

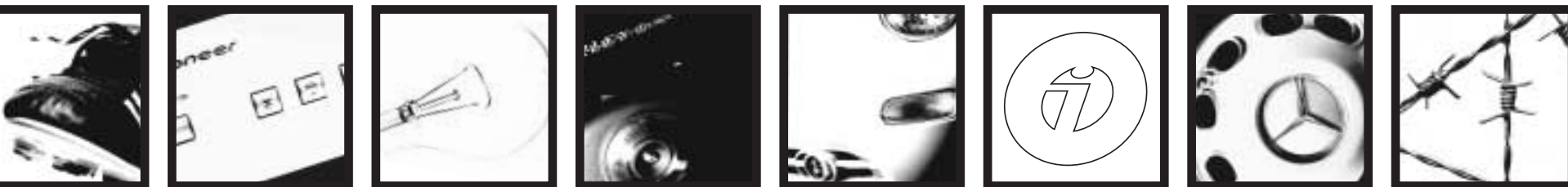
ANNUAL REPORT 1 MAY 1998 – 31 DEC 1998

ICON MEDIALAB INTERNATIONAL AB

www.iconmedialab.com

BRUSSELS COPENHAGEN HAMBURG HELSINKI KUALA LUMPUR LONDON MADRID OSLO SAN FRANCISCO STOCKHOLM TAMPERE





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Annual Report 1 May 1998 – 31 Dec 1998

ICON MEDIALAB INTERNATIONAL AB (PUBL)

ANNUAL GENERAL MEETING

The annual general meeting will be held on 27 April 1999 at 2 p.m. at the Riviera cinema, Sveavägen 52, in Stockholm.

Notice of the general meeting will be given in the Swedish Gazette and in the daily press no more than four weeks and no less than two weeks before the meeting.

Shareholders wishing to take part in the general meeting must be listed in the share register 10 days prior to the meeting, and must notify the company of their interest in attending no later than 4 p.m. on 23 April 1999. In order for nominee shareholders to attend the meeting, they must register their holding in their own name, such that the shares are registered to their owner no later than 17 April 1999.

An application to attend should be submitted by mail to:

ICON MEDIALAB INTERNATIONAL AB
Box 863
101 37 Stockholm
Sweden

by fax on +46 (0)8 52 23 90 97
or by e-mail to bolagsstamma@iconmedialab.se.

UPCOMING REPORTS:

Quarterly reports for 1999 will be published on 27 April, 10 August and 27 October.

An interview with Managing Director and Group CEO FRANCO FEDELI

Icon Medialab continues to expand

1998 was Franco Fedeli's first year at the helm of Sweden's only quoted Internet consultancy, Icon Medialab. Here, he provides answers to a few of the questions most frequently asked by shareholders, clients, employees, analysts and journalists.

What is unique about Icon Medialab?

– We are currently the biggest knowledge company in Europe in the field of digital communications solutions. Our strength, besides our presence in ten countries, is that we combine a unique mix of expertise within the company, ranging from management to design and behavioural science to technology. As a result, we have the resources to make a comprehensive commitment, carrying out large and complex client projects involving the Internet, intranets, extranets and e-commerce. The lead we have on our competitors is based on well developed structural capital, a global presence and a strong client base.

What has happened on the client side in 1998?

– Demand has been very strong, and we have observed a clear trend towards larger projects and tougher demands for cutting-edge expertise. Clients' expectations are higher, and the projects increasingly entail not only integration with existing business systems but investments in brand new business applications, such as e-commerce. Clients want us aboard earlier in the process, and we work together with them to formulate their entire business concept for the Internet.

How has going public affected your strategy for growth?

– Icon Medialab's strategy is simple. By expanding in Europe, we intend to strengthen our position as one of the most important players on the global market, and continue to be the leading supplier of digital communications solutions in Europe. In 1998, we chose to grow primarily organically, with slightly less emphasis on acquisitions. Being listed on the stock exchange gave us the means to grow in this way. Public sale of shares gave us the capital we needed for organic growth. With a market-valued share, we can acquire companies and pay with new issues.

How do you feel about Icon Medialab's personnel?

– As we speak, we have almost 400 employees, and by the time you read this, we will probably have many more. Our staff's expertise is our greatest asset. All the knowledge we accumulate – from code to personal experience – is stored in our intranet and accessible to every employee, around the globe. This knowledge base generates synergies.

Icon Medialab lost SKr 34.1 million in 1998. Why? What does the future hold in store?

– The negative profit/loss figure is the result of rapid growth. Once the synergies I mentioned have a chance to have their full effect, the margins will improve, and that will result in profit. Several of our offices made a profit, and more will be profitable in 1999. The reason for continued losses is continued investment in existing and new markets.

What's going to happen in 1999?

– We are going to increase our pace of growth. Our American competitors are beginning to take a greater interest in Europe, and with their highly valued shares they can make acquisitions in Europe at a rapid rate. Our objective is to respond to this tougher competition by growing faster. We have acquired three companies in Norway since the New Year. We will soon be setting up operations in France, Italy and several other European countries, and we will also be acquiring more companies in countries where we are already represented. It's all intended to bolster our position as the leading company on this market. Expansion will continue to affect the bottom line in 1999.

Do you have anything else you would like to add?

– I know that Icon Medialab will become one of the five largest Internet consultancies in the world. The challenge will be managing the rapid growth with effective expense controls and good reporting. We have an aggressive strategy, and I am convinced it's a winning concept.




FRANCO FEDELI

“THE NEGATIVE PROFIT/LOSS FIGURE IS THE RESULT OF RAPID GROWTH. ONCE THE SYNERGIES HAVE A CHANCE TO TAKE FULL EFFECT, THE MARGINS WILL IMPROVE, AND THAT WILL RESULT IN PROFIT.”

MARKET

ICON MEDIALAB operates on the market for services within digital media. It is the fastest growing market ever – and entails as radical a break with the past as the industrial revolution. The development of the Internet has accelerated the digital revolution, and computers are now home electronics, just like radios and televisions. As the market expands, the range of services is expanding, too. Some 600 new media companies are operating in Sweden alone. The future growth and potential of Icon Medialab depend on the growth of digital media, and how they come to be used by companies and private people.

One of the strongest forces pushing the IT market is the communications sector. Telecommunications generally, and the Internet, intranets, extranets and e-com-

merce in particular, have entailed new opportunities and new markets. Telecom operators and media, IT and datacom companies are all trying to carve out positions in this new and growing market. In the USA, the fight for market position has been in process for a while, and we are beginning to see the same trend in Europe. Several of the larger American companies are already establishing a presence on the European market and have bought up a number of smaller competitors. The trend is familiar from the fields of advertising, accounting and consulting. In all probability, the digital media market will be dominated by a small number of multinational suppliers within a few years. Icon Medialab's goal is to be one of them, and time is of the essence in our efforts to get there.

There is a unique opportunity right now to create closer ties with existing clients and reach out to new clients.

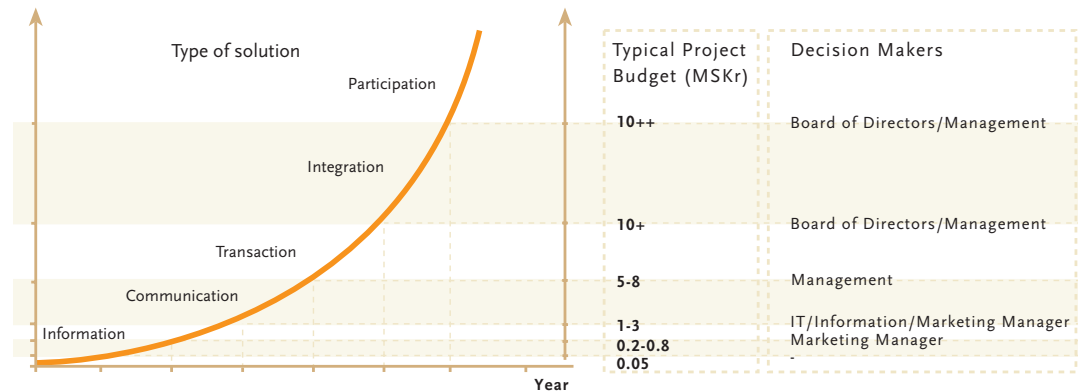
MARKET GROWING MORE COMPLEX

A few years ago, the market for digital media services did not exist. Today it is the fastest-growing market in the world.

Interactive media differ fundamentally from traditional marketing communications and customer strategies:

- The receiver is active and controls the process.
- There is an opportunity to provide and a demand for an almost endless range of information.
- There are fewer space and time limitations – hours of opening and geographical markets are becoming less important.

Market development



SOURCE: ICON MEDIALAB

- There are opportunities to build up relationships with individual customers directly.
- New technology facilitates use of multimedia.

MARKET DEVELOPMENT

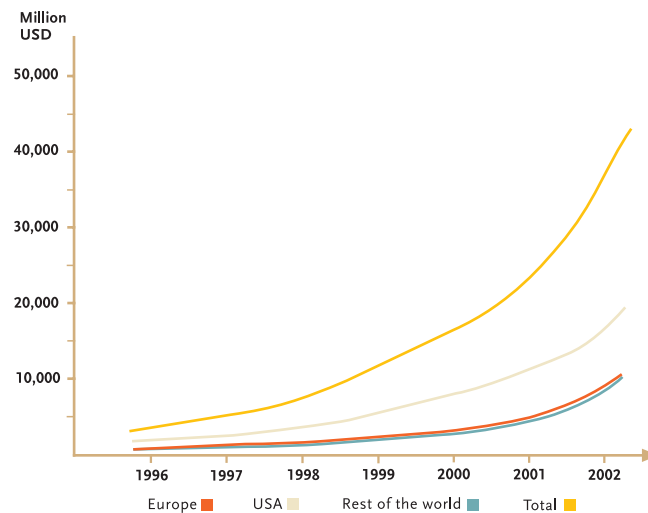
Buyers of services relating to new media are growing ever more competent. As they move up the development curve (see diagram, page 6), they invest in more advanced solutions, bigger projects, international implementation and projects with ever greater impact on existing business activities and organizations. The projects they commission are in turn growing larger, more complex and increasingly critical to their business. Handling these projects demands documented products, customer references and a critical mass of expertise – that is to say, enough people with the right skills to deal with all types of projects.

Most of the markets where Icon Medialab operates are at the base of the development curve. Scandinavia and the USA have come further.

INTERNET

The Internet is a global network of computers that allows people around the world to communicate with one another. When the new World Wide Web standard was introduced, information became accessible and graphically appealing, which has led to the explosive growth of Internet use in recent years. The number of Internet users is constantly growing, and the Computer Indus-

World market for Internet and e-commerce services



SOURCE: IDC

International Data Corporation (IDC) estimated that there was a \$2,500 million market for Internet and e-commerce services in 1996, and that it will grow to \$43,600 million in the year 2002. For 1999, the estimated market is \$11,800 million.

The percentage of Internet users internationally who buy goods and services over the Internet will grow from 26 per cent in 1997 to 40 per cent by December 2002, which means in absolute terms that there will be over 128 million on-line consumers by 2002. This should result in a trade volume on the Internet of over \$400,000 million by 2002 – an annual growth rate, according to IDC, of 103 per cent.

