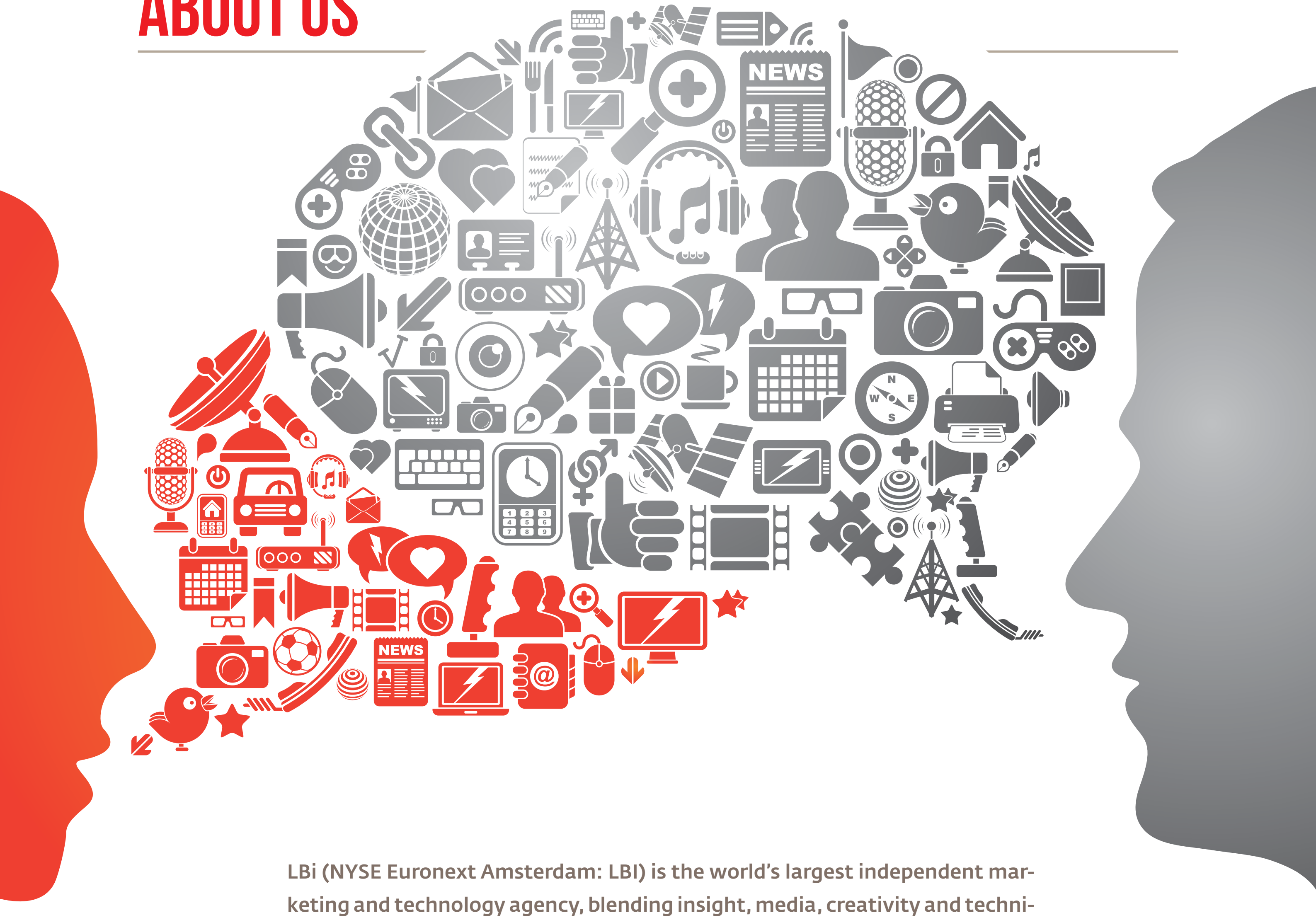
2011

ANNUAL REPORT

LBI

ABOUT US



LBi (NYSE Euronext Amsterdam: LBI) is the world's largest independent marketing and technology agency, blending insight, media, creativity and technical expertise to create value for brands. Headquartered in Amsterdam (the Netherlands), we have operations in 16 countries and a staff of approximately 2,050 digital technology and marketing experts. As a marketing and technology agency, LBi offers services to brands (clients) to help them engage with their customers through digital channels across a wide spectrum of their points of engagement, from initial awareness of the brand, through direct interaction with the services or products offered by the brand, to ongoing relationships with the brand. We offer a suite of services that are designed to help companies attract, engage and manage customers, more effectively. This full service offering combines analytical, direct marketing and digital competences, which means that we are able to develop big creative ideas in the digital space, build and manage complex transactional websites, run complex CRM programmes and even handle the media buying, planning and electronic public relations for blue chip companies.

CONTENTS

All capitalised terms in this AnnualReport shall have the meaning as set out in Section Definitions and glossary.

THE YEAR IN BRIEF

2011 marked the most successful year in our history as a public company with record sales.

Whilst 2011 could be characterised as a transition year, our performance reflects the most visible evidence of the strategic progress we've made in transforming our business model

Throughout 2012 LBi will continue to benefit from the ongoing acceleration and interest in social media, the trend for roster consolidation and the aggregation of digital services into single supplier multi-market mandates.

Our 2011 performance reflects the most visible evidence of the strategic progress we've made in transforming our business model. We have built a blended portfolio of strategic creative, technical, media and measurement skills tailored to international brands who want to lead the digital space and capture the opportunities it offers to create business value.

Significant wins with E.ON, Reebok, ASDA, Barclays and a pipeline that continues to strengthen make us feel confident that our offer remains highly competitive and cleanly differentiated. The shift towards a marketing approach where the ability to create, distribute and measure great content is of the utmost importance ratifies our business model.

In 2012 with the acceleration of all things social, the trend for roster consolidation and the aggregation of digital services into single supplier multi-market mandates we expect to reap further rewards.

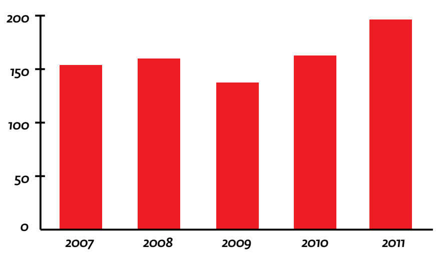
KEY FINANCIALS FOR THE YEAR

Net revenue up by 20.8% to EUR 196.6 million
reflecting continued demand for digital branding, social media and mobile offerings.

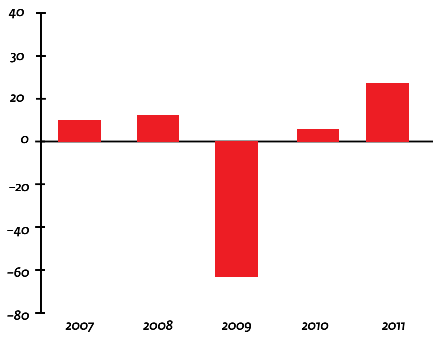
EBITDA increased 57.3% to EUR 31.9 million
good underlying operational progress and margin improvement.

Recorded net result of EUR 17.8 million in 2011
versus a negative EUR 0.5 million in 2010.

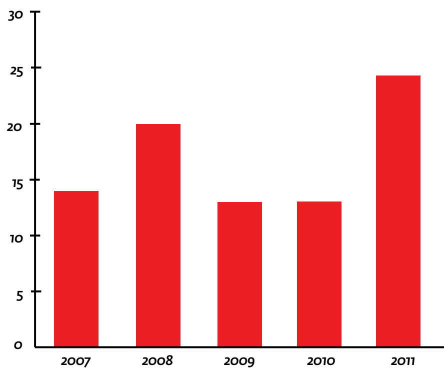
Strong financial position with positive operating cash flow of EUR 23.7 million for the year
(EUR 10.6 million last year) of which EUR 28.8 million in the second half year.



Net sales, EUR million



Operating result, EUR million



Cash flow from current operations, EUR million

CEO MESSAGE

A platform to capture both the digital and social growth opportunity

2011 marked the most successful year in our history as a public company with record sales and adjusted EBITDA of EUR 196.6 million and EUR 31.9 million, respectively.

Our 2011 performance reflects the most visible evidence of the strategic progress we've made in transforming our business model. We have built a blended portfolio of strategic, media, social, creative and technical skills tailored to international brands who want to lead the digital space and capture the opportunities it offers to create business value.

In the past year, we have accelerated the connectivity of our offering across the regions by making a consistent quality of services available to all our clients globally. We have also clearly realised the benefits of our merger with bigmouthmedia (BMM) which is now fully integrated with LBi and driving a sales uplift attributable to our enhanced ability to help multinational clients with their transition from offline to online media.

We are also very excited about the social media, experiential and word of mouth marketing capabilities of New York based Mr Youth, which we acquired in November 2011.

The acquisition perfectly fulfils our strategic need, delivering breadth, depth and tools to an already significant social media offering which was nevertheless struggling to cope with global client demand.

We are particularly proud of both our client work and our new business record in 2011. Our success is best reflected in the continued size and longevity of our client relationships. Engagements with BT, Virgin, Johnson & Johnson, IKEA, Lavazza, Sony, Coca-Cola and Volvo continue to systematically expand across three axes: product category growth, new markets and the cross-sell of additional services. This trend we hope will accelerate as organisations are increasingly consolidating their roster and giving more responsibility to agencies with a digital centre of gravity.

Significant wins with E.ON, Reebok, ASDA, Barclays and a pipeline that continues to strengthen make us feel confident that our offer remains highly competitive and cleanly differentiated. LBi will continue throughout 2012 to benefit from the ongoing acceleration in interest in all things social, the trend for roster consolidation and the aggregation of digital services into single supplier multi-market mandates.

Management agenda

LBi now has a footprint, service offering and integrated hub and spoke architecture that can drive consistent growth. We recorded organic sales growth of 13% in Q4 and at this present time we continue to see good double digit organic growth developing throughout 2012.

In 2012 we will continue to focus principally on initiatives that continue to drive and protect revenue momentum. This means incremental margin improvement is only likely to flow through towards the back half of the year as the ratio between permanent and contractor headcount is optimised and the country pyramid structures become better balanced.

Our main strategic emphasis this year is on the ownership of the 'Social Agency of Record' opportunity. The accelerating importance of 'earned' media across social channels is driving massive change in the marketing services industry and there is explicit first mover advantage available to those that can demonstrate best-in-class expertise in this area. Clients are increasingly looking to roll out 'always-on' content programmes allowing brands to engage directly with consumers across all digital and social touchpoints. We see a strong appetite across our client base for branded content strategies and social CRM activity that can engage consumers inside their personal networks. Capitalising on this trend, we have started to roll out a specialist social offering where search, PR, data and content production skills are combined to drive marketing performance. In this journey we are of course leveraging the thought leadership, insights and toolset developed by the recently acquired Mr Youth.

We are now rapidly evolving both our service offering and our IP platform so that LBi will be unique in its ability to own both the digital and social agency of record opportunity for its clients. The successful evolution of our platform architecture is vital to this objective. The Audience Engagement Platform enables the effective distribution of content and ideas across all digital and social touchpoints. This architecture not only allows clients effectively to share and monetise content but also safeguards margin efficiency and quality across global engagements.

This special blend of services and technologies will help further differentiate and future proof our offering ensuring we capture the digital and social growth opportunity in 2012.

Luke Taylor
Chief Executive Officer

LBi MISSION, VISION, STRATEGY

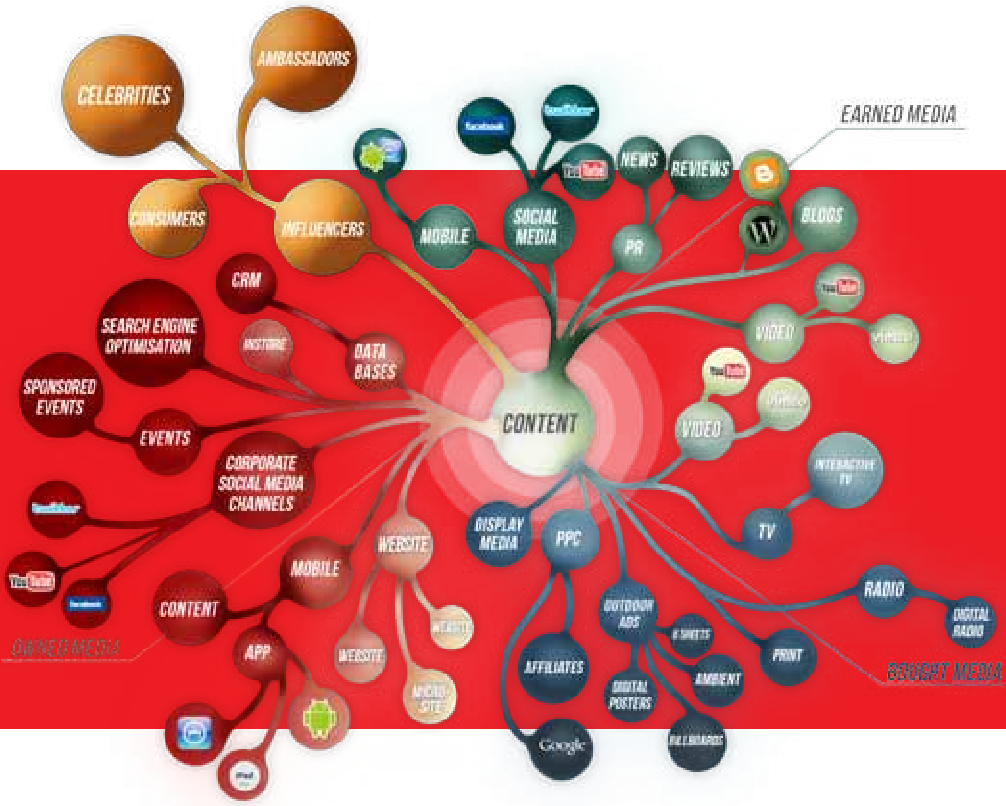
The evolution of a new kind of agency
The business and marketing landscapes continue to evolve. Companies are increasingly recognising the importance of digital channels and are investing more heavily than ever before in reaching consumers on an wide range of digital devices.

As the number of channels continues to dramatically expand, paid media advertising-centred marketing models are suffering reduced effectiveness. By far and away the most effective channel for brand and product discovery is now natural search, with the giants dominating access to customers.

The explosive growth of 'social media' over the last 5 years has led to another, compound problem for marketeers: consumers care less for what a brand is saying about itself but instead are turning to their peers for opinion and authority. This, in turn, is reflected in the previous safe havens of search marketing, where 'social signals' now drive listings and consequently a brand's reach.
As consumers take control of their personal brands by sharing content amongst their peers it is no longer sufficient for companies to effectively manage their paid and owned channels but instead they must seize the opportunity afforded by earned media to provide engaging, sharable content.

The upshot of this is that marketing organisations and their agencies are having to focus much more on generating a volume of interesting content as they shift from 'campaigning' to 'publishing'.

Social responsibility & sustainability
Furthermore, recognising that the volume of 'conversations' are happening between individuals and communities of peers and not between brands and their prospective customers, companies are now finding themselves needing to develop and manage their relationships with those communities. This is what led Coca-Cola Company Chief Marketing Officer Joe Tripodi to claim at CES in



January 'We're more in the space of managing communities than creating ads'.

Managing 'share-ability' of content and relationships with communities is therefore the next challenge in marketing and represents the background for the agency of the future.

At LBi, we have spent the last years developing an agency capable of combining the culturally complex skills necessary to execute in real time across paid, earned and owned media channels. Our services must be 'always on' and 'always listening', prompting and reacting to changes in the social landscape.

As we embrace the changing marketing challenge, we have focused on our ability to identify insights and opportunities for conversation; and on our ability to create engaging content that can be shared by communities. We have reorganised our production units to be more responsive and have built a strong analytics and insights team, embedded at the core of our offering. We have also invested in, and reshaped our 'social media' capabilities by weaving them into the fabric of all of our core services.

This is very evident in the successful release of our 'Multi Signal Search' offering in Q1 of 2011. With the changes introduced by Google and the other search giants this year, we completely rebuilt our media services to capitalise on the opportunities for connected content by integrating social and search more effectively than any other agency. We also extended our CRM services to exploit the developments in 'Social CRM' and our work with leading clients and industry partners such as Comufy and Lithium is proving the effectiveness of the socially infused marketing funnel.

The intricacy and scale of managing insight, content and relationships across multiple markets for global brands has meant that we have continued to invest in our backbone of audience engagement technology. Our 'Always on' and 'always listening' actionable intelligence platform helps identify market and social changes for our account teams. Our global asset management system allows us to streamline the processes and governance surrounding real-time content production and we have developed a unique platform that helps us identify and prioritise influencers in social media with whom we can build relationships on behalf of our clients.

The culmination of this strategy was seen in Q4 2011 when we successfully acquired one of the most advanced social media agencies in the USA- Mr Youth. The deal not only brought some of the most engaging talent in the industry into the fold of LBi but also their unique technology for managing brand advocates.

Our strategy is one of continual evolution and combination. The introduction of new services combined with the development of new technologies and the relentless focus on how we adapt our business to best service clients in this ever changing landscape mean that we continue to push boundaries and deliver best in class results for our clients. As we look forward to 2012, the horizon of opportunity and complexity stretches before us. We welcome it with open arms and relish the continued evolution of the new kind of agency.

Alan Davies
Chief Strategy Officer

LBi SERVICES

In this always on, hyper connected digital world in which we live, the relationship between people and brands is constantly changing. As a result today's businesses need a special kind of agency partner to help them thrive. One that has the strategic, creative, media and technology credentials to make brands desirable wherever, whenever and however people choose to engage with them.

That's why LBi exists. We help businesses decide what's next ... and then we take them there.

We're experts at navigating the digital landscape to help companies of all shapes and sizes – from famous global brands to disruptive start-ups – add value, richness and fun to people's lives in a way that makes them irresistible. Doing all this stuff is difficult and it takes a special culture and skillset to get it right. We call it blending and it's central to everything we do. We believe were better than any-one else at blending best-in-class strategy, creativity and technology across a range of channels including social media, mobile, CRM, content, search and experience architecture. Our blended teams of digital experts give us a unique ability to define, create, distribute and measure the services, content, and communications we create for our clients. With more than 2,050 people in 29 offices around the world we work hard to foster a culture that respects a huge range of perspectives and possibilities, where great ideas can come from anywhere ... And luckily for our clients they often do!

