

No 2 June 1999

*Dear investors,*

**I have now been on-board for 2 months and I think it is time for me to give you an update on the development of Cycore. A lot has happened and more will come in the near future. In summary, the company has now not only products, but also an organizational structure and market/sales strategies to ensure commercial success.**



## Cycore hot news

**A new organization** was launched as of May 12, 1999, with 4 newly recruited managers. In addition, the employees from Kasan have been fully integrated in new Sales and Marketing functions. Cycore now has 55 employees. Main functions include:

- **Sales:** responsible for global Sales, directly or via distribution partners. Acting Manager is Gorgen Abrami.

- **Marketing:** responsible for global Marketing efforts. The unit is currently staffed with 7 people. Manager is Sten Kaiser.

- **Product Management:** P/L responsible for both product lines, Cult Effects and Cult3D. Main tasks includes Product Life Cycle Management, Pricing, Distribution systems. Manager is Henrik Ager.

- **R&D:** responsible for base development and product development of non-commercialized products (e.g. The globe). Manager is Jerry Pettersson.

- **Cycore US and Cycore Canada:** Two new sales/marketing companies in our major markets. The CEO in each company reports directly to me.

In addition, a Business Development function has been established as well as ordinary Finance and Personnel functions.

For detailed organizational structure, please contact Helena Nilsson, Personnel Manager.

**The NAB show** in Las Vegas was very successful. We got a terrific response of our new package Cult Effects. In addition, Adobe spent about 7 minutes showing Cult Effects out of their 25 minutes presentation (every 2nd hour) of the new After Effects release! The press has also recognized Cult Effects. For example, take a look at the attached Videography review!

**A new Business Plan** has been put in place, mostly focused on the Sales and Marketing strategies for both product lines.

**A forceful Marketing program** has been launched for both products. Key activities include demo-CD's directly to end customers or via magazines, seminars, trade shows and newsletters. In addition, our site has been redesigned to attract the business community.

**Cycore was awarded** the "IT-challenger of the year 1999" by the Swedish business paper Veckans Affärer. There has also been articles in, for example Svenska Dagbladet and Computer Sweden lately. Both in the US and in Canada, Cycore has been covered in technology oriented TV-shows. We are beginning to get known!

**About 80 distributors/VARs** have been contacted in order to set up the distribution system for Cult Effects. The same process is underway for Cult3D in all countries except US, Canada and Scandinavia, where we will be our own distributors.

**Key strategic initiatives** have been defined. A business idea for our product development initiative "The globe" is emerging. In addition, main levers to get our Cult3D technology widely used have been defined. To our help, an Advisory Board with a few hand-picked people, both external and internal, has been established.

**An option program** has been put in place, as a management tool to attract and retain management and employees.

**A T-shaped Sales strategy** for **Cult3D** has been defined and is being implemented. The spike in the T stands for the 20 selected key customers we currently focus on. The upper bar stands for the about 200 other potential customers we are penetrating for the moment.

## Near-term priorities

**Distribution systems.** A further build-up of the Sales/Marketing function and our companies in the U.S. and Canada is on the critical path. It is equally important to quickly find distributors in the rest of world.

**Key customers.** We need to quickly get 10-15 target customers to get the final "credibility stamp" on the Cult3D product. Many target customer discussions are underway.

**Partnerships.** Traditional distribution (sales/marketing) partners is only the beginning. We now have to find untraditional ways to quickly leverage our Cult3D plug-in as well as our 3D engine technology.

*Please call or e-mail me if more detailed information is needed.*

*Bengt Starke, CEO Cycore*

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