

## **ICON MEDIALAB INTERNATIONAL AB REPORTS SECOND QUARTER 2000 FINANCIAL RESULTS**

**Net Sales of 431.9 SEK million are up 376 percent and generate a 2.8 SEK million operating profit**

**STOCKHOLM, Sweden and BRUSSELS, Belgium – August 11, 2000** – Icon Medialab International (Stockholm:ICON), the e-business and Internet consultancy with the most expansive global reach, today reported record financial results for its second quarter ended June 30, 2000.

The company reported net sales of SEK 431.9 million, an increase of 376 percent over the SEK 90.7 million reported in the second quarter of 1999, and an increase of 55 percent sequentially over the SEK 278.5 million reported in the first quarter of 2000.

For the quarter the company reported positive operating earnings of SEK 2.8 million, before goodwill amortization and provision for social security fees related to employee stock options. This marks the first quarter of operating profitability for the company, and compares to a SEK 13.6 million operating loss reported in the year-earlier quarter. Net earnings for the second quarter, after goodwill amortization and provision for social security fees related to employee stock options, were negative SEK 142.6 million.

Annualized revenue productivity per average consultant improved to SEK 1,630 thousand. The gross profit percentage of 28.7 is an improvement of 2.9 percent points over the same quarter last year. Operating cash flow, before working capital adjustments totaled a positive SEK 10.4 million for the first six months of 2000, compared to a negative operating cash flow of SEK 23.5 million for the same period in 1999.

“Achieving operating profitability in the quarter, while continuing to make the investments necessary to position ourselves as the global leader in our industry, validates our business model and vision for the company,” said Ulf Dahlsten, President and Chief Executive Officer of Icon Medialab International. “The organic growth rate from the first to the second quarter exceeded 300 percent on an annualized basis, driven in particular by new projects with global clients. With the acquisition at the start of the third quarter of Insight Technology to further expand our US presence and technical capabilities, today we have 1,700 staff in 12 countries to serve our clients. Furthermore we have direct access to a rapidly growing number of resources across Asia through Icon Medialab Asia.”

“Demand for our services continues to be very high, and although we foresee a seasonality impact in the third quarter, our confidence in the full year growth performance has been bolstered by successes with major new clients during the first half of the year,” said Rens Buchwaldt, Chief Financial Officer of Icon Medialab International. “The fact that we now generate two thirds of our sales outside Sweden further enhances our ability to continue to generate growth.”

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**Contacts:**

Helga Baagøe, Corporate Communications, [helga.baagoe@iconmedialab.com](mailto:helga.baagoe@iconmedialab.com), +46 8 52 23 90 55, +46 70 437 90 55  
Rens Buchwaldt, CFO, +46 8 52 23 90 20

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## Net sales and earnings

Operating profit before goodwill amortization and provision for social security fees related to employee stock options for the quarter was SEK 2.8 million on net sales of SEK 431.9 million.

Net sales for the first half of 2000 were SEK 710.4 million, which is a 368 percent growth over the same period last year. The year to date operating earnings before goodwill amortization and provision for social security fees improved by SEK 16.6 million to a loss of SEK 11.8 million, compared to the year ago figure of negative SEK 28.4 million.

During the quarter a total of SEK 23 million in allowances and write-offs was recorded in relation to doubtful receivables.

Goodwill amortization for the second quarter amounted to SEK 160.1 million, compared with SEK 3.5 million in the second quarter of 1999. The company amortizes goodwill for each individual acquisition over a period between three to five years.

In the fourth quarter of 1999, a provision was made of SEK 60.8 million for social security fees related to the employee stock option program. As of each subsequent reporting date, this provision is revalued based on the then-current share price. As of June 30, this provision was revalued again and a release of SEK 24.3 million positively impacted the earnings performance for this second quarter. Year to date a release of SEK 56.3 million has been recorded.

The following table shows the Group's net sales, costs and expenses, operating earnings, goodwill amortization and the provision for social security fees related to employee stock options.

