



NetOnNet AB (publ) Interim report, January - March 2001

Unless indicated otherwise, comparisons in the report have been made with the same period in 2000.

Continued good level of growth in the first quarter of 2001

- Sales totalled SEK 29.7 (8.7) million, representing an increase of 241%.
- Sales in Germany during the first quarter totalled SEK 7.1 million, compared with SEK 3.9 million during the fourth quarter of 2000, representing an increase of 82 %.
- The acquisition cost per new customer has developed very positively, standing at a revenue of around SEK 200 for the period, from a cost of around SEK 1000 last year.
- The profit/loss for the period amounted to SEK -6.4 (-8.8) million, of which the profit/loss in Sweden was SEK -1.4 (-8.8) million, in Germany SEK -3.8 (-) million and in Belgium SEK -1.2 (-) million.
- The business ratios are constantly improving, and it is estimated Swedish operations will make a profit as from Quarter 3 of 2001.
- It is estimated that present funds will suffice to bring the entire company into profit.

NetOnNet (www.netonnet.se) is Europe's first dedicated shop for home electronics on the net. NetOnNet offers TV, video, mobile phones etc. from leading makes such as Sony and Philips. The products are delivered to private individuals and companies. The company started up in March 1999, with its head office in the logistics town of Borås, and has had operations in Germany and Belgium as from the end of 2000.

The NetOnNet model

To develop business with the correct focus NetOnNet has developed its own model as an overall guideline. Constant checks and enquiries are made as to whether work is within the model's parameters.

Here is a brief overview of the various parameters:

- Focus on range and sales: Management and employees have a solid sales background, and all activities must create sales. If they don't do so there is a risk of this affecting prices in the long term. All measures generating sales must take the range, i.e. the products, as their starting point. Offering the right products at the right prices means sales which create satisfied customers who will contemplate buying from us again.
- Knowledge of the industry: Staff in product, sales and marketing departments are preferably recruited from within the industry. When, for example, selecting suppliers and alternative solutions it is easier to be inventive if you have a large network of contacts.
- Low costs: Since NetOnNet has lower prices than those of its competitors, all running costs such as salaries, travel, premises etc. must be kept to a minimum. It is important to participate in the price war and to find it fun.
- Our own logistics in our own premises with our own staff means opportunities for very fast rectification of any shortcomings in terms of provision of products. Logistics is seen as core business.
- A high average order value means lower handling costs per order. overall reducing the need for

volume. This is created mainly by offering accessories and combination products when buying major items of hardware. It will be much cheaper for the customer if he/she buys the accessories needed at the same time as buying the hardware.

- Sharp focus on control and follow-up of business: in simple terms, cost mass must decrease in relation to sales and gross profit. The business ratios are broken down at levels and in ways which provide quick indications of any deviations. It is a matter of correct selection and frequent follow-up so that all business ratios always develop in the right direction.

Market

The home-electronics market on which NetOnNet operates saw major development during 2000, and the industry as a whole is assessed as having increased by 14.2 %, according to the Swedish Retail and Wholesale Trade Research Institute's quick index. Most of this increase took place at the beginning of the year, growth slackening off during the last two quarters. Under the prevailing market, NetOnNet assess that the industry's growth will further slacken off.

Against the background described it is not surprising that HUI's quick index shows -2.7% for the first quarter of the year compared with the same period the previous year. The slackening off is above all expected to affect the more mature product areas such as Video and the more luxury segments such as Wide-Screen TV and more exclusive Home-Movie systems.

In parallel with this it is expected that a series of new products will continue to grow markedly. In part these represent traditional segments such as TV, in which above all the new Wide-Screen format involving larger models made a breakthrough in 2000, which will now be able to grow in the lower price segments. DVD players have now established themselves in the price bracket under 2000 kronor; this segment is growing fast, and this will also have a positive effect on sales of Home-Movie packages and consequently of DVDs. Here too the market is expected to increase in the lower price segments as a consequence of the general state of the market. Other Digital product groups which have seen a breakthrough and which are expected to continue to grow are MiniDisc, MP3, Digital TV and Digital Cameras. This development also means that the market for services linked to the products will increase.

