

NetOnNet AB (publ)

Org. nr 556520-4137

Interim Report, January – March 2005

Unless otherwise stated, the comparative figures in the interim report relate to corresponding period in 2004.

NetOnNet increased sales in a weak market

- **Sales for the first quarter amounted to SEK 270.4 (245.2) million, an increase of 10 %.**
- **Income after tax amounted to SEK -5.3 (3.1) million.**
- **Earnings per share amounted to SEK -0.88 (0.52).**
- **Sales in the Swedish operations amounted to SEK 184.5 (157.1) million, an increase of 17%. Sales for the German operations amounted to SEK 85.9 (88.1) million, a decrease of 2%**
- **Operating result for rolling 12 months amounted to SEK 11.2 (16.5) 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, Philips etc as well as own brands such as Andersson, Avant, Centrum, Pepp and Skantic. The products are delivered directly home both for consumers and companies. The company was established in 1999, and its Headquarter is in Borås, Sweden. The company operates in Germany since September 2000.

Net sales

The net sales during the first quarter amounted to 270.4 (245.2) millions.

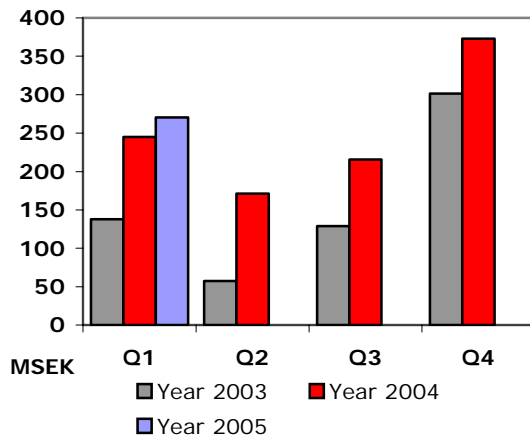
Compared to the same period 2004, this is an increase of 10.3%. Of the total sales increase -0.4% refers to exchange rates changes, 7 % to increase in volumes and 3.5% to price changes.

Net Sales Jan-March (SEK million)	2005	2004
Sweden	184.5	157.1
Germany	85.9	88.1
Total	270.4	245.2

The lower sales growth is explained by a weaker development in the consumer electronics business and the fact that Easter holidays this year was in March instead of April as it was previous year.

Compared to previous year net sales where higher within most product areas. A decrease has occurred in home cinema products and digital cameras, both these areas had strong sales growth in 2004.

Net sales quarterly 2003 – 2005

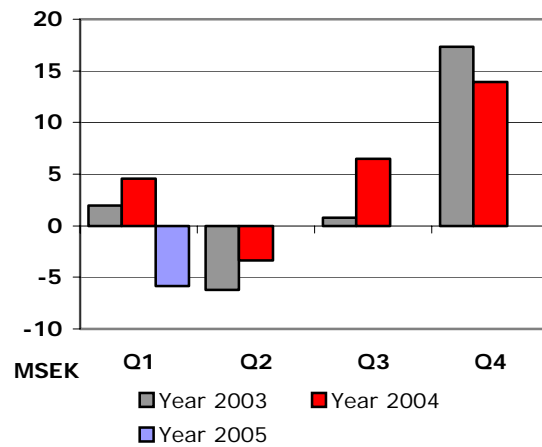


Operating income and gross margin Operating income for the first quarter, January-March amounted to SEK -5.8 (4.6) million.

Operating income Jan-March (SEK million)	2005	2004
Sweden	-2.6	7.1
Germany	-3.2	-2.5
Total	-5.8	4.6

Gross margin was 19.6 (21.4) %.

Operating income quarterly 2003-2004



The lower operating income is mainly due to increased costs, that have been taken on purpose to build up the company for long-term growth. The largest cost increases are staff SEK 4 million, marketing SEK 2 million and the new ERP-system which have meant increased costs and depreciation with SEK 2 million.

The marketing costs amounted to 3.8 (3.4) % of the total sales. Concerning Sweden the ratio was 3.6 (2.7) % and for Germany 4.4 (4.6) %.