SEK m	Apr - Jun 2000	Apr - Jun 1999	Jan - Jun 2000	Jan - Jun 1999
Net sales	431.9	90.7	710.4	151.7
Cost of sales <sup>α</sup> *	-308.0	-67.3	-508.1	-118.6
Gross profit*	123.9	23.4	202.3	33.1
% of net sales	28.7%	25.8%	28.5%	21.8%
Sales costs*	-39.7	-10.5	-63.5	-18.1
Administrative expenses*	-88.4	-26.8	-157.7	-43.8
Other income/expenses	7.0	0.3	7.1	0.4
Operating earnings*	2.8	-13.6	-11.8	-28.4
Goodwill amortization	-160.1	-3.5	-273.2	-4.8
Provision for social security fees on stock options	24.3	0.0	56.3	0.0
Operating earnings	-133.0	-17.1	-228.7	-33.2

<sup>α</sup> Cost of sales includes personnel costs, consultants and other direct costs, as well as a portion of overhead in the form of office space and equipment expenses and depreciation.

\* Excluding goodwill amortization and provision for social security fees on stock options.

## Quarterly Trends

The Group's net sales for the period totaled SEK 431.9 million, an increase of 376 percent from the same period the previous year.

On an annualized basis, net sales per consultant were SEK 1,630 thousand in the second quarter of 2000.

The following table illustrates trends in quarterly performance from first quarter 1998 and onwards.

SEK m	2000		1999				1998			
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net sales	431.9	278.5	161.8	103.2	90.7	61.0	55.0	30.5	22.8	23.3
<i>Growth % from same Q prior year</i>	376%	357%	194%	238%	298%	162%				
<i>Growth % sequential Q</i>	55%	72%	57%	14%	49%	11%	80%	34%	-2%	
Operating earnings*	2.8	-14.6	-52.6	-33.3	-13.6	-14.8	-12.7	-14.4	-9.7	-5.6
<i>Operating margin*</i>	0.6%	-5.2%	-32.5%	-32.3%	-15.0%	-24.3%	-23.1%	-47.2%	-42.5%	-24.0%
Earnings net of financial items	-133.6	-94.9	-223.0	-38.2	-18.6	-15.9	-6.3	-14.0	-10.2	-6.3

\* Prior to goodwill amortization and provision for social security fees on employee stock options.

## Distribution of sales

The following table displays the geographical distribution of net sales for the second quarter 2000 and the first half-year compared with the same periods prior year. Sales outside of Sweden in the second quarter 2000 are 439 percent higher than those in 1999. Sales outside of Sweden now comprise two thirds of total net sales in comparison to 59 percent in 1999.

SEK m	Apr - Jun	Apr - Jun	Jan - Jun	Jan - Jun
	2000	1999	2000	1999
Sweden excluding Parent	200.7	40.0	333.6	71.3
Rest of World	287.6	53.4	466.9	84.9
Parent Company	26.3	5.9	44.5	10.1
<b>Group eliminations</b>	<b>-82.7</b>	<b>-8.6</b>	<b>-134.6</b>	<b>-14.6</b>
<b>Total</b>	<b>431.9</b>	<b>90.7</b>	<b>710.4</b>	<b>151.7</b>

## Financial position and investments

Year to date the Group made, in addition to acquisitions, investments in fixed assets of SEK 53.2 million. The majority of the investments were in office equipment and computers.

The Interpublic Group of Companies (IPG), already a principal shareholder, invested a further SEK 96.5 million in Icon Medialab during the quarter. SEK 55.6 million of this SEK 96.5 million results from the conversion of a debenture loan. The remainder; SEK 40.9 million, represents an incremental commitment by IPG through the exercise of warrants. The combined loan conversion and warrant exercise covered the purchase of 2,820,466 Icon Medialab shares.

As of June 30, 2000, shareholders' equity totaled SEK 2,462.8 million, compared to SEK 411.0 million on June 30, 1999, yielding solvency ratios of 81.1 and 72.5 percent, respectively.

Liquid assets on June 30, 2000 totaled SEK 339.7 million, compared to SEK 253.7 million at the end of 1999, an increase of SEK 86.0 million over the first six months of 2000.

## Share data

Earnings per share after tax on a non-diluted basis were a loss of SEK 5.21 year to date 2000 compared to a loss of SEK 1.39 for the first six months 1999. At the end of the period, shareholders' equity per share on a non-diluted basis was SEK 48.54, compared to SEK 13.44 June 30, 1999.

The parent company had 50,737,663 outstanding shares as of June 30. On a fully diluted basis, including all outstanding options and reserved shares, the maximum number of shares was 67,333,724 as of that date.

