

NetOnNet AB (publ)

Org. nr 556520-4137

Interim Report, January – December 2004

Unless otherwise stated, the comparative figures in the interim report relate to corresponding period in 2003.

NetOnNet increase result before tax with 58%

FINANCIAL YEAR (January – December)

- Sales amounted to 1 005,0 (631,8) millions, an increase of 59 %.
- Income before tax amounted 20,5 (13,0) millions.
- Net income amounted to 18,9 (9,4) millions.
- Earnings per share amounted to SEK 3,14 (1,57).

FOURTH QUARTER (October – December)

- Sales amounted to 372,9 (303,7) millions, an increase of 23%.
- Income before tax amounted 13,4 (17,0) millions.
- Net income amounted to 13,8 (12,2) millions.
- Earnings per share amounted to SEK 2,29 (2,04).

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 others and own brands such as Centrum, Avant and others. 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

Net sales

The net sales during the financial year amounted to 1 005,0 (631,8) millions. Compared to the same period 2003, this is an increase by 59%. Of the total sales increase - 0,1% refers to change in exchange rates, 101% to increase in volumes, reduced for price fall by 21 %.

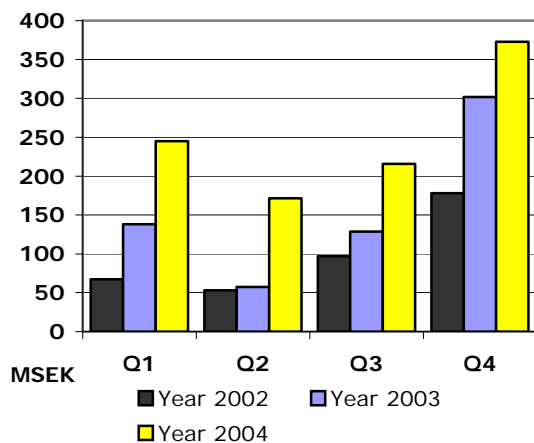
Net Sales Jan-Dec	2004	2003
(SEK million)		
Sweden	700,8	417,5
Germany	304,2	214,3
Total	1 005,0	631,8

Net sales the fourth quarter, October – December amounts to 372,8 (303,7) millions, which means an increase by 23% compared to the same period previous year. Of the total sales increase 0,4% refers to change in exchange rates, 53% to increase in volumes, reduced for price fall by 20 %.

Net Sales Oct - Dec	2004	2003
(SEK million)		
Sweden	259,0	202,2
Germany	113,9	101,5
Total	372,9	303,7

Compared to previous year net sales were higher within all product areas. Within the areas digital cameras, computer products and TV sales has increased more than other areas.

Net sales quarterly 2002 – 2004



Operating income and gross margin

Operating income for the fiscal year, January-December amounted to 21,6 (13,9) million.

Operating income Jan-Dec	2004	2003
(SEK million)		
Sweden	34,1	22,5
Germany	-12,5	-8,6
Total	21,6	13,9

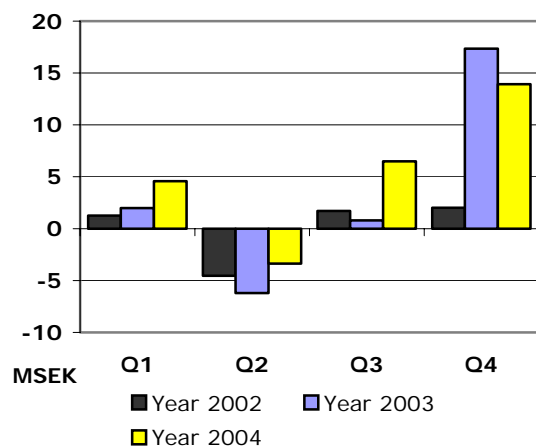
Gross margin totalled to 21,5 (21,5)% during the period.

Operating income for fourth quarter, October-December amounted to 13,9 (17,3) million.

Operating income Oct-Dec	2004	2003
(SEK million)		
Sweden	17,0	16,3
Germany	-3,1	1,0
Total	13,9	17,3

Gross margin totalled 20,9 (22,6)% during the fourth quarter.

Operating income quarterly 2002-2004



Sweden

In Sweden the result improved due to the strong sales increase.

