Boss Media AB [publ] Annual Report 2000

Boss Media in brief 2000

- *Net sales increased by 101 percent to SEK 185.5 (92.5) million.*
- *Profit after financial items amounted to SEK 74.7 (26.5) million.*
- *From July 1 Casino.com forms a new, fourth division in the Boss Media Group.*
- *20 (9) new license agreements were signed during the year, with operators that included the state-run Swedish lottery organisation, Svenska Spel, and the land-based casino company Sun International Hotels Limited.*
- *At the end of the year and at the start of 2001 Boss Media was given authorization to run Internet gaming operations in the Mohawk Territory of Kahnawake in the province of Quebec, Canada and in Curaçao, in the Netherlands Antilles.*
- *In May Boss Media's shares on the OM Stockholm Exchange were split 5:1.*
- *At the end of 2000 Boss Media had a total of 14,630 shareholders.*

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Bossmedia

Key figures

	2000	1999	1998
Net sales, SEK m.	185.5	92.5	54.1
Profit/loss before tax, SEK m.	74.7	26.5	– 7.6
Profit margin, %	40.3	28.6	Neg
Profit/loss for the year, SEK m.	53.7	26.3	– 9.1
Return on shareholders' equity, %	43.4	51.1	Neg
Earnings per share, SEK	0.92	0.47	Neg
Number of employees at year-end	103	56	48

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Bossmedia

Boss Media AB (publ) in brief

The Boss Media Group

is one of the world's leading suppliers of turnkey solutions for casino operations on the Internet. Licensees are offered a customised client-server system, an integrated payment system and the maintenance and administration services necessary for the daily operation of an Internet casino.

Boss Media started

its current activities in spring 1997, since then the company has grown considerably, and by the end of 2000, the Group had just over 100 employees. The company's head office is in Växjö, in southern Sweden.

Boss Media's operations

are divided into four divisions: Software, Service & support, Gold Club Casino and Casino.com.

The company sells

its products to customers throughout the world. The market is characterised by strong growth through an increasing number of Internet users, and the product offers unique distribution opportunities in a global market.

Boss Media's shares

have been quoted on the OM Stockholm Exchange's O-list since June 24, 1999.

The History of Boss Media

1990

- Boss Media AB is established, but remains a dormant subsidiary to Boss Specialtidningar AB until 1996.

1996

- A group of people within Boss Specialtidningar AB begin to develop a system for casino operations on the Internet.

1997

- System development work is transferred to Boss Media AB.
- The game server system is located in Antigua & Barbuda, in the West Indies, one of the few countries in the world willing to sanction Internet gaming operations.
- The subsidiaries Boss Casinos Ltd. and Webdollar Ltd. are formed.
- Gold Club Casino is opened – Boss Media's first fully developed Internet casino.

1998

- Boss Media signs first license agreement with an external customer

1999

- Boss Media's shares are quoted on the OM Stockholm Exchange's O-list.
- A new gaming software platform with multi-player function is launched.

2000

- Johan Sigvardsson takes over as President after Lars Månsson.
- Boss Media signs an agreement with Sun International Hotels Limited, the first license agreement with a land-based casino company.
- Boss Media is granted a license for Internet gaming operations in the Mohawk Territory of Kahnawake in the province of Quebec, Canada.

4 Letter from the President

> Boss Media has been voted among the 300 most exciting companies in the world by the American magazine Forbes.

Boss Media's success story continued throughout 2000

2000 was yet another successful year for Boss Media. Net sales increased by 101 percent to SEK 185.5 million and the profit after financial items increased by 48.2 million. Boss Media's shares rose 18 percent in value over the year – a result that is particularly heartening when you consider that the general index of the OM Stockholm Exchange declined 12 percent over the same period. Our shareholders have every reason to feel proud with Boss Media's achievements. During the year Boss Media has also been listed on the Attract40 list.

Further recognition for our efforts that I personally find extremely gratifying is the fact that Boss Media has been voted among the 300 most exciting companies in the world by the American magazine Forbes – a distinction made even more flattering by the fact that only ten other Swedish companies figure on this list.

Dramatic increase in demand from land-based casinos

We signed 20 license agreements in 2000, compared to nine the year before. Today much of the demand comes from the land-based casino industry, which we see as a highly positive development, fully in line with our own forecasts. To date we have sold to one land-based casino, Sun International Hotels Limited, in the Bahamas, but I believe that most of our sales in 2001 will be made to land-based companies.

One noteworthy milestone in 2000 was the sale of a license to Svenska Spel, the state-owned lottery and gaming organisation in Sweden.

During the year Boss Media has applied for and obtained a license for Internet gaming operations in the Mohawk Territory of Kahnawake in Montreal, Canada, where we have established a technical maintenance and support centre. The main reason is that we want to increase our independence through gaming licenses in more than one jurisdiction. Furthermore, it is easier to find technicians and multi-lingual personnel locally.

Continued commitment to reinforce the Boss Media brand

Boss Media has grown to become a strong brand – a fact that we are constantly being reminded of, both in our dialogue with existing and potential clients and by the attention we attract in the Swedish and international media. Boss Media will continue to work resolutely with strengthening its brand name, not least by taking an active role

Letter from the President

> Demand is currently mainly from the land-based casino industry.

in matters of topical significance to the industry as a whole. We are, for example, represented on the board of the professional industry organisation IGC (Interactive Gaming Council), where we assume an active role in pursuing a wide variety of issues of interest to the industry.

It is of the utmost importance to us that players have full confidence in our licensees' casinos and, by association, in Boss Media as well. For this reason we are delighted to continue our co-operation with PricewaterhouseCoopers, who examined the Internet casinos' payout percentages throughout 2000, a move which we believe has endorsed far-reaching confidence in our brand. The results are published on the respective Internet casino's website and players who wish to do so may have this information verified by PricewaterhouseCoopers.

We want an Internet casino delivered by Boss Media to be seen as a mark of quality by both licensees and players. This is a message that we must continue to communicate to the gaming market.

Casino.com grows in size and popularity

Boss Media's Internet gaming portal, Casino.com, has expanded significantly during 2000, both in terms of content and staff. Some fifteen people are currently engaged in making Casino.com the leading gaming portal on the Internet. To underline the importance we accord to this work, Casino.com has become our fourth business division, now standing on an equal footing with Software, Service & support and Gold Club Casino. The portal has a key role to play by attracting customers and distributing traffic to the various casinos. More visitors to our own Gold Club Casino and to the casinos run by our licensees generate increased gaming and royalty income for Boss Media.

Casino.com gives us an opportunity to get to know our players better and enables us to categorise them and their interests. By creating databases which cater for their own individual preferences – Poker, Roulette, Blackjack etc. – we can send targeted information with a very high degree of customisation.

We believe that Casino.com will begin to generate income during 2001, primarily from the sale of advertisement space.

Exciting events in software development

Substantial resources have been invested in upgrading all our systems to multi-player versions during 2000. This enables several players to access the same system simultaneously, play together, and "chat" at the same time.

We anticipate having a Java-based system tested and ready for the market before the end of the second quarter 2001. The new system means that the visitor can play directly in his or her own web browser without having to download software.

Another important piece of news for 2000 was the completion of a number of new language clients – foreign-language versions of our systems. A Spanish version was released in 2000 and, during the course of the coming year, we will be presenting Chinese, Por-

tuguese and Italian versions in which everything from help-files to screen menus and voices has been adapted.

Substantial organic growth over the past year

Boss Media has expanded greatly over the past year, increasing its workforce from around 50 to just over 100 members of staff. The lion's share of this growth has been in product and system development. Substantial resources have been invested in recruitment, a process which has also been greatly facilitated by the company's listing on the stock exchange and all the attendant publicity this has generated, together with the other well publicised successes the company has enjoyed. Among a number of new positions and functions introduced during the year are those of HR Manager, IR Manager and Security Manager.

Now we are endeavouring to streamline the organisation in our four divisions. Rapid organic growth has also required us to formalise decision-making processes and areas of responsibility to a greater degree than previously, without compromising the open and informal atmosphere that has always characterised the company.

Another change is a customer-driven requirement for more distinct and clearly composed project groups, a proposal that we have, of course, been more than willing to accept.

Ban on Internet gaming increasingly unlikely

Events in 2000 have strengthened the opinion within Boss Media that Internet gaming is unlikely to be subject to any form of prohibition. The most important successes in question were chalked up in the US, where a proposal to ban Internet gaming was rejected in the House of Representatives. Boss Media, like its colleagues in the industry, is convinced that some form of regulatory framework will be introduced instead, with different countries and states issuing their own statutory demands for companies granted licenses for Internet gaming operations within respective jurisdictions.

> We want an Internet casino delivered by Boss Media to be seen as a mark of quality by both licensees and players.

Looking forward to new challenges in 2001

The market for our products will continue to develop very positively. Our aim is to further strengthen our brand name and our position as one of the leading suppliers of systems for casino operations on the Internet.

We will also be preparing our organisation to ensure it can meet the demands that, to a greater extent, will come from major players in the land-based casino industry.

I would finally like to thank all of the Group's employees for their excellent efforts during 2000. Our market position has been further strengthened, creating conditions for our business to keep on performing positively.

Johan Sigvardsson
President and CEO

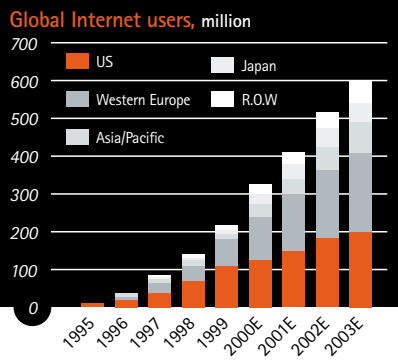
Market overview

"The industry in which Boss Media is active is just at the beginning of an exciting period of development.

Boss Media's future is largely dependent on the Internet. In recent years, the number of Internet users has risen strongly and technological progress has been swift. It is generally agreed that this development will continue, and that it will mean continued fast growth for Internet gaming.

Internet gaming

The number of Internet users world wide is growing steadily and, consequently, the number of people using Internet gaming sites is growing too. The River City Group* and Christiansen Capital Advisors**, two independent US consultancies, have stated that net gaming revenues for all types of gaming on the Internet will reach SEK 55–60 billion by 2003, compared with SEK 10 billion in 1999. According to a report by Datamonitor*** (Online Games and Gambling in Europe and the US 1999–2004) the total market for gaming in Internet casinos in Europe and the US will grow from SEK 6 billion in 1999 to SEK 100 billion in 2004, or by 75 percent per year. The immaturity of the industry and fast growth make forecasting difficult, which is why assessments vary greatly



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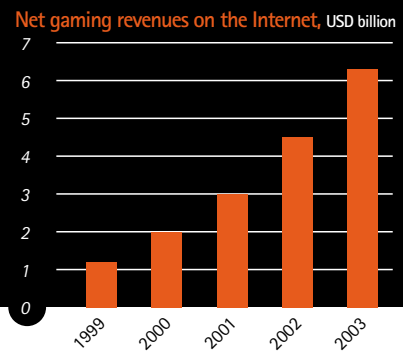
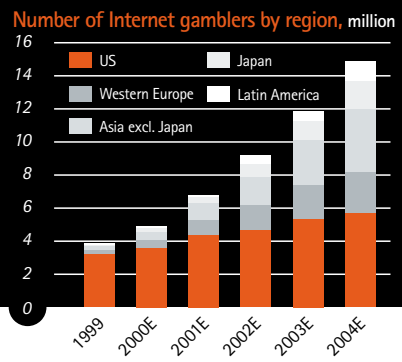


Source: Christiansen Capital Advisors



Source: Christiansen Capital Advisors

between analysts. However, all surveys point in the same direction. The industry in which Boss Media is active is just at the beginning of an exciting period of development.

There are currently around 1,400 websites that offer some form of Internet gaming, operated by around 250–300 companies.

Fastest growth of users in Asia and Europe

To date, the largest proportion of users in Boss Media's casinos have been from North America. In the long term, however, it is the Asian market that has the greatest potential. Most forms of gaming are traditionally very popular in most Asian countries.

In Europe, too, the number of gamblers is currently growing faster than in the US. Factors that can explain why Europe and Asia will catch up with the US in Internet gaming are increased PC and Internet penetration and higher use of credit cards on the Internet.

Competitors

In recent years the number of companies operating Internet casinos has increased considerably, which has stiffened the competition. This trend can be expected to continue. Boss Media is keeping a close eye on competitors. The Board of Directors believes that Boss Media's product is one of the market leaders.

There are today, according to company estimations, approximately 100 listed and unlisted companies throughout the world that offer some form of product or service directly related to casino operations on the Internet. Boss Media has identified three companies that may be considered the primary competitors – CryptoLogic Inc. (Canada), Starnet Communications International Inc. (Canada) and Microgaming Systems Ltd. (South Africa). In addition to these established companies there are a number of new companies developing strongly. One of these is Access Gaming Systems (Australia), which has signed license agreements with several state-owned gaming companies.

Boss Media considers that Internet casinos do not compete with land-based casinos. In the United States, which is the source of most of the company's income, the land-based casinos are awaiting the outcome of current and future legislation concerning Internet-related gaming operations. In time they will probably begin operating Internet casinos as soon as this has been regulated in the United States, and are therefore potential licensees to Boss Media.