Operating Earnings for the second quarter, before goodwill amortization and provision for social security fees on employee stock options, and assuming an effective tax rate of 35%, are SEK 0.03 per fully diluted share.

## Shareholdings

As of June 30, 2000 Icon Medialab had 21,600 shareholders. The largest shareholdings, in terms of capital and votes, are based in the U.S. (36.9%) and Sweden (30.1%). Shareholdings by U.S. shareholders increased by 7.1 percent over the first six months of 2000.

## Acquisitions and disposals

In early April, Icon Medialab became Spain's largest e-business consultancy through the acquisition of Nexus Information Technology.

Icon Medialab's investment in Icon Medialab Asia, as approved by the shareholders meeting in April, was effective in May.

In May Icon Medialab acquired approximately 8 percent of LUVIT, an e-learning technology company now traded on the Stockholm Stock Exchange Den Nya Marknaden. At the same time LUVIT signed a letter of intent to acquire the business of WebCat, partly owned by Icon Medialab.

Icon Medialab AS, the Norwegian subsidiary of Icon Medialab International AB sold 56.1 percent of its holding in ijo Publishing Technology AS to Xcelera and two other investors. Icon Medialab AS retained a 19.9 percent stake in ijo Publishing Technology AS, a leading Norwegian web-

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Mail address:

Icon Medialab International AB  
Box 863, 101 37 Stockholm, Sweden  
www.iconmedialab.com

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Phone: +46 8 52 23 90 00  
Fax: +46 8 52 23 90 97

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based technology company serving the global professional Internet publishing market. A gain on the sale of SEK 9.4 million has been recorded under "net financial items" in the period.

Acquisition	No. of shares	Date consolidated
Nexus	1,554,178	Apr. 1, 2000
Icon Medialab Asia	867,449	n.a*

\* Icon Medialab Asia is accounted for using the equity method

## Parent company

The parent company recorded net sales, including management fees, of SEK 26.3 million for the second quarter, and a loss, net of financial items, of SEK 12.4 million. Investments totaled SEK 749 thousand. As of June 30, 2000, the parent company recorded liquid assets of SEK 221.1 million.

## Board of Directors

Michael Sennott, Deputy Chairman of Lowe Lintas & Partners Worldwide, one of the largest advertising agency networks in the world, was elected new Board member of Icon Medialab International at the Annual General Meeting (AGM), which was held in Stockholm June 13, 2000. The AGM decided to elect eight Board members and one deputy Board member. The remaining Board members elected are as follows: Leif Edvinsson, Gilbert Fuchsberg, Tom Nicholson, Björn Nordstrand, Johan Staël von Holstein, Henrik Vilselius and Erik Wickström. Albert Benatar was elected deputy member of the Board.

## Awards

Recognitions and awards for Icon Medialab during the quarter included:

In May Icon Medialab was awarded five Creative Excellence Awards by the International Web Page Awards, including one prestigious "Best in Category" award. In the competition that received over 600 entries from 21 different countries, Icon Medialab was recognized for work with such Web sites as Volkswagen, The Metropolitan Museum of Art, gifts.com and Mangusta.

LetsBuyIt.com, one of Icon Medialab's largest clients, was in June named best European retail site and won the coveted Y2K Grand Prix award for best demonstrating the power and effectiveness of digital media in the Internet economy, by the New Media Age awards.

Scandinavian.net developed by Icon Medialab won the prestigious SIME (Scandinavian Interactive Media Event) award for best design in June.

In June Icon Medialab was described by the American business weekly Business Week as one of the 200 most interesting Information Technology companies in the world and the American weekly TIME includes in a special feature on European IT-companies Icon Medialab as one of the 50 "hottest" companies in Europe.

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Mail address:  
Icon Medialab International AB  
Box 863, 101 37 Stockholm, Sweden  
www.iconmedialab.com

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Phone: +46 8 52 23 90 00  
Fax: +46 8 52 23 90 97

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### **Important events since end of the second quarter**

At the start of the third quarter Icon Medialab acquired Insight Technology Group, a high-level Internet systems analyst and consulting firm. The acquisition enhances Icon Medialab's technical capabilities in the U.S. and further demonstrates Icon Medialab's goal to create and implement the next generation integrated e-business development process based on the Rational Unified Process (RUP). At the time of the acquisition Insight employed 80 senior systems analysts and engineers in St. Louis and Washington DC. For the year 1999 Insight was profitable with net sales of over \$13 million. The acquisition was paid for with a new issue of 2,046,787 shares of Icon Medialab International, with the potential to earn an additional 300,000 shares based on specific performance targets within the next 12 months.

