



I C O N M E D I A L A B

27 November 1998

Contacts: Franco Fedeli, Managing Director, franco@iconmedialab.se  
Liia Nõu, Financial Director, liia@iconmedialab.se

Telephone +46 8 58 89 90 00

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## **Semi-annual report 1 May 1998 – 31 October 1998**

### **Icon Medialab International AB (publ)**

- **Net sales for the first six months up 191% to MSEK 63.1 (21.7)**
- **Profit/loss after financial items MSEK -21.3 (-14.3)**
- **Operations outside Sweden account for 35% (9%) of the group's net sales.**

#### *Summary of important events since 1 August 1998*

- **Parent company introduced on Stockholm Stock Exchange's O-list, 18 November 1998**
- **Forbes Global Business & Finance named Icon Medialab International one of the 300 most interesting small companies in the world.**
- **Ulf Dahlsten and Elisabet Annell – new board members**
- **The German office has expanded rapidly to 21 employees since its establishment in September.**
- **In Denmark, a contract was signed with Incentive and BoardCast™ was launched.**
- **The Spanish subsidiary was named best web agency in Spain, and is showing profits on a monthly basis.**
- **The Swedish company moved to new premises.**

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Mailing address:  
Icon Medialab International AB (publ)  
Box 27214  
101 53 Stockholm

Telephone: +48 8 58 89 90 00  
Telefax: +48 8 58 89 90 97

[www.iconmedialab.com](http://www.iconmedialab.com)

The **Icon Medialab International AB (publ)** group, hereinafter referred to as **Icon Medialab**, is one of the largest and fastest-growing European providers of interactive digital communication services. These services include solutions for the Internet, intranets, extranets and e-commerce, supplied with a high degree of professionalism, creativity and quality.

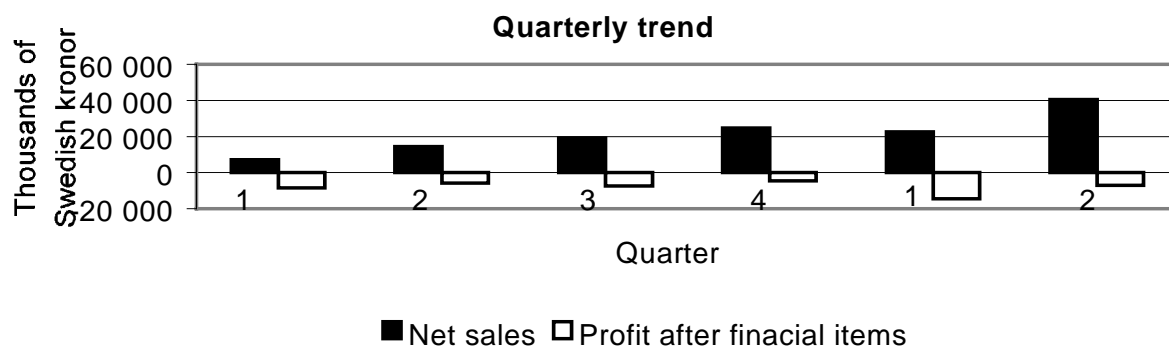
Unless otherwise indicated, this report concerns **Icon Medialab**. The income statement, balance sheet, financial analysis and key ratios are applicable to the first six months of the current financial year (quarters 1 and 2). The events described in the text have occurred primarily during the period after 1 August 1998 (the second quarter of the financial year), except where otherwise noted. For important events during the first quarter, see the quarterly report for 1 May – 31 July, published 25 August 1998.

### Net sales and profit/loss

The group's net sales in the first six months of the financial year increased 191 per cent compared with the same period the previous year to MSEK 63.1 (21.7). The proportion of net sales accounted for by operations abroad increased from 9 per cent to 35 per cent during the same period. The profit/loss after net financial items was MSEK -21.3 (-14.3).

The table and diagram below show trends in quarterly net sales and profit after financial items for the six most recent quarters. Note that the group's financial year runs from 1 May to 30 April.

TSEK	97/98				98/99	
	Q1 May - July	Q2 Aug - Oct	Q3 Nov - Jan	Q4 Feb - April	Q1 May - July	Q2 Aug - Oct
Net sales	7,208	14,444	19,288	24,723	22,615	40,500
Profit after financial items	-8,400	-5,867	-7,435	-4,521	-14,378	-6,933



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Sales continued to grow strongly in the past quarter, compared with the same period the previous year, and are in line with management expectations. Profit/loss after financial items is once again negative. Individual subsidiaries have begun showing a monthly profit, however. The loss is attributable to new start-ups abroad.

