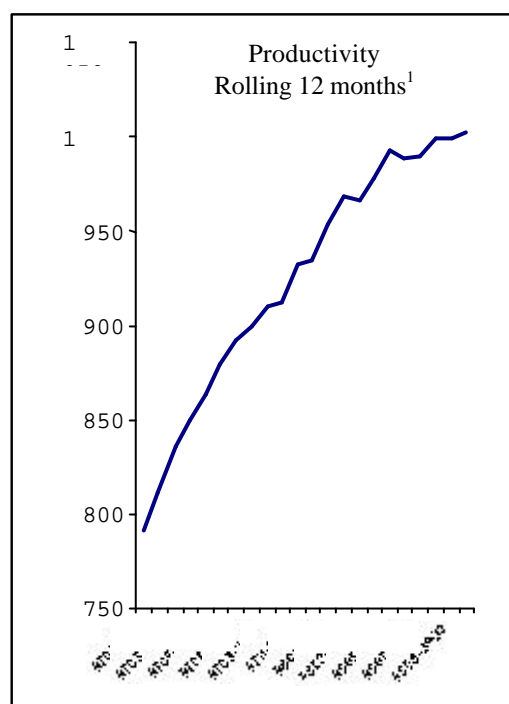
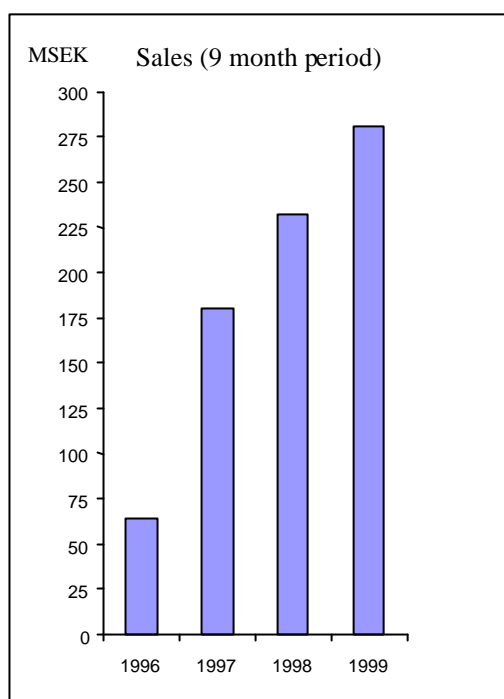




Interim Report

1 January - 30 September 1999

- Increase in net turnover by 21 percent to SEK 280.6 million (232.2).
- Improvement in results to SEK -23.8 million (-44.6).
- Large volume of new orders for distribution of international mail.
- New distribution structure from 1 January 2000 results in cost reductions of about 10%.



¹ Letters per CityMan and day

Revenues

For the first nine months of 1999, CityMail's revenues amounted to SEK 280.6 million, an increase 21% compared with the corresponding period in 1998. The average revenues per postal item increased by 3.4% as compared with the corresponding period 1998. CityMail's revenues during the third quarter amounted to SEK 88.5 million (75.7).

The turnover from CityMail's existing customers increased by approximately 15%. Within the large customer segment, existing customers accounted for 98% of the increase while the increase amongst small and mid-sized customers came almost exclusively from new sales.

The distribution of international mail has developed extremely well. The market is characterised by a low level of competition and high pricing, thus making possible great savings potentials for customer companies. CityMail has received a large volume of orders and is currently negotiating with several large customers which, together, can provide an increase in turnover of more than 100 MSEK during 2000.

In co-operation with the company "nxt direct" CityMail has developed and launched a unique new product which is aimed at customers who currently mail large volumes of unaddressed advertising. The product, which is called "Property-Addressed" is based on a detailed segmentation of various distribution areas. The customers avoid unnecessary "waste" and can obtain a greater effect at the same or lower total costs. The items are semi-addressed, i.e. they are addressed to a street address and, where appropriate, to a particular floor, but not to an individual person. The market for unaddressed mail items in Sweden is approximately SEK 1.2 billion and CityMail anticipates, in the long run, to be able to achieve a

significant portion of this market with the new product.

