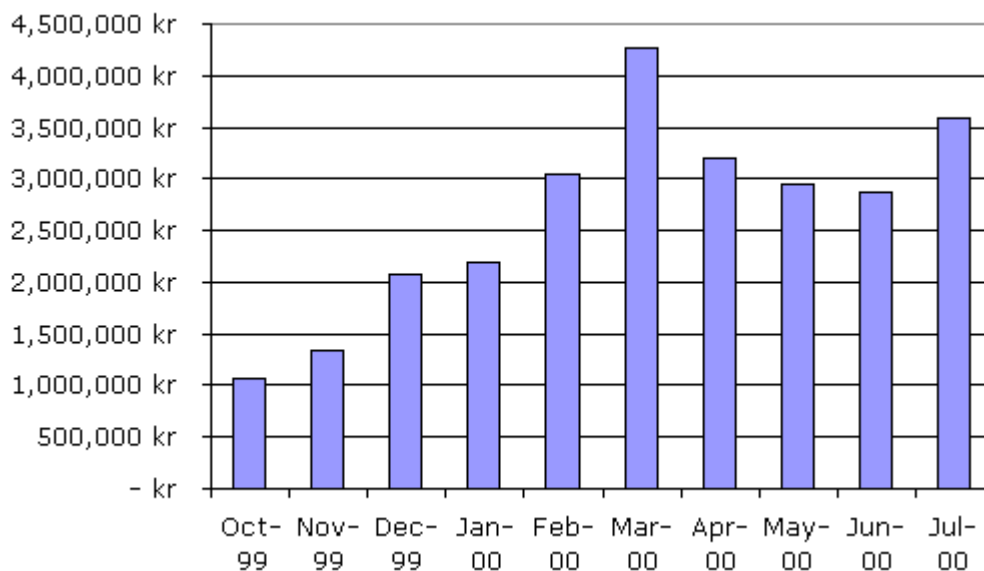
The following list summarises the various parameters in brief:

- Focus on sales - management and employees have a solid grounding in sales, and all activities must create transactions.
- Knowledge of the industry - collectively, management has over 60 years' experience of the home electronics industry, and staff in sales and marketing departments are preferably recruited from within the industry.
- Low costs - since trade is often a matter of winning over customers by means of low prices, all running costs such as salaries, travel, premises etc. must be kept to a minimum. An example of this is the fact that NetOnNet rents offices and storage space for just over SEK 300: -/m² in Borås.
- Own logistics in own premises with own staff, thus offering opportunities to improve any faults in product supply very quickly. Logistics is considered to be a core business activity.
- High average order value makes for lower handling costs per order and reduces the volume requirement overall. The former is currently approx. SEK 2,400 kronor excl. VAT.
- Marked focus on control and follow-up of business activities. Within the above-mentioned areas there are important key ratios to aim for. It is important to make the right selection and to carry out frequent follow-ups. NetOnNet places great emphasis on things such as acquisition cost per customer (see graph under Marketing), but significantly less emphasis on the number of visitors.

Orders received and turnover

Orders received for the period totalled SEK 18.5 (0.4) million.

Orders received Oct 1999 - Jul 2000



Sales totalled SEK 18.3 (0.4) million. Sales for the 2nd quarter totalled SEK 9.5 million kronor compared with SEK 8.7 million during the 1st quarter. This is in spite of the fact that the home electronics industry normally lowers output by approx. 20-25% as a result of the seasonal variation between the 1st and 2nd quarters.

The three largest product areas for the period are TV (43 % of total sales), DVD and video products (20 %) and Hi-fi (13 %). Comparing the 1st and 2nd quarters, the largest increase in sales was in the areas Photography (+174 %), Car stereo (+79 %) and Portable audio products (+37 %). The growth in these product areas is largely linked to the spring and summer seasons. At the end of May a large range of household products was launched (irons, vacuum cleaners, kitchen appliances etc.), and it is estimated that this will contribute to an increase in the frequency of repurchase. Furthermore, in June the TV game Sony Playstation was launched together with a large range of accessorial games.

