

NetOnNet AB (publ)
Interim report January–March 2003

Unless otherwise stated, the comparative figures in the report relate to the same period in 2002.

NetOnNet increased the Sales by 105%

- **Sales amounted to SEK 138.0 (67.3) million, an increase of 105 %. Sweden accounted for SEK 77.3 (48.6) million, an increase of 59 % and Germany for SEK 60.7 (18.7) million, an increase of 225 %.**
- **The result for the period amounted to SEK 2.0 (1.7) million, of which the result in Sweden accounted for SEK 2.8 (2.6) million and Germany for SEK –0.8 (-0.9) million.**
- **During the period, the profit margin reached 1.4 % (2.6 %) whereof the profit margin was 3.6 % (5.5 %) in Sweden and –1.3 %(-5.0 %) in Germany.**
- **The cash balance as of March 31 was SEK 53.5 (59.5) million. The Cash Flow amounted to SEK –1.3 (3.9) million during the period due to the increased tied up capital as a consequence of the strong Sales growth.**

NetOnNet (www.netonnet.com) is the first Internet-based shop for consumer electronic appliances in Europe. NetOnNet 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 Headquarters are in Borås, Sweden. Operations have also been run in Germany since September 2000.

The NetOnNet model

In order to develop the business and maintain focus on the appropriate areas, NetOnNet has developed its own model as an overall set of guidelines: Focus on the customers - Focus on products and sales - Knowledge of the industry - Think different and think large - Low costs - In-house logistics - Sharp focus on control and follow-up of business

The market

During the first quarter of 2003, the market for consumer electronics was estimated to decrease by 11 % compared to the same period last year, according to one marketing research company (Branschkansliets Marknadsinformation).

There are not any complete figures available yet for Germany from the sources that are normally used, but the newspaper CE-Market reports a decrease in January of the German Market by 6 %. Estimations made by representatives from the suppliers to the industry indicate that the market is continuously weak.

The reason for the decrease is above all believed to be caused by the uncertainty in the world situation in combination with continues weak economical growth.

Before 2003 was at hand, Branschkansliets Marknadsinformation believed in an increase of the Swedish market by at least 3 % during 2003, while Gfk Marketing Services were a little bit more cautious and believed in an increase by 1.4%. The German industry entity GFU estimated the market size to be unchanged in Germany while Gfk believed in a decrease by 3.1%. There are not yet any known adjustments to these estimations.

NetOnNet is well positioned with a substantial growth on a market that generally does not increase. Even when the market for consumer electronics is declining, the Company Management estimates that it could be favourable for NetOnNet thanks to its low cost concept with lower prices.

Sources: Gfk Marketing Services, Branschkansliets Marknadsinformation AB, Die Gesellschaft für Unterhaltungs- und Kommunikationselektronik (GFU), NetOnNet AB