Boss Media's customers

Boss Media's customers were previously mainly entrepreneurs who often had limited previous experience of casino business. However, the customer base changed significantly during the past year. Today enquiries come almost exclusively from companies within the land-based gaming industry. These are customers who have greater demands and long experience of gaming.

Customers that have no direct link to the land-based gaming industry will find it increasingly difficult to establish themselves on the Internet in the future because they will have neither a recognised trademark nor a customer base. In the future it will be the major land-based gaming companies that will be the leaders in the Internet gaming industry, therefore Boss Media is currently increasing its efforts to make these companies its main customers.

Another important customer group are the established Internet casino operators that wish to change system supplier and software platform. In early 2001 Boss Media signed a license agreement with an existing Internet casino operator. This was Boss Media's first sale to an established operator.

* *The River City Group LLC (www.rivercitygroup.com) is an independent US company that provides information and analyses on gaming, especially to gaming operators and development companies.*

** *Christiansen Capital Advisors Inc. is an independent US management consultancy mainly active within communication, entertainment, gaming and sport.*

*** *Datamonitor (www.datamonitor.com) is an independent UK management consultancy that focuses on strategy and information technology.*

Objectives & strategy

Business concept

Based on its own software platform, Boss Media shall develop, market and sell complete business solutions for casino operations on the Internet.

Financial objectives

Net sales for 2003 will be a minimum SEK 600 million.

- At least 50 licenses shall have been sold by the end of 2003.
- The Software division's share of net sales shall be at least 70 percent of the Group's total net sales in 2003.
- The profit margin shall amount to at least 30 percent.
- The equity ratio shall amount to at least 50 percent in the long term.
- Dividends shall in the long-term amount to 30–50 percent of the profits after tax.
- The development cost part of the Software division's net sales shall in the long term amount to 15–20 percent.

Strategy

To realise the business concept of Boss Media and achieve the financial objectives outlined above, the management has drawn up a strategy which focuses on the product, licensees and development.

The product

- To provide licensees with a software solution that offers the licensees' customers the best possible gaming experience.
- To provide client software swiftly and simply to licensees' customers.
- To administer payments to and from licensees' customers swiftly and securely.
- To offer service and support 24 hours a day to licensees and their customers.

Licensees

- To provide licensees with turnkey solutions which enable them to quickly establish their business and start their marketing activities.
- To continuously enhance the gambling portal casino.com and all related web sites in order to attract more customers to licensees' Internet casinos.
- To pass on marketing experience gained from operating Gold Club Casino.
- To be an attractive and long-term business partner.

Development

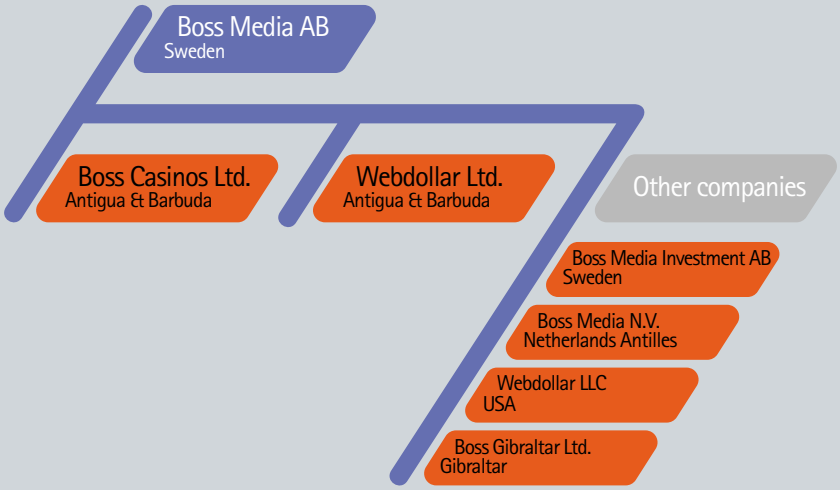
- Continued development of existing products with a focus on function, design, sound, graphics, user-friendliness, new platforms and gaming environments, new games, security and stability.
- Continued development of technical support for marketing, administration and statistics.
- To continuously follow developments within the Internet gaming market.
- Continuous development of staff skills.

Organisation

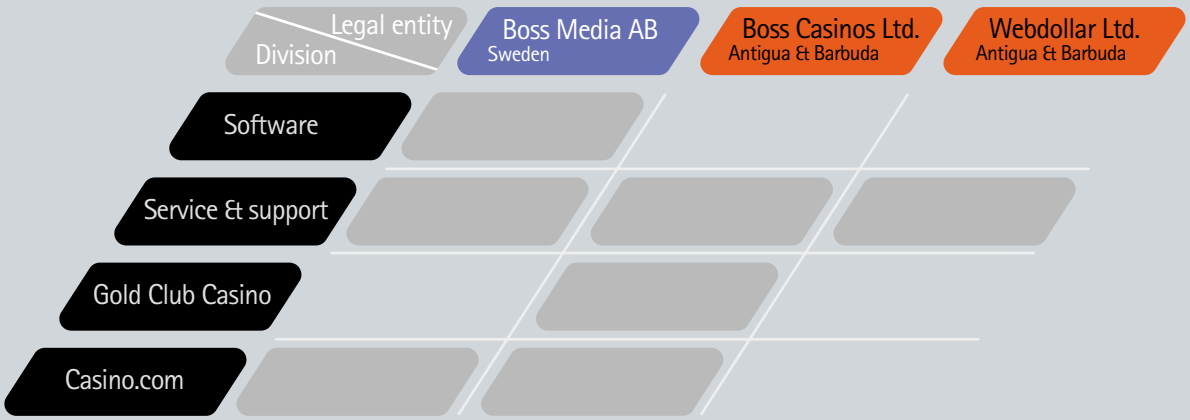
Apart from the parent company, Boss Media AB, the Group consists of the wholly-owned and operating subsidiaries Boss Casinos Ltd. and Webdollar Ltd. (Antigua & Barbuda) and Boss Media Investment AB. The Group also includes the dormant subsidiaries Boss Media N.V. (Netherlands Antilles), Webdollar LLC (Nevada) and Boss Gibraltar Ltd. (Gibraltar).

The Group's activities are divided into four divisions; Software, Service & support, Gold Club Casino and Casino.com. The activities of the divisions are run in the operating companies Boss Media AB, Boss Casinos Ltd. and Webdollar Ltd.

Company structure



Division/legal entity



Division

Software

"At the beginning of the year the company started to co-operate with Svenska Spel to develop an Internet casino for Svenska Spel's subsidiary Casino Cosmopol.

Key figures	2000	1999	1998
Net sales excl. intra-group transactions			
License sales, SEK m.	46.9	15.8	12.3
Royalty, SEK m.	60.9	27.6	3.5
Profit/loss after financial items	62.8	19.0	–6.0
Development costs, %*	14.9	22.8	11.6
Marketing costs, %*	1.3	1.8	2.0
No. licenses sold	20	9	5
No. profit-generating licenses	17.3	6.5	5.0
No. employees at year-end	50	26	21

** Percentage of net sales*

Business activities

The main activities of the Software division are the development, production, marketing and sale of licenses for Internet casino systems. The division's activities are run by the parent company, Boss Media AB.

Each license sold includes all the software required to run an Internet casino. Once a license agreement has been signed, the casino is customised to meet the licensee's own individual wishes regarding the visual appearance of the casino and the functions it contains.

In addition to the non-recurring fee from the sale of the actual license, the licensee pays royalties based on the gaming results in the licensed Internet casino. The royalty rate is variable within a fixed interval in relation to the gaming result.

License agreement with land-based gaming companies

At the beginning of the year the company started to co-operate with Svenska Spel, Sweden's state-owned lottery and gaming organisation, to develop an Internet casino for Svenska Spel's subsidiary, Casino Cosmopol. This move is primarily intended as an initial stage in the marketing of the four land-based casinos that are scheduled to open in Sweden, starting with the Sundsvall casino in 2001. Svenska Spel's Internet casino will initially serve as a "gaming school" for players intending to play at any of the company's land-based casinos.

During the second half of the year Boss Media signed a license agreement with Sun International Hotels Limited, a land-based casino company with operations in several countries. This was Boss Medias's first sale to a company from the land-based casino industry.

Development efforts

Further efforts were taken to strengthen the company's development and production resources by increasing staff numbers and engaging extra external consultants during 2000. At the beginning of the year all licensed casinos had been upgraded to the new multi-player version. Development work has concentrated mainly on the production of new games and functions, and new gaming platforms such as Java. During the year, versions of the software in additional languages were completed. A version in Spanish, for example, was launched during the year. During 2001, casino versions in Chinese, Portuguese, and Italian will be launched.

Trade fairs

Boss Media took part in two international gaming fairs during the year – the International Casino Exhibition in London in January and the World Gaming Expo in Las Vegas in October.

Performance in 2000

The division's net sales increased by 148 percent to SEK 107.8 (43.4) million, which represents 58 (47) percent of the Group's total net sales. 20 (9) new license agreements were signed during the year and 13 (6) systems were delivered. By the end of 2000 the total number of licenses sold amounted to 34 (14).

Income from license sales during the year amounted to SEK 46.9 (15.8) million. The number of profit-generating licenses amounted to 17.3 (6.5). The royalty income amounted to SEK 60.9 (27.6) million.

Division

Service & support

"Improving security continued unabated during the year, with particular focus on physical and virtual security.

Key figures	2000	1999	1998
Net sales excl. intra-group transactions, SEK m.	22.4	11.3	3.1
Loss after financial items, SEK m.	–1.8	–6.8	-9.5
No. Internet casinos in operation	24	11	5
No. employees at year-end	38	28	26

Business activities

The Service & support division runs the operational, maintenance and support activities as well as the administration of casinos on behalf of licensees. The divisions activities are run by Boss Media AB, Boss Casinos Ltd. and Webdollar Ltd.

The division is responsible partly for the operation and maintenance of the game server system as well as for telephone support services for licensees' customers and partly for the administration of the casinos. The casino administration includes handling all payment flows to and from licensees' Internet casinos as well as providing risk analysis, day-to-day profit reports and settlement vis à vis the licensees.

For these services licensees are charged a fixed monthly fee for operation, maintenance and support, and a variable monthly fee for casino administration, which consists of a percentage on processed deposits.

Extra resources for the risk analysis function

The service functions were further improved during the year. The payment system has been refined and co-operation with more banks has started. The division's risk analysis function, which is responsible for the supervision and analysis of the payment flow, has been given added resources during the year. The efforts is an important stage in Boss Media's work in preventing and stopping credit card frauds and manipulation of the system. Supervision is carried out in realtime 24 hours a day.

Prioritised investment in data security

Data security is a high-priority sector for Boss Media. Improving security continued unabated during the year, with particular focus on physical and virtual security.

During the year the service platforms were expanded to include replicating databases, which means improved security regarding the contents of the gaming databases and also greater capacity in terms of the database questions that can be asked. The latter is important for the built-in supervision function in the system.

At the end of the year agreements were signed with external suppliers regarding overhauling of the data security.

Newly-established locations for Service & support

At the end of the year and at the start of 2001 Boss Media was given authorization to run Internet gaming operations in the Mohawk Territory of Kahnawake in the province Quebec, Canada and in Curaçao, in the Netherlands Antilles. Construction of a technical maintenance and customer support centre in Canada started at the end of 2000. In Curaçao, where a technical maintenance centre will be set up, construction will start in the spring of 2001.