Staff costs amounted to 6.9 (6.0)% of net sales. In Sweden the ratio was 8.4 (7.5)% and in Germany 3.7 (3.1)%

Sweden

In Sweden the result has been charged with customs duty of SEK 0.6 million relating to previous years. The operating margin in Sweden decreased to -1.4 (4.5)%.

Germany

The lower result in Germany is mainly explained by lower sales and somewhat lower gross margin. Marketing costs have decreased with SEK 0.3 million. The operating margin for the period was -3.8 (2.8)%.

Rolling twelve months

The following table shows the development of operating profit the last twelve months.

Rolling twelve months(SEK million)	March 2005	March 2004
Net sales	1 030.2	739.0
Operating expenses	-1 019.0	-722.5
Operating profit	11.2	16.5

Significant events during the first quarter

During the first quarter focus has laid on strengthening the organization and to improve internal processes to enable future business development and long-term growth. Among others the management has been added with new logistics manager, new IT-manager and new CFO. In connection with the organizational changes the premises of the Headquarter has been enlarged.

In March a survey to establish a purchase office in China was started.

Agreement has been signed with 3G operator 3 regarding sales of mobile phones and subscriptions both in the Internet and warehouse shops.

A significant campaign regarding "large wall TV for less than 10.000 SEK", was launched in the end of March.

Staff

The total number of employees at the end of March was 152 (124) where of 116 (95) in Sweden and 36 (29) in Germany. The average number of employees for the last rolling 12 month period was 144 (130)

Financial position and liquidity

As per March 31st net cash reserves amounted to SEK 51.7 (62.5) million equivalent to SEK 8.60 (10.38) per share. The equity ratio was 48.6 (51.5) %. Total equity amounted to SEK 128.1 (117.5) million, equivalent to SEK 21.29 (19.54) per share.

Cash flow from operations amounted to SEK -29.4 (-8.1) million during the first quarter. Cash flow after investments and financial operations amounted to SEK - 30.2 (-10.2) million.

One of the main reasons for the negative cash flow is that the company's current liabilities, mainly liabilities to suppliers, have been reduced during the period.

Capital expenditures

Total investments during the first quarter amounted to SEK 0.5 (1.7) million. The main part regards IT – equipment and office furniture.

The parent company

The net sales of the parent company during the first quarter amounts to SEK 270.4 (245.2) million and the income after financial items amounted to SEK -6.0 (3.1) million. Capital expenditures during the financial year amounted to SEK 0.5 (1.7) million.

Development of the share

The number of shareholders has increased from 1 825 to 1 923 since December 31st 2004. This means an increase by 5%. The share price has during the same period decreased from SEK 94.00 to SEK 89.50, or by 5%

Reporting according to IFRS

In accordance with the demands for listed companies within EU from 2005, NetOnNet has started to report according with IAS/IFRS. This interim report is the first made in according to IFRS. The influence on NetOnNet is very small. The year 2004 is re-calculated and has a marginal effect on result and equity. Equity in the group

according to Swedish accounting standards at the end of 2003 equals with equity according to IFRS at the start of 2004. At the end of 2004 equity is changed marginally. A more detailed reporting has been made in the Annual report of NetOnNet and a detailed report is in the tables on page 4.

Events after the close of period

Concerning the Annual shareholders meeting on April 27th 2005, the board member Risto Silander has declined re-election. As new board member is Jean-Francois Baril suggested. Jean-Francois Baril has a long and solid background in product development and purchase. Jean-Francois Baril is Senior Vice President, sourcing and procurement at Nokia. Before that he has had equivalent positions at Compaq and Hewlett Packard.

Market, Industry statistics

Sweden

Published statistics from the start of the year:

During January – February 2005 the home electronics business (including white goods) is estimated to have decreased by 3.4 % compared to corresponding period previous year according to SCB/HUI.

The suppliers reported sales value to retailers of – 10% compared to corresponding period previous year according to Branschkansliets Marknadsinformation AB.

Germany

Estimates made by representatives for suppliers to the business indicate the German market to be continuous weak. The main reason for the decrease is believed to be the weak economic development in Germany.

The industry earlier forecasts

Before 2005 Branschkansliets Marknadsinformation AB believed that the Swedish market should increase by 8% during 2005. There are so far no revise made of these forecasts.

