

NetOnNet AB Interim Report January - March 2000

Please note that all comparisons in this report are based on the figures for the fourth quarter in 1999

Major sales successes

- Order bookings rose by 112% to MSEK 9.5 (4.5)
- Net sales increased by 87% to MSEK 8.7 (4.7)
- Membership grew by 256% to 59,132 (16,590)
- Successful collaboration with Magic Johnson and the Magic M7 basketball team
- New branch opened in Germany
- First business-to-business agreement signed with If Skadeförsäkring (Skandia)

NetOnNet (www.netonnet.se) is Europe's first specialist domestic electronics shop on the Net. NetOnNet offers TVs, videos, mobile telephones etc. from leading makers such as Sony, Philips and others. Goods are delivered to the door to private individuals and business customers. The company was established in March 1999, and has its headquarters in Borås, Sweden's logistics centre. During 2000, the company will establish operations in a number of markets outside Sweden.

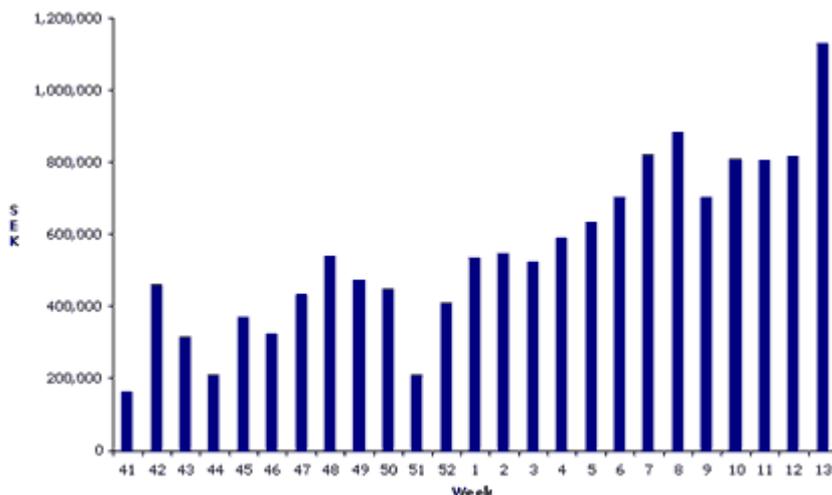
Market

The domestic electronics market in which NetOnNet operates is currently very buoyant. This trend is partly being driven by a number of new products. Some are in traditional segments such as TV, in which the trend is above all towards the new widescreen format and bigger models. Digitalization is introducing a series of new types of product, including MiniDisc, DVD and MP3. Overall, this is leading not only to increased volumes but also higher average prices. In e-commerce, the product sector is also not as well-established as, for example, books and CDs. Taking into account the growth forecasts available for e-commerce in general, the company's management judges NetOnNet's potential for growth as very strong.

Order bookings and sales

Order bookings for the period increased by 112% to MSEK 9.5 (4.5).

Order bookings October 1999 - March 2000



Net sales rose by 87% to MSEK 8.7 (4.7), despite the fact that the rest of the domestic electronics sector declined by around 35% owing to the seasonal variation between quarter 4 and quarter 1.

The three major product sectors in the period were TV (43% of total sales), hi-fi (16%) and video (11%). The biggest sales increases were in hi-fi (+543%), telephony products (+174%) and DVD players (+167%). The very sharp increase in hi-fi sales is attributable to a strengthening of the range from, above all, Sony and Pioneer, allied to highly competitive package offers. In DVD players, NetOnNet has secured a leading position on the basis of a new price level of less than SEK 2,000, including value added tax. The growth in telephony arose through extended collaboration with Brightpoint, a leading mobile wholesaler, providing NetOnNet with both good availability of and good prices for the latest models.

The arrangement with If Skadeförsäkring is based on NetOnNet being one of the suppliers used in connection with settlement of insurance claims. Because none of the other chains in the sector operates totally nationwide, NetOnNet will be able to position itself very strongly in this area. The agreement with If Skadeförsäkring is the first step in NetOnNet's programme focusing on sales in the business-to-business sector.

