



Unaudited annual results 2000

- In the year 2000 the core business CityMail International more than doubled its turnover to 63,3 MSEK (26,6). The operating result in this part amounted to 5,2 MSEK (3,5).
- In the fourth quarter of 2000 turnover of CityMail International increased to 22.9 MSEK (8.5). The growth compared to the third quarter was 34 percent.
- CityMail Group's result for the entire year, including 6 months' operation of the divested business area CityMail Sweden, as well as items affecting comparability, amounted to – 51.2 MSEK (- 53.6) after the holdings in Real Logistics Sweden were written-down by 96.0 MSEK.
- CityMail Group's result of the fourth quarter excluding items affecting comparability amounted to 0.7 MSEK (-29.8).

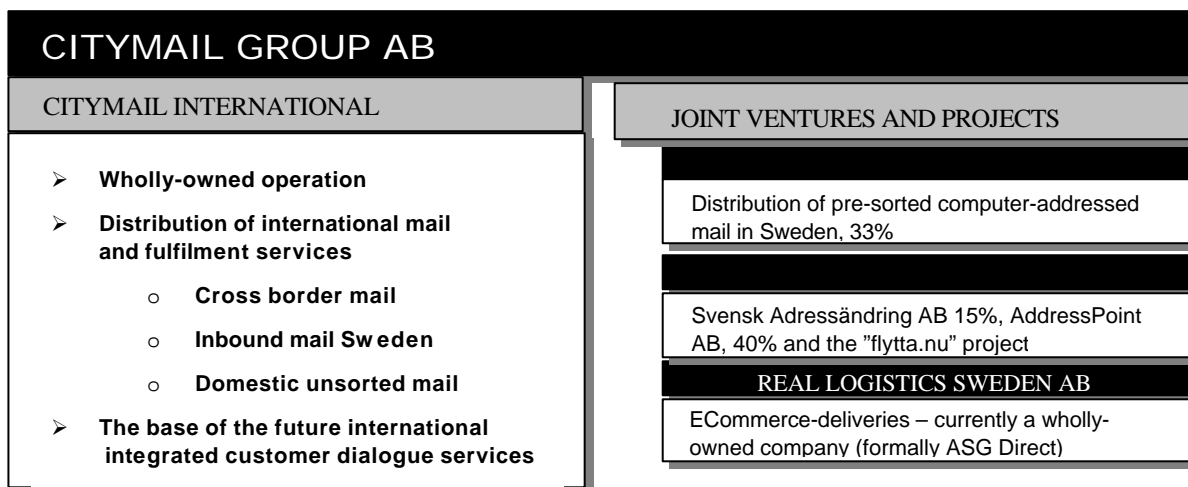


CityMail Group AB's structure

In 2000 the CityMail Group underwent a fundamental restructuring. The CityMail Group's previous core business, CityMail Sweden - the Swedish distribution operation - was sold to a new company, CityMail Sweden AB. This company is 67 percent owned by Royal Mail and 33 percent owned by CityMail Group. Consequently, the financial risk in the CityMail Group has also been significantly reduced.

Royal Mail is entitled to purchase CityMail Group's remaining 33 percent at a later date. In the event this takes place in 2004, the lowest purchase price will be MSEK 175.

CityMail International, which was founded in 1998, is now CityMail Group's core operation. Other activities within the market for interactive address services and logistics supplement the core business.



The core business - CityMail International

CityMail International's Revenues: CityMail International continues to grow rapidly. Turnover for the fourth quarter of 2000 was 22.9 MSEK (8.5), an increase of 169 percent compared with the corresponding period last year. Turnover for the fourth quarter of 2000 was 34 percent higher than for the third quarter. Turnover for the entire year more than doubled and amounted to 63.3 MSEK (26.6).

Cross border mail currently accounts for approx. 2/3 of CityMail International's revenues. The implementation of the order of approximately 100 MSEK that the business area received in February 2000 is continuing and additional countries have been included during the period.

During the fourth quarter of 2000, tests were carried out on distribution of inbound priority mail¹ from Royal Mail and the test results were positive. Previously, CityMail International has only handled inbound economy mail² but, as a result of new sorting procedures, priority mail can also be included. Priority mail constitutes 70-80 percent of the total market for the inbound mail and thus CityMail International is now able to cultivate a much greater potential market. CityMail International is currently commencing negotiations with other postal authorities.

CityMail International's Operating Costs: CityMail international's costs are, in the main, increasing in line with revenues since distribution in each country is purchased directly from Royal Mail and, with regard to inbound mail, from CityMail Sweden. During the year, costs amounted to 58.1 MSEK and the operating margin was 8.2 percent. The operating margin for the fourth quarter was 8.7 percent. The test carried out on inbound priority mail resulted in extra costs in the fourth quarter.

