

# **Interim Report Euroseek AB**

## **January – September 2000**

### **Continued increase in traffic and order stock for Euroseek's Portal and Access businesses**

- 67 percent increase in unique visitors between April and September
- 22 percent increase in number of visits 3<sup>rd</sup> quarter compared to 2<sup>nd</sup> quarter and 118 percent increase compared to the 3<sup>rd</sup> quarter 1999.
- Growth in order stock for the Access business from August. Subscription revenue per month has increased 160 percent during the 3<sup>rd</sup> quarter compared to the first six months.
- Contract signed in October with Norwegian mobile operator Sense to deliver content to and support their SMS-service in Sweden.
- A financial package of 115 MSEK is under negotiation to finance continued operations. In view of the low, unofficial share price, Euroseek has chosen to sell some financial assets instead of doing a share issue.
- Until the above package is finalized, some of Euroseek's existing shareholders have set up a bridge financing of 2,5 MSEK.

## **Development 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> and 3<sup>rd</sup> quarter.

In the 3<sup>rd</sup> quarter an agreement between Euroseek and Wirelessbolaget and Nokia has been signed to license Euroseek for sales of Nokias Wireless LAN equipment.

During July to September, the order stock has increased significantly, with mainly corporate customers. Eleven new corporate contracts and one contract with a housing company have been received.

So far, during 4<sup>th</sup> quarter, 15 corporate contracts have been received, and Euroseek has orders for access nets to 4 housing companies, with more than 2000 apartments, via Kabeldata. The contracts are expected to generate revenues of 1-1,2 MSEK over a 3-year period. Installation will be finished by the end of the year.

Market interest in the combined offering of access and portal services is high and a number of new contracts are under negotiation

During the 3<sup>rd</sup> quarter Euroseek has had campaigns in Täby (Stockholm) and Sisjön (Gothenburg). These areas are showing large potential and sales activities are continuing during the 4<sup>th</sup> quarter.

Anders Johansson is new business area manager for Access. He has previously held positions as General Manager of Scandinavian Records, and Marketing Manager at Euroseek Access.

### **Portal**

During the 3<sup>rd</sup> quarter, Euroseek has continued its activities to improve the content on the Portals and cooperate with partners to increase traffic to Euroseek. The cooperations with partners such as Microsoft, Netscape and Trade Doubler have contributed to the important traffic increase on the Euroseek Portals.

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.

Tjohoo now has 55.000 active members in Sweden, who visit the site regularly.

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.

Euroseek is negotiating with “24-timmar” for local news presentations, and also with Get Updated to offer Euroseek visitors sponsored news subscriptions via mail, and finally doing tests with Red Message and Mediatude to offer visitors information via sponsored SMS.

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

Two important development projects are in progress:

1. The portal design and content strategy is being revised to enhance stickiness, i.e. the time the visitor spends on the Portal. The revised portal will be presented beginning of next year.
2. The search engine is being developed together with the linguistic scientists from Royal Institute of Technology to become even more efficient. This is done by increasing the index, i.e. number of documents in the database, implementing a more efficient ranking system, better language recognition, and stemming functions. Apart from these activities, new products related to the search engine are being launched, including such products as automatic news subscription and automatic text summarisation.

The search engine is an important asset for Euroseek. Previously it has been used exclusively for the Euroseek Portals. Now Euroseek is preparing to license the search engine and the related products, and already it is being offered to external customers.

Euroseek and the European Portal Sharelook have mutually agreed to withdraw the decided merger. Due to market conditions the companies have instead decided to further develop their commercial cooperation to gain market shares in the fast expanding European Internet market.

Euroseek Portal has signed 3 new contracts during the 4<sup>th</sup> quarter:

Tjohoo.se has signed a contract with the Norwegian mobile operator Sense to deliver content to and support their Sense Updated-menu, which is Sweden's easiest and most complete SMS-service. The agreement will generate 0,5-0,6 MSEK per year in revenue.

Euroseek and the independent insurance broker jahaya.com have closed an agreement to create a new private financial forum.

Visitors to the Euroseek.com portal will now obtain independent advice around different types of pension and personal insurance coverage. They will also receive insurance offers

and be able to obtain a full overview of all their personal insurance. Euroseek will receive commission for new members to jahaya.com from Euroseek. Euroseek is reinforcing its investments in information and services specially designed for private persons through this co-operation.

Euroseek has closed an agreement with RealNames to navigate Euroseek's users directly to the websites they are searching for. Euroseek will receive commission from RealNames.

The concentration on both Portal and Search Engine has had effect. Euroseek Portal has shown a steady growth in the number of visits.