Customer acquisition

Display media

Our team of media planners and buyers secure digital advertising for some of the worlds leading brands in retail, travel and luxury. And because we charge a fee rather than taking a percentage of spend, we can properly advise our clients on the best way to prioritise their online marketing budgets.

Social media and online public relations

One of the fastest growing services within LBi. If display advertising and paid search (PPC) are 'bought' media, social and online public relations (oPR) are all about 'earned' media. We help clients create and distribute fantastic content into the social web and show them how to participate in the conversations that their customers are having about brands, products and services.

Search engine optimisation (SEO) and paid search (PPC)

Search marketing is an increasingly effective but complex service. As the digital landscape has evolved the channels have blurred dramatically resulting in the increasing inter-connection between search, social media and creative. Great content distributed through the right online channels not only allows us to engage with the right audiences but directly impacts search marketing performance. As a result we have evolved our search offering and created 'Multi-Signal Search' – which we consider to be the most accomplished offering in the market.

Brand and campaign experience design

Campaigns are broadening; channels boundaries are blurring. Our teams of creative strategists, planners and designers are constantly coming up with award winning ideas to engage with customers. Blending these with our strengths in media and technology mean that we can link ideas to execution and harness the full power of digital for our clients' campaigns.

LBi SERVICES

Customer engagement

Brand and content strategy

Brand is increasingly what you do and not just what you say. The experiences of services, which are becoming increasingly digital, are shaping the view that customers have of a brand. We understand the link and we have combined LBi's digital mastery with one of the world's leading corporate branding consultants – MetaDesign – to help our clients build and realise their brands through action and interaction.

Research and planning

Underpinning all great work is an insightful understanding of the target consumer. As the pace of development increases, testing with customer champions and representatives give brands the opportunity to refine their online products and services in real time. Our team of dedicated specialists understand the psychology of design and interaction.

E-commerce and self-service website build

With our heritage in transactional design, information architecture and technical deployment, we offer one of the most robust design and build capabilities in the market. We work with airlines, banks, governments and, of course, retailers to ensure that the digital channel delivers on the brand and service expectations of customers.

Innovation and emergent platform consulting

We have a long history of using technology in innovative ways to engage customers. Whether it's delivered through a browser, a mobile device, on the web, in applications or rendered in a physical environment, we are constantly seeking for innovative ways to challenge and delight.

Managed services

Seen as hygiene by many but understood as critical by us. Performance, maintenance and support of digital services, both on PC and increasingly on mobile must be faultless. That's why we've built a dedicated team of experts who can advise and deliver on everything from gateways to clouds.

Customer relationship management (CRM)

eCRM used to mean little more than emails but advances in technology such as dynamically generated websites, coupled with real time data have changed that. As brands seek to get closer to their customers, eCRM has been pushed higher up the agenda. A fast growing capability for LBi, we already provide strategic and operational support for many leading global brands.

SPOTLIGHT SOCIAL MEDIA MARKETING

2011 was a breakthrough year for Social Media Marketing. As Facebook neared its inevitable eclipse of an astounding 1 billion global users and Twitter was thrust into the spotlight of pop culture and mainstream media, brands responded in a big way.

The proliferation of the social and interest graph into nearly every form of communication and commerce has created a tectonic shift in the marketing and communications industries. As a result, brands are aggressively seeking agency partners who can assist them in navigating this dynamic space; as they attempt to capitalise on this fascinating evolution impacting the world. It is in this moment of drastic change that new industries will be created and massive business opportunities will arise.

The acquisition of Mr Youth by LBi in November of 2011 was born out of the profound impact of social media on all brands. As social media continues to spread its tentacles throughout the world a new need has surfaced for a global social media agency.
By combining Mr Youth's best in class specialists and proprietary technology with LBi's global footprint, this acquisition has propelled the joint entity into an instant global market leader within the social media marketing space.

As we look towards 2012, Mr Youth will begin to aggressively integrate its social media marketing capabilities with LBi's global footprint thus rapidly expanding its capabilities into every major market around the world. In addition, Mr Youth will begin to leverage LBi's capabilities within search, mobile, and CRM to broaden its social media marketing offering into emerging disciplines being transformed by this revolution.

Mr Youth will continue to invest in intellectual property and drive further integration with LBi's properties to realise further differentiation in the social media space.

Our Repnation advocacy management and measurement platform is already being used by the world's leading advertisers including Procter & Gamble, Coca-Cola, and Microsoft. In 2012 Mr Youth will be completing the next phase of its rollout of the RepNation software platform to include advancements in analytics and mobile platforms.

Existing clients of Mr Youth and LBi will both begin to clearly see the benefits of the integrated offering in early 2012. Several Mr Youth clients are already expanding their social media footprint around the world based on LBi's infrastructure. Conversely, several of LBi's digital clients are taking advantage of the opportunity to create sophisticated social media strategies to layer on top of existing efforts. As the post-acquisition integration is completed in 2012 the economies of scale, efficiencies, and breadth will start to yield meaningful business results.

As the world's largest corporations continue to reimagine at their approach in a new socially connected world, the joint social media service offering by Mr Youth and LBi will become a powerful service offering to meet their needs. We fully expect 2012 to be the year where we cement our business as a global leader in the fastest growing segment of the advertising industry.

We are incredibly excited for what 2012 and beyond will bring as part of an integrated global team. We expect to see continued increases in demand for our services from both new and existing clients. We will aim to drive seamless global deployment of our offering while investing in technical and human resources to scale quickly while only improving our output. The growth of social media will fuel the growth of the LBi ecosystem as we look to reinvent social media marketing for brands around the world.

Matt Britton
CEO Mr Youth USA

SPOTLIGHT MEDIA

2011 was a remarkable year for changes and newsworthy events in search & media. It was a year in which the digital sector changed dramatically, not just in the UK, but the global digital landscape. Some of the most interesting changes have been around the increasing interconnection of digital channels, in particular the convergence of search, social, and creative. This fusion, combined with accelerated changes in technology, as well as increased smartphone and tablet adoption, has created a new and exciting playing field for brands.

The last 12 months have presented huge opportunities for us as an agency. As awareness, advocacy and acquisition become intrinsically linked, brands need an agency that can blend these goals seamlessly to deliver results. Following the 2010 merger of LBi and bigmouthmedia, and the subsequent integration of skills across the business, we have found ourselves in a strong position to take clients on this journey, across each market we operate in. The major change which altered the way digital strategies were executed was the relationship between Social Media and Search. If 2010 was the year digital thought leaders explained that social and search were becoming inseparable, then 2011 was the year that Google, loudly, confirmed this.

With the rollout of Google+, and the cross channel +1 button, Social actions can now directly impact search performance. In light of this, we evolved our search offering and launched 'Multi-Signal Search', which has been successfully rolled out globally to our clients. Increased engagements with clients such as IKEA, Etihad Airways and Carlson Rezidor are testament to this. Not only has this allowed us to marry our search and creative offering across the business, allowing us to distribute unique content to the right audience at the right time and link this through to search and on site performance, but it has also given us a future proof, market leading approach.

Aside from Google+, Google also made a number of other significant changes in 2011. They became more open about when, why, and what changes it is making to its search engine algorithm. We have seen more game changing updates than ever before, mostly around improving content and 'freshness' in the index, in an attempt to provide more relevance to the user.

Social Media continued to grow at an explosive rate, and we saw Social appearing in almost every global brief we received. 2011 in particular was a year of new platforms. Not only did we see the launch of

Google+ for Businesses, but we also saw new platforms and applications such as Pinterest and Instagram play a big part in Social Media evolution towards the end of the year.

Display technology improved considerably in 2011 with attention being focused on the power of real-time bidding and ad exchanges. This intelligent method of running Display campaigns favours agencies with a strong search background, as algorithms and bidding strategies are used to determine when and where ads are served, and how much to pay in the real-time auction.

With smartphone and tablet adoption increasing, we expect to see a big shift towards mobile specific strategies in 2012. 50 million iPad units were sold in 2011, and with 850,000 new Android devices now activated each day, there will continue to be a shift of time spent on mobile devices. With TV consumption, such as through the BBC iPlayer app in the UK, also shifting online, it presents a unique advertising and targeting opportunity, and brands are beginning to wake up to the opportunities.

Throughout this year of dramatic change, we saw a change in the shape of business we pitched, and won. There was a sharp increase in global integrated briefs that required true global thinking and a creative approach that was underpinned with expert skills. LBi's ability to think cross digitally, coupled with the creative and technology skills at our disposal, along with a global footprint, puts us in a great position for further growth and success. We continue to see a strong pipeline of integrated, global briefs, and expect that 2012 will bring further growth and opportunity for media within our clients.

Lyndsay Menzies
Chief Media Officer

SPOTLIGHT CRM

2011 witnessed another significant year of evolution for our CRM capability: winning new clients, extending our relationship with existing clients, broadening our service offering, winning awards for our work and hiring new talent into the team.

With prevailing economic conditions continuing to put pressure on budgets and focus on key business objectives such as keeping customers, increasing loyalty and reducing costs - CRM remained or became a priority for many of our clients.

After many years of hype and buzz, 2011 was the year Social CRM made its way into mainstream business. From our perspective, CRM isn't really CRM if it doesn't integrate social into the multichannel mix as it represents a significant opportunity for brands to engage in true dialogue with their customers.

More and more companies recognised that customer value drives business value, and engaging effectively with today's 'social customer' was no longer a nice-to-have. Marketers realised they no longer have to choose between reach and engagement. Before Social CRM, brands could broadcast to millions or talk 121 with hundreds. Now, Social CRM offers them the ability to engage with their audiences at scale.

A great example of this in action is the Social CRM programme we launched as part of Sony Xperia Studio. Sony challenged us to help them move from campaigns to conversations – shifting from broadcasting through social media to engaging with their audience in a more relevant and personalised way. The results so far have been impressive – in driving both reach and engagement. We're working with several other clients on similar programmes and were recognised by the industry for our Social CRM strategy and programme for Hendrick's Gin (winning silver at the Digital Impact Awards and Best Social CRM at the Bees Awards).

2011 saw much focus placed on defining Social CRM, but smart companies realised that Social CRM is still CRM (or an evolution of it) and focused instead on business priorities. Driving customer retention, loyalty and advocacy ascended back to the top of the CMO's agenda.

Rising customer control and expectations around collaboration, interactivity and responsiveness from brands also put pressure on companies to evolve their business models and strategies to ensure they communicate with their audiences effectively.

In response, we saw increased demand for our Social CRM strategy, programmes and solutions across key markets - Volvo in Sweden, IKEA in Denmark and Coca-Cola globally - as well as extending our service offering into Social Business Design and Multichannel Customer Experience Strategy and Service Design (a blended offering bringing together our CRM, Business Strategy, Experience Architecture and Analytics disciplines).

As Social CRM brings with it a wealth of data – from lifestyle data to broader cultural and behavioural 'human' data – we saw increasing demand for our data management and analysis services to make sense of this 'big data'. Demand for LBi's Digital Dashboard (which brings together multiple sources of sales, customer, competitor and performance data to provide context, clarity and conversation) remained consistently strong.

We continued to see demand for 'full service' CRM programmes – with clients like Americans Elect and Bayer Crop Science looking to us to manage technology solutions and run programmes on their behalf as well as provide the strategy, planning and creative concepting and production. In response we invested in our CRM Operations team and deepened our alliances with selected CRM and Social CRM solution partners to ensure we have a suite of options to meet all of our clients' needs – including Mr Youth's RepNation offering.

We also deepened our relationships with selected industry bodies too – working with the UK's Direct Marketing Association to bring together inspirational thought leaders and real-life examples that demonstrate how social, mobile and big data are shaping The Future of Direct Marketing.

2012 is set for another exciting year of growth and evolution of our service offering – keeping pace with the dynamic nature of the Social CRM space. We predict continued focus on Social CRM and Social Business Design as companies get to grips with driving business value from building excellent customer experiences that translate into meaningful, profitable customer relationships. It will also see us extending our alliances with strategic partners to pursue additional opportunities for growth and provide our clients with comprehensive, flexible end-to-end Social CRM solutions.

Pipa Unsworth
Global Head of CRM

LBi EMPLOYEES

Total employees end of period	
Creative/User track	460
Technology	421
Managed services	69
Experienced architecture	70
Client services	193
Strategic & Planning	111
Media	274
Project management	163
Support service & Management	13
Sales	53
Administration	239
Total employees end of period	**2,066**

Robin Richmond
Global Director of Media
LBi UK

In 2011 we really saw the potential of the combined LBi/BMM offering. Leveraging our media and technology expertise has really allowed the amazing work our creative team produce to reach new levels.For me 2012 is about building on this potential and exceeding client expectations with our multi-signal search offering that links creative, social media and search seamlessly together.

A culture of change

'It is not the strongest of the species that survives, nor the most intelligent that survives. It is the one that is the most adaptable to change.' So said Charles Darwin, and while we like to think we're no slouches in the intellect department, it is certainly our ability to embrace change, and our restless appetite for re-invention which makes LBi so strong. Our culture of blending, the special way in which diverse talents collaborate makes us perhaps uniquely capable of launching new services andembracing disruptive thinkers.

In the social age,there is such a premium on an ability to operate in real time, and new platforms appear and evolve at incredible speed. Having a culture which is in a constant state of readiness allows us to stay on top of technological developments and to help take our clients on their own journey of digital transformation.

Paul Beck
Global Head of Audiences and Engagement, LBi USA

After 11 weeks in my role, the excitement I felt on day one continues to grow. The opportunity to contribute my skills and point of view to a place that blends diverse talents and combines tech, creative and media to serve clients in novel ways is really gratifying.

Matt Britton
CEO Mr Youth
USA

Since joining the LBi network in November Mr Youth's employees, partners, and clients have been energised by the technical sophistication and global reach this organisation has given us. Prior to joining LBi Mr Youth was on the doorstep of reinventing the Global Social AOR model driven by proprietary technology and best in class specialists. Now as part of the LBi family, we have the keys to truly break through as leaders in the thriving social media marketing space.

Shailei Forrester
Senior Account Director
LBi Australia

I believe that there's a genuine need for LBi's unique blended offering in every market across the globe. I'm thrilled to be playing a role in introducing LBi to the Australian market where I believe it will not only grow, but lead.

Himani Kapadia
Managing Director
LBi India

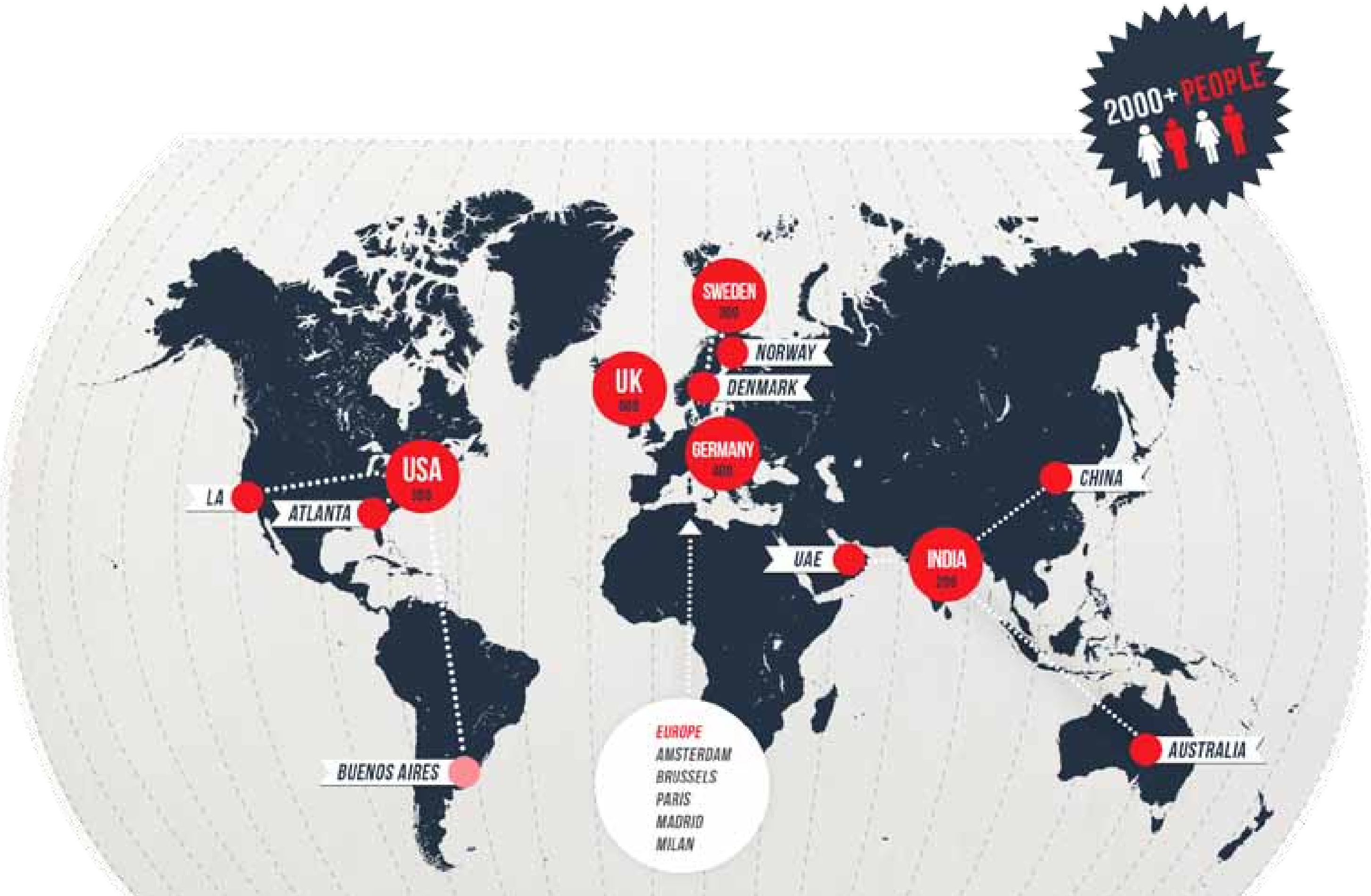
The magic lies in the balance of great global support coupled with adequate autonomy, empowering us to shape and grow the business in our local market with all its nuances. Not to mention how well connected we are as a network - all we need to do is drop a line.