¹ Priority mail, international mail to be delivered within approximately three days.

² Economy mail, international mail to be delivered within approximately five days.



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CityMail International MSEK	Q1-2		Q3		Q4		Entire year	
	2000	1999	2000	1999	2000	1999	2000	1999
Net turnover	23,3	10,1	17,1	8,0	22,9	8,5	63,3	26,6
Operating expenses before depreciation	21,9	9,3	15,2	6,7	20,9	7,1	58,0	23,1
Depreciation	0,1	0	0	0	0	0	0,1	0
Net operating profit	1,3	0,8	1,9	1,3	2,0	1,4	5,2	3,5

Anticipated developments

A Letter Of Intent has been signed with TNT International Mail regarding strategic cooperation. For CityMail International's cross border operations, which currently use Royal Mail's distribution network, cooperation will mean that the business area will also have the possibility to distribute via TNT International Mail. Within the area for inbound mail, the parties intend to establish CityMail International's inbound service in TNT's global sales and distribution network.

CityMail International is expected to enjoy continued very strong growth in volumes in both cross border and inbound mail and has a turnover target of 400-500 MSEK within 3-4 years. Orders currently amount to more than 150 MSEK. The goal is that CityMail International will have an operating margin of not less than 10 percent.

Joint ventures and projects

CityMail Sweden AB

The company operates within distribution of pre-sorted computer-addressed mail in Sweden and is 33 percent owned by CityMail Group and 67 percent by Royal Mail (the British Post Office).

The expansion in Malmö and the Gothenburg area was carried out with distribution start on 4 December 2000. 200 new employees have been hired and, following the expansion in the new areas, CityMail Sweden reaches almost 40 percent of the country's recipients. CityMail Sweden has thus achieved the critical geographical coverage required in order to attract local and regional customers. The company has encountered great interest from both local and national customers as a consequence of the geographical expansion. Similarly to other service businesses, the turnover of personnel has been affected by the very high levels of employment prevailing in the Greater Stockholm area.

CityMail Sweden will also obtain a considerable increase in volumes through CityMail International's investments in inbound mail. CityMail International is expected to become CityMail Sweden's single largest customer within this year.

CityMail Sweden's current market share for computer-addressed mail in Sweden amounts to 10 percent. The company's goal is to double this within a five-year period. This corresponds to a turnover of 700-800 MSEK at the same time as CityMail Sweden is endeavouring to achieve a margin in excess of 10 percent. CityMail Sweden estimates that it will be able to report a profit within one year.

Turnover for the fourth quarter amounted to 89.7 MSEK (85.0). Notwithstanding that the distribution operations in Gothenburg and Malmö were not in operation from the end of May until the end of August 2000,



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turnover for 2000 as a whole amounted to 316.8 MSEK (330.0), which was only 4 percent lower than for the preceding year.



Svensk Adressändring AB

CityMail Group owns 15 percent of Svensk Adressändring and the remainder is owned by Sweden Post. The company receives and verifies changes in address, forwarding of mail, and storage of mail. Svensk Adressändring's turnover in 2000 amounted to 151.3 MSEK. Profit margin after tax amounted to approximately 8 percent.

AddressPoint AB

CityMail Group owns 40 percent of AddressPoint and the remainder is owned by Sweden Post. The company will deliver a service whereby companies and private persons can simply, on a single occasion, notify their new address to companies and organisations with whom they have relations. The company was established at the end of April 2000 and is still under development. The work of recruiting customers is continuing and the company plans to launch its services in March/April. The company has had start-up costs but no income.

The flytta.nu project

The flytta.nu project was carried out during the year by CityMail Group and Sweden Post. The website is intended to focus on private persons who have moved or are planning to move. Negotiations are currently being conducted with potential cooperation partners and detailed information will be presented when a new ownership structure is finalised.

Real Logistics Sweden AB

Real Logistics specialises in offering e-commerce companies and other distance-trading companies distribution and logistics solutions. CityMail Group is the temporary owner of 100 percent of the company. It is not CityMail Group's intention to manage the company itself. Instead, negotiations are underway with potential ownership partners. It is expected that it will be possible to present a new ownership structure within the first quarter of 2001.

In the short term, e-commerce volumes have developed more slowly than indicated by most forecasts. Prior to the 1999 annual accounts, CityMail carried out a write-up of 76.4 MSEK which was based on a valuation from two independent investment banks. As a result of the significantly slower market growth, the assumptions on which a valuation is based have changed significantly. Accordingly, the Board of Directors has decided not to carry out any new valuation of the company but rather to at the present moment write-down the entire company's current book value. Accordingly, CityMail Group's result has been affected by an item affecting comparability in the amount of -96.0 MSEK.