Marketing

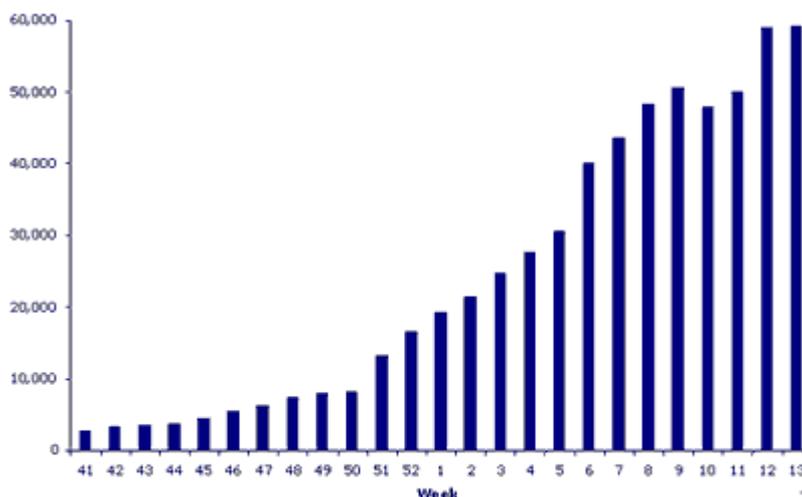
The costs of marketing totalled MSEK 5.7 (3.8) in the period, an increase of 48%.

GROWTH CAMPAIGN: To date, marketing activities have largely been focused on advertising the products on offer via the printed media, above all in the metropolitan press. To reach out on a broader front nationwide, marketing resources have been switched from on-line advertising on the Internet, to the evening and local press. This redistribution produced higher sales, despite a fall in the volume of traffic as a result of the reduction in banner advertising. Most notably, the frequency of transactions (the percentage of visitors who order goods) increased substantially.

MAGIC JOHNSON CAMPAIGN: In late February, NetOnNet became main sponsor of the Magic M7 basketball team, gaining the right to use Magic Johnson in its marketing activities. Linked with the sponsorship was a give-away campaign, carried out in two stages ending in mid-March. To stimulate interest in e-commerce in general and NetOnNet in particular, customers were offered the chance of "buying" video tapes for SEK 0. The objective of the campaign was to recruit customers and members who had actually completed an Internet transaction, and as a result had moved considerably nearer to carrying out a genuine on-line purchase. The successful Magic Johnson campaign brought many new members into the NetOnNet community at very low cost.

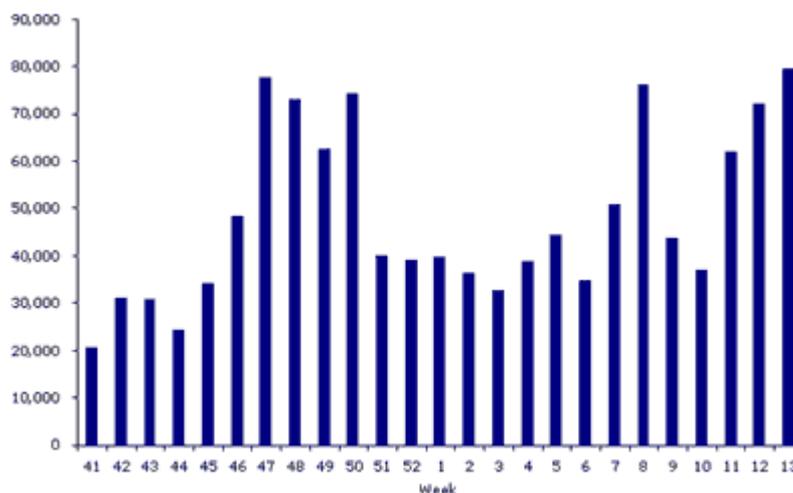
The membership grew by 256%, to 59,132 (16,590).

Membership October 1999 - March 2000



The number of visitors per week increased by 14% to 50,000 (44,000).

Number of visitors October 1999 - March 2000



Other developments

A new branch to serve the German market opened in Munich. A national manager, market manager etc. have been recruited, and a launch will take place in quarter 3 this year.

Profit and gross margin

The company reports a deficit for the period, MSEK -8.8 (deficit of MSEK -4.9), after financial items. The gross margin was 16.6 % (11.4%). The improved margin is attributable to improved terms in agreements with our suppliers, as well as larger purchasing volumes, increased sales of high-margin products and expansion in direct imports. Attention continues to be focused on developing supplier contacts and the product mix, in order to assure gradual improvement in margins.

Financial position and liquidity

Net cash totalled MSEK 10.0 (4.7) and the company's equity/ assets ratio was 62.5 (52.6) percent. On 31 March, 2000, shareholders' equity in the company amounted to MSEK 11.1 (5.7). Liquid assets, including unutilized lines of credit granted, totalled MSEK 12.5 (5.2). After the close of the period, a new share issue took place in April, resulting in a capital contribution of around MSEK 130, before deduction of issue costs.

