

Interim report Euroseek AB January – March, 2000

Continued focus on acquisitions and co-operations to develop Euroseek

- Net sales, group pro forma, 1st quarter 3.4 MSEK
- Earnings before tax, group pro forma, 1st quarter –29.7 MSEK
- Growth in traffic: 24 % increase in number of visits in 1st quarter compared with 4th quarter 1999
- 2 acquisition agreements involving Portal operations
- New advertising sales co-operation
- Agreement with Intrum Justitia on e-commerce co-operation

About Euroseek

Euroseek was established in 1996 as the first European search engine. Today, operations have expanded and Euroseek's business concept is to be an integrated Internet service to the entire European market, i.e. to offer the market Internet access, portal and search functions, as well as e-commerce in one combined package – but also each service separately.

Euroseek is therefore active in a number of market sectors.

- 1) The Access area – where broadband or high-speed access is expected to expand powerfully in the next few years.
- 2) The Portal area – with local portals in the majority of European countries and a Pan European portal.
- 3) E-commerce – where unanimous analyses of several international institutes point towards strong market growth in the next 2-3 years, both for consumers and corporate sales.

Euroseek is organised into three business areas: Access, Portal and E-commerce.

Development of operations per business area

Access

There is a demand on the market for an integrated concept, with both access and local portal content. The market for Internet access is expanding in Europe, and above all the demand for broadband connection.

The business area Euroseek Access has been formed during the first quarter to offer customers both wireless high-speed access and other Internet access solutions.

Euroseek made an agreement in December 1999 to acquire Infranet Scandinavia AB, a supplier of wireless high-speed Internet via radio and satellite. The integration of Infranet into the structure of Euroseek was initiated during the first quarter with co-operation between Portal and Access operations and through the appointment of a new board of directors in Infranet Scandinavia AB.

EuroSeek Access has commenced installations at Ekerö Bostäder, just outside Stockholm, together with Euroseek Portal (see below) to supply both access and locally adapted portals to Ekerö Bostäder.