In Europe, the percentage of the population using the Internet is expected to increase from 16.5 per cent in 1998 to 35.1 per cent in 2002.

According to IDC, the European market for Internet and e-commerce services is the second largest in the world, after the American. \$826 million was invested here in 1997. The market is expected to expand to \$10,800 million in 2002. The European share of the global market is expected to increase to 25 per cent by 2002.

Many major European companies have already invested in intranets and extranets, with the result that the market grew from \$387 million in 1996 to \$1,400 million in 1998. Currently, 60 per cent of European

companies are considering whether to implement an intranet or extranet. One factor spurring European demand for Internet consulting services is the desire of companies to implement mission-critical communications solutions on the Internet. In 1997, 64 per cent of European companies had local area networks (LANs), and by the end of 1998, the figure was 89 per cent. The next step for these companies, according to IDC, will be to invest in communications solutions involving the Internet.

The Internet consulting companies that increase their share of this growing market will be those that can provide technical, strategic and creative services, simultaneously evolving from a supplier of such services to a partner of their clients. According to IDC, the demands clients will be making of Internet consulting companies will be the following:

- that they can supply complete and comprehensive IT solutions
- that they have vigorous and effective recruiting programmes, and thus have access to competent personnel
- that they provide management services to improve the client's managerial competence
- that they can retain their clients and enter into partnership with them
- that they have a global presence
- that they have thoughtfully conceived, well formalized e-commerce strategies
- that they can show that their solutions are profitable for the client

try Almanac estimates that 327 million people will have access to the Internet by the year 2000.

The Internet's growing popularity is fuelled by the ever-greater penetration of home computers, which are increasingly sold with a modem and Internet account as standard equipment. In 1999, IDC forecasts that the PC market will grow 12.8 per cent, resulting in a volume increase of 100.6 million personal computers. More and more people have access to the Internet at work, too.

Consumers can now use the Internet to make bank transactions, buy groceries, make ticket reservations, send messages, look for houses, etc.

Many companies will need to restructure and establish an Internet presence to meet consumer demand and maintain their position on the market.

INTRANETS

An intranet is an information and communications system based on Internet technology. Unlike the Internet, it is closed to unauthorized users. Using proven Internet technology combined with existing corporate systems, companies can communicate, distribute information and streamline work processes in an efficient manner. Regardless of what it is used for – ordering pens, facilitating information searches or bolstering corporate culture – a well designed intranet can make a company more competitive.

EXTRANETS

Extranets are somewhere in between Internet and intranet. In an extranet, there is a limited set of authorized users – but more than just the company's employees. A typical area of application is linking suppliers

or customers to a company, thus making communications and work processes more efficient.

E-COMMERCE

Electronic commerce is the business area that is currently growing fastest on more mature markets. It is an element of many Internet and extranet projects. Just like traditional commerce, the transactions made possible by e-commerce demand marketing, customer service, logistics, etc.

In the USA, more than 10 million people buy goods and services on the Internet. By 2002, the figure is expected to exceed 47 million, according to IDC.



OPERATIONS

VISION

Icon Medialab shall be the best partner in the field of digital communications, and one of the five largest in the world.

BUSINESS CONCEPT

Icon Medialab's business concept is to be the most competent global partner available to leading companies and organizations that are committed to integrating the new, interactive technology with their existing and future business strategies.

OBJECTIVES

Icon Medialab's goal is to establish a global network of offices before the close of the year 2000, in which we can utilize and reinforce synergies both locally and globally. In the face of increasing competition from American companies, Icon Medialab will be focusing on bolstering its leading position in Europe in the year to come.

The network needs to have a critical mass of expertise. Each office is an important link in a chain that keeps getting stronger; each office contributes to the whole. It is therefore important, as Icon Medialab grows, to keep a weather eye on the entire organism, and not merely on individual offices or countries. In that way, Icon Medialab can use and leverage its entire strength.

Use of and investments in digital communications are growing at an explosive rate. A new industry is taking shape. Customers are investing in more advanced solutions, bigger projects, international

implementation and efforts that have increasingly important effects on existing business operations and organizations. On this constantly growing market, market position and market share are going to be of decisive importance, and Icon Medialab will have to grow with its customers.

A strong market position can currently be achieved with limited means on less developed markets. As markets mature (cf. the market development curve on page 6), it grows more difficult and expensive to establish a presence. In the opinion of the Board, our current strategy of aggressive expansion and establishment of a strong market position, combined with investments in building up structural capital, will lead to long-term profitability and ongoing growth.

STRATEGY

Icon Medialab has the following strategy for achieving its goals:

POSITIONING

- develop and supply value-enhancing services on an ongoing basis
- quickly establish an international network of offices with a global trademark
- take a leading position on selected markets through start-ups and acquisitions, and implement Icon Medialab's business concept and quality standards

SERVICES

- provide a broad spectrum of value-enhancing services in the field of

digital communication

- take complete responsibility for clients' overall strategy for interactive media
- develop new services as the market matures and clients look for new solutions based on new technology

CLIENTS

- grow with our clients in order to help them on all the markets where they operate
- establish long-term relationships with strategic clients and help them achieve greater success
- build a strong sales organization that works both globally and locally

PROFITABILITY

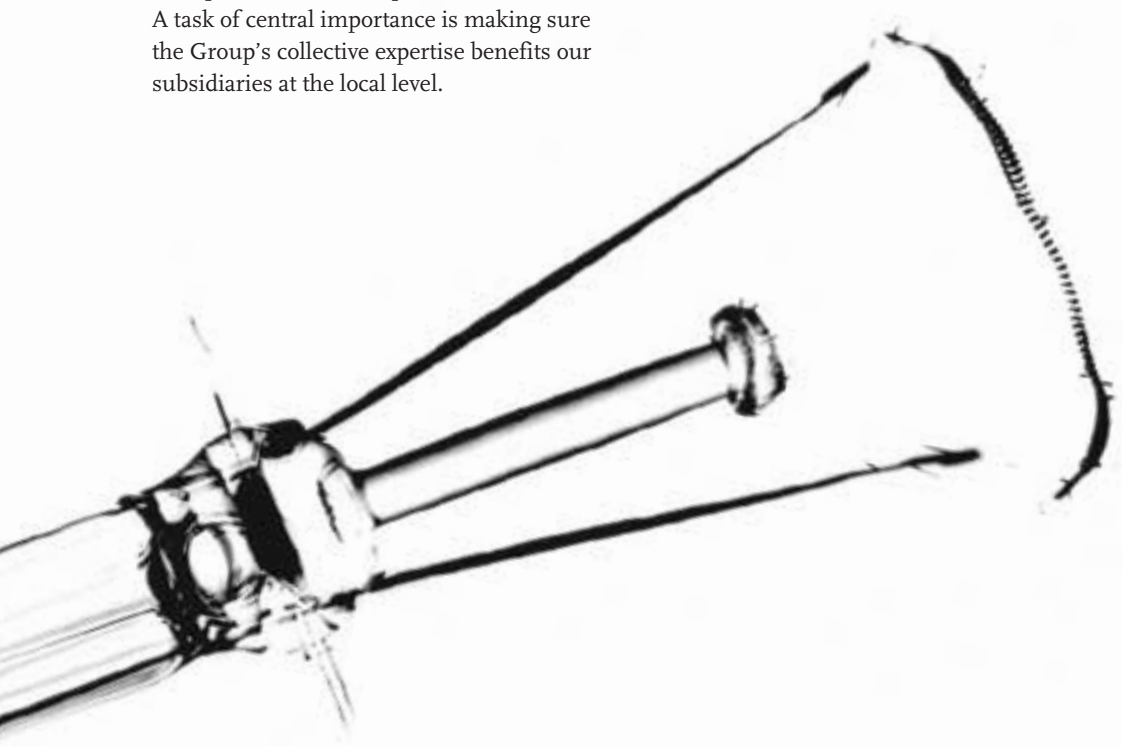
- reuse structural capital to achieve synergies
- work internally on a methodology that will facilitate international projects, expansion and quality assurance
- learn through control of financial and operational development

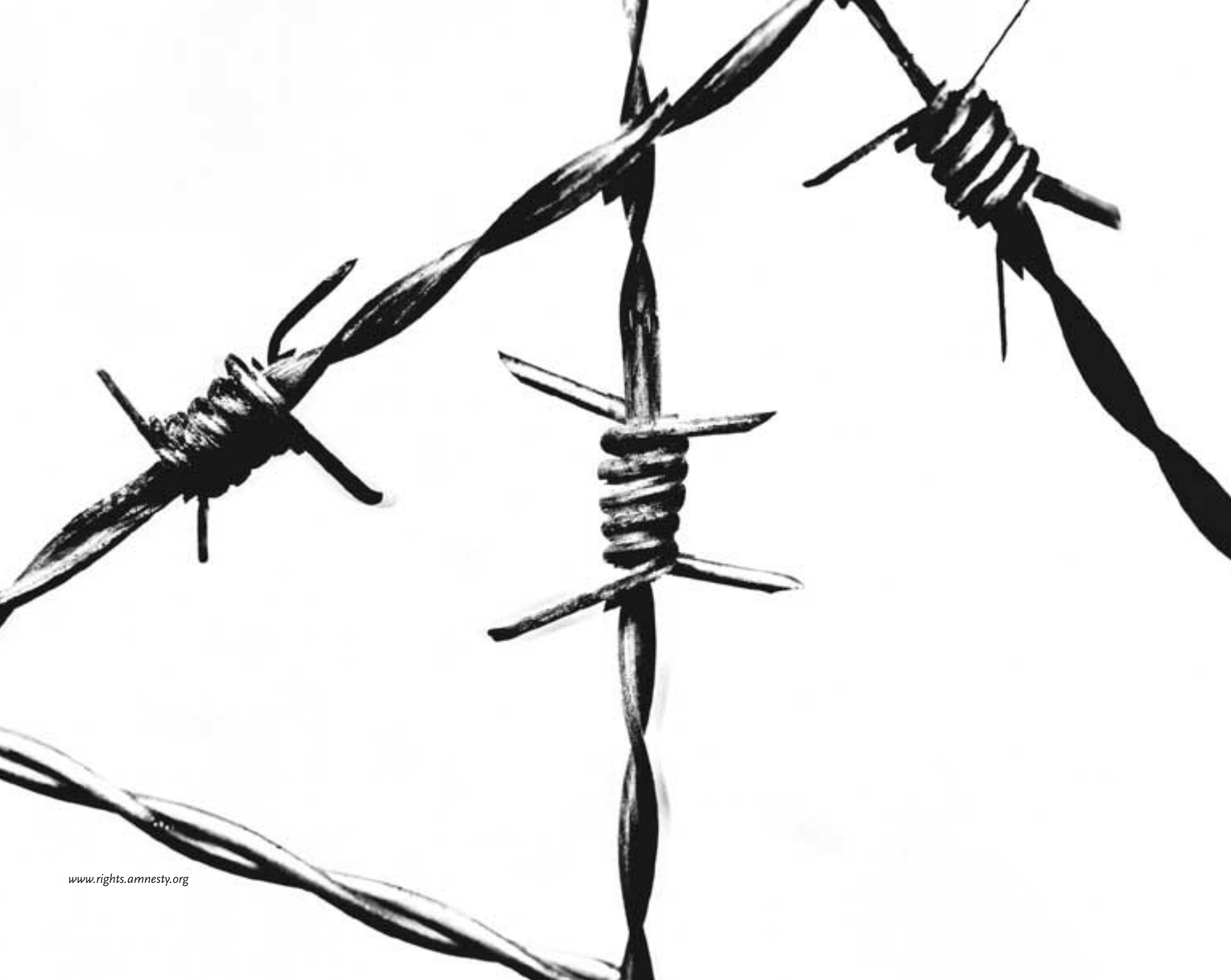
PERSONNEL

- recruit the most qualified people in Icon Medialab's six areas of expertise and for Icon Medialab's management
- develop human capital on an ongoing basis to assure long-term access to cutting-edge expertise
- actively maintain and develop Icon Medialab's corporate culture
- create an attractive working environment

STRATEGY FOR EXPANSION

Our new subsidiaries abroad expand through a combination of organic growth and company acquisitions. The parent company, Icon Medialab International, develops and oversees the implementation of the Group's business concept on new markets. A task of central importance is making sure the Group's collective expertise benefits our subsidiaries at the local level.