In conjunction with the acquisition of Insight Technology Group, Icon Medialab also acquired SiteX3, a U.S. based development company. This acquisition is paid for with 254,010 shares in Icon Medialab International, and includes seven employees and the intellectual rights to next generation e-commerce development processes and tools.

### **Forthcoming reports**

The third quarter report will be published on October 25, 2000.

## Income, Balance Sheet, Cash Flow and Key Ratio Statements

### Summary Consolidated Income Statement

SEK in thousands	Jan - Jun 2000	Jan - Jun 1999**	Jan - Dec 1999
Net sales	710 403	151 665	416 607
Cost of sales*	- 700 207	- 122 015	- 479 167
Gross profit (loss)	10 196	29 650	- 62 560
Sales costs	- 77 704	- 19 018	- 67 619
Administrative expenses	- 168 287	- 44 169	- 172 182
Other income/expenses	7 084	351	9 233
Operating earnings	- 228 711	- 33 186	- 293 128
Equity in loss/earnings of assoc. co's.	- 10 497	- 1 319	- 2 843
Net financial items	10 697	- 13	271
Earnings net of financial items	- 228 511	- 34 518	- 295 700
Income taxes	- 10 300	- 1 372	- 2 240
Minority interest	- 92	- 419	- 805
Net earnings	- 238 903	- 36 309	- 298 745

\* Cost of sales includes personnel costs, consultants, other direct costs and a portion of overhead in the form of office space and equipment expenses and depreciation.

\*\*All comparative figures have been recalculated to meet the new accounting principles applied from the last quarter of 1999.

## Summary Consolidated Balance Sheet

SEK in thousands	Jun 30, 2000	Jun 30, 1999**	Dec 31, 1999
<b>Assets</b>			
Intangible fixed assets	3 572	1 893	932
Goodwill	1 811 784	174 001	1 159 496
Tangible fixed assets	117 117	34 970	70 607
Financial fixed assets	248 379	5 114	10 647
<b>Total fixed assets</b>	<b>2 180 852</b>	<b>215 978</b>	<b>1 241 682</b>
Work in progress	35 767	5 420	10 875
Accounts receivable, trade	410 383	69 095	189 673
Other receivables	68 883	37 408	48 640
Cash and bank, sh.-term inv's	339 701	239 961	253 694
<b>Total current assets</b>	<b>854 734</b>	<b>351 884</b>	<b>502 882</b>
<b>Total assets</b>	<b>3 035 586</b>	<b>567 862</b>	<b>1 744 564</b>
<b>Liabilities &amp; shareholders' equity</b>			
Restricted equity	3 064 975	519 886	1 741 670
Loss carried forward	- 363 322	- 72 574	- 75 874
Net earnings	- 238 903	- 36 309	- 298 745
<b>Total shareholders' equity</b>	<b>2 462 750</b>	<b>411 003</b>	<b>1 367 051</b>
Total provision	160 538		108 323
Minority interest		488	-
Long-term liabilities	9 425	8 641	15 249
Convertible debentures	78 104	65 569	54 242
Customer advances	18 677	587	20 024
Other current liabilities	306 092	81 574	179 675
<b>Total liabilities</b>	<b>412 298</b>	<b>156 859</b>	<b>269 190</b>
<b>Total liabilities &amp; shareholders' equity</b>	<b>3 035 586</b>	<b>567 862</b>	<b>1 744 564</b>

*\*\*All comparative figures have been recalculated to meet the new accounting principles applied from the last quarter of 1999.*