During the second quarter, a settlement agreement was entered into with Sweden Post. The settlement agreement resulted in net compensation to CityMail, of which a certain portion is accounted for as revenue during the second quarter and a smaller portion during the third quarter. The result of the third quarter has thereby been positively effected.

Costs

CityMail's operating costs for the first nine months of 1999 amounted to SEK 303.1 million (275.2). The increase between the years is accounted for by the expansion of the sales organisation and an increased dimensioning of the distribution organisation which were made during 1998.

During the third quarter of 1999, operating costs amounted to 97.9 MSEK, a decrease of SEK 4 million as compared with the second quarter of 1999. During the period, decisions were taken to change the distribution structure commencing with the year 2000. CityMail's services are being developed to cover every business day of the week through a rolling three-day schedule. The distribution pace for a shipment will be three days from the posting date, evenly divided over these days.

The intention is to allocate the volumes more evenly, thus allowing for significantly improved utilisation of capacity and cost savings. A cost reduction of approximately 10% is anticipated. Negotiations with the relevant labour unions are under way.

Home Delivery of Packages - ASG Direct

At the end of 1998, ASG and CityMail formed a jointly-owned company in order to handle the dis-

tribution of packages which are generated via electronic and other home shopping. Full-scale distribution in the greater Stockholm area started according to plan on 4 October of this year.

Results

CityMail's results for the first three quarters of 1999 improved to SEK -23.8 million (-44.6).

Operating results for the first three quarters of 1999 improved to SEK -22.5 million compared with -SEK 43.0 million for the corresponding period in 1998.

The increase in revenues by 21% is the direct cause of the improvement in results. Costs as a consequence of the expansion of capacity, increased sales organisation, and increased personnel mobility have impeded the improvement in results.

Net financial items amounted to SEK -1.3 million as compared with SEK -1.6 million for the preceding year.

Earnings per share, excluding outstanding warrants, amounted to SEK -3.5 (-5.7).

The Board of Directors is of the opinion that the company will report a significantly improved result for 1999 as compared with 1998.

Financial Position

The company's liquid funds including non-utilised credit amount to SEK 31.1 million (33.0) on 30 September 1999. Cashflow during the first nine months of 1999 amounted to SEK -16.6 million (30.1). On 30 September 1999, the equity ratio amounted to 23.8% (46.3).

Capital Expenditures

Capital expenditures during the period amounted to SEK 4.6 million (8.6) following the reversal of capitalised development expenditures related to competition law.

Personnel

The number of employees was 973 (935).

During the period, a leadership programme open to all managers of the company was commenced. The programme is linked to the introduction of Balanced Score Cards.

Participation in the programme has been very high.

Comments by the Managing Director

"Growth and profitability are the watchwords for the year 2000"

1999 will be described as the year in which the postal market began to be a "real" market. A new and clearer Swedish legislation clarifies the infrastructure and establishes the framework in which the various participants can and shall work together. During the year, CityMail and Sweden Post decided

to turn the page and enter into a settlement agreement regarding old disputes.

A long and turbulent period on the postal market, when the infrastructure was launched and tested, is now over. For CityMail, this means that we can focus on the present and the future and continue to help reshape the market based on our customers' needs.

The Market

CityMail divides the market into three categories: computer-addressed mail, office mail, and letterbox mail. Our aim is to be the leader on the market for computer-addressed mail. This segment consists primarily of "business to consumer" correspondence, in which companies use physical mail items as an element of their direct contacts with customers and interested parties. This market has demonstrated sound growth and CityMail's aim is to be the leader with respect to creativity, value for customers, and pricing. An example of this is CityMail's new product "Property-Addressed".

Adjustment to market and cost efficiency

During 1999 a project was initiated to increase the customers value and increase CityMails efficiency with 15%. Starting 2000, services are being developed to cover every business day of the week at a rolling three-day schedule.

The new distribution structure thus allowing for significantly improved utilisation of capacity will result in significant cost savings.