CONCEPT FOR SUCCESS

THE CUBE

As Internet technology develops and affects more and more aspects of a company's operations, many types of expertise are needed to take advantage of the medium's full potential. There is a need for both programmers and management consultants in order to supply total solutions. A strength of Icon Medialab's business concept is that every project brings together people from the following six areas of expertise:

- behavioural scientists specializing in the interaction between humans and computers
- management consultants who understand business
- systems engineers, programmers, and security and transaction experts with high levels of technical expertise
- art directors, copywriters and web designers who can make the most of the unique advantages of the Internet
- analysts and statisticians who can analyse Internet traffic
- teachers and support personnel who know the individual client's specific solution

All employees work with people from other areas of expertise, coordinated by project managers. This interdisciplinary cooperation is the source of the creativity the characterizes Icon Medialab.

SERVICES

Icon Medialab provides a complete range of digital communications services, characterized by professionalism, creativity and high quality. Our business concept is based on developing mission-critical web-based services that will serve their function both today and tomorrow. That entails scalable solutions that support the working methods and strategies of the client, and interface designs that are in line with the communications platform and improve customer loyalty.

New services are being added as the industry matures and demand grows for mission-critical solutions. Icon Medialab can take total responsibility for its customers' commitment to new media, which makes for close customer relations and a large measure of add-on sales. Our goal is to educate, challenge and grow with our customers. Currently, the most important service sectors are Internet, intranet, extranet and e-commerce services.

CLIENT PROJECTS

A typical client project consists of several phases:

- analysing the company's operations
- developing the company's strategy for digital media and formulating concrete goals
- developing a business concept and prototypes to achieve the objectives decided upon
- production

- implementation and training
- developing organizational models and work processes that support the solution provided
- maintenance and evaluation

CLIENTS

Icon Medialab has established contracts with many new clients in the past year. Client projects have evolved, becoming broader in scope and demanding greater resources. The cooperative efforts we are embarking on today are often long-term, and are carried out at a strategic level.

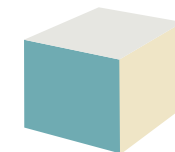
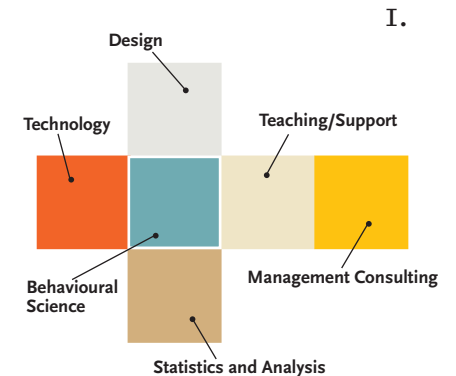
PRICING

It is Icon Medialab's ambition to switch, in more mature markets, from time-based invoicing to pricing based on the value of the service to the customer.

PROFIT MARGINS

At the start of the market development curve (see page 6), projects are small and margins are small, too – sometimes even negative. As the market matures, though, the margins grow. Margins that are larger than the industry average are justified by Icon Medialab's global coverage, brand name, reuse of documented concepts, presentations, codes and reports, process efficiency, value-based pricing and sharing of experience in a flat organization.

The cube





INTELLECTUAL CAPITAL

BY INTELLECTUAL CAPITAL, Icon Medialab means the knowledge, expertise, work processes and customer relations contained in the organization. Intellectual capital can be described as the difference between the company's total value and its book value. How well Icon Medialab maintains and develops that capital will determine its future. Three types of intellectual capital are distinguished: structural capital, human capital and client capital.

STRUCTURAL CAPITAL

Structural capital refers to all forms of codified knowledge that exist and are generated within the organization. Icon Medialab collects such structural capital on its corporate intranet.

Intranet

During the past year, Icon Medialab developed and implemented a second-generation intranet designed to collect all knowledge efficiently and distribute it to the entire organization. All personnel have continuous access to the intranet, contributing knowledge of their own and learning from others. Examples of the intranet's contents include project documentation, software applications, tenders, process descriptions, time reporting systems, discussion forums and information on the skills of individual employees.

Employees visit the intranet daily. The material accessible on the intranet includes some 750 documented projects,

some 150 internationally used documents and some 100 reusable applications. The most used parts of the intranet are:

- personalized window with news and information on new products
- time reporting
- searchable staff profiles
- skill and interest related discussion groups

One example of the value of structural capital is the programmers' discussion forum on the intranet. Programmers can submit problems or questions, and they can be seen immediately by all the other programmers. Currently, about 40 contributions are submitted on 10 problems weekly. Most queries are answered the same day they are posted. Compare how much more difficult it is to get a question answered in a limited group of programmers at a small, independent office. This type of rapid problem-solving clearly shows the value of Icon Medialab's international knowledge network.

International knowledge transfer

The intranet is the most important channel for transmission of knowledge, but it is by no means the only one. One way of encouraging the exchange of information is to have personnel work at different offices for longer or shorter periods. Such rotation is primarily project-based. Besides project-based movement, about a dozen people were given the opportunity to spend a long period working at a dif-

ferent office in 1998. In 1999, there will be additional initiatives to facilitate and stimulate rotation between offices.

HUMAN CAPITAL

Icon Medialab's human capital comprises all of its employees. The company works actively to provide employees with incentives such as:

- international career opportunities
- much delegated responsibility
- stock option program
- ongoing education both locally and internationally
- a creative and fun workplace

Icon Medialab has succeeded in attracting and hiring extremely qualified personnel. Our human capital, which is far-ranging, is an important resource for Icon Medialab and absolutely necessary to our customers.

Specialized training

To ensure that we have cutting-edge expertise in all areas, regular educational programmes are provided, focussing on particular areas of expertise. One example that is worthy of mention is a contest held last year. All the programmers at the Stockholm office were divided up into three teams, which had 24 hours to construct an e-commerce solution for three different technical platforms. A number of competence-enhancing training programmes will be implemented in 1999.

CLIENT CAPITAL

Client capital is the current value of client relations. Current clients serve as references for new sales on all of our markets, and generate further sales if the relationship is nurtured with a view to the long term. Working with highly advanced clients contributes to the ongoing development of human and structural capital.

Developing client capital

As the individual markets mature, Icon Medialab will shift from an emphasis on selling to more new clients to an emphasis on selling more to existing clients. Our approach will be to deepen our cooperation with a number of strategic clients. Unlike competitors who offer the same "application" to many clients, we offer a wide range of services to the same client. The advantages of this approach are reduced sales expenses, increased stability and above all more value added for clients. We gain a better understanding of our clients' operations, and can provide solutions that give them the greatest possible benefit.

DEVELOPMENT IN 1999

In 1999, efforts to develop intellectual capital will be expanded to stimulate knowledge transfer and the integration of acquired companies.

Pioneer

STANDBY/CON





◀ **CHAIRMAN OF THE BOARD OF DIRECTORS**
BJÖRN NORDSTRAND, born 1942.
 Chairman of the Board since 1996.
 Graduate engineer, BA.
Other positions: Chairman of the board of directors of Hotel Tylösand AB. Vice Chairman of the board of Svensk Filmindustri (SF) and TV4. Member of the boards of Duni, SSRS, Proffice and the research fund at the school of technology and natural sciences of the University College of Halmstad.
Previous positions: Managing Director of TV4 and Deputy Managing Director of the Bonnier group.
Shareholding: Indirect holding through Buchla Gruppen AB, 100,000 shares.
 Direct holding 100,000.

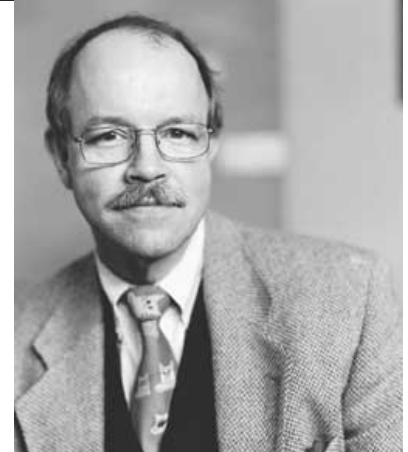


◀ **BOARD MEMBER**
ELISABET ANNELL, born 1945.
 Board member since 1998.
 Business economics graduate.
Other positions: Managing Director and senior consultant at SMG Sweden AB, a consulting firm in the Sifo Group AB. Member of the boards of directors of Alfred Berg Fondkommission AB, Axel Johnson International AB, Hifab AB, Kraftelektronik AB, the Swedish Civil Aviation Administration, Mandamus Sweden AB and TV4 AB.
Previous positions: Managing Director and consultant at SIFO Management Group AB. Member of the boards of directors of S:t Görans Sjukhus AB and Sparta Holding AB.
Shareholding: 0

BOARD MEMBER ▶
ULF DAHLSTEN, born 1946.
 Board member since 1998.
 Graduate engineer and business economics graduate.
Other positions: Group CEO and MD of Posten Sverige AB. Chairman of the board of directors of the Swedish Economic Society. Member of the boards of directors of Stena Line AB and the Federation of Swedish Industries.
Previous positions: Director-General of Sweden Post and Under-Secretary of State in the Ministries of Industry and Transport and Communications. Chairman of the board of directors of Swedish State Railways and the Öresundsdelegationen. Member of the boards of directors of Hemfrid AB, SAS Sverige and Linjeflyg.
Shareholding: 200



BOARD MEMBER ▶
LEIF EDVINSSON, born 1946.
 Board member since 1997.
 Business administration graduate, MBA.
Other positions: Corporate Director of Intellectual Capital at Skandia. Director of Skandia Future Centers.
Previous positions: Advisor to the Ministry of Foreign Affairs and the United Nations. Has worked for SEB and Consultus AB. Considered one of the world's leading experts on intellectual capital, and has received numerous honours in the field. Leif's book "Intellectual Capital" is a big seller on several continents.
Shareholding: 0



◀ **BOARD MEMBER**
FRED RIDDERSTAD, born 1948.
 Board member since 1997.
 Marketing graduate.
Other positions: Managing Director of APE Components, a company in the Axel Johnson group. Member of the steering committee of Axel Johnson International.
Shareholding: 200



◀ **BOARD MEMBER**
HÅKAN RAMSIN, born 1945.
 Board member since 1997.
 Graduate engineer, BA.
Other positions: Managing Director of LetsBuyIt.com.
Previous positions: Managing Director of Bonniers Affärsinformation and member of the steering committee of the Bonnier group. Chairman of the boards of the business daily Dagens Industri, Bonnier Företagsinformation AB, Bonnier Business Publishing AB, Bonnier Interactive AB and Proffice AB.
Shareholding: 0



BOARD MEMBER AND BUSINESS COORDINATOR ▶

JOHAN STAËL VON HOLSTEIN, born 1963. Board member since 1996. Business economics graduate.

