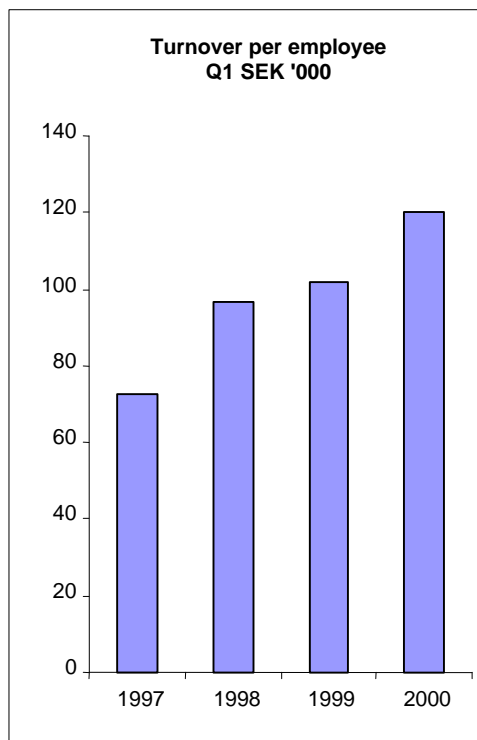
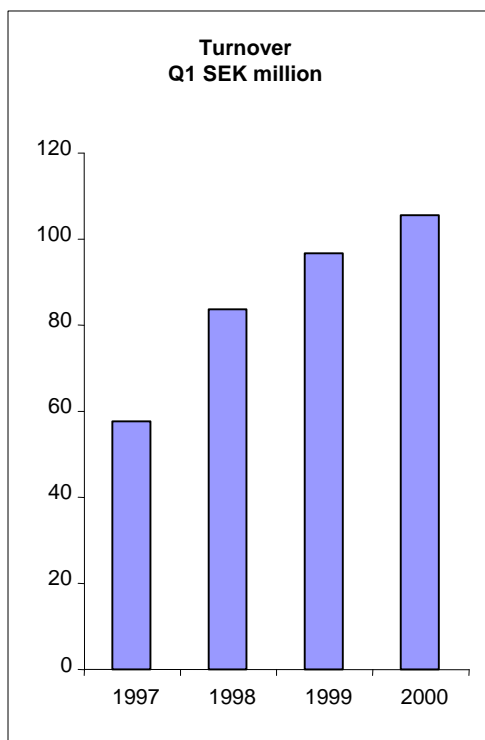




Interim report

1 January – 31 March 2000

- Net turnover increased by 9.0% to SEK 105.6 (96.9) million.
- Results after financial items improved to SEK –5.5 (–6.9) million.
- Structural costs of SEK 6,6 million attribute to the implementation of a new distribution system charged to the result of the period.
- SEK 62 million rights issue for investments within CityMail Interactive.
- Continued losses in Gothenburg / Malmö. Decision to negotiate with the trade unions regarding a concentration of distribution organisation to the greater Stockholm area (85% of current business).



Revenue

During the first quarter of 2000, CityMail's revenues amounted to SEK 105.6 (96.9) million, corresponding to an increase of 9.0 percent compared with the first quarter of 1999 and an increase of 12.9 percent compared with the last quarter of 1999.

Most of the increase in revenues during the first quarter (an increase of SEK 8.7 million, compared with the corresponding quarter of the preceding year), is attributable to the CityMail International business area.

During the first quarter of 2000, the core business within CityMail Sweden grew by approximately 4 percent compared with the first quarter of the preceding year. The growth was approximately equally due to volume and price increases.

For small and medium-sized customers, price increases amounted to just over 3 percent, while they were just over 1 percent for large customers. As previously announced in the press release of unaudited annual results, at the end of 1999 Sweden Post extended its customer agreements, which meant that the expiry dates were changed from 31 December 1999 to 31 March 2000. Accordingly, both CityMail's new price list and most of the new agreements with large customers will not have any impact on prices until the second quarter of the year.

CityMail International's increased revenues are attributable to outbound international mail. The CityMail International business area was established during 1999 in order to handle international mail. In the middle of February 2000, the business area received a major order of approximately SEK 100 million on an annual basis. It is thus anticipated that the business area will experience considerable growth commencing with the second quarter of 2000.

Costs

During the first quarter of 2000, CityMail's operating costs amounted to SEK 111.7 (103.3) million, an increase of SEK 8.4 million, or 8.1 percent, compared with the corresponding quarter of the preceding year. The increase in operating costs is largely due (SEK 5.0 million) to increased costs in the CityMail International business area as a result of the strong growth within this business area. CityMail International has an entirely different cost structure from CityMail Sweden since distribution is purchased from Royal Mail. This means that most of the costs are entirely variable.

CityMail's new distribution system, in accordance with what is commonly referred to as the ABC

scheme, was implemented on 13 January 2000. The purpose of the structural change is to more evenly distribute the postal flow over time, while at the same time rendering possible a significant reduction in distribution costs. Accordingly, during the quarter CityMail has gradually reduced personnel from approximately 1,000 to approximately 800 employees.

The modified distribution structure entails a major adjustment to the distribution organisation. Costs for the adjustment were incurred partly during the fourth quarter of 1999, but costs due to the fine tuning of the new system have also been incurred during the first quarter of 2000. Such adjustment costs during the first quarter of 2000 amounted to SEK 6.6 million and are included in the operating costs.

