



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

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## **Press Release**

### **1 May 1998 – 31 December 1998 (8 months)**

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

- At an extraordinary general meeting on 28 December 1998, it was decided that the financial year should be changed to correspond to the calendar year.
- Net sales for the eight months of the financial year were MSK<sup>r</sup> 98.7.  
The profit/loss after financial items for the financial year was MSK<sup>r</sup> -27.6.
- During calendar year 1998, net sales increased 204% to MSK<sup>r</sup> 131.3 (43.1).  
The profit/loss after financial items for the calendar year was MSK<sup>r</sup> -34.1 (-24.7).
- As of 31 December 1998, the group employed 300 people. At this writing, the group has approximately 375 employees.
- The group continues to grow abroad, and companies abroad accounted for 31% (11%) of net sales during the calendar year.
- During the financial year, new offices were established in Helsinki, Finland, and Hamburg, Germany. Icon Medialab has also operated in Oslo, Norway, since the beginning of 1999.
- The financial strength of the parent company was bolstered by two new share issues during the financial year, bringing in MSK<sup>r</sup> 130 before issue expenses. An additional MSK<sup>r</sup> 86 was raised in February 1999 through directed share issues.
- Since 18 November 1998, the parent company has been listed on the Stockholm Stock Exchange O-list. The share was introduced on Stockholms Börsinformation (SBI) on 22 June 1998.

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*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 press release concerns **Icon Medialab**. At an extraordinary general meeting on 28 December 1998, a decision was made to change the financial year to the calendar year. To facilitate comparison, income statements, balance sheets, financial analyses and key ratios are presented not only for the financial years 1 May 1998 – 31 December 1998 and 1 May 1997 – 30 April 1998, but for the calendar years 1997 and 1998.*

## **Net sales and profit/loss**

The group's net sales in the first six months of the financial year were MSK<sup>r</sup> 98.7. During calendar year 1998, net sales increased by 204 per cent compared with calendar year 1997 to MSK<sup>r</sup> 131.3 (43.1). The proportion of total sales accounted for by operations abroad increased from 11 per cent to 31 per cent during the period.

Net sales continue to grow rapidly and very much in line with the expectations of the Board, though it has not been possible to make acquisitions at the desired rate. The lower valuation of the company's share during the autumn made it more difficult to finance acquisitions by issuing our own shares. Growth has therefore been largely organic, which has entailed higher expenses. The profit/loss figures have also been affected by expenses relating to acquisition processes.

Icon Content, a subsidiary that operates the winter sports site thealps.com, successfully leased the rights to use its concept and services on a Pan-European basis during the financial year. The deal will net additional income for Icon Medialab, resulting from additional production in 1999.

The profit/loss after net financial items was MSK<sup>r</sup> -27.6 for the financial year. Among the financial items was a profit of MSK<sup>r</sup> 5.7 attributable to the transfer of convertible subordinated loans issued by Industrifonden. In conjunction with the transfer of Industrifonden's claims to a third party, the company was released from contractual obligations regarding representation on the Board of Directors and limiting the primary shareholders' right to sell their shares. For calendar year 1998, the profit/loss after net financial items was MSK<sup>r</sup> -34.1 (-24.7).

The table below shows trends in quarterly net sales, operating profit and profit after financial items during the eight quarters of calendar years 1997 and 1998.

SKr 1,000	1997				1998			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Net sales	5,954	8,746	10,505	17,936	23,334	22,835	30,433	54,715
Operating profit	-3,781	-5,823	-6,836	-8,119	-5,331	-9,194	-13,850	-12,131
Profit after financial items	-3,849	-5,338	-7,205	-8,353	-5,802	-9,676	-13,435	-5,210

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## **Sales and markets**

During the financial year, the demand for digital communication services continued to rise sharply. The market for Internet consulting services is expanding extremely rapidly.

The Swedish subsidiary, Icon Medialab AB, has experienced strong demand and signed contracts with several new customers. Contracts were established with the S E B banking group, Svenska Spel, Tetra Pak, Harley-Davidson, SAS and Sydkraft during the final eight months of the year. The company supplied Volkswagen with an acclaimed service for direct sales of cars on the Internet.