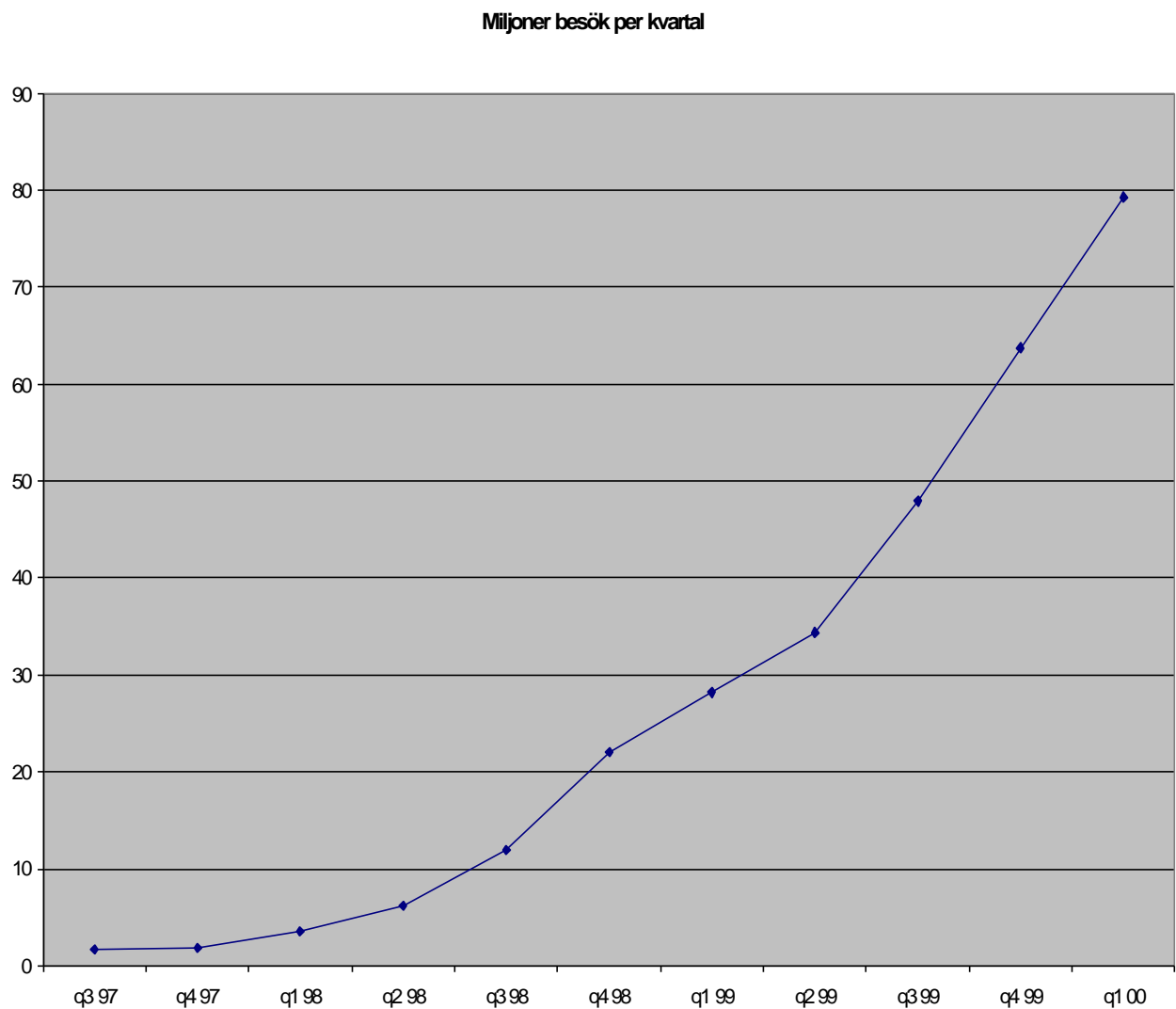
Portal

There are several portals in Euroseek Portal. Euroseek.com is Euroseek's Pan European portal containing information in 39 languages and with local information for all European countries. Euroseek.com consists of search engine, portal and two vertical portals – Halo (weather service) and Eurolocal (European local information).

During the first quarter Euroseek has continued its investments to improve content in order to increase traffic to Euroseek Portal.

Euroseek has made agreements to acquire the local portals Sharelook.de and Tjohoo.se. They have been integrated into Euroseek.com to provide access in respective languages and countries directly from Euroseek.com. Access to Euroseek.com. is now also possible directly from Sharelook.de and Tjohoo.se. This means that local visitors can quickly go from local content to Pan European, and vice versa.

Examples of content agreements during the first quarter include EuropeInvestorDirect, Popwire, TechnologyEvaluation and Campusnet.



Euroseek Portal has shown a steady growth in the number of visits. Traffic has increased by 24 % first quarter in comparison with the last quarter 1999 (see graph above). The largest area of growth is in Western Europe, which also accounts for a major part of the traffic (55 %).

Euroseek has entered into agreement with, and included ODP (Open Directory Project) in its Web directory. The number of sites, categorised and accessible through Euroseek.com, has therefore increased and upgrading takes place automatically.

Euroseek.com has at the end of the first quarter changed its partner for advertising sales from the former Double-click to Ad pepper. In conjunction with the transfer from

Double-click to Ad pepper there has been a temporary loss in momentum of advertising sales.

E-commerce

Euroseek co-operates with e-commerce companies for sales via Euroseek Portal. Examples of co-operation during the first quarter include sites as Resfeber, Jobline, mrBid and Boss Media.

Parallel to this, Euroseek has initiated a project to develop a platform for e-commerce. This platform will initially be designed as a marketplace where Euroseek will host companies wanting to sell through the Internet. The platform will be offered to small and medium-sized companies which do not have their own sales operations via the Internet. The platform will derive benefit from the Euroseek in-house search skills and language system, and the skills of our partners in payment systems and transport services. For this purpose a co-operative agreement has been made with Intrum Justitia to offer Intrum's services on the platform. Intrum and EuroSeek will jointly offer the platform to Intrum's 100,000 corporate customers in Europe.

Employees

The number of employees in the group has increased during the period. Pro forma as of December 31, 99 the number of employees was 73, while as of March 31, 2000 there were 100 employees.

Net sales and profit/loss

In addition to the P&L statement for the group there is also a pro forma report which includes the companies Euroseek has entered into agreements with but which have not yet been formally acquired. Since the acquisitions have still not been executed the goodwill items have been estimated. The proforma results for 1999 have also been charged with the depreciation of goodwill (5 year depreciation period).

In 1999 no interim financial statements were made in Euroseek. This report therefore compares the figures for the group with the full annual figures for 1999. From the next quarterly report interim financial statements from 1999 will have been prepared and be used as a comparison.