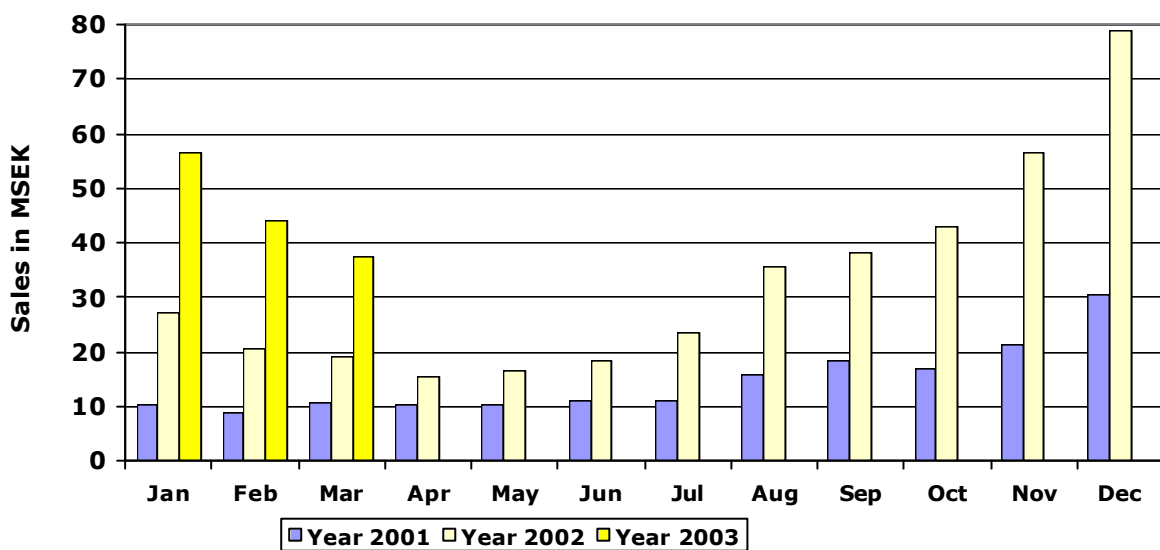
Sales

The sales during the *period* amounted to SEK 138.0 (67.3) million.

Compared to the same period 2002, this corresponds to an increase of 105 %.

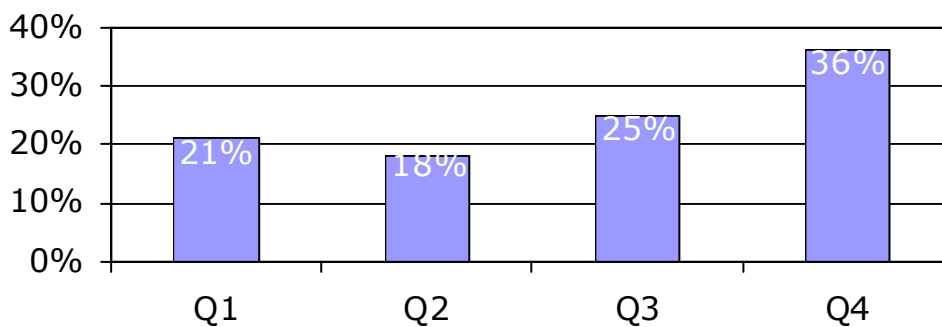
Sales Jan-Mar	2003	2002
(MSEK)		
Sweden	77.3	48.6
Germany	60.7	18.7
Total	138.0	67.3

Sales Jan 2001 - Mar 2003



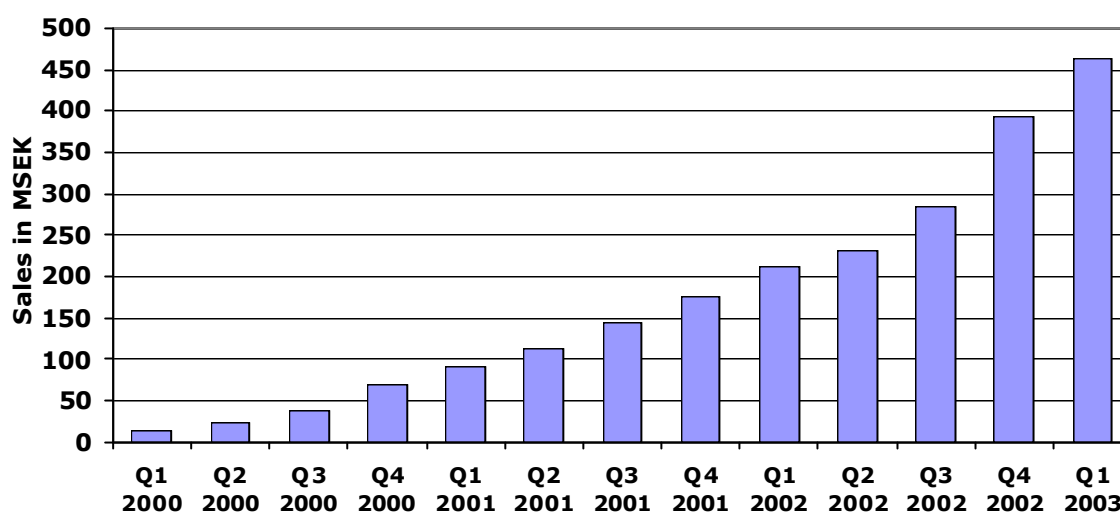
To facilitate evaluation of the make-up of the turnover, the diagrams below illustrate the seasonal variations that influence the consumer electronics industry and yearly sales on 4-quarter basis.

Seasonal variations in the consumer electronics industry



Source: Branschkansliets Marknadsinformation AB

Yearly sales on 4-quarter basis Q1 2000 - Q1 2003



The diagram above shows a summary of the recent four quarters to illustrate the development in annual sales. The yearly sales are SEK 463.5 million, which is an increase of 118 % to previous year. Compared to quarter four 2002 where the yearly sales amounted to SEK 392.9 million, the growth rate is 18 % (21 %) between quarter four 2002 and quarter one 2003.

