



## **Interim Report**

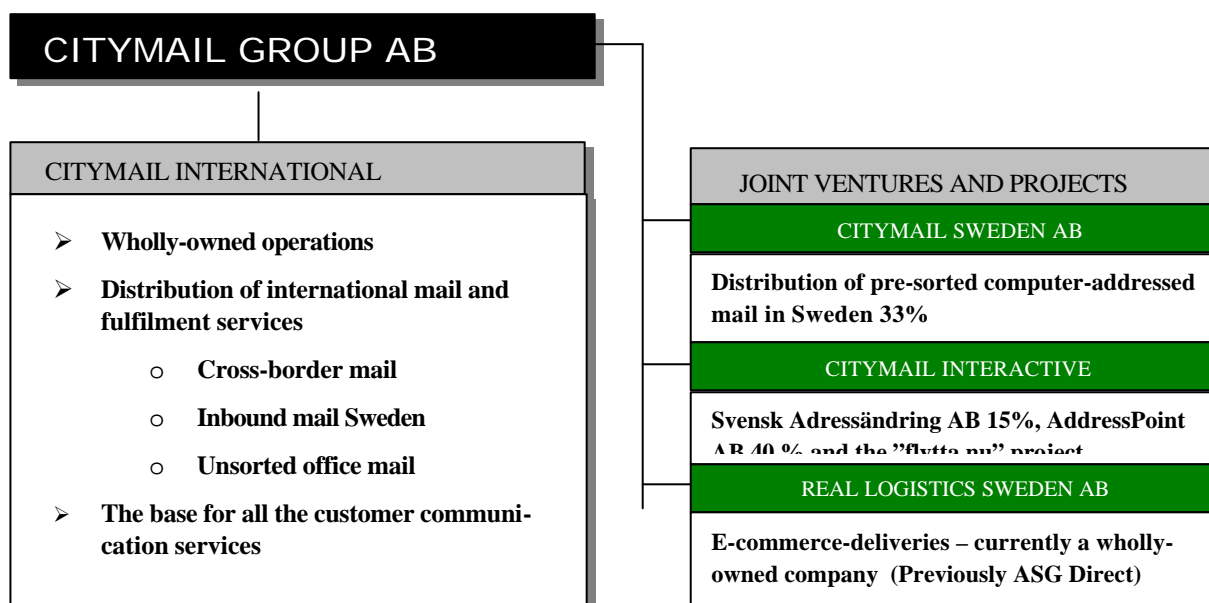
**1 January – 31 March 2001**

- **For the first quarter of 2001, the profit after financial items for CityMail Group amounted to SEK 4.5 million (-5.5).**
- **For the first quarter of 2001, the profit for CityMail International (the core business) amounted to SEK 2.9 million (0.5).**
- **CityMail International, increased the turnover for the first quarter of 2001 to SEK 35.6 million (9.4). This was an increase of 55 per cent compared to the fourth quarter of 2000.**
- **Fredrik Olsson has been appointed new Managing Director. Bror Anders Månsson is nominated to be the new Chairman of the Board of Directors of CityMail Group.**

## CityMail Group AB's structure

During 2000, CityMail Group underwent a fundamental restructuring. The former core operations, the Swedish distribution operations, were sold to a new company, CityMail Sweden AB. Consignia plc (formerly Post Office) owns 67 per cent of this company and the CityMail Group owns 33 per cent.

CityMail International, which was started in 1998, currently constitutes CityMail Group's core operation. Other activities in the interactive address services and logistics markets complement the core operation.



## CityMail Group's Strategy

- To focus upon a substantial and profitable growth of the core operation, CityMail International.
- To gradually increase the range of services and geographical presence in Europe based upon CityMail International's current business operations.
- To increase the range of services offered through selected partners and in-house, in order to become an integrator of the customers' customer communications in the "business-to-consumer" area.

## Core operation - CityMail International

Revenues for CityMail International: CityMail International has enjoyed continued rapid growth. Turnover for the first quarter of 2001 was SEK 35.6 million (9.4), an increase of 279 per cent compared to the corresponding period last year. Turnover for the first quarter of 2001 was 55 per cent higher than the fourth quarter of 2000.

The implementation of the order amounting to approximately SEK 100 million secured by the business area in February 2000 is largely completed.

CityMail International has entered into an agreement with Consignia regarding inbound priority mail<sup>1</sup> and distribution is planned to start on 24 April. The distribution of priority mail will be implemented in stages

<sup>1</sup> Priority mail is a generic term for different types of foreign mail to be distributed within three days.

and will constitute an important point of reference in the continuing negotiations with other postal operators.

Operating expenses for CityMail International: The major part of CityMail International's expenses increase mainly in line with the revenues since the distribution of cross-border mail is purchased directly either from TNT International Mail or from Consignia. However, the margins vary between the countries. The distribution services for inbound mail are purchased from CityMail Sweden. The operating profit for the first quarter of 2001 amounted to SEK 2.9 million, which corresponds to an operating margin of 8.1 per cent.