The Danish company, Icon Medialab A/S, serving the dynamic region around the Sound, established a contract with the leading Danish industrial group Incentive. The contract entails developing a global intranet. New customers include Cap Gemini, Pioneer and Nordisk Film. Icon Medialab A/S was named best Team Partner by IBM.

Icon Medialab in the UK, IML London Ltd, has expanded its strategic cooperation with Amersham Pharmacia Biotech. New customers include Fujitsu during the financial year and the Bank of Ireland, the Financial Times and the BBC in the beginning of 1999.

I San Francisco, Icon Medialab Inc. established contracts with several new customers, including Electronic Arts, the Industry Standard, Charles Schwab International and Netscape. The US office and its operations have helped bring Icon Medialab to the attention of the American media.

The Finnish subsidiary, The Works Finland Oy, expanded, establishing an office in Helsinki. The company won a Grand Prix for its web campaign for Valio, and honourable mention for its campaign for Fazer.

In Spain, the market for digital communications has matured rapidly in the past year. New customers in Spain include Opel, Banco Pastor and Electrolux. Icon Medialab S.A. has five of the ten largest industrial companies in the country on its customer rolls, and has been recognized as Spain's finest Internet consulting agency.

The new German start-up, Icon Medialab Germany AG, boasts customers such as Boxman, Volkswagen, Lego, TNT, Premiere and Gemadi. The business has expanded extremely rapidly since the acquisition of the web agency Killakanu. In Hamburg, Icon Medialab AG's staff has grown to 27 employees in less than five months.

Icon Medialab Belgium SA numbers DHL and the EU Commission among its major clients.

## **Marketing**

Icon Medialab has been successful in its external marketing efforts, and is now perceived as a leading agency on essentially all the markets where it operates. Forbes Global Business & Finance has named Icon Medialab one of the 300 most interesting small companies in the world; Icon Medialab was the only company in the industry to make the list. The Industry Standard, an American trade journal, listed Icon Medialab as one of the world leaders in its field this autumn. Adweek, a leading US media and PR weekly, listed Icon Medialab among the 50 most important companies in interactive media at the beginning of 1999. Icon Medialab was the only company on the list from outside the United States.

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

During the period, we increased our share in Icon Medialab Inc. in the USA to 98.9 per cent from a previous 77.7, in part by means of a new directed share issue that converted MSK<sup>r</sup> 6.2 in loans to shareholders' equity, and in part by acquiring a minority holding.

New operating companies were established during the financial year in Belgium and Germany. Each company had share capital corresponding to MSK<sup>r</sup> 0.5.

In September, Icon Medialab Germany AG acquired the operations of the web developer Killakanu GbR mbH in Cologne.

Icon Medialab established a presence in Norway by acquiring three companies there in early 1999. Neo Interaktiv was acquired by a non-cash issue. Neo Interaktiv then acquired operations from Intergate and Arakno. Following the merger of the three operations, Icon Medialab AS is one of the largest Internet consulting companies in Norway, with some 50 employees. The Norwegian acquisitions have been made by non-cash issues. A final count of the newly issued shares, which depends on the final acquisition balance, has not yet been made. The estimated number of shares involved in all the acquisitions is 408,000.

## **Investments**

Investments totalled MSK<sup>r</sup> 21.0 during the eight months of the financial year, MSK<sup>r</sup> 4.8 of which was financed by leasing contracts. MSK<sup>r</sup> 2.0 of the investment total was accounted for by start-up expenses in Germany and development costs. The majority of other investment expenses were attributable to Swedish Icon Medialab AB's move to new premises in October, and the implementation of new financial and project management systems in the group.

## **Financial position**

Two new issues during the financial year raised MSK<sup>r</sup> 130 for the parent company before issue expenses. The company's share premium reserve was reduced for issue expenses in the amount of MSK<sup>r</sup> 10.9. Between 1 December 1998 and 15 January 1999, employees utilized a percentage of outstanding share options, which brought in MSK<sup>r</sup> 4.4 for the parent company. The parent company has raised an additional MSK<sup>r</sup> 86 with new issues that by-passed the preferential rights of existing shareholders in February 1999.