Products

The product areas consists of the following product groups:

Audio (stereo, HiFi, portable music and car stereos).

Video (TV, VCR, DVD players and satellite systems).

Photo & Camcorders (systems and compact cameras, digital cameras, video cameras and accessories).

Telecom (phones, mobile phones and accessories).

Accessories & Others (audio & video accessories, DVD films, storage media and computer accessories).

The stock value, which as of March 31 was SEK 52.2 (30.6) million, has been adjusted for obsolescence. From year-end 2002, the stock has decreased by SEK 16.5 million from SEK 68.7 million.

Marketing

Marketing costs for the period amounted to SEK 1.8 (1.9) million, of which SEK 0.7 (1.1) million was used in Sweden and SEK 1.1 (0.8) million in Germany.

In Sweden the main marketing actions consisted of brand-building advertisement and product offers in nation-wide TV4.

In Germany, a considerably narrower media mix was used, concentrated almost exclusively on online advertising.

Investments in marketing are becoming continuously more efficient, and costs amounted to 1.3 % (2.8 %) of the total sales. The corresponding share for Sweden was 0.9 % (2.3 %), while for Germany it was 1.9 % (4.0 %).

Customer Service & Logistics

During quarter four 2002 NetOnNet have moved the operations of the Central Warehouse in Sweden to new and more functional premises in the Post terminal in Borås. The warehouse is located together with the Warehouse Shop of Borås. Furthermore, a new Warehouse Shop has been opened in Ullared during quarter 4 last year. The work to improve the efficiency has started during the period, but has not yet shown any impact in the result.

Result and Gross margins

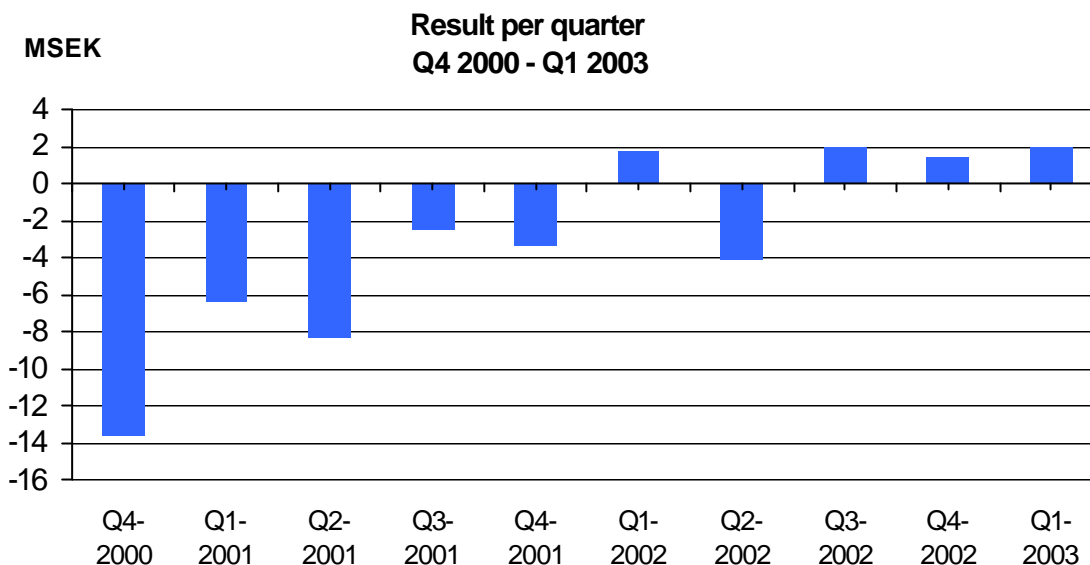
The result before tax for the *period* was SEK 2.0 (1.7) million.

Split of the result by country:

<u>Result Jan - Mar</u>	<u>2003</u>	<u>2002</u>
(MSEK)		
Sweden	2.8	2.6
Germany	-0.8	-0.9
<u>Total</u>	<u>2.0</u>	<u>1.7</u>

The gross margin totalled 19.2 % (22.6 %).

