



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

Press release: 25 August 1998

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Quarterly report 1 May to 31 July, 1998

Icon Medialab International AB (publ.)

- **Net turnover increased by 214% to SKr22.6 (7.2) million.**
- **Result after financial items –SKr14.4 (–8.4) million.**
- **The net turnover and result are fully in line with the company management's expectations.**
- **Icon Medialab in Sweden signed agreements with Svenska Spel and S-E-Banken.**
- **Icon Medialab UK signed an agreement with Fujitsu on developing a European e-commerce service.**
- **Germany is in a start-up phase.**
- **Activity in Finland was expanded with an office in Helsinki.**
- **New jobs for approx. 27 people.**
- **SKr130 million in new capital before issue costs has been supplied via two new share issues.**
- **The parent company was listed on Stockholm Börsinformation (SBI) [Stockholm Stock Exchange Information] on 22 June 1998.**

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The **Icon Medialab International AB (publ.)** group, hereafter called Icon Medialab, is one of the biggest and fastest growing companies in Europe in the market for interactive digital communications. Services cover Internet, intranet, extranet and e-commerce solutions that are delivered with high professionalism, creativity and quality. This report refers to the Icon Medialab International group unless stated otherwise.

Sales and market

The demand for digital communications services is growing rapidly. During the quarter Icon Medialab has signed agreements with several new customers and increased the level of collaboration with existing customers.

Icon Medialab in Sweden has signed two of the biggest agreements in Icon Medialab's short history. Both Svenska Spel and S-E-Banken have chosen to collaborate with Icon Medialab to develop their Internet services. Svenska Spel (formerly the companies Tipstjänst and Penninglotteriet) will open a site for the on-line playing of Svenska Spel's products, for example, Stryktipset and Lången. The agreement with S-E-Banken is a continuation of the collaboration that Icon Medialab has had with Trygg Hansa. S-E-Banken has just over 170,000 Internet customers and is Scandinavia's leading company in the field of insurance and financial services.

Icon Medialab UK (IML London Ltd) has signed a major cooperation agreement with the Japanese computer manufacturer Fujitsu to develop e-commerce services and Web applications for the European markets.

Icon Medialab Denmark (Icon Medialab A/S) has signed agreements to develop Web services for Danish TV3 and the consumer electronics manufacturer Pioneer.

Icon Medialab Belgium (Icon Medialab Belgium S.A.) has signed a major framework agreement with the European Commission's XIIIth General Directorate.

Icon Medialab USA (Icon Medialab Inc) has signed an agreement with Microsoft (MSFT) to develop, together with Anderson & Lembke, Microsoft's Site Builder Network, and with Netscape Communications (NSCP) to develop Web sites for the French, British, Australian, German and Japanese markets.

Net turnover and results

During the first quarter of the financial year, the group's net turnover increased by 214 per cent to SKr22.6 (7.2) million. The foreign activities' share of the group's net turnover increased from 6 per cent to 38 per cent. The result after financial income and expenses amounted to -SKr14.4 (-8.4) million. The first quarter covers months with low activity on the Swedish market during the holiday period. The results for the quarter also reflect costs incurred for an international recruitment campaign, costs relating to the quotation of the parent company on the stock exchange, and costs resulting from a start-up in Germany.

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Acquisition of group companies and new establishments

During the period, the share of ownership in Icon Medialab Inc (San Francisco) has increased to 97.8 per cent from the previous 77.7 per cent through a directed share issue that raised SKr6.2 million for the company.

A new company was formed for the established activity in Belgium with a share capital of SKr0.5 million.

In Finland, increased demand for Icon Medialab's services has meant that another office has been opened, this time in central Helsinki.

Start-up of activities in Germany. The business is expected to be in production at the end of August with fifteen employees.

Investment

During the quarter, investments in IT equipment, premises and other fixtures amounted to SKr1.5 (1.0) million. In October Swedish operations will move to new premises at Sergels Torg in Stockholm.

During the quarter, costs relating to the establishment of new activities abroad and products amounted to SKr0.2 (0.0) million.

Financial position

Two share issues during the quarter have supplied the parent company with SKr130 million before issue costs. The premium rate fund has been reduced for issue costs by SKr10.1 million. Total issue costs are estimated to amount to SKr10.6 million. On the balance sheet date, equity capital amounted to SKr110.3 (6.6) million, which gives a solidity of 71 (30) per cent.

Liquidity during the period has increased by SKr99.2 million.

Share data

At the end of the period, equity capital per share was SKr27.82 (2.68). The shares were quoted on Stockholm Börsinformation (SBI) [Stockholm Stock Exchange Information] on 22 June 1998.

Staff

The average number of employees during the period was 186 (92). In addition, 27 new employees have been employed during the period; on 31 July the number of employees was 201 in eight countries.

There were a further 11 people on 12-month contracts, which makes a total number of 212 people employed at the end of the period.

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Prospects for 1998/99

The turnover and result for the period are fully in line with the company management's expectations. The earlier forecast of an increase in net turnover to approximately SKr200 million and a loss for 1998/99 of around SKr18 million is still valid.

The parent company

The parent company's net turnover during the first quarter amounted to SKr2.3 (4.1) million. The result after financial income and expense amounted to -SKr4.4 (1.0) million. Investments amounted to SKr7.2 (0.3) million. The parent company's liquid assets on 31 July 1998 amounted to SKr92.2 (0.0) million.