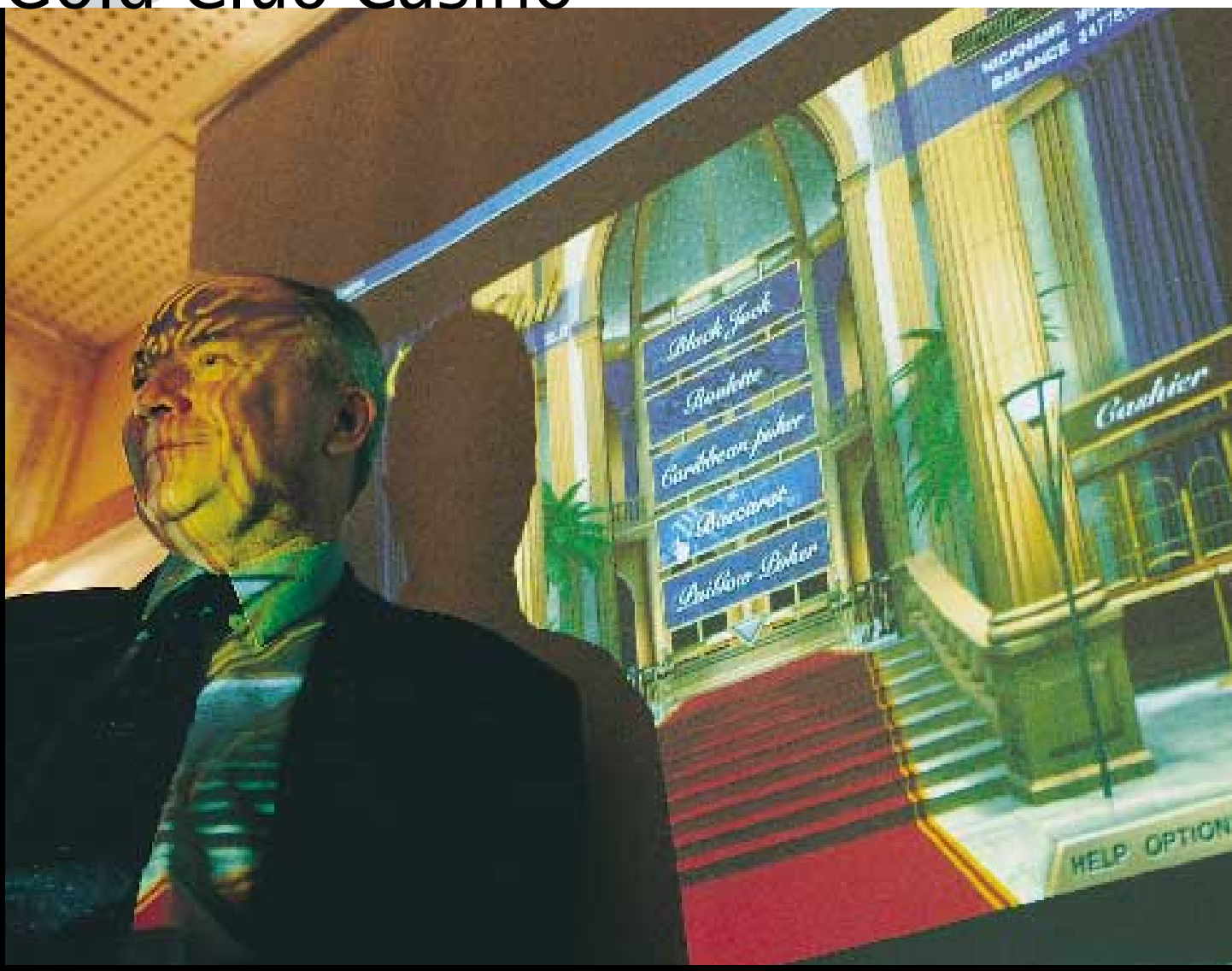
Performance in 2000

The division net sales amounted to SEK 22.4 (11.3) million, which represents 12 (12) percent of the Group's total net sales. The increase in income is completely explained by the increase in the number of Internet casinos in operation. At the end of the year, 24 (11) licensed casinos were in operation.

16

Division

Gold Club Casino



"Early in 2000 a new VIP department was started where members can access different benefits and offers.

Key figures	2000	1999	1998
Net sales, SEK m.	54.7	37.7	34.8
Profit after financial items, SEK m.	17.1	13.4	5.5
No. registered players	67,000	41,000	34,000
Marketing costs, %*	18.2	12.2	17.2
No. employees at year-end	4	2	1

* *Percentage of net sales.*

Business activities

Since November 1997, Boss Casinos Ltd. has been operating Gold Club Casino, the very first Internet casino developed by Boss Media. This enables the company to evaluate its program and system development work under reallife conditions in a fully operational environment and to study and follow up the effects of Internet marketing activities. Gold Club Casino also serves as a reference casino in the Group's marketing and sales activities.

Greater emphasis on marketing

Over the past year an increase has been seen in marketing activities. The single most important aspect is that the marketing staff has increased. The aim is to identify new and more efficient marketing methods in order to subsequently share these insights with Boss Medias licensees.

New games and a new VIP department

During the year Keno, Caribbean poker and Baccarat have been launched and upgraded to the new multi-player platform.

Early in 2000 a new VIP department was started where members can access different benefits and offers. The VIP department is mainly intended for major players which play on a regular basis.

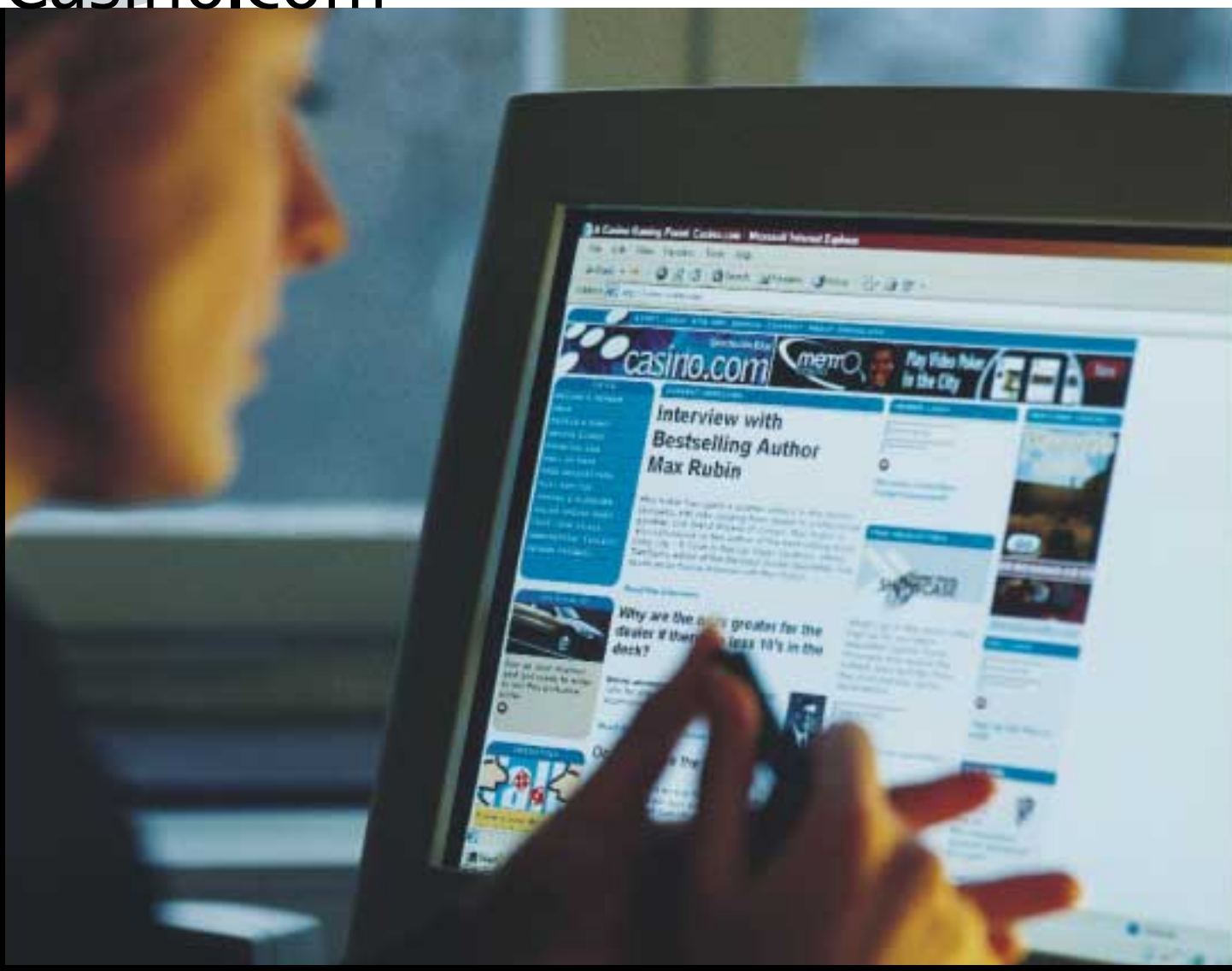
Market survey

As 2000 moved towards an end, work started on a market survey of registered players. Although motivated primarily by the need for a profile of the "average" client, other aims include gathering feedback, criticism, suggestions and ideas from players in order to better prepare for the future development and customisation of the casino systems.

Performance in 2000

Net sales for the division amounted to SEK 54.7 (37.7) million, which represents 30 (41) percent of the Group's total net sales. This positive development can be explained by increased marketing efforts.

Casino.com



"Our Casino Wire news service has been expanded to include daily news bulletins and a greater number of articles.

Business activities

On July 1, 2000 Casino.com became a separate division within the Boss Media Group. The division's long-term goal is to create the leading Internet portal within the gaming industry. The division's activities are run by Boss Media AB and Boss Casinos Ltd.

New design

The past year has seen a comprehensive overhaul of the design of the portal, the aim being to show more clearly the full scope of the services on offer. One notable innovation was the launch of four new portals within the casino.com network, including fun.casino.com, where visitors can "gamble" purely for fun. The new portals have rapidly become well-used and appreciated.

Enhanced editorial profile

One of the areas on which the division focused last year was the enhancement of the editorial profile, an initiative which is also revealed in the new graphic design. The expansion of the Casino Wire news service to include daily news bulletins and a greater number of articles was well received by visitors, while further steps were taken towards extending the editorial coverage by running round-the-clock reports from the World Series of Poker, and by signing strategic contracts with world poker champion Phil Hellmuth and several American freelance journalists.

Newsletter and members' programme

Four newsletters, each dedicated to a popular gaming activity (Poker, Slots, Craps and Blackjack), were launched during the year and were well received by visitors to the portal. Another popular move was the introduction of the "Rat Pack" members' programme, a service to which Casino.com visitors may subscribe free of charge to receive selected benefits in the form of competitions, special articles and access privileges to restricted pages. A newsletter for Rat Pack members, "The Spin", was also started. The number of members rose rapidly during the year and this trend is expected to continue in 2001.

Performance in 2000

At the end of the year, the division began to generate income, primarily from the sale of advertisement space. Net sales amounted to SEK 0.2 million. Eleven people were employed by Casino.com at the end of 2000. The loss after financial items was SEK 4.4 million.

Human capital

> Boss Media strives to offer all employees a high degree of individual responsibility.

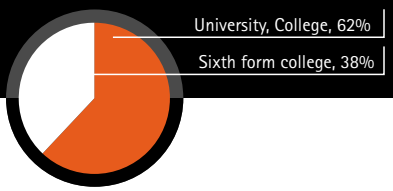
A knowledge company like Boss Media is utterly dependent on the professional expertise, experience, motivation and collective talents of its workforce – all of which can be expressed in the two words "human capital". As a sense of participation and commitment among employees is so essential to the long-term survival and success of a company, the ability to recruit and retain staff with the right levels of competence is a crucial factor in a competitive market.

Boss Media strives to offer all employees a high degree of individual responsibility and the opportunity to influence their own situation at work. It is important that the employees consider the jobs they do to be enjoyable and challenging, and that they perceive the atmosphere in their workplace as warm and friendly.

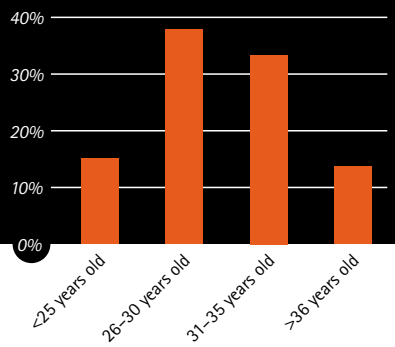
Recruitment and training

Thanks to the considerable efforts invested in recruitment over the past year, Boss Media has managed to meet most of it's requirements for new staff, the majority of which were positions in the areas of product and system development. Boss Media's well-publicised success, including the company's listing on the OM Stockholm Exchange, has contributed to making this recruitment process easier. Several new positions have been created during the year, including the posts of HR manager, IR manager and Security Manager.

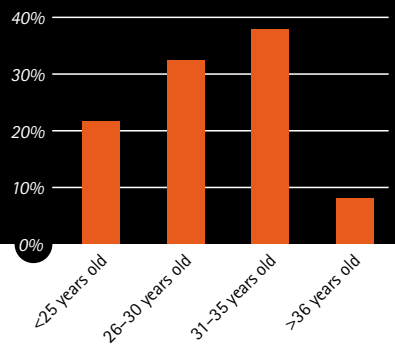
Education



Age distribution, men



Age distribution, women



The rapid growth of the organisation from about 50 employees at the beginning of the year to more than 100 by the end of 2000 has placed new demands on Boss Media's internal organisation. Therefore areas of responsibility and decision-making procedures have been formalised to a greater degree than previously.

To date, there has not been any great need for external training. However, it is Boss Media's policy to continually encourage employees to take part in external training. Every year funds are set aside to cover each employee's personal educational plan, which is drawn up in consultation with the relevant department manager. There are future plans to increase investments in internal training. There is great competence within the organisation, which is an effective and clear way of safeguarding and spreading the competence available in the organisation.

Leisure activities and healthcare

Boss Media regularly arranges social activities aimed at strengthening the team spirit within the company and boosting the feel-good factor associated with working for Boss Media.

The company also invests in healthcare. Employees are offered free passes to various forms of physical activities such as aerobics, spinning and weight-training, and a large number of employees take part in regular fitness training. All employees are also offered regular health check-ups.

Incentive programme for all staff

With the aims of retaining existing staff and facilitating the recruitment of new staff, Boss Media has chosen to implement incentive programmes directed towards employees of the Group. Giving employees the opportunity to become shareholders usually creates loyalty to the company and increases the feeling of participation in how the company's activities develops economically. But also, in the competitive environment that exists for skilled personnel, it is important to be able to offer more than a salary and stimulating and exciting work.

