



Half Yearly Report

1 January – 30 June 2001

Strong and profitable growth

- CityMail International (the core operation) increased turnover during the first half of 2001 to SEK 80.2 million (23.3). The increase was 244% compared with the first half of 2000.
- CityMail International's profit before financial items for the first half of 2001 amounted to SEK 6.7 million (1.3).
- CityMail Group's profit for the first half of 2001, after financial items but before items affecting comparability, amounted to SEK 5.5 million (-5.6*).
- The results after items affecting comparability (write down of Real Logistics and flytta.nu) amounted to SEK -9,5 million (53,8).

Strengthened cash reserves

- After the sale of promissory notes, which were received as part payment in conjunction with the sale of the CityMail Sweden business area in July 2000, the cash reserves will be strengthened with approx. SEK 42 million.

Contribution of financial funds to Real Logistics is stopped

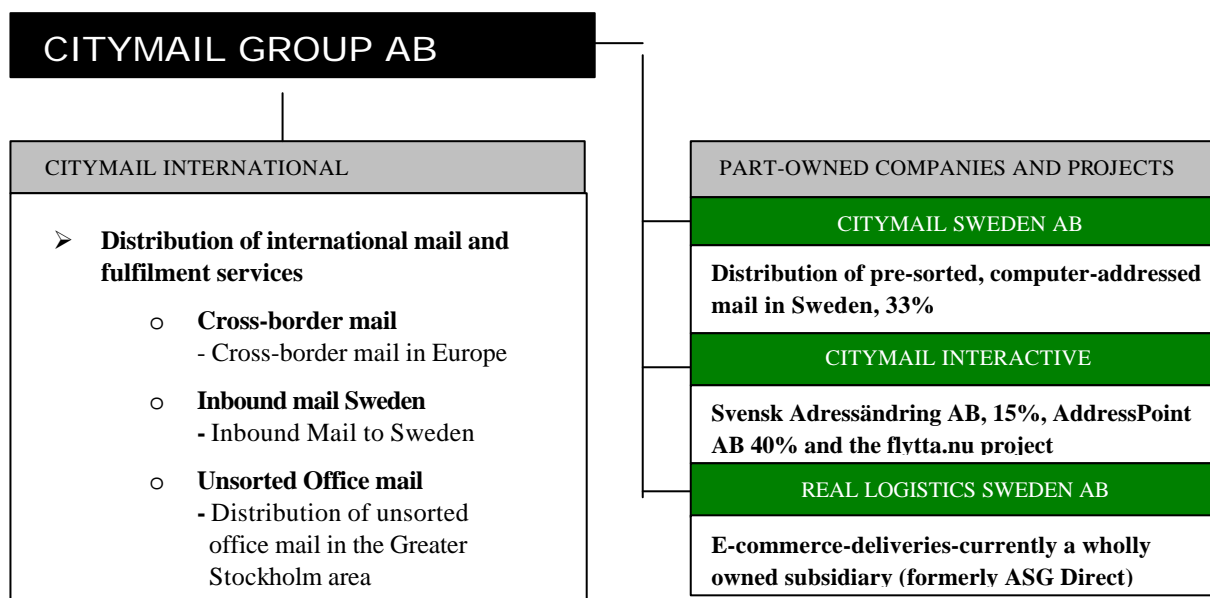
- Volume forecasts for Real Logistics have not been met.
- The entire investment in Real Logistics, SEK 11.0 million, has been written down.
- The Board of Directors resolved today not to contribute any additional financial funds.

* A pro forma profit and loss account for 2000 has been prepared as if the sale of the Swedish distribution operations was carried out on 1 January 2000.

CityMail Group consists of the wholly owned business, CityMail International, as well as a number of part-owned companies and projects. CityMail International, which was started in 1998, constitutes CityMail Group's core business. The business of the jointly owned operations, within interactive address services and logistics, constitutes a supplement to the core operation.

CityMail International focuses its operation on coordinating, integrating, and optimising international postal flows, primarily within the customers' administrative customer communications (invoices, account statements, etc).

During 2000, CityMail Group underwent a fundamental restructuring. The former core operation, the Swedish distribution operations, were sold to a new company, CityMail Sweden AB. Consignia (formerly Post Office) owns 67 percent of this company and CityMail Group owns 33 percent.



CityMail Groups Strategy

- To focus on a substantial and profitable growth of CityMail International.
- To gradually increase the range of services and geographical presence in Europe based upon CityMail International's current business operations.
- To realise growth with a variable cost basis in cooperation with strong partners.