The Euroseek group includes Euroseek AB, Halo and Eurolocal, including a shareholding (17%) in Room33. The pro forma accounting also includes Infranet, Tjohoo and Netpoint (these acquisitions will be completed in conjunction with the unofficial listing), and Sharelook (the acquisition of which will be completed during the second quarter).

The group's proforma sales amounted to 3,446 KSEK, compared to 10,569 KSEK for 1999.

The group's proforma profit/loss before tax amounted to minus 29,745 KSEK. For 1999 profit/loss before tax was minus 112,184 KSEK (including estimated goodwill). Profit/loss for the first quarter includes compensation to resigning CEO to an amount of 834 KSEK. In addition profit/loss is charged with 6,986 KSEK for depreciation of goodwill (estimated since the acquisitions are still not completed).

Euroseek's sales were 259 KSEK in the first quarter in comparison with 1,890 KSEK for 1999. The decrease is mainly a result of changing advertising sales company (see above).

Profit/loss before tax amounted to minus 16,964 KSEK. The previous year the loss amounted to minus 73,455 KSEK.

The balance sheet contains hidden value in the form of a 17 % shareholding in Room33. In accordance with the latest room33 issue of new shares in February, this indicates a value for Euroseek's holdings of 170 MSEK.

The group will hold a significant goodwill item after the imminently pending acquisitions, The goodwill for the group accounts for a fourth of the negative profit for the first quarter of year 2000.

INCOME STATEMENT KSEK	Q1 2000 Euroseek group	1999 Euroseek group	Q1 2000 Pro forma group	1999 Pro forma group
Sales				
Net sales	259	1 890	3 446	10 569
Cost of goods sold			- 920	- 3 398
Gross margin	259	1 890	2 526	7 171
Other external expenses	- 2 564	- 62 556	- 2 564	- 62 552
Salaries and consulting expenses	- 5 125	- 5 214	- 9 446	- 13 551
Administrative/Other expenses	- 6 348	-	- 8 648	- 4 168
Marketing and sales expenses	- 635	-	- 1 054	- 1 478
Minority shareholding			- 3	1
Profit/loss before depreciation	- 14 413	- 65 880	- 19 189	- 74 577
Depreciation	- 2 591	- 5 377	- 3 518	- 7 508
Depreciation of goodwill	- 53		- 6 986	- 27 635
Profit/loss after depreciation	- 17 057	- 71 257	- 29 693	- 109 720
Interest income	426	1 308	431	1 322
Interest expenses	- 333	- 3 506	- 481	- 3 786
Profit/loss after tax and untaxed reserves	- 16 964	- 73 455	- 29 743	- 112 184
Untaxed reserves	-	-	-	17
Tax	-	-	-	19

Net profit/loss	-	16 964	-	73 455	-	29 743	-	112 220
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BALANCE SHEET TSEK

	Q1 2000 Euroseek group	1999 Euroseek group	Q1 2000 Pro forma group	1999 Pro forma group
ASSETS				
Goodwill		1 008	105 092	112 078
Other fixed assets		28 336	29 159	31 109
Total fixed assets		29 344	134 251	143 187
Accounts receivable		227	3 008	3 356
Other current assets		1 715	9 597	6 028
Cash and bank balances		15 948	16 859	33 722
Total current assets		17 890	29 464	43 106
Total assets		47 234	163 715	186 293
LIABILITIES AND EQUITY				
Share capital and share premium reserve		150 979		
Exchange rate differences		1 956		
Loss brought forward	-	97 236		
Loss for period	-	16 964		
Total equity		38 735	139 109	157 566
Minority shareholding			29	11
Accounts payable		3 569	8 211	10 460
Other temporary liabilities		4 930	16 366	18 256
Total liabilities		8 99	24 606	28 727
Total liabilities and equity		47 234	163 715	186 293

FINANCIAL KEY RATIOS

	Q1 2000 Euroseek group	1999 Euroseek group	Q1 2000 Pro forma group	1999 Pro forma group
Net sales, KSEK	259	1 890	3 446	10 569
Gross margin, %	100	100	73	68
Profit/loss before tax	- 16 964	- 73 455	- 29 743	- 112 184
Number of employees	28	22	100	73

Financial position and liquidity

Euroseek had as of March 31, 2000 cash and bank balances of approx. 15 MSEK. Between January and May this year Euroseek has in addition to its own liabilities and investments also covered capital requirements and paid outstanding supplier invoices in the companies where acquisition agreements have been entered into. Euroseek received a capital contribution of approx. 36 MSEK in May (price per emitted share SEK 50). As of May 31, 2000 Euroseek has cash and bank deposits totalling 20 MSEK.