The work to increase the gross margin has gone slower than expected, but the Management sees good possibilities to increase the gross margin during the rest of the year.



Financial position and liquidity

As per 31st March 2003, net cash reserves amounted to SEK 53.5 (59.5) million equivalent to SEK 8.96 (10.13) per share and the equity/assets ratio was 60.6 percent. Total equity amounted to SEK 104.8 (83.3) million, equivalent to SEK 17.54 (14.18) per share after the current subscription of shares due to the redemption of the stock option program for employees at NetOnNet.

Cash flow from operations totalled SEK -1.4 (3.9) million. Cash flow after investments and financial operations amounted to SEK -1.3 (3.8) million.

Financial risks

Financing risk

The policy of NetOnNet is that the financing of the current years should be covered by funds derived from own operations and through bank financing.

Credit / counterparty risk

NetOnNet places liquid funds in bank deposits or interest bearing security papers with very low risk levels. Transactions with security papers are only made with counterparties with very high credit rating.

Currency risk

As the company during the period has increased the import share of the purchases, the policy is to forward cover at the time of the purchase. These purchases are mainly made in USD and EUR. Consequently, the company can calculate with an accurate currency rate of the products.

Personnel

The total number of employees at the end of March was 94 (49) whereof 69 (32) in Sweden and 25 (17) in Germany. On the 31st of December 2002, the number of employees was 108 persons.

Significant events during the period

In February, NetOnNet received the distinction *Retail Awards* from Svensk Handel and TEMO for the third consecutive year. Retail awards concerns different categories of the whole retail business in Sweden and NetOnNet received the award as *E-commerce Company of the year*.

Events after the close of the period

Nothing essential to be reported.

Outlook for 2003

The directions for the year will be consolidation and focus on profitability. Considering that the peak season of the consumer electronics industry appear during the autumn, the expected improvements in profitability will be noticed not until the third and fourth quarter of 2003.

The previous years commitment on high growth rate has given the necessary volume prerequisites that is needed to be able to streamline operations.

At the same time, the momentum of growth is expected to be stronger than both the rest of the e-business as whole and the specific market for consumer electronics.

All in all, this gives good conditions for presenting continuous profit improvements during 2003.

As the organic growth is very high, no further establishments are planned during the year, while, on the other hand, some investments will be done in, above all, the German operations to manage the future increase in volumes.

Germany is expected to grow faster than Sweden, as the market shares in Germany still are very low considering the total size of the market.

Accounting principles

The accounting principles used for this report are the same as those used in the most recent annual report.

Borås, April 29th 2003



Anders Halvarsson
Chief Executive Officer

Please direct enquiries relating to this interim report to Anders Halvarsson, CEO, on phone number +46 33 488 499. This interim report is also published in electronic form at www.netonnet.se and at www.netonnet.de

The auditors of the Company have not reviewed this report.

Upcoming reports

NetOnNet publishes sales reports every month and result reports every quarter.

Sales report for April	6 May 2003
Sales report for May	4 June 2003
Sales report for June	3 July 2003
Sales report for July	5 August 2003
Interim report January - July	21 August 2003
Sales report for August	4 September 2003

PROFIT AND LOSS FIGURES

SEK '000	Jan - Mar 2003	Jan - Mar 2002	Apr - Jun 2002	Jul - Sep 2002	Oct - Dec 2002	Jan-Dec 2002	Jan-Dec 2001
Net sales	137.969	67.258	50.319	97.302	178.066	392.945	175.448
Cost of goods	-111.421	-52.080	-40.610	-79.473	-146.134	-318.297	-139.287
Gross profit	26.548	15.178	9.709	17.829	31.932	74.648	36.161
Staff costs	-9.725	-5.466	-5.532	-6.033	-9.907	-26.938	-20.595
Marketing costs	-1.854	-1.934	-2.673	-2.612	-4.830	-12.049	-12.503
Shop costs	-489	-591	-497	-822	-800	-2.710	-2.071
Close down, Belgium	-	-	-	-	-	-	-2.325
Other external costs	-11.714	-5.639	-5.242	-6.327	-13.718	-30.926	-20.829
Depreciation	-800	-291	-306	-342	-673	-1.612	-1.066
Operating profit/loss	1.966	1.257	-4.541	1.693	2.004	413	-23.228
Net financial items	28	462	458	285	-269	936	2.728
Profit/loss before tax	1.994	1.719	-4.083	1.978	1.735	1.349	-20.500
Tax 1)	-558	0	0	0	16.100	16.100	0
Profit/loss after tax	1.436	1.719	-4.083	1.978	17.835	17.449	-20.500