As a whole, this has contributed both to increased volumes and to increased average prices, and these factors are reflected in NetOnNet's average total order value, which has increased to over 3000,- excluding VAT during 2000. During this period the average order value has been just under 3000,- excluding VAT. Against the background of the above, the average order value per product is not expected to continue to increase but to remain at the current level.

Within the field of E-commerce the product area of home electronics has not been as well established as for example books and CDs. During 2000 this picture has changed considerably, and now home electronics is more and more often mentioned as one of the E-commerce industries for which a bright future is predicted. During the period Ernst & Young reported an examination showing a positive prognosis for the growth of E-commerce over the coming years. Taken together with previous growth prognoses available for E-commerce in general, company management assess NetOnNet's growth opportunities as continuing to be very good. It should be mentioned that the slackening-off in the market may create opportunities in the form of better product supply, reduced competition etc. - factors which often benefit companies with a small but rapidly-growing market share. Since NetOnNet furthermore has a marked low-price profile, a downturn in the market should benefit the company.

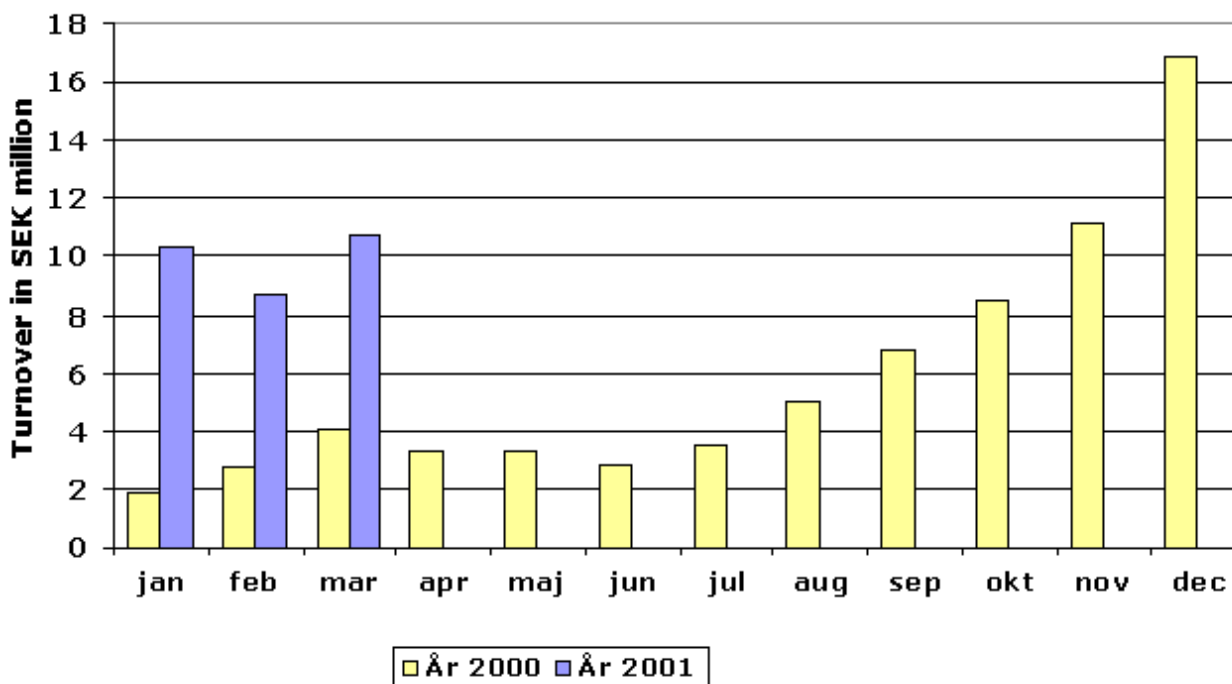
Turnover

The turnover for the period was SEK 29.7 (8.7) million.

Compared with the first quarter of 2000 this is equivalent to an increase of 241%.