Core Business - CityMail International

Revenues for CityMail International: CityMail International has enjoyed continued rapid growth. Turnover for the first half of 2001 was SEK 80.2 million (23.3), an increase of 244 percent compared with the corresponding period last year. Turnover for the second quarter of 2001 was SEK 44.6 million, an increase of 25% compared with the first quarter of 2001.

The increase in turnover is primarily attributable to cross-border mail. On 24 April, the distribution of inbound priority mail¹ from Consignia (formerly Post Office) was commenced.

¹ Priority mail, foreign mail to be delivered within three days.

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The order will be implemented in stages and has contributed to only a small part of the increase in revenues during the period.

Operating Expenses for CityMail International: CityMail International's expenses increases mainly in line with revenues. Distribution of cross-border mail takes place through a cooperation with our partner, G3. This Company is a joint venture between TPG (the Dutch post office), Consignia and Singapore Post, which was established in June 2001. Margins for cross-border mail vary between different countries, a fact which may affect the result for individual periods. Distributions services for in-bound mail are handled by our partner, CityMail Sweden AB.

Operating profit for the first half of 2001 amounted to SEK 6.7 million, equivalent to an operating margin of 8.4 percent. During the second quarter of 2001, operating profit was SEK 3.8 million, equivalent to an operating margin of 8.5 percent.

Profit and loss account 2000/2001 CityMail International

SEK Million	Quarter 1		Quarter 2		Half Year	
	2001	2000	2001	2000	2001	2000
Net turnover	35.6	9.4	44.6	13.9	80.2	23.3
Operating expenses before depreciation	-32.7	-8.9	-40.7	-13.0	-73.4	-21.9
Depreciation	0	0	-0.1	-0.1	-0.1	-0.1
Operating profit	2.9	0.5	3.8	0.8	6.7	1.3

Anticipated Developments

CityMail International anticipates a continued strong growth in volume within both cross-border and inbound mail and retains the target of a turnover of SEK 400-500 million in 2003-2004. Trends during the first six months of the year have strengthened confidence in these targets. CityMail International will achieve its targets by establishing connections with a few major customers. Sales and the implementation of orders to these customers take a relatively long period of time and, accordingly, turnover will increase at irregular intervals. The target is that, in the long-term, CityMail International will have an operation margin of not less than 10 percent.

In January, a Letter of Intent concerning a strategic cooperation was signed with TNT International Mail (formerly part of TPG, currently a part of G3). The formation of G3 has entailed a protracted procedure for approval from the European Commission, which has delayed the work of transforming the Letter of Intent into a completed agreement. Cooperation has already commenced within the cross-border operations in which CityMail International distributes via G3. Since the beginning of July, CityMail International constitutes G3's hub in Sweden. Work is continuing regarding the establishment of forms of cooperation within the areas of inbound mail and TNT's outgoing mail from Sweden, and this is expected to be completed during the third or fourth quarter of this year.

Part owned companies and projects

CityMail Sweden AB

The Company operates within the distribution of pre-sorted, computer-addressed mail within Sweden and is owned by CityMail Group (33 percent) and Consignia (67 percent). Consignia holds an option to purchase CityMail Group's outstanding 33 percent holding between 2004-2006. Due to CityMail International's purchase of distribution services from CityMail Sweden for both inbound mail and unsorted office mail, CityMail International is expected to become one of CityMail Sweden's largest customers.

Svensk Adressändring AB

CityMail Group owns 15 percent of Svensk Adressändring, with the remainder being owned by Sweden Post. The company is notified of, and provides quality assurance in respect of, changes of address and requests for forwarding of mail.

AddressPoint AB

CityMail Group owns 40 percent of AddressPoint with the remainder being owned by Sweden Post. The company delivers a service whereby companies and private persons are able to simply notify their new address to companies and organisations with which they have relations. The company's services, which were launched in May 2001 on www.addresspoint.se, have been well received by both customer companies and consumers.

The flytta.nu project

The purpose of the flytta.nu project is to establish a website aimed at private persons who will be moving or have moved, as well as companies which wish to offer their services to this target group. Negotiations with potential cooperation partners, which have been ongoing since the autumn of 2000, have been delayed due to the prevailing market situation for Internet-related services.

Discussions have continued but, in light of this development and on grounds of prudence, CityMail's Board of Directors has decided to write down the investments made in the project. The write down amounts to SEK 4.0 million and affects the results of the second quarter. No additional expenses for the project are expected to be incurred.

Real Logistics Sweden AB

Real Logistics (formerly ASG Direct) has specialised in offering distribution and logistic solutions to e-commerce companies and other distance trading companies. The company started as a joint venture with ASG in 1998. At the end of 1999, ASG was acquired by Deutsche Post. Since Real Logistics did not fit in with Deutsche Post's strategy for ASG, continued joint ownership became impossible. Thus, in October 2000 CityMail Group became temporary owner of 100 percent of the company. It has not been CityMail Group's intention to run the company itself. Negotiations have been taking place with potential new owners since October 2000.