In 1998 Boss Media issued a subordinated debenture with 465,800 detachable warrants to the subsidiary, Boss Media Investment AB. Warrants were offered to employees at a price of SEK 1 each. Each warrant entitles the holder to subscribe for five new Boss Media shares at a price of SEK 8.6 per share during the period from July 1, 1998 to June 30, 2001.

In 2000 Boss Media issued a second subordinated debenture, with 2,500,000 detachable warrants, to the subsidiary, Boss Media Investment AB. These warrants have been offered to employees on a continuous basis. The price corresponds to the market value of the warrants, calculated according to the Black & Scholes method, on each occasion when the warrants have been offered for sale. Each warrant entitles the holder to subscribe for one new Boss Media share at a price of SEK 160 during the period from January 1, 2002 to December 30, 2002.

The majority of Boss Media's employees currently own warrants in the company.

Boss Media employees – facts and figures

62 percent of Boss Media's employees have a university degree, while the remaining 38 percent have sixth form education or the equivalent. 64 percent of the employees in the parent company have a university degree. The average age within the Group in 2000 was 30 (30), and in the parent company 31 (33).

At year-end the number of employees was 103 (56), of which 31 (28) were employed in the foreign subsidiaries. 37 (44) percent of all employees were women.

"There's plenty of opportunity for personal development at Boss Media.

Christina Svensson, risk analyst

"I enjoy working for such a high-profile company. We're up there competing with the elite of the Internet gaming world.

Pontus Albinzon, programmer

"When everybody around you is enjoying their job, there's a really positive atmosphere in the place – and that rubs off on you, too.

Lena Pagels, programmer

As a risk analyst within the Service & support division, my job mostly entails checking gaming transactions and players' accounts.

I enjoy working with Boss Media. There are lots of young people here and the atmosphere is very pleasant and easy-going. The management is dynamic and things tend to happen quickly – but we still find time to have a lot of fun together, at our Christmas parties, crayfish parties and 'after-work' get-togethers. Most people come along and join in when something is happening. And quite a few of us go to the gym or play indoor hockey.

Being part of a new industry like ours is an exciting feeling. We're pioneers, if you like. Everyone's bursting with ideas, and people work here because they enjoy it. Our managers are always eager to encourage new ideas and suggestions. After all, we're all working towards the same goal and we know that all the departments in every one of our companies are essential for the success of our projects – our Internet casinos.

There's plenty of opportunity for personal development at Boss Media. If you show you have the initiative, if you let people know that you want to take on more responsibility and have the ability and confidence to do so, there is no limit. There's always a need for competent people in the organisation. But there are no formal studies to equip you with the kind of special skills required to get on at Boss Media – the best way to learn is simply by working here.

Nearly everyone I know has joined the company's incentive programme. For me, being able to share in the company's success is very motivating. It shows that everyone who works here is regarded as important.

There's no doubt that our casinos are great fun to work with. I think it's partly to do with the enjoyment of programming the graphics, partly the satisfaction of knowing that so many people see the results of your work. It's a great feeling to see something you've helped to produce out there on the Internet.

I enjoy working for such a high-profile company. We're up there competing with the elite of the Internet gaming world – enjoying our reputation as both local and global celebrities. Here in Växjö, everyone's proud of the fact that things are going so well for Boss Media. When a company's doing well, it's more fun to go to work. The whole atmosphere is positive and everyone's so optimistic about the future.

I like the fact that my job gives me so much freedom and that I'm allowed to take a lot of responsibility on my own. The bottom line is: what matters is what the customer wants.

There's none of your traditional hierarchies here – if you have something to say to the President, all you have to do is march right in there and say it. Everyone talks to everyone else and the atmosphere is fairly relaxed.

The incentive programme means that, nowadays, I've learned to keep an eye on the stock market too. I try to follow what's going on and check the news in case anything happens that could affect the Boss Media share.

I chose Boss Media because it's a company with a business idea I believe in. Another reason was that the people who interviewed me seemed to genuinely enjoy their jobs, and that gave me a very positive impression of the company. Working with casino games is fun, and I like the fact that this entails relatively short projects. There's quite a buzz around here every time a new casino goes online.

Becoming part of the team here at Boss Media was easy and I was made to feel welcome from the start. We all get on really well together – sales staff , project leaders, graphic artists and programmers. Everyone involved in a project pulls their weight.

When everybody around you is enjoying their job, there's a really positive atmosphere in the place – and that rubs off on you, too. All sorts of different people work here, so you can just be your natural self, and come to work in jeans, a suit or whatever.

You always have the opportunity to develop at Boss Media, either in your job as a programmer, or by tackling new challenges. If you find a course that feels right for you, then you can take it. Our managers encourage us to use our own initiative.

I'm proud to work for Boss Media – it's a modern, go-ahead company.

Risk and sensitivity analysis

Under this heading we describe circumstances and factors that may have an impact on the performance and profitability of Boss Media in the long and short term. The risk factors below are not ranked in order of priority and do not claim to cover every eventuality.

Legal and political risks

Boss Media's gaming operations are located exclusively in Antigua & Barbuda and in the Mohawk Territory of Kahnawake in the province of Quebec, Canada, where the company conducts its business under gaming licenses issued by the appropriate authorities.

Because of the practical difficulties of establishing jurisdiction over the Internet, there is a legal and political risk that other countries may claim that Internet gaming is subject to the jurisdiction of their national courts, and that, in certain cases, these countries may even claim that such gaming operations are prohibited by law. In the United States, for example, several bills have been presented before Congress seeking to outlaw certain forms of gaming operations on the Internet. To date, however, Congress has adopted none of these bills, and at the time of writing (January 30, 2001) no new proposal is awaiting consideration. Nevertheless, the issues of whether Congress will act to ban Internet gaming and how such a move would affect the company's gaming operations remain legally unresolved.

Today over 50 jurisdictions sanction some form of Internet gaming worldwide.

Disputes

Neither Boss Media nor any of its subsidiaries are involved in any disputes, legal proceedings or arbitration. Neither are the Board aware of any circumstances that are expected to lead to disputes or interventions by the authorities and that according to the Board's judgement could damage Boss Media's financial position to any negligible degree.

Tax laws

The company's gaming operations may be affected by the introduction of local tax laws. Ensuring that gaming licenses are based in several different juridictions has a doubly positive effect in this regard. Not only does this move spread any risk, at the same time the different regions become increasingly competitive when offering attractive conditions to companies involved in various forms of gaming operations.

Payment over the Internet

Close co-operation with banks is essential to process payments made over the Internet. Boss Media has declared its aim always to work with at least two reputable international banks. Processing payments in several systems at the same time minimises the risk of prolonged interruptions in payment flows to and from the licensees' Internet casinos.

As no single standard has yet been established for credit card payments over the Internet, there are clear risks involved for all those who run their businesses over the Internet.

Although the company believes that it is unlikely that the world's major credit card companies will, at some point in the future, refuse to accept payments relating to gaming transactions over the Internet, this risk should not be overlooked.

Gambling and credit card fraud

Boss Media has allocated significant resources to the development of a comprehensive monitoring system. Monitoring is carried out in real time 24 hours a day to prevent manipulation of the system as well as to prevent gambling with false or stolen credit cards.

Competition

Over the past few years the number of companies operating Internet casinos has grown considerably. Competition has stiffened, and this is a trend that looks set to continue. Boss Media is keeping a close eye on its competitors. The Board of Directors believes that the product offered by Boss Media is one of the market leaders.

Today there are approximately 100 listed and unlisted companies throughout the world, which offer some form of product or service directly related to casino operations on the Internet. Boss Media has identified three companies that may be considered the primary competitors: CryptoLogic (Canada), Starnet Communications International Inc. (Canada) and Microgaming Systems Ltd. (South Africa).

Boss Media considers that Internet casinos do not compete with land-based casinos. In the United States, which is the source of most of the company's income, the land-based casinos are awaiting the outcome of current and future legislation concerning Internet-related gaming operations. In time they will probably begin operating Internet casinos as soon as this has been regulated in the United States, and are therefore potential licensees to Boss Media.

Risks relating to license agreements

All Boss Media licensees have signed license agreements, which run until further notice. This means that a license agreement may be terminated at any time or be subject to a process of renegotiation. However, as the costs involved in changing suppliers are relatively high, this gives the company a strong negotiating position.

Recruitment

Boss Media is competing with a large number of IT companies for a limited number of professionals. This makes it imperative for the company management to create a workplace capable of attracting and retaining competent employees. Apart from good market rates of pay and a stimulating working environment in which employees have the potential to grow, the company believes it is also necessary to offer various forms of incentive programmes, not only in order to be able to compete for skilled professionals in the future, but also to reduce the risk of key individuals leaving the organisation.

Product liability

Any problems that might arise with Boss Media's products could lead to claims for liability and damages. The Board of Directors believes that Boss Media has adequate product liability protection.

Negative publicity

Many people look upon gambling as a dubious business activity. The fact cannot be overlooked that the company may be the subject of negative mass media attention or other forms of negative publicity of varying severity.

Currency risks

Exchange rate fluctuations affect the consolidated result and equity in various ways:

- Commercial flows with deposits and payments in different currencies give rise to a transaction risk.
- The results of foreign subsidiaries are affected by changes in exchange rates when they are translated into Swedish kronor (SEK).
- The Group's equity is affected when the net assets of the foreign subsidiaries are translated into SEK.

Boss Media's sales transactions take place exclusively in US dollars (USD). However, as the majority of operating expenses are incurred in Sweden and paid in SEK, the company has large net inflows of USD. The trend in the USD rate therefore has a significant effect on Boss Media's results.

The extent of the Group's hedging is decided by the Board of Directors in accordance with the company's finance policy and based on an evaluation of the current currency situation.

Other risks

Other risks which the Group is exposed to can be exemplified by fire and other traditional insurance risks like theft of equipment, crime against property, product liability etc. The Group has adequate insurance cover against stated loss or damage. In addition, there is a customary Board members' liability insurance for the Group's companies. Boss Media evaluates the Group's insurance cover on an ongoing basis.

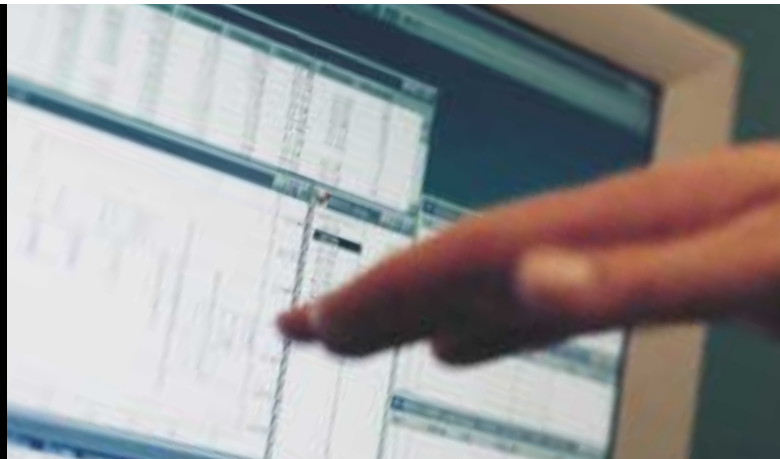
Other possible risks can be classified as theft or copying of ideas, technology and databases. The Group works actively with intellectual property rights. Boss Media has analysed the Group's security with external suppliers, and improved both the physical protection and the protection for illegal misuse of computer information.

Sensitivity analysis*

Variable	Change	Profit before tax
No. of licenses sold**	+/– 1 license	SEK 4.0 million
Royalty rate	+/– 10 %	SEK 20.3 million
Gaming result margin	+/– 10 %	SEK 25.8 million
USD rate	+/– 10 %	SEK 13.3 million
Personnel costs	+/– 10 %	SEK 3.5 million

* *The reported effects are based on figures for the financial year 2000 and should be regarded as an indication of the effect of one isolated change in each of the respective variables.*

** *Based on an Internet casino delivered on July 1, 2000.*



Directors' Report

The Board of Directors and the President of Boss Media AB (publ), co. id. no. 556400-0353, hereby submit their report on the operations of the Group and parent company for 2000.

Business activities

The Group Boss Media AB (publ) is one of the leading providers of turnkey solutions for casino operations on the Internet. Potential licensees are offered a customised client-server system, an integrated payment system and the maintenance and administration services necessary for the daily operation of an Internet casino. In addition, the subsidiary Boss Casinos Ltd. owns the license for the Internet casino Gold Club Casino.

Apart from the parent company, Boss Media AB, the Group consists of the wholly-owned and operating subsidiaries Boss Casinos Ltd. and Webdollar Ltd. (Antigua & Barbuda), as well as Boss Media Investment AB. The Group also includes the wholly-owned, dormant subsidiaries Boss Media N.V. (Curaçao, Netherlands Antilles), Webdollar LLC (Nevada) and Boss Gibraltar Ltd. (Gibraltar).

The Group's activities are divided into four divisions; Software, Service & support, Gold Club Casino and Casino.com. The divisions' activities are run by Boss Media AB, Boss Casinos Ltd. and Webdollar Ltd.