Other positions: Business Coordinator, Icon Medialab International AB. Member of the board of directors of Epani Golf and the Swedish Market Academy's Advisory Council.

Previous positions: Four years in the Kinnevik group. Vice Managing Director of Inlux, Managing Director of Interactive Television, Marketing Manager of Z-TV.

Shareholding: Owns 25 per cent of Beleggingsmaatschappij ABE II BV in the Netherlands, which holds a total of 1,294,000 shares.

**BOARD MEMBER ▶**

ERIK WICKSTRÖM, born 1966. Board member since 1996.

Business economics graduate.

Other positions: President of Icon Medialab Inc. Member of the Board of Directors of PC Express AB.

Previous positions: Managing Director of Icon Medialab AB. Three years in the Kinnevik group, Managing Director of Interactive Television.

Shareholding: Owns 25 per cent of Beleggingsmaatschappij ABE II BV in the Netherlands, which holds a total of 1,294,000 shares.

**◀ MANAGING DIRECTOR AND GROUP CEO FRANCO FEDELI**, born 1958.

Graduate engineer.

Managing Director and Group CEO of Icon Medialab International AB since 1997.

Previous positions: Ten years' sales and marketing experience at ABB and IBM. Managing Director of Telez AB for 3 years and Managing Director of Telez Europe.

Shareholding: 0. Has subscription options corresponding to 17,500 shares.

**◀ FINANCIAL DIRECTOR**

Liia Nõu, born 1965.

Business economics graduate.

Financial Director of Icon Medialab International AB since 1997.

Previous positions: Financial Director at Telez AB and financial manager at Kuwait Petroleum Sweden AB.

Shareholding: 0. Has subscription options corresponding to 2,100 shares.

SENIOR LAWYER▶

OLA SILBERMAN, born 1964.

Bachelor of Laws.

Senior Lawyer at Icon Medialab International AB since 1997.

Previous positions: Senior Lawyer at Telez AB, lawyer at the Civil Aviation Administration and Unisys AB.

Shareholding: 200. Has subscription options corresponding to 2,100 shares.

**SALES AND BUSINESS COORDINATOR ▶**

JESPER JOS OLSSON, born 1974.

Sales and Business Coordinator, Icon Medialab International AB.

Other positions: Member of the boards of directors of Speedventures AB and Online Music Company Ltd.

Previous positions: Sales Manager, Icon Medialab AB. Freelance media consulting experience in the fields of information technology and marketing. Member of the Board of Directors of Icon Medialab International AB, 1996-1998.

Shareholding: Owns 25 per cent of Beleggingsmaatschappij ABE II BV in the Netherlands, which holds a total of 1,294,000 shares. Direct holding 3,000 shares.

**AUDITOR**

HANS JÖNSSON, born 1955. Authorized Public Accountant, Öhrlings PricewaterhouseCoopers. Auditor since 1996.

All shareholdings listed are as per 31 December 1998.

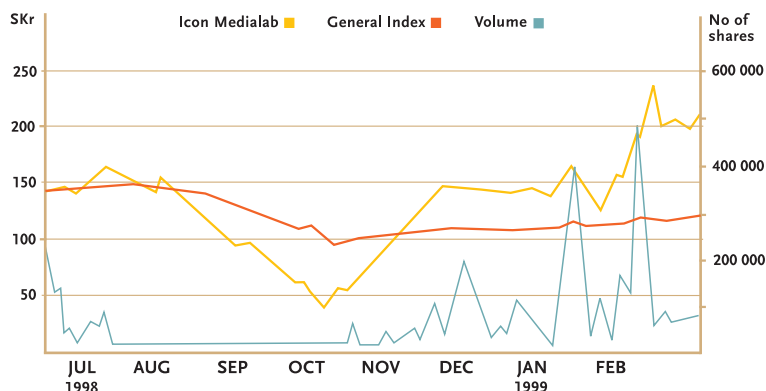
SHARE INFORMATION

PRICE TRENDS

Icon Medialab was listed on Stockholm Börsinformation (SBI) on 22 June, 1998 and later on the O-list of the Stockholm Stock Exchange on 18 November 1998. The share price (closing price) increased 122 per cent from the introductory price of SKr 105 to a high of SKr 233 on 8 February 1999. As of 19 February 1999, the share price had increased 102 per cent compared with the initial listed price and 56 per cent compared with its price at the end of the first day of trading. The general index dropped 5 per cent during the same period.

The diagram shows changes in the closing price of Icon Medialab's share compared with the general index, and share volume, from the first day of trading until 19 February 1999.

Changes in share price



SHARES AND SHARE CAPITAL

Listed share capital on 31 December 1998 was SKr 1,585,687.60, distributed over 3,964,219 shares and some 3,000 shareholders.

From 1 December 1998 to 15 January 1999, subscriptions for 65,884 new shares were available based on options issued by the company to staff. As of 31 December, subscriptions for shares and payment had been received for 22,338 shares. By the close of the subscription period, 63,509 shares were subscribed.

At an extraordinary general meeting on 29 January 1999, a decision was made on a non-cash issue of 250,000 shares for the acquisition of all holdings in Neo Interaktiv AS. The meeting also decided to authorize the Board of Directors to make a decision, prior to the next annual general meeting, to issue a) a maximum of 100,000 shares through an offset issue or an issue that bypasses the preferential rights of existing shareholders, b) a maximum of 750,000 shares through one or more non-cash issues, offset issues or issues that bypass the preferential rights of existing shareholders and c) a maximum of 580,000 shares through one or more issues that bypass the preferential rights of existing shareholders.

On 3 February 1999, the Board decided, pursuant to authorization c) above, to issue 580,000 shares to three institutional investors, bypassing the preferential rights of existing shareholders.

On 24 February 1999, the Board decided, pursuant to authorization b) above, to issue 165,504 shares as payment for Neo Interaktiv's acquisition of the operations of Intergate AS and Arakno AS.

Following these issues, the company's share capital is SKr 66,201.60, distributed over 5,023,232 shares.

The company has only one type of share, with a nominal value of SKr 0.40. At the annual meeting, every person who is entitled to vote may vote for the full number of shares he or she represents, with no limitations of voting rights.

The company has two convertible loans for a total of SKr 10 million, at an interest rate 2.5 per cent above the official discount rate. When converted, they will raise the share capital by an additional SKr 57,142 and the number of shares by 142,856. The loans may be converted from 1 July 1999 until 30 December 1999 at a rate of SKr 70.

OPTION PROGRAMME

Every since Icon Medialab was founded, it has been our express goal to give employees a stake in the future of the company, including an opportunity to own shares in the parent company or the local subsidiaries. Employees of the Swedish companies have been issued debt instruments with separable subscription rights

in the parent company. In other subsidiaries, selected employees have been offered call options on shares in the company that employs them, as listed below. The basic guideline is that up to 10 per cent of the total number of shares should be available for purchase by personnel. Share purchases are made at the nominal value of the shares. Decisions regarding the issue of options must be passed at the annual meeting of Icon Medialab International AB by a 9/10 majority, as per "Lex Leo". A person who has purchased shares in a subsidiary by exercising a warrant must be able to exchange shares in the subsidiary for shares in Icon Medialab International AB, based on the relation of the value of the share purchased to the value of a share in Icon Medialab International AB. A precondition for such an exchange occurring is that the general meeting of Icon Medialab International AB make the requisite decision regarding a new issue. If such a decision is not made, Icon Medialab International AB shall repurchase the shares in the subsidiary at market value.

OPTIONS ISSUED

From 1 December 1998 to 15 January 1999, the first of the company's total of 156,300 outstanding options were subscribed. Each call option entitles the holder to subscribe one share. During the first subscription period, 65,884 options in series A, D, E, F, G and H fell due, of which 63,509 were subscribed. There are, then, 90,416 options remaining, distributed as per the adjoining table. New shares may be subscribed during two periods between 1 December 1999 and 15 January 2002.

MAJOR SHAREHOLDERS IN ICON MEDIALAB

The percentage of the total number of shares held by the largest shareholders as of 31 December 1998 is presented in the adjoining table.

DIVIDEND POLICY

Given the rapid international expansion of Icon Medialab, there is an increased need for operating capital and investments in new subsidiaries. As a result, in the judgement of the Board of Directors of Icon Medialab, no dividend will be distributed in the years immediately to come.

CHANGES IN SHARE CAPITAL

Date for decision	Transaction	Change in no. of shares	Nominal value of share (SKr)	Increase in share capital (SKr)	Total share capital (SKr)	Total no. of shares
1996			100.00		50,000.00	500
9602	New issue	1,500	100.00	150,000.00	200,000.00	2,000
9603	Consolidation of shares	- 1,000	200.00		200,000.00	1,000
9610	New issue	31	200.00	6,200.00	206,200.00	1,031
9610	New issue	66	200.00	13,200.00	219,400.00	1,097
9701	Split 1:2000	2,192,903	0.10		219,400.00	2,194,000
9703	New issue	44,776	0.10	4,477.60	223,877.60	2,238,776
9706	New issue	231,100	0.10	23,110.00	246,987.60	2,469,876
9711	New issue	172,926	0.10	17,292.60	264,280.20	2,642,802
9804	New issue	54,750	0.10	5,475.00	269,755.20	2,697,552
9804	Bonus issue		0.40	809,265.60	1,079,020.80	2,697,552
9805	New issue	600,000	0.40	240,000.00	1,319,020.80	3,297,552
9805	New issue	666,667	0.40	266,666.80	1,585,687.60	3,964,219
9901	Exercise of option rights	63,509	0.40	25,403.60	1,611,091.20	4,027,728
9901	Non-cash issue	250,000	0.40	100,000.00	1,711,091.20	4,277,728
9902	New issue	580,000	0.40	232,000.00	1,943,091.20	4,857,728
9902	Offset issue	165,504	0.40	66,201.60	2,009,292.80	5,023,232

LARGEST SHAREHOLDERS

Shareholders 31-12-1998	Numbers	Percentage of capital/votes
Beleggingsmaatschappij ABE II BV	1,294,000	32.6%
Aptacon International BV	239,600	6.0%
Handelsbankens Småbolagsfond	110,000	2.8%
Euroclear	103,200	2.6%
Skandinaviska Enskilda Banken, Luxembourg	102,201	2.6%
Buchla Gruppen AB	100,000	2.5%
Nordstrand, Björn	100,000	2.5%
Abn Amro Bank N.V.	84,000	2.1%
Bank Julius Baer Und CO AG	77,700	2.0%
KPA Pensionsförsäkring	73,500	1.9%
Other shareholders	1,680,018	42.4%
Total	3,964,219	100.0%

OPTIONS ISSUED

Series	Number	Issue price, SKr
B	37,633	55
C	20,133	65
K	8,100	95
L	3,450	110
M	3,450	125
N	3,450	140
Q	150	95
R	8,600	110
S	3,450	125
T	1,000	140
U	1,000	155
	90,416	

MULTIYEAR SUMMARY

The following is a summary of the Group's income statements, balance sheets, key ratios and share data for the past three operating years. All years have been recalculated to correspond to the calendar year. Operations commenced in March 1996, and 1996 was thus only 10 months long.