The current rate of capital utilisation is approx. 5 MSEK per month to cover operative expenses in all the companies. The planned investment level is between 5-10 MSEK per month. Investments are primarily focused on building up Euroseek Access' (Infranet) infrastructure, and Euroseek intends to use lease-financing for these investments.

Information on acquisitions/agreements for the 1st quarter

Tjohoo.se

EuroSeek has made an agreement to acquire 91 % of the Swedish portal, Tjohoo.se. The agreement includes a three-year option to acquire the remaining 9 %, currently owned by the three key persons who accompany the acquisition.

The acquisition will be implemented through payment with Euroseek shares. The amount of shares paid is related to the future development of the Euroseek share.

Sharelook.de

EuroSeek has acquired 100 % of the German portal, Sharelook.de. Sharelook is also involved in portal operations in France, Germany, Switzerland, Austria, Belgium and Italy. The seller is Euroserve, which is owned to 90 % by Verlang Hans Müller. The acquisition sum is to be paid in cash in four instalments from September to December this year.

Share information

A split of 1:10 was implemented in the newly established Swedish parent company Euroseek AB. A further split of 1:10 was decided at the extra shareholders meeting in April. This second split was implemented mid June. The number of shares after this amounts to 168,175,400.

The number of shares will be increased by the acquisition agreements as follows:

Between December and April four acquisition agreements have been entered into. Three of these – Tjohoo, Netpoint and Infranet – will for the main part be payed with Euroseek shares.

A dilution effect of 1.3 % of Euroseek's total shares was calculated when the acquisitions were made. However, the agreements are linked to the future development of the Euroseek share and therefore the dilution may amount to 4.3 % of Euroseek's total number of shares. This dilution calculation has been made in accordance with what the company considers to be the least beneficial scenario for shareholders.

Events after the interim report

- The company held an extraordinary general shareholders meeting on April 14. The following new board members were elected: Mr Matts Ekman, Mr Magnus Lemmel, Mr Johan Brenner, Mrs Catherine Sahlgren and Mr Ulrich Schmidt. The new chairman Mr Matts Ekman is from the Electrolux Group.
- The company has appointed Mrs Catherine Sahlgren, previously General Manager for Pressbyrån, as the new CEO from May 1.
- The company has appointed Mr Ulf Berglund, previously CEO of Protect Data Konsult, as the new Business Area Manager of Euroseek Access from May 1. Mr Berglund is also part of Euroseek's Management Group.
- An agreement to acquire Netpoint in Göteborg, installers of wireless broadband, has been made in April. The acquisition covers 100 % of the company and payment will be made in Euroseek shares.
- An agreement with Microsoft and Netscape was made in May. Through the agreement Euroseek is included as a search function on Microsoft's browser and MSN-portal in the Nordic countries, and Netscape's browsers in 12 European countries. This will generate additional traffic to Euroseek.com
- Increased co-operation with Internet advertising sales companies –Trade Doubler and American advertising networks – in order to fuel advertising sales on Euroseek.com
- An advertising campaign for Euroseek and its business areas was introduced in April, with advertising in the national press and radio, and facade tapestries in Stockholm.
- Start-up of AsiaSeek in Hong-Kong. Registering of the company.

For more information regarding the board of directors, management and business areas, see <http://about.euroseek.com>.

Plans for 2000

To roll out Euroseek's business concept, the company will primarily focus on the following areas in the year 2000.

- Increase traffic on Euroseek Portal, mainly in Scandinavia, Germany + German speaking countries in Europe, France and England through marketing efforts and acquisitions/co-operations.
- Develop the content on Euroseek Portal with the emphasis on multimedia.
- Spread the Tjohoo concept in Scandinavia.
- Implement tests of the e-commerce platform with several of Intrum Justitia's customers, and aim for introduction of the platform towards the end of the 4th quarter, 2000.
- Continue investments in broadband, primarily in Sweden and Germany through an increase in the installation rate of Infranet and Netpoint and through acquisitions.
- Co-operate with other access players to reach customers with other types of Internet connections, e.g. traditional telephony and mobile Internet.
- Structure the organisation to sell the integrated concept – access, portal and e-commerce to the market (companies, real estate owners and other customers).
- Recruit personnel, primarily in marketing/sales and technical development.

Pending reports:

- 2nd quarter: August 24, 2000
- 3rd quarter: October 31, 2000
- Preliminary Financial Statement: February, 2001

Stockholm, June 15, 2000

Catherine Sahlgren
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