	Sweden	Germany	Belgium	Total
Sales Q I, 2001	22,3	7,1	0,3	SEK 29.7 million
Sales Q I, 2000	8,7	-	-	SEK 8.7 million

Turnover January 2000 - March 2001



English Jan / Feb / Mar / Apr / May / Jun / Jul / Aug / Sep / Oct / Nov / Dec
 Year 2000 / Year 2001

Products

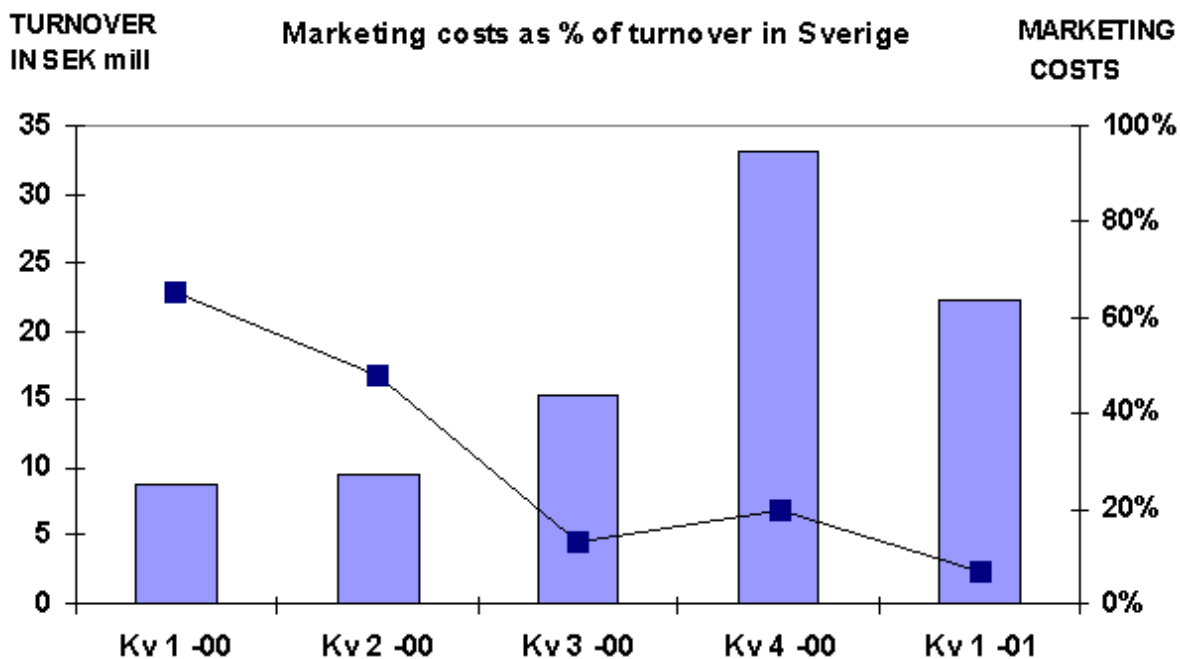
The three biggest product areas for the period are TV (34.8% of total sales), DVD Hardware (15.3%) and Hi-fi (13.8%). The total growth in comparison with Quarter 1 for the year 2000 was 241%, and the three biggest increases in terms of value have been in the fields of DVD Hardware (+ 578%), Hi-fi (+226%) and TV (+194%).

Marketing

The cost of marketing for the period totalled SEK 3.1 (5.7) million, Sweden accounting for SEK 1.5 (5.7) million.