Shareholder equity on closing day was MSK<sup>r</sup> 99.9, compared with MSK<sup>r</sup> 5.6 on 30 April 1998, yielding solidity figures of 68 and 11 per cent, respectively.

The company's liquid assets on closing day were MSK<sup>r</sup> 51.8, an increase of MSK<sup>r</sup> 50.1.

## **Share data**

The net profit/loss per share after tax was SK<sup>r</sup> -8.29 for the eight months of the financial year. For calendar year 1998, the loss after tax was SK<sup>r</sup> -10.34 per share. Equity per share was SK<sup>r</sup> 25.19 at the close of the financial year, compared with SK<sup>r</sup> 2.07 on 30 April 1998.

Since 18 November 1998, the parent company's share has been listed on the O-list of the Stockholm Stock Exchange. The share was listed on Stockholm Börsinformation (SBI) on 22 June 1998 at an introductory price of SK<sup>r</sup> 105.

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As of 31 December 1998, there were 3,964,219 shares recorded in the parent company, distributed among some 3,000 shareholders. Following the subscription of options expiring on 15 January 1999, non-cash issues and new issues that by-passed the preferential rights of existing shareholders in February, the number of shares was 5,015,728, not taking into account a possible adjustment of the purchase price of the Norwegian operations.

The Board of Directors propose that no dividend be distributed for operating year 1998.

### **Personnel**

During the financial year, the number of employees increased by 130. As of 31 December, there were 300 employees in eight countries, 83 of them women.

### **Changes in the Board of Directors**

On 3 November 1998, an extraordinary general meeting elected a new Board of Directors. The Board welcomed Ulf Dahlsten, who also serves on the boards of Stena Line AB, Delphi Marknadspartner, Kuponginlösen and several companies in the Sweden Post group including Postgirot Bank, and Elisabet Annell, who also serves on the boards of Alfred Berg Fondkommission AB, Axel Johnson International AB, Hifab AB, the Swedish Civil Aviation Administration 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 1999**

It will be impossible to compare the forecasts made for the previous financial year, 1 May 1998 to 30 April 1999, with actual results, since no financial reports will be issued on 30 April 1999. As things currently stand, the Board believes that the company's prospects of achieving the forecast net sales of MSKr 200 by 30 April 1999 are good. The forecast profit/loss of MSKr -18 will not be achieved, as a result of delays in acquisition processes.

Since American competitors have begun taking a more active interest in Europe, the Board has decided to increase the pace of expansion in this market. Companies with operations similar to those of Icon Medialab are being introduced on US stock exchanges and are valued highly. This gives them the strength to acquire companies at a rapid rate through non-cash issues. The Board believes it is necessary for Icon Medialab to fortify its leading position in Europe in order to fight off American competitors. The increased pace of expansion will have an effect on profit in 1999.

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## Parent company

During the eight months of the financial year, the parent company recorded net sales of MSK<sup>r</sup> 12.3. The parent company's net profit after financial items was MSK<sup>r</sup> -6.6 (-8.7). Investments totalled MSK<sup>r</sup> 0.4. The parent company's liquid assets as of 31 December 1998 were MSK<sup>r</sup> 45.5.

## Summary of group income statement

Skr 1,000	May - Dec. 98 (8 mos.)	May - April 97/98	Calendar year 1998*	Calendar year 1997*
Net sales	98,673	65,663	131,317	43,141
Production expenses	-77,856	-56,303	-100,273	-44,528
Net profit	20,817	9,360	31,044	-1,387
Sales expenses	-15,420	-10,813	-20,624	-7,784
Administrative expenses	-40,209	-24,084	-51,125	-15,240
Other income/expenses	199	0	199	-148
Operating profit	-34,613	-25,537	-40,506	-24,559
Income from shares in assoc. companies	104	745	237	612
Net financial income	6,928	-1,431	6,146	-798
Net profit after financial items	-27,581	-26,223	-34,123	-24,745
Tax	-18	-11	-23	-6
Minority shares	-7	9	-1	25
Profit/loss for the period	-27,606	-26,225	-34,147	-24,726

