

NetOnNet AB (publ)

556520-4137

Interim report, January – March 2004

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

NetOnNet increased sales by 78 % and the result after tax by 117 %

- **Net sales for the first quarter amounted to SEK 245.2 (138.0) millions, an increase of 78 %.**
- **Net profit for the first quarter amounted to SEK 3.1 (1.4) millions, an increase of 117 %.**
- **Earnings per share for the first quarter amounted to SEK 0.52 (0.24).**
- **Net sales for the Swedish business amounted to SEK 157.1 (77.3) millions, an increase of 103 %. Net sales for the German business amounted to SEK 88.1 (60.7) millions, an increase of 45 %.**
- **Operating profit for rolling twelve months amounted to SEK 16.5 (1.1) millions.**

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

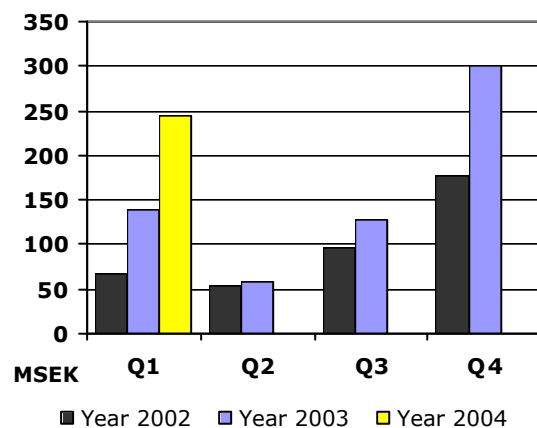
Net Sales

The net sales during the *first quarter* amounted to SEK 245.2 (138.0) millions. Compared to the same period 2003, this is an increase by 78 %. Of the total sales increase 0 % refers to changes in exchanges rates, 135 % to increase in volumes, reduced for price changes by 24 %.

Net Sales Jan-March (SEK million)	2004	2003
Sweden	157.1	77.3
Germany	88.1	60.7
Total	245.2	138.0

Compared to previous year net sales were higher within all product areas. Within the newer areas as Digital cameras and Computer products sales have increased considerably more than in other areas.

Net Sales quarterly 2002 - 2004



Operating profit and gross margin

Operating profit for the first quarter amounted to SEK 4.6 (2.0) millions.

Split of the result by country:

Operating result Jan - March (SEK million)	2004	2003
Sweden	7.1	3.0
Germany	-2.5	-1.0
Total	4.6	2.0

Gross margin totalled 21.4 (19.2) %.

Sweden

In Sweden the result increased due to the strong sales increase, combined with a higher gross margin. At the same time the general costs have not increased just as much, which

resulted in an increased of the operating margin in Sweden to 4.5 (3.8) %.

Germany

The decreased operating result in Germany is mainly explained by the enlarged investments in marketing in order to increase growth both in the short and the long run and strengthen the market position. In the first quarter 2003 marketing efforts were decreased, which had negative impacts in the second quarter. The executed marketing this year together with further marketing efforts are expected to result in a strengthened growth in coming periods.

Altogether the increased marketing had an impact on the operating result by SEK 2.1 millions. The gross margin has improved slightly, at the same time as provisions for guarantee risks were increased relatively compared to last year, which reduced the operating result by SEK 0.9 millions. The management estimates that there are good prerequisite for profit improvements in the long run, mainly motivated by the potential in volumes that exists in the German market. The operating margin amounted to -2.8 (-1.6) %.

Rolling twelve months

The table below shows the development of the result for the last twelve months.

Rolling twelve months, SEK million	March 2004	March 2003
Net sales	739,0	463,7
Operating expenses	-722,5	-462,5
Operating profit	16,5	1,1

Significant events during the period

In February, NetOnNet received the distinction Retail Awards from the Swedish Federation of Trade and TEMO for the forth-consecutive year. Retail Awards concerns different categories of the whole retail business in Sweden and NetOnNet received the award as Sales rocket of the Year.

Marketing

In Sweden the main marketing actions consisted of brand-building advertisement and product offers in nation-wide TV4 and in addition to that, advertizing in mainly Svenska Dagbladet.

In Germany the marketing has been focused on TV-commercials and On-line marketing. In addition to this the company has started advertizing in the Homeentertainment magazine AudioVideoFoto-Bild, which is the

largest magazine in Germany regarding homeentertainment.

The marketing costs amounted to SEK 8.3 (1.8) millions for the first quarter, of which Sweden accounted for SEK 4.2 (0.7) millions and Germany for SEK 4.1 (1.1) millions.