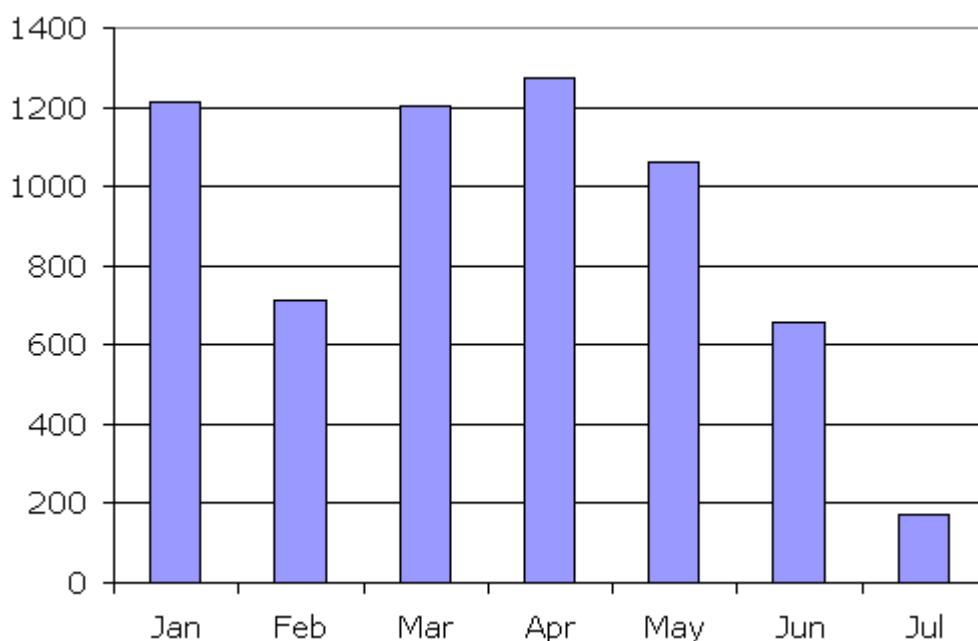
Marketing

The marketing costs totalled SEK 10.4 (0.14) million for the period, of which SEK 5.7 million was for the 1st quarter and SEK 4.8 million for the 2nd quarter. The reduced investment in marketing, simultaneous with increased sales, has meant that over the period the acquisition cost for new customers has steadily decreased from around SEK 1,200 kronor in January to less than SEK 200 kronor in July.

The acquisition cost per new customer is defined as the period's total marketing costs divided by the number of new customers minus a contribution margin per new customer.

Acquisition cost per new customer

In sek



The total number of members is 70,454 (July).

Profit/loss and gross margin

The profit/loss for the period after financial income and expense amounted to SEK -18.7 (-0.9) million. Of this amount, SEK 2.3 million is for the preparatory cost of establishing business operations in Germany.

The gross margin amounted to 15.2 % (15.2%). The margin during the second quarter amounted to 13.9 percent, which was a decrease compared with the first quarter. The decrease is attributable to the fact that an unusually large proportion of sales consisted of campaign products, partially in connection with the establishment of new product areas. Seen in the long term, however, margins are showing an upward trend, and the margin for July amounted to 18.7% (see further in the monthly report for July).

Financial position and liquidity

As of 30th June 2000, net funds totalled SEK 125 million, corresponding to SEK 20.81 per share, and solidity was 88.7 percent. The company's equity capital totalled SEK 122.2 million.

Staff

In Sweden there are 21 staff (as of 15th August), and one further person is being employed as of 1st October. Further staff recruitment in Sweden is not planned at present. In Germany there are 7 staff, and a further 2-3 people may be employed during the autumn.