During the fourth quarter efforts in marketing and overhead have increased, simultaneously the gross margin has decreased due to price decline in the market, with the implication that the operating margin in Sweden has decreased during the financial year to 4,9 (5,4) %.

Germany

Efforts carried out in increased marketing have given result in increased sales. The general costs have decreased in relation to sales, but the gross margins are lower than previous year due to increased price decline. The operating margin amounted to -4,1 (-4,0)% for the financial year

Significant events during the financial year

The work during the financial year has been focused at increased growth in existing channels. Increased marketing and broadening the assortment have done this. At the same time focus has been at preparing the organization for coming volume increases. This has come about through increasing the staff and investments in IT.

During the first quarter the company sought to be listed at the O-list at Stockholmsbörsen. The process was a quality securement of the company with the purpose to raise the confidence on the consumer market and increase the company's status at the capital market. The cost of the process has affected the operating income by SEK 1,6 millions. The 25th May the trade in the NetOnNet-stock begun at the O-list.

Marketing

During the period the company has chosen to increase the efforts in marketing, in purpose to increase knowledge and future growth. In Sweden the main marketing actions consisted of brand-building advertisement and product offers in nation-wide TV4 and kanal 5. In addition to that, advertising in mainly Svenska Dagbladet and evening press.

In Germany the marketing has been focused on TV-commercials and On-line marketing. In addition to this the company has advertised in the home entertainment magazine AudioVideoFoto-Bild, which is the largest magazine in Germany regarding consumer electronics.

The marketing costs amounted to 34,1 (18,8) millions for the fiscal year, of which Sweden accounted for 21,9 (11,1) millions and Germany for 12,2 (7,7) million.

The marketing costs amounted to 3,4 (3,1) % of the total sales. The corresponding share for Sweden was 3,1 (2,7) % and for Germany 4,0 (3,6) %.

Customer Service & Logistics

Customer service has been reorganized during the period to increase efficiency and thereby improve service without increasing the cost level. In logistics the reduced sales decrease during low season has meant that the organization has been possible to keep at a higher level, and the company thereby has maintained its delivery performance during high season.

Administration och IT

During the fourth quarter both a new ERP-system and a new POS-system for the Warehouse shops been implemented. The systems have made a significant increased delivery volume possible without any major disturbance in the order flows.

Except for SEK 0,4 million which has been charged to operation income, SEK 16,4 million of the project expenses has been capitalized during the financial year, this explains most of the balance sheet item "Intangible assets"

The market

Sweden – The industry, published statistics

During January – December 2004 the consumer electronics industry in Sweden is estimated to have increased by 7,5% in current prices and 25,7% in fixed prices compared to corresponding period previous year according to SCB.

A survey made by GfK Sweden AB shows increased sales in Swedish kronor within the segments flat-screen TV and digital photo and a decreased volume within VCR-video. The prices have continued to fall compared to last year due to decreasing production prices.

E-commerce and distance shopping

For the period January – December 2004 the distance shopping market in Sweden increased with 3,5% compared to 2003. The previous tendency that E-commerce took an increasing part of sales is stated to continue according to The Swedish Mail Order Association.

Germany - The industry, published statistics

For the period January – December the consumer electronics industry has increased with 3,5% in current prices, according to DPA and ZVEI.

E-commerce and distance shopping

The German E-commerce is since year 2000 almost five times higher. It shows thereby, according to the German Mail Order Association (BVH), the same trend as in

Sweden, that E-commerce takes an increasing part of the mail-order business. Mail-order business in total has decreased with 3,4% compared to previous year.

Sources: SCB Statistics Sweden in cooperation with Handelns Utredningsinstitut, SPF Swedish Mail Order Association and GfK Sverige AB, DPA (Deutsche Press Agentur, ZVEI (Zentralverband Electrotechnik und Elektronikindustrie), BVH (Bundesverband des Deutschen Versandhandels) and NetOnNet AB.