E-commerce and distance shopping

For the first quarter 2005 the distance shopping in Sweden has decreased with 4.8% compared to 2004. E-commerce which represents 37% of the total distance shopping sales increased with 20% during the same period according to The Swedish Mail Order Association.

Sources: SCB Statistics Sweden in cooperation with Handelns Utreddningsinstitut, SPF Swedish Mail Order Association and Branschkansliets Marknadsinformation and NetOnNet AB

Outlook for 2005

During 2005 operations will be focusing on keeping present market position on the Internet, at the same time as a number of actions will be taken to increase growth during coming years. This means for instance that NetOnNet plans to strengthen the distribution model with additional Warehouse Shops both in Sweden and in Germany.

E-commerce in general is estimated to grow and to continue to take shares from the traditional trade, though in a slightly decreased speed.

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

Accounting principles

From January 1st NetOnNet will in the consolidated accounts use IFRS. Comparative figures for 2004 have been re-calculated in accordance with IFRS 1 – First time adoption - IAS 39 – Financial Instruments, accounting and valuation - is used from January 1st 2005. Accounting according to IAS 39 has not had any significant influence on result or position compared to previous used accounting principles. The Interim Report has been made in accordance with IAS 34 - Interim Financial Reporting - which is in accordance with the demands in RR 31 – Interim reporting for groups-. The difference between IFRS and prior used accounting principles appears below.

Net profit (SEK thousand)	2004	2004	2004
	31.3	31.3	31.12
Net profit according to Swedish accounting principles	3 109	18 874	
Effects of transforming to IFRS	0	0	
Net profit according to IFRS	3 109	18 874	

Equity (SEK thousand)	2004	2004	2004
	31.12	31.3	1.1
Equity according to Swedish accounting principles	133 667	117 518	114 558
Effects of transforming to IFRS	-47	0	0
Equity according to IFRS	133 620	117 518	114 558

Total assets (SEK thousand)	2004	2004	2004
	31.12	31.3	1.1
Total assets according to Swedish accounting principles	392 295	230 144	254 891
Effects of transforming to IFRS	18	0	0
Total assets according to IFRS	392 313	230 144	254 891

Auditing

This report has not been audited by the company's auditors.

Future reports

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

Sales report April	4 May 2005
Sales report May	8 June 2005
Sales report June	5 July 2005
Sales report July	4 August 2005
Interim report Jan-June 2005	25 August 2005

Borås April 26th 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
and at www.netonnet.de

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INCOME STATEMENTS OF THE GROUP

IN SUMMARY

All comparable figures have been re-calculated according to IFRS in accordance with the EU regulation, with the exception concerning IAS 39 that is used from 1st of January 2005 and onwards.

SEK thousand	Jan-March 2005	Jan-March 2004	Rolling 12 April-March 2004/2005	Jan-Dec 2004
Net Sales	270 432	245 175	1 030 240	1 004 983
Capitalizes labour cost for own purpose	0	0	2 315	2 315
	270 432	245 175	1 032 555	1 007 298
<i>Operating expenses</i>				
Cost of goods sold	-217 477	-192 613	- 813 889	-789 025
Other external costs	-37 930	-32 353	-133 465	-127 888
Personnel costs	-18 760	-14 594	- 68 027	-63 861
Depreciations	-2 068	-1 045	-5 988	-4 965
	-276 235	-240 605	-1 021 369	-985 739
Operating profit	-5 803	4 570	11 186	21 559
Result from financial investments	536	-252	- 262	-1 050
Profit after financial items	-5 267	4 318	10 924	20 509
Tax on the income of the period	0	-1 209	-426	-1 635
Net profit for the period	-5 267	3 109	10 498	18 874
Earnings per share, SEK	-0,88	0,52	1,75	3,14
Earnings per share after dilution	0,87	0,51		3,12
Average number of shares before dilution	6 015 680	6 015 680	6 015 680	6 015 680
Average number of shares after dilution	6 040 572	6 044 105		6 050 348
Number of shares at the end of the period	6 015 680	6 015 680	6 015 680	6 015 680