SKr 1,000	1998	1997	1996 (10 mo.)
INCOME STATEMENTS			
Net sales	131,317	43,141	4,590
Production expenses	- 100,641	- 44,528	- 8,559
Net profit	30,676	- 1,387	- 3,969
Sales expenses	- 20,766	- 7,784	- 584
Administrative expenses	- 50,615	- 15,240	- 441
Other income/expenses	199	- 148	-
Operating profit	- 40,506	- 24,559	- 4,994
Income from shares of associated companies	237	612	-
Net interest income	6,146	- 798	- 64
Profit after financial items	- 34,123	- 24,745	- 5,058
Tax	- 23	- 6	-
Minority shares	- 1	25	-
Net profit for the period	- 34,147	- 24,726	- 5,058

SKr 1,000	31-12-98	31-12-97	31-12-96
BALANCE SHEETS			
Intangible assets	16,878	12,575	-
Tangible assets	24,064	9,960	2,848
Financial assets	4,571	736	285
Work in progress	911	402	700
Accounts receivable, trade	38,074	12,946	7,168
Other receivables	11,217	8,064	2,984
Cash, bank balances and current investments	51,756	2,446	16
Total assets	147,471	47,129	14,001
Restricted equity	165,841	34,078	7,978
Profit/loss carried forward	- 31,838	- 5,273	- 5
Net profit/loss for the period	- 34,147	- 24,726	- 5,058
Long-term liabilities	12,655	19,915	3,549
Advance payments from customers	985	427	4,208
Other current liabilities	33,975	22,708	3,329
Total equity and liabilities	147,471	47,129	14,001
KEY RATIOS			
Solidity	68 %	9%	21%
Debt/equity ratio	0.2	4.8	1.2
No. employees at the end of year	300	141	62
No. employees (annual average)	205	96	18
Net sales per employee (KSKr)	641	449	255
SHARE DATA			
Earnings per share (SKr)	- 10.34	- 10.22	- 6.33
Equity per share (SKr)	25.19	1.54	2.66
No. shares (thousands)	3,964	2,643	1
No. shares after full subscription/conversion (thousands)	4,260	2,881	-

DEFINITIONS OF KEY RATIOS**Solidity**

Equity, including minority shares, divided by total assets.

Debt/equity ratio

Financial liabilities divided by equity, including minority shares.

No. employees (annual average)

Average number of employees during the year.

Net sales per employee

Net sales divided by the average number of employees.

Earnings per share

Earnings after full tax divided by the average number of shares.

Equity per share

Equity divided by the number of shares at the close of the period.

Number of shares after full subscription/conversion

Number of listed shares at the close of the financial year, plus shares that may be subscribed through outstanding options and convertibles. Only those options and convertibles with a subscription price equal to or lower than the market share price at the close of the financial year are taken into account. For periods prior to the official listing of the parent company's share, the comparison was made with the most recent issue price. Options that expired on 15 January 1999 were not counted if the subscription certificate was not received prior to the close of the subscription period.

ADMINISTRATION REPORT

OPERATIONS

Icon Medialab shall be the best partner for digital communications services, and one of the five largest in the world. Our business concept is to be the most competent global partner available to leading companies and organizations committed to integrating new interactive technology with their existing and future business strategies. Icon Medialab provides a complete range of digital communications services, characterized by professionalism, creativity and high quality. Currently, the most important sectors are Internet, intranet, extranet and e-commerce services.

IMPORTANT EVENTS DURING THE FINANCIAL YEAR

The company has continued to grow rapidly, both in terms of net sales and number of employees. Net sales for the eight months of the financial year were MSK^r 98.7. During calendar year 1998, net sales increased by 204 per cent to MSK^r 131.3, up from MSK^r 43.1 in calendar year 1997. There were 300 employees as of 31 December 1998, 83 of them women. That entails an increase of 126 people during the financial year, and 159 people during calendar year 1998.

Two new issues were launched early last summer, bringing in MSK^r 130 before issue expenses. The most recent issue was public, with the share listed on Stockholm Börsinformation (SBI) on 22 June 1998. By listing the parent company on the stock exchange, the Board intended to facilitate more rapid expansion. Companies can be acquired and paid for with newly issued shares. The weak growth of the stock market last autumn impeded negotiations with interesting companies, however, and most of the growth recorded during the year was organic.

New offices were opened in Hamburg and Helsinki. The German operation has expanded rapidly since the acquisition of the Cologne-based web agency Killakanu Gbr mbH. The personnel were transferred to Hamburg, where the staff has grown to 27 employees in less than five months. A second Finnish office was opened on the heels of last year's acquisition in Tampere. The increased demand for Icon Medialab's services in Finland justi-

fied establishing an office in Helsinki.

On 18 November 1998, the parent company was listed on the O-list of the Stockholm Stock Exchange. Prior to this, several changes were made in the Board of Directors. The new members are Ulf Dahlsten, who also serves on the boards of Stena Line AB, Delphi Marknadspartner and Kuponginlösen, 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.

All of the subsidiaries have enjoyed strong demand, and many new clients have come on board.

The Swedish subsidiary, Icon Medialab AB, signed contracts with several new clients. SEB, Svenska Spel, Tetra Pak, Harley-Davidson, SAS and Sydkraft all joined the client rolls during the final eight months of the year. The company supplied Volkswagen with an acclaimed service for direct sales of cars on the Internet. As of 1 August 1998, it took over Icon Education AB's educational activities.

The Danish company, Icon Medialab A/s, serving the dynamic region around the Sound, established a contract with the leading Danish industrial group Incentive to develop 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 Financial Times and the BBC in the beginning of 1999.

In San Francisco, Icon Medialab Inc. established contracts with several new clients, including Electronic Arts, the Industry Standard, Charles Schwab International and Netscape. The US office and its activities 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.

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

The percentage of net sales accounted for by Group companies abroad rose from 11 per cent during calendar year 1997 to 31 per cent in 1998.

The parent company's interest in the associated company Bonnier Icon Publishing AB increased to just under 50 per cent through a new issue. The company is in the process of changing its name to WebCat AB, and, in addition to its publishing activities, will be developing and selling solutions and content for computerized education.

IMPORTANT EVENTS AFTER THE CLOSE OF THE FINANCIAL YEAR

Icon Medialab established a presence in Norway by acquiring three companies there in early 1999. Neo Interaktiv AS was acquired by a non-cash issue. Neo Interaktiv AS then acquired operations from Intergate AS and Arakno AS. Following the merger of the three operations, Icon Medialab AS (formerly Neo Interaktiv AS) is one of the largest Internet consulting companies in Norway, with some 50 employees. Icon Medialab AS became a member of the Group as of 1 February 1999.

The Norwegian acquisitions have been made through non-cash and offset issues. A final count of the newly issued shares has not yet been made, since the final acquisition balance in Neo Interaktiv has not been established. The number of shares involved in all three acquisitions, before final settlement of the Neo Interaktiv deal, is 415,504.

The first period during which personnel could exercise their option to subscribe for shares ended on 15 January 1999. 63,509 shares were subscribed, bringing MSKkr 4.4 in to the parent company.

The parent company has raised an additional MSKkr 86 with a new issue that bypassed the preferential rights of existing shareholders in February 1999.

GROUP STRUCTURE

The primary function of the parent company, Icon Medialab International, is to implement and oversee the Group's business concept in new markets. Medialab operations are carried out in nine subsidiaries, one of which, in Norway, was acquired after the close of the financial year.

During the financial year, we increased our share in Icon Medialab Inc. in the USA to 98.9 per cent from a previous 77.7 per cent, in part by means of a new directed share issue that converted MSKkr 6.2 in loans to shareholders' equity, and in part by acquiring a minority holding. A new company, Icon Medialab S.A., with share capital of MSKkr 0.5, was founded for the existing Belgian operation. In September, Icon Medialab AG was established in Hamburg, with share capital corresponding to MSKkr 0.5.

The other subsidiaries are Icon Content AB, Alapi Inc. and the dormant companies PIMI AB, Icon Education AB and Icon Knowledge Management AB. Icon Content operates thealps.com, a leading website for information on winter sports. Icon Content cooperates with the French company SkiIn. Alapi Inc. was established this autumn in the USA to further develop and market the development tool Alapi, initially developed in Sweden.

Bonnier Icon Publishing AB, currently in the process of a name change to WebCat AB, is an associated company in which Icon Medialab holds just under 50 per cent of the shares.

NET SALES AND EARNINGS

The Group's net sales during the eight months of the financial year were MSKkr 98.7. During calendar year 1998, net sales were up 204 per cent compared with calendar year 1997 to MSKkr 131.3 (43.1).

The percentage of Group sales accounted for by operations abroad increased from 11 per cent to 31 per cent during the same 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 pay for acquisitions with newly issued shares. Growth has therefore been largely organic, which has entailed higher expenses. Earnings 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.

QUARTERLY TRENDS

SKr 1,000	1997 Q 1	Q 2	Q 3	Q 4	1998 Q 1	Q 2	Q 3	Q 4
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

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

The profit/loss after net financial items was MSKr -27.6 for the financial year. Among the financial items was a profit of MSKr 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. The profit/loss after net financial items was MSKr -26.2 in the previous financial year. For calendar year 1998, the profit/loss after net financial items was MSKr -34.1 (-24.7).

The parent company's net sales during the eight months of the

financial year were MSKr 12.3, MSKr 7.4 of which was accounted for by subsidiaries. Corresponding figures for the 97/98 financial year were MSKr 6.5 and 6.2, respectively. The increase in net sales is attributable to the sale of a development project that had been operated within the parent company. Profit was not significantly affected by this project. The parent company's profit after net financial items was MSKr -6.6 (-8.7).