The number of unique visitors per month has increased 67 percent between April and September 2000.

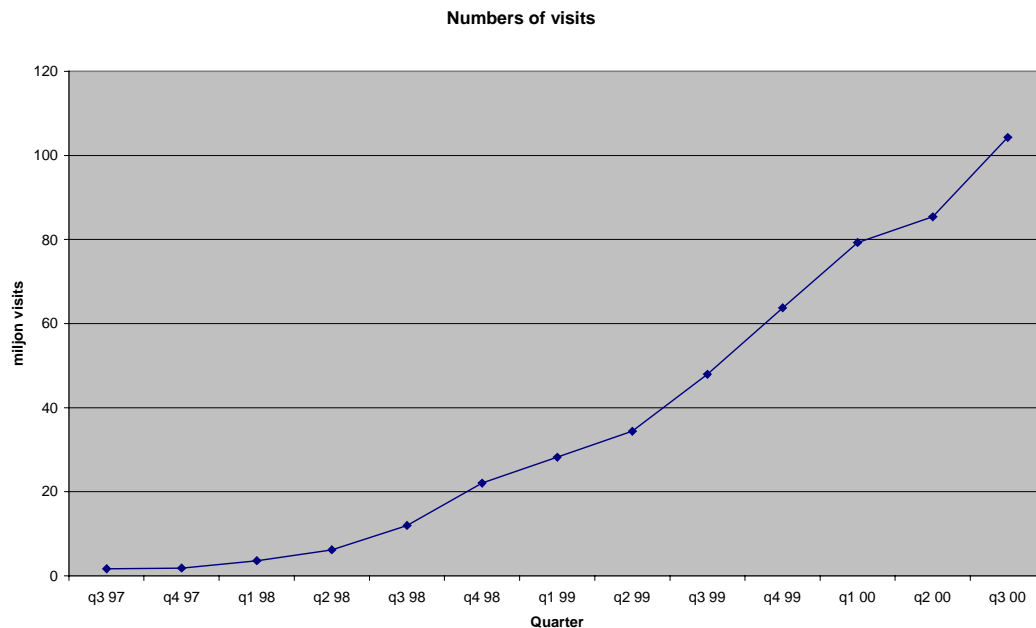
The number of visits has increased 22 percent during the 3<sup>rd</sup> quarter compared to the 2<sup>nd</sup> quarter and with 118 percent compared to 3<sup>rd</sup> quarter 1999 (see graph below).

Growth accelerated again in October 2000, when Euroseek.com registered 3,4 million unique visitors (17 percent increase to September and 98 percent to April), 42 million visits (15 percent increase to September and 97 percent since the beginning of 2000), and 131 million page impressions (18 percent increase to September and 49 percent increase since beginning of 2000).

Euroseek's traffic has shown a larger growth rate in Sweden. In October Euroseek had 1.6 million visits and 4.9 million page impressions, an increase with 34 and 37 percent respectively since September. During 2000, the number of Swedish visits has increased almost five times.

In October, Tjohoo.se had 120.000 unique visitors, 625.000 visits and 3.513.000 page impressions.

## Development in number of visits per quarter



## E-commerce

The main focus of Euroseek's e-commerce activities is to initiate sales via the Portals for small and medium-sized "traditional" companies.

Euroseek co-operates with e-commerce companies for sales via the Euroseek portal.

A co-operation with the Swedish company Easytrade.net was signed in September to offer the customers of their net-shopping platform the Euroseek portal as a marketplace.

Euroseek are negotiating with other net-shopping suppliers for similar agreements.

In the beginning of November a similar agreement was signed with the CartProviderGroup.

The revenue model in these agreements includes both commissions on sales of the platforms per se, as well as commissions on sales through the Euroseek Portals.

## Key financial figures

The turnover the first 6 months was lower than the year before, but during the 3<sup>rd</sup> quarter there was an increase in both access and portal revenue.

- Access revenue (from subscriptions) has increased from a level of 76.000 SEK per month for the first 6-month period to a level of 225.000 SEK in September. This trend continues and the revenues for October are 294.00 SEK
- Portal revenues show a smaller increase with a level of 205.000 SEK per month in the 3<sup>rd</sup> quarter compared to 185.000 SEK per month for the first 6-month period. During the 3<sup>rd</sup> quarter, the two summer months July and August were weak, but September showed a turnaround with a revenue level of 400.000 SEK. The revenue stream during the 4<sup>th</sup> quarter is expected to be larger, due to the new contracts Euroseek has signed with two Scandinavian hotel chains and the mobile operator Sense.