The Software division's main activities are the development, production, marketing and sale of licenses for Internet casino systems. The division's activities are run by the parent company, Boss Media AB. The Service & support division runs the operational, maintenance and support functions as well as the administration of casinos on behalf of licensees. The division's activities are run by Boss Media AB, Boss Casinos Ltd. and Webdollar Ltd. The Gold Club Casino division operates an Internet casino. This division's activities are run by Boss Casinos Ltd. Casino.com runs the Group's Internet gaming portal, www.casino.com. This division's activities are run by Boss Media AB and Boss Casinos Ltd.

Market

Demand has been strong during the year. A total of 20 (9) new license agreements were signed. This brought the total number of casino license agreements for Boss Media to 34 (14) at the end of the year. The company witnessed a decrease in license sales during the fourth quarter, although demand continued to be strong. This is due to the fact that demand is now primarily from companies in the land-based gaming industry, and this has led to an increase in the time necessary to conclude purchase agreements.

Customers that lack any direct association to the land-based gaming industry will experience increased difficulty in establishing their operations within the Internet gaming market. They will be disadvantaged from the start because they lack a well-established trademark and a pre-existing customer base. In the future, major land-based gaming interests will become the leaders in the Internet gaming industry. Therefore, Boss Media is currently increasing its efforts to make these land-based interests its primary customers.

Thus far, Boss Media has signed license agreements with two major gaming companies: Svenska Spel, a company owned by the Swedish government, and Sun International. The latter is a land-based casino company with operations in several countries. During 2001, licenses will be sold primarily to companies within the land-based gaming industry.

Another important customer category is comprised of established Internet casino operators that wish to replace their former system developers and software platforms. At the beginning of 2001, Boss Media signed a license agreement with Global Interactive Limited, an established Internet casino operator. This was Boss Media's first sale to an established operator.

Important events in 2000

New President

The Board of Directors appointed the former CFO, Johan Sigvardsson as the new President. The appointment came into effect on May 12, 2000. The company's founder, Joel Wikell became Executive Vice President on the same date.

License agreements with land-based gaming companies

At the beginning of the year Boss Media signed an agreement with Svenska Spel to develop an Internet casino for Svenska Spel's subsidiary, Casino Cosmopol. The Internet casino will first serve as a marketing tool for the four land-based casinos expected to open in Sweden, starting with Sundsvall in 2001. Svenska Spel's Internet casino will initially serve as a gaming school for players intending to play at any of the company's land-based casinos.

During the autumn Boss Media signed a license agreement with Sun International Hotels Limited, which is a land-based casino company with operations in several countries. This was Boss Media's first sale to a company from the land-based casino industry.

Casino.com

On July 1, 2000, Casino.com became a separate division within the Boss Media Group. Casino.com's long-term goal is to create the leading Internet portal within the gaming industry. The number of Casino.com employees at the end of 2000 was about 10. Towards the end of the year, Casino.com began to generate income, primarily from the sale of advertisement space.

New gaming licenses

At the end of 2000 and beginning of 2001, Boss Media was given authorization to run Internet gaming operations in the Mohawk Territory of Kahnawake in the province of Quebec, Canada and in Curaçao, in the Netherlands Antilles. The construction of a technical maintenance and customer support centre in Canada was begun during the end of 2000 and in January 2001, the first Internet casino to be operated from Canada had been launched. Construction of a technical maintenance centre in Curaçao will begin this spring.

Share split

In May 2000, a 5:1 split took place of Boss Media's shares on the OM Stockholm Exchange. At year-end the total number of registered shares was 54,147,000 held by around 15,000 shareholders.

Net sales and results

The Group's net sales increased by 101 (71) percent to SEK 185.5 (92.5) million. Adjusted for exchange rate fluctuations, the increase was 81 percent.

The total number of sold licensed casinos at the end of the year were 34 (14), of which 20 (9) were sold during 2000. At the end of the year, 24 (11) licensed casinos were in operation. Eight licenses were taken up as an income according to the percentage of completion method. Income from two licenses sold at the end of the year were not recorded since work on these contracts had not commenced prior to the closing day.

The income from the sale of licenses increased substantially, and amounted to SEK 46.9 (15.8) million, an increase by 197 percent. The strong increase is explained by the rapid rate of license sales during the year. Adjusted for exchange rate fluctuations, the increase was 165 percent. The total number of profit-generating licenses amounted to 17.3 (6.5).

The royalty income, the primary source of funding for Boss Media's operations, increased by 121 percent and amounted to SEK 60.9 (27.6) million. Adjusted for exchange rate fluctuations, the increase was 97 percent.

The income from Service & support amounted to SEK 22.4 (11.3) million, an increase by 98 percent. Adjusted for exchange rate fluctuations, the increase was 80 percent. The increase in income is explained completely by the increase in the number of Internet casinos in operation.

The income from Gold Club Casino amounted to SEK 54.7 (37.7) million, an increase by 45 percent. Adjusted for exchange rate fluctuations, the increase was 31 percent. This positive development can be explained by increased marketing efforts.

The Group recorded a profit after financial items of SEK 74.7 (26.5) million, which was an increase by SEK 48.2 million or 182 percent compared with the preceding year. Adjusted for exchange rate fluctuations, the increase was 132 percent. The profit margin was 40.3 (28.6) percent.

The profit margin declined at the end of the year. The operating expenses increased substantially during the fourth quarter as Boss Media began to equip its organization to be able to satisfy more important customers and to develop more sophisticated solutions in the future. In addition, resources were allocated during the end of the year to support the development of the Casino.com division and to construct the technical maintenance and customer support centre in Canada.

Risk analysis

Business risks

Boss Media operates in a dynamic industry characterised by rapid technology development. It is therefore important for Boss Media to be at the forefront of development to ensure that the company can provide customers with an attractive and competitive range of products. To minimise the risk of losing position vis-á-vis competitors and to secure rapid growth, Boss Media prioritises development investments in a balancing between short-term profitability and sustainable profit. Recruitment and skill development of technical personnel are for the same reason very important areas for Boss Media.

The risk that a technology leap would render Boss Media's products out of date appears to be low. Through the company's own development staff's high level of expertise and the close co-operation established with the major customers, Boss Media should be very well-informed about technology and market trends.

Financial risks

In its operations, Boss Media is subjected to various financial risks of which the currency risk is completely predominant. Examples of other risks are interest rates, financing and liquidity risks. These can currently be considered to be of limited importance to Boss Media, due to the Group's relatively strong financial position. The financial risks are handled in accordance with the financial policy that has been adopted by the Board of Directors.

Hedging

During 2000, 100 (100) percent of sales and 42 (48) percent of operating expenses were in USD. Net exposure against the USD amounted to 74 (65) percent of net sales. Exchange rate

Net sales and result per division	Net sales		Profit/loss after financial items	
SEK million	2000	1999	2000	1999
Software	107.8	43.4	62.8	19.0
Service & support	22.4	11.3	–1.8	–6.8
Gold Club Casino	54.7	37.7	17.1	13.4
Casino.com	0.2	–	–4.4	–
Other	0.4	0.1	1.0	0.9
Total	**185.5**	**92.5**	**74.7**	**26.5**

differences on assets and liabilities in foreign currencies in the parent company was SEK 0.1 (0.7) million in 2000. Translation differences arising from consolidation of foreign Group companies was SEK 0.7 (–0.1) million.

Hedging during the year has been through the forward sale of currency. A contract is signed on the basis of the exchange rate applicable on the day it is signed, spot rate. Exchange rate differences on matured contracts during the year amounted to SEK –0.5 (0) million. The value of signed but not matured forward exchange agreements, on December 31, 2000 was USD 9.5 (0) million, which were hedged at an average rate of SEK 9.55 (0) or a total of SEK 91.0 (0) million.

Legal and political risks

Boss Media's gaming operations are located exclusively in Antigua & Barbuda and in the Mohawk Territory of Kahnawake in Quebec, Canada, where the company conducts its business under gaming licenses issued by the appropriate authorities.

Because of the practical difficulties of establishing jurisdiction over the Internet, there is a legal and political risk that other countries may claim that Internet gaming is subject to the jurisdiction of their national courts, and that, in certain cases, these countries may even claim that such gaming operations are prohibited by law. In the United States, for example, several bills have been presented before Congress seeking to outlaw certain forms of gaming operations on the Internet. To date, however, Congress has adopted none of these bills, and at the time of writing (January 30, 2001) no new proposal is awaiting consideration. Nevertheless, the issues of whether Congress will act to ban Internet gaming and how such a move would affect the company's gaming operations remain legally unresolved.

Other risks

The Group is not involved in any legal disputes. There is full insurance cover concerning interruption damage, crime against property and product liability. Other possible risks can be classified as theft or copying of ideas, technology and databases. The Group works actively with intellectual property and continually with data security issues. Boss Media has analysed the Group's security with external suppliers and improved both the physical protection and the protection for illegal misuse of computer information.

Investments

Investments in equipment during the year amounted to SEK 26.6 (9.9) million, of which approximately SEK 9.0 million refers to initial investments in Canada, where construction began on a technical maintenance and customer support centre at the end of the year. Other investments consisted mainly of computer servers for the operation of Internet casino systems that were added during the year and workplace-related computer equipment.

Financial position

Liquid funds at year-end amounted to SEK 130.4 (84.4) million. The exercising of 155,400 warrants during the year raised SEK 6.7 million to the company. Total equity at year-end amounted to SEK 149.7 (96.4) million, making the equity ratio 65.7 (74.5) percent.

Development and production

Extensive resources were allocated during the year in order to upgrade all games and licensed casinos to the multi-player version.

During the year, versions of the software in additional languages were completed. A version in Spanish, for example, was launched during the year. During 2001, casino versions in Chinese, Portuguese, and Italian will be launched.

A Java-based system is expected to be tested and ready for the market during the second quarter of 2001. This new system will allow casino visitors to play the games directly in their web browsers without having to first download software to their computers.

Other development work during the year has concentrated on the production of new games and functions.

Development costs for the year were 8.7 (10.7) percent of net sales.

Personnel

At the end of the year the number of employees was 103 (56). Of these 31 (28) were employed in the foreign subsidiaries. 37 (44) percent of all employees were women. The average age was 30 (30).

Board of Directors' way of working

The Board of Directors of Boss Media AB (publ.) consists of five members elected by the Annual General Meeting. Every year at a Board Meeting following election the Board adopts rules of procedure for the Board of Directors and instructions for the President.

During 2000 the Board held 11 minuted meetings. At these meetings the Board discussed the fixed items that were on the agenda of the respective Board Meeting, in accordance with the Board's rules of procedure such as, business position, budget, interim reports and annual accounts. The Board's work during the year generally focused on strategic issues concerning the organisation and development of the products. Once a year the company's auditors personally report to the Board of Directors their observations from the examination of the Group's internal control and accounts.

The parent company

The parent company, Boss Media AB, with its registered office in Växjö, principally runs the development, production, marketing and sale of licenses for Internet casino systems.

The parent company's net sales (including intra-group transactions) amounted to SEK 111.2 (51.5) million in 2000. The profit after financial items amounted to SEK 47.8 (17.3) million. Investments amounted to SEK 8.8 (1.4) million. The parent company's liquid funds amounted to SEK 88.8 (73.2) million at year-end. Total equity amounted to SEK 112.8 (92.9) million, making an equity ratio of 71.5 (87.2) percent. Unappropriated earnings amounted to SEK 23.5 (10.2) million.

The number of employees in the parent company at the year-end was 72 (28) and the average age was 31 (33).

Outlook for 2001

The company predicts the sale of fewer systems during 2001 than it sold during 2000. This result can be expected due to Boss Media's current strategy to focus on selling its systems primarily to land-based gaming interests. Such customers require more comprehensive system customisation, and this involves higher development and customisation costs. Initially, this can lead to a somewhat smaller profit margin for Boss Media on the sale of each individual casino license. However, this strategy is expected to increase the company's royalty income in the long term.

Proposed to appropriation of profits

According to the consolidated balance sheet the Group's non-restricted equity amounted to SEK 39.6 million as on December 31, 2000. No allocation to restricted equity is required.

The Board of Directors and the President propose that the profits at their disposal in the parent company:

profit brought forward	2,167,195
net profit for the year	21,289,160
	23,456,355

be appropriated as follows:

dividend to the shareholders of SEK 0.40 per share	22,231,600
to be carried forward	1,224,755
	23,456,355

The proposed dividend above is based on that the number of shares entitled to dividend will amount to a maximum 55,579,000 shares on the record day. The maximum number of shares includes 1,432,000 shares related to 286,400 outstanding warrants that expire on June 30, 2001, and where each warrant entitle to subscribe for five new shares.

More information about the activities of the Group and parent company can be found in the income statements, balance sheets, cash-flow statements, notes and the attached comments that follow.