INVESTMENTS

Group investments totalled MSKr 21.0 during the eight months of the financial year, MSKr 4.8 of which was financed by financial lease contracts. MSKr 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 MSKr 130 for the parent company before issue expenses. The company's share premium reserve was reduced for issue expenses in the amount of MSKr 10.9. Between 1 December 1998 and 15 January 1999, employees utilized a percentage of outstanding share options, which brought in MSKr 4.4 for the parent company. The parent company has raised an additional MSKr 86 with new issues that bypassed the preferential rights of existing shareholders in February 1999.

Shareholder equity on closing day was MSKr 99.9, compared with MSKr 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 MSKr 51.8, an increase of MSKr 50.1.

PERSONNEL AND WAGES

During the financial year, the number of employees increased by 126. As of 31 December, there were 300 employees in eight coun-

tries, 83 of them women. The average number of employees during the financial year was 228, up from 127 the previous financial year. Wages and compensation are shown in Note 1.

BOARD ACTIVITY

The Board of Directors met eleven times during the financial year. Prior to listing on the O-list of the Stockholm Stock Exchange, the Board adopted an agenda for itself, an agenda for the Managing Director and instructions for reporting to the Board pursuant to the new Companies Act. The Chairman of the Board of Directors is Björn Nordstrand. Among the important decisions made by the Board during the financial year were a proposal to the shareholders' meeting that Icon Medialab International AB should be a publicly held company, a decision to float a public issue on Stockholm Börsinformation (SBI), and a decision to apply for listing on the O-list of the Stockholm Stock Exchange.

Y2K

Icon Medialab is still a very young company, and therefore has the advantage of entering the new millennium with fully modern systems. All computerized systems used by Icon Medialab are fully ready and millennium compliant.

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 MSKkr 200 by 30 April 1999 are good. The forecast profit/loss of MSKkr -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.

PROPOSED DISPOSAL OF LOSS

Group

According to the Group balance sheet, the Group has no non-restricted equity as of 31 December 1998. The Board of Directors and the Managing Director propose to allocate SKr 20,000 to restricted reserves.

Parent company

The following loss is at the disposal of the annual meeting of shareholders

Accumulated deficit from previous year	- 18,938,248
Loss for the year	- 4,520,419
Total (SKr)	- 23,458,667

The Board of Directors and the Managing Director recommend that the entire accumulated deficit be brought forward.

As regards the profit, status, financing and capital use of the Group and the parent company during the financial year, see the following income statements and balance sheets, statements of source and application of funds, accounting principles and notes.



INCOME STATEMENTS AND BALANCE SHEETS

INCOME STATEMENT, GROUP

SKr 1,000	Note	01-05-1998 31-12-1998	01-05-1997 30-04-1998
Net sales	2	98,673	65,663
Production expenses		- 77,856	- 56,303
Net profit		20,817	9,360
Sales expenses		- 15,420	- 10,813
Administrative expenses		- 40,209	- 24,084
Other income		199	-
Operating profit	1	- 34,613	- 25,537
RESULT FROM FINANCIAL INVESTMENTS			
Result from participations in associated companies	4	104	745
Interest income and similar profit/loss items	5	7,926	41
Interest expense and similar profit/loss items		- 998	- 1,472
Profit/loss after financial items		- 27,581	- 26,223
Tax on profit for the year		- 18	- 11
Minority share of profit for the year		- 7	9
Net profit/loss for the year		- 27,606	- 26,225

BALANCE SHEET, GROUP

SKr 1,000	Note	31-12-98	30-04-98
ASSETS			
Fixed assets			
INTANGIBLE ASSETS			
Capitalized organizational expenses	7	3,586	2,983
Capitalized development expenses	8	5,149	3,730
Goodwill	9	8,143	7,469
		16,878	14,182
TANGIBLE ASSETS			
Renovation	10	4,105	843
Equipment	11	19,959	9,721
		24,064	10,564
FINANCIAL ASSETS			
Shares in associated companies	4	3,882	797
Other long-term receivables		689	726
		4,571	1,523
Total fixed assets		45,513	26,269
Current assets			
INVENTORIES			
Work in progress		911	1,127
		911	1,127
CURRENT RECEIVABLES			
Accounts receivable, trade		38,074	17,809
Receivables from associated companies		-	45
Other receivables		4,074	1,713
Prepaid expenses and accrued income	14	7,143	1,315
		49,291	20,882
CURRENT INVESTMENTS			
	15	31,855	-
CASH AND BANK BALANCES			
		19,901	1,679
Total current assets		101,958	23,688
TOTAL ASSETS		147,471	49,957

SKr 1,000	Note	31-12-98	30-04-98
EQUITY AND LIABILITIES			
Equity	16		
RESTRICTED EQUITY			
Share capital		1,586	264
Current new issue		1,652	5,201
Current bonus issue		-	809
Restricted reserves		162,603	36,189
		165,841	42,463
ACCUMULATED DEFICIT			
Loss brought forward		- 38,379	- 10,664
Net profit/loss for the year		- 27,606	- 26,225
		- 65,985	- 36,889
Total equity		99,856	5,574
Minority shareholdings		91	78
LONG-TERM LIABILITIES			
Subordinated loans	17		
	18	10,000	10,000
Bank overdraft facilities	19	-	24
Other liabilities to financial institutions		2,564	11,000
Other liabilities		-	1,800
		12,564	22,824
CURRENT LIABILITIES			
Liabilities to financial institutions		2,442	-
Advance payments from customers		985	1,144
Accounts payable, trade		14,979	4,522
Other liabilities		5,227	8,339
Accrued expenses and prepaid income	20	11,327	7,476
		34,960	21,481
Total liabilities		47,615	44,383
TOTAL EQUITY AND LIABILITIES		147,471	49,957
Pledged assets			
	21	13,975	12,925
Contingent liabilities			
		None	None

STATEMENT OF SOURCE AND APPLICATION OF FUNDS, GROUP

SKr 1,000	01-05-98 31-12-98	01-05-97 30-04-98
CURRENT OPERATIONS		
Operating profit	- 34,613	- 25,537
Adjustments for items not included in cash flow		
Depreciation	5,187	4,143
	- 29,426	- 21,394
Interest received and similar profit/loss items	7,926	41
Interest paid	- 998	- 1,472
Tax paid	- 18	-
Cash flow from current operations before change in working capital	- 22,516	- 22,825
Change in working capital		
Change in inventories	216	- 1,127
Increase in receivables	- 28,409	- 16,195
Increase in accounts payable, trade	11,733	14,483
Cash flow from current operations	- 38,976	- 25,664
INVESTMENT ACTIVITIES		
Acquisition of fixed assets	- 16,938	- 17,919
Acquisition of associated company	- 2,981	- 52
Change in financial assets	37	- 726
Cash flow from investment activities	- 19,882	- 18,697
FINANCING ACTIVITIES		
New issue	120,704	31,485
Loans raised	-	20,972
Amortization of debt	- 11,987	- 7,600
Cash flow from financing activities	108,717	44,857
CHANGE IN LIQUID ASSETS		
Liquid assets at start of year	1,679	1,191
Exchange rate differences in liquid assets	218	- 8
Liquid assets at end of year	51,756	1,679

INCOME STATEMENT, PARENT COMPANY

SKr 1,000	Note	01-05-1998 31-12-1998	01-05-1997 30-04-1998
Net sales	3	12,327	6,473
Production expenses	3	- 11,148	- 6,167
Net profit		1,179	306
Administrative expenses	3	- 17,420	- 9,502
Operating profit	1	- 16,241	- 9,196
RESULT FROM FINANCIAL INVESTMENTS			
Interest income and similar profit/loss items	5	10,320	1,739
Interest expense and similar profit/loss items		- 695	- 1,266
Profit after financial items		- 6,616	- 8,723
Appropriations	6	2,096	- 169
Tax on net profit for the year		-	-
Net profit for the year		- 4,520	- 8,892

BALANCE SHEET, PARENT COMPANY

SKr 1,000	Note	31-12-1998	30-04-1998
ASSETS			
Fixed assets			
INTANGIBLE ASSETS			
Capitalized organizational expenses	7	2,403	3,271
Capitalized development expenses	8	1,210	2,331
		3,613	5,602
TANGIBLE ASSETS			
Renovation	10	104	108
Equipment	11	494	102
		598	210
FINANCIAL ASSETS			
Participation in Group companies	12	12,223	3,187
Receivables from Group companies		62,030	-
Shares in associated companies	13	3,229	52
Other long-term receivables		133	127
		77,615	3,366
Total fixed assets		81,826	9,178
Current assets			
CURRENT RECEIVABLES			
Current receivables, trade		405	259
Receivables from Group companies		26,295	32,376
Other receivables		1,708	538
Prepaid expenses and accrued income	14	380	441
		28,788	33,614
CURRENT INVESTMENTS			
	15	31,855	-
CASH AND BANK BALANCES			
		13,687	33
Total current assets		74,330	33,647
TOTAL ASSETS		156,156	42,825

SKr 1,000	Note	31-12-1998	30-04-1998
EQUITY AND LIABILITIES			
Equity	16		
RESTRICTED EQUITY			
Share capital		1,586	264
Current new issue		1,652	5,201
Current bonus issue		-	809
Share premium reserve		152,170	28,430
Statutory reserve		7,759	7,759
		163,167	42,463
ACCUMULATED DEFICIT			
Loss brought forward		- 18,938	- 10,046
Net profit for the year		- 4,520	- 8,892
		- 23,458	- 18,938
Total equity		139,709	23,525
LONG-TERM LIABILITIES			
Subordinated loans	17		
	18	10,000	10,000
Bank overdraft facilities	19	-	24
Other liabilities to financial institutions		-	5,000
Other liabilities		-	1,800
		10,000	16,824
CURRENT LIABILITIES			
Accounts payable, trade		2,019	283
Liabilities to Group companies		239	104
Other liabilities		576	350
Accrued expenses and prepaid income	20	3,613	1,739
		6,447	2,476
Total liabilities		16,447	19,300
TOTAL EQUITY AND LIABILITIES		156,156	42,825
Pledged assets	21	3,900	3,900
Contingent liabilities	22	28,138	16,959

STATEMENT OF SOURCE AND APPLICATION OF FUNDS, PARENT COMPANY

SKr 1,000	01-05-1998 31-12-1998	01-05-1997 30-04-1998
CURRENT OPERATIONS		
Operating profit	- 16,241	- 9,196
Adjustments for items not included in cash flow		
Depreciation	1,368	659
	- 14,873	- 8,537
Interest received and similar profit/loss items	10,124	1,739
Interest paid	- 695	- 1,266
Cash flow from current operations before change in working capital	- 5,444	- 8,064
Change in working capital		
Reduction/increase in inventories	4,826	- 24,725
Increase in liabilities	3,971	1,545
Cash flow from current operations	3,353	- 31,244
INVESTMENT ACTIVITIES		
Acquisition of subsidiaries	- 9,036	- 2,754
Acquisition of associated company	- 2,981	-
Shareholders' contribution	- 20	- 392
Group contribution	2,116	223
Acquisition/sale of long-term receivables	233	- 4,530
Increase in long-term receivables	- 62,036	- 127
Cash flow from investment activities	- 71,724	- 7,580
FINANCING ACTIVITIES		
New issues	120,704	31,485
Loans raised	-	14,972
Amortization of debt	- 6 824	- 7,600
Cash flow from financing activities	113,880	38,857
CHANGE IN LIQUID ASSETS	45,509	33
Liquid assets at start of year	33	-
Liquid assets at end of year	45,542	33

ACCOUNTING PRINCIPLES

GENERAL ACCOUNTING PRINCIPLES

The accounting and valuation principles applied are in accordance with the Annual Accounts Act and the recommendations and declarations of the Swedish Accounting Standards Board, the Swedish Financial Accounting Standards Council and the Swedish Institute of Authorized Public Accountants. Unless otherwise indicated, the principles employed are unchanged compared with the previous year.