*\*Pro forma for 1998 and 1997 due to the change from financial year to calendar year.*

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## Summary of group balance sheet

SKr 1,000	31/12/98	30/04/98	31/12/97*
<b>Assets</b>			
Intangible assets	16,878	14,182	12,575
Tangible assets	24,064	10,564	9,960
Financial assets	4,571	1,523	736
<b>Total fixed assets</b>	<b>45,513</b>	<b>26,269</b>	<b>23,271</b>
Work in progress	911	1,127	402
Accounts receivable, trade	38,074	17,809	12,946
Other receivables	11,217	3,073	8,064
Cash, bank balances, sh.-term placements	51,756	1,679	2,446
<b>Total current assets</b>	<b>101,958</b>	<b>23,688</b>	<b>23,858</b>
<b>Total assets</b>	<b>147,471</b>	<b>49,957</b>	<b>47,129</b>
<b>Equity and liabilities</b>			
Restricted equity	165,841	42,463	34,078
Profit/loss carried forward	-38,379	-10,664	-5,273
Profit/loss for the period	-27,606	-26,225	-24,726
<b>Total equity</b>	<b>99,856</b>	<b>5,574</b>	<b>4,079</b>
Long-term liabilities	12,655	22,902	19,915
Advance payments from customers	985	1,144	427
Other current liabilities	33,975	20,337	22,708
<b>Total liabilities</b>	<b>47,615</b>	<b>44,383</b>	<b>43,050</b>
<b>Total equity and liabilities</b>	<b>147,471</b>	<b>49,957</b>	<b>47,129</b>

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## Group financial analysis

SKr 1,000	May - Dec. 98 (8 mos.)	May - April 97/98	Calendar year 1998*	Calendar year 1997*
<b>Current operations</b>				
Operating profit	-34,613	-25,537	-40,506	-24,559
Adjustments for items not included in cash flow	5,169	4,143	6,767	2,996
Financial items	6,928	-1,431	6,146	-798
Cash flow from current operations before change in working capital	-22,516	-22,825	-27,593	-22,361
<b>Change in working capital</b>	-16,460	-2,839	-19,005	4,893
Cash flow from current operations	-38,976	-25,664	-46,598	-17,468
<b>Investment activities</b>				
Acquisition of fixed assets	-19,882	-18,697	-24,350	-22,528
Cash flow from investment activities	-19,882	-18,697	-24,350	-22,528
<b>Financing activities</b>				
New issues	120,704	31,485	129,089	26,100
Loans raised, net	-11,987	13,372	-9,001	16,289
Cash flow from financing activities	108,717	44,857	120,088	42,389
Change in cash, bank balances and sh.-term plcmts	49,859	496	49,140	2,393
Exchange rate differences in liquid assets	218	-8	170	37
Cash, bank balances and short-term placements at end of period	51,756	1,679	51,756	2,446

\* Pro forma for 1998 and 1997 due to the change from financial year to calendar year.

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## Key ratios

	May - Dec. 98 (8 mos.)	May - April 97/98	Calendar year 1998*	Calendar year 1997*
Solidity	68%	11%	68%	9%
Debt/equity ratio	0.2	4.0	0.2	4.8
No. employees at close of period	300	174	300	141
No. employees (period average)	228	127	205	96
Earnings per share (SKr)	-8.29	-10.63	-10.34	-10.22
Equity per share (SKr)	25.19	2.07	25.19	1.54

## Annual general meeting and upcoming reports

The annual report will be available from the company no later than 13 April 1999. The annual general meeting will be held on 27 April 1999. Quarterly reports for 1999 will be published on 27 April, 10 August and 27 October.

Stockholm, 19 February 1999

On behalf of the Board of Directors:

Franco Fedeli  
Managing Director

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