Heavy investments to grow the Euroseek business explain the large difference in result between 3<sup>rd</sup> quarter 1999 and 3<sup>rd</sup> quarter 2000.

Depreciation for goodwill is 18% of the negative net income of SEK 88.4 MSEK the first 9 months.

The balance sheet contains hidden value in the form of a 20% 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 190 million.

# Euroseek Group

## PRO-FORMA PROFIT AND LOSS STATEMENT

KSEK	Actual 2000-09	Actual 2000-06	Full year 1999
<b>Revenue</b>			
Net sales	5 647	3 221	7 851
Cost of sales	-2 417	-1 059	-2 800
<b>Margin</b>	<b>3 230</b>	<b>2 162</b>	<b>5 051</b>
Other costs	-68 090	-47 962	-75 091
<b>Operating margin before depr.</b>	<b>-64 868</b>	<b>-45 800</b>	<b>-70 038</b>
Depreciation	-7 338	-4 567	-7 226
Depreciation goodwill	-16 165	-10 120	-19 934
<b>Operating margin after depr.</b>	<b>-88 371</b>	<b>-60 487</b>	<b>-97 198</b>
Financial income	450	680	1 322
Financial costs	-507	-2 562	-3 607
<b>Operating margin before alloc. and tax</b>	<b>-88 428</b>	<b>-62 369</b>	<b>-99 483</b>
Tax allocation reserve	0	0	-17
Tax	-563	0	-19
<b>NET INCOME</b>	<b>-88 991</b>	<b>-62 369</b>	<b>-99 519</b>

## PRO-FORMA BALANCESHEET

KSEK			
	Actual 2000-09	Actual 2000-06	Full year 1999
<b>FIXED ASSETS</b>			
Goodwill	70 385	71 151	81 271
Tangible assets			30 094
Machinery & Equipment	18 554	18 981	
Shares in other companies	8 000	8 092	
Shares in subsidiaries	536	1 905	
Claim associated companies	1 290	1 158	
Other	0	4 189	
<b>TOTAL FIXED ASSETS</b>	<b>98 765</b>	<b>105 476</b>	<b>111 365</b>
Accounts receivable	1 292	1 184	2 695
Other current assets	4 274	10 229	5 558
Inventories (stock in trade)	849	1 313	
Prepaid expenses	1 680	1 525	
Cash & Bank	6 791	15 807	33 720
<b>TOTAL CURRENT ASSETS</b>	<b>14 886</b>	<b>30 058</b>	<b>41 973</b>
<b>TOTAL ASSETS</b>	<b>113 651</b>	<b>135 534</b>	<b>153 338</b>
<b>LIABILITIES</b>			
<b>Minority</b>	11	12	
Long term liability	188	606	
Accounts payable	12 248	7 606	10 238
Other current liabilities	4 635	2 774	11 599
Accruals	5 901	6 989	
Current portion of lease payable	951	1 508	
Other short loan	383	517	
<b>TOTAL LIABILITIES</b>	<b>24 317</b>	<b>20 012</b>	<b>21 837</b>
<b>TOTAL EQUITY</b>			
Capital stock	18 131	17 419	
Additional paid-in capital	182 751	186 075	
Untaxed equity			
Exchange rate difference	-1 435	476	
Retained earnings/loss	-21 122	-26 079	
Net income/loss year to date	-88 991	-62 369	
<b>TOTAL EQUITY</b>	<b>89 334</b>	<b>115 522</b>	<b>131 501</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>113 651</b>	<b>135 534</b>	<b>153 338</b>

## Financial activities

During the autumn Euroseek has been working on a number of alternative ways to finance the company's operations.



Due to the low, unofficial share price Euroseek has decided not to finance the business through a share issue, but rather through sales of financial assets in the company. Euroseek has ongoing negotiations with international investors for a capital contribution of 115 MSEK.

Until such a financing is concluded some of Euroseek's present shareholders have set up a bridge financing of currently 2,5 MSEK.

Together with the company's financial advisors, Euroseek has, during autumn, initiated discussions with potential strategic partners.

## **Employees**

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

## **Share information**

The current number of shares amounts to 176 305 445.

## **Board information**

Marcel Erni has resigned from the board. The board will propose current main owner, Bengt Hellsten, as new board member and chairman at the next Shareholders Meeting. The board plans to call an extra shareholders meeting in a couple of months.

For additional information about the board, management and business areas, please visit <http://about.euroseek.com>.

## **Pending reports**

- Annual report: February 2001

Stockholm, November 2000

Catherine Sahlgren  
**CEO, Euroseek AB**