GLOBAL COVERAGE

We continue to develop our footprint in line with client demand and 2011 saw the continued expansion of our offices in the Middle East and Asia as well as the launch of LBi in Australia. The principle growth came from our top 10 global clients but focus on replicating the blended proposition into new markets has resulted in significant new local engagements. At the end of 2011, LBi is represented by 29 offices across 16 countries with a clearly defined Hub-Spoke model.

Sydney

As we develop our position as Global Agency of Record with our top clients, we are very excited to have launched a new office in Australia. We initially opened our Sydney office in collaboration with two of our top global clients, including Johnson & Johnson. The office immediately sparked great interest amongst our other clients and we've since expanded by engaging with SAB Miller, AstraZeneca and the Carlson hotel group. The office supports our APAC strategy and will replicate the cross-digital nature of our approach. We've found that the demand for quality media, CRM and search services in the region is high.



LBi has global operations with 29 offices in 16 countries en employs approximately 2,050 professionals.

LBi Global Brand Group

Overview

In an ever shrinking world, with a rapidly changing digital landscape, we understand that clients need a long term partner that can help to deliver on global strategy requirements, a partner that understands local markets but with an international outlook.

We created the LBi Global Brand Group (GBG) to better service our key global brands, such as yours. It is a team of senior LBi business leaders that will work with your leadership to drive your global strategy and execute it across multiple markets.

What is the Global Brand Group?

The GBG is a dedicated global team of LBi experts that serves the needs of our top ten global clients that operate in multiple markets or have the potential to do so in the future. Each of the Client Partner leads on these accounts are responsible for leading the teams across multiple offices, defining strategy, identifying resources, sharing best practices and knowledge to help you realize your long term goals and ambition. Our aim is to become a client's strategic digital brand partner.

Each team operates on a bespoke global team structure, which clearly outlines roles and responsibilities across the agency, which is especially critical when operating across multiple offices with complex strategic and delivery goals.

Our approach

What we aren't	What we are
Big network	One agency, many offices
Group of siloed experts	Blended teams
About linear processes	Agile way of working
Command and control	Continuous engagement
Rigid global structures	Bespoke global brandhubs
Broadcast	Conversations
Tied to our heritage	Constantly acquiring new skills, refreshing ourselves as an agency

GLOBAL COVERAGE

Global Brand Group Manifesto
LBi is not trying to mimic the 'traditional' agencies.
Our Global Brand Group is the LBi approach to global brands.

Our promise to you

1. 2000 experts. One LBi
Clients have access to the mind-power of more than 2,000 experts from around the world. But they deal with just one LBi. It couldn't be more straightforward.

2. Hands-on
Our experienced executive team in the Global Brand Group take a hands-on approach – handpicking the best LBi talent for you, and overseeing the collaboration. In other words, we'll handle your brand with care.

3. Blended
It's in our DNA to blend teams. We find the right mix of LBi experts for every project, to ensure clients get the breadth and depth of our thinking at all times. Each blend is as unique as the business problem we solve.

4. Nimble
Pace is critical, LBi knows this. clients want an agile global partner, able to roll out across multiple markets yesterday. With the GBG they automatically get that level of global coordination.

5. Never satisfied
Creative and strategic brilliance across all client's markets – that's what the GBG strives to deliver. But we are relentless too – constantly looking to enhance the product. It's in our nature to measure, analyse and improve.

6. What's Next
It's our philosophy to always think about what's coming next. The GBG will share our knowledge of global trends and technologies, best practices and insights with you. It's how our client's brands will stay ahead.

7. Future-proofing
We don't innovate to prosper, we innovate to survive.
We guarantee that working with us won't be business as usual.

8. An eye for opportunity
We have an expert eye for spotting opportunities for you. The GBG will unearth operational efficiencies and help you take advantage of economies of scale. With LBi clients will be a more unified organisation.

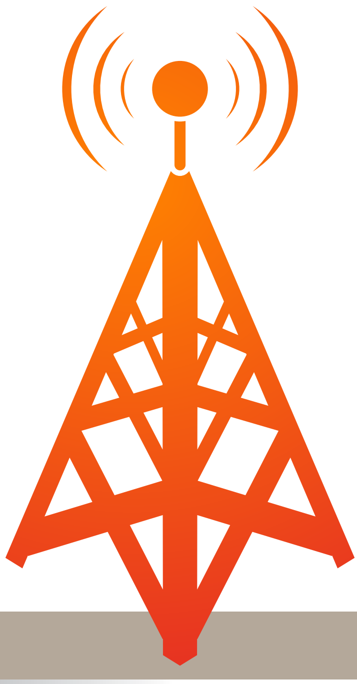
9. Entrepreneurial spirit
We're entrepreneurs and proud of it. In fact, it's what makes LBi thrive and we can't help but share that spirit with our clients. We'll spot opportunities for clients, open offices in far flung places and find a way to get things done, no matter how difficult. It's why we're often bold enough to accept remuneration based on the success of our work. Because we're an innovative team, we enjoy the challenge.

In addition to the GBG we have a clear strategy on using our Centres of Excellence to best serve our clients. We have invested in skills in specific location to help drive efficiency and expertise.

Our current centres of excellence include the following location/skills:

1. Mumbai; *Mobile, EpiServer*
2. London : *Mobile*
3. Belgium: *Sitecore*
4. London: *Adobe/Day, Omniture*
5. Berlin: *Branding*

Laurent Ezekiel
Global Client Services Director



INTRODUCTION TO CASE STUDIES

2011, was the year we truly realised our creative ambitions across the markets. Looking at the work you can see consistently excellent award winning performance. With accolades from various offices at D&AD, Cannes, Digital Impact, One Show, Mixx to mention just a few shows it's clearly been a strong year for us. London in particular has been recognised with agency of the year status by the IAB and came in the top three for all the industry press write ups of 2011 and as this report goes to press our New York team are basking in the glory of the prestigious People's Choice award at the SXSW festival for Americans Elect.

The reason behind the continued creative success of the business is great creative leadership in each market, passionate teams with the right balance of youth and experience backed up by a restlessly re-inventive company culture.

As you can see from the cases, our investments in Branded Content and Mobile have really started to pay off. In our best work the proposition truly comes alive as we create distribute and measure fantastic content in all its forms from high end video production to the almost instant creativity required to help our clients maintain their Google rankings. We have also continued to innovate in our core platform build work, as we help clients imagine What's Next for their digital services, with the Virgin Atlantic re-design representing a new high water mark for the digital services in the airline industry.

Chris Clarke
Chief Creative Officer

CASE STUDIES

AMERICANS ELECT

Pick a President, not a party: the rallying cry transforming American politics

The web has democratised almost every aspect of our lives, with one glaring exception: democracy itself. Americans Elect is a non-profit attempting to bring the web's open spirit to the US political system.

LBi began working with the organisation – formed by tech pioneers and citizens across the political spectrum – in June 2011. Just one year later, the site we built will host the first online presidential primary in US history, with the winning ticket going onto the ballot in the November General Election. It takes a lot to make an idea this ambitious flourish online. To make it work we built the kinds of functionality normally found on dating sites and social networks, a Digg-style discussion board, and voting platform with bank-level security. Each would be a challenge in its own right, but combining them represented a monumental task – and we only had six months in which to do it. The hard work is paying off. Users on AmericansElect.org can explore, discuss and shape key political issues. And they can define their 'true colours', since no-one's beliefs are strictly red or blue.Instead, users rank their political priorities across nine different issues, before discovering the candidates who best reflect their views.

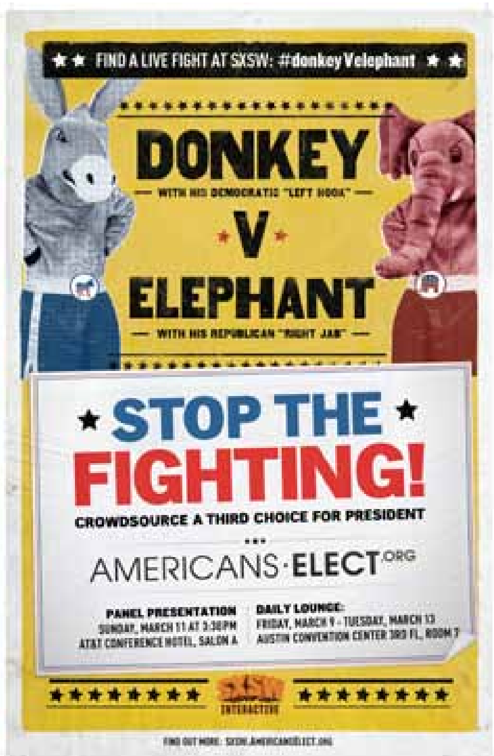
Naturally, all this would be for naught without awareness; we also had to create a completely new challenger brand to turn the political formula on its head. Rather than representing a specific ideology or candidate, Americans Elect stands as an open question to US voters: who do you think should run for president?

With the main parties spending billions of dollars promoting their candidates, our only chance to get the message out was to drive awareness among the politically-engaged, relying on their ability to spread the word.

Combining social media with a smart online advertising strategy, we've signed up over 300,000 delegates, a fantastic result. We've collected 2.5 million signatures, nearly all the 3 million required to get the Americans Elect ticket on the nationwide presidential ballot.

The Americans Elect Facebook page already has over 450,000 fans. And most recently, the project won the People's Choice Award at the prestigious South By Southwest (SXSW) Interactive Festival.

As Josh Levine, Chief Technology Officer for Americans Elect points out: 'The Internet has changed the way we shop, the way we bank, how we learn and how we communicate. American ingenuity and innovation are some of our country's greatest assets. So isn't it time we used some of that innovation to help choose our country's leaders?'



COCA-COLA

New ideas for a legendary brand

2011 saw us significantly extend the scale of our engagement with Coca-Cola as the brand works towards its 2020 Vision roadmap.

Our Coke Studio work is a prime example of the content-driven approach that's pivotal to the success of the new roadmap. It's an always-on program targeted primarily at teens, which playfully invites them to get involved in content creation themselves – bringing them closer to Coke.

In changing the way the brand engages with teens, Coke Studio is set to be one of Coca-Cola's biggest initiatives over the next few years. It's already produced a fully integrated global campaign, comprised of digital advertising, social channel activation, digital outdoor work and a dedicated microsite.

Despite a roadmap preoccupied with the future, Coke still found time to look back in 2011 – its 125th anniversary. LBi was there to help it celebrate, using social channels to drive awareness and interest among its teen audience.

Research told us that Coca-Cola's vintage iconography and long-standing association with youth culture make it the coolest brand in its category in the eyes of teens. Our Retro Poster Maker gave them a way to join in. Using Facebook, fans could create vintage Coke posters starring themselves and friends, resulting in wide sharing online (and plenty of Coke-themed profile pictures).

Finally, LBi also became digital agency of record for Coca-Cola's Olympic activities, providing a truly global team to work on the brief in Atlanta. Members of LBi offices in New York, Atlanta, London and other European offices worked closely with other agencies to ensure the work was fully integrated across all channels.

The subsequent Future Flames campaign closely supports the Olympic Torch Relay, providing Coke with an opportunity to celebrate youth achievement. Exceptional participants will soon be running with the Olympic Torch on its forthcoming journey around the UK.

We've also harnessed Coca-Cola's association with musician Mark Ronson, allowing fans to create their own version of the Olympic anthem before sharing it on Facebook.

LBi's relationship with Coke is a shining example of our ability to work on an equal footing with the world's biggest brands, and we're looking forward to developing our relationship still further.

LAVAZZA

An enduring relationship

Sharing technical expertise, enthusiasm for our craft and a desire to be the best at what we do, Lavazza and LBi make natural bedfellows. This year, we're thrilled to have hit a milestone: it's five years since we began working together on the development of Lavazza's corporate website.

Like all the best relationships, we've grown together. From that first work, Lavazza's online presence now encompasses a multi-channel, fully integrated approach, making full use of LBi's ability to blend our creativity with technology, digital marketing and experience design.

We currently work on a range of projects together. We're responsible for the A Modo Mio brand site and related online campaigns, a project that's gone from strength to strength. From its 2008 launch across four territories, it now covers 15 countries across Europe, with a refreshed store and brand experience going live in Autumn 2011.

LBi also looks after Lavazza's global SEO strategy and social media activity, in addition to consultancy for projects like its sponsorship of the Wimbledon Championships. We're currently hard at work tying the brand's e-commerce stores into a centralised CRM program.

All this activity has so far produced a 30% rise in traffic, with sales doubling year-on-year. Here's to the next few years.

SPEEDO

Re-shaping a brand for every swimmer

When the world's best-known swimwear company asked us to help them rebrand in the US, they shared an intriguing predicament. Despite being the most well-known swimwear brand in the world, only 20% of swimmers saw Speedo as being relevant to them.

It seems that toned Olympians in racing suits don't connect with customers wanting a pair of board shorts.

To understand Speedo's potential audience, LBi dived into a three-month discovery process that took us all over America. Talking to swimmers from all walks of life, from hobbyists to Olympians, we discovered a new insight about why people swim.

Swimmers all share a visceral, emotional connection to water – whatever their ability.

This realisation is helping Speedo reach everyone with an appreciation for the wet. It formed the basis of our strategic roadmap, created to help them expand. And it's dramatically changed Speedo's target consumer.

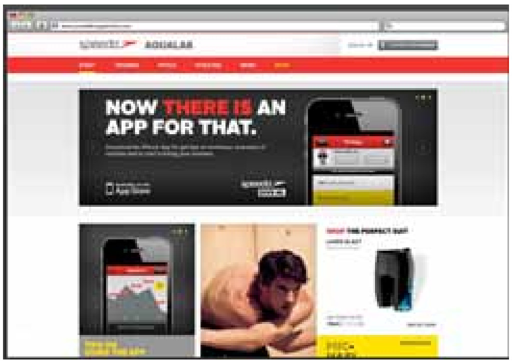
To support the new direction, we've built the most advanced set of digital training tools, apps and content ever created for fitness swimmers, leading with the Speedo Pace Club app for iOS.

Pace Club helps swimmers track their times, locate pools, and improve their performance via training modules – as well as connecting them to their fellow enthusiasts.

The app has proven a highly effective tool for Speedo to celebrate its most loyal customers, positioning them as the natural entry point to the wider swimming community.

In the first-year of a multi-year engagement, LBi has repositioned the Speedo brand, strengthening its base of competitive swimmers and expanding its reach to a new audience. The result? Online brand sentiment is up from 53% positive to 86% positive.

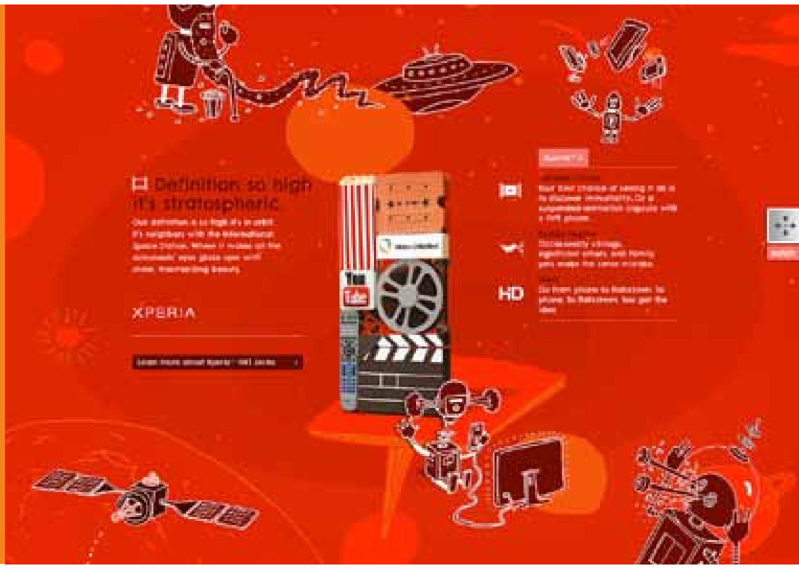
What's more, several of Speedo's key retail partners have considerably increased the amount of business they do with them. It's just the start, but Speedo's no longer treading water.



SONY XPERIA

Remaking reality with Sony's first smartphone

Xperia emerged as Sony's first ever smartphone range as the firm's venture with Sony Ericsson came to an end.



LBi has been a key partner on this journey, initially creating a global content platform for the Xperia brand before going on to lead the digital activation of its global launch campaign. We're now Global Digital Agency of Record for Sony Mobile, and a core agency in shaping the Sony brand for the future.

At the beginning of 2010, Sony Ericsson asked agencies to propose a global 'big idea' for Xperia – something that would set it apart from competitors like Apple's iPhone.

Our answer was Xperia Studio, an always-on content platform.

With its mantra of 'Reality Remade', Xperia Studio invites the most talented members of the digital generation to create beautiful, disruptive experiences that enhance everyday life for the rest of us. Those that take up the challenge are given Xperia phones, financial support and a film crew to capture their story.

LBi's branded content, social CRM, analytics and media teams blended seamlessly to create an innovative content hub, driving awareness, interest and advocacy for Xperia phones. And thrillingly, 'Reality Remade' is proving itself as an idea that's open to a huge range of interpretations.

Illutron, a Danish interactive art collective, hacked a number of handsets to control physical experiences – memorably replacing one phone's camera flash with a giant flamethrower. BAFTA-nominated director Tom Harper made an alien invasion movie, shot exclusively with the Xperia arc S.

These and five other Xperia Studio projects have been rewarded with hundreds of thousands of YouTube plays, coverage on leading technology blogs like Engadget , Wired and Gizmodo – and rapturous posts and tweets from the collaborators themselves.

Cathy Davies, Director of Global Marketing Communications at Sony Ericsson, says the work 'delivers on our commitment to bringing unique and entertaining experiences to consumers and creates another dimension to the Xperia brand. It's been exciting to see how the creative circles interpret the features of the phone to produce stunning, thought-provoking content.'

On the back of our Xperia Studio work, and with the huge transition from Sony Ericsson to Sony in November 2010, we also created the global brand campaign to tell the new 'Made of Imagination' Sony story. The result went live in March 2012 and was a fully integrated campaign embracing digital advertising, social channel activation, digital outdoor and the campaign microsite.