BALANCE SHEET OF THE GROUP
IN SUMMARY

SEK thousand

	31 March 2005	31 March 2004	31 Dec 2004
Assets			
Fixed assets			
Intangible assets	16 723	1 006	17 684
Tangible assets	31 229	31 225	31 864
Financial assets	12 043	12 603	12 032
Total fixed assets	59 995	44 834	61 580
Current assets			
Inventories etc	119 218	92 657	179 112
Current receivables	32 470	30 191	69 896
Short term placements	0	30 000	0
Cash and bank balances	51 709	32 462	81 725
Total current assets	203 397	185 310	330 733
Total assets	263 392	230 144	392 313
Equity and liabilities			
Equity	128 060	117 518	133 620
Provisions	2 678	3 863	3 360
Long-term liabilities	17 250	19 567	17 500
Current liabilities	115 404	89 196	237 833
Total equity and liabilities	263 392	230 144	392 313

CHANGE IN SHAREHOLDERS' EQUITY OF THE GROUP
IN SUMMARY

SEK thousand

	Jan-March 2005	Jan-March 2004	Jan-Dec 2004
Opening balance according to adopted balance sheet	133 620	114 558	114 558
New share issue	0	0	0
Exchange-rate differences	-293	-149	235
Effects of re-calculation to IFRS	0	0	-47
Net profit for the period	- 5 267	3 109	18 874
Closing balance	128 060	117 518	133 620

CASH FLOW OF GROUP

IN SUMMARY

SEK thousand

	Jan-March 2005	Jan-March 2004	Jan-Dec 2004
Operations activities			
Cash flow from operations activities before changes in working capital	-4 336	6 189	26 559
Changes in working capital	-25 109	-14 301	8 262
Cash flow from operations activities	-29 445	-8 112	34 821
Investment activities			
Purchase of fixed assets	-484	-1 726	-22 829
Cash flow from investment activities	-484	-1 726	-22 829
Financial activities			
New share issue	0	0	0
Change of loans	-250	-400	-2 600
Cash flow from financial activities	-250	-400	-2 600
CASH FLOW DURING THE PERIOD	-30 179	-10 238	9 392
Cash and cash equivalent at the beginning of the period	81 725	72 472	72 472
Exchange rate differences in cash and cash equivalent	163	228	-139
Cash and cash equivalent at the end of the period	51 709	62 462	81 725

REPORTING BY GEOGRAPHIC SEGMENT

FIRST QUARTER JAN-MARCH 2005

SEK thousand

	Sweden			Germany			Total		
	2005	2004	2004	2005	2004	2004	2005	2004	2004
	jan-mars	jan-mars	jan-dec	jan-mars	jan-mars	jan-dec	jan-mars	jan-mars	jan-dec
Net sales	184 516	157 074	700 745	85 916	88 101	304 238	270 432	245 175	1 004 983
Operating income	-2 578	7 079	34 078	-3 225	-2 509	-12 519	-5 803	4 570	21 559
Operating margin, %	-1.4	4.5	4.9	-3.8	-2.8	-4.1	-2.1	1.9	2.1
Net financial income/expense	525	-254	-1 088	11	2	38	536	-252	-1 050
Profit after financial items	-2 053	6 825	32 990	-3 214	-2 507	-12 481	-5 267	4 318	20 509

CONSOLIDATED KEY RATIOS

	Jan-March 2005	Jan-March 2004	Jan-Dec 2004
Net sales, SEK thousand	270 432	245 175	1 004 983
Gross margin, %	19.6	21.4	21.5
Operating margin, %	-2.1	1.9	2.1
Profit margin, %	-1.9	1.8	2.0
Profit after financial items, SEK thousand	-5 267	4 318	20 509
Return on average equity %	-	-	15.2
Return on average capital employed %	-	-	15.1
Equity ratio, %	48.6	51.1	34.1
Debt/Equity ratio	0.2	0.2	0.2
Interest coverage ratio	neg	3.3	15.0
Capital employed, SEK thousand	147 377	139 685	153 634
Investment in tangible assets, SEK thousand	484	1 090	4 698
Investments in intangible assets, SEK thousand	-	-	18 252
Equity per share, SEK	21.29	19.54	22.22
Liquid funds per share, SEK	8.60	10.38	13.59
Total outstanding options at the end of the period	82 000	82 000	82 000
Employees at the end of the period	152	124	170
Average number of employees	144	130	143

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 average 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.