The Company

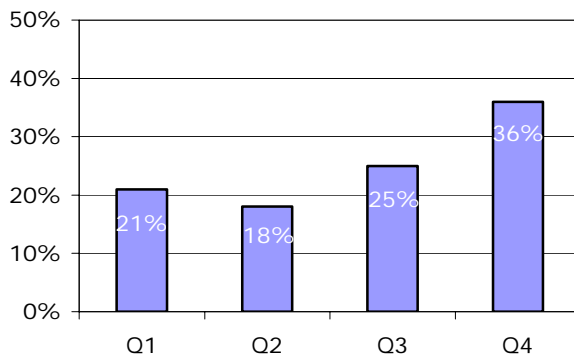
NetOnNet has a strong growth on the market of consumer electronics which generally has a volume growth. The success factor is efforts in quality products with low prices. The broad marketing have established NetOnNet as a brand on the Swedish market, the increasing volume have resulted in price and scale benefits compared with previous years.

The line of products is broadened, the Internet Shop is improved, focus on customers is improved and the organization, including logistics, is more efficient at the same time as cost-conscious has retained.

Seasonal variations

To simplify evaluation of the report, the diagram below illustrates the seasonal variations that influence the consumer electronics industry.

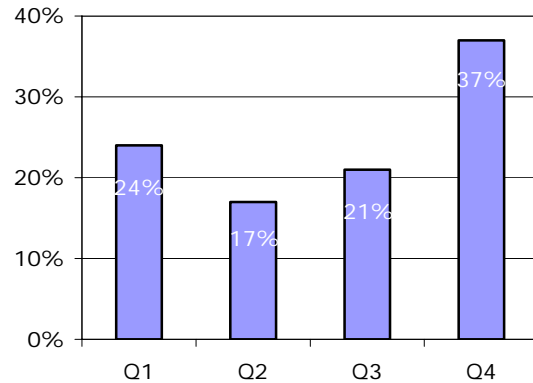
Seasonal variations within the consumer electronics industry



Source: CE Konsumentelektronikbranschem

NetOnNet's seasonal variation has been the following

Seasonal variation NetOnNet 2004



Staff

The total number of employees at during December was 173 (134) whereof 129 (101) in Sweden and 44 (33) in Germany. The average number of employees during the financial year was 143 (98).

Financial position and liquidity

As per December 31st, 2004 net cash reserves amounted to SEK 81,7 (72,5) million equivalent to SEK 13,59 (12,05) per share. The equity ratio was 34,1 (44,9) %. Total equity amounted to SEK 133,7 (114,6) million, equivalent to SEK 22,22 (19,04) per share.

Cash flow from operations totalled SEK 34,8 (21,0) million during the financial year. Cash flow after investments and financial operations amounted to SEK 9,3 (17,7) million.

Capital expenditures

Total investments during the financial year amounted to SEK 22,8 (3,4) million. During the period October – December investments amounted to SEK 11,3 (0,9) million.

The parent company

The net sales of the parent company during the financial year amounts to SEK 1 005,0 (631,8) million and the income after financial items amounted to SEK 20,5 (13,0) million. Capital expenditures during the financial year amounted to SEK 22,4 (3,4) million.

Development of shares

The number of shareholders amounted to 1.824 on December 31st 2004. This means an increase with 1.086 new shareholders during 2004, an increase by 147%. The share price has during the same period increased from SEK 75 to SEK 94, or by 44%

Events after the close of period

In January an agreement was signed with the 3G-operator TRE concerning sales of mobile phones including subscription, in both Internet and the Warehouse Shops in Sweden, this is appraised to give substantial added sales.

Outlook 2005

The consumer electronics market has good potential for growth through increased sales of new product categories like flat-screen TV, digital TV, digital recording etc.

During 2005 operations will be focused to keep present market position on Internet, at the same time a line of proceedings will be implemented to increase growth during coming years. This means for instance that NetOnNet plan strengthen it's distribution model with additional Warehouse Shops both in Sweden and Germany.

E-commerce in general is appraised to increase and continue to take parts from the traditional commerce, even though in a slightly decreased rate.

The company appraises that the German operation will show future profit, mainly due to the volume potential on the German market.

Accounting principles

This report is established in correspondence with The Swedish Financial Accounting Standards Council recommendation of interim reports (RR 20). The same principles of accounting and calculation methods have been used as in last year's annual report, with addition of recommendation of employee benefit (RR 29), which is enforced from 2004. The transition to RR 29 has not meant any change of accounting principles for NetOnNet. Regarding the benefit fixed retirement plans in Sweden they are, per December 31st, accounted for as if they were fixed to fee, meaning paid premiums have been booked as costs.