MANAGEMENT STRUCTURE

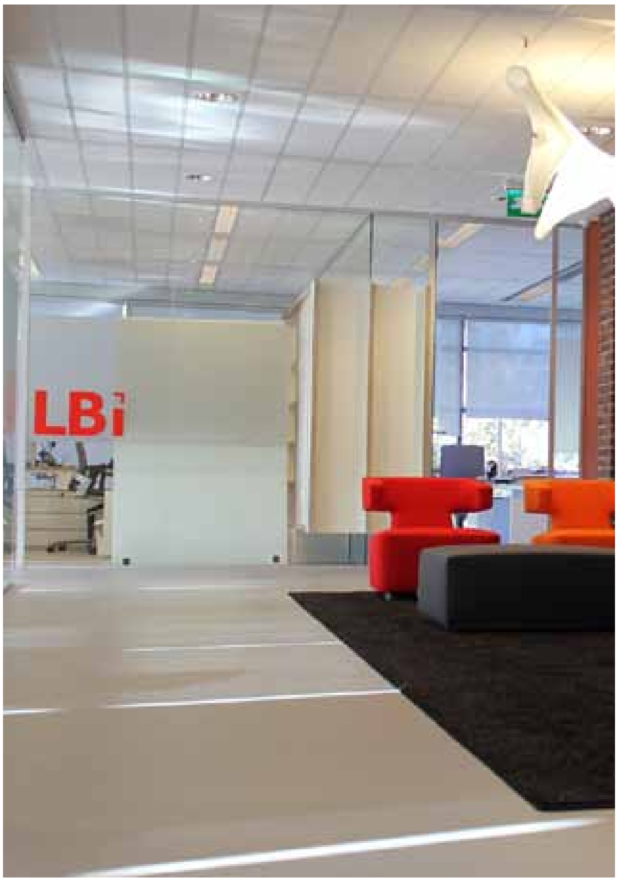
Management structure

The Company has a two-tier board structure, consisting of a Management Board (Raad van Bestuur) and a Supervisory Board (Raad van Commissarissen). The roles and responsibilities of these boards and their members are described in section Corporate Governance on page 047.

MANAGEMENT BOARD

Luke Taylor
Chief Executive Officer of LBi since January 2008. Prior to this Luke was CEO of LBi UK. Luke founded Oyster Partners in 1995 as an independent full service interactive agency. Oyster grew rapidly to become the largest full service digital agency in the UK. Following the sale of Oyster to Framfab and the subsequent merger of Framfab and LB Icon (previously Icon Medialab) a new entity was created LBI International AB. *Born:* 1968.
Nationality: British. *Education:* Masters degree in English Literature from Oxford University.
Previous positions: Broad experience as a strategic business adviser in both Marketing and IT professional services. Luke has advised Vuarnet, Kodak Eastman and Conagra on their European growth strategy while at IAMCO Consulting. Between 1993 and 1995 he helped set up and grow the Internet Bookshop (Europe's first ecommerce Venture) as Head of Sales and Marketing.
LBi shares: 743,667. *LBi stock options/awards:* 3,780,000.

Huub Wezenberg
Chief Financial Officer of LBi since 2008 (group controller of LBI International AB since August 2006 and previously group controller of LB Icon since 2002 and before that group controller of Lost Boys N.V. since February 2001).
Born: 1965. *Nationality:* Dutch. *Education:* Graduate in Business Administration and post doc Accountancy at Vrije Universiteit Amsterdam. *Previous positions:* Chief accountant and Head of Internal Audit at the Amsterdam police force (Regiopolitie Amsterdam-Amstelland) and six years at Paardekooper & Hoffman Register accountants (now Mazars). *LBi shares:* 171,666. *LBi stock options/awards:* 1,034,000.



SUPERVISORY BOARD

Fred Mulder 2002 -
Chairman of LBi since May 2007. Member of the board since August 2006 (member of the board of LB Icon since 2002 and chairman since 2005). Mr. Mulder has over 40 years of professional experience as executive, co-founder and non-executive in the IT/Media, telecom and automotive sectors. *Born:* 1941.
Nationality: Dutch. *Education:* MBA, Harvard Business School, USA.
Other assignments: Chairman of the Board of NEThave N.V. (the Netherlands) and Lithium Technology Corporation (Plymouth Meeting, PA, USA); Board member of W.P. Stewart & Co., Ltd. (New York, USA) and Duos Technology (Florida, USA). Chairman Investment Advisory Committee in Greenfield Capital Partners N.V. (the Netherlands). *Previous strategic initiatives:* Initiator/Syndicate leader in relation with the coming about of the liberalization of the Dutch telephone network which finally led to establishing Vodafone in the Netherlands as a second telecom company and Member of an Advisory Board which was established to create a new platform for promoting and exhibiting Dutch and European art. This has led to the famous annual PAN art exhibition in Amsterdam. *LBi shares:* 349,417. *LBi stock options/awards:* 640,000.

George Fink 2009 -
Member of the board since May 2009. Mr. Fink has a strong operational and financial background with expertise in technology, multi-outlet rental, retail operations and professional services. *Born:* 1947. *Nationality:* United States of America.
Education: Northland College, B.S., Accounting 1969 Harvard, Advanced Management Program for Arthur Young Partners.
Other assignments: Board member of MIRUS Information Technology Services Inc. (USA).
Previous positions: President and COO of Tele Atlas N.V. (Boston, USA and Amsterdam, The Netherlands); Co-Founder/Chairman/President and CEO of MIRUS Information Technology Services, Inc. (Houston, USA); Vice Chairman and President (International) of Metamor Worldwide, President Comsys IT Services (Houston, USA); Remco America and Rent-A-Center, subsidiaries of Thorn EMI, Plc; Partner at Ernst & Young (New York, NY, Providence, RI and Houston, USA); Director Entrepreneurial Service Group; Staff Account & Assistant Controller at Steelmet, Inc. (Pittsburgh, USA).
LBi shares: 0. *LBi stock options/awards:* 480,000.

John Farrell 2010 -
Member of the board since July 2010. *Born:* 1957.
Nationality: British. *Education:* John received his Bachelor's degree in Business Studies from Nottingham Trent University, UK, and has received numerous industry awards. He is a member of various industry bodies on both sides of the Atlantic. Other assignments: Non-Executive Director and Board member of Huntsworth plc (UK), Albemarle & Bond Holdings plc (UK), Exponential (USA), EZ-Corporation (USA) and Acceleration; Non-Executive Chairman to Albion, DWA (Global) and John Brown; Member of the Board of Governors at Nottingham Trent University; Senior consultant to various companies including The European Golf Tour, Saatchi & Saatchi, Voiamo (UK), and RnR World.
Previous positions: President and CEO of Specialised Agencies and Marketing Services Worldwide (SAMS) of Publicis Groupe (France), D'Arcy Masius Benton & Bowles (USA) and of IMP International.
LBi shares: 0. *LBi stock options/awards:* 480,000.

Robert Easton 2011 -
Member of the board since December 2011. Robert Easton is a Managing Director and Global Partner of The Carlyle Group.
Born: 1963. *Nationality:* British.
Education: Doctorate (D Phil) in Chemistry from Oxford University and First Class Honours Degree in Chemistry from Imperial College. *Other assignments:* Walker Guidelines Monitoring Group (independent body responsible for disclosure in private equity); Chairman of the British Venture Capital Association (BVCA); Advisory Board of Imperial College Business School and Director of Practical Law Company.
Previous positions/assignments: Chairman and Board member of multiple Carlyle portfolio companies; Founding Chairman, Global Buyout Committee of the BVCA.
LBi shares: 0. *LBi stock options/awards:* 0

Toine van Laack 2012 -

Member of the board since February 2012.
Toine van Laack is the Managing Director of Janivo Holding B.V., a Netherlands based private investment company. *Born:* 1963. *Nationality:* Dutch. *Education:* Nivra Accountancy (equivalent of CPA), Harvard Business School Advanced Management Program. *Other assignments:* Board member of multiple Janivo portfolio companies. Board member and Chairman of audit committee of Nidera BV. *Previous positions/assignments:* International Audit Partner, Managing Partner Transaction Advisory Services, Managing Partner Accounts and Industries, all at Ernst & Young. *LBi shares:* 0. *LBi stock options/awards:* 0

Joost Tjaden 2010 - 2011

Member of the board from February 2010 until 26 May 2011.
Born: 1949. *Nationality:* Dutch.
Education: MBA, Interfaculty for Business Management Delft University (the Netherlands).
Other assignments: Chairman of the Supervisory Board of Wave International (the Netherlands). Member of the Supervisory Board of Naseba SA (Monaco).
Previous positions: Managing Director of Janivo Holding B.V. (the Netherlands); Member Management Board Oranje Nassau Groep B.V. (the Netherlands); President & CEO of TBM Associates Inc. (USA). *LBi shares:* 0. *LBi stock options/awards:*o

Nazo Moosa 2010 - 2011

Member of the board from April 2010 until 12 December 2011.
Nazo Moosa is a prior director of The Carlyle Group.
Born: 1970. *Nationality:* British.
Education: Bachelor's Degree in International Economics UCLA (USA) and MBA Columbia University (USA).
Previous positions: Board member of Transics International N.V. (Belgium); Board member of Tidefleet /Oceanbird (ACIS) (UK) and Board member of bigmouthmedia (UK).
LBi shares: 0. *LBi stock options/awards:* 160,000.

SENIOR MANAGEMENT

Alan Davies

Chief Strategy Officer of LBi since 2009. Alan has worked for LBi for 11 years and has worked with most of LBi's most significant clients. *Born:* 1975. *Nationality:* British. *Education:* B.Sc. and M.Sc. in Physics from Durham University and studied business, manufacturing and management as a postgraduate at Cambridge University, UK. *Previous positions:* Over 13 years' experience in the digital industry. Prior to LBi, Alan was lead strategist at N.C.Co, a digital consultancy, developing business and technology strategies for blue-chip clients. His business foundations were laid with Mars & Co, one of the world's leading boutique strategy houses, where he led project teams in both the UK and the US, across numerous industries, from Fine Art to Utilities. *LBi shares:* 0. *LBi stock options/awards:* 872,500.

Chris Clarke

Chief Creative Officer of LBi since 2008. Chris is an award winning creative who has been at the forefront of the digital industry since the late 90s and is a regular speaker at industry events from BAFTA, to Cannes Festival Creativity and Melbourne Fashion Festival. *Born:* 1975. *Nationality:* British. *Education:* 1st class honours degree from Leicester University, UK. *Previous positions:* UK founder of pioneering digital agency Abel & Baker, which in 2002 became part of Wheel where Chris eventually became Executive Creative Director. In early 2006 Chris moved to Digitas agency Modem Media as European Executive Creative Director becoming UK President and Executive Creative Director of Digitas following the acquisition of the agency by Publicis. *External assignments:* Founder member of Creative Social, a global networking group for senior digital creatives. Judges Creative Annual, D&AD - Black pencil, Eurobest, Dubai Lynx, CRESTA, Festival of Media, Megas, Cannes Lions & Effie and Festival of Media. *LBi shares:* 0. *LBi stock options/awards:* 907,000.

Ewen Sturgeon

Chief Executive Officer LBi EMEA since 2008. Previously CEO and Managing Director of LBi UK. Ewen was one of the founders of full service digital agency Wheel and has been working in the industry since 1992. Wheel became one of the best regarded and largest full service digital agencies in the UK. Following the sale of Wheel to LB Icon in 2005 Ewen led the integration of the Wheel/Framfab/Oyster to create LBi UK. Since then he has become CEO LBi EMEA integrating the bigmouthmedia organisation across Europe and opening offices in the Middle East and Asia. *Born:* 1966. *Nationality:* British. *Education:* Degree in Business from Middlesex University. *Previous positions:* Ewen began his career at Wheel and managed its evolution from launch to market leadership and subsequent purchase by LBi. During this time he has acted as digital marketing adviser and strategist to clients such as Marks & Spencer, BT and Etihad. *External activities:* Ewen is a Director and founding shareholder of E-consultancy, one of the world's leading providers of information, training and events to digital marketing professionals. *LBi shares:* 666,667. *LBi stock options/awards:* 2,504,000.

Laurent Ezekiel

Laurent has been with LBi for over 9 years and has been Global Client Services Director of LBi since 2008. Previously Client Services Director and Partner of full service digital agency Wheel, he has been working in the industry since 1999. Wheel became one of the most respected and largest digital agencies in the UK. Following the sale of Wheel to LB Icon in 2005, Laurent supported the global client effort in the integration. Since then he has opened offices in the Middle East and Sydney and formed the LBi Global Brand Group, which supports the efforts of LBi's top 10 global clients. He runs the global relationships for Coca-Cola, Sony, Etihad Airways, Barclays and was responsible for developing LBi's What's Next Plans. *Born:* 1974. *Nationality:* British/French. *Education:* M.Sc Environmental science, University of London SOAS; B.Sc Geography, Kings College London. *Previous positions:* Laurent has worked at Saatchi & Saatchi followed by Grey before joining Wheel (now LBi) in 2003. *External activities:* Laurent sits on the IPA creative council and is a regular speaker at events such as Cannes Lions and Dubai Lynx. *LBi shares:* 177,426. *LBi stock options/awards:* 210,000.

Lyndsay Menzies

Chief Executive Officer of bigmouthmedia and Chief Media Officer of LBi International N.V. Lyndsay stepped into her new dual role after the Merger between BMM and LBi, taking top-level control for the media business across the LBi group (including all of bigmouthmedia's operations). Her previous post as COO of bigmouthmedia saw her drive the Company's continued integration and the ongoing expansion of global operations during two very successful year. *Born:* 1976. *Nationality:* British. *Education:* B.Sc Hons Chemistry from Edinburgh University. *Previous positions:* Until 2008 Lyndsay served as Managing Director of bigmouthmedia UK, during which time she drove four consecutive years of exponential growth and saw the Company named Britain's fifth most rapidly growing firm in Deloitte's Fast 50 Awards. Before taking up the role in 2004 she was the agency's Operations Director, having joined in 1998. Prior to joining bigmouthmedia Lyndsay Menzies worked at Shell Exploration and Production. *LBi shares:* 0. *LBi stock options/awards:* 700,000.

Thomas Elkan Boisen

Chief Operating Officer of LBi and CEO of the Scandinavian region since 2009. Previously CFO of LBi UK following the merger of LB Icon and Framfab. Thomas has worked for LBi for 12 years. *Born:* 1969. *Nationality:* Danish. *Education:* M.Sc. in Corporate Finance from Copenhagen Business School. *Previous positions:* Prior to joining LBi Thomas worked for FLSmiljø and Budget Rent a Car Denmark. *LBi shares:* 1,176. *LBi stock options/awards:* 950,000.

THE LBi SHARE

LBi International N.V. (the "Company", "LBi") is listed on NYSE Euronext Amsterdam by NYSE Euronext ("NYSE Euronext Amsterdam") as of 5 August 2010. On 29 July 2010 the reverse merger between LBI International AB ("LBi AB") and Obtineo Netherlands Holding N.V. (consisting of search engine specialist bigmouth-media GmbH and EUR 40 million in cash) ("Obtineo") was finalised, forming a new company operating under the name LBi International N.V. (the "Merger"). Effectively LBI International AB merged with bigmouthmedia GmbH ("BMM") forming LBi International N.V.

Share capital and number of Shares outstanding

The total number of ordinary shares outstanding in the capital of LBi (the "Shares") was 149,946,922 as of 31 December 2011 (including 8,710,316 Shares issued to the trustee of the trust company LBi Employee Benefit Trust in connection with the granting of awards under the equity incentive plan of LBi). In addition, LBi has issued one preference share A and one preference share B which are not entered into the listing since special rights are attached to these shares as described in the section Corporate Governance. The total share capital amounts to 149,946,924 shares. Each Share entitles its holder to one vote at general meetings of shareholders and to an equal proportion of the Company's assets and earnings. Each Share has a nominal value of EUR 0.25. As of 31 December the total share capital was EUR 37,486,731 (149,946,924 shares x EUR 0.25).

At year-end 2011 LBi's market capitalisation was EUR 259.4 million.

Earnings per share were EUR 0.12 Following the proposed result appropriation of the Management Board, upon approval by the Supervisory Board, it is proposed to the AGM to credit the net profit of EUR 17,500,000 over 2011 to retained earnings. No dividend shall be paid for 2011.

The Company has a Global Share Option Plan (GSOP) and a Long Term Incentive Plan (LTIP) in place. As of 31 December 2011 a total of 14,863,016 options/awards was outstanding, entitling their holders to (subscribe for) 14,863,016 Shares. A total of 100,000 awards has been granted in May 2011 under the LTIP whereof 100,000 Shares were issued as set out above. If all options/awards outstanding under the GSOP and LTIP would be exercised the maximum number of outstanding shares would be 156,120,174 on a fully diluted basis.

Share price performance in 2011

On 31 December 2011 the price of an LBi share was EUR 1.73. During the 2011 operating year, the share price increased from EUR 1.60 on December 2010 to EUR 1.73 equivalent to an increase of 8.13%.

The NYSE Euronext Amsterdam AEX index decreased by 13.2% . The highest LBi share price on the NYSE Euronext Amsterdam during the period 1 January until 31 December 2011 was 1.94 EUR, which was quoted on 11 February 2011.

Trading in LBi shares

As of 5 August 2010, all ordinary Shares are traded on NYSE Euronext Amsterdam. In 2011 the total average trading volume per trading day amounted to approximately 152,000 Shares per day with a peak of 4.2 million.

Ownership structure

The five largest shareholders accounted for 63.3% of the Shares and votes per 31 December 2011 (excluding 8,710,316 Shares issued to the LBi Employee Benefit Trust). The largest shareholding is held by Janivo Holding in the Netherlands. Janivo controls a total of 19,406,902 (incl. share A) nominee-registered Shares in the Company equivalent to a total of 13.7% of the Shares outstanding. LBi's Management Board and Senior Management hold 2.2% of the share capital and the votes, while LBi's Supervisory Board controls 0.2% of the share capital and the votes.

	Number of shares	Percentage of shares and votes
Janivo Holding 1)	19,406,902	13.7%
Red Valley (Mol family)	18,787,530	13.3%
The Carlyle Group 1)	17,873,968	12.7%
Cyrte Investments	13,833,333	9.8%
Project Holland Fonds	8,500,000	6.0%
Exploitatiemaatschappij Westerduin	11,000,000	7.8%
Total substantial shareholders	**89,401,733**	**63.3%**
Other shareholders	51,834,875	36.7%
Total number of outstanding shares 2)	**141,236,608**	**100.0%**

1) Including respectively one A and B share
2) Excluding 8,710,316 shares issued to the trustees of the trust company LBi Employee Benefit Trust

REPORT OF THE MANAGEMENT BOARD

The Supervisory Board and the Management Board of LBi International N.V. hereby submit the annual accounts for 2011.