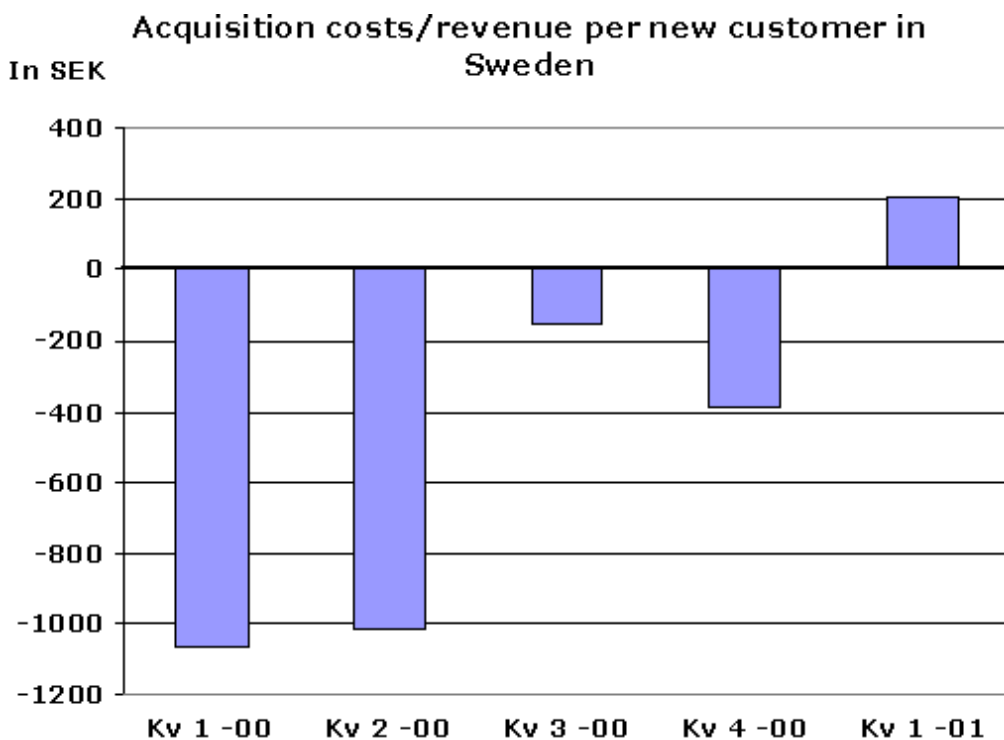
In Sweden one can clearly see that the investments in marketing are becoming more and more effective.

The graph shows how marketing has developed in relation to turnover:



English
 Quarter 1 / 2 / 3 / 4

The acquisition costs for new customers in Sweden have decreased steadily, going from over SEK 1,000 in the first six months of 2000 to a revenue of around SEK 200 per new customer during the first quarter of 2001.



English
 Quarter 1 / 2 / 3 / 4

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

Customer Service & Logistics

During 2000 the volumes increased eightfold from 250 to 2000 packages a week. Growth such as this puts a great strain on Customer Service and Logistics functions. NetOnNet has managed to implement this using its own resources, and it now has a good level of control over these flows. During 2001 further emphasis will be placed on these processes to guarantee continued high quality of the rapid growth.

Profit/loss and gross margin

The profit/loss for the period after financial income and expense totalled SEK -6.4 (-8.8) million, of which SEK -1.4 (-8.8) million applies to Sweden, SEK -3,8 (-) million to Germany and SEK -1.2 (-) million to Belgium. The gross margin was 20.4 % (16.6 %), whereby Sweden's margin amounted to 22.9% (16.6%).

Financial position and liquidity

As of 31 March 2001 net funds totalled SEK 77.4 million, equivalent to SEK 13.19 per share, and the solidity was 86.2 percent. The company's equity totals SEK 96.3 million, equivalent to SEK 16.40 per share.

The cash flow for the period was SEK -15.5 million, the outflow largely being the result of a reduction in current liabilities of SEK 11.5 million from the beginning of the period.

Staff

The number staff of has increased from 35 to 38, of whom 25 are in Sweden, 9 in Germany and 4 in Belgium. There has been an increase of one job in Logistics and one in IT.

Events during the period

NetOnNet has received awards for Best Internet Shop in both Sweden and Germany. The Swedish award is called a Retail Award, and was presented by the Swedish Trade Federation. In Germany the award is called Best of Internet, and it was presented by the journal Tomorrow.

During the spring, staff have signed for subordinated debentures combined with separable options. With full exploitation of the options during the period January 1st - June 30th 2003 the share capital will increase by SEK 8.060 and the number of shares by 80,600.

Events after the end of the period of the report

During April 2001 a new TV campaign started on TV4. The campaign will continue for the greater part of the second quarter, which is the low season for the Home Electronics industry. The aim is to increase knowledge of NetOnNet in preparation for the coming high season.