Summary of consolidated profit and loss

| | May-July 1998 | May-July 1997 | Whole year 1997/98 |
|--|------------------|------------------|-----------------------|
| | SKr'000 | SKr'000 | SKr'000 |
| Net turnover | 22 615 | 7 208 | 65 663 |
| <u>Production costs</u> | <u>-19 823</u> | <u>-9 940</u> | <u>-56 303</u> |
| Gross profit and loss | 2 792 | -2 732 | 9 360 |
| Sales costs | -4 641 | -1 924 | -10 813 |
| <u>Administration costs</u> | <u>-12 790</u> | <u>-4 168</u> | <u>-24 084</u> |
| Operating loss | -14 639 | -8 824 | -25 537 |
| Income on shares in associated companies | - | 612 | 745 |
| <u>Net financial result</u> | <u>261</u> | <u>-188</u> | <u>-1 431</u> |
| Result after financial income and expenses | -14 378 | -8 400 | -26 223 |
| Tax | -96 | - | -11 |
| <u>Minority shares</u> | <u>-</u> | <u>-</u> | <u>9</u> |
| Net loss for the year | -14 474 | -8 400 | -26 225 |

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Summary of consolidated balance sheet

| | 31 July 1998 | 31 July 1997 | 30 April 1998 |
|---|----------------|---------------|---------------|
| | SKr'000 | SKr'000 | SKr'000 |
| Assets | | | |
| Intangible assets | 14 545 | 3 962 | 14 182 |
| Tangible assets | 11 714 | 7 252 | 10 564 |
| Financial assets | 432 | 664 | 1 523 |
| Total fixed assets | 26 691 | 11 878 | 26 269 |
| Work in progress | 1 054 | - | 1 127 |
| Trade debtors | 20 746 | 5 317 | 17 809 |
| Other claims | 5 668 | 3 173 | 3 073 |
| Cash, bank and short-term investments | 100 909 | 1 800 | 1 679 |
| Total current assets | 128 377 | 10 290 | 23 688 |
| Total assets | 155 068 | 22 168 | 49 957 |
| Equity capital and liabilities | | | |
| Restricted equity | 162 839 | 25 235 | 42 463 |
| Non-restricted equity | -38 070 | -10 217 | -10 664 |
| Profit/loss for period | -14 474 | -8 400 | -26 225 |
| Total equity capital | 110 295 | 6 618 | 5 574 |
| Long-term liabilities | 15 098 | 4 761 | 22 902 |
| Advance payment from customers | 2 071 | 450 | 1 144 |
| Other current liabilities | 27 604 | 10 339 | 20 337 |
| Total liabilities | 44 773 | 15 550 | 44 383 |
| Total equity capital and liabilities | 155 068 | 22 168 | 49 957 |

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Consolidated statement of source and application of funds

| | May–July 1998 | May–July 1997 | Whole year 1997/98 |
|---|------------------|------------------|-----------------------|
| | SKr'000 | SKr'000 | SKr'000 |
| Current activities | | | |
| Operating loss | -14 639 | -8 824 | -25 537 |
| Adjustments for items not included in the cash flow | 1 611 | 716 | 4 143 |
| <u>Financial income and expense</u> | <u>261</u> | <u>-188</u> | <u>-1 431</u> |
| Cash flow from current activities before changes in working capital | -12 767 | -8 296 | -22 825 |
| Changes in working capital | 2 529 | 414 | -2 839 |
| Cash flow from current activities | -10 238 | -7 882 | -25 664 |
| Investments | | | |
| <u>Acquisition of fixed assets</u> | <u>-2 646</u> | <u>-1 034</u> | <u>-18 697</u> |
| Cash flow from investments | -2 646 | -1 034 | -18 697 |
| Financing | | | |
| New share issue | 119 921 | 14 212 | 31 485 |
| <u>Loans, net</u> | <u>-7 804</u> | <u>-4 692</u> | <u>13 372</u> |
| Cash flow from to financing | 112 117 | 9 520 | 44 857 |
| Change to cash and bank balances | 99 233 | 604 | 496 |
| Exchange rate differences in cash and bank balances | -3 | 5 | -8 |
| Cash and bank balances at year-end | 100 909 | 1 800 | 1 679 |

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Business ratio

| | 3 months May–July 1998 | 3 months May–July 1997 | Aug–July 1997/98 | Whole year 1997/98 |
|--|------------------------------|------------------------------|---------------------|-----------------------|
| Solidity | 71% | 30% | 71% | 11% |
| Debt/equity ratio | 0,1 | 0,7 | 0,1 | 4,0 |
| Number of employees at end of period | 201 | 95 | 201 | 174 |
| Average number of employees over the year | 186 | 92 | 149 | 127 |
| Profit per share (SKr) | n/a | n/a | n/a | n/a |
| Equity capital per share (SKr) | 27,82 | 2,68 | 27,82 | 2,07 |
| Number of shares (thousand) | 3 964 | 2 470 | 3 964 | 2 698 |
| Number of shares after full subscription/conversion (thousand) | 4 262 | 2 470 | 4 262 | 2 962 |

The report for the second quarter of 1998/99 will be published on 27 November.

Stockholm, 25 August 1998

On behalf of the board of directors:

Franco Fedeli
CEO

I have reviewed this quarterly report in accordance with the recommendations of Föreningen Auktoriserade Revisorer [Swedish Institute of Authorised Public Accountants]. A review is significantly limited in relation to an audit. Nothing has emerged in the quarterly report to indicate that it does not fulfil the requirements stipulated in the annual accounts act of Sweden.

Stockholm, Sweden, 25 August 1998

Hans Jönsson
Authorised Public Accountant (Sweden)

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