

# Interim report Euroseek AB

## January –August, 2000

Continued traffic increase and growth in order stock for Euroseek portal and access business.

- 53 % increase in unique users between April and August.
- 8 % increase in number of visits in 2<sup>nd</sup> quarter compared to 1<sup>st</sup> quarter, and 150 % increase compared to 2<sup>nd</sup> quarter, 1999.
- Growth in order stock for access business from August. Examples of orders: Ekerö Bostäder (700 tenants), Avesta Bostäder (700 tenants) and wireless surfzone, Forresta Hotel.
- Portal design and licensing contract for two Scandinavian hotel chains. Full contract value: SEK 2.5 million installation fee + SEK 2.5 million yearly operating fee.

## Development of operations per business area

### **Access**

The business area Euroseek Access was formed during 1<sup>st</sup> quarter 2000 to offer customers both wireless high-speed access and other Internet access solutions.

The integration of Infranet and Netpoint into Euroseek Access and the forming of an access/portal sales force has been a key issue during the 2<sup>nd</sup> quarter. During July and August, the order stock has increased significantly, with mainly business customers. Market interest in the combined offering of access and portal services has been high and a number of new contracts are under negotiation

Euroseek Access has organised its sales department to work with three types of customers; single corporations, hotels and apartment buildings. Since last report, orders have been received and installations started for: a number of corporations and two tenement buildings, Ekerö Bostäder and Avesta Bostäder (totalling 1,400 tenants). Also the first wireless surfzone has been installed at Foresta Hotel in Stockholm.

## **Portal**

During the 2<sup>nd</sup> quarter, Euroseek has continued its activities to improve content, thereby increasing traffic to the Euroseek portals. Euroseek has acquired the local Swedish portal Tjohoo.se, whose business idea the company intends to develop for all the Scandinavian countries. A number of new content agreements have been made for the Euroseek portals, such as Europages, Global Market Insight, Best Win, Europe Business Link and Egmont.

Since April, Tjohoo has developed its entertainment pages focusing on providing film, music and entertainment news as well as top charts. During the autumn, product sales will start in connection with these top charts.

Negotiations with companies for different multimedia products to be launched on the portals during autumn, such as live Internet radio and video-on-demand are in progress.

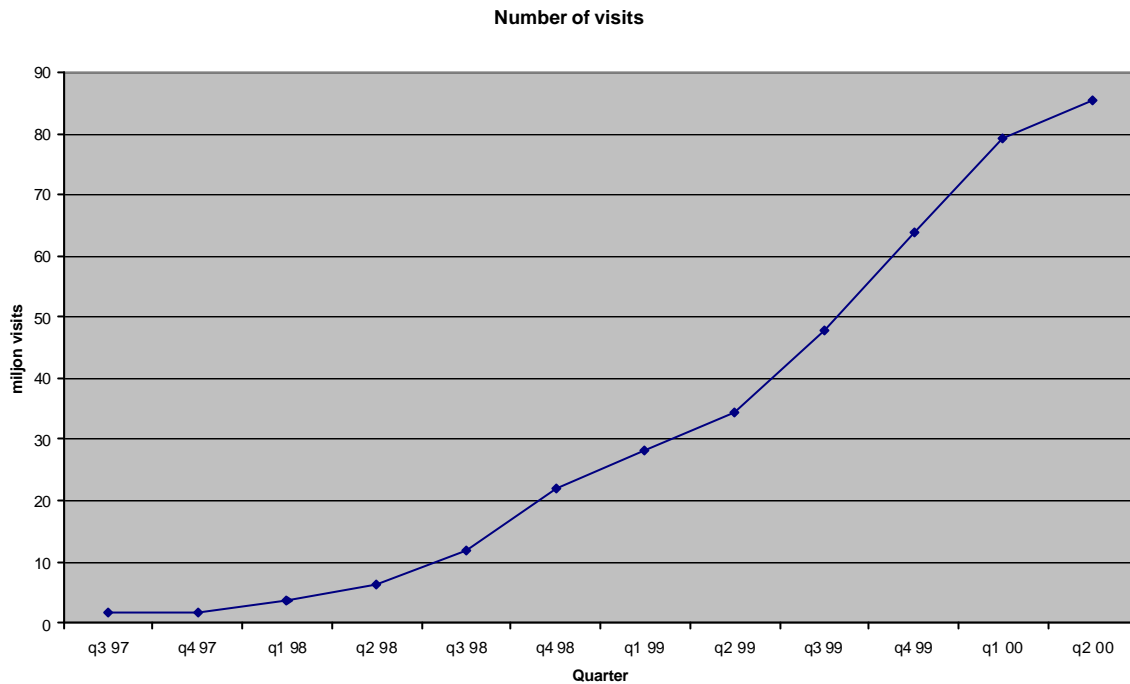
An agreement has been signed with Tjohoo to create the internal portal and supply content to two Scandinavian hotel chains. Full contract value is SEK 2.5 million in installation and an annual operating revenue of SEK 2.5 million.