### **Profit and loss account 2000 / 2001 CityMail International**

	Q1 2000	Q2 2000	Q3 2000	Q4 2000	Q1 2001
<b>MSEK</b>					
Net turnover	9.4	13.9	17.1	22.9	35.6
Operating expenses before depreciation	-8,9	-13	-15,2	-20,9	-32,7
Depreciation	0	-0,1	0	0	0
<b>Operating profit</b>	<b>0.5</b>	<b>0.8</b>	<b>1.9</b>	<b>2.0</b>	<b>2.9</b>

### Anticipated developments

In January, a Letter of Intent concerning a strategic co-operation was signed with TNT International Mail. The co-operation has already commenced within cross-border operations. CityMail International now has the possibility in this area to distribute via TNT International Mail. Work is continuing regarding the establishment of the forms of co-operation within inbound mail and TNT's outgoing mail from Sweden and the Letter of Intent has been extended up to and including 30 June.

CityMail International is expected to attain a sustained strong growth in terms of volume within both cross-border and inbound mail and its objective is to achieve a turnover of SEK 400-500 million within approximately 3 years. At present, orders amount to almost SEK 200 million. The objective is that CityMail International shall have an operating margin of not less than 10 per cent.

## **Joint ventures and projects**

### **CityMail Sweden AB**

The company operates within the distribution of pre-sorted computer-addressed mail within Sweden and CityMail Group owns 33 per cent and Consignia 67 per cent. Consignia holds an option to purchase CityMail Group's 33 per cent shareholding.

It is expected that CityMail Sweden will experience a significant increase in volumes, among other things as a result of CityMail International's efforts regarding inbound mail. During 2001, CityMail International is expected to become CityMail Sweden's single largest customer.

### **Svensk Adressändring AB**

CityMail Group owns 15 per cent of Svensk Adressändring, with the remainder being owned by Sweden Post. The company collects and quality assures changes of address, forwarding of post, and storage of post. On 1 January 2001, the company implemented amendments to the terms and conditions which are expected to result in an increase in turnover. At the Annual General Meeting of the shareholders held on 26 March 2001, the company resolved to pay a dividend to CityMail Group for the 2000 financial year in the amount of SEK 1.8 million (1.4).

### **AddressPoint AB**

CityMail Group owns 40 per cent of AddressPoint, with the remainder being owned by Sweden Post. The company will provide a service whereby companies and private persons will be able to notify their new address simply and at one go to companies and organisations with which they have relations. The company was formed at the end of April 2000 and is still being developed. Agreements have been entered into with some ten customers and the company is planning to launch its services in May. The company has had start-up costs but no revenues.

### **The flytta.nu project**

The purpose of the flytta.nu project is to establish a web site aimed at private persons who will be moving or have moved, as well as companies which wish to offer their services to this target group. Negotiations with potential co-operating partners have been taking place since the autumn of 2000 but have been delayed due to the prevailing market situation within the market for Internet related services.

### **Real Logistics Sweden AB**

Real Logistics specialises in offering distribution and logistics solutions to e-commerce companies and other distance trading companies. The company is since October 2000 temporarily a wholly-owned subsidiary of CityMail Group. CityMail does not intend to run the company itself. Negotiations are taking place with potential shareholders. In the meantime, the company will not be consolidated into CityMail Group for a maximum of 12 months.

Real Logistics has recently secured a major order from SPAR within the Axfood Group. The implementation of the order will commence at the beginning of May when SPAR opens its new pick up warehouse for Internet trading. The transaction means that Real Logistics now covers all major Internet-based convenience goods distributors in Stockholm. Convenience goods trading is the e-commerce area which exhibits the strongest growth and has the largest number of returning customers. This is demonstrated by the fact that convenience goods retailers are continuing to invest heavily in the development of e-commerce.

Commencing 23 April, all distribution in the Stockholm area will be outsourced to a number of suppliers. As a result of outsourcing, Real Logistics will be able to significantly reduce its fixed costs.

Real Logistics' turnover for the first quarter amounted to SEK 2.5 million (1.4). The operating loss for the first quarter of 2001 amounted to SEK -4.0 million (-4.4).

## **CityMail Group's Results**

As stated above, the listed CityMail Group AB currently consists of the CityMail International business and shareholdings in CityMail Sweden AB, Svensk Adressändring AB, AddressPoint AB, Real Logistics Sweden AB and the flytta.nu project. Neither the part-owned companies nor the temporarily wholly-owned Real Logistics Sweden AB are consolidated.

CityMail Group incurs expenses for management and business development that are not borne by CityMail International. During the first quarter, such expenses amounted to SEK 2.3 million. Profit after financial items for the first quarter was SEK 4.5 million, compared to a loss of SEK -2.3 million (pro forma) for the corresponding period last year.