1) Deferred tax claim

BALANCE SHEET

SEK '000	31 March 2003	31 March 2002	31 December 2002	31 December 2001
Assets				
Fixed assets	31.353	3.825	31.699	4.052
Long-term receivables	16.450	725	16.891	756
Inventory/Stock	52.151	30.604	68.655	29.696
Short-term receivables	19.425	16.122	43.761	26.148
Cash and bank	53.527	59.476	54.829	56.236
Total assets	172.906	110.752	215.835	116.888
Shareholders' equity and liabilities				
Shareholders' equity	104.762	83.253	103.052	82.117
Provisions	1.715	1.086	1.444	891
Long-term liabilities	21.667	-	21.255	-
Current liabilities	44.762	26.413	90.084	33.880
Total shareholders' equity and liabilities	172.906	110.752	215.835	116.888

CHANGE IN SHAREHOLDERS EQUITY

SEK '000	Jan - Mar 2003	Jan - Mar 2002	Jan - Dec 2002	Jan - Dec 2001
Opening balance of shareholders' equity	103.052	82.117	82.117	102.617
New share issue	288	-	3.602	-
Translation differences	-14	-583	-116	-
Result of the period	1.436	1.719	17.449	-20.500
Closing balance	104.762	83.253	103.052	82.117

CASH FLOW ANALYSIS OF THE GROUP

SEK '000	Jan - Mar 2003	Jan - Mar 2002	Jan - Dec 2002	Jan - Dec 2001
Operations				
Operating profit/loss	1.966	1.257	413	-23.228
Adjustments, depreciation	800	291	1.612	1.150
Adjustments, provisions	271	195	553	658
Adjustment net loss on sales / scrapping of fixed assets	0	0	453	0
Net financial items	28	462	936	2.728
Cash flow prior to change in working capital	3.065	2.205	3.967	- 18.692
Change in working capital				
Inventories/Stock	16.504	- 908	- 38.959	- 11 062
Operating receivables	24.336	10.026	- 17.613	-11 922
Operating liabilities	- 45.322	-7.467	56.205	7 224
Cash flow from operations	- 1.417	3.856	3.600	- 34 452
Investment operations				
Acquisition of fixed assets	- 571	- 33	- 29.883	- 2.206
Sales of fixed assets	0	0	136	0
Cash flow from investments	- 571	- 33	- 29.747	- 2 206
Financial operations				
New share issue	288	0	3.601	0
Received loans	412	0	21.255	0
Cash flow from financial operations	700	0	24.856	0
CASH FLOW FOR THE PERIOD	- 1.288	3.823	- 1.291	- 36 658
Liquid funds, opening balance	54.829	56.236	56 236	92 894
Translation differences in equity	- 14	- 583	- 116	0
Liquid funds, closing balance	53.527	59.476	54 829	56 236

KEY FINANCIAL FIGURES

SEK '000	Jan - Mar 2003	Jan - Mar 2002	Apr - Jun 2002	Jul - Sep 2002	Oct - Dec 2002	Jan - Dec 2002	Jan - Dec 2001
Net sales	137.969	67.258	50.319	97.302	178.066	392.945	175.448
Gross margin, %	19,2	22,6	19,3	18,3	17,9	19,0	20,6
Net Profit/loss before tax	1.994	1.719	-4.083	1.978	1.735	1.349	-20.500
Equity ratio, %	60,6	75,2	74,4	58,1	47,7	47,7	70,3
Net investments	571	33	503	21.344	7.416	29,296	2.206
Equity per share, SEK	17,54	14,18	13,51	13,88	17,26	17,26	13,99
Profit per share before tax	0,33	0,29	-0,70	0,33	0,29	0,23	-3,49
Profit per share after tax	0,24	0,29	-0,70	0,33	2,99	2,92	-3,49
Number of shares at the end of period	5.972.280	5.869.360	5.869.360	5.869.360	5.972.280	5.972.280	5.869.360
Total outstanding options at the end of period	80.600	183.520	183.520	183.520	80.600	80.600	183.520
Employees at the end of period	94	49	49	68	108	108	47