Market

Although the ongoing current economic downturn has still impacted virtually every sector of the market place, it has also accelerated and intensified the digital migration among both providers and consumers of content. The case for digital migration, however, will continue to vary across geographies depending on the availability of efficient and cost-effective broadband and mobile infrastructure.

Online social networking shows double-digit growth numbers and online media use is growing in single numbers. With regard to mobile internet the adoption rates of many of the advanced cellphone functions are still small, but they show that people have an interest in a mobile device with other features than just talking.

Tapping into the massive collective buying-power of online communities is an increasingly central focus of consumer marketing campaigns globally even though companies are struggling to adapt their business models to monetise their digital content and capture the revenues. Successful models will be those that provide enough product differentiation from free or low-cost substitutes to generate revenue from either consumers, advertisers or, more likely, both. LBi as a digital technology and marketing agency has the capabilities to support clients in taking advantage of these developments.

Operations

The Group

During the end of 2010 and the beginning of 2011 the Group was restructured. During the year some internal mergers took place and offices were shared to establish a more cost efficient structure in the Group. LBi is the leading European marketing and technology agency with a global reach and a regional segmentation:

- The UK region: LBi Limited in the UK including Vizualize India and LBi MENA in the United Arab Emirates.
- The European region: LBi Netherlands; LBi Belgium; LBi Germany, MetaDesign (incl. MetaDesign China) and Rethink in Germany; LBi Switzerland; LBi Italy; LBi and Nexus in Spain and bigmouthmedia in France.
- The USA region: LBi US and Mr Youth.
- The Scandinavian region: LBi and Syrup in Sweden; bigmouthmedia in Norway and TRIPLE LBi in Denmark.

LBi has a staff of approximately 2,050 and operations in 16 countries.

United Kingdom (including India and the United Arab Emirates)

At year-end 2011 a total of 707 people worked in the UK operations at offices in London, Edinburgh, Exeter, Mumbai and Dubai. 35.8% of the Group's total net revenue is derived from the UK operations. Net revenue for 2011 was EUR 70.5 (49.3) million. LBi in the UK reports an operating result of EUR 17.4 (10.9) million for 2011. The operating result for 2011 includes EUR 2.2 million for depreciation and amortisation.

Central and Southern Europe (including China)

LBi's operations in central and southern Europe are located in the Netherlands, Belgium, Germany (including China), Switzerland, Italy, Spain and France. At the end of the year there were a total of 736 employees at our offices in Amsterdam, Brussels, Ghent, Berlin, Munich, Hamburg, Cologne, Zürich, Milan, Madrid, Paris and Beijing. 35.2% of the consolidated net sales stem from our businesses in Central and Southern Europe. Revenue during 2011 was EUR 69.2 (63.3) million. Central and Southern Europe report an operating result of EUR 6.9 (3.9) million for 2011. The operating result for 2011 includes EUR 2.3 million for depreciation and amortisation.

United States of America

LBi's American operations consist of LBi US and Mr Youth, at year-end with a total of 359 employees. 20.8% of consolidated net revenue of EUR 40.9 million was derived from the US operations. The United States reported an operating profit of EUR 2.7 (2.0) million for 2011. The operating profit for 2011 includes restructuring costs of EUR 1.3 million and EUR 0.4 million for depreciation and amortisation.

Scandinavia

LBi's Scandinavian operations employ 237 people at offices in Stockholm, Gothenburg, Malmö, Trondheim and Copenhagen. 12.7% of total consolidated net revenue was derived from the Scandinavian operations. Net revenue during 2011 was EUR 24.9 (17.8) million. The operating result for the year was EUR 4.4 (1.6) million. The operating result for 2011includes EUR 0.2 million for depreciation and amortisation.

Net revenue and EBIT 2011

The January - December 2011 netsales amounted to EUR 196.6 (162.8) million.

Cost of operations

Cost of operations for January - December 2011 was EUR 178.8 million (90.9% of net sales) compared to EUR 162.3 million (99.6%) same period last year. Personnel expenses (including subcontracting) last year 2011 amounted to approximately 69.7% of cost of operations including depreciation and amortisation), compared to 70.7% previous year of cost of operations). The costs of subcontractors represented 14% (15%) during last year.

EBITDA

EBITDA for 2011 came in at EUR 31.9 (12.4) million. This represents a margin of 16.2% (7.6%), an improvement from previous years. EBITDA over 2011 was impacted by costs such as restructuring, integration and transaction, related to the acquisition of Mr Youth and the new financing agreement with ABN AMRO Amsterdam for an amount of EUR 3.0 million.

Depreciations and impairment of tangible assets and amortisation of intangible assets

Depreciation for January - December 2011 was EUR 3.7 (3.9) million (2.0% of net sales). Amortisation and impairment for the period January - December 2011 amounted up to EUR 4.3 million compared to EUR 2.7 million for the period January - December 2010.

EBIT

The EBITDA of 31.9 million (12.4 million) minus depreciation and amortisation results in the EBIT (operating result) of 23.9 million for 2011 and 5.8 million for 2010.

EBIT (operating result in the consolidated income statement) for the year 2011 was EUR 23.9 million compared to 5.8 million last year, an increase of EUR 18.1 and representing a margin of 12.2% .

Amendment to the 2011 year-end release

As disclosed in the 2011 year-end release, the AFM (Netherlands Authority for the Financial Markets) conducted a review of the financial statements of 2010. This review was finalised on 26 March after the year-end release was published. The AFM notified (and the Management Board agreed) to change the accounting for the valuation of the contingent consideration related to the acquisition of bigmouthmedia. The impact of this change in the EBIT (operating result) for the year 2011 is limited to EUR 0.2 million (EUR 24.1 million in the year-end release compared to EUR 23.9 million in the Annual Report 2011). The impact of the change on the balance sheet valuation of the contingent consideration as per 31 December 2011 was EUR 1.8 million (EUR 2.2 million in the year-end release compared to EUR 0.4 million in the Annual Report). There was no impact on the cash flow. The liability expired on 5 February 2012 and is settled with zero cash.

Financial items

Net financial items for January - December 2011 amounted to EUR -0.8 (-2.5) million. The interest costs for January - December 2011 amounted to EUR 1.0 (1.2) million and were still mainly related to the Danske Bank facilities. During the third quarter of 2011 LBi entered into a new and extended credit facility arrangement with ABN AMRO, covering the Group's finance needs and strategic ambition for the coming years.

Tax

The Dutch corporate income tax rate is 25.0%. Taxes during January - December 2011 were EUR 5.3 (2.8) million.

Net result after tax and earnings per share

Net result for January - December 2011 was EUR 17.8 (0.5) million and earnings per share were EUR 0.12 (0.01).

The Company

The Company is a pure holding company with staff functions. In 2011 net revenue, in the form of internal invoicing, was EUR 3.0 (2.5) million. The result after financial items was EUR 17.5 (-2.8) million. Cash and cash equivalents amounted to EUR 0.0 (0.0) million as of 31 December 2011.

Cash flow and financial position

Working capital by the end of December 2011 amounted to EUR 15.7 million compared to EUR 9.0 million by the end of December 2010. DSO of working capital by end of December 2011 amounts to an average 22 days compared to 17 days by end of December 2010. In order to finance its working capital, the Group entered into a new credit facility agreement with ABN AMRO, totalling EUR 70 million. The new facility replaced the credit lines with Danske Bank. Next to a EUR 30 million acquisition facility,

it includes EUR 20 million term loans and a working capital line of EUR 20 million. This credit line is attached to the Group cash pool. By the end of December, an amount of EUR 0.3 million was used (disclosed under short term interest bearing liabilities).
Goodwill in the balance sheet amounted to EUR 189.2 million per

31 December 2011 compared to EUR 162.4 million per 31 December 2010. The increase of EUR 26.8 million during 2011 is mainly caused by the acquisition of is Mr Youth, LLC in the USA. The net debt by the end of December 2011 amounted to EUR 3.3 million compared to a net cash position of EUR 9.4 million at the end of December 2010, which is mainly due to the acquired cash related with the Merger.

The new committed facility with ABN AMRO Bank has a maturity of three years. The covenants with ABN AMRO Bank have two indicators; the net debt/EBITDA ratio has a maximum of 2.0, whereas the actual number is 0.1, the minimum interest coverage ratio should amount to 6.0, whereas the actual number is 15.2. The company has ample resources available for current group activities as well as future investments.

Earn-out provision

The provision for unpaid considerations of acquisitions (earn-out dependant on future profitability targets) amounts to EUR 12.1 million by end of December 2011 compared to EUR 8.2 million per 31 December 2010. The increase of EUR 3.9 million during 2011 is mainly due to settlement of contingent consideration concerning TRIPLE LBi and new obligations concerning investments in Mr Youth, LLC and Rethink GmbH during 2011.

The earn-out provision excludes contingent consideration related to the acquisition of BMM, which is presented as a seperated line item in the statement of financial position and amounts to EUR 0.4 (4.7) million.

Acquisitions and divestments

During 2011 no divestments have been made. In November 2011 LBi International N.V. acquired Mr Youth in New York, a successful, social digital agency in the USA. In the first half of 2011 Rethink GmbH in Germany was acquired.

Credit facilities

In the second half of 2011 LBi entered into a new and extended credit facility arrangement with ABN AMRO, totalling EUR 70 million as well as an International Cash Management Solution. The new facility replaced the credit lines with Danske Bank.

The arrangement includes a EUR 20 million which replaces the existing uncommitted working capital facility, EUR 20 million which replaces the existing term loans, and an additional committed revolving facility of EUR 30 million to support expansion of activities in key markets in Europe and the US. The new committed credit lines have a maturity of 3 years and are paid down on a quarterly basis. An amount of EUR 23 million of this line has been used to finance the acquisition of Mr Youth. As per year-end 2011, the financial headroom of the committed credit lines amount to EUR 7 million on the revolving line and EUR 20 million on the working capital line. Covenants apply to the credit facility arrangement amongst which are a net debt/EBITDA ratio and interest coverage ratio.

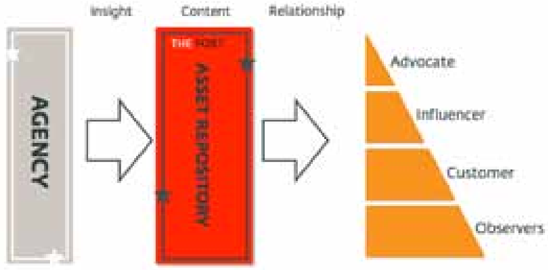
Realisation of items for which expectations have been given

Overall business performance improved compared to last year, both as a result of improved market conditions, the first synergetic effects of the merger with BMM and the acquisition of Mr Youth. Throughout 2011 LBi worked hard to make synergy effects happen. The Company redesigned its business processes, determined synergies and integrated its operations. The benefits of the Merger with BMM have been realised in the areas of revenue development and rationalisation.

Summary of development

Services alone are not sufficient for the agency of the future

To operate in the new world of connected media and social communities, an agency needs to be able to combine the culturally complex skills necessary for executing in real time in paid, earned and owned channels. These skills range from strategic and creative thinking, through production and technology to distribution and hosting. Several disciplines from branding to CRM, from commerce to mobile, from design to technology must continuously come together to engage customers on behalf of clients. Services must be 'always on' and 'always listening', prompting and reacting to changes in the social landscape. However, services are not sufficient to manage the intricacy and scale of the content challenge seamlessly across multiple markets. That is why we at LBi have focused on developing a core suite of technologies that empower our teams to operate smarter, more efficiently and more effectively for clients.



REPORT OF THE MANAGEMENT BOARD

Our technology conceptually spans three areas of the business challenge:

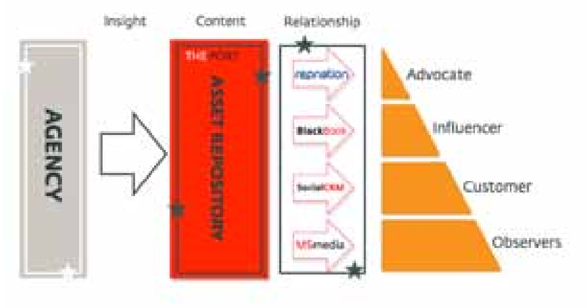
- Managing and leveraging all the content and assets created
- Developing and managing relationships with the audience
- Developing and harnessing the insight generated

1. Asset management

Our role as an agency is to connect brands to customers by producing great, engaging content and getting it into the hands of the right audience at the right time. We segment the audience into 4 main categories:

- **Observers** - the mass market of addressable people, increasingly influenced by social signals and peer recommendations
- **Customers** - had a previous interaction with the brand. Can now be better targeted through increased social graph information
- **Influencers** - those people actively engaged in relevant conversations with influence over the perceptions of others
- **Advocates** - paid agents and brand ambassadors prepared to work or act on behalf of the brand

We have developed a unique technology platform that allows us to use relevant data insights to create appropriate content & assets for a brand and then use this to engage with the audience communities. Not only does this mean that a brand gets high levels engagement but that we can effectively support this with paid and other earned media to drive acquisition.
As the digital landscape evolves brands have to face the increasingly complex challenge of managing large quantities of content globally. A key element of the LBi platform is our proprietary digital asset management tool, the Port, which allows a brand to manage, distribute and track effectiveness of content.



2.Relationship management

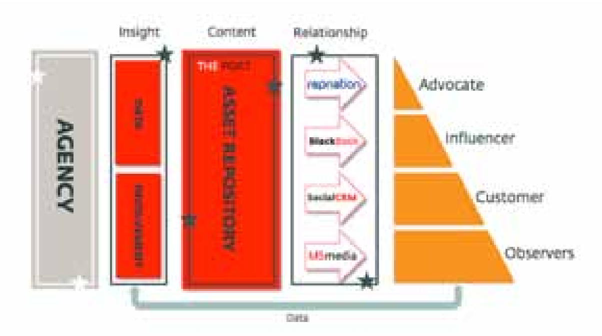
Content alone, however, is not sufficient, we need to ensure that's its distributed to the right audiences and properties. Building relationships with key communities is critical to this process. We have developed a number of key technologies to allow us to do this efficiently, targeting each specific audience and a way that will result in the right engagement.

We recognise that to operate successfully in the earned, social channels, we must engage the audience and activate their ability to amplify content and connections on behalf of our clients. Our technology platform is mapped to the audience segments identified above.

MSmedia
We have developed a suite of tools that allows us to effectively target audiences via media channels. Whether it be dynamic content insertion for paid media, dynamic management of social channels or amplifying signals for natural search performance.
Social CRM
We have developed ways of engaging customers in social channels for marketing, sales and service through integration with partners including Lithium and Comufy.
BlackBook
Our technology helps us discover, rank and prioritise the influencers and mavens who will help amplify messaging for clients, drive awareness and increase social equity.
Repnation
Our proprietary platform, borne out of the acquisition of MrYouth, allows us to recruit, incentivise and manage paid agents;

3. Insight management

In order to continuously optimise the effectiveness of our work, we track the performance of our media and combine it with continuous 'listening' to derive behavioural and targeting insight. That allows our agency staff to make decisions in real time to respond to opportunities and maximise marketing ROI.



We have also developed techniques and technology to allow us to bring customers and 3rd parties into the ideation and content generation process. All of these technologies work together to amplify the effectiveness of our services. They form part of our engagement process are we are observing significant success as we deploy them alongside our people for clients. We look forward to their continual development over the coming years.

Research & development

Over the last three years, LBi has invested in developing a number of services in order to keep abreast of the changing digital environment. As well as continual investment in tracking new and emerging technologies and consumer trends (particularly in mobile) LBi has identified, and singled out emerging disciplines specialising in customer relationship management (CRM); social media engagement; and measurement and analytics.

In support of these new services, we have developed a digital dashboard product that is licensed to customers as a hosted 'software as a service' (SaaS) solution. The LBi Digital Dashboard provides a window onto performance data, allowing different data sources to be brought together and viewed in a single, interactive interface. It combines data in real time from online and offline sources, including: website performance; marketing expenditure and performance; sales and distribution information; customer satisfaction scores; online social media activity; and brand perception scores. In addition to tracking a client business' own performance, the LBi Digital Dashboard reports on competitor online and direct response activity to give an immediate window into the competitive landscape.

Our investment in numerical insight is paying off. The monitoring, reporting and actioning of data is increasingly driving digital services, from multi-variant testing and optimisation of user experiences to the integration of branded asset management and search. We will continue to invest significantly in building this capability by extending the LBi Digital Dashboard to incorporate new services and functions. The extension into social media as well as paid and organic search and a fundamental re-architecture of the data storage infrastructure will allow us to continue to expand the reach and sophistication of our platform and further support our clients' desires to reach data-driven decisions.

By deploying the Digital Dashboard into our major clients, we are increasingly able to develop strategic relationships and participate in the core business opportunities, based around real data, performance and insight.

REPORT OF THE MANAGEMENT BOARD

Social responsibility & sustainability

At LBi we stand for many things. When it comes to long term business success, we are convinced that this can only be achieved when there is a proper balance between commercial, social and environmental factors. We strive to create a sustainable working environment for our employees, to balance work and life in such a way as to positively influence the energy and creativity of our employees.

As declared in our Code of Conduct, LBi is committed to conducting its business to the highest standards of business practices, and to preserving the integrity of our brands. We commit to comply with national laws and respect the culture of the countries in which we operate. Furthermore, we are committed to providing a healthy and safe working environment for all our employees and treat fellow employees with respect and dignity.

The most important aspect of our work is probably collaboration. Collaborating in both creating innovative concepts and campaigns for our clients, as well as in contributing to a better environment. LBi influences the environment as does any other similar company. LBi strives to protect the environment and to operate in a manner contributing to sustainable development. By encouraging all offices worldwide to put processes in place with regard to recycling, separate waste disposal and the reduction of energy, LBi tries to cause as little harm to the environment as possible.

Risk management

All business activity involves risk. Risks that are well managed can lead to opportunities and create value, while risks that are not managed appropriately may result in damage and losses. Risk management concerns the measures and strategies that are put in place to prevent and mitigate risk.

LBi's risk management focuses on the identification, assessment, management, control, reporting and monitoring of significant risks in the following categories: strategic risk, operational risk, risk of non-compliance with legislation or other regulations, and risk of error in LBi's reporting, including financial reporting.