In August, Pehr Bohman previously CEO of Tjohoo and Mediasvar AB, was appointed new Business Area Manager of Euroseek Portal and part of the Euroseek Management Group.

A number of development projects have been initiated.

- The portal design and content strategy is being revised, to enhance stickiness. The revised portal will be presented beginning of next year.
- The search engine is being developed together with the linguistic scientists from Royal Institute of Technology (KTH) to become even more efficient.

The concentration on both Portal and Search Engine has had effect. Euroseek Portal has shown a steady growth in the number of visits. Traffic has increased by 8 % in the 2<sup>nd</sup> quarter in comparison to the 1<sup>st</sup> quarter this year (see graph below). The largest growth area is in Western Europe, which also accounts for a large proportion of the total traffic (55 %). This increase has continued during July and August.



## E-commerce

Euroseek co-operates with e-commerce companies for sales via the Euroseek portal, but the main focus of Euroseek's e-commerce activities are to initiate sales via the Portal for small and medium-sizes "traditional" companies. Therefore, a cooperation with the Swedish company Easytrade.net was signed in September to offer the customers of their netshopping platform the Euroseek portal as a marketplace. Euroseek will also offer its users the Easytrade platform.

Euroseek are negotiating with a number of other netshopping suppliers for similar cooperative agreements.

## Key financial figures

Revenue generation has been lower than planned, due to a delayed integration process of the three acquired companies during the 2<sup>nd</sup> quarter. During July and August this situation has been reversed and sales increase is larger than before.

Heavy investments to grow the Euroseek business explain the large difference between 2<sup>nd</sup> quarter 1999 and 2<sup>nd</sup> quarter 2000.

Depreciation for goodwill is 20 % of the negative net income of SEK 71.2 million 2<sup>nd</sup> quarter 2000. Goodwill, due to acquisitions, is now reaching up to SEK 98.1 million (5 year depreciation period).

The balance sheet contains hidden value in the form of a 17 % shareholding in room33. In accordance with the latest room33 issue of new shares in February, this indicates a value for Euroseek's holdings of SEK 170 million.

Euroseek had, as of August 31<sup>st</sup>, 2000, cash and bank balances of approx. SEK 9 million, and is currently pursuing additional funding.

## **Euroseek Group**

### **PROFORMA INCOME STATEMENT**

| <b>KSEK</b>                                 | <b>Actual 2000-08</b> | <b>Actual 2000-06</b> | <b>Full year 1999</b> |
|---|-----------------------|-----------------------|-----------------------|
| <b>REVENUE</b>                              |                       |                       |                       |
| Net sales                                   | 5 037                 | 3 221                 | 7 851                 |
| <b>COST OF SALES</b>                        | <b>-1 855</b>         | <b>-1 059</b>         | <b>-2 800</b>         |
| <b>Margin</b>                               | <b>3 182</b>          | <b>2 162</b>          | <b>5 051</b>          |
| Other costs                                 | -62 423               | -47 962               | -75 091               |
| <b>Operation margin before depreciation</b> | <b>-59 241</b>        | <b>-45 800</b>        | <b>-70 038</b>        |
| Depreciation                                | -6 380                | -4 567                | -7 226                |
| Depreciation GW                             | -14 367               | -10 120               | -19 934               |
| <b>Operation margin after depreciation</b>  | <b>-79 988</b>        | <b>-60 487</b>        | <b>-97 198</b>        |
| Financial income                            | 350                   | 680                   | 1 322                 |
| Financial cost                              | -474                  | -2 562                | -3 607                |
| <b>INCOME BEFORE ALLOCATIONS AND TAX</b>    | <b>-80 112</b>        | <b>-62 369</b>        | <b>-99 483</b>        |
| Tax allocation reserve                      | 0                     | 0                     | -17                   |
| Tax   | -677                  | 0                     | -19                   |
| <b>NET INCOME</b>                           | <b>-80 789</b>        | <b>-62 369</b>        | <b>-99 519</b>        |