However, Real Logistics sees a growing interest for the company's services. The company has recently carried out a customer survey in the form of a web questionnaire. 2500 e-commerce consumers replied and the clear impression was that, in order to purchase from via an e-commerce store, the customers regarded a high level of service as more important than a low price. Real Logistics' range of services consists, among other things, of a delivery service in which the consumer can decide when and where he wishes to have the product delivered, within the space of two hours.

Real Logistics' turnover for 2000 amounted to 6.4 MSEK. The company's turnover during the last few months has shown a growth of approx. 10 percent per month. The result for 2000 amounted to -19.1 MSEK. An extensive program for increasing revenues and cutting cost has been carried out. Monthly overheads have fallen by approx. 20 percent.

CityMail Group's Results

As stated above, the listed CityMail Group AB currently consists of the CityMail International business and the holdings in, CityMail Sweden AB, Svensk Adressändring AB, AddressPoint AB, Real Logistics Sweden

AB, and the flytta.nu. project. Neither the partially owned companies nor the temporarily wholly owned Real Logistics Sweden AB are consolidated in the accounts.

CityMail Group incurs management and business development expense that do not affect CityMail International. During the fourth quarter, these expenses amounted to 2.9 MSEK due to, among other things, external expenses in connection with the adjustment in CityMail Group's future strategy and focus. The profit for the fourth quarter after financial items was 0.7 MSEK.

CityMail Group's result for 2000 amounted to -51.2 MSEK compared with -53.6 MSEK for the corresponding period last year. The result for 2000 includes 6 months' of operation for the business area CityMail Sweden and net items affecting comparability amounting to -19.1 MSEK, which is primarily a consequence of the sale of the computer-addressed mail distribution operations in Sweden to CityMail Sweden AB, which is jointly owned together with Royal Mail, as well as the write-down of the shareholdings in Real Logistics Sweden AB.

Net financial items amounted to 3.2 MSEK for the entire year compared with -1.8 MSEK for the corresponding period last year. The improvement is primarily due to a dividend of 1.4 MSEK received from Svensk Adressändring during the first quarter of 2000, exchange rate translation effects on receivables from the Post Office of 2.4 MSEK, and interest income from the discounting of receivables from the Post Office in the amount of 0.9 MSEK.

Earnings per share, excluding outstanding warrants, amounted to -5.30 SEK (-5.85 SEK).

After the sale of the business area CityMail Sweden to the newly formed company, CityMail Sweden AB, a claim for a significant amount has been made against CityMail Group by the management team of CityMail Sweden AB. The Board of Directors of CityMail Group is of the opinion that the claim is largely unfounded. Sufficient provisions in the annual report for 2000 have been made.

Below a pro forma profit and loss statement for CityMail Group, constructed as if CityMail Sweden was sold January 1st 2000, is shown. A chart of the full result of CityMail Group 2000 is shown on page 7 in this report.

Pro forma profit and loss statement 2000, CityMail Group

	Q1-Q2 2000	Q3 2000	Q4 2000	Year 2000 2000
MSEK				
Net turnover International	23,3	17,1	22,9	63,3
Operating costs International (depr incl)	22,0	15,2	20,9	58,1
Operating profit/loss International	1,3	1,9	2,0	5,2
Operating costs Group (depr incl)*	-6,7	-3,9	-2,5	-13,1
Financial income/costs	-0,2	2,2	1,2	3,2
Profit/loss before tax	-5,6	0,2	0,7	-4,7

* Q4 and Year 2000 includes an income of 0.4 and 0.5 MSEK respectively for external services.

Financial position

On 31 December 2000, the company's liquid funds including non-utilised credit facilities, amounted to 11.5 MSEK (29.7). Receivables from Royal Mail in the amount of 40.1 MSEK (3 MGBP) in the form of promissory notes with maturity dates of 31 December 2001 (2 MGBP) and 31 December 2002 (1 MGBP), are reported as financial current assets and financial fixed assets respectively.

Cash flow during the year amounted to -3.1 MSEK (-18.0).

As of 31 December, the company had no interest-bearing liabilities. On 31 December 2000, the equity ratio was 72.0 percent compared with 40.1 percent at the beginning of the year. During the second quarter, a new issue of 6,827,000 class A shares was carried out with subscription rights for the shareholders of CityMail Group AB. The new issue, which was fully subscribed, was concluded in June 2000 and has provided the company with 55.4 MSEK



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CityMail Group has an aggregate loss carried forward of 239.7 MSEK.



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Capital expenditures

During 2000, net capital expenditures amounted to 16.0 MSEK following the transfer to CityMail Sweden AB of assets and liabilities relating to the distribution operations in Sweden. During the same period last year, capital expenditures amounted to 10.3 MSEK including the disposal of intangible fixed assets as a consequence of the settlement agreement with Sweden Post. The acquisition of Svensk Adressändring AB and the capital expenditures during the year in Real Logistics Sweden AB and AddressPoint AB amounted in total to 18.1 MSEK.

