



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

27 April 1999

## Quarterly Report 1 January 1999 – 31 March 1999 Icon Medialab International AB (publ)

- **Net sales up 161 per cent.**  
The group recorded net sales for the quarter of MSK<sup>r</sup> 61.0 (23.3). Net sales by Medialabs abroad increased 401 per cent, while the Swedish Medialab's sales were up 93 per cent.
- **Icon Medialab will live up to the forecast of MSK<sup>r</sup> 200 in sales for the previously employed financial year ending 30 April 1999.**
- **Number of employees up 37 per cent.**  
112 new employees since 1 January.
- **Quarterly profit/loss after financial items was MSK<sup>r</sup> -16.8 (-5.8).**  
Earnings were affected by acquisition and integration expenses. The subsidiaries in Sweden, Finland and Spain showed a profit.
- **Almost 50 per cent of net sales were generated by subsidiaries abroad.**  
The percentage of net sales by subsidiaries abroad increased from 26 to 47 per cent. These subsidiaries generated MSK<sup>r</sup> 28.4 of the MSK<sup>r</sup> 61.0 in sales recorded by the group during the first quarter.
- **Icon Medialab one of the two largest in Norway.**  
The acquisition of three operations and a merger with the Internet consulting firm Thunder House have given Icon Medialab a leading position on the fast-growing Norwegian market.
- **IPG and Icon Medialab to be global partners.**  
The American media giant IPG is investing \$20 million in Icon Medialab.
- **Rapid growth to continue throughout 1999.**  
The Board forecasts net sales of MSK<sup>r</sup> 400, entailing growth of over 200 per cent in 1999.

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*The **Icon Medialab International AB (publ)** group, hereinafter referred to as **Icon Medialab**, is Europe's leading Internet consultancy, and operates on the market for 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 quarterly report concerns **Icon Medialab International**.*

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

The group's net sales for the quarter were MSK<sup>r</sup> 61.0 (23.3), an increase of 161 per cent compared with the same period last year. The proportion of net sales accounted for by operations abroad increased from 26 per cent during the same period last year to 47 per cent this year.

In the past twelve months, the group has recorded net sales of MSK<sup>r</sup> 168.9, compared with a forecast MSK<sup>r</sup> 200 for the financial year that would have ended on 30 April 1999. At the current rate of growth, the forecast sales figure will be achieved, despite the impossibility of acquiring companies at the desired rate, and growth that has essentially occurred organically. The only significant acquisitions during the most recent twelve months are the company and operations that were bought in Norway. These operations have been included in the consolidated accounts starting on 1 February 1999. The merger of the three Norwegian operations has forced Oslo to concentrate on integration and implementation of a new organization, with a negative effect on earnings.

The group's profit/loss after net financial items was MSK<sup>r</sup> -16.8 (-5.8) for the quarter. The profit/loss figure has been charged with expenses related to acquisition processes. Goodwill was written off in the amount of MSK<sup>r</sup> 1.2.

The table below shows trends in quarterly net sales, operating profit and profit after financial items during the calendar quarters from 1997 on.

SK <sup>r</sup> 1,000	1997				1998				1999
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Net sales	5 954	8 746	10 505	17 936	23 334	22 835	30 433	54 715	60 950
Operating profit	-3 781	-5 823	-6 836	-8 119	-5 331	-9 194	-13 850	-12 131	-17 003
Profit after fin. items	-3 849	-5 338	-7 205	-8 353	-5 802	-9 676	-13 435	-5 210	-16 818

The table below shows the distribution of net sales during the quarter, compared with the same period during the previous year and all of 1998.

SKr 1,000	1999 Q1	1998 Q1	1998 Full year
Medialab Sweden	30.8	15.9	81.9
Other Medialabs	31.4	6.3	43.9
Medialab total	62.2	22.2	125.8
Other operations	4.7	3.0	22.6
Group items	-5.9	-1.9	-17.1
Total	61.0	23.3	131.3

## Operations

There has been a trend on the global market towards mergers and acquisitions to create larger and more competitive companies. American players have increasingly made their presence felt in Europe during the quarter.

The period has been characterized by strong demand, high utilization of capacity and a good flow of incoming orders in all subsidiaries.