CONSOLIDATED ACCOUNTS

The consolidated accounts encompass the parent company, Icon Medialab International AB, and all subsidiaries in which it holds, directly or indirectly, more than 50 per cent of the voting rights. Companies acquired during the year are included in the consolidated income statement from the date of acquisition. Companies sold during the year are included in the consolidated income statement until the sale date.

The consolidated accounts are drawn up in accordance with recommendation RR I:96 of the Swedish Financial Accounting Standards Council, and employ the purchase method. That means that the assets and liabilities of companies acquired are valued at the time of purchase to establish their consolidated acquisition value. Any difference between the purchase price and the consolidated acquisition value is set up as goodwill.

The consolidated income statement

and balance sheet do not include allocations and untaxed reserves. The allocations item is thus excluded from the consolidated income statement. The deferred tax calculated on transfers to and from untaxed reserves is deducted from the net profit for the year. The untaxed reserves item is omitted from the consolidated balance sheet and is divided into two items, part being booked as deferred tax liability and the remainder as restricted reserves, under equity. In the consolidated accounts, foreign subsidiaries have been translated according to the current method. Exchange rate differences are charged directly to shareholders' equity.

In subsidiaries with minority shareholdings, the Group's share is reported in net income and equity. Where there is negative equity, the minority holding is reported as an asset insofar as the minority shareholders are deemed able to cover their share of the capital deficit.

For companies in which Icon Medialab International owns at least 20 per cent and no more than 50 per cent of the voting power – that is, “associated companies” – the equity method is employed. This method entails adjusting the booked value of shares in the associated company by the Group's share of the company's profit, minus the dividend received.

TAX

The tax expense for the year consists of tax on the year's taxable income (tax paid) and changes in the deferred tax on untaxed reserves. The Group's tax liability

for the profit for the year is extremely limited, due to an accumulated deficit in essentially all its subsidiaries and operations. For the eight months of the financial year, the parent company's tax deficit is MSKr 15.8, which can be set off against future profits.

VALUATION PRINCIPLES

Valuation of assets and liabilities has been carried out pursuant to the following principles. Receivables are valued at the amount in which they are expected to be received. Other receivables and liabilities have been valued at acquisition value. Receivables and liabilities in foreign currency have been valued at the closing-day exchange rate.

CAPITALIZED ORGANIZATIONAL AND DEVELOPMENT EXPENSES

Expenses relating to the establishment of operations both in Sweden and abroad, to the development of modules for intranets and the Internet and of the development tool Alapi, and the financial and project management systems, have been brought forward as organizational and development expenditures, respectively.

Organizational expenses brought forward consist primarily of expenses for personnel, travel and marketing.

Development expenses brought forward consist primarily of personnel, consultant and license expenses.

WORK IN PROGRESS

Jobs on current account are charged to earnings as they are carried out. Fees earned but not yet invoiced at year-end are reported as accrued income. For fixed-price jobs, income is recognized successively in conjunction with completion of the work. If the amount invoiced, divided by the total value of the project, exceeds the degree of completion of the project, the excess invoiced sum is posted to advance payment from customers. Fixed-price work in progress is valued at the lower of accrued direct costs and estimated net realisable value, taking the remaining expenses of completion of the project into account.

DEPRECIATION METHOD

On the income statements, operating profit is charged with depreciation according to plan, which is calculated on original acquisition value and based on the assets' estimated economic life, for which the following depreciation periods are employed:

- Vehicles 5 years
- Computers 3-5 years
- Office equipment 5 years
- Renovation 20 years
- Intangible assets 3 years

For computers, only the initial investment is set up as an asset. Upgrades are written off immediately.

Intangible assets, excluding goodwill, are depreciated starting the year after acquisition.

Goodwill is depreciated over a 10-year period, since the acquisition is of strategic significance in establishment of a presence on a new market.

LEASING

Lease contracts are classified, in the consolidated accounts, either as financial or operational. If the economic risks and benefits associated with ownership of an asset are transferred to the lessee, the contract is financial. Other contracts are considered to be operational.

An asset governed by a financial lease contract is set up on the consolidated balance sheet as an asset, and depreciated according to the same principles as other assets. When a financial lease contract is established, a value corresponding to the asset's acquisition value is set up as a financial liability. It may be set up either as a current or long-term liability. The liability is amortized as the leasing fee is paid. The portion of the leasing fee not applicable to amortization is set up on the consolidated income statement as an interest expense.

As of 31 December 1998, assets acquired under financial lease contracts are included at booked values of SKr 283,000 under the renovation item and SKr 4,162,000 under the equipment item on the consolidated balance sheet. Lease contracts account for long-term financial liabilities in the amount of SKr 2,184,000 and current financial liabilities in the amount of SKr 1,985,000.



HARLEY-DAVIDSON



NOTES

NOTE I PERSONNEL

	98 (8 mo.)			97/98		
AVG. NO. OF EMPLOYEES	Women	Men	Total	Women	Men	Total
Parent co., Sweden	4	12	16	2	7	9
Subsidiaries						
Belgium	1	6	7	-	-	-
Denmark	2	11	13	-	3	3
Finland	2	12	14	-	5	5
Spain	3	14	17	2	9	11
UK	9	10	19	3	3	6
Sweden	34	82	116	25	59	84
Germany	5	8	13	-	-	-
USA	2	11	13	2	7	9
Group total	62	166	228	34	93	127

WAGES & COMPENSATION

	Wages and compensation	Social security expenses (portion of pension expenses)	Wages and compensation	Social security expenses (portion of pension expenses)
Parent company	7,041	2,575 (430)*	4,028	1,267 (243)*
Subsidiaries	47,768	12,629 (1,682)*	34,284	10,049 (1,218)*
Group total	54,809	15,204 (2,112)*	38,312	11,316 (1,461)*

DISTRIBUTION OF WAGES AND COMPENSATION

	Board and MD	Other employees	Board and MD	Other employees
Parent co., Sweden	654	6,387	125	3,903
Subsidiaries				
Belgium	825	1,941	-	-
Denmark	299	3,690	-	1,357
Finland	402	2,364	171	670
Spain	429	2,308	910	1,950
UK	704	4,233	251	1,730
Sweden	888	22,164	641	22,963
Germany	-	3,097	-	-
USA	425	3,999	554	3,087
Group total	4,626	50,183	2,652	35,660

* Of the parent company's pension expenses, KSKr 85 (30) was for members of the Board of Directors and the Managing Director. The corresponding expense for the Group was KSKr 286 (123).

Terms of employment of holders of top executive positions

Compensation of the parent company's Managing Director, Franco Fedeli, for the eight months of the financial year, has been paid in the form of a salary in the amount of KSKr 654. During the initial months of the financial year, he received consulting fees in the amount KSKr 460. During the previous financial year, he was employed as a consultant and received fees in the amount of KSKr 1,243. The Managing Director and other holders of top executive positions are entitled to pension benefits corresponding to those of the company's general pension plan. For the Managing Director, there is a mutual 6-month term of notice. Other holders of top executive positions have mutual terms of notice of 3-6 months. In both cases, no compensation is payable other than salary for the term of notice.

NOTE 2 NET SALES

SKr 1,000	98 (8 mo.)	97/98
Sweden	66,536	52,466
Rest of Europe	24,968	8,448
Rest of world	7,169	4,749
Total	98,673	65,663

NOTE 3 ACQUISITIONS AND SALES WITHIN THE GROUP

Of the production and administrative expenses for the financial year, KSKr 4,886 (1,052), or 17 (7) per cent, are attributable to purchases from subsidiaries. Of the net sales for the financial year, KSKr 7,386 (6,211), or 60 (96) per cent, are accounted for by sales to subsidiaries.

The Group's ownership of the associated company Bonnier Icon Publishing AB, currently in the process of a change of name to WebCat AB, was increased during the financial year, through a new share issue, to just under 50.0 per cent, or 20,408 shares out of a total of 40,818. Since the close of the financial year, ownership has been reduced through the sale of shares to employees, and is currently 49.5 per cent.

NOTE 4 SHARE OF ASSOC. COMPANY'S PROFIT BEFORE TAX

	98 (8 mo.)	97/98
BONNIER ICON PUBLISHING AB		
Share of equity at start of year	745	-
Consolidated capital gains for new issue	30	790
Result from participation in assoc. company	74	- 45
Share of capital in associated company	849	745
Acquisition value at start of year	52	-
Acquisition value for the year	2,981	52
	3,882	797

NOTE 5 INTEREST INCOME AND SIMILAR PROFIT/LOSS ITEMS

	Group		Parent company	
	98 (8 mo.)	97/98	98 (8 mo.)	97/98
Interest income	2,157	31	4,355	1,738
Exchange rate differences	101	-	101	1
Capital gains upon sale	5,668	10	5,864	-
	7,926	41	10,320	1,739

Of the parent company's interest income, KSKr 2,293 (1,729) is accounted for by interest income from subsidiaries.

NOTE 6 APPROPRIATIONS

	98 (8 mo.)	97/98
Shareholders' contribution	- 20	- 392
Group contribution given	- 1,286	- 6,337
Group contribution received	3,402	6,560
	2,096	- 169

NOTE 7 CAPITALIZED ORGANIZATIONAL EXPENSES

	Group		Parent company	
	31-12-1998	30-04-1998	31-12-1998	30-04-1998
Acquisition value at start of year	3,616	1,900	3,904	1,900
Expendit. set up as assets during year	1,407	1,716	-	2,004
Acc. acquisition value at end of year	5,023	3,616	3,904	3,904
Depreciation at start of year	- 633	-	- 633	-
Depreciation for the year	- 804	- 633	- 868	- 633
Acc. depreciation at end of year	-1,437	- 633	-1,501	- 633
Res. value acc. to plan at end of year	3,586	2,983	2,403	3,271

NOTE 8 CAPITALIZED DEVELOPMENT EXPENSES

	Group		Parent company	
	31-12-98	30-04-98	31-12-98	30-04-98
Acquisition value at start of year	4,574	2,422	2 331	-
Expendit. set up as assets during year	2,718	2,137	-	2 331
Sales and disposal	-	-	- 776	-
Translation differences	69	15	-	-
Acc. acquisition value at end of year	7,361	4,574	1 555	2 331
Depreciation at start of year	- 844	-	-	-
Sales and disposal	-	-	112	-
Depreciation for the year	- 1,347	- 844	- 457	-
Translation differences	- 21	-	-	-
Acc. depreciation for the year	- 2,212	- 844	- 345	-
Res. value acc. to plan at end of year	5,149	3,730	1 210	2 331

The Group's capitalized development expenses include consulting expenses and licensing fees for financial and project management systems with an acquisition value of KSKr 2,221 (o), and a residual value according to plan of KSKr 1,845 (o). All expenses are set up as assets in the Group's subsidiaries.

