

PRESS RELEASE

Stockholm, 27 April, 2000



Decision on SEK 62 million rights issue

- **Decision on rights issue 1:1 at SEK 9 per share for continued investment in CityMail Interactive**
- **Increased focus on profitability in the core business; the Board of Directors decided to commence negotiations with trade unions pursuant to the Co-Determination in the Workplace Act with respect to the winding up of the distribution organisation in Malmö and Gothenburg and thereby focusing on the greater Stockholm area (85% of the current operations)**
- **Financial objectives established**
- **Extra General Meeting on 17 May, 2000**

Rights issue

Subject to the approval of the Extra General Meeting, the Board of Directors of CityMail Sweden AB (publ) ("CityMail") has decided to effect a rights issue of maximum of 6,827,000 Series A shares with a nominal value of SEK 5 each. Every Series A share held will entitle the holder to subscribe for one (1) new Series A share at the issue price of SEK 9 per share. The share capital in CityMail will thus be increased by a maximum of SEK 34,135,000 to a maximum of SEK 68,270,000. Following the rights issue, the number of shares in CityMail will increase from 6,827,000 to a maximum of 13,654,000.

The subscription period for the rights issue is expected to run from 29 May–16 June, 2000. It is expected that CityMail shareholders will receive the prospectus for the rights issue at the start of the application period. The record date for the rights issue is expected to be 23 May, 2000.

Background to and reasons for the rights issue

Deregulation and new technology pave the way for expansion

The conventional postal industry has historically been structurally stable with gradual but continuous growth. Almost all postal markets in the world traditionally feature a major player that is often owned by the state and that exercises some form of monopoly on the market. Over the course of the past few years, however, the global postal market has been undergoing radical change. Ongoing deregulation of national postal markets is taking place in a considerable

number of countries, and in accordance with an EU directive, deregulation of every postal market in EU member states must have been started by no later than 2003. Sweden is one of the countries that has made most progress in this regard, and is currently the only country in Europe where, in practice, the postal service can be described as fully deregulated. Deregulation is in part driven by new technology, increased demands for reliable and cost-effective services, ongoing globalisation of the business community, and the need to reduce public sector expenditure. The ongoing deregulation of the postal markets can thus, to a considerable extent, be compared to the completed deregulation of the telecommunication markets.

For almost ten years, CityMail has, in different forms, contributed to this deregulation process and in 1991 was the first company in the world to establish itself as an independent postal operator for computer-addressed mail in a monopolised market.

CityMail's business concept is to work closely with "mail-intensive" businesses and organisations to distribute computer-addressed and pre-sorted mail with commitment and guaranteed precision, and CityMail's overall objective is to be the market leader within the market segment computer-addressed mail.

New organisation geared for growth

CityMail's core business is the distribution of computer-addressed mail. In parallel with this, however, CityMail will also continue to develop new services on markets wherever competencies primarily within the area of handling address and customer lists prove to be a valuable addition. In order to exploit the development possibilities available, and, at the same time, to maintain the necessary focus on core business, CityMail's business has been divided into the following three business areas since the end of 1999: *CityMail Sweden*, *CityMail International* and *CityMail Interactive*. Each of these three is geared to accommodate development on the respective markets.

To consolidate and develop the core business within the distribution of computer-addressed mail, and simultaneously to be able to develop closely related business opportunities, CityMail has established partnerships with strategically important companies. For example, operations within the CityMail International business area are run in close collaboration with the British organisation Royal Mail

Continued investment in CityMail Interactive

CityMail Interactive is to function as an efficient business partner to deal with and develop customers' customer databases. CityMail has identified appreciable business opportunities in the field of address register management. In January, 2000 CityMail acquired a 15 per cent shareholding in Svensk Adressändring AB ("SvAAB"), a company previously wholly owned by the Sweden Post. Through a shareholders' agreement, CityMail and the Sweden Post are ensured equal influence in SvAAB. One of the tasks for which SvAAB has responsibility is the collection and quality assurance of around 850,000 address alterations annually. The company has well-developed systems for the collection of such alterations via telephone and the Internet.

CityMail has also decided to establish a company under the name of *AddressPoint* for the quality assurance and electronic processing of address alterations for companies and other organisations. Via AddressPoint's updating system, companies and other organisations will be able to receive updates of addresses just as rapidly as postal operators receive them. The intention is to market AddressPoint's services in Sweden during the third quarter of 2000. AddressPoint is to be started in partnership with the Sweden Post, and CityMail's is to own a 40 percent share of AddressPoint.