From a corporate and financial reporting perspective, the Company has performed detailed and structured risk analysis on both quantitative and qualitative risk parameters. Risks have been identified, evaluated and prioritised with the risks allocated in a so-called heat map. The outcome of the risk analysis was reported and discussed within the Audit Committee and subsequently reported to the Supervisory Board. The risk factors affecting the Company's business, financial performance and market value can be divided into three main categories: market risks, operational risk, and financial risks. LBi protects itself against the negative impact of other risks by means of comprehensive insurance policies. These include, for example, directors and officers insurance, professional indemnity insurance, general and product liability insurance, property damage, crime insurance and extra cost insurance. The latter provides coverage for certain extra costs that may arise when restarting a business after the occurrence of an event causing damage. For example costs for temporary leasing of office space. The level of insurance coverage, insurance rates and deductibles are reviewed on an annual basis.

Risk factors

LBi is exposed to a number of risks which to varying degrees can affect the Group's earnings and financial position.

Economic climate

The majority of LBi's clients' IT and marketing investments are sensitive to change in the economic climate. A decline in economic conditions could lead clients to reduce their spend with LBi which may in turn have an adverse effect on the Group's results. Consequently it may become necessary for LBi to adapt its organisation and range of services to prevailing conditions. The average backlog and pipeline cover is approximately two to three months, therefore forecasts and other forward-looking statements are primarily based on the LBi management's market development expectations. Since the market in which LBi operates is volatile and dynamic, actual results may differ significantly.

Market and competition

LBi operates in a highly competitive market. Its rivals include other companies as well as the divisions of current and prospective clients. While responding quickly to changing client requirements, LBi needs resources to develop the market and sell both its established and newly developed services. Any failure to satisfy demands and remain competitive in these and other respects could be detrimental to the Group's operations, earnings and financial position.

Operational risks

Timeliness of management information

Aligning the information systems may cause a delay in crucial management information being available for decision makers and have a material adverse effect on the Group's business, financial condition and/or results of operations. Addressing the alignment of systems stays a key priority for the coming year.

Dependency on key individuals

The Group's management are vital to the ongoing stability and growth of the Company. Any unplanned change in key managers could negatively impact the business therefore succession planning is an important part of the Group's business strategy.

Digital media trends and reliance on skilled employees

LBi must remain at the forefront of development to succeed in the long term. To do so, it must pioneer innovative, interactive digital solutions that ensure profitable strategic cooperation with its clients. This is contingent upon the Group attracting qualified employees and offering effective skills development opportunities. Loss of the ability to spearhead development, or to recruit the best people available, could negatively effect on profitability. The Group strives to create a work environment that encourages personal and career development, commitment and competitive terms of employment.

Personnel costs

An increase of payroll expenses by three per cent would reduce the annual operating profit by approximately EUR 2.8 million (2010: EUR 2.3 million) calculated on the 2011 salary level. The ability to rapidly adapt personnel costs to lower demand has a significant impact on the Company's earnings. Such an adjustment takes an average of four months. The backlog of orders is normally 2-3 months. To ensure greater cost flexibility of production resources, LBi engages subcontractors. These accounted for around 14% (2010:15%) of all personnel costs during 2011. Approximately 70% of operational expenses are personnel related costs.

Fixed-price assignments

Assignments performed at a fixed price basis account for 60-70 percent of LBi's income. Misjudgements with respect to the resources required to complete such assignments can give rise to losses consequently we continuously monitor the allocation and cost of resources on projects.

Restructuring

Due to the ongoing impact from the world-wide economic crisis in 2011, potential future restructuring cannot be excluded. Management closely monitors its subsidiaries in all countries.

Reputation risk

Should LBi not be able to fulfil a client's project expectations, there is a risk that its reputation will be damaged, which could considerably reduce the possibilities of obtaining follow-up assignments, or assignments from new clients.

Acquisitions and new activities

Historically, company acquisitions have contributed to LBi's growth. Future acquisitions may be undertaken by LBi should the right opportunity arise, as a consequence of which the operational and capital structure of LBi may change. Acquisitions always carry the risk that the companies in question may not produce expected results, or that difficulties arise in the integration process. Thorough due diligence activities are in place to mitigate against this risk as much as possible.

Legal risks

LBi's legal risks are mostly related to its customer agreements. Typically these risks involve responsibility regarding delivery, which should be effected on a timely basis and in conformity with the agreed specifications. LBi has adopted a Group policy for the governance of its client contracts. The Company has not identified any agreements with unusual risks.

Financial risks

Financial risk management is discussed in Note x of the consolidated financial statements. In addition to the risks described in that chapter, the following financial risks have been identified:

Liquidity effects of earn-out clauses

Payment on acquisitions made in the past decreased the earn-out obligations. Several of the contractual agreements in relation to these acquisitions contain earn-out clauses in which substantial amounts may have to be paid in the future in cash. This may have a negative effect on LBi's liquidity and/or financial conditions in general. At the end of 2011 earn-out obligations amount up to EUR 12.1 million.

Fiscal risk

The Company is involved in a number of ongoing VAT and income tax disputes. LBi does not believe that these matters will affect its earnings, but an unfavourable resolution for the Company could impact the size of its tax loss carry forwards.

REPORT OF THE SUPERVISORY BOARD

Work of the Supervisory Board

The Supervisory Board members Fred Mulder (chairman), George Fink, Nazo Moosa, Joost Tjaden and John Farrell have been appointed as of 29 July 2010, the effective date of the Merger.

The Supervisory Board held eight meetings in 2011, three of which were via telephone. The meetings were held at different locations and where possible combined with visits of the Company's subsidiaries and presentations of the local management teams. The Management Board (CEO and CFO) and relevant members of Senior Management attended the meetings. The performance of the Management Board is continuously evaluated and was discussed at one of the Supervisory Board meetings without the presence of the members of the Management Board.

The Supervisory Board monitored the realisation of synergies and savings of the Merger and the finalisation of the successful integration of bigmouthmedia in LBi and also focussed on the strategic direction of LBi. The Supervisory Board supervised the risk management and the internal control mechanisms as well as the implementation plan of the group wide Enterprise Reporting System (Maconomy). The Supervisory Board reviewed the in control statement of the Management Board, included on page 062.

The Audit Committee once again reviewed the need for an internal auditor.The Supervisory Board recommends that the Management Board, in line with the Audit Committee's proposal, maintains the current situation. A separate internal audit function is not considered necessary by the Supervisory Board given the scale of the Company and its activities. The Supervisory Board evaluates this need for an internal auditer on a yearly basis.

During its meetings and contacts with the Management Board, the Supervisory Board discussed the results achieved, the outlook for the next financial periods and all other relevant matters brought to its attention by members of the Management Board and Senior Management and from external sources. The financial performance was discussed extensively at the Supervisory Board meetings preceding publication of the quarterly results.

At two meetings the Supervisory Board discussed the strategy and direction of the Company with the members of the Management Board and relevant members of Senior Management. The Supervisory Board focussed on the geographic footprint and the full service business proposition. Further optimisation of the global offering was supported by the acquisition of leading social media and marketing agency Mr Youth in the US in November 2011.

The acquisition perfectly fits LBi's philosophy of blending marketing and technology services in-house. Mr Youth's integration into LBi shall add breadth and depth to the agency's already significant social media offering. In conjunction with the strategy of LBi the Supervisory Board discussed and approved the budget for 2012.

The Supervisory Board discussed and approved the refinancing of the existing credit facilities of Danske Bank. The refinancing resulted in new and extended facilities totalling EUR 70 million as well as an international cash management solution provided by ABN AMRO bank in November 2011. With this new facility in place as well as the positive cash flow development, the Company is well positioned for further growth.

The Supervisory Board has taken notice of the review of the 2010 financial statements by the AFM. The Supervisory Board reviewed and agreed with the implementation of certain changes in accounting treatment, reclassifications and other amendments as notified by the AFM. As a consequence comparative financial information has been amended as disclosed in the 2011 financial statements (see Note 3 'Comparative information').

Another matter discussed and approved by the Supervisory Board during 2011 was the audit fee of PricewaterhouseCoopers Accountants N.V. for 2011 - 2013, which was approved upon the recommendation of the Audit Committee.

Two Supervisory board members resigned in 2011. Joost Tjaden resigned per 26 May 2011due to personal circumstances unrelated to LBi. Nazo Moosa, representing the holder of the Share A (The Carlyle Group), resigned per 12 December 2011 since she has left Carlyle. Robert Easton has been appointed as member of the Supervisory Board directly by the holder of the Share A (The Carlyle Group) as of 12 December 2011. *Toine van Laack has been appointed as member of the Supervisory Board from a nomination, drawn up by the holder of the Share B (Janivo Holding) by the general meeting of shareholders as of 8 February 2012.*

With these appointments the Supervisory Board is once again at full strength and well positioned to support and advise the Management Board in leading the Company to further optimisation of the global offering going forward.

Assessment of Supervisory Board performance
The Supervisory Board shall evaluate the functioning of the Supervisory Board, the separate committees and the individual Supervisory Board members on an annual basis by means of an extensive questionnaire. Since the members of the Supervisory Board have been appointed on 29 July 2010, the effective date of the Merger, the evaluation took place for the first time in January 2012. The outcome of the evaluation did not show any inconsistencies. The performance of the Management Board is continuously evaluated and discussed at least at one Supervisory Board meeting without the presence of the members of the Management Board.

The Supervisory Board has appointed from among its members an Audit Committee, a Remuneration Committee and a Nomination Committee. LBi's General Counsel acts as Company Secretary of the Supervisory Board.

Remuneration Committee
As of 29 July 2010, the effective date of the Merger, the Remuneration Committee of LBi consisted of John Farrell (chairman), Fred Mulder and Joost Tjaden (the"Remuneration Committee"). The vacancy caused by the resignation of Joost Tjaden per 26 May 2011 was fulfilled by Toine van Laack as of 8 February 2012. The Remuneration Committee advises the Supervisory Board with regard to salaries, grants and awards under incentive plans, benefits and overall compensation for officers of the Company. Ultimately the Supervisory Board decides upon remuneration of the Management Board and Senior Management.

The Remuneration Committee held three formal meetings during 2011 in conjunction with Supervisory Board meetings. Issues discussed by the Remuneration Committee include: review of the existing remuneration packages of the Management Board and Senior Management, developing an incentive plan and performance metrics for the Management Board and Senior Management for 2012 and the Company's strategy for motivating, retaining and attracting key executives who will execute the business strategy and drive value for shareholders. In addition, the Remuneration Committee has given guidance on harmonising the different compensation schemes throughout the Group after a period of M&A mode. In 2011 substantial progress has been made with the harmonisation which further stimulates the performance driven culture of the Group. Upon recommendation of the Remuneration Committee 100,000 awards have been granted under the Long Term Incentive Plan to one individual in May 2011.

The Remuneration Committee's objective has been to offer remuneration on market-based terms and to uphold a relationship between basic salary and variable remuneration that is proportionate to the responsibilities and powers of the individual in question.

Audit Committee
As of 29 July 2010, the effective date of the Merger, the Audit Committee of LBi consisted of George Fink (chairman), Joost Tjaden and Nazo Moosa (the"Audit Committee"). As of the resignation of Joost Tjaden from the Supervisory Board per 26 May 2011, the Audit Committee temporarily had two members. As of 8 February 2012 the vacancy was fulfilled by Toine van Laack. Following the resignation as of 12 December 2011 of Nazo Moosa, Robert Easton was appointed as her successor in the Audit Committee.

George Fink is considered to be a financial expert within the meaning of the Dutch Corporate Governance Code. The tasks performed by the Audit Committee include reviewing the systems of risk management and internal controls, the integrity of the financial reporting process, the content of the financial statements and the implementation by the Management Board of recommendations made by the external auditor of the Company.

The Audit Committee usually schedules its meetings the day before a Supervisory Board meeting. The results of the Audit Committee's work in the form of observations, recommendations and proposed decisions and measures are reported to the Supervisory Board.

The Audit Committee held six meetings in 2011. The external auditor was present at three meetings of the Audit Committee. The annual meeting of the Audit Committee with PricewaterhouseCoopers Accountants N.V. without the Management Board being present took place in February 2011.

The Audit Committee reviewed and reported on all relevant matters to the Supervisory Board. The Audit Committee reviewed and discussed the scope of the audit and the audit fees and recommended the Supervisory Board to approve the proposed audit fee of PricewaterhouseCoopers Accountants N.V. for the years 2011-2013. During the year the Audit Committee focussed on risk management and internal control systems, including the implementation of a centralised Enterprise Reporting System (Maconomy). The Audit Committee once again reviewed the need for an internal auditor and recommended to the Supervisory Board to maintain the current situation. The Company Secretary, LBi's General Counsel, acts as Secretary of the Audit Committee.

REPORT OF THE SUPERVISORY BOARD

		Attendance at meetings		
Name	**Committee**	**Supervisory Board**	**Remuneration Committee**	**Audit Committee**
Fred Mulder	Audit	8 (8)	3 (3)	6 (6)
George Fink	Audit	6 (8)		6 (6)
John Farrell	Remuneration	4 (8)	3 (3)	1 (6)
Nazo Moosa	Audit	5 (8)		5 (6)
Joost Tjaden *	Audit/Remuneration	2 (8)	2 (3)	3 (6)

* *Attended all meetings until his resignation 26 May 2011.*

Nomination Committee

As of 29 July 2010, the effective date of the Merger, the Nomination Committee of LBi consisted of Fred Mulder (chairman), Joost Tjaden and Nazo Moosa (the"Nomination Committee"). As of the resignation of Joost Tjaden from the Supervisory Board per 26 May 2011, the Nomination Committee temporarily had two members. As of February 2012 the vacancy was fulfilled by Toine van Laack. Following the resignation as of 12 December 2011 of Nazo Moosa, Robert Easton was appointed as her successor in the Nomination Committee. The Nomination Committee advises the Supervisory Board on the selection criteria and appointment procedures for members of the Management Board and members of the Supervisory Board as well as on proposals for appointments and reappointments, the policy of the Management Board on selection criteria and appointment procedures for Senior Management and the assessment of the functioning of individuals members of the Supervisory Board and the Management Board.The Nomination Committee recommended Luke Taylor and Huub Wezenberg to be re-elected as Management Board members for the period up to and including the close of the AGM of 2013.

Strategic Advisory Committee

A strategic advisory committee was formed as of 29 July 2010 The main tasks of the Strategic Advisory Committee were to advise on the developments in the Company's markets and within the peer group. The Strategic Advisory Committee had no formal powers under the Articles of Association or Dutch law. In 2011 the members of the Strategic Advisory Committee gave individual advice to the members of the Management Board and the Supervisory Board on an ad hoc basis. The Strategic Advisory Committee was chaired by Frank Botman (CEO of Cyrte Investments), Michiel Mol (founder of Lost Boys) and Stephen Leach (founder of bigmouthmedia). The members of the Strategic Advisory Committee were each entitled to a remuneration of EUR 35,000 per annum.

In December 2011 it was resolved to dissolve the Strategic Advisory Committee. The Supervisory Board came to the conclusion that LBi had outgrown the need of the Strategic Advisory Committee. The Supervisory Board and Management Board would like to thank the members of the Strategic Advisory Committee for their valuable input during a period of change and integration wherein the new business portfolio of LBi was created.

Deviation from rule not more than one member of the Supervisory Board shall not be independent

Two Supervisory Board members, Nazo Moosa and Joost Tjaden, were appointed following nomination and appointment rights of two shareholders (The Carlyle Group and Janivo Holding) and do not qualify as independent within the meaning of best practice provision III.2.2 of the Code. Joost Tjaden resigned per 26 May 2011. Nazo Moosa, representing the holder of the Share A (The Carlyle Group), resigned per 12 December 2011 since she has left Carlyle. Robert Easton has been appointed as member of the Supervisory Board directly by the holder of the Share A (The Carlyle Group) as of 12 December 2011. This deviation from the Dutch Corporate Governance Code is further described in the Section Corporate Governance, chapter Compliance with Dutch Corporate Governance Code.

Deviation from rule no options for the Supervisory Board

In order to attract and retain excellent individuals to take a seat at the Supervisory Board, the Company has allowed its Supervisory Board members Fred Mulder (chairman), George Fink, Nazo Moosa, Joost Tjaden and John Farrell to obtain a limited number of awards under the approved equity incentive plan in 2010. The awards of Joost Tjaden lapsed 8 September 2011. Nazo Moosa may exercise the awards until 12 June 2012, 6 months after her resignation as Supervisory Board member. Thereafter these awards of Nazo Moosa shall lapse.

This deviation from the Dutch Corporate Governance Code is further described in the Section Corporate Governance, chapter Compliance with Dutch Corporate Governance Code. An overview of the awards granted is included in Section Corporate Governance chapter Employee Incentive Plans.

Annual accounts
The annual accounts for the year ended 31 December 2011 were prepared by the Management Board and approved by the Supervisory Board. The report of the external auditor, PricewaterhouseCoopers Accountants N.V., is included on page 150. The Supervisory Board recommends to the Annual General Meeting of Shareholders to adopt these annual accounts without change. The Super-visory Board would like to thank all shareholders for their trust in the Company and all employees and management for their dedication and effort.

Amsterdam, 12 April 2012

Supervisory Board
Fred Mulder, chairman
George Fink
John Farrell
Robert Easton
Toine van Laack (appointed as of 8 February 2012)

CORPORATE GOVERNANCE

Organisation

LBi International N.V. is a public company with limited liability (naamloze vennootschap), incorporated under Dutch law as a public limited liability company, by a notarial deed executed on 28 December 2009 under the name Obtineo Netherlands Holding N.V. On 29 July 2010, the reverse merger between LBI International AB and Obtineo (consisting of search engine specialist bigmouthmedia GmbH and EUR 40 million in cash) was finalised, forming a new company operating under the name LBi International N.V. Effectively LBI International AB merged with bigmouthmedia GmbH forming LBi International N.V. As of 5 August 2010 the Company is listed on NYSE Euronext Amsterdam. The Dutch Corporate Governance Code applies to LBi.

Articles of association

The articles of association of LBi were most recently amended by a partial deed of amendment of the articles of association, executed on 26 May 2011. The General Meeting of Shareholders may resolve to amend LBi's articles of association by a resolution adopted by a majority of not less than two thirds of the votes cast, at the proposal of the Supervisory Board. Resolutions of the Supervisory Board to make a proposal to amend LBi's articles of association can only be adopted with a qualified majority of at least two thirds of the votes cast in a meeting of the Supervisory Board.