NOTE 9 GOODWILL

	31-12-1998	30-04-1998
Acquisition value at start of year	7,923	-
Acquisition for the year	272	7,923
Translation differences	932	-
Acc. acquisition value at end of year	9,127	7,923
Depreciation at start of the year	- 454	-
Depreciation for the year	- 449	- 459
Translation differences	- 81	5
Acc. depreciation at end of year	- 984	- 454
Res. value acc. to plan at end of year	8,143	7,469

NOTE IO RENOVATION

	Group		Parent company	
	31-12-1998	30-04-1998	31-12-1998	30-04-1998
Acquisition value at start of year	900	650	112	-
Purchases	3,011	250	-	112
Reclassifications	502	-	-	-
Acc. acquisition value at end of year	4,413	900	112	112
Depreciation at start of year	- 57	- 13	- 4	-
Reclassifications	- 67	-	-	-
Depreciation for the year	- 183	- 44	- 4	- 4
Translation differences	- 1	-	-	-
Acc. depreciation at end of year	- 308	- 57	- 8	- 4
Res. value acc. to plan at end of year	4,105	843	104	108

NOTE II EQUIPMENT

	Group		Parent company	
	31-12-1998	30-04-1998	31-12-1998	30-04-1998
Acquisition value at start of year	12,494	6,729	126	43
Purchases	13,880	6,069	431	83
Sales and disposal	- 1,229	- 137	-	-
Reclassifications	- 502	- 131	-	-
Translation differences	559	- 36	-	-
Acc. acquisition value at end of year	25,202	12,494	557	126
Depreciation at start of year	- 2,773	- 750	- 24	- 2
Sales and disposal	186	5	-	-
Reclassifications	67	139	-	-
Depreciation for the year	- 2,548	- 2,163	- 39	- 22
Translation differences	- 175	- 4	-	-
Acc. depreciation for the year	- 5,243	- 2,773	- 63	- 24
Res. value acc. to plan at end of year	19,959	9,721	494	102

NOTE I2 PARTICIPATION IN GROUP COMPANIES

Parent company 's holding	Reg. no.	Reg. office	Percentage of equity	Percentage of votes	Number of shares	Book value
Alapi Inc.	94-3310115	San Francisco	100.00%	100.00%	200	1,002
Icon Content AB	556538-6264	Stockholm	100.00%	100.00%	10,000	100
Icon Medialab AG I.G.	HRB 69037	Hamburg	100.00%	100.00%	20,000	462
Icon Medialab Belgium S.A.	625697	Brussels	100.00%	100.00%	2,500	533
Icon Education AB	556536-5763	Stockholm	100.00%	100.00%	10,000	100
Icon Knowledge Management AB	556556-5909	Stockholm	100.00%	100.00%	10,000	100
Icon Medialab AB	556536-1812	Stockholm	100.00%	100.00%	10,000	100
Icon Medialab Inc.	94-3255639	San Francisco	98.90%	98.90%	890,000	6,517
Icon Medialab Sdn.Bhd.	443164-A	Kuala Lumpur	100.00%	100.00%	100,000	0
Icon Spain S.A.	A81567810	Madrid	99.60%	99.60%	9,960	554
IML London Ltd	3391780	London	100.00%	100.00%	2	0
Icon Medialab A/S	229.932	Copenhagen	100.00%	100.00%	500	2,633
PIMI AB	556541-9545	Stockholm	100.00%	100.00%	10,000	100
Vestigia Oy	711.587	Tampere	100.00%	100.00%	150	22
						12,223
Subsidiary 's holding						
The Works Oy	648.398	Tampere	90.10%	90.10%	5,406	-

Selected employees of subsidiaries are offered call options on shares in the company that employs them. These options entitle the bearer to purchase shares at their nominal value. The decision to issue options was made at a general meeting, as shown below. Not all of the options have been distributed in keeping with the guidelines decided on at the parent company's annual meeting. The assignment of options decided upon is expressed as a percentage of the total number of shares in the subsidiary.

Call options issued for shares in subsidiaries

	Guideline decided upon	Assigned	Remaining available
Icon Medialab AG I.G.	10.00%	4.44%	5.56%
Icon Medialab Belgium S.A.	10.00%	0.00%	10.00%
Icon Medialab Inc.	10.00%	2.51%	7.49%
Icon Spain S.A.	15.00%	12.80%	2.20%
IML London Ltd	10.00%	4.55%	5.45%
Icon Medialab A/S	10.00%	4.42%	5.58%

NOTE 13 PARTICIPATION IN ASSOCIATED COMPANY

	Reg. no.	Reg. office	Pct. of equity	Pct. of votes	Number of votes	Book value
Bonnier Icon Publishing AB	556535-6887	Stockholm	50.00%	50.00%	20,408	3,229

NOTE 14 PREPAID EXPENSES AND ACCRUED INCOME

	Group		Parent company	
	31-12-1998	30-04-1998	31-12-1998	30-04-1998
Prepaid rents	1,727	249	4	46
Accrued interest income	-	46	-	23
Other items	5,416	1,020	376	372
	7,143	1,315	380	441

NOTE 15 CURRENT INVESTMENT

	Group		Parent company	
	31-12-98	30-04-98	31-12-98	30-04-98
Bond fund	20,708	-	20,708	-
Money market fund	11,147	-	11,147	-
	31,855	-	31,855	-

NOTE 16 CHANGE OF EQUITY

Group	Share capital	Restricted reserves	Accum. Deficit	Total equity
Amount at start of year	264	42,199	- 36,889	5,574
New issues	513	120,191		120,704
Bonus issues	809	- 809		0
Transfer to restricted reserves		40	- 40	0
Change of translation difference		2,634	- 1 450	1,184
Net profit for the year			- 27,606	- 27,606
Amount at end of year	1,586	164,255	- 65,985	99,856

Parent company	Share capital	Current issues	Share prem. reserve	Statutory reserve	Loss brought forward	Net profit for year	Total equity
Amount at start of year	264	6,010	28,430	7,759	- 10,046	- 8,892	23,525
New issues	513	- 3,549	123,740				120,704
Bonus issues	809	- 809					0
Disposal of profit/loss					- 8,892	8,892	0
Net profit for the year						- 4,520	- 4,520
Amount at end of year	1,586	1,652	152,170	7,759	- 18,938	- 4,520	139,709

NOTE 17 LONG-TERM LIABILITIES

All long-term liabilities fall due within five years.

NOTE 18 CONVERTIBLE SUBORDINATED LOANS

There are two convertible loans for a total of MSK^r 10 together, with an interest rate of 2.5 per cent above the official discount rate. The loans may be converted between 1 July 1999 and 30 December 1999 at a rate of 70 kronor. Conversion of the loans will increase share capital by SK^r 57,142, and add 142,856 shares.

NOTE 19 BANK OVERDRAFT FACILITIES

The Group has bank overdraft facilities in the amount of MSK^r 6 (6) and the parent company in the amount of MSK^r 3 (3).

NOTE 20 ACCRUED EXPENSES AND PREPAID INCOME

	Group		Parent company	
	31-12-98	30-04-98	31-12-98	30-04-98
Holiday pay	3,714	3,249	855	431
Accrued soc. welfare change	2,717	1,467	515	282
Other items	4,896	2,760	2,243	1,026
	11,327	7,476	3,613	1,739

NOTE 21 PLEDGED ASSETS

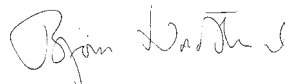
	Group		Parent company	
	31-12-1998	30-04-1998	31-12-1998	30-04-1998
FOR OWN ALLOCATIONS AND LIABILITIES				
For liabilities to financial institutions				
Shares in subsidiaries	467	125	100	100
Chattel mortgages	18,508	17,800	8,800	8,800
Chattel mortgages on own property	- 5,000	- 5,000	- 5,000	- 5,000
	13,975	12,925	3,900	3,900

NOTE 22 CONTINGENT LIABILITIES

The parent company has issued capital cover guarantees for all subsidiaries except the Finnish company. These entailed a commitment on closing day of KSK^r 28,138 (16,959).

Audit report

STOCKHOLM 5 MARCH 1999



Björn Nordstrand
CHAIRMAN OF THE BOARD



Elisabet Annell



Ulf Dahlsten



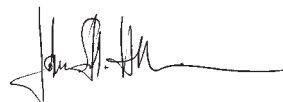
Leif Edvinsson



Håkan Ramsin



Fred Ridderstad



Johan Staël von Holstein



Erik Wickström



Franco Fedeli
MANAGING DIRECTOR

To the Annual General Meeting of Shareholders in Icon Medialab International AB (publ),
reg. no. 556284-0917

I have examined the annual report, consolidated accounts and accounting records, and reviewed the administrative efforts of the Board of Directors and Managing Director of Icon Medialab International AB (publ) for the financial year from 1 May 1998 to 31 December 1998. The Board of Directors and Managing Director are responsible for accounting documentation and administration. My responsibility is to issue my judgement of the annual report, consolidated accounts and administration based on my audit.

The audit was carried out in accordance with generally accepted auditing standards. I have thus designed and carried out the audit in such a way as to ascertain with acceptable certainty that the annual report and consolidated accounts do not contain significant errors. An audit involves reviewing a selection of the supporting documentation for the figures and other information included in the accounting documentation. An audit also entails examining the accounting principles and the way in which the Board of Directors and Managing Director have applied them, and assessing the collected information contained in the annual report and consolidated accounts. I have reviewed important decisions, actions and conditions in the company in order to assess whether any member of the Board of Directors or the Managing Director is liable for damages to the company, or has in any other respect violated the Companies Act, Annual Accounts Act or articles of association.

I consider that my audit provides sufficient grounds for my statements below.

The annual report and consolidated accounts have been prepared in accordance with the Annual Accounts Act, and I therefore recommend that

- the income statement and balance sheet for the parent company and Group be adopted, and
- the loss in the parent company be disposed of in accordance with the proposal in the administration report.

The members of the Board of Directors and the Managing Director have not taken any action or been guilty of any negligence that, in my judgement, would cause them to be liable for damages to the company, and I therefore recommend that

- the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Stockholm, 5 March 1999



Hans Jönsson
AUTHORIZED PUBLIC ACCOUNTANT

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PARENT COMPANY

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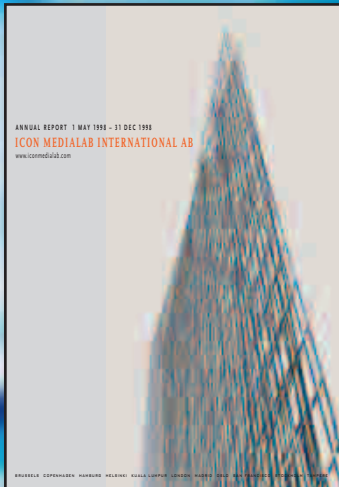
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