Income Statement

SEK thousands	Note	The Group		Parent company	
		2000	1999	2000	1999
Net sales	1, 2	185,518	92,465	111,230	51,549
Change in work in progress		–	–	870	120
Other operating income	3	114	1,197	110	1,023
Operating expenses					
External services		–18,696	–12,552	–18,695	–12,552
Other external costs	2, 4	–54,891	–31,729	–21,323	–9,478
Personnel costs	5	–34,674	–20,432	–25,887	–12,754
Depreciations of tangible and intangible fixed assets		–7,498	–2,570	–2,580	–1,279
Operating profit	1	**69,873**	**26,379**	**43,725**	**16,629**
Result from financial investments					
Interest income and similar profit/loss items	6	4,812	658	4,112	1,187
Interest expense and similar profit/loss items	7	–8	–550	–8	–532
Profit after financial items		**74,677**	**26,487**	**47,829**	**17,284**
Appropriations	8	–	–	–13,039	45
Tax on profit for the year	9	–20,977	–186	–13,501	–113
Net profit for the year		**53,700**	**26,301**	**21,289**	**17,216**

Balance Sheet

SEK thousands	Note	The Group		Parent company	
		Dec. 31, 2000	Dec. 31, 1999	Dec. 31, 2000	Dec. 31, 1999
ASSETS					
Fixed assets					
Intangible assets	10				
Internet domain name		138	187	0	0
Tangible assets	11				
Equipment		32,337	12,245	9,375	3,123
Financial assets	12				
Participations in group companies	13	–	–	275	208
Other long-term receivables		1,063	639	156	200
Total fixed assets		**33,538**	**13,071**	**9,806**	**3,531**
Current assets					
Current receivables					
Accounts receivable – trade		9,978	5,646	9,978	5,646
Receivables from group companies		–	–	33,818	15,742
Other receivables		23,080	15,948	3,464	2,642
Prepaid expenses and accrued income	14	30,976	10,278	11,925	5,713
Cash and bank balances		130,353	84,378	88,847	73,164
Total current assets		**194,387**	**116,250**	**148,032**	**102,907**
TOTAL ASSETS		**227,925**	**129,321**	**157,838**	**106,438**

SEK thousands	Note	The Group		Parent company	
		Dec. 31, 2000	Dec. 31, 1999	Dec. 31, 2000	Dec. 31, 1999
SHAREHOLDERS' EQUITY AND LIABILITIES					
Shareholders' equity	15				
Restricted equity					
Share capital		1,083	1,068	1,083	1,068
Share premium reserve		–	–	88,286	81,619
Statutory reserve		–	–	2	2
Restricted reserves		108,974	84,393	–	–
Non-restricted equity					
Profit/loss brought forward		–14,069	–15,356	2,167	–7,049
Profit for the year		53,700	26,301	21,289	17,216
Total shareholders' equity		**149,688**	**96,406**	**112,827**	**92,856**
Untaxed reserves	16	**–**	**–**	**13,182**	**143**
Provisions	17				
Provisions for taxes		7,440	91	–	–
Total provisions		**7,440**	**91**	**–**	**–**
Non interest-bearing liabilities	18				
Advance payment from customers	19	8,763	2,109	7,773	1,989
Accounts payable – trade		12,473	7,793	12,392	7,739
Income tax liability		4,743	240	4,581	113
Other liabilities		35,779	18,181	957	493
Accrued expenses and deferred income	20	9,039	4,501	6,126	3,105
Total non interest-bearing liabilities		**70,797**	**32,824**	**31,829**	**13,439**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**227,925**	**129,321**	**157,838**	**106,438**
Pledged assets	21	**12,000**	**None**	**12,000**	**None**
Contingent liabilities	22	**None**	**8,000**	**None**	**8,000**

34 Cash Flow Statement

SEK thousands	Note	The Group		Parent company	
		Dec. 31, 2000	Dec. 31, 1999	Dec. 31, 2000	Dec. 31, 1999
Operating activities					
Operating profit		69,873	26,487	43,725	17,284
Adjustment for items not affecting cash flow					
Depreciation		7,498	2,570	2,580	1,279
Unrealised exchange rate differences		–2,239	–1,125	108	–1,044
Interest received		3,969	–96	3,282	–96
Interest paid		–8	–737	–8	–689
Income tax paid		–9,342	–21	–9,250	–21
Cash flow from operating activities before changes in working capital		**69,751**	**27,078**	**40,437**	**16,713**
Change in working capital					
Increase (–) decrease (+) in					
accounts receivable – trade		–4,419	–1,256	–4,419	–2,254
other current receivables		–25,615	–13,982	–25,185	–6,859
Increase (+) decrease (–) in					
accounts payable – trade		2,270	2,431	4,758	2,586
other current liabilities		25,965	10,621	9,493	1,975
Cash flow from operating activities		**67,952**	**24,892**	**25,084**	**12,161**
Investment activities					
Acquisition of tangible fixed assets	23	–23,542	–9,285	–8,935	–1,137
Acquisition of shares and participations		–67	0	–67	0
Change in long-term receivables		–357	1,567	44	–123
Cash flow from investment activities		**–23,966**	**–7,718**	**–8,958**	**–1,260**
Financial activities					
Amortization		0	–8,514	0	–7,850
Conditional shareholders' contribution		–8,000	0	–8,000	0
New share issue		6,682	69,389	6,682	69,389
Cash flow from financial activities		**–1,318**	**60,875**	**–1,318**	**61,539**
Cash flow for the year		**42,668**	**78,049**	**14,808**	**72,440**
Liquid funds at start of year		84,378	5,738	73,164	588
Exchange rate difference in liquid funds	24	3,307	591	875	136
Liquid funds at end of year*		**130,353**	**84,378**	**88,847**	**73,164**

* *Includes only cash and bank balances*

Accounting and valuation principles

The accounting principles that are applied are in accordance with the Swedish Annual Accounts Act and the recommendations of Swedish Financial Accounting Standards Council (RR). These principles are unchanged from the previous year. The company has chosen to apply RR 11 concerning income, before the recommendation has come into effect, since the percentage of completion method has been applied in the consolidated accounts.

Consolidated accounts

The consolidated accounts are prepared in accordance with the recommendations of the Swedish Financial Accounting Standards Council (RR 1:96). The consolidated balance sheet is prepared in accordance with the acquisition method, which means that the acquisition value for shares in subsidiaries on the date of acquisition is eliminated against existing taxed equity, including the calculated share of equity in untaxed reserves. The current rate method is used for translating the accounts of foreign subsidiaries. This means that the assets and liabilities of foreign subsidiaries are translated at the closing day rate and all items in the income statement are translated at the year's average rate. Exchange rate differences are posted direct to consolidated equity. On different valuation of assets and liabilities at Group and company level the tax effect is taken into consideration which is reported as deferred tax receivable and deferred tax liability, respectively.

Income

Software

The Group's license income relates to server software and customised client software. Licence fees are recorded at Group level according to the percentage of completion method recommended by the Swedish Financial Accounting Standards Council (RR 11). Income that relates to an assignment or contract is entered into the accounts at a rate proportional to the degree of completion on the closing day. The degree of completion is calculated as the time spent up to the closing day in relation to the total estimated time for the assignment. Any loss risks are accounted for by individual valuation. In the legal entity the license fee is recorded when delivery has been completed according to the contract.

The Group's royalty income is based on the gaming result in the licensed Internet casinos. The gaming result is defined as opening balance plus deposits minus payments, credits, chargebacks and closing balance. The royalty income is recorded continuously.

Service & support

The Group's service income includes the operation, maintenance, support and administration services for licensees' accounts. The service income is recorded continuously.

Gold Club Casino

The Group's gaming income from Gold Club Casino is recorded continuously. Gaming income is defined in the accounts as opening balance plus deposits minus payments and closing balance.

Casino.com

The Group's income from Casino.com comes mainly from sales of advertisment space at the portal www.casino.com. The income is recorded continuously.

Software development costs

Costs for software development – primarily costs for new platforms, games and functions as well as improvements to graphics and animation – are entered as an expense as and when they incur.

Fixed assets

Intangible fixed assets consist of acquired rights with an estimated economic life in excess of three years and amortizated annually by a minimum 20 percent.

Tangible fixed assets consist mainly of equipment that is valued as the acquisition value reduced by depreciation according to plan. Depreciation is based on the acquisition value less an estimated residual value and allocated over the assets' anticipated economic life. The following depreciation percentages are applied:

Intangible fixed assets	
Internet domain name (casino.com)	20 %
Tangible fixed assets	
Computer equipment	30 %
Other equipment	20 %

Accounting and valuation principles

Work in progress

Commissions undertaken at a fixed price are recorded in the legal entity as work in progress and are valued at the lower of acquisition or actual value. Acquisition value includes accrued direct costs and an appropriate portion of indirect costs. Any loss risks are accounted for by individual valuation. In the consolidated accounts, the percentage of completion method is applied according to the Swedish Financial Accounting Standards Council's recommendation RR 11.

Accounts receivable

Accounts receivable are valued at the amounts at which they are expected to be paid.

Receivables and liabilities in foreign currencies

Receivables and liabilities in foreign currencies are translated at the closing day rate. Exchange rate differences on receivables and liabilities relating to operations are recorded in the operating profit, while other exchange rate differences are included in financial items.

Exchange rate differences in hedging currency flows through forward exchange agreements are recorded on a continuous basis.

Income taxes

The Group's tax expenses are recorded as tax to be paid on the year's taxable profits as well as changes in deferred tax. Tax is calculated according to current national tax regulations.

Provisions for deferred tax have been made according to the balance sheet method, for all of the temporary differences between the taxable value and the reported value of assets, provisions and liabilities. Temporary differences occur mainly in the individual Group companies' untaxed reserves and the effects of the percentage of completion method applied in the consolidated accounts. Actual tax rates have been used.

Cash flow statement

The cash flow statement has been prepared in accordance with the recommendations of the Swedish Financial Accounting Standards Council (RR 7), using the indirect method. The cash flow reported includes only transactions involving deposits and payments.

Notes

(Amounts are in SEK thousands unless otherwise stated.)

1

Net sales and operating profit/loss per business segment	2000	Share,%	1999	Share,%
Net sales per business segment				
Software	107,757	58.1	43,445	47.0
Service & support	22,370	12.1	11,213	12.1
Gold Club Casino	54,719	29.5	37,686	40.8
Casino.com	221	0.1	–	–
Other	451	0.2	121	0.1
Total	**185,518**	**100.0**	**92,465**	**100.0**
Operating profit/loss per business segment				
Software	58,651		18,389	
Service & support	–2,467		–6,287	
Gold Club Casino	17,105		13,378	
Casino.com	–4,409		–	
Other	993		899	
Total	**69,873**		**26,379**	

2

Purchase and sales between Group companies

Of the year's net sales in the parent company, 14.2 (21.2) percent are related to other companies within the Group. No intra-group purchases have been made.

3

Other operating income	The Group		Parent company	
	2000	1999	2000	1999
Exchange gains	1,012	1,511	1,008	1,511
Exchange losses	–898	–488	–898	–488
Other operating income and expenses	0	174	0	0
Total	**114**	**1,197**	**110**	**1,023**

Other operating income includes exchange rate differences relating to operating receivables and operating liabilities as above.

4

Remuneration to the Auditors	The Group		Parent company	
	2000	1999	2000	1999
Auditing				
PricewaterhouseCoopers	1,067	761	505	299
Assignments other than the audit				
PricewaterhouseCoopers	1,108	378	644	32
Total	**2,175**	**1,139**	**1,149**	**331**

The amount for auditor's fees includes fees for auditing all interim reports in 2000.

5

Personnel	2000		1999	
	Number of Employees	Of which male, %	Number of Employees	Of which male, %
Average number of employees				
Parent company				
Sweden	47	74	24	75
Subsidiaries				
Antigua & Barbuda	29	43	26	38
Total Group	**76**	**63**	**50**	**56**

	2000		1999	
	Salaries and remunerations	Social security expenses	Salaries and remunerations	Social security expenses
Salaries, other remuneration and social security expenses				
Parent company	16,299	7,683	8,201	3,868
(of which pension expenses)		(2,185)*		(1,110)*
Subsidiaries	5,879	1,593	5,396	727
(of which pension expenses)		(278)		(238)
Total Group	**22,178**	**9,276**	**13,597**	**4,595**
		(2,463)*		(1,348)*

* *Of the parent company's and Group's pension costs, SEK 247 (322) thousand relate to the Group's Board of Directors and President. The Group has no outstanding pension commitments to the current, or former, Board members or President.*

	2000		1999	
	The Board and President	Other employees	The Board and President	Other employees
Salaries and other remunerations distributed between the Board members, etc, and other employees				
Parent company				
Sweden	1,758	14,541	1,656	6,545
Subsidiaries				
Antigua & Barbuda	0	5,879	0	5,396
Total Group	**1,758**	**20,420**	**1,656**	**11,941**

Senior management's terms and remunerations etc

The Board's fee for 2000 amounted to SEK 450 (250) thousand, of which the Chairman received SEK 150 (100) thousand and the other members SEK 100 (50) thousand. No agreements concerning future pensions, severance pay or other benefits exist for the Chairman or the other Board members.

In 2000 the President received SEK 1,308 (853) thousand in salary, fees and other remunerations. The President has retirement benefits equivalent to the Swedish ITP plan. Other senior management have pension plans in line with Swedish ITP plan.

The period of notice for the President is twelve months if the notice is from the company's side and six months from the President's side. Other senior management's period of notice is according to labour market agreements.