Icon Medialab's Swedish subsidiary is in the final stages of a project for the global packaging company *Tetra Pak*. The project, which has been under way since May 1998, has been worth MSKr 6 to date, and has been carried out in several phases. The first phase consisted of a study in which a strategy was established for Tetra Pak's distribution of information via the Internet. Phase two involved collecting information and producing an image site, with a general description of Tetra Pak's operations and corporate culture. The phase currently under way entails developing a "global framework tool" – a system for distributing information from central Tetra Pak departments and publishing the homepages of local listed companies. The system is prepared to handle all existing fonts. It will give Tetra Pak central control over its graphic profile at all local sites.

In San Francisco, Icon Medialab has redesigned and upgraded *Electronic Arts'* e-commerce site. Electronic Arts was so pleased with the results that the design was expanded to include their corporate site, too, for which Icon Medialab's design experts worked out a comprehensive and unified corporate identity. Electronic Arts' objective was to create an interesting site with improved functionality and a simplified process of purchasing and delivery. The company also wanted to establish a brand identity for its e-commerce site, which complemented the existing corporate site. Electronic Arts is one of the world's leading computer game companies, developing, producing and supplying software world-wide. Established in 1982, the company is headquartered in California and recorded sales of \$1,100 million in 1998.

The subsidiary in London completed work on a large website for *Amersham Pharmacia Biotech*, a world leader in biotechnical products. The site, which will be launched publicly on 5 March, is the first joint web effort since the merger of Amersham Life Science and Pharmacia Biotech in 1997. Eight people from Icon Medialab and five from APB have been involved in the project. The primary objective for the site was to establish a consistent image for the company and its products both on-line and off: an intuitive and user-friendly interface,

a complete informational structure for the large volume of existing data, lively interactive graphics and improved communications channels for the company's customers.

Icon Medialab's Spanish office has succeeded in taking advantage of the lead it enjoyed through having operated longer on an immature market. The company has captured a significant percentage of the market, and is a well respected brand. The Spanish market is maturing rapidly, and the Spanish subsidiary is showing strong growth. Currently, efforts are under way in Madrid on a website for *Opel Spain*. The project employs five people and is worth MSKr 1. Other current clients in Spain are the mobile telephony company *Airtel*, the *Argentaria* bank, the Spanish state railway company, *Renfe*, Spanish *Volkswagen*, *Coca-Cola*, *Nokia*, *Banco Atlantico*, *Air Europa*, *Banco Pastor*, *Zanussi*, *Telecinco*, *SAS*, *Cepsa*, *Lladro*, *Sanitas* and *Telemadrid*.

Icon Medialab endeavours to develop new services as the market matures and customers demand solutions involving new technologies. As part of these efforts, the Hamburg office has focused on trends in digital television, keeping pace with the cutting edge of development in the field.

The Copenhagen office has established a centre for expertise on the Wireless Application Protocol (WAP). WAP makes it possible for users to connect to and use the Internet through their mobile telephones. This makes the Internet accessible in a way that is independent of the user's geographical location.

In San Francisco, Icon Medialab Inc. has embarked on international cooperative efforts with *Net Perception*. Net Perception develops filtering tools for the Internet, using "real-time recommendation technology" to manage individual information with the goal of boosting consumption. The company's products can be used to personalize e-commerce sites, such as Amazon and CDNow, providing customers with recommendations of products and services based on previous purchases.

## **IPG**

The Board of Directors announced in March that an agreement had been reached with the *Interpublic Group of Companies Inc. (IPG)*. The contract, which will be submitted for approval to the general meeting on 27 April 1999, entails global cooperation between the two companies, and will see IPG invest an initial \$20 million in Icon Medialab and Icon Medialab in Oslo merge with the Internet consultancy *Thunder House*. IPG's initial investment, and Icon Medialab's merger with Thunder House through an offset issue, will make IPG the largest single shareholder in Icon Medialab, with just under 20 per cent of votes and capital. The contract allows IPG to increase its holding in Icon Medialab up to just under 44 per cent. It is proposed that IPG receive a seat on the Board of Directors.