As a further development of AddressPoint, CityMail and the Sweden Post will also be setting up a Web site primarily intended for private individuals who are about to change their home addresses. Via the service www.flytta.nu, customers will be offered services and e-commerce

opportunities related to their needs in connection with moving house, for example, buying and selling a house, renovation, transport, cleaning, mortgages and changes of address. This service also offers businesses and other organisations the opportunity to contact this customer group via a single forum. As households spend appreciable amounts in connection with moving, they jointly account for considerable purchasing power, and this is why CityMail believes that many businesses will be very interested in advertising on www.flytta.nu. CityMail's ownership of www.flytta.nu will amount to 49 per cent.

It is also believed that AddressPoint, www.flytta.nu and SvAAB all have considerable international potential, and for this reason, international establishment of these concepts have already begun. Sweden operates a well-developed system for the collection and processing of address alterations. However, these services are not as well developed in other parts of the world. Therefore, it is believed that there is a latent demand for address alteration services, which should imply good opportunities for establishing counterparts to AddressPoint internationally. An international launch is likely to be carried out in collaboration with postal service operators or other partners in the different countries.

Focus on profitability within the core business

Today, CityMail has a well-established system for the distribution of computer-addressed mail covering the whole of the Greater Stockholm area. Thanks to this market coverage, CityMail is a strongly competitive alternative for most mail-intensive businesses and other organisations with a requirement for the distribution of computer-addressed mail in this area.

The distribution organisation in Gothenburg and Malmö, which cover the central parts of the respective cities, have not achieved the scope that would make CityMail a viable alternative for businesses and other organisations with a specified requirement for computer-addressed mail. The volume of mail sent has therefore not reached a level sufficient to generate a satisfactory profitability. One result of this is that the businesses in Gothenburg and Malmö have been responsible for a disproportionately large part of CityMail's losses since 1996. However, expansion of the distribution networks in Gothenburg and Malmö to cover the peripheries of the respective areas would involve the investment of considerable resources, which CityMail believes have the potential to provide shareholders with a higher return were they to be invested in CityMail Interactive.

On this basis, the Board of Directors decided to commence negotiations with trade unions pursuant to the Co-Determination in the Workplace Act with respect to the winding up of the distribution organisation in Malmö and Gothenburg. After a number of years of negative results, the focus on profitability within the core business, in the short term as well, has been sharpened. Following the disbanding of the distribution organisation in Gothenburg and Malmö, the company believes that the core business will have the necessary conditions for high profitability in the future. After a disbanding of the networks in Gothenburg and Malmö it is anticipated that the core operations possess the requisite conditions for good profitability in the future.

Rights issue

In order to finance the investments in AddressPoint and www.flytta.nu within CityMail Interactive, the Board of Directors has decided, subject to the approval of the Extra General Meeting on 17 May, 2000, to effect a rights issue of a maximum of 6,827,000 Series A shares. The rights issue will raise a maximum of around SEK 58 million after deduction for issue expenses of no more than approximately SEK 4 million. A part of the net proceeds will be used to cover costs related to the disbanding of the distribution organisation in Gothenburg and Malmö.

Prospects for the full year

Prospects are considered to be good for a considerable improvement in profits during 2000, as both reduced costs within the new distribution organisation and expectations of larger volumes are calculated to have an appreciably positive effect on profits.

Financial objectives

Growth

CityMail conducts operations in business areas which have differing conditions for future growth. Objectives are therefore formulated separately for the business areas *CityMail Sweden* and *CityMail International*.

Growth in demand for the distribution of computer-addressed mail is currently between 3 and 5 per cent in Sweden. In addition to this underlying growth, CityMail Sweden intends to grow through continued expansion in the Greater Stockholm area. The proposed discontinuation of operations in Gothenburg and Malmö during the second quarter of 2000 which is subject to negotiations with trade unions pursuant to the Co-Determination in the Workplace Act, however, will impede growth over the year.

The Board of Directors' objective for the coming three-year period is that CityMail Sweden shall attain annual growth of no less than 5-10 percent.

The turnover regarding international mail has shown considerable growth since it commenced operations in 1998 and is expected to continue to do so for the foreseeable future, as an increasing number of customers become aware of the cost savings which can be made by using CityMail International's services for cross-border mail.

The Board of Directors' objective for the coming three-year period is that CityMail International shall attain annual growth of no less than 70 per cent.

Given the current operational structure, pro forma after the discontinuation of distribution operations in Malmö and Gothenburg, this corresponds to a growth of 10–15 per cent for CityMail.