Under CityMail's management, Real Logistics has undergone an extensive rationalisation programme. The company's overhead expenses have been reduced by 44% and all distribution in the Stockholm area has been outsourced to a number of suppliers, which has further significantly decreased fixed costs. Pricing has been adjusted such that the average price level has increased by 42%. If the customers' sales forecasts had been met, Real Logistics would have been able, with the measures carried out, to achieve a positive cash flow and result.

Unfortunately the customers' volume forecasts have repeatedly not been met and, accordingly, the operation has not reported a positive cash flow. The poor sales trends have also made it significantly more

difficult to attract new shareholders. Real Logistics' turnover for the first half of the year amounted to SEK 4.9 million (2.7). The operating loss for the first half of 2001 was SEK –7.3 million (-9.9).

In light of the above, the Board of Directors of CityMail Group has decided to write down the year's investments in, and current receivables from, Real Logistics. The write down amounts to SEK 11.0 million and affects the result for the second quarter. Discussions have been held with interested parties and they have been invited to take over the operation subject to advantageous terms and conditions.

At today's Board meeting, the Board of Directors of CityMail Group resolved not to contribute any additional financial funds to Real Logistics Sweden AB.

CityMail Group's Results

CityMail Group incurs expenses for management and business development that are not borne by CityMail International. During the first half of the year, such expenses amounted to SEK 5.2 million (6.7) and, for the second quarter, to SEK 2.9 million (3.3). Apart from corporate management and administration, these expenses consist of expenses required to fully utilise the great growth potential that has occurred mainly due to the companies' rapid internationalisation and need for cost rationalisation.

Profit for the first half of the year, before financial items and items affecting comparability, was SEK 1.5 million, compared with SEK –5.4 million (pro forma) for the corresponding period last year and, for the second quarter, SEK 0.9 million compared with SEK –2.5 million (pro forma).

Profit and loss account 2000/2001 CityMail Group

SEK Million	Quarter 1		Quarter 2		Half Year	
	2001	2000*	2001	2000*	2001	2000*
Net turnover, CMI	35.6	9.4	44.6	13.9	80.2	23.3
Operating expenses, CMI	-32.7	-8.9	-40.8	-13.1	-73.5	-22.0
Operating profit, CMI	2.9	0.5	3.8	0.8	6.7	1.3
Operating expenses, Group	-2.3	-3.4	-2.9	-3.3	-5.2	-6.7
Operating profit before items affecting comparability and financial income/expenses	0.6	-2.9	0.9	-2.5	1.5	-5.4

*The pro forma profit and loss account for 2000 was prepared as if the sale of the Swedish distribution operations was carried out on 1 January 2000.

Profit after items affecting comparability and financial items amounted, for the first half of the year, to SEK –9.5 million (53,8). Items affecting comparability during the first half of the year amounted to SEK –15.0 million (86.9). These items consist of the write down of investments in, and current receivables from, Real Logistics Sweden AB totalling SEK 11.0 million, as well as write down of the flytta.nu project in the amount of SEK 4.0 million.

Last year, items affecting comparability related to the sale of the CityMail Sweden business area, SEK 93.5 million, and fine-tuning expenses for the new distribution system, SEK –6.6 million.

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

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

During the first half of the year, net financial items amounted to SEK 4.0 million, compared with SEK –0.2 million during the corresponding period last year. The improvement is mainly due to an increase in the dividend received from Svensk Adressändring of SEK 1.8 million (1.4), exchange rate translation effects on a claim against the Post Office in the amount of 2.2 million, as well as lower interest expenses of SEK –0.1 million (-1.7). Net financial items amounted to SEK 0.1 million during the second quarter compared with SEK –0.8 million during the corresponding period last year. The improvement is mainly due to the exchange rate translation effects on the claim against the Post Office in the amount of SEK 0.7 million, as well as lower interest expenses in the amount of SEK 0.0 million (-0.9).

Financial Position

The company's liquid assets, including non-utilised credit facilities, amounted on 30 June 2001 to SEK 12.5 million (37.3).

Claims in the amount of SEK 42.4 (GBP 3 million) against the Post Office in the form of promissory notes are now reported as financial current assets since CityMail Group has executed an agreement with a financial institution regarding a sale of the notes. Cash payment from the sale will be received with approximately SEK 42.4 million.

Cash flow during the first half of 2001 amounted to SEK 1.0 million (22.7)

As per 30 June, the company has interest-bearing liabilities of SEK 0.0 million. The equity ratio on 30 June 2001 was 71.1 percent, compared with 72.0 percent at the beginning of the year.