## **Sales and markets**

During the first half of the financial year, demand for digital communication services continued to grow rapidly. The market for Internet services is characterized by extremely rapid growth.

Icon Medialab has been very successful in its external PR efforts, and the company is now considered a player on essentially all the markets where it operates. The American business magazine Forbes Global Business & Finance named Icon Medialab one of the world's 300 best small companies; Icon Medialab was the only company in the industry to make the list. The Industry Standard, an American trade periodical, listed Icon Medialab as one of the world leaders in its industry this autumn.

The Swedish subsidiary, Icon Medialab AB, has experienced strong demand and signed contracts with several new customers. In addition to major contracts with the S E B banking group and Svenska Spel during the first quarter, Icon Medialab AB won contracts from Tetra Pak, Harley-Davidson and the City of Stockholm during the second quarter. The company also supplied Volkswagen with an acclaimed service for direct sales of cars.

The Danish operation, Icon Medialab A/S, serving the dynamic region around the Sound, established a strategically important contract with the leading Danish industrial group Incentive. Initially, the contract will entail developing a global intranet. This autumn also saw the launch of BoardCast™. BoardCast™ is a product that facilitates cost-efficient conferences and meetings over the Internet.

Icon Medialab in the UK, IML London Ltd, has extended its strategic cooperation with Amersham Pharmacia Biotech, contributing to strong growth for the company.

The Finnish subsidiary, IMLF Finland Oy, won a Grands Prix for its web campaign for Valio and an Honorary Mention for its web campaign for Fazer

In Spain, the market for digital communications has matured rapidly since the summer, and the scale of typical customer commitments is rapidly approaching Scandinavian levels. New customers in Spain include Opel, Banco Pastor and Electrolux. Since September, the Spanish subsidiary has been showing a profit on a monthly basis. Icon Medialab in Spain, Icon Medialab S.A., has been recognized as Spain's finest web agency.

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The new German start-up, Icon Medialab Germany AG, lists among its customers Boxman and Lego. The cooperative efforts with Volkswagen that are currently under way in Sweden also involve Icon Medialab Germany. The business has expanded extremely rapidly, in part owing to a buy-out of the web agency killakanu. In Hamburg, Icon Medialab has taken on 21 new employees since 25 August 1998.

Icon Medialab Belgium SA is carrying out several major projects for DHL. The EU is also an important client.

Icon Medialab is playing a key role in the successful international establishment of the Swedish CD vendor Boxman. Subsidiaries in the UK, Denmark, Finland and Germany are carrying out Boxman assignments.

### **Acquisitions by group companies and start-ups**

A limited company with share capital corresponding to MSEK 0.5 was established for German operations this autumn. Icon Medialab Germany AG acquired all tangible assets of the web developer killakanu GbR mbH in Cologne.

### **Investments**

Investments totalled MSEK 13.5 during the first six months, MSEK 3.6 of which was financed by leasing contracts. The majority of the investments were attributable to Swedish Icon Medialab AB's move to new premises in October, and implementation of new financial and project management systems in the group.

### **Financial position**

Shareholder equity on the balance sheet date was MSEK 103.3 (0.7), yielding a solidity of 68.3 (2.7) per cent.

### **Share data**

The net profit/loss after tax during the first six months corresponds to a loss per share of SEK -5.41 (-5.78). For financial year 97/98, the loss per share was SEK -10.63. Equity per share at the end of the period was SEK 26.05 (0.30).

The share was listed on the O-list of the Stockholm Stock Exchange on 18 November 1998. It was previously listed on Stockholm Börsinformation (SBI).

### **Personnel**

The number of employees increased by 106 during the period. As of 31 October, the group had 260 employees in nine countries, 72 of them women. An additional 20 people are working for the group under full-year contracts. The total number of people employed by the group is 280 at the end of the period.

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## Board of Directors

On 3 November, an extraordinary general meeting elected a new Board of Directors. The Board welcomed Ulf Dahlsten, former group CEO and Managing Director of Posten AB, who also serves on the boards of Stena Line AB, Delphi Marknadspartner, Kuponginlösen and several companies in the Posten group, including Postgirot Bank, and Elisabet Annell, who also serves on the boards of Alfred Berg Fondkommission AB, Axel Johnson International AB, Hemfrid AB, HifabGruppen AB, St. Göran Hospital, the Swedish Civil Aviation Administration, the Swedish Securities Council and TV4 AB. Two of the founders, Jesper Jos Olsson and Magnus Lindahl, left the Board. The remainder of the Board is as before.