Reporting according to IFRS

From January 1st 2005 NetOnNet will in the consolidated accounts enforce international accounting standards – International Financial Reporting Standards – IFRS, which was adopted by EU in 2002, according to the IAS-writ. The Swedish Financial Accounting Standards Council recommendations, which are enforced by NetOnNet until 2004, are in great extent based on IFRS why the consolidated accounts thereby already are adjusted to the new rules. The interim report

for the first quarter 2005 will be the first financial report where NetOnNet use IFRS and the first annual report where these standards are used will be for the financial year 2005. Comparative numbers recalculated to IFRS will be presented for all items. Differences between IFRS and present accounting principles are appraised to have no major effect on NetOnNet's result and position.

Share Holders Meeting and dividend

The annual report will be distributed middle of April, at the same time it will be available on the company's homepage.

Ordinary share holders meeting will take place on April 27th. Reconciliation day for share holders meeting and Shareholders register is April 15th.

The board recommends no dividend for the financial year 2004.

Future reports

NetOnNet publishes sales on a monthly basis and interim reports on a quarterly basis.

Sales report Feb	3 March 2005
Sales report March	5 April 2005
Interim report Q1 2005	26 April 2005

Borås 24 February 2005

NetOnNet AB (publ)
The Board

For further information about this report

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The report is available on www.netonnet.se
Under headline *Press/Finansinfo, Rapportier och Delårsrapporter*

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INCOME STATEMENTS OF THE GROUP IN SUMMARY

TSEK	Oct-Dec 2004	Oct-Dec 2003	Jan-Dec 2004	Jan-Dec 2003
Net Sales	372 893	303.687	1 004 983	631.834
Capitalizes labour cost for own purpose	958	0	2 315	0
	373 851	303.687	1 007 298	631.834
<i>Operating expenses</i>				
Goods for resale	-294 848	-235.137	-789 025	-496.103
Other external costs	-42 830	-36.780	-127 844	-77.637
Personnel costs	-20 680	-13.522	-63 861	-40.692
Depreciations	-1 566	-903	-4 969	-3.469
	-359 924	-286.342	-985 739	-617.901
Operating profit	13 927	17.345	21 559	13.933
Result from financial investments	-526	-337	-1 047	-903
Profit after financial items	13 401	17.008	20 512	13.030
Tax on the income of the period	356	-4.758	-1 635	-3.648
Net profit for the period	13 757	12.250	18 877	9.382
Earnings per share, SEK	2,29	2,04	3,14	1,57
Earnings per share after dilution	2,27	2,04	3,12	1,57
Average number of shares before dilution	6 015 680	5 989 516	6 015 680	5 989 516
Average number of shares after dilution	6 052 071	5 989 516	6 052 602	5 959 516
Number of shares at the end of the period	6 015 680	5 989 516	6 015 680	5 989 516

BALANCE SHEET OF THE GROUP IN SUMMARY

TSEK	31 Dec 2004	31 Dec 2003
Assets		
Fixed assets		
Intangible assets	17 684	428
Tangible assets	31 864	31 138
Financial assets	12 038	13 796
Total fixed assets	61 586	45 362
Current assets		
Inventories etc	179 112	94 936
Current receivables	69 878	42 121
Cash and bank balances	81 725	72 472
Total current assets	330 715	209 529
Total assets	392 301	254 891
Equity an liabilities		
Equity		
Equity	133 673	114 558
Provisions	3 360	2 660
Long-term liabilities	18 500	19 967
Current liabilities	236 768	117 706
Total equity and liabilities	392 301	254 891

CHANGE IN SHAREHOLDERS' EQUITY OF THE GROUP IN SUMMARY

TSEK	Jan-Dec 2004	Jan-Dec 2003
Opening balance according to adopted balance sheet	114 558	103 052
New share issue	0	1 947
Translations differences	238	177
Net profit for the year	18 877	9 382
Closing balance	133 673	114 558