Management structure

The Company has a two-tier board structure, consisting of a Management Board (Raad van Bestuur) and a Supervisory Board (Raad van Commissarissen). The roles and responsibilities of these boards and their members are described below.

Supervisory Board

The Supervisory Board is responsible for the supervision of the management of the Management Board and the general course of affairs in the Company and the business connected with it. The Supervisory Board shall assist the Management Board by giving advice. In addition the Supervisory Board is responsible for approving various decisions of the Management Board. In performing their duties the Supervisory Board members shall act in accordance with the interests of the Company and the business connected with it. The activities of the Supervisory Board in 2011 are described in the Supervisory Board Report.

The Supervisory Board has established rules regarding its decision making process and working methods and regarding the decision making process and working methods of the Management Board, both in addition to the relevant provisions of the articles of association. The regulations of the Supervisory Board and the Management Board are made publicly available at www.lbi.com.

The Articles of Association provide that the Supervisory Board shall consist of five members. Only individuals may be Supervisory Board members. In the event that less than the number of Supervisory Board members required pursuant to the preceding sentence are in office, the Supervisory Board shall continue to be authorised to perform its duties, but the Supervisory Board is obliged as soon as reasonably possible to take such actions as necessary to increase the number of Supervisory Board members to the required level.

Appointment and removal of Supervisory Board members - special rights attached to the share A and the share B

The Supervisory Board members shall be appointed by the General Meeting of Shareholders, provided that one Supervisory Board member shall be appointed by the holder of the share A in accordance with Article 2:143 of the Dutch Civil Code, but only if the holder of the share A holds at least 5% of all issued and outstanding Shares at the time of such appointment. One Supervisory Board member shall be appointed from a nomination, drawn up by the holder of the share B, but only if the holder of the share B holds at least 5% of all issued and outstanding Shares at the time of such nomination. One Supervisory Board member shall be appointed from a nomination, drawn up by the Supervisory Board, comprising a candidate who is recommended by the holder of the Share A and complies with the independence criteria set out in Supervisory Board regulations, but only if the holder of the share A holds at least 7% of all issued and outstanding Shares at the time of such nomination.

As a consequence, two Supervisory Board members do not qualify as independent within the meaning of the Dutch Corporate Governance Code. This deviation from the Dutch corporate governance code is further described in the Section Corporate Governance, chapter compliance with Dutch Corporate Governance Code.

A Supervisory Board member shall be appointed or reappointed for a period of four years, unless provided otherwise in the resolution to appoint or re-appoint the Supervisory Board member concerned. A Supervisory Board member may only be reappointed twice. In view of these relatively long terms and the resignations of two Supervisory Board members in 2011, followed by the appointment of one new Supervisory Board member in 2011 and one in 2012, there is currently no urgency to draw up a retirement schedule. This deviation from the Dutch Corporate Governance Code is further described in the Section Corporate Governance, chapter Compliance with Dutch Corporate Governance Code.

A Supervisory Board member may be suspended or dismissed by the General Meeting of Shareholders at any time, provided that:
(i) as long as the holder of the share A has the appointment right mentioned above, the holder of the share A may suspend or dismiss the Supervisory Board member appointed by the holder of the share A and (ii) as long as the holder of the share B has the nomination right mentioned above, any resolution to suspend or dismiss a

Supervisory Board member, nominated by the holder of the share B, other than on the proposal of the holder of the share B, may only be adopted with a majority of not less than two thirds of the votes cast, representing more than half of total issued share capital and no second meeting of the General Meeting of Shareholders can be held if this quorum is not met.

Management Board

The Management Board consists of the Chief Executive Officer and the Chief Financial Officer and is responsible for the day-to-day management of the Company's operations under the supervision of the Supervisory Board. The Management Board is required to keep the Supervisory Board informed, consult with the Supervisory Board on important matters and submit certain important decisions to the Supervisory Board for its approval, as described in the articles of association and the regulations of the Management Board.

The Management Board is supported by the Chief Executive Officer EMEA, Chief Operating Officer, Chief Strategy Officer, Chief Creative Officer and Chief Media Officer together composing Senior Management. As of 2012 a Global Client Services Director has joined Senior Management. Senior Management is not a statutory body of the Company and does not have any formal powers under the Articles of Association or Dutch law. Further details of Senior Management are set out on pages 033 and 034.

Dutch law and LBi's Articles of Association require that (amongst others) resolutions of the Management Board with respect to a material change of the identity or the character of LBi or its enterprise be approved by the General Meeting of Shareholders by a resolution to be adopted with an absolute majority of the votes cast, which in any event include resolutions relating to:

a. a transfer of the enterprise or virtually the entire enterprise to a third party;

b. the entry into or termination of a long term cooperation of LBi or a subsidiary with another legal person or partnership or as a fully liable partner in a limited partnership or general partnership, if such cooperation or termination is of a far-reaching significance for LBi; and

c. the acquisition or divestment by LBi or a subsidiary of a participating interest in the capital of a company having a value of at least one-third of the amount of its assets according to its balance sheet and explanatory notes or, if LBi prepares a consolidated balance sheet, according to its consolidated balance sheet and explanatory notes in the most recently adopted annual accounts of LBi.

Under LBi's Articles of Association, resolutions of the Management Board to grant a loan for the purpose of the subscription to or acquisition by third parties of shares in LBi or of depositary receipts issued therefore must be approved by the General Meeting of Shareholders, which approval shall be granted by a resolution to be adopted with a majority of at least ninety-five per cent (95%) of the votes cast.

Under LBi's Articles of Association, the following resolutions of the Management Board must be approved by the Supervisory Board, which approval shall be granted by a resolution to be adopted with a qualified majority of at least two thirds of the votes cast:

a. material reorganisations, including take-over bids, the suspension of payments or the entering into any composition arrangements with creditors, corporate reconstruction proceedings, receivership or bankruptcy (unless required by applicable mandatory law) of LBi;

b. any change in the share capital or the creation, allotment or issue of any shares or of any other security in LBi or the grant of any options or rights to subscribe for or to convert any instruments into such shares or securities;

c. incurring, or entering into any agreement or facility to obtain, any borrowing, advance, credit or finance or any other indebtedness or liability in the nature of borrowing unless made in the ordinary course of business on an arm's length commercial basis and either (i) to the extent provided for in LBi's budget, or (ii) below one million euro (EUR 1,000,000) in value, for a single transaction and/or a series of related transactions;

d. any lending or creation of encumbrance on any asset, or the entry into of any agreement or arrangement having a similar effect, to any of its subsidiaries, unless made (i) in the ordinary course of business, (ii) on an arm's length commercial basis and (iii) below one million euro (EUR 1,000,000) in value, or the giving of any guarantee, indemnity or security, or the entry into of any agreement or arrangement having a similar effect, to any of its subsidiaries, unless made (i) in the ordinary course of business, (ii) on an arm's length commercial basis and (iii) below one million euro (EUR 1,000,000) in value, for a single transaction and/or a series of related transactions;

e. any acquisitions or disposals of shares, business or material assets, or material leases (including sale and leaseback arrangements) in relation to such assets, except for acquisitions, disposals or leases entered into between group companies;

f. the entry into, modifying or terminating any contract, commitment or arrangement, unless made in the ordinary and normal course of trading or otherwise on arm's length commercial basis, and below one million euro (EUR 1,000,000) in value, for a single transaction and/or a series of related transactions;

g. any material transfers of LBi's intellectual property rights, including trademarks, trade names, domain names, logos, patents, know-how, information technology, inventions, registered and unregistered design rights, copyrights, database rights and all other intellectual or industrial proprietary rights;

h. any payment or declaration of any dividend or other value transfers to the shareholders;
i. any change to LBi's reporting requirements, evident from LBi's procedural rules for the Management Board and the instructions relating to the allocation of work between the Management Board and the Management Board members; and
j. the approval of LBi's annual budget and subsequent changes therein.

The Supervisory Board may determine that a resolution as mentioned above shall not require its approval if the amount involved does not exceed a value fixed by the Supervisory Board and notified to the Management Board in writing. The Supervisory Board shall be entitled to require further resolutions of the Management Board in addition to those listed above to be subject to its approval. Such further resolutions have been specified in the regulations of the Management Board. The absence of approval by the Supervisory Board or the General Meeting of Shareholders of a resolution as referred above shall not affect the authority of the Management Board or its members to represent LBi.

LBi's Articles of Association provide that the Management Board will consist of two members or such higher number (with a maximum of four) as determined by the Supervisory Board.

Appointment and removal of Management Board members
The Management Board members shall be appointed by the General Meeting of Shareholders from a binding nomination of at least one person, or such higher number of persons as required by law for the nomination to have binding effect, for each vacancy drawn up by the Supervisory Board. A nomination drawn up by the Supervisory Board containing the names of less than the number of persons required for such nomination to have binding effect, shall be non-binding. The General Meeting of Shareholders shall be free to make the appointment if the Supervisory Board has not made a nomination within three months after the vacancy has occurred. The General Meeting of Shareholders can deprive a nomination of its binding character at any time by a resolution adopted with a majority of at least two thirds of the votes cast, representing more than half of the issued share capital. No second meeting of the General Meeting of Shareholders can be held as referred to in Section 2:120 paragraph 3 of the Dutch Civil Code.

A Management Board member shall be appointed or reappointed for a period up to and including the close of the next annual General Meeting of Shareholders, unless provided otherwise in the resolution to appoint or re-appoint the Management Board member concerned. A Management Board member may be suspended or dismissed by the General Meeting of Shareholders at any time. A Management Board member may also be suspended by the Supervisory Board. A suspension by the Supervisory Board may be discontinued at any time by the General Meeting of Shareholders. The General Meeting of Shareholders may only suspend or dismiss a Management Board member, other than at the proposal of the Supervisory Board, by a resolution adopted with a majority of at least two thirds of the votes cast, representing more than half of the issued share capital. No second meeting of the General Meeting of Shareholders can be held as referred to in Section 2:120 paragraph 3 of the Dutch Civil Code.

Members of the Management Board
As of 29 July 2010, the effective date of the Merger, the Management Board is composed of the following members:

Name	Age	Position	Member since	Term
Mr. L.A.J. Taylor	43	Chief Executive Officer	29 July 2010	Up to AGM in 2012
Mr. H.J.F. Wezenberg	46	Chief Financial Officer	29 July 2010	Up to AGM in 2012

The business address of the members of the Management Board is Joop Geesinkweg 209, 1096 AV Amsterdam, the Netherlands. Further details of the members of the Management Board are set out on page 030.

Members of the Supervisory Board

The Supervisory Board members Fred Mulder, George Fink, Nazo Moosa, Joost Tjaden and John Farrell have been appointed as of 29 July 2010, the effective date of the Merger, for a period of up to four years. Two Supervisory board members resigned in 2011. Joost Tjaden resigned per 26 May 2011 based on personal circumstances unrelated to LBi. Nazo Moosa, representing the holder of the Share A (The Carlyle Group), resigned per 12 December 2011 since she has left Carlyle. Robert Easton has been appointed as member of the Supervisory Board directly by the holder of the Share A (The Carlyle Group) as of 12 December 2011 for a period of four years. Toine van Laack has been appointed as member of the Supervisory Board from a nomination, drawn up by the holder of the Share B (Janivo Holding) by the general meeting of shareholders as of 8 February 2012 for a period of four years.

Name	Age	Position	Member since	Term
Mr. F. Mulder	70	Chairman	29 July 2010	Up to AGM in 2014
Mr. G.W. Fink	64	Member	29 July 2010	Up to AGM in 2014
Ms. N. Moosa [1)]	41	Member	29 July 2010	Up to AGM in 2014
Mr. J.E. Tjaden [2)]	62	Member	29 July 2010	Up to AGM in 2014
Mr. J. Farrell [3)]	54	Member	29 July 2010	Up to AGM in 2014
Mr. R. Easton [4)]	48	Member	12 December 2011	Up to 12 December 2015
Mr. A.H.A.M. van Laack [5)]	***48***	***Member***	***8 February 2012***	***Up to 8 February 2016***

1) *Nazo Moosa has been appointed as member of the Supervisory Board directly by the holder of the Share A (The Carlyle Group) as of 29 July 2010 and does not qualify as independent within the meaning of the Dutch Corporate Governance Code. Nazo Moosa resigned per 12 December 2011.*

2) *Joost Tjaden has been appointed as member of the Supervisory Board from a nomination, drawn up by the holder of the Share B (Janivo Holding) as of 29 July 2010 and does not qualify as independent within the meaning of the Dutch Corporate Governance Code. Joost Tjaden resigned per 26 May 2011.*

3) *John Farrell has been appointed as of 29 July 2010 from a nomination, drawn up by the Supervisory Board.*

4) *Robert Easton has been appointed as member of the Supervisory Board directly by the holder of the Share A (The Carlyle Group) as of 12 December 2011 and does not qualify as independent within the meaning of the Dutch Corporate Governance Code.*

5) ***Toine van Laack has been appointed as member of the Supervisory Board from a nomination, drawn up by the holder of the Share B (Janivo Holding) as of 8 February 2012 and does not qualify as independent within the meaning of the Dutch Corporate Governance Code.***

The business address of all members of the Supervisory Board is Joop Geesinkweg 209, 1096 AV Amsterdam, the Netherlands. Further details of the members of the Supervisory Board are set out on pages 031 and 032.

CORPORATE GOVERNANCE

Corporate governance code
On 9 December 2003, the Dutch Corporate Governance Committee, also known as the Tabaksblat Committee, released the Dutch Corporate Governance Code (the "Code"). With effect from 1 January 2009, the Code has been amended. The Code contains principles and best practice provisions for the Management Board, the Supervisory Board, shareholders and general meetings of shareholders and audit and financial reporting. The Code applies to LBi as of 5 August 2010 as LBi has its registered office in the Netherlands and its Shares listed at NYSE Euronext Amsterdam since that date.

Companies to which the Code applies are required to disclose in their annual reports whether or not they apply the provisions of the Code that relate to the Management Board or Supervisory Board and, if they do not apply, to explain the reasons why. The Code provides that if a company's general meeting of shareholders explicitly approves the corporate governance structure and policy and endorses the explanation for any deviation from the best practice provisions, such company will be deemed to have applied the Code. The Code is available on www.commissiecorporategovernance.nl

LBi acknowledges the importance of good corporate governance and generally agrees with the principles of the Code. LBi fully supports the principles and best practice provisions of the Code and complies with the relevant best practice provisions of the Code, subject to the exceptions set out below, see chapter 'Compliance with Dutch Corporate Governance Code'.

Remuneration policy
According to the Articles of Association, the General Meeting of Shareholders adopts the remuneration policy in respect of the remuneration of the Management Board. The Supervisory Board establishes the remuneration of the individual members of the Management Board, taking into account the policy adopted by the General Meeting of Shareholders, provided that arrangements in the form of shares or rights to subscribe for shares are subject to the approval of the General Meeting of Shareholders. Such a proposal must include the number of shares or rights to subscribe for shares that may be granted to the members of the Management Board and which criteria apply to a grant or modification. The remuneration of the members of the Supervisory Board consists of a fixed cash remuneration, which is determined by the General Meeting of Shareholders.

Prior to the Merger the general meeting of shareholders of Obtineo has resolved on the policy for remuneration to management in accordance with the following. No scenario analysis of the variable remuneration components took place as the policy merely reflected the existing policy of LBI International AB and the existing contracts of the CEO and CFO were continued by the Company. If in future the remuneration policy will be revised and/or evaluated such analysis shall take place. The remuneration policy does not include a policy with regard to the award of long term equity incentives to the Management Board or Supervisory Board. In 2010 both the members of the Management Board and the Supervisory Board were granted awards under the Long term Incentive Plan. An overview of awards granted is included in the table in chapter 'Number of outstanding equity incentives' below. New awards shall not be made to the existing members for a period of three years after the Merger.

The fundamental principle is that remuneration and other terms of employment for management shall be competitive and in accordance with market conditions, in order to ensure that the Company will be able to attract and keep competent management employees. The total remuneration to management shall consist of a fixed annual salary, variable remuneration and other benefits.

In addition to a fixed annual salary the Management Board may also receive variable remuneration, based on outcome in relation to financial goals and growth targets within the individual area of responsibility.

For 2011 the financial goals and growth targets for the CEO were defined as an EBITDA target, a revenue target, a gross margin target and targets with regard to operational and corporate objectives. The targets for the CFO were defined as an EBITDA target and targets with regard to operational and corporate objectives. The EBITDA targets were in line with the strategic objectives of LBi for 2011. Only if the EBITDA targets were met the members of the Management Board could qualify for the variable remuneration. No variable remuneration was awarded to the Management Board members in 2011 since the EBITDA targets were not met.

For 2012 the financial goals and growth targets for the CEO are defined as an EBITDA target, a revenue target, a gross margin target and targets with regard to operational and corporate objectives. The targets for the CFO are defined as an EBITDA target and targets with regard to operational and corporate objectives. All targets are in line with the strategic objectives of LBi for 2012. If the EBITDA target is not met the members will not qualify for the variable remuneration. If the EBITDA target is met the members of the Management Board may qualify for the full variable remuneration, to the understanding that the maximum bonus potential for the CEO will be reduced if the revenue target and/or the target with regard to operational and corporate objectives are not met. The maximum bonus potential for the CFO will only be reduced if the targets with regard to operational and corporate objectives are not met.

The financial targets referred to above are to be reflected in the financial accounts without adjustments, except for the EBITDA target that is calculated after accrual of bonuses and prior to possible adjustments relating to profits due to the release of make good provisions for former BMM shareholders.

The variable remuneration of the two members of the Management Board shall amount to a maximum of 100 per cent of the fixed annual salary of the Management Board members.

Other benefits, such as pension, company car, special health insurance or occupational health service shall be provided to the extent this is considered customary for management employees holding equivalent positions on the employment market where the management employee is active.

At dismissal, the notice period of the Company for all management employees, including Management Board members, shall amount to a maximum of 12 months with a right to redundancy payment after the end of the notice period, equivalent to a maximum of 100 per cent of the fixed and variable salary for a period not exceeding 12 months. The severance arrangements of Luke Taylor and Huub Wezenberg are described in chapter 'Remuneration Management Board' below. This policy shall apply to individuals who are included in the Group management during the term of application of this policy. The policy shall apply to all new agreements entered into after the adoption of the policy by the General Meeting of Shareholders, and to changes made in existing agreements after this date. The Supervisory Board shall be entitled to deviate from the policy in individual cases if there are particular grounds for such deviation.