## Prospects for 1998/99

The management stands by its forecast.

## Parent company

The parent company recorded net sales during the first six months of MSEK 8.9 (2.6). Its profit/loss after financial items was MSEK -7.2 (-3.7). Investments totalled MSEK 0.1. The parent company's liquid assets as of 31 November 1998 were MSEK 61.6 (0.0).

## Summary of group income statements

TSEK	May-October 98	May-October 97	Full year 97/98
Net sales	63,115	21,652	65,663
Production expenses	-47,925	-22,235	-56,303
Net profit	15,190	-583	9,360
Sales expenses	-10,837	-4,270	-10,813
Administrative expenses	-26,367	-9,511	-24,084
Operating expenses	-22,014	-14,364	-25,537
Income from shares of assoc. cos.	-10	612	745
Net interest income	713	-515	-1,431
Profit after financial items	-21,311	-14,267	-26,223
Tax	-99	-	-11
Minority shares	-21	-	9
Profit/loss for the period	-21,431	-14,267	-26,225

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## Summary of group balance sheet

TSEK	31-10-1998	31-10-1998	30-4-1998
<b>Assets</b>			
Intangible assets	13,650	3,614	14,182
Tangible assets	20,219	8,794	10,564
Financial assets	1,607	754	1,523
<b>Total fixed assets</b>	<b>35,476</b>	<b>13,162</b>	<b>26,269</b>
Work in progress	1,751	187	1,127
Accounts receivable, trade	41,646	10,599	17,809
Other receivables	6,091	2,930	3,073
Cash, bank balances and short-term placements	66,514	575	1,679
<b>Total current assets</b>	<b>116,002</b>	<b>14,291</b>	<b>23,688</b>
<b>Total assets</b>	<b>151,478</b>	<b>27,453</b>	<b>49,957</b>
<b>Equity and liabilities</b>			
Restricted equity	161,515	25,235	42,463
Non-restricted equity	-36,802	-10,236	-10,664
Profit/loss for the period	-21,431	-14,267	-26,225
<b>Total equity</b>	<b>103,282</b>	<b>732</b>	<b>5,574</b>
Long-term liabilities	13,549	12,216	22,902
Advance payments from customers	2,291	-	1,144
Other current liabilities	32,356	14,505	20,337
<b>Total liabilities</b>	<b>48,196</b>	<b>26,721</b>	<b>44,383</b>
<b>Total equity and liabilities</b>	<b>151,478</b>	<b>27,453</b>	<b>49,957</b>

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## Group financial analysis

TSEK	May-October 98	May-October 97	Full year 97/98
<b>Current operations</b>			
Operating profit	-22,014	-14,364	-25,537
Adjustments for items not included in cash flow	3,489	1,611	4,143
Financial items	713	-515	-1,431
Cash flow from current operations before change in working capital	-17,812	-13,268	-22,825
<b>Change in working capital</b>			
Cash flow from current operations	-14,389	-6,142	-2,839
<b>Investment activities</b>			
Acquisition of fixed assets	-9,384	-3,171	-18,697
Cash flow from investment activities	-9,384	-3,171	-18,697
<b>Financing activities</b>			
New issue	119,031	14,212	31,485
Loans raised, net	-12,700	7,764	13,372
Cash flow from financing activities	106,331	21,976	44,857
Change in liquid assets	64,746	-605	496
Exchange rate differences in liquid assets	89	-11	-8
Liquid assets at end of period	66,514	575	1,679

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## Key ratios

	6 months May-October 98	6 months May-October 97	Full year 97/98
Solidity	68%	3%	11%
Debt/equity ratio	0.1	23.6	4.0
No. employees at close of period	260	125	174
No. employees (period average)	217	102	127
Earnings per share (SEK)	-5.41	-5.78	-10.63
Equity per share (SEK)	26.05	0.30	2.07

If a general meeting to be held in December 1998 approves the Board's proposal to change the company's financial year to the calendar year, thus concluding the current financial year on 31 December 1998, a press release will be issued on 23 February and the annual report will be published during the week of 5–9 April 1999. Both will encompass an eight-month period. The annual general meeting will be held on 28 April 1999. If the proposal is not approved, the third quarter 97/98 report will be published on 23 February.

Stockholm, 27 November 1998

On behalf of the Board of Directors:

Franco Fedeli  
Managing Director

This interim report has not been subject to audit.

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