Holdings in CityMail Sweden AB are reported in CityMail Group's balance sheet at 33.0 MSEK.

Investment in Real Logistics Sweden AB has been written-down by 96.0 MSEK and consequently the book value is 0.0 MSEK

Personnel

The average number of employees during 2000 amounted to 453 (960). As of 30 June 2000, most of the employees were transferred to CityMail Sweden AB as a consequence of which there were 13 employees in CityMail Group as of 31 December.

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

For additional information, please contact:

Håkan Ohlsson, Deputy Managing Director
+46 8-556 324 00, 070-752 42 01
hakan.ohlsson@citymail.se
www.citymail.se

Stockholm, 7 February 2001

The Board of Directors, CityMail Group AB

Upcoming reports for 2001

- Shareholders' meeting: 24 April
- First quarter interim report: 24 April
- Half yearly report: 21 August
- Third quarter interim report: 7 November

CityMail Group AB (publ)

Upplagsvägen 10
Box 47058
100 74 Stockholm

Financial information 1999-2000

Pro forma profit and loss statement 2000, CityMail Group

	Q1-Q2 2000	Q3 2000	Q4 2000	Entire year 2000
MSEK				
Net turnover	23,3	17,2	23,3	63,8
Operating expenses before depreciation	28,6	19,1	23,7	71,4
Depreciation	0,1	0,1	0,1	0,3
Operating profit/loss	-5,4	-2,0	-0,5	-7,9
Financial income/expenses	-0,2	2,2	1,2	3,2
Profit/loss before tax	-5,6	0,2	0,7	-4,7

Profit and loss statement 2000, CityMail International

MSEK	Q1-2		Q3		Q4		Entire year	
	2000	1999	2000	1999	2000	1999	2000	1999
Net turnover	23,3	10,1	17,1	8,0	22,9	8,5	63,3	26,6
Operating expenses before deprec.	21,9	9,3	15,2	6,7	20,9	7,1	58,0	23,1
Depreciation	0,1	0	0	0	0	0	0,1	0
Operating profit/loss	1,3	0,8	1,9	1,3	2,0	1,4	5,2	3,5

Financial information 2000, CityMail Group, quarterly

	2000	1999	1998	2000	1999	1998	2000	1999	1998
Q1	105,6	96,9	83,9	-6,1	-6,4	-7,2	-5,5	-6,9	-7,8
Q2	76,7	95,2	72,6	60,2	-6,7	-20,8	59,3	-7,3	-21,6
Q3	17,3	88,5	75,7	-2,1	-9,4	-15,0	0,2	-9,6	-15,2
Q4	23,2	93,5	86,4	-106,4	-29,2	-13,3	-105,2	-29,8	-14,1
Total	222,8	374,1	318,6	-54,4	-51,7	-56,3	-51,2	-53,6	-58,7



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Amounts in SEK 000

Income Statement in Summary	2000	1999
Net turnover	222 829	374 139
Operating results before items affecting comparability and non-recurring effects	-35 309	-69 223
Items affecting comparability and non-recurring effects (Note 1)	-19 060	17 477
Operating results after items affecting comparability and non-recurring effects	-54 369	-51 746
Results after financial items	-51 178	-53 561
Tax on earnings for the period	0	0
Net loss for the year	-51 178	-53 561

Note 1: Items affecting comparability and non-recurring effects:

Income from joint venture with Royal Mail incl. expenses		
In connection with restructuring of the Company	86 888	
Net value depreciation of receivable on Post Office	-3 359	
Write down of investment in Real Logistics Sweden AB	-95 989	
Running in costs associated with new distribution system	-6 600	
Settlement income from Posten		17 477
Total	-19 060	17 477

Balance Sheet in Summary	Dec 31, 2000	Dec 31, 1999
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Assets

Intangible fixed assets	18	22 757
Interests in group and associated companies	42 705	87 600
Other long-term claims, Royal Mail promissory notes	13 329	0
Tangible fixed assets	613	22 905
Receivables	16 451	36 209
Receivables on Group companies	3 702	0
Other short-term claims, Royal Mail promissory notes	26 818	0
Other current assets	4 137	11 378
Liquid funds	1 532	4 679
Total assets	109 305	185 528

Shareholders' equity and liabilities

Shareholders' equity	78 672	74 424
Long-term liability	3 780	0
Accounts payable	8 748	28 082
Payables to Group companies	142	0
Payables to associated companies	1 054	0
Other liabilities	16 909	83 022

Total shareholders' equity and liabilities	109 305	185 528
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Cash flow Analysis in Summary	2000	1999
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Cash flow from current operations	27 125	-10 719
Cash flow from investment operations	-15 966	-10 335
Cash flow from financing operations	-14 306	3 032
Cash flow for the year	-3 147	-18 022