International Deregulation

Within the European Union, the work continues to deregulate the various national postal markets. This is a wise course of action. We know that deregulation during the 1980s and 1990s made it possible for the IT and telecommunications markets to develop and be integrated in a manner which could not be predicted and the consequences of which are the primary causes of the economic boom of the 1990s.

From the deregulation a shift came in technology which led to over nine years of continuous growth, with low inflation and falling interest rates. However, integration

does not stop at the telephone plug. With broadband technology, the next great wave is being made possible, the third integration. The California venture capital magazine "Red Herring" wrote in a recent issue about how the extremely fast-growing electronic commerce will require practical logistics flows. The magazine wrote that "new companies which can offer the next generation of distribution services will assume a powerful role in the electronic commerce." These companies will partly earn money on transportation but will also play an important role in relation to net traders. This applies to both consumer trade as well as trade between companies. In this respect, CityMail is well positioned for the future, not the least through its part ownership in ASG Direct.

CityMail's Business Areas

CityMail has organised itself into three business areas in order to be well-adapted to developments on its markets.

CityMail Sweden focuses on computer-addressed mail, that portion of the traditional postal market which is growing most rapidly and where we have almost ten years experience in safe and secure handling and distribution of our customers mail items.

CityMail International is a "fulfilment centre" for cross-border mail traffic. This area holds great savings potential for customers, which indicates that there is a strong potential for growth in turnover. Within this area, a close co-operation is taking place with the British postal service, Royal Mail.

CityMail Interactive is our third area, where we see ourselves as a logical and effective partner for dealing with the logistics flow which accompanies growth within



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Internet-based commerce, and as a partner to maintain our customers' customer databases.

As one-to-one marketing becomes increasingly important, customer companies will have a growing need to invest in the maintenance of their customer databases. Therefore, various types of services which contribute to register maintenance have great potential, both in Sweden as well as internationally.

CityMail is continuing to increase its revenues by being the market leader in its areas of operations. In addition, we will continue to work towards decreased costs through a distribution structure which is better adapted to the needs of the market. Growth and profitability will be the watchwords for the year 2000.

Bror Anders Månsson
Managing Director

- Interim report, 9 months: 7 November 2000

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

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Stockholm, 8 November 1999

Bror Anders Månsson
Managing Director

Upcoming Reports:

- Result 1999: 22 February 2000
- Shareholders' meeting: 27 April 2000
- Interim report, 3 months: 27 April 2000
- Half-yearly report: 16 August 2000

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Financial information, quarterly

MSEK

Quarter/year	Net turnover	Operating results after depreciation	Result after financial items
Q3-99	88.5	-9.4	-9.6

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Q2-99	95.2	-6.7	-7.3
Q1-99	96.9	-6.4	-6.9
1998	318.6	-56.3	-58.7
Q4-98	86.4	-13.3	-14.1
Q3-98	75.7	-15	-15.2
Q2-98	72.6	-20.8	-21.6
Q1-98	83.9	-7.2	-7.8
1997	248.5	-88.8	-90.3
Q4-97	68.8	-25.9	-26.6
Q3-97	63.6	-20.5	-20.5

Income statement in summary

	1999	1998
Net turnover	280,643	232,089
Operating results	-22,475	-43,111
Result after financial items	-23,797	-44,738
Tax on earnings for the period	0	0
Results for the period	-23,797	-44,738

Balance sheet in summary

	1999.09.30	1998.09.30
ASSETS		
Fixed assets	56,095	54,747
Receivables	41,800	34,351
Other current assets	12,676	19,786
Liquid funds	6,107	32,971
Total assets	116,678	141,855

SHAREHOLDERS' EQUITY AND LIABILITY

Shareholders' equity	27,823	65,615
Accounts payable	18,051	16,164
Other liabilities	70,804	60,076
Total shareholders' equity and liability	116,678	141,855

Cashflow analysis in summary

	1999.09.30	1998.09.30
Cashflow from current operations	-14,252	-52,868
Cashflow from investment operations	-4,573	-8,643
Cashflow from financing operations	2,231	91,612
Cashflow for the period	-16,594	30,101