This strategic partnership makes Icon Medialab a "preferred provider" of interactive services to IPG companies. In this manner, Icon Medialab gains access to IPG's extensive global client base. IPG is an American media house, and is the world leader in advertising and marketing, with annual sales of nearly \$4,000 million and 35,000 employees in 127 countries. Among the companies included in the IPG group are *McCann-Erickson*, *Ammirati Puris Lintas* and the *Lowe Group*, and its clients include such companies as *General Motors*, *Unilever*, *Coca-Cola* and *Mastercard*.

## **PR**

There has been a great deal of interest in the company. Both the Swedish and foreign media have covered Icon Medialab frequently during the period.

*Adweek*, the leading American media and PR weekly, ranked Icon Medialab one of the fifty most important companies in interactive media. Icon Medialab is the only non-American company on the list.

IPG's planned investment in and partnership with Icon Medialab was covered by essentially all the Swedish dailies and by the American daily press, including the *Wall Street Journal*, the *New York Times* and the *International Herald Tribune*.

## **Acquisitions and start-ups**

Icon Medialab has established a presence in Norway with the acquisition of three operations. *Neo Interaktiv* was the first acquisition target, and it subsequently bought the operations of *Intergate* and *Arakno*. All of these companies were acquired through non-cash and offset issues. A total of 423,260 shares were issued, 7,756 after the conclusion of the quarter. The total value of the acquisitions, including goodwill and asset value, was MSK<sup>r</sup> 56.7.

Assuming that the general meeting approves the Board's proposal regarding an agreement with IPG, Icon Medialab AS in Norway will merge with the Internet consultancy Thunder House AS, a Norwegian company in the IPG group. Icon Medialab AS will thus bolster its position as one of the largest Internet consulting companies in Norway.

## **Investments**

The period saw investments in tangible assets totalling MSK<sup>r</sup> 7.2, MSK<sup>r</sup> 3.4 of which was financed through financial leasing contracts. Most of the investments were in office equipment and computers.

## **Financial position**

New issues that by-passed the preferential rights of existing shareholders brought in MSK<sup>r</sup> 86.2 to the parent company in the course of the quarter. From 1 December 1998 to 15 January 1999, employees utilized a percentage of outstanding share options, bringing in MSK<sup>r</sup> 4.1 to the parent company during December and January.

The agreement with IPG stipulates that IPG will invest \$20 million in Icon Medialab. The capital will be added through a new issue by-passing the preferential rights of existing shareholders. This new issue will be submitted to the general meeting for approval on 27 April 1999. A decision will also have to be made by the general meeting on an offset issue in conjunction with the merger with the IPG company Thunder House AS.

Shareholder equity at the end of the period was MSK<sup>r</sup> 231.5, compared with MSK<sup>r</sup> 1.8 on 31 March 1998, yielding solidity figures of 77 and 4 per cent, respectively.

The company's liquid assets on the final day of the quarter were MSK<sup>r</sup> 115.6 (1.2), an increase of MSK<sup>r</sup> 114.4.

## **Share data**

The net profit/loss per share after tax was SKr -3.77 for the quarter. Equity per share was SKr 46.07 at the end of the quarter, compared with SKr 0.68 on 31 March 1998.

As of 31 March 1999, there were 5,017,399 shares recorded in the parent company. The number of shares increased by 1,053,180 during the quarter, through the utilization of options (57,676 shares), new directed share issues (580,000 shares), and non-cash and offset issues in conjunction with Norwegian acquisitions (415,504 shares). An additional 7,756 shares that had not yet been recorded as of 31 March 1999 were also added.

## **Personnel**

During the quarter, the number of employees increased by 112. As of 31 March 1999, there were 412 employees in nine countries, 109 of them women.

## **Forecast**

The Board forecasts net sales of MSKr 400, entailing growth of over 200 per cent in 1999. The rapid rate of expansion will continue to affect earnings throughout 1999.

## **The parent company**

The parent company recorded net sales during the quarter of MSKr 4.2 (1.7). Its net profit after financial items was MSKr -6.0 (-2.1). Investments totalled MSKr 0.2, all of which was financed through leases. The parent company's liquid assets as of 31 March 1999 were MSKr 109.9 (0.0).