6 Interest income and similar profit/loss items

	The Group		Parent company	
	2000	1999	2000	1999
Interest income from current assets	3,924	1,155	3,237	1,051
Exchange rate differences	888	-497	875	136
Total	**4,812**	**658**	**4,112**	**1,187**

7 Interest expense and similar profit/loss items

	The Group		Parent company	
	2000	1999	2000	1999
Interest expense	8	547	8	532
Exchange rate differences	0	3	0	0
Total	**8**	**550**	**8**	**532**

8 Appropriations

	Parent company	
	2000	1999
Difference between book depreciation and depreciation according to plan	–984	–42
Transfer to tax allocation reserve	–12,055	–101
Cancellation of foreign exchange reserve	–	188
Total	**–13,039**	**45**

9 Tax on profit for the year

	The Group		Parent company	
	2000	1999	2000	1999
Income tax paid	13,628	148	13,501	113
Income tax deferred	7,349	38	–	–
Total	**20,977**	**186**	**13,501**	**113**

10 Intangible fixed assets

	The Group	
	2000	1999
Internet domain name		
Acquisition value brought forward	322	304
Purchases	0	0
Exchange rate differences	39	18
Accumulated acquisition values carried forward	**361**	**322**
Depreciation brought forward	–135	–66
Depreciation for the year	–72	–63
Exchange rate differences	–16	–6
Accumulated depreciation carried forward	**–223**	**–135**
Planned residual value carried forward	**138**	**187**

11 Tangible fixed assets

	The Group		Parent company	
	2000	1999	2000	1999
Equipment				
Acquisition value brought forward	16,611	6,655	5,597	4,157
Purchases	26,627	9,813	8,840	1,440
Sales/disposals	–15	0	–15	0
Exchange rate differences	1,318	143	–	–
Accumulated acquisition values carried forward	**44,541**	**16,611**	**14,422**	**5,597**
Depreciation brought forward	–4,366	–1,791	–2,474	–1,195
Sales/disposals	8	0	8	0
Depreciation for the year	–7,426	–2,507	–2,581	–1,279
Exchange rate differences	–420	–68	–	–
Accumulated depreciation carried forward	**–12,204**	**–4,366**	**–5,047**	**–2,474**
Planned residual value carried forward	**32,337**	**12,245**	**9,375**	**3,123**

12 Financial fixed assets

	The Group		Parent company	
	2000	1999	2000	1999
Other long-term receivables				
Acquisition value brought forward	639	2 136	200	77
Increase in receivables	668	218	200	200
Decrease in receivables	–244	–30	–244	–17
Reclassifications	0	–1,685	0	–60
Book value carried forward	**1,063**	**639**	**156**	**200**

13 Specification of shares in Group companies

	Corporate id. number	Reg. office	Share of capital, %	Number of shares	Book value
Boss Media Investment AB	556557-4059	Växjö	100	1,000	100
Boss Casinos Ltd.	–	Antigua & Barbuda	100	10,000	77
Webdollar Ltd.	–	Antigua & Barbuda	100	1,000	8
Boss Media N.V. (dormant)	–	Curaçao	100	6,000	67
Boss Gibraltar Ltd. (dormant)	–	Gibraltar	100	2,000	23
Webdollar LLC (dormant)	–	Nevada	100	1	0
Total					**275**

14 Prepaid expenses and accrued income

	The Group		Parent company	
	2000	1999	2000	1999
Accrued license sales income	15,190	2,820	–	–
Accrued royalty income	5,838	3,135	7,294	4,322
Accrued service income	2,278	895	–	–
Other items	7,670	3,428	4,631	1,391
Total	**30,976**	**10,278**	**11,925**	**5,713**

15 Shareholders' equity

	Share capital	Restricted reserves	Profit/loss brought forward	Profit for the year	Total
The Group					
Amount at start of year	1,068	84,393	–15,356	26,301	96,406
New share issue	15	6,667			6,682
Appropriation of profits			18,301	–26,301	–8,000
Exchange rate differences		724	176		900
Transfers between restricted and non-restricted equity		17,190	–17,190		0
Profit for the year				53,700	53,700
Amount at year-end	**1,083**	**108,974**	**–14,069**	**53,700**	**149,688**

Exchange rate differences related to the foreign subsidiaries is included in the Group's restricted reserves at SEK 724 (–195 in the Group's loss brought forward) thousand.

	Share capital	Share premium reserve	Statutory reserve	Profit/loss brought forward	Profit for the year	Total
Parent company						
Amount at start of year	1,068	81,619	2	–7,049	17,216	92,856
New share issue	15	6,667				6,682
Repayment of conditional shareholders' contribution				–8,000		– 8,000
Appropriation of profits				17,216	–17,216	0
Profit for the year					21,289	21,289
Amount at year-end	**1,083**	**88,286**	**2**	**2,167**	**21,289**	**112,827**

The number of shares in the parent company amounts to 54,147,000 at a nominal value of SEK 0.02.

16 Untaxed reserves

	Parent company	
	2000	1999
Tax allocation reserve	12,156	101
Accumulated difference between book depreciation and depreciation according to plan	1,026	42
Total	**13,182**	**143**

17 Provisions

	The Group	
	2000	1999
Deferred tax liabilities concerning untaxed reserves	3,691	40
Deferred tax liabilities concerning percentage of completion method	3,976	756
Deferred tax liabilities/receivables concerning other taxable/deductible temporary differences	–227	–705
Total	**7,440**	**91**

18 Non interest-bearing liabilities

All non interest-bearing liabilities maturing within one year from the closing day.

19 Advance payments from customers

	Parent company	
	2000	1999
Advance payments from customers	8,763	2,109
Work in progress	–990	–120
Total	**7,773**	**1,989**

20 Accrued expenses and deferred income

	The Group		Parent company	
	2000	1999	2000	1999
Accrued personnel-related expenses	5,585	2,440	5,084	2,351
Other items	3,454	2,061	1,042	754
Total	**9,039**	**4,501**	**6,126**	**3,105**

21 Pledged assets

Pledged assets refer to security for signed but not matured forward exchange agreements.

22 Contingent liabilities

	The Group		Parent company	
	2000	1999	2000	1999
Conditional shareholders' contribution	0	8,000	0	8,000
Total	**0**	**8,000**	**0**	**8,000**

23 Acquisition of tangible assets

	The Group		Parent company	
	2000	1999	2000	1999
Acquisitions capitalized in the balance sheet	25,954	9,588	8,840	1,440
Not paid acquisitions	–2,825	–413	–318	–413
Paid acquisitions from the previous year	413	110	413	110
Total	**23,542**	**9,285**	**8,935**	**1,137**

24 Exchange rate differences in liquid funds

	The Group		Parent company	
	2000	1999	2000	1999
Exchange rate differences in liquid funds brought forward	1,843	297	505	4
Exchange rate differences in change in liquid funds	1,464	294	370	132
Total	**3,307**	**591**	**875**	**136**

Växjö, March 9, 2001

Björn Nordstrand
Chairman

Thore Ohlsson

Per Thunander

Jan Westholm

Joel Wikell

Johan Sigvardsson
President

Our audit report was submitted on March 9, 2001

Jan-Inge Andersson
Authorised Public Accountant
PricewaterhouseCoopers

Lars Helgesen
Authorised Public Accountant
PricewaterhouseCoopers

Audit Report

To the general meeting of the shareholders of Boss Media AB (publ)
Corporate identity number 556400-0353

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the board of directors and the managing director of Boss Media AB for the year 2000. These accounts and the administration of the company are the responsibility of the board of directors and the managing director. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the board of directors and the managing director, as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis of our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any board member or the managing director. We also examined whether any board member or the managing director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts and the consolidated accounts have been prepared in accordance with the Annual Accounts Act, and, thereby give a true and fair view of the company's and the group's financial position and results of operations in accordance with generally accepted accounting principles in Sweden.

We recommend to the general meeting of shareholders that the income statement and balance sheet of the parent company and the group be adopted, that the profit of the parent company be dealt with in accordance with the proposal in the administration report and that the members of the board of directors and the managing director be discharged from liability for the financial year.

Växjö, March 9, 2001

Jan-Inge Andersson
Authorised Public Accountant
PricewaterhouseCoopers

Lars Helgesen
Authorised Public Accountant
PricewaterhouseCoopers

Four-year summary

Income statement SEK million	2000	1999	1998	1997
Operating income	185.6	93.7	54.7	3.9
Operating expenses	–108.2	–64.7	–60.9	–14.7
Depreciations	–7.5	–2.6	–1.4	–0.4
Financial items	4.8	0.1	–1.4	–0.2
Profit/loss after financial items	**74.7**	**26.5**	**–9.0**	**–11.4**
Taxes	–21.0	–0.2	–0.1	0
Profit/loss for the year	**53.7**	**26.3**	**–9.1**	**–11.4**

Balance sheets SEK million	2000	1999	1998	1997
Fixed assets	33.5	13.1	7.2	4.3
Other current assets	64.0	31.9	15.6	2.6
Liquid funds	130.4	84.3	5.8	4.5
Total assets	**227.9**	**129.3**	**28.6**	**11.4**
Equity	149.7	96.4	0.8	1.2
Provisions	7.4	0.1	0	0
Interest-bearing liabilities	0	0	8.6	6.3
Non interest-bearing liabilities	70.8	32.8	19.2	3.9
Total equity and liabilities	**227.9**	**129.3**	**28.6**	**11.4**

Cash flow statements SEK million	2000	1999	1998	1997
Cash flow from operating activities	68.0	24.9	–5.6	–8.2
Cash flow from investment activities	–24.0	–7.7	–4.2	–4.7
Cash flow from financial activities	–1.3	60.8	11.0	17.1
Cash flow for the year	**42.7**	**78.0**	**1.2**	**4.2**

Key ratios	2000	1999	1998	1997
Operating margin, %	37.6	28.5	Neg	Neg
Profit margin, %	40.3	28.6	Neg	Neg
Return on shareholders' equity, %	43.4	51.1	Neg	Neg
Return on capital employment, %	60.4	48.7	Neg	Neg
Equity ratio, %	65.7	74.5	2.9	10.3
Number of employees at year-end	103	56	48	18

Definitions key ratios

Operating margin	Operating profit/loss as a percentage of net sales
Profit margin	Profit/loss after financial items as a percentage of net sales
Return on shareholders' equity	Net profit/loss as a percentage of average shareholders' equity
Return on capital employed	Profit/loss after financial items plus financial expenses as a percentage of average balance sheet total less non interest-bearing liabilities
Equity ratio	Shareholders' equity as a percentage of balance sheet total

Boss Media share data

Boss Media's shares have been quoted on the OM Stockholm Exchange's O-list since June 24, 1999.

Share capital

Boss Media's share capital amounted to SEK 1,082,940 at the end of 2000 represented by 54,147,000 shares at a nominal value of SEK 0.02. After full dilution, corresponding to the expected excercising of 2,786,400 outstanding warrants, the number of shares totals 58,079,000. All shares give the holders equal rights to the company's assets and profits. At a General Meeting each person with voting rights may vote with all by him or her represented shares without limitation in voting rights.

Price trends and trading

From the introduction on June 24, 1999, until the end of 2000, the price of the Boss Media share rose by 599 percent. During 2000 the price rose by 18 percent. The highest price was SEK 104.40 on March 10, while the lowest was SEK 40.00 on December 20. The last price paid for the year was SEK 54.50 (46.00), corresponding to a market value of SEK 2,951 (2,456) million.

A total of 69,485,330 Boss Media shares were traded in 2000, corresponding to a turnover of 276,834 (680,520) shares per market day. The turnover rate was 128 (349) percent during 2000 compared with 102 (72) percent for the O-list, or 108 (94) percent for the OM Stockholm Exchange.

Since December 8, 1999 the OM Stockholm Exchange has been quoting warrants for Boss Media's shares.

Since August 23, 2000 the OM Stockholm Exchange has also been quoting derivatives relating to Boss Media's shares.

Incentive programme

Boss Media has issued two subordinated debentures with detachable warrants for the Group's employees. The first subordinated debenture, with 465,800 detachable warrants, was issued in 1998. Each warrant entitles the holder to subscribe for five new shares, at a price of SEK 8.6 per share during the period from July 1, 1998 to June 30, 2001. At year-end 179,400 warrants were converted into shares.

The other subordinated debenture, with 2,500,000 detachable warrants, was issued in 2000. Each warrant entitles the holder to subscribe for one new share in Boss Media at a price of SEK 160 during the period from January 1, 2002 to December 30, 2002.

Dividend policy

The board intends to pursue a dividend policy which reflects the company's long-term performance and capital requirements. The dividend shall be set at a level which makes Boss Media shares an attractive investment alternative on the capital market.

