

PRESS RELEASE

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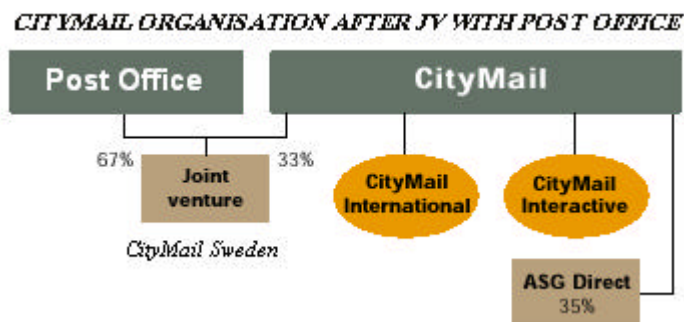


Shareholder Majority in Favour of Joint Venture with Royal Mail

CityMail Group AB (publ) ("CityMail") and Post Office Investments Limited ("Post Office"), on 29 May, 2000 reached an agreement on a Memorandum of Understanding on the formation of a joint venture comprising CityMail's business of distributing computer addressed mail within Sweden. The intention is that once a final agreement has been entered into regarding establishment of the joint venture, notice of an Extra General Meeting of CityMail will be made since the final agreement will be subject to approval by an Extra General Meeting. It is the intention of the parties that a final agreement be entered into during June, 2000. For further information see press release from the 29th of May 2000 regarding MOU.

Brummer and Partners Zenit, Henderson Investors, Royal Post Holding¹, Fidelity and Mercury Asset Management, which in the aggregate hold shares representing approximately 51 percent of the voting rights in CityMail, have confirmed that they will use all reasonable endeavours to procure the exercise of votes in favour of the approval of the final agreement if the terms of the final agreement in all material respects correspond to the terms of the Memorandum of Understanding.

CityMail has appointed an independent valuation institute to issue a fairness opinion on the contemplated transaction. CityMail intends to make public the fairness opinion when a final agreement has been reached.



¹ Royal Post Holding AB contains shareholdings in CityMail of senior executives in CityMail.

Geographical expansion and further focus on operations within CityMail Interactive

CityMail Sweden

Through the transaction, The Post Office, one of the world's largest post offices, will enter as a partner to CityMail in the business of distributing mail in Sweden. These operations are at present conducted within CityMail's business area CityMail Sweden. In 1999, The Post Office reported net revenue corresponding to some SEK 95 billion and a profit of approximately SEK 8 billion. The number of employees totals around 170,000.

CityMail Sweden will now be able to effect an expansion of operations Gothenburg and Malmö in line with previous plans with a limited risk for CityMail Group.

Accordingly, the Board of Directors' decision of 27 April, 2000 on the disbanding of the distribution operations in Gothenburg and Malmö, which was based on the intent to limit CityMail's financial risk, will be revoked when CityMail and Post Office reach a final agreement.

Consequently, no part of the proceeds from the current rights issue will be applied to costs related to the previously planned disbanding. Instead, CityMail intends to use the proceeds in its entirety as well as the cash consideration attributable to the transferred operations for additional investments within CityMail Interactive (see also *CityMail Interactive* below).

CityMail International

The European postal market is worth some EUR 80 billion and is currently undergoing quick and radical change. CityMail has during its close to ten-year presence on the world's only fully deregulated postal market acquired unique knowledge within distribution, logistics and computer based address management.

The business area *CityMail International* has since its establishment in 1998 shown strong growth. The objective is that CityMail International during the upcoming three-year period shall attain annual net revenue growth of no less than 70 percent.

CityMail Interactive

CityMail Interactive is to function within the area of management of customer and membership databases. The business area includes CityMail's involvement in Svensk Adressändring, AddressPoint and www.flytta.nu (international name movebride.com) all of which are part owned together with The Swedish Post Office.

Through the transaction with Post Office, CityMail can now, in accordance with the principal background to and motives for the rights issue, sharpen its focus on the rapidly expanding operations within the business area CityMail Interactive. These investments will comprise both establishment of AddressPoint and www.flytta.nu also internationally and development of additional services on markets wherever competencies primarily within the area of address and customer database management prove to be a valuable addition.