Private placement

NetOnNet has implemented a new share issue, bringing SEK 130 million into the company before issue expenses. The issue was aimed at institutional and private investors, and following stock split the subscription rate was the equivalent of SEK 65 per share. NetOnNet shares have been traded on the New Market since 15th June 2000.

The board's objective is for the capital to suffice to bring business operations on all currently planned markets into profit (Sweden, Germany and Belgium).

Outlook for the whole year

A decision has been made to adjust the number of new setups during the year 2000 from 3-5 countries down to just Germany and Belgium. Operations in Germany are well under way, involving 7 employees, and it is estimated that sales will commence during the first half of September 2000. The Belgian office has a staff of 2, and there are plans to recruit a further two people within a short time. It is estimated that sales will commence at the end of the year.

The previously announced business plan, with its sales objective of SEK 100 million for the year 2000, included setting up in 3-5 new countries during the year 2000 in addition to Sweden, as well as new funding in March 2001. In view of the current investment climate the board has resolved to adjust the number of setups in new countries to two, and thus the sales objective for the year 2000 is being adjusted down to SEK 70-80 million. Of these sales, it is estimated that Sweden will account for SEK 55-60 million. The estimated effect of these adjustments is that the present funds will suffice to take the company into profit with a good margin.

The reduced number of countries in combination with a somewhat reduced focus on recruitment of members means that the previous target of attaining 200,000 members by the end of the year 2000 has been adjusted down to 100,000.

In addition to the current range of products and services it has been decided that subscription services for mobile telephony and digital TV will be introduced.

The trade headquarters of the home electronics industry is predicting growth of over 10% for the whole year, and a number of investigative companies such as the Boston Consulting Group is predicting that e-commerce will increase by around 250% during the year 2000.

Borås, 15th August 2000

Anders Halvarsson Managing director

Questions in connection with this interim report will be answered by Anders Halvarsson, managing director, tel. +46 705-48 55 56. The interim report is also available at: www.netonnet.se

Future reports

As from July 2000 NetOnNet will be continuing to issue monthly reports with regard to developments in connection with sales and profit/loss.

Monthly report for August 14th September 2000

Interim report for Jan-Sept 26th October 2000

Press release of unaudited figures February 2001

PROFIT/LOSS CALCULATIONS

Thousand SEK	April-June 2000	April-June 1999	Jan-June 2000	Jan-June 1999
Net sales	9.536	329	18.271	375
Cost of products	-8.209	-280	-15.497	-318
Gross profit/loss	1.327	49	2.774	57
Staff costs	-3.523	-176	-5.105	-319
Marketing costs	-4.817	-134	-10.497	-140
Shop costs	-1.148	-62	-2.290	-267
Other external costs	-2.151	-86	-3.944	-169
Depreciation	-255	-3	-283	-6
Operating profit	-10.567	-412	-19.345	-844
Net interest income/expense	638	-	615	-10
Profit/loss for the period	-9.929	-412	-18.730	-854

BALANCE SHEETS

Thousand SEK	30th June 2000	31st December 1999
31st December		
Capital subscribed but not paid in	-	1.016
Material fixed assets	1.829	182
Stock	4.650	1.383
Current claims	6.323	3.553
Cash and bank	124.961	4.719
Total assets	137.763	10.853
Equity capital and debts		
Equity capital	122.164	5.704
Long-term liabilities	-	1.000
Current liabilities	15.599	4.149
Total equity capital and liabilities	137.763	10.853

FINANCIAL KEY RATIOS

Thousand SEK	April-June 2000	Jan-June 1999
Net turnover	9.536	18.271
Gross percentage margin	13,9	15,2
Profit/loss for the period	-9.929	-18.730
Percentage solidity	88,7	88,7
Net investments	1.389	1.930
Equity capital per share, SEK	20,81	20,81
Number of shares at close of the period	5.869.360	5.869.360
Number of employees at end of period	29	29
Profit/loss for the period	137.763	10.853

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