**PROFORMA BALANCE SHEET**

| <b>KSEK</b>                           | <b>Actual 2000-08</b> | <b>Actual 2000-06</b> | <b>Full year 1999</b> |
|---------------------------------------|-----------------------|-----------------------|-----------------------|
| <b>FIXED ASSETS</b>                   |                       |                       |                       |
| Goodwill                              | 72 181                | 71 151                | 81 271                |
| Tangible assets                       |                       |                       | 30 094                |
| Machinery & Equipment                 | 18 551                | 18 981                |                       |
| Shares in other companies             | 8 000                 | 8 092                 |                       |
| Shares in subsidiaries                | 843                   | 1 905                 |                       |
| Claim associated companies            | 1 252                 | 1 158                 |                       |
| Other                                 | 0                     | 4 189                 |                       |
| <b>TOTAL FIXED ASSETS</b>             | <b>100 827</b>        | <b>105 476</b>        | <b>111 365</b>        |
| <b>CURRENT ASSETS</b>                 |                       |                       |                       |
| Accounts receivable                   | 2 140                 | 1 184                 | 2 695                 |
| Other current assets                  | 3 411                 | 10 229                | 5 558                 |
| Inventories (stock in trade)          | 951                   | 1 313                 |                       |
| Prepaid expenses                      | 1 327                 | 1 525                 |                       |
| Cash & Bank                           | 9 332                 | 15 807                | 33 720                |
| <b>TOTAL CURRENT ASSETS</b>           | <b>17 161</b>         | <b>30 058</b>         | <b>41 973</b>         |
| <b>TOTAL ASSETS</b>                   | <b>117 988</b>        | <b>135 534</b>        | <b>153 338</b>        |
| <b>LIABILITIES</b>                    |                       |                       |                       |
| <b>Minority</b>                       | 11                    | 12                    |                       |
| Long term liability                   | 249                   | 606                   |                       |
| Accounts payable                      | 8 980                 | 7 606                 | 10 238                |
| Other current liabilities             | 2 220                 | 2 774                 | 11 599                |
| Accruals                              | 6 106                 | 6 989                 |                       |
| Current portion of lease payable      | 1 508                 | 1 508                 |                       |
| Other short loan                      | 379                   | 517                   |                       |
| <b>TOTAL LIABILITIES</b>              | <b>19 453</b>         | <b>20 012</b>         | <b>21 837</b>         |
| <b>EQUITY</b>                         |                       |                       |                       |
| <b>TOTAL EQUITY</b>                   |                       |                       |                       |
| Capital stock                         | 18 131                | 17 419                |                       |
| Additional paid-in capital            | 182 751               | 186 075               |                       |
| Untaxed equity                        |                       |                       |                       |
| Exchange rate difference              | -436                  | 476                   |                       |
| Retained earnings/loss                | -21 122               | -26 079               |                       |
| Net income/loss year to date          | -80 789               | -62 369               |                       |
| <b>TOTAL EQUITY</b>                   | <b>98 535</b>         | <b>115 522</b>        | <b>131 501</b>        |
| <b>TOTAL LIABILITIES &amp; EQUITY</b> | <b>117 988</b>        | <b>135 534</b>        | <b>153 338</b>        |

## Employees

The number of employees in the pro forma group is currently 65.

## Information on acquisitions/agreements in the 2<sup>nd</sup> quarter

### **Tjohoo.se**

Euroseek acquired 91 % of the Swedish portal Tjohoo.se. The agreement includes a three-year option to acquire the remaining 9 %, currently owned by the three key persons who accompany the acquisition. The acquisition has been made with Euroseek shares and was effectuated on the 30<sup>th</sup> of June.

### **Infranet AB**

Euroseek acquired 100 % of the wireless high-speed access company Infranet AB, situated in Stockholm. The acquisition has been made mainly with Euroseek shares and was effectuated on the 30<sup>th</sup> of June.

### **Netpoint AB**

Euroseek acquired 100 % of the broadband installation company Netpoint, situated in Gothenburg. Together with Infranet, they constitute the base of Euroseek Access. The acquisition has been made with Euroseek shares and was effectuated on the 30<sup>th</sup> of June.

## Share information

A split of 1:10 was implemented in the newly established Swedish parent company Euroseek AB. A further split of 1:10 was decided at the annual shareholders meeting in April. The second split was implemented in mid-June. Three acquisitions were effectuated on June 30<sup>th</sup>, paid with Euroseek shares. The current number of shares amounts to 176 305 445.

## Board Information

A new chairman of the board, Marcel Erni, partner in Partners Private Equity Group in Switzerland, was appointed in August.

For more information regarding the board of directors, management and business areas, please see [www.euroseek.com](http://www.euroseek.com)/investor site.

## Plans for the remainder of 2000

Focus is on the following areas in the remainder of year 2000.

- Increase traffic on the Euroseek portal, mainly in Scandinavia, Germany (+ German speaking countries in Europe), France and England through marketing activities and acquisitions/co-operations.
- Develop the content on the Euroseek portal with an emphasis on multimedia.
- Further spread of Tjohoo concept in Scandinavia.
- Test the e-commerce platform with Intrum Justitia's customers, and aim for introduction of the platform towards the end of the 4<sup>th</sup> quarter 2000.
- Continue investing in broadband, primarily in Sweden and Germany, through an increase in the installation rate of Infranet and Netpoint and through acquisitions.
- Co-operation with other access players to reach customers with other types of Internet connections, e.g. traditional telephony and mobile Internet.
- Recruiting of personnel, primarily in marketing/sales and technical development.

## Pending reports

- 3<sup>rd</sup> quarter: November, 2000
- Annual report: February 2001

Stockholm, September 2000

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