Marketing costs amounted to 3.4 (1.3) % of the total sales. The corresponding share for Sweden was 2.7 (0.9) %, while for Germany it was 4.6 (1.9) %.

Customer Service & Logistics

No special events to report.

Administration and IT

In order to build a platform for future expansion and secure a reliable support for logistics, processing of orders, purchase etc, and a project has started during the first quarter 2004. For further information see Capital expenditures.

No expenses have affected the operating result during the first quarter.

Listing of Shares at O-list

During the first quarter the company has sought to list its shares at the O-list at Stockholmsbörsen. The process is a qualitysecurement of the company and the purpose is to raise the confidence on the consumer market and increase the company's status at the capital market. The cost of the process has effected the operating result by SEK 0.7 millions.

The market

The industry, published statistics Sweden

Up to the present published statistics for the beginning of the year shows the following pattern:

During January - February 2004 the consumer electronics industry is estimated to have increased by 8.8 % compared to the corresponding period last year according to SCB.

Germany

Evaluations made by representatives for the suppliers of the industry indicate that the German market is still weak. The main reasons for the reductions are believed to be the continuous weak economical progress.

The industry, earlier forecasts

At the prospect of 2004 Branschkansliets Marknadsinformation believed that the Swedish market would increase by 4.6 % during the year. There are yet no adjustments of these forecasts.

E-commerce and distance shopping

For the period January - February the distance shopping market in Sweden has increased by 6.7% compared to 2003. The earlier tendency that e-commerce takes a bigger proportion of sales is stated to continue according to Swedish Mail Order Association.

Sources: SCB Statistics Sweden in cooperation with Handels Utredningsinstitut and SPF Swedish Mail Order Association, and Branschkansliets Marknadsinformation AB, NetOnNet AB.

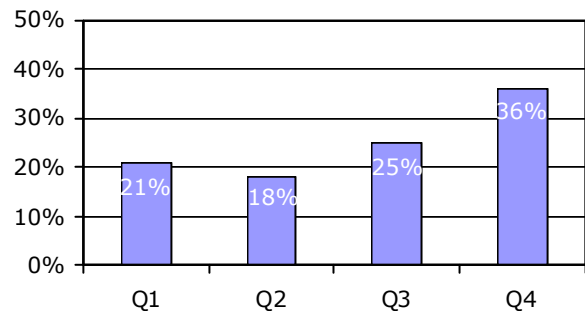
The company

NetOnNet has a strong growth on the market of consumer electronics, which generally has a weak growth. The success factor of the company is efforts in quality products with low prices. The broad marketing has established NetOnNet as brand and the higher volumes have resulted in price benefits and by that benefit in economics of scale compared to previous years. The line of products is broadened, the Internetshop is improved, focus on customers has increased and the organization, including logistics, is more efficient at the same time as cost-conscious has retained. Altogether this establishes good prerequisites to achieve decided objectives; increase net profit as a percentage more than the net sales and therewith create good return on equity.

Seasonal variations

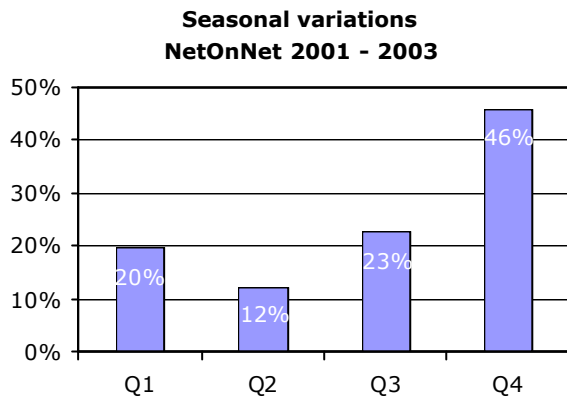
To simplify evaluation of the interim reports, the diagrams below illustrate the seasonal variations that influence the consumer electronics industry.

Seasonal variations within the consumer electronics industry



Source: Branschkansliets Marknadsinformation AB

For NetOnNet the seasonal variations have been the following:



Explanation to the deviation for the company compared to the industry is principally the strong growth of the company.

Staff

The total number of employees at the end of March was 124 (94) whereof 95 (69) in Sweden and 29 (25) in Germany. The average number of employees during the period was 130 (99).

Financial position and liquidity

As per March 31, 2004 net cash reserves, including short-term investments, amounted to SEK 62.5 (53.5) millions equivalent to SEK 10.38 (8.96) per share. The equity ratio was 51.1 % (60.6 %). Total equity amounted to SEK 117.5 (104.8) millions, equivalent to SEK 19.54 (17.54) per share.