On April 26th NetOnNet is opening its warehouse for direct sales. Sales will take place during evenings and at weekends, i.e. the warehouse will be closed for normal distribution. There will not be a shop in the normal sense, but merely sales of stock without display. The project is being implemented with the aim of evaluating a development of NetOnNet's business concept.

Outlook for 2001

The conditions for continued growth are very good. In Sweden sales are expected to continue to grow very well, even if there will be a focus on improvement of the operating margin. Germany and Belgium have got off to a start which to a great extent is reminiscent of Sweden during 1999/2000, meaning that development in line with that of Sweden is to be expected, though with an even more effective business ratio for marketing.

All business ratios have improved during the course of the year, and it is estimated that the Swedish operations will be making a profit as from Quarter 3 of 2001. The present funds are expected to suffice to bring the company's operations in Sweden, Germany and Belgium into profit.

Borås, April 25th 2001



Anders Halvarsson
Managing Director

Questions concerning 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

NetOnNet provides monthly reports on the development of sales and profit/loss.

Monthly report for April 2001, May 17th 2001

Monthly report for May 2001, June 19th 2001

Interim report for January-June 2001, August 16th 2001

Monthly report for July 2001, August 16th 2001

PROFIT/LOSS CALCULATIONS

Thousand kronor	Jan-Mar 2001	Jan-Mar 2000	Apr-Jun 2000	Jul-Sep 2000	Oct-Dec 2000
Net sales	29.759	8.735	9.536	15.230	36.586
Cost of products	-23.675	-7.288	-8.209	-12.212	-30.548
Gross profit/loss	6.084	1.447	1.327	3.018	6.038
Staff costs	-4.722	-1.582	-3.523	-3.718	-4.316
Marketing costs	-3.093	-5.680	-4.817	-2.747	-8.372
Shop costs	-625	-1.142	-1.148	-1.612	-1.407
Other external costs	-4.593	-1.793	-2.151	-2.706	-6.292
Depreciation	-226	-28	-255	-222	19
Operating profit/loss	-7.175	-8.778	-10.567	-7.987	-14.330
Net financial result	813	-23	638	1.279	1.067
Profit/loss for the period	-6.362	-8.801	-9.929	-6.708	-13.263

BALANCE SHEETS

Thousand kronor	March 31st 2001	December 31st 2000
Assets		
Tangible fixed assets	3.241	3.116
Long-term receivables	657	636
Stock	18.998	18.634
Current receivables	11.332	14.226

Cash and bank	77.405	92.894
Total assets	111.633	129.506
Equity and debts		
Equity	96.255	102.616
Current liabilities	15.378	26.890
Total equity and debts	111.633	129.506

CASH-FLOW ANALYSIS

Thousand kronor	Jan-Mar	Jan-Dec
	2001	2000
Current business		
Operating profit/loss	-7.175	-41.662
Adjustment depreciation	226	486
Financial net	813	2.961
Cash flow prior to change in working capital	-6.136	-38.215
Change in working capital		
Stock	-364	-17.251
Operating receivables	2.894	-10.672
Operating debts	-11.511	22.740
Cash flow from current business	-15.117	-43.398
Investment business		
Acquisition of tangible fixed assets	-351	-3.420
Acquisition of financial assets	-21	-636
Cash flow from investment business	-372	-4.056
Financing operations		
New share issues	-	136.629
Amortisation of debt	-	-1.000
Cash flow from financing operations	-	135.629
CASH FLOW FOR THE PERIOD	-15.489	88.175
Liquid funds at beginning of year	92.894	4.719
Liquid funds at end of the period	77.405	92.894

FINANCIAL BUSINESS RATIOS

Thousand kronor	Jan-Mar 2001	Jan-Mar 2000
Net turnover	29.759	8.735
Gross margin, %	20,4	16,6
Profit/loss for the period	-6.362	-8.801
Solidity, %	86,2	56,3
Net investments	351	541
Equity per share, SEK	16,40	57,32
Number of shares at end of period	5.869.360	193.468
Number of warrants outstanding at end of period	183.520	5.146
Number of employees at end of period	38	15