## Consolidated Cash Flow Statement\*

SEK in thousands	Jan - Jun 2000	Jan - Jun 1999**	Jan - Dec 1999
<b>Current operations</b>			
Operating loss	-228 711	-33 186	-293 128
Adjustments for items not included in cash flow	292 521	9 702	134 434
Provision social security fees employee stock options	-56 267		60 838
Financial items	13 182	- 13	1 323
<u>Income taxes</u>	<u>-10 300</u>	<u>- 4</u>	<u>-2 178</u>
Cash flow from current operations before adjustments in working capital	10 425	-23 501	-98 711
<u>Adjustments in working capital</u>	<u>-127 364</u>	<u>-17 855</u>	<u>-14 251</u>
Cash flow from current operations	-116 939	-41 356	-112 962
<b>Investment activities</b>	-85 237	-23 680	-56 304
<b>Financing activities</b>			
Issuance of common stock for cash	274 440	195 180	318 347
<u>Net borrowing/repayment of debt</u>	<u>15 335</u>	<u>58 372</u>	<u>53 266</u>
Cash flow from financing activities	289 775	253 552	371 613
Change in cash and cash equivalent	87 599	188 516	202 347
Translation rate differences on cash and cash equivalent	-1 592	- 311	- 409
Cash and cash equivalent end of period	339 701	239 961	253 694

\* Investing and financing transactions that do not require the use of cash are excluded from the cash flow statement.

\*\*All comparative figures have been recalculated to meet the new accounting principles applied from the last quarter of 1999.

## Key ratios

	Jan - Jun 2000	Jan - Jun 1999**	Jan - Dec 1999
Solvency ratio	81.1%	72.5%	78.4%
Debt/solvency ratio	0.04	0.2	0.1
Number of employees at end of period	1,609	566	1,056
Average number of employees	1,091	419	585
Sales per employee, SEK thousand	894	566	712
Sales per consultant, SEK thousand	1,630	na	na
Outstanding shares	50,737,663	30,584,645	36,490,510
Average number of shares	45,817,649	26,109,348	29,216,794
Earnings per share (SEK)	-5.21	-1.39	-10.23
Shareholders' equity per share (SEK)	48.54	13.44	37.46
Shareholders' equity per share (SEK) after dilution	64.48	14.39	83.43
EBITDA	63.8	-24.4	-158.7
EBITDA per share (SEK)	1.39	-0.94	-5.43

*\*\*All comparative figures have been recalculated to meet the new accounting principles applied from the last quarter of 1999.*

**Solvency ratio** - is calculated by dividing shareholders' equity including minority holdings by total assets.

**Debt/solvency ratio** - calculated by dividing financial liabilities by shareholders' equity including minority shares.

**Net sales per employee** - net sales during the latest 12-month period divided by average number of employees during the same period.

**Net sales per consultant** - net sales during the latest quarter divided by average number of consultants during the same period times four (annualized).

**Average number of shares** - calculated in consideration of when the issue payment or the capital contributed has been accessible. Average number of shares after dilution includes shares added when issued convertible debts are converted and shares added when issued options are exercised.

**Earnings per share** relate to earnings after full taxation divided by average number of shares. Options and convertible debt are treated as dilutive only when their conversion to ordinary shares would decrease net profit/loss per share.

**Shareholders' equity per share** - calculated by dividing shareholders' equity by registered number of shares at end of period. In consideration of dilution, shareholders' equity has been increased by received issue payments.

**EBITDA** - earnings before interest, tax, depreciation and amortization.

**EBITDA per share** - EBITDA in relation to average number of share.

Mail address:  
Icon Medialab International AB  
Box 863, 101 37 Stockholm, Sweden  
www.iconmedialab.com

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Phone: +46 8 52 23 90 00  
Fax: +46 8 52 23 90 97

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August 11, 2000  
Stockholm, Sweden

For the Board:

Ulf Dahlsten  
President and CEO

This report has not been subject to review by the company's auditor

**Disclaimer**

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**Icon Medialab**, the e-business and Internet professional services firm with the most expansive global reach, provides innovative strategic, creative and technology solutions to clients all over the world. With more than 1,700 employees in 12 countries in the U.S. and Europe and more than 140 employees in 3 countries in Asia through Icon Medialab Asia, Icon Medialab provides competitive advantage to clients through rapid local deployment and customization of best-in-class strategies and applications. Founded in 1996 and headquartered in Brussels, Icon Medialab offers expertise across all platforms and devices, including wireless and mobile applications. The firm has developed and executed award-winning programs for numerous clients, including Stora Enso, Telenor, Foreningssparbanken, Sonera Zed, Volkswagen, and Alitalia. Icon Medialab stock is traded on the Stockholm Stock Exchange Attract40 (ICON).

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Mail address:  
Icon Medialab International AB  
Box 863, 101 37 Stockholm, Sweden  
www.iconmedialab.com

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Phone: +46 8 52 23 90 00  
Fax: +46 8 52 23 90 97

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