Cash flow from operations totalled SEK -8.1 (-1.4) millions. Cash flow after investments and financial operations amounted to SEK -10.2 (-1.3) millions. A major cause to the negative cash flow is that the company has reduced its liabilities during the actual reporting period.

Capital expenditures

During the actual reporting period capital expenditures amounted to SEK 1.7 (0.6) millions. The main concentration has been IT. During the year capital expenditures are planned to be made by SEK 6-8 millions, principally with a concentration on IT and logistics.

The parent company

The net sales of the parent company amounted to SEK 245.2 (137.9) millions and the profit after financial items amounted to SEK 3.1 (2.0) millions. Capital expenditures during the actual reporting period amounted to SEK 1.7 (0.6) millions.

Development of shares

The number of shareholders has increased from 739 to 1390 since the year-end, an increase by 88 %. The share price has during the same period increased from SEK 75 to SEK 93, or by 24 %.

Events after the close of the period

Published profitability target

In the middle of April 2004 the annual report of the company was published. The format of the report is revised compared to previous year, chiefly in order to fulfill the higher requirements at the prospect of listing shares at the O-list. In connection to the published annual report, the long-term profitability target of the company was also published: The objective is a long-term profitability return on equity by 20 %.

New boardmember and new auditor

At the prospect of shareholders' general meeting which will occur on the 29th April 2004 there is a proposal to increase the board with an external board member, Ebbe Pelle Jacobsen, who among other things has been Chief for IKEA Germany, CEO for Habitat and has had a leading position in Bang & Olufsen. Furthermore, the company has, besides Thomas Andersson, Ernst & Young, as a new auditor, proposed Björn Grundvall, Ernst & Young, who has genuine experience of listed companies.

Outlook 2004

The consumer electronics market has good opportunities for growth of sales in new product categories as Flat-screen TV, Digital TV, Digital recording, Digital photo etc.

The development of private consumption is difficult to estimate, but Sweden is expected to have a positively weak increase whereas Germany probably will have another year of decreased consumption.

Operations will put in position towards continues growth with a gradual improvement of profitability. The most important factor for the expectations of growth is that the e-business as a whole is expected to increase and continue to take shares of traditional trade.

Relatively, the result is estimated to increase more than sales as the same time as the direction towards growth means costs that will burden the result to be able to build future volume increases.

The part "Outlook 2004" is entirely earlier published in the annual report for 2003.

However the company estimates that the private consumption for Sweden is expected to be positively weak compared to earlier estimation that the growth would be weak.

Accounting principles

This interim report is established in correspondence with The Swedish Financial Accounting Standards Council recommendation of interim report (RR 20). The same principles of accounting and calculation methods have been used as in the last year's annual report, with addition of recommendation of employee benefits (RR 29). The effect of this recommendation can not to present be accounted for due to the fact that the insurance company can not supply information until the end of year 2004.

Review

The auditors of the company have made a summary review of the interim report.

Future reports

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

Sales report April	6 May 2004
Sales report May	4 June 2004
Sales report June	3 July 2004
Interim report April – June	26 August 2004

Borås, 22 April 2004

NetOnNet AB (publ)
The Board

For further information about this interim report:

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The interim report is also available on
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INCOME STATEMENTS OF THE GROUP IN SUMMARY

TSEK	Jan-March 2004	Jan-March 2003	Jan-Dec 2003
Net sales	245 175	137 969	631 834
<i>Operating expenses:</i>			
Goods for resale	-192 613	-111 421	-496 103
Other external costs	-32 353	-14 057	-77 638
Personal costs	-14 594	-9 725	-40 691
Depreciations	-1 045	-800	-3 469
	-240 605	-136 003	-617 901
Operating profit	4 570	1 966	13 933
Result from financial investments	-252	28	-903
Profit after financial items	4 318	1 994	13 030
Tax on profit of the period	-1 209	-558	-3 648
Net profit for the period	3 109	1 436	9 382
Earnings per share, SEK	0,52	0,24	1,57
Earnings per share after dilution, SEK	0,51	0,24	1,57
Average number of shares before dilution	6.015.680	5.972.280	5.989.516
Average number of shares after dilution	6.044.105	5.972.280	5.989.516
Number of shares at the end of the period	6.015.680	5.972.280	6.015.680