## Summary of group income statement

SKr 1,000	Jan - Mar 1999	Jan - Mar 1998*	Jan - Dec 1998*
Net sales	60,950	23,334	131,317
Production expenses	-52,560	-16,394	-100,273
Net profit	8,390	6,940	31,044
Sales expenses	-7,882	-4,014	-20,624
Administrative expenses	-17,622	-8,257	-51,125
Other income/expenses	111	-	199
Operating profit	-17,003	-5,331	-40,506
Income from shares in assoc. companies	-505	196	237
Net financial income	690	-667	6,146
Net profit after financial items	-16,818	-5,802	-34,123
Tax	-33	-15	-23
Minority shares	-98	-2	-1
Profit/loss for the period	-16,949	-5,819	-34,147

*\*Pro forma, since the financial year was changed to coincide with the calendar year in 1998.*

## Summary of group balance sheet

SKr 1,000	31/03/1999	31/03/1998	31/12/1998
<b>Assets</b>			
Intangible assets	7,409	6,209	8,735
Goodwill	64,044	7,422	8,143
Tangible assets	30,889	10,506	24,064
Financial assets	4,034	1,330	4,571
<b>Total fixed assets</b>	<b>106,376</b>	<b>25,467</b>	<b>45,513</b>
Work in progress	2,439	889	911
Accounts receivable, trade	53,608	14,409	38,074
Other receivables	23,591	3,375	11,217
Cash, bank balances, sh.-term placements	115,559	1,206	51,756
<b>Total current assets</b>	<b>195,197</b>	<b>19,879</b>	<b>101,958</b>
<b>Total assets</b>	<b>301,573</b>	<b>45,346</b>	<b>147,471</b>
<b>Equity and liabilities</b>			
Restricted equity	310,115	37,538	165,841
Profit/loss carried forward	-61,639	-29,928	-31,838
Profit/loss for the period	-16,949	-5,819	-34,147
<b>Total equity</b>	<b>231,527</b>	<b>1,791</b>	<b>99,856</b>
Long-term liabilities	15,399	24,211	12,655
Advance payments from customers	1,460	1,388	985
Other current liabilities	53,187	17,956	33,975
<b>Total liabilities</b>	<b>70,046</b>	<b>43,555</b>	<b>47,615</b>
<b>Total equity and liabilities</b>	<b>301,573</b>	<b>45,346</b>	<b>147,471</b>

## Consolidated statement of source and application of funds

SKr 1,000	Jan - Mar 1999	Jan - Mar 1998*	Jan - Dec 1998*
<b>Current operations</b>			
Operating profit	-17,003	-5,331	-40,506
Adjustments for items not included in cash flow	3,791	1,372	6,790
Financial items	690	-668	6,146
Income tax paid	-33	-14	-23
Cash flow from current operations before change in working capital	-12,555	-4,641	-27,593
<b>Change in working capital</b>	-5,982	2,578	-19,005
Cash flow from current operations	-18,537	-2,063	-46,598
<b>Investment activities</b>			
Acquisition of fixed assets	-5,975	-3,466	-24,350
Cash flow from investment activities	-5,975	-3,466	-24,350
<b>Financing activities</b>			
New issues	88,673	-	129,089
Loans raised, net	-350	4,302	-9,001
Cash flow from financing activities	88,323	4,302	120,088
Change in cash, bank balances and sh.-term plcmts	63,811	-1,227	49,140
Exchange rate differences in liquid assets	-8	-13	170
Cash, bank balances and short-term placements at end of period	115,559	1,206	51,756

*\*Pro forma, since the financial year was changed to coincide with the calendar year in 1998.*

Non-cash and offset issues in conjunction with acquisitions in the amount of MSKr 58.9 have not been taken into account, since they do not affect cash, bank balances and short-term placements.

## Key ratios

	Jan - Mars 1999	Jan - Mars 1998*	Jan - Dec 1998*
Solidity	77%	4%	68%
Debt/equity ratio	0.1	13.0	0.2
Number of employees at close of period	412	170	300
Number of employees (period average)	365	156	205
Earnings per share (SKr)	-3.77	-2.20	-10.34
Equity per share (SKr)	46.07	0.68	25.19

*\*Pro forma, since the financial year was changed to coincide with the calendar year in 1998.*

## Upcoming reports

The next financial reports will be published on 10 August and 27 October 1999.

Stockholm, 27 April 1999

On behalf of the Board of Directors:

Franco Fedeli  
Managing Director

This report has not been audited.