Margins

CityMail's operations comprise services and markets where preconditions and profitability differ, which is why objectives for CityMail Sweden and CityMail International are formulated separately. CityMail formulates profitability objectives in terms of margins.

In recent years, there has been a squeeze on margins within CityMail Sweden due to excess capacity resulting in unduly high costs. Through the continuous increase in mail volumes, capacity utilisation has increased and margins have improved. For 1999, CityMail Sweden's operating margin was approximately -16 per cent. Furthermore, in January, 2000 a new distribution schedule was introduced involving rolling three-day distribution. This will lead to reduced costs, primarily in the form of lower personnel expenses.

The result will be charged with discontinuation costs, which is why the immediate effect of the discontinuation does not fully reflect the long-term improvement in the operating margin.

The Board of Directors' long-term objective is that CityMail Sweden's operating margin shall be not be less than 10 percent.

CityMail International's operating margin for 1999 was approximately 13 percent. A large proportion of the costs are fixed, which is why CityMail International's margin to a considerable extent depends on revenue. It is anticipated that revenue may increase

significantly over the next few years, and that fixed costs will to a large extent be unchanged. In connection with the upcoming deregulation of postal markets in the EU, however, competition is expected to stiffen with regard to the type of services offered by CityMail International.

The Board of Directors' long-term objective is that CityMail International's operating margin shall be not be less than 10 percent.

Given the current operational structure, pro forma after the discontinuation of distribution operations in Malmö and Gothenburg, this corresponds to an operating margin of 10 percent in CityMail.

Financial position

At 31 March, 2000 CityMail's equity/assets ratio amounted to approximately 33 per cent.

The Board of Directors' objective is that CityMail's equity/assets ratio shall not, in the long term, fall below 30 percent.

Dividend policy

Over the coming three years, CityMail does not intend to pay dividends. The company intends, over the next few years, to retain funds generated by operations in order to finance future expansion and business development.

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Unauthorized translation

**NOTICE OF EXTRAORDINARY GENERAL MEETING OF THE
SHAREHOLDERS IN CITYMAIL SWEDEN AB (publ)**

Notice is hereby given of Extraordinary general meeting of the shareholders in CityMail Sweden Aktiebolag (publ), to be held on Wednesday May 17, 2000, at 16.00 p.m. at the head office of the company at Västberga Gårdsväg 36, Stockholm.

NOTIFICATION

To be entitled to participate at the shareholder's meeting, shareholders must

- First** be registered in the share register maintained by the Swedish Central Securities Depository, hereinafter VPC, on Friday May 5, 2000, and
- Second** notify the company at the latest on Friday May 12, 2000 no later than 16.00 p.m. Such notice shall be made in writing under address CityMail Sweden AB (publ), Box 90108, 120 21 STOCKHOLM, or telefax 08 – 709 43 43 or by e-mail: agm@citymail.se. Shareholder should state his name, social security number or registration number, address and phone number.

Representatives of shareholders, including representatives of legal entities, are asked to submit documents evidencing their authority before the meeting.

Shareholders with shares registered through a bank, securities dealer or other such nominee must, in order to be entitled to participate at the shareholder's meeting, request that their shares momentarily are registered directly in the share register maintained by VPC. Such registration must be effected before May 5, 2000, why shareholders must notify the nominee well in advance of said date.

MATTERS

1. Opening of the meeting.
2. Election of chairman of the meeting.
3. Preparation and approval of a voting register.
4. Approval of the agenda for the meeting
5. Establishment that the meeting has been properly convened.
6. Election of one or two persons to confirm the minutes of the meeting.
7. Resolution to undertake a new share issue, (see below).
8. Closing of the meeting.

PROPOSED RESOLUTIONS

Matter 7 Approval of the board of directors' decision April 27 2000, to perform a new issue of a maximum of 6.827.000 shares of class A increasing the share capital with a maximum of 34,135,000 SEK to a maximum share capital of 68.270.000 SEK. The right to subscribe for the new shares shall belong to the present shareholders in accordance with their pre-emption rights set out in the articles of association, whereby one (1) old share of class A entitles to subscription of one (1) new share of class A. The record day for the exercise shall be May 23 2000. Shares that are not subscribed for with the exercise of pre-emptive rights, shall, in accordance with the decision of the board of directors, be offered to the public in Sweden and to Swedish and foreign institutional investors. The new shares shall be paid for with nine SEK per share with a nominal value of five SEK not later than 2000-06-22. Shares can be subscribed for during the period from 2000-05-29 - 2000-06-16.

Stockholm, April 2000

The Board of directors