BALANCE SHEETS OF THE GROUP IN SUMMARY

TSEK	31 March 2004	31 March 2003	31 Dec 2003
Assets			
Fixed assets			
Intangible assets	1 006	517	428
Tangible assets	31 225	30 836	31 138
Financial assets	12 603	16 450	13 796
Total fixed assets	44 834	47 803	45 362
Current assets			
Inventories etc.	92 657	52 151	94 936
Current receivables	30 191	19 425	42 121
Investments	30 000	0	0
Cash and bank balances	32 462	53 527	72 472
Total current assets	185 310	125 103	209 529
Total assets	230 144	172 906	254 891
Equity and liabilities			
Equity	117 518	104 762	114 558
Provisions	3 863	1 715	2 660
Long-term liabilities	19 567	21 667	19 967
Current liabilities	89 196	44 762	117 706
Total equity and liabilities	230 144	172 906	254 891

CHANGE IN SHAREHOLDERS' EQUITY OF THE GROUP IN SUMMARY

TSEK	Jan-March 2004	Jan-March 2003	Jan -Dec 2003
Opening balance according to adopted balance sheet	114 558	103 052	103 052
New share issue	0	288	1 947
Exchange rate differences	-149	-14	177
Net profit for the period	3 109	1 436	9 382
Closing balance	117 518	104 762	114 558

CASH FLOW OF GROUP IN SUMMARY

	Jan-March 2004	Jan-March 2003	Jan-Dec 2003
Current operations			
Cash flow from current operations before changes in working capital	6 189	3 065	18 005
Changes in working capital	-14 301	-4 482	2 982
Cash flow from current operations	-8 112	-1 417	20 987
Investment activities			
Acquisitions of fixed assets	-1 726	-571	-3906
Cash flow from investment activities	-1 726	-571	-3 906
Financial activities			
New share issue	0	288	1 947
Change of loans	-400	412	-1288
Cash flow from financial activities	-400	700	659
Cash flow during the period	-10 238	-1 288	17 740
Liquid funds at the beginning of the year	72 472	54 829	54 829
Exchange rate differences in liquid funds	228	-14	-97
Liquid funds at the end of the period	62 462	53 527	72 472

REPORTING BY GEOGRAPHIC SEGMENT

	Sweden			Germany			Total		
	2004	2003	2003	2004	2003	2003	2004	2003	2003
	Jan-March	Jan-March	Jan-Dec	Jan-March	Jan-March	Jan-Dec	Jan-March	Jan-March	Jan-Dec
Net sales	157 074	77 273	417 526	88 101	60 696	214 308	245 175	137 969	631 834
Operating profit/loss	7 079	2 957	22 525	-2 509	-991	-8 592	4 570	1 966	13 933
Operating margin, %	4,5	3,8	5,4	-2,8	-1,6	-4,0	1,9	1,4	2,2
Net financial income/expense	-254	-170	-415	2	198	-488	-252	28	-903
Profit/loss after financial items	6 825	2 787	22 110	-2 507	-793	-9 080	4 318	1 994	13 030

CONSOLIDATED KEY RATIOS

TSEK	Jan-March 2004	Jan-March 2003	Jan-Dec 2003
Net sales	245 175	137 969	631 834
Gross margin, %	21,4	19,2	21,5
Operating margin, %	1,9	1,4	2,2
Profit margin, %	1,3	1,0	1,5
Profit after financial items	4 318	1 994	13 030
Return on average equity, %	-	-	8,6
Return on capital employed, %	-	-	11,3
Equity ratio, %	51,1	60,6	44,9
Debt/Equity ratio	0,2	0,2	0,2
Interest coverage ratio	3,3	3,4	7,8
Capital employed	139 685	129 029	137 125
Investments in tangible assets	1 090	571	3 353
Equity per share, SEK	19,54	17,54	19,04
Liquid funds per share, SEK	10,38	8,96	12,05
Total outstanding options at the end of period.	82 000	80 600	82 000
Employees at the end of period	124	94	134
Average number of employees	130	99	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/loss 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 profit/loss in relation to net sales of the period.

Profit margin

Net result for the period in relation to the net sales of the period.

Return on average equity

The net profit/loss 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

Profit 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.

Review Report for NetOnNet AB (publ) concerning interim report 1 January 2004 – 31 March 2004.

We have reviewed this interim report in accordance with the recommendation issued by FAR, the Institute for the Accountancy Profession in Sweden. A review is considerably limited in scope compared with an audit. Nothing has come to our attention that causes us to believe that the interim report does not comply with the requirements of the Annual Accounts Act.

Borås, April 22, 2004

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