## Profit and loss account 2000 / 2001 CityMail Group

	Q1	Q1
MSEK	2000*	2001
Net turnover, International	9.4	35.6
Operating expenses, International (incl. deprec.)	-8,9	-32,7
<b>Operating profit, International</b>	<b>0.5</b>	<b>2.9</b>
Operating expenses, Group (incl. deprec.)	-3,4	-2,3
Financial income/expenses	0.6	3.9
<b>Result before tax</b>	<b>-2,3</b>	<b>4.5</b>

\* The pro forma profit and loss account for 2000 is prepared as though the sale of the Swedish distribution operations was completed as per 1 January 2001.

Net financial income amounted to SEK 3.9 million for the first quarter, compared with SEK 0.6 million for the corresponding period last year. The improvement is mainly due to an increase in the dividend obtained from Svensk Adressändring in the amount of SEK 1.8 million (1.4), exchange rate translation effects on a claim against the Post Office in the amount of SEK 1.5 million and lower interest expenses of SEK -0.1 million (-0.8).

Earnings per share during the first quarter of 2001, excluding outstanding warrants, amounted to SEK 0.33 (-0.80).

## **Financial position**

The company's liquid assets, including non-utilised credit facilities, amounted on 31 March 2001 to SEK 7.3 million (16.0). Claims in the amount of SEK 42.1 million (GBP 3 million) against the Post Office in the form of promissory notes with maturity dates of 31 December 2001 (GBP 2 million) and 31 December 2002 (GBP 1 million) are reported as financial current assets and financial fixed assets respectively.

The cash flow during the first quarter of 2001 amounted to SEK -0.9 million (-4.4).

As per 31 March, the company had interest-bearing liabilities of SEK 3,4 million. On 31 March 2001, the equity ratio amounted to 65.1 per cent compared to 72.0 per cent at the beginning of this year.

The reserves that were made for the claims from CityMail Sweden in the accounts as at 31 December 2000 are still seen as adequate.

CityMail Group has a total loss carried forward of SEK 239.7 million.

## **Capital expenditures**

Capital expenditures during the period amounted to SEK 0.0 million (SEK 13.3 million).

## **Personnel**

The average number of employees for the first quarter of 2001 amounted to 13 (879).

## **Accounting Principles**

The interim report has been prepared in accordance with the Annual Accounts Act and the recommendations by the Swedish Financial Accounting Standards Council.

### **Significant events following the expiry of the reporting period**

#### **Appointment of new Managing Director**

The Board of Directors of the O-listed CityMail Group has appointed Fredrik Olsson as the new Managing Director. Fredrik Olsson was most recently a partner and Head of the Digital Markets and Supply Chain service area within Andersen's consulting business. It is proposed that CityMail's current Managing Director, Bror Anders Månsson, be appointed as the new Chairman of the Board of Directors. The Deputy Managing Director, Håkan Ohlsson, will serve as acting Managing Director until Fredrik Olsson takes office. Malcolm Hamilton and Nils Ridhammar remain as members of the company's executive management.

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*The interim report has not been audited by the company's auditors.*

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#### **Forthcoming reports for 2001**

- Half-yearly report: 21 August
- Interim report (third quarter): 7 November
- Unaudited annual  
results 2001 February 2002



Amounts in SEK '000

## Income Statement in Summary

0101-0103      0001-0003

Net turnover	35 977	105 606
Operating result	555	-6 072
Results after financial items	4 477	-5 468
Tax on earnings for the period	0	0
<b>Net result for the period</b>	<b>4 477</b>	<b>-5 468</b>

## Balance Sheet in Summary

March 31, 2001      March 31, 2000      Dec. 31, 2000

### Assets

Intangible fixed assets	4	21 539	18
Interests in group and associated companies	42 705	97 400	42 705
Other long-term receivables, Royal Mail promissory notes	13 607	0	13 329
Tangible fixed assets	603	22 804	613
Receivables	26 596	49 704	16 451
Receivables on group companies	5 913	0	3 702
Receivables on associated companies	1 823	1 428	0
Other short-term receivables, Royal Mail promissory notes	28 524	0	26 818
Other current assets	7 343	13 643	4 137
Cash and bank equivalents	669	311	1 532
<b>Total assets</b>	<b>127 787</b>	<b>206 829</b>	<b>109 305</b>

### Shareholders' equity and liabilities

Shareholders' equity	83 149	68 956	78 672
Long-term liability	3 780	5 040	3 780
Accounts payable	20 266	26 442	8 748
Payables to group companies	142	0	142
Payables to associated companies	660	0	1 054
Other liabilities	19 790	106 391	16 909
<b>Total shareholders' equity and liabilities</b>	<b>127 787</b>	<b>206 829</b>	<b>109 305</b>

## Cash flow Analysis in Summary

0101-0103      0001-0003

Cash flow from operating activities	-2 786	-16 435
Cash flow from investing activities	-25	-13 325
Cash flow from financing activities	1 948	25 392
<b>Cash flow for the period</b>	<b>-863</b>	<b>-4 368</b>