Personnel

New personnel were recruited in Sweden all through the period. Employee numbers increased by 9 to 15 (6). Personnel were also recruited in Germany, where 2 employees were recruited at the end of March/ beginning of April. Recruitment is continuing in order to build up operations both in the Nordic area and elsewhere in Europe; during the current quarter, it is estimated that the number of employees will increase by ten.

Private Placement

NetOnNet has carried out a new share issue which resulted in a capital contribution of around MSEK 130 before deduction of issue costs. The issue was directed at institutional and private investors, and the offer price was SEK 1,300 per share. Shares in NetOnNet have been traded unofficially at Carnegie since 13 April, 2000.

Extraordinary Meeting of Shareholders

NetOnNet's Board of Directors have decided to call an Extraordinary Meeting of Shareholders. The meeting will consider the Board's proposals that the share capital of the company should be increased via a bonus share issue, and that the number of shares should be increased via a 20-for-1 share split. An invitation to attend the meeting will be published shortly.

Outlook for full year

Looking beyond the establishment of its German branch, the company is examining the conditions for setting up operations in the UK, France, Belgium, the Netherlands, Luxembourg, Norway, Denmark and Finland. NetOnNet's management anticipates being able to establish operations in 3-5 countries in 2000.

In addition to the present offering of goods and services, a decision has been taken to introduce subscription services for mobile telephony and digital TV, as well as domestic electrical and electronic equipment such as vacuum cleaners, microwave ovens etc. It is anticipated that introduction of these products will be completed around mid-year. The possibilities for computer products, computer games and white goods are also under investigation, but no decisions have been taken about if and when such products will be introduced.

The industry office for the domestic electronics sector predicts growth of more than 10% for the full year, while a number of research organizations, including Boston Consulting Group, forecast that e-commerce will expand by around 250% during the year 2000. In view of NetOnNet's high rate of growth and plans for establishment of operations in various markets, our sales target of MSEK 100 for the full year is judged to be realistic. It should be possible for the membership base for all markets to exceed 200,000 at year-end. The gross margin for Sweden at year-end is expected to reach around 20%. The financial result for the year is expected to be a deficit.

Borås 28 April 2000

Anders Halvarsson

CEO

Questions concerning this interim report should be addressed to Anders Halvarsson, CEO on +46-705-485556. The interim report is also available on www.netonnet.se

Financial Calendar

| | |
|------------------------------------|------------------|
| Interim Report January - June | 15 August, 2000 |
| Interim Report January - September | 26 October, 2000 |
| Preliminary Year-end Report | February 2001 |

INCOME STATEMENTS

| SEK thousand | Jan-Mar (3 mth) 2000 | Jan-Dec (12 mth) 1999 |
|----------------------------|----------------------------|-----------------------------|
| Net sales | 8.735 | 5.783 |
| Cost of goods | -7.288 | -5.026 |
| Gross profit | 1.447 | 757 |
| Personnel costs | -1.582 | -754 |
| Marketing costs | -5.680 | -4.191 |
| Costs of shops | -1.142 | -686 |
| Other external costs | -1.793 | -1.461 |
| Depreciation | -28 | -20 |
| Operating deficit | -8.778 | -6.355 |
| Net financial items | -23 | -57 |
| Deficit for period | -8.801 | -6.412 |

BALANCE SHEETS

| SEK thousand | 31 March 2000 | 31 December 1999 |
|---|------------------|---------------------|
| Assets | | |
| Subscribed capital, not yet paid | - | 1.016 |
| Tangible fixed assets | 695 | 182 |
| Inventories | 3.532 | 1.383 |
| Current receivables | 5.507 | 3.553 |
| Cash and bank deposits | 9.955 | 4.719 |
| Total assets | 19.689 | 10.853 |
| Shareholders' equity and liabilities | | |
| Shareholders' equity | 11.091 | 5.704 |
| Long-term liabilities | 975 | 1.000 |
| Current liabilities | 7.623 | 4.149 |
| Total shareholders' equity and liabilities | 19.689 | 10.853 |

FINANCIAL AND OTHER KEY FIGURES

| SEK thousand | Jan-Mar 2000 | Oct-Dec 1999 |
|---|-----------------|-----------------|
| Net sales | 8.735 | 4.678 |
| Gross margin, % | 16,6 | 11,4 |
| Deficit for the period | -8.801 | -4.858 |
| Equity/ assets ratio, % | 56,3 | 52,6 |
| Net investments | 541 | 202 |
| Shareholders' equity per share, SEK | 57,32 | 33,24 |
| Number of shares outstanding at end of period | 193.468 | 171.600 |
| Number of employees at end of period | 15 | 6 |

For further information:

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