Result

CityMail's result during the first quarter of 2000 improved to SEK -5.5 million, compared with SEK -6.9 million for the first quarter of 1999.

The operating result during the first quarter improved to SEK -6.1 million, compared with SEK -6.4 million for the first quarter of 1999.

Net financial items amounted to SEK 0.6 million during the first quarter of 2000 compared with SEK -0.5 million during the corresponding quarter the preceding year. The improvement is primarily due to the receipt of a dividend of SEK 1.4 million from Svensk Adressändring during the first quarter of 2000.

The 9.0 percent increase in sales has contributed to an improvement in the result as have the distribution revenues from Svensk Adressändring AB which are reported in financial items. Adjustment costs in conjunction with the fine tuning of the new distribution system have had a negative effect on the improvement in the result.

Earnings per share during the first quarter of 2000, excluding outstanding warrants, amounted to SEK -0,8 (-1,0).

Financial position

On 31 March 2000, the company's liquid funds including non-utilised credit facilities amounted to SEK 16.0 (38.6) million.

Cash flow amounted to SEK -4.4 (-4.1) million. The net debt equity ratio increased from 0,3 to 0,7 during the first quarter.

The equity ratio on 31 March 2000 amounted to 33.3 (30.4) percent.

Capital expenditures

Capital expenditures during the period amounted to SEK 13.3 (6.4) million.

Most of the investments during the first quarter of 2000 relate to the acquisition of 15 percent of the shares in Svensk Adressändring AB and a new issue in, and shareholder contribution to the affiliated company, ASG Direct AB.

Personnel

During the first quarter of 2000, the company had an average of 879 (951) employees.

The reduction in personnel is a consequence of the company's new distribution system, which was implemented during the first quarter of 2000. On 31 March 2000, the number of employees was less than the average number of employees during the quarter.

Significant events following the expiry of the reporting period

Rights issue for investments within City-Mail Interactive

In order to finance the development of the AddressPoint and www.flytta.nu, businesses within CityMail Interactive, the Board of Directors resolved, subject to approval by an Extra General Meeting, on a rights issue in the amount of SEK 62 million through the issue of not more than 6,827,000 Series A shares.

Each Series A share held will entitle the holder to subscribe for one (1) new Series A share at a subscription price of SEK 9 per share. The share capital of CityMail will thereby increase by not more than SEK 34.1 million to a maximum of SEK 68.3 million. Through the rights issue CityMail will raise approximately SEK 58 million following deduction of issue costs of not more than SEK 4 million. The AddressPoint and www.flytta.nu operations consist of various services which relate to, and are developed on the basis of, digitally-forwarded information regarding address updating, and it will be carried out in cooperation with Sweden Post.

Concentration of distribution area on Greater Stockholm

In order to increase the focus on achieving profitability in the core operations, the Board of Directors has 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. The operations in Gothenburg and Malmö have accounted for a disproportionately large share of CityMail's losses since 1996. Following the above decision, it is anticipated that the core operations possess the requisite conditions for good profitability in the future. If a decision can be made in accordance with the Co-Determination in the Workplace Act, it is estimated that the delivery in Gothenburg and Malmö will be closed by end of May – beginning of June 2000.

Certain of the net proceeds from the rights issue will be applied to costs related to the winding up of the distribution organisation in Gothenburg and Malmö.

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

For additional information please contact:

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Upcoming reports

Interim report 6 months	16 August 2000
Interim report, 9 months	7 November 2000
Unaudited earnings 2000	February 2001

Stockholm, 27 April 2000

Bror Anders Månsson
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Financial information, quarterly

Amount SEK million

Quarter/year	Net turnover	Operating results after depreciations	Results after financial items
Q1-00	105.6	-6,1	-5,5
1999	374.1	-51,7	-53,6
Q4-99	93.5	-29,2	-29,8
Q3-99	88.5	-9,4	-9,6
Q2-99	95.2	-6,7	-7,3
Q1-99	96.9	-6,4	-6,9
1998	318.6	-56,3	-58,7
Q4-98	86.4	-13,3	-14,1
Q3-98	75,7	-15,0	-15,2
Q2-98	72,6	-20,8	-21,6
Q1-98	83,9	-7,2	-7,8

SEK Thousands

Income statement in summary	0001-0003	9901-9903
Net turnover	105 606	96 912
Operating result	-6 072	-6 397
Result after financial items	-5 468	-6 851
Tax on earnings for the period	0	0
Results for the period	-5 468	-6 851

Balance sheet in summary	2000 03 31	1999 03 31
ASSETS		
Fixed assets	141 743	62 771
Receivables	49 704	45 010
Other current assets	15 071	19 988
Liquid funds	311	18 502
Total assets	206 829	146 271

SHAREHOLDERS' EQUITY AND LIABILITIES

Shareholders' equity	68 956	44 771
Accounts payable	26 442	23 325
Other liabilities	111 431	78 175
Total shareholders' equity and liabilities	206 829	146 271

Cash flow statement in summary	0001-0003	9901-9903
Cash flow from current operations	-16 435	-1 756
Cash flow from investment operations	-13 325	-6 407
Cash flow from financing operations	25 392	4 108
Cash flow for the period	-4 368	-4 055