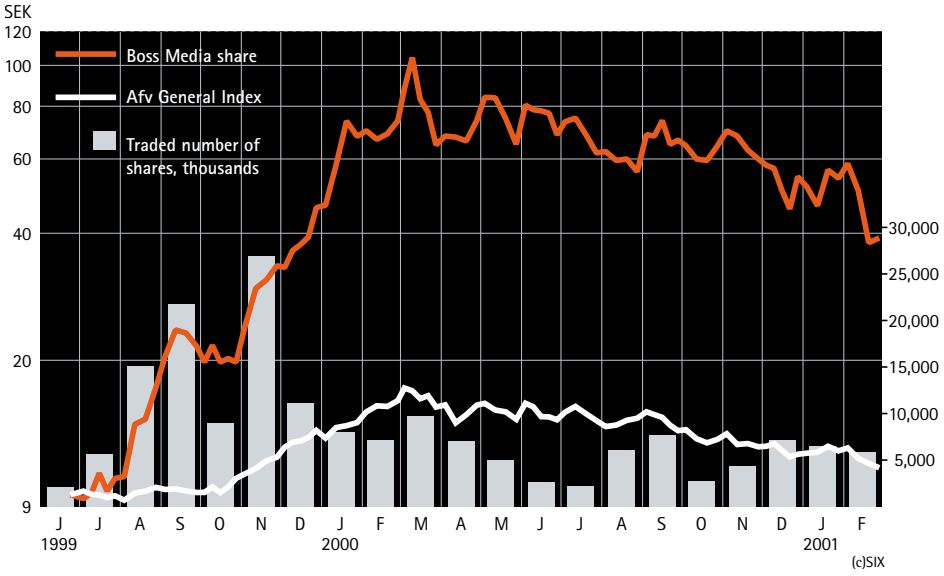
The board considers that dividends over the long-term will amount to 30–50 percent of the Group's profit after tax.

For the financial year 2000 , the Board proposes a dividend of SEK 0.40 (0) per share, which corresponds to 41 percent of the net profit for the year, or SEK 22.2 million.

Ownership structure

At year-end 2000 Boss Media had 14,630 shareholders. The number of Swedish institutional investors was 936 (328). The ten largest shareholders controlled 50.6 (56.1) percent of the share capital. Swedish institutional owners represented 37.6 (33.4) percent and Swedish private investors 40.2 (45.3) percent of the share capital. Foreign ownership at year-end was 22.2 (21.3) percent of the share capital.

Price trend of the Boss Media share



Share data*	2000	1999	1998
Earnings per share, full tax, SEK			
Before full dilution	0.99	0.49	Neg
After full dilution	0.92	0.47	Neg
Equity per share, SEK	2.58	1.73	0.10
Share price at year end, SEK	54.5	46.0	–
P/E ratio, times**	59	97	–
Share price/shareholders' equity per share, times	21	27	–
Dividend, SEK	0.4	0	–
Yield, %***	0.7	–	–
Dividend/earnings, %****	43	–	–
Share price change during the year, %	18	490	–
Turnover rate, %	128	349	–
Number of shares traded per market day, thousands	277	681	–
Number of shares at year-end, thousands	54,147	53,390	42,225
Number of shares after full dilution at year-end, thousands	58,079	55,579	44,250

** Adjusted for new share issue and split.*
*** Share price (latest paid) at year-end divided by earnings per share after full dilution.*
**** Dividend per share divided by share price (latest paid) at year-end.*
***** Dividend per share divided by earnings per share after full dilution.*

Boss Media share data

Warrants Issuer	Designation	Duration	Expiration	Share/option	Exercise price, SEK
Warburg Dillon Read	BOS1 F50	99–06/01	15/06/01	0.20	50
Warburg Dillon Read	BOS1 F80	99–06/01	15/06/01	0.20	80
Société Générale Acceptance NV	BOS1 I90	00–09/01	07/09/01	0.05	90
Föreningssparbanken	BOS1 90	00–11/01	09/11/01	0.02	90
Société Générale Acceptance NV	BOS1 K100	00–11/01	16/11/01	0.05	100
Société Générale Acceptance NV	BOS1 K120	00–11/01	16/11/01	0.05	120
Warburg Dillon Read	BOS 1 X80	00–12/01	14/12/01	0.10	80
Warburg Dillon Read	BOS1 L140	00–12/01	14/12/01	0.10	140
Warburg Dillon Read	BOS1 L200	00–12/01	14/12/01	0.10	200
Handelsbanken	BOS2 C60	00–03/02	15/03/02	0.10	60
Handelsbanken	BOS2 C80	00–03/02	15/03/02	0.10	80
Handelsbanken	BOS2 C120	00–03/02	15/03/02	0.10	120

Shareholder statistics December 29, 2000* Size	Number of shareholders	Share of all shareholders, %	Number of shares	Share of capital and votes, %
1 - 100	4,703	32.1	297,479	0.5
101 - 500	5,337	36.5	1,695,730	3.1
501 - 1,000	2,196	15.0	2,003,988	3.7
1,001 - 5,000	1,868	12.8	4,868,798	9.0
5,001 - 10,000	249	1.7	1,958,154	3.6
10,001 - 50,000	186	1.3	4,430,949	8.2
50,001 - 100,000	42	0.3	3,122,478	5.8
100,001 -	49	0.3	35,769,424	66.1
Total	**14,630**	**100.0**	**54,147,000**	**100.0**

* *Source: VPC AB. Direct and nominee-registered.*

Shareholder distribution* Country	Share of capital and votes, %
Sweden	77.8
United Kingdom	11.6
Germany	2.8
Luxemburg	2.1
Liechtenstein	1.1
Switzerland	1.0
USA	0.6
France	0.5
Belgium	0.4
Other	2.1
Total	**100.0**

* *Source: VPC AB. Direct and nominee-registered.*

Ownership categories* Owners	Share of capital and votes, %
Swedish private persons	43.3
Swedish institutions	37.6
Non-swedish shareholders	19.1
Total	**100.0**

* *Source: VPC AB. Direct and nominee-registered. The VPC statistics which forms the basis for the table are based on corporate identity number and personal identity number which means that a Swedish personal identity number leads to registration as a Swedish individual although the individual in question may be domiciled abroad.*

The 10 largest shareholders December 29, 2000* Owners	Number of shares	Share of capital and votes, %
Medströms AB, Sweden	10,558,800	19.5
Joel Wikell, Sweden	9,392,850	17.3
CMBLSA RE Omnibus Account, UK	2,049,261	3.8
UBS Switzerland Stockholm Bank branch office, Sweden	1,397,822	2.6
Robert Fleming & Co Ltd, UK	1,153,251	2.1
Handelsbankens Småbolagsfond, Sweden	667,400	1.2
Merrill Lynch International, UK	587,700	1.1
Sven Wik, Germany	540,000	1.0
Chase Manhattan Bank, UK	535,602	1.0
Liechtensteinische Landesbank, Liechtenstein	530,000	1.0
Other	26,734,314	49.4
Total	**54,147,000**	**100.0**

* *Source: VPC AB. Direct and nominee-registered.*

Changes in share capital* Year	Transaction	Change in number of shares	Issue price, SEK	Total number of shares	Share capital, SEK
1990	Company formed	–	0.10	500,000	50,000
1991	New share issue	2,000,000	0.10	2,500,000	250,000
1997	New share issue	4,643,000	0.75	7,143,000	714,300
1997	New share issue	600,000	8.00	7,743,000	774,300
1997	Convertible subordinated loan	627,000	6.38	8,370,000	837,000
1998	Warrants	75,000	10.00	8,445,000	844,500
1999	Warrants	20,000	10.00	8,465,000	846,500
1999	New share issue	1,800,000	39.00	10,265,000	1,026,500
1999	Warrants	385,000	10.00	10,650,000	1,065,000
1999	Warrants	28,000	43.00	10,678,000	1,067,800
2000	Warrants	66,000	43.00	10,744,000	1,074,400
2000	Split 5:1	42,976,000	–	53,720,000	1,074,400
2000	Warrants	427,000	8.60	54,147,000	1,082,940
2001	*Warrants*	*1,432,000*	*8.60*	*55,579,000*	*1,111,580*
2002	*Warrants*	*2,500,000*	*160.00*	*58,079,000*	*1,161,580*

* *Adjusted for split 1000:1 1998.*

Board of Directors and Auditors

Björn Nordstrand

Born 1942. Chairman of the Board. Board Member since 1998. Director. Other Board positions: Chairman of the Board of Icon Medialab, Hotel Tylösand, Univits International and others. Board member of Duni, SSRS Holding and others. Holdings in Boss Media: 500,000 shares.*

Per Thunander

Born 1952. Board Member since 1998. Investment manager at Servisen Investment Management. Other Board positions: Chairman of the Board of Target Investment, Texcel International, GoKickit, Derigo Media and others. Board member of Megaxess, Pendax Holding, PCTVnet, Prospero, Sörman Information and others. Holdings in Boss Media: 50,000 warrants (2000).*

Thore Ohlsson

Born 1943. Board Member since 1999. Director. Other Board positions: Chairman of the Board of Bastec and Quest Technology Ventures AB. Board member of Luvit, Proventus, Puma AG, SSRS Holding, Tretorn and Trianon. Holdings in Boss Media: 20,000 warrants (1998).*

Jan Westholm

Born 1946. Board Member since 1997. Controller at Medströms AB. Other Board positions: Board member of Bröderna Lindströms Förlag, Guidenförlaget, Medströms and others. Holdings in Boss Media: 7,000 shares and 50,000 warrants (2000).*

Joel Wikell

Born 1965. Member since 1990. Other Board positions: None. Holdings in Boss Media: 9,642,850 shares.*

Auditors

Jan-Inge Andersson

Born 1954. Authorised Public Accountant, PricewaterhouseCoopers. Auditor of the company since 1997.

Lars Helgesen

Born 1950. Authorised Public Accountant, PricewaterhouseCoopers. Auditor of the company since 1999.

Deputy auditors

Carl-Eric Bohlin

Born 1946. Authorised Public Accountant, PricewaterhouseCoopers. Deputy auditor of the company since 1999.

Ulf Carlström

Born 1966. Authorised Public Accountant, PricewaterhouseCoopers. Deputy auditor of the company since 1999.

* *Holdings in Boss Media comprise direct ownership, ownership via related parties and via companies at February 28, 2001. The warrants (1998) expire on June 30, 2001 and entitles the holder to subscribe for five new Boss Media shares at an exercise price of SEK 8.60 per share. The warrants (2000) expire on December 30, 2002 and entitles the holder to subscribe for one new Boss Media share at an exercise price of SEK 160 per share.*

Senior Management

Johan Sigvardsson

Born 1967. President and CEO . Employed: 1997. Holdings in Boss Media: 150,000 shares, 54,000 warrants (1998) and 100,000 warrants (2000).*

Jonas Lundegård

Born 1967. Production/IT Manager. Employed: 2000. Holdings in Boss Media: 50,000 warrants (2000).*

Peter Bengtsson

Born 1969. Product development Manager. Employed: 1997. Holdings in Boss Media: 10,000 warrants (1998) and 10,000 warrants (2000).*

Markus Holm

Born 1969. Financial Manager. Employed: 1998. Holdings in Boss Media: 8,000 warrants (1998) and 50,000 warrants (2000).*

Ulrika Persson

Born 1975. IR Manager. Employed: 1998. Holdings in Boss Media: 3,000 shares, 4,000 warrants (1998) and 10,000 warrants (2000).*

Patrick Ekelius

Born 1969. Manager of Casino.com. Employed: 2000. Holdings in Boss Media: 50,000 warrants (2000).*

Patrik Jonsson

Born 1967. Manager of Webdollar. Employed: 1998. Holdings in Boss Media: 4,000 warrants (1998) and 10,000 warrants (2000).*

Joel Wikell

Born 1965. Executive Vice President and Marketing Manager. Employed: 1997. Holdings in Boss Media: 9,642,850 shares.*

Annual General Meeting

The Annual General Meeting for Boss Media AB (publ) will take place at 2 p.m. on May 7, 2001, at the Palladium Cinema, Storgatan 12 in Växjö. Registration for the meeting will begin at 1.30 p.m.

Eligibility for participation in the Annual General Meeting

Shareholders wishing to participate in the Annual General Meeting must:

- *be entered in the shareholders' register published by the Swedish Securities Register Centre (VPC AB) on Friday, April 27, 2001, and*
- *notify the company of their intention to attend no later than 4 p.m. on Thursday, May 3, 2001.*

Nominee-registered shares

Shareholders whose shares are nominee-registered, in order to be eligible for participation in the Annual General Meeting, must also request to be temporarily entered in to the shareholders' register kept by VPC. Shareholders must notify the nominees of this well in advance of Friday, April 27, 2001.

Notification

Shareholders' may notify the company about their participation:

- by calling telephone +46 470 70 30 00
- by sending a fax to +46 470 70 30 50
- by e-mail to ulrika.persson@bossmedia.se
- by writing to Boss Media AB at P.O. Box 3243, 350 53 Växjö, Sweden.

When applying please state name, personal or corporate identity number, address, telephone number and share holdings.

Dividend

For 2000, the Board of Directors proposes a dividend of SEK 0.40 (0) per share. Thursday, May 10, is proposed as the record date. Provided that the Annual General Meeting adopt the Board's proposal, it is expected that the dividend will be remitted on Tuesday, May 15, 2001.

Financial information

The company will provide financial information for 2001 according to the following schedule:

Interim Report January–March ..... May 7, 2001
Interim Report January–June ..... August 17, 2001
Interim Report January–September ..... November 7, 2001
Year-end Report ..... February 12, 2002
Annual Report 2001 ..... March 2002

All financial information can be ordered from:

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E-mail: info@bossmedia.se

All financial reports and press releases are also available on the company's website: http://www.bossmedia.se

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