CASH FLOW OF GROUP IN SUMMARY

	Oct-Dec 2004	Oct-Dec 2003	Jan-Dec 2004	Jan-Dec 2003
Operations activities				
Cash flow from operations activities before changes in working capital	15 958	18 562	26 558	18 005
Changes in working capital	28 395	3 522	8 262	2 982
Cash flow from operations activities	44 353	22 084	34 819	20 987
Investment activities				
Purchase of fixed assets	-7 317	-959	-22 827	-3 906
Cash flow from investment activities	-7317	-959	-22 827	-3 906
Financial activities				
New share issue	0	0	0	1 947
Change of loans	-650	-650	-2 600	-1 288
Cash flow from financial activities	-650	-650	-2 600	659
CASH FLOW DURING THE PERIOD	36 386	20 475	9 392	17 740
Cash and cash equivalent at the beginning of the period	45 468	51 768	72 472	54 829
Exchange rate differences in cash and cash equivalent	-129	229	-139	-97
Cash and cash equivalent at the end of the period	81 725	74 472	81 725	72 472

REPORTING BY GEOGRAPHIC SEGMENT FINANCIAL YEAR, JAN-DEC 2004

TSEK	Sweden		Germany		Total	
	2004	2003	2004	2003	2004	2003
	Jan-Dec	Jan-Dec	Jan-Dec	Jan-Dec	Jan-Dec	Jan-Dec
Net sales	700 745	417 526	304 238	214 308	1 004 983	631 834
Operating income	34 080	22 525	-12 521	-8 592	21 559	13 933
Operating margin, %	4,9	5,4	-4,1	-4,0	2,1	2,2
Net financial income/expense	-1 085	-415	38	-488	-1 047	-903
Profit after financial items	32 995	22 110	-12 483	-9 080	20 512	13 030

FOURTH QUARTER, OCT-DEC

TSEK	Sweden		Germany		Total	
	2004	2003	2004	2003	2004	2003
	Oct-Dec	Oct-Dec	Oct-Dec	Oct-Dec	Oct-Dec	Oct-Dec
Net sales	258 908	202 152	113 985	101 535	372 893	303 687
Operating income	17 007	16 367	-3 080	978	13 927	17 345
Operating margin, %	6,6	8,1	-2,7	1,0	3,7	5,7
Net financial income/expense	-541	-48	15	-289	-526	-337
Profit after financial items	16 466	16 319	-3 065	689	13 401	17 008

CONSOLIDATED KEY RATIOS

	Oct-Dec 2004	Oct-Dec 2003	Jan-Dec 2004	Jan-Dec 2003
Net sales, TSEK	372 893	303.687	1 004 983	631 834
Gross margin, %	20,9	22,6	21,5	21,5
Operating margin, %	3,7	5,7	2,1	2,2
Profit margin, %	3,6	5,6	2,0	2,1
Profit after financial items, TSEK	13 401	17 007	20 512	13 030
Return on average equity %	-	-	15,1	8,6
Return on capital employed %	-	-	15,2	11,3
Equity ratio, %	34,1	44,9	34,1	44,9
Debt/Equity ratio	0,2	0,2	0,2	0,2
Interest coverage ratio	30,9	18,7	15,0	7,8
Capital employed, TSEK	153 640	137 125	153 640	137 125
Investment in tangible assets, TSEK	1 348	960	4 699	3 889
Investments in intangible assets, TSEK	5 968	-	18 248	-
Equity per share, SEK	22,22	19,04	22,22	19,04
Liquid funds per share, SEK	13,59	12,05	13,59	12,05
Total outstanding options at the end of the period	82 000	82 000	82 000	82 000
Employees at the end of the period	170	134	170	134
Average number of employees	143	98	143	98

Definitions

Capital employed

Total assets reduced for interest bearing debts and other provisions.

Debt/Equity ratio

Interest bearing debts and provisions in relation to equity.

Equity per share

Equity in relation to number of outstanding shares.

Equity ratio

Equity in relation to total assets.

Gross margin

Net sales minus cost of goods sold in relation to net sales.

Interest coverage ratio

Profit after financial items plus financial costs in relation to financial costs.

Liquid funds

Cash and bank and investments in liquid funds with a maturity date below three months. Approved, unused cheque accounts are not reported as liquid funds.

Liquid funds per share

Liquid funds in relation to number of outstanding shares.

Operating margin

Operating income in relation to net sales of the period.

Profit margin

Net income after financial items in relation to the net sales of the period.

Return on average equity

The net income of the period in relation to average equity. Average equity is calculated as equity at the beginning of the period plus equity at the end of the period divided by two.

Return on capital employed

Income after financial items plus financial costs in relation to average capital employed. Average capital employed is calculated as capital employed in the beginning of the period plus capital employed at the end of the period divided by two.