During the second quarter, the company was provided with SEK 0.7 million in equity in connection with an employee stock option programme. In total, the shareholders meeting approved a programme relating to 1,022,000 warrants.

CityMail Group has a total loss carried forward of SEK 240.0 million.

The company's operations have generated a positive cash flow. The need for investments is limited. The cash reserves after the payment for the sale of the promissory notes will be larger than the need in the operations. Furthermore the equity ratio is satisfactory. The Board Of Directors has therefore discussed a program for repurchasing the company's own shares.

Capital Expenditures

Capital expenditures during the first half of the year amounted to SEK 5.7 million (8.3), of which SEK 4.3 million consists of investments in Real Logistics.

Personnel

During the second half of 2001, there were on average 13 (865) employees. During the period, all employees in the company were given an opportunity to subscribe to an employee stock option programme. By the end of July, in total 9 persons had subscribed for 900,000 warrants. The remainder will be used for future new recruits.

Accounting Principles

This interim report has been prepared in accordance with the Annual Accounts Act and the recommendations of the Swedish Financial Accounting Standards Council.

Significant events after the expiry of the accounting period



Halvårsrapport

At today's Board meeting, the Board of Directors of CityMail Group adopted a resolution not to contribute any additional financial funds to Real Logistics Sweden AB.

Nils Kjölhede has been employed as CFO. Mr Kjölhede will commence his employment in September.

The interim report has not been audited by the company's auditors.

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Stockholm, 21 August 2001

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Forthcoming reports for 2001

- Interim report (3rd quarter): 7 November
- Press Release of unaudited earnings February 2002



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Income Statement in Summary					
All figures in kSEK					
	2001 Jan-Jun	2000 Jan-Jun (proforma)	2000 Jan-Jun	2001 Apr-Jun	2000 Apr-Jun
Net turnover	80 860	23 300	182 277	44 883	76 671
Operating result (note 1)	-13 540	-5 400	54 082	-14 095	60 154
Results after financial items	-9 514	-5 600	53 828	-13 991	59 296
Tax on earnings for the period	0	0	0	0	0
Net result for the period	-9 514	-5 600	53 828	-13 991	59 296
Net result for the period, excl. nonrecurring items (note 1)	5 495	-5 600	-33 027	1 018	-34 159

Earnings per share, SEK	-0,70	-0,55	5,26	-1,02	6,06
Earnings, excl. Nonrecurring items per share, SEK	0,40	-0,55	-3,23	0,07	-2,43
Earnings per share after delution, SEK	-0,67	-0,55	5,26	-0,99	6,06

Note 1 - Nonrecurring items

Sale of CityMail Sweden	0	0	93455	0	93455
Expenses generated by the the implementation of the new delivery system	0	0	-6600	0	
Write-down of investment in Real Logistics Sweden AB	-11009	0	0	-11009	0
Write-down of investment in Flytta.nu	-4000	0	0	-4000	0
Total	-15009	0	86855	-15009	93455

Balance Sheet in Summary			
	June 30, 2001	June 30, 2000	Dec. 31, 2000
Assets			
Intangible fixed assets	4	48	18
Interests in group and associated companies	43 855	131 197	42 705
Other long-term receivables, Royal Mail promissory notes	0	40 200	13 329
Tangible fixed assets	792	575	613
Receivables	5 376	2 983	16 451
Receivables on group companies	600	0	3 702
Receivables on associated companies	0	1 710	0
Other short-term receivables, Royal Mail promissory notes	42 418	0	26 818
Other current assets	2 830	4 363	4 137
Cash and bank equivalents	2 499	27 348	1 532
Total assets	98 374	208 424	109 305
Shareholders' equity and liabilities			
Shareholders' equity	69 906	183 678	78 672
Long-term liability	2 520	3 780	3 780
Accounts payable	11 461	0	8 748
Payables to group companies	1	142	142
Payables to associated companies	2 952	0	1 054
Other liabilities	11 534	20 824	16 909
Total shareholders' equity and liabilities	98 374	208 424	109 305

Cash flow Analysis in Summary		
	2001 Jan-Jun	2000 Jan-Jun
Cash flow from operating activities	3 245	41 903
Cash flow from investing activities	-5 715	-8 349
Cash flow from financing activities	3 437	-10 886
Cash flow for the period	967	22 668

Shareholders' equity		
	2001 Jan-Jun	2000 Jan-Jun
Amount at January 1	78 672	74 424
Net result for the period	-9 514	53 828
New share issue	0	55 426
Subscription of share option program	748	0
Amount at June 30	69 906	183 678