INCOME STATEMENT

The below pro forma income statement for 1999 has been prepared as had the final agreement between CityMail and The Post Office been entered into on 1 January, 1999 on terms in accordance with the Memorandum of Understanding dated 29 May, 2000. The GBP 5 million purchase consideration in cash has been converted to SEK using a conversion rate of GBP 1=SEK 13.69. The amount of SEK 68.5 million has been reported under the item other income affecting comparability. Interest on the cash consideration received has not been calculated and no present value calculation has been made of the parts of the purchase consideration to be received in 2001 and 2002, respectively. The adjustment of Operating costs amounts to SEK 397.2 million. The difference of SEK 5.5 million between this adjustment and CityMail Sweden's operating costs of SEK 402.7 million in 1999 is attributable to management and staff functions in CityMail that are of such form that future such costs are expected to be born by CityMail. Subsequent to the adjustment of Net revenue, the CityMail's pro forma net revenue for 1999 is in its entirety attributable to the business area CityMail International. Since CityMail does not prepare consolidated financial accounts, City-Mail's shareholding in the joint venture will not be reflected in the income statement as a share of profit from associated companies. Any results generated by the joint venture attributable to CityMail's shareholding will be in the form of value appreciation and will accrue to CityMail in the form of dividends, to the extent that dividends will be paid by the joint venture.

Pro Forma Income Statement

Amounts in SEK million	CityMail 1999	Adjustments	CityMail 1999 pro forma
Net revenue	374,1	- 347,5	26,6
Other income affecting comparability 1)		68,5	68,5
Total	374,1	- 279,1	95,1
Personnel costs	- 291,7	284,5	- 7,2
Other external expenses	- 115,3	93,8	- 21,5
Depreciation	- 18,9	18,9	0,0
Operating costs	-425,9	397,2	- 28,7
Operating result	- 51,7	118,1	66,3
Interest income and similar result items	0,4		0,4
Interest expenses and similar result items	-2,2	1,5	-0,7
Result after financial items	- 53,6	119,6	66,0
Tax on result for the year	-	-	-
Result for the year	- 53,6	119,6	66,0

1) The item refers to the purchase consideration for the operations that are to be transferred to the joint venture.

BALANCE SHEET

The pro forma balance sheet per 31 December, 1999 has been prepared as had the final agreement between CityMail and The Post Office been entered into on 31 December, 1999 on terms in accordance with the Memorandum of Understanding dated 29 May, 2000. The GBP 5 million purchase consideration in cash corresponds to SEK 68.5 million at a conversion rate of GBP 1=SEK 13.69. Of this amount, GBP 2 million, corresponding to approximately SEK 27.4 million, has been applied to Cash and bank equivalents since this payment is to be received by CityMail when the final agreement becomes effective. The balancing GBP 3 million, of which GBP 2 million and GBP 1 million is to be received on 31 December, 2001 and 31 December, 2002, respectively, corresponds to approximately SEK 41.1 million. This amount is reported under the item Other long-term receivables. Book value of the operations that are intended to be transferred to the joint venture is approximately SEK -5.1 million since the book value of the liabilities exceeds the book value of the assets. Since the intention is that the book value of the assets and liabilities to be transferred to the joint venture shall be 0, a liability in the amount of SEK 5.1 million is reported under the item Liabilities to associated companies.

PRO FORMA BALANCE SHEET

Amounts in SEK million	CityMail 31 dec. 1999	Adjustments	CityMail 31 dec. 1999, pro forma
ASSETS			
Fixed assets			
<i>Intangible fixed assets</i>			
Capitalised expenses for development work and similar work	22,7	– 22,7	–
Trademarks and similar rights	0,1		0,1
Total	22,8	– 22,7	0,1
<i>Financial fixed assets</i>			
Participations in Group companies	0,1		0,1
Shares and participations in associated companies	87,5		87,5
Other long-term receivables	0	41,1	41,1
Total	87,6	41,1	128,7
<i>Tangible fixed assets</i>			
Equipment, tools and installations	22,9	– 22,5	0,4
Total	22,9	– 22,5	0,4
Total fixed assets	133,3	– 4,1	129,1
Current assets			
Accounts receivable	36,2	– 32,7	3,5
Other receivables	2,2	– 1,1	1,1
Prepaid expenses and accrued income	9,2	– 8,9	0,3
Cash and bank equivalents	4,7	27,4	32,1
Total current assets	52,3	– 15,3	37
TOTAL ASSETS	185,5	– 19,4	166,2
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Restricted shareholders' equity	360,6	–	360,6
Non-restricted shareholders' equity	– 286,2	68,5	– 217,8
Total shareholders' equity	74,4	68,5	142,9
Current liabilities			
Accounts payable	28,1	– 23,7	4,3
Liabilities to associated companies	0	5,1	5,1
Other liabilities	38,9	– 26,8	12,2
Accrued expenses and deferred income	44,1	– 42,4	1,7
Total current liabilities	111,1	– 87,8	23,3
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	185,5	– 19,4	166,2
Pledged assets	52,9	– 29,7	23,2
Contingent liabilities	–		–

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