Director's remuneration EUR thousand	**Remuneration**	**Pensions**	**Severance**	**Equity incentives**	**Other**	**Total**
2010						
Statutory directors						
Until merger						
Joost Tjaden	-	-	-	-	-	-
Nazo Moosa	-	-	-	-	-	-
Since merger						
Luke Taylor	208.0	-	-	1,042.7	-	1,250.7
Huub Wezenberg	103.0	8.0	-	246.8	6.0	363.8
Supervisory Board						
Fred Mulder (chairman)	29.2	-	-	178.4	6.0	213.6
George Fink	20.8	-	-	133.8	-	154.6
John Farrell	20.8	-	-	133.8	-	154.6
Joost Tjaden	8.3	-	-	44.6	-	52.9
Nazo Moosa	8.3	-	-	44.6	-	52.9
Total	**398.4**	**8.0**	**-**	**1,824.7**	**12.0**	**2,243.1**
2011						
Statutory directors						
Luke Taylor [1)]	500.0	-	-	-	-	500.0
Huub Wezenberg [1)]	250.0	14.0	-	-	12.0	276.0
Supervisory Board						
Fred Mulder (chairman)	70.0	-	-	-	-	70.0
George Fink	50.0	-	-	-	-	50.0
John Farrell	50.0	-	-	-	-	50.0
Joost Tjaden (until 26 May 2011)	10.0	-	-	- 44.6	-	- 34.6
Nazo Moosa (until 12 December 2011)	20.0	-	-	-	-	20.0
Robert Easton (from 12 December 2011)	-	-	-	-	-	-
Total	**950.0**	**14.0**	**-**	**- 44.6**	**12.0**	**931.4**

1) *No variable remuneration was awarded to the CEO/CFO in 2011 or 2010.*

Remuneration 2011

The total remuneration which LBi paid to or for the benefit of members of the Supervisory Board and the Management Board (the Chief Executive Officer and the Chief Financial Officer) of LBi in 2011 amounted to EUR 946 thousand.

The table on page 052 denotes the breakdown in remuneration of the Supervisory Board of LBi, the Chief Executive Officer and the Chief Financial Officer of LBi in 2011. The remuneration of the Management Board is further specified in the paragraph 'Remuneration Management Board' below.

An overview of the awards as well as the expenses of the equity incentives that were charged to the income statement in 2011 is included in Notes 9, 24 and 33-35.

Remuneration totals do not include the value of share options granted under the Global Share Option Plan or awards granted under the Long Term Incentive Plan.

Remuneration Supervisory Board

As of 29 July 2010, the effective date of the Merger, the following amounts shall be paid to the members of the Supervisory Board per annum (until such amounts are amended in accordance with the Articles of Association):

- Fred Mulder, chairman	EUR 70,000
- George Fink	EUR 50,000
- John Farrell	EUR 50,000
- Nazo Moosa	EUR 20,000
- Joost Tjaden	EUR 20,000
- Robert Easton	EUR 20,000

The Company has not entered into (service) agreements with members of the Supervisory Board providing for benefits upon termination of such agreement.

In September 2010 awards have been granted to the Supervisory Board members Fred Mulder, George Fink, Nazo Moosa, Joost Tjaden and John Farrell under the Long Term Incentive Plan. The awards of Joost Tjaden lapsed 8 September 2011. Nazo Moosa may exercise the awards until 12 June 2012, 6 months after her resignation as Supervisory Board member. Thereafter the awards of Nazo Moosa shall lapse. The Long Term Incentive Plan is further described in the chapter 'Employee Incentive plans' below. An overview of the awards granted to the Supervisory Board members, the value of the awards on the date of grant as well as the expenses of the equity incentives that were charged to the income statement in 2011 is included in Notes 9, 24 and 35. In 2011 no additional awards were granted to members of the Supervisory Board and Management Board.

Remuneration Management Board

The members of the Management Board, Luke Taylor and Huub Wezenberg, continued their services in accordance with their agreements existing prior to the Merger.

Short term compensation

Luke Taylor, Management Board member and CEO, is entitled to an annual base salary of EUR 500,000 gross. Under the Remuneration Policy he may receive a short term incentive compensation of up to 100 per cent of his annual base salary which is subject to the achievement of short term performance targets, including EBITDA targets set for the Group and specific regions, and growth targets within the individual area of responsibility. Luke Taylor is neither entitled to any profit sharing arrangement nor to any pension benefits.

Huub Wezenberg, Management Board member and CFO, is entitled to an annual base salary of EUR 250,000 gross. Under the Remuneration Policy he may receive a short term incentive compensation of up to 50 percent of his annual base salary which is subject to the achievement of short term performance targets, including EBITDA targets set for the Group and specific regions, and growth targets within the individual area of responsibility. Huub Wezenberg is not entitled to any profit sharing arrangement. He has a defined contribution pension plan for wich the expenses amounted to EUR 14 thousand in 2011.

No variable remuneration was awarded to the Management Board members in 2011 since the EBITDA targets were not met.

Long term compensation

Shares

In order to commit Luke Taylor and Huub Wezenberg, the members of the Management Board, to continue their services for the Company, Luke Taylor acquired 666,667 shares and Huub Wezenberg acquired 166,666 shares in the Company pursuant to a private placement of shares (the "PIPE") which was completed on 29 April 2010. Both members paid up the nominal amount of the PIPE shares. The remaining amount of EUR 0.95 per share converted into a loan granted by the Company as of 29 July 2010 of in total EUR 791,666. If the Management Board member ceases to be an employee of LBi, he shall repay the loan plus accrued interest within 4 weeks. The loans bear an interest of 5% per annum and shall be repaid within four years following the effective date of the Merger.

The PIPE Shares were offered at a discounted price. The difference between the fair value of the shares at the date they were acquired and the actual price paid should be seen as a component of salary and amounted to EUR 0.3 million.

Equity incentives

Prior to the Merger Luke Taylor and Huub Wezenberg have been granted rights to acquire shares in the capital of LBI International AB (options) under the Global Share Option Plan. As per 29 July 2010 these options were replaced by new options in the Company on terms corresponding to the options held in LBI International AB. The options can be exercised on the condition that Luke Taylor and Huub Wezenberg respectively are still employees of the LBi group. The award of the options was determined by the Board of Directors of LBI International AB, with due reference to such criteria as the manager's performance and his position within, and significance for, the Group.

Furthermore Luke Taylor and Huub Wezenberg have been granted awards under the Long Term Incentive Plan of the Company in September 2010.

To the options granted under the Global Share Option Plan still outstanding per 31 December 2011 the following applies:

Luke Taylor

a) exercise price options:
Series G at SEK 16.57 and series I at SEK 15.50

b) the aggregate number of options granted not yet exercised:
780,000 entitling to 780,000 shares, whereof 280,000 series G and 500,000 series I

c) the conditions of the options:
Series G vested 26 August 2010 and expire 26 August 2013, series I vested 21 September 2011 and expire 21 September 2015

Huub Wezenberg

a) exercise price options:
Series G at SEK 16.57 and series I at SEK 15.50

b) the aggregate number of options granted not yet exercised:
334,000 entitling to 334,000 shares, whereof 84,000 series G and 250,000 series I

c) the conditions of the options:
Series G vested 26 August 2010 and expire 26 August 2013, series I vested 21 September 2011 and expire 21 September 2015

To the awards granted under the Long Term Incentive Plan the following applies:

Luke Taylor

a) exercise price awards:
EUR 1.20 for 1/3 of the awards, EUR 1.80 for 1/3 of the awards and EUR 2.80 for the remaining 1/3 of the awards

b) the aggregate number of awards granted not yet exercised:
3,000,000

c) the conditions of the awards:
No vesting period applies to these awards. The exercise price of the awards was EUR 4 for the first year. Therefore in order to receive any value in the 12 months following the grant the price of the LBi shares had to exceed EUR 4

d) As part of the Long Term Incentive Plan Luke Taylor deposited EUR 213,000 in the LBi Employee Benefit Trust that was incorporated fot the execution of the Long Term Incentive Plan. This amount remains receivable by LBi.

Huub Wezenberg

a) exercise price awards:
EUR 1.20 for 1/3 of the awards, EUR 1.80 for 1/3 of the awards and EUR 2.80 for the remaining 1/3 of the awards

b) the aggregate number of awards granted not yet exercised:
700,000

c) the conditions of the awards:
No vesting period applies to these awards. The exercise price of the awards was EUR 4 for the first year. Therefore in order to receive any value in the 12 months following the grant the price of the LBi shares had to exceed EUR 4.

The Global Share Option Plan and the Long Term Incentive Plan are further described in the chapter 'Employee incentive plans' below. An overview of the options and awards, the value of the awards on the date of grant as well as the expenses of the equity incentives that were charged to the income statement in 2011 is included in Notes 9, 24 and 35.

CORPORATE GOVERNANCE

Terms of employment

The members of the Management Board have employment contracts for an indefinite period of time.

Severance arrangements

The service agreement of Luke Taylor is terminable on six months' written notice by either party. At any time on or after notice to terminate the agreement is given by either party Luke Taylor will not, without LBi's prior written consent, be employed or otherwise engaged in the conduct of any business activity which directly conflicts with his duties to LBi for a maximum period of six months if so requested by LBi. During this period, Luke Taylor will be entitled to receive his salary and all contractual benefits in accordance with his service agreement.

In the event of a change of control, LBi shall pay to Luke Taylor an amount equal to the bonus he would have received for the current financial year by assuming that the financial results and criteria for the year been met in full (resulting in an amount of EUR 500,000). This agreement is covered by English law.

The employment agreement of Huub Wezenberg is terminable on six months' written notice by the employer and three months' written notice by Huub Wezenberg. In case the agreement is terminated by LBi other than (i) for an urgent cause within the meaning of Article 7:678 of the Dutch Civil Code, or (ii) after a period of illness of two years, while the termination was not fully or principally based on any misconduct or lack of conduct, Huub Wezenberg shall be entitled to compensation of an amount equal to his gross annual salary including holiday allowance. The agreement does not include a change of control clause. This agreement is governed by Dutch law.

Share ownership

The number of Shares owned by members of the Management Board and the Supervisory Board as of 31 December 2011 are as follows:

Share ownership key personnel	**# Shares 2011**	**# Shares 2010**
Management Board		
Luke Taylor (CEO)	743,667	743,667
Huub Wezenberg (CFO)	171,666	171,666
Supervisory Board		
Fred Mulder (chairman)	349,417	349,417
George Fink	-	-
John Farrell	-	-
Joost Tjaden	-	-
Nazo Moosa	-	-
Robert Easton	-	-
Total	**1,264,750**	**1,264,750**

The numbers of options and awards as of 31 December 2011 granted to members of the Management Board and the Supervisory Board are described below in the paragraph Employee equity incentive plans.

Other information

None of the members of the Management Board and Supervisory Board is, or has been, (i) subject to any convictions in relation to fraudulent offences in the last five years, (ii) in the last five years associated with any bankruptcies, receiverships or liquidations of any entities in which such members held any office, directorships or senior management positions, or (iii) subject to any official public incrimination and/or sanctions of such person by statutory or regulatory authorities (including designated professional bodies), or disqualification by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer for at least the previous five years.

Administrative, management and supervisory bodies conflicts of interest

Other than the fact that two members of the Supervisory Board are not independent for the purposes of the Dutch Corporate Governance Code as described below in the paragraph 'Non-compliance with the corporate governance code' the Company is not aware of any potential conflict of interest between the private interests or other duties of the members of the Management Board or Supervisory Board and their duties and responsibilities to the Company. No family ties exist among the members of the Management Board and Supervisory Board.

Employee equity incentive plans

The Company has a Global Share Option Plan ("GSOP") and a Long Term Incentive Plan ("LTIP") in place.

Global Share Option Plan

Under the GSOP employees have been awarded options to purchase Shares in LBi.

Options have been awarded without payment of a premium and the redemption price for the options reflected the market value of an LBi share on the date on which the options were issued. The options cannot be exercised earlier than six months or later than seven years from the date on which they have been issued and on the condition that the holder of the options is still an employee of the LBi group. The award of options was determined by the Board of Directors, or a committee appointed by the Board of Directors, with due reference to such criteria as the employee's performance and his/her position within, and significance for, the Group. The purpose of the option programme was to create the conditions for maintaining and recruiting competent employees in the Group.

The outstanding options under the GSOP were granted prior to the Merger and entitled the holders to purchase shares in LBI international AB. As per 29 July 2010, these options have been replaced by new options in the Company on terms corresponding to the options held in LBI International AB. One option in LBI International AB has thus be replaced by one corresponding option in the Company. No new options will be granted under the GSOP. As of 31 December 2011 3,033,250 options were outstanding under the GSOP, which together entitled the holders to purchase 3,033,250 shares in LBi.

In the event of a change of control as a result of an offer to acquire the shares or if the Company is merged into another company, all options may be exercised within six months after the date the offer has become unconditional or the effective date of the merger. The options will lapse at the end of the six month period, unless the Management Board gives reasonable notice to the option holders before the end of the six month period that the options will not lapse. If a person becomes bound or entitled to acquire shares pursuant to a written agreement which results in a change of control, options may be exercised at any time when that person remains so bound or entitled and then will lapse.

A participant who ceases employment at a time when options have vested will be able to exercise its options in principle in the six month period following cessation of employment (regardless of the reason of termination), after which the options will lapse. Options held by a participant who ceases employment prior to their vesting will lapse in full.

Long Term Incentive Plan

The LTIP provides for the grant of equity awards to facilitate the recruitment, motivation and retention of executives and employees.

All major decisions relating to the LTIP will be made by the Remuneration Committee. The LTIP is discretionary and will only operate in those years that the Remuneration Committee determines.

Any employee (including executive directors) of a Group company will be eligible to participate in the LTIP at the discretion of the Remuneration Committee. Awards may take the form of any of (or a combination of) the following:

- an option (delivered in the form of a stock appreciation right to be settled in Shares) at nil cost or such other exercise price as determined by the Remuneration Committee;
- an interest in Shares;
- any other type of equity or equity related interest giving substantially the same economic benefit.

Awards may be granted over newly issued Shares, treasury shares or shares purchased in the market. Awards under the LTIP will not form part of a participant's pensionable earnings. Awards are not transferable (other than on death) without the consent of the Remuneration Committee. No payment will be required for the grant of an award (however payment for receipt of an interest in Shares will be required).

The maximum number of Shares available to be awarded under LTIP is 12,750,000 Shares. For the purposes of calculating the number of Shares remaining in the pool, awards or other rights to acquire Shares which lapse or have been released do not count. However, where appropriate, Shares subscribed by the trustees of the employee benefit trust to satisfy rights granted under any equity incentive plans adopted by the Company would count towards these limits. 11,980,316 awards have been granted in September 2010 (the "Initial Awards"), whereof 8,610,316 Shares were issued at the end of September 2010 to the trustee of the trust company LBi Employee Benefit Trust in connection with the granting of initial awards under the equity incentive plan of LBi. An additional 100,000 awards have been granted in May 2011 whereof 100,000 Shares were issued in Q2 0211 to the trustee of the trust company LBi Employee Benefit Trust and the participant jointly. The remainder of Shares to be awarded under the LTIP as of 31 December 2011 is 899,684.

Future awards may be granted in any period of six weeks following (i) the annual General Meeting of Shareholders; (ii) an announcement by the Company of its interim or final results; (iii) any other time when the Remuneration Committee determines that exceptional circumstances exist justifying the making of an award (this may, for example, include making awards to recruit key individuals) and (iv) any change or proposed change to legislation, regulation or government directive that affects the LTIP. If there exists any legal or regulatory barrier to making an award, the award will be made within six weeks of such barrier being removed.
No individual limits will apply that restrict the value of awards that may be granted to any employee in any financial year.

No vesting period applies to the Initial Awards. However, the exercise price of the Initial Awards was EUR 4 for the first year ending September 2011 and is thereafter decreased to EUR 1.20 for 1/3 of the awards, EUR 1.80 for 1/3 of the awards and EUR 2.80 for the remaining 1/3 of the awards. Therefore in order for members of the Management Board, Supervisory Board or Senior Management to receive any value in the 12 months following the grant the price of the Shares had to exceed EUR 4.

The Remuneration Committee, at the date of grant, will determine the vesting arrangements in respect of future awards. The minimum vesting period of future awards will be six months from the date of grant. Awards will lapse no later than the seventh anniversary of the date of grant (or such earlier date as determined by the Remuneration Committee).

A participant who ceases employment at a time when awards have vested will be able to exercise its awards in the six month period (or such longer period as the Remuneration Committee may determine) following cessation of employment (regardless of the reason of termination), after which the awards will lapse. Awards held by a participant who ceases employment prior to their vesting will lapse in full.

In the event of a change of control of the Company where the acquiring company permits outstanding awards to be exchanged for new awards in relation to Shares in the acquiring company on a comparable basis, the Remuneration Committee may require awards to be exchanged. Where no exchange of awards is made, awards will vest in full (to the extent not already vested) and will be exercisable within prescribed time limits up to and following the change of control.

Any alterations to the rules to the advantage of participants governing eligibility and the number of Shares available under the LTIP, must be approved in advance by the General Meeting of Shareholders. The Remuneration Committee may grant awards to employees on different terms or establish further plans, as it considers necessary or desirable to take account of or to mitigate or to comply with relevant taxation, securities or exchange control laws provided that the terms of the awards are not overall more favourable than the terms of awards granted to other employees and that any Shares made available under such plans shall count towards the overall limits set out above.

Number of outstanding equity incentives

The number of equity incentives owned by members of the Management Board and the Supervisory Board under the GSOP and the LTIP as of 31 December 2011 are as follows:

Number of outstanding equity incentives as of 31 December 2011	# Options GSOP	Weighted average exercise price	# Awards LTIP	Weighted average exercise price [3]	Expenses equity incentives charged to the income statement 2010 [4]
Management Board					
Luke Taylor (CEO) [1]	780,000	EUR 1.59	3,000,000	EUR 1.93	EUR 836,372
Huub Wezenberg (CFO) [2]	334,000	EUR 1.60	700,000	EUR 1.93	EUR 195,153
Supervisory Board					
Fred Mulder (chairman)	-	-	640,000	EUR 1.93	EUR 178,426
George Fink	-	-	480,000	EUR 1.93	EUR 133,820
John Farrell	-	-	480,000	EUR 1.93	EUR 133,820
Joost Tjaden [5]	-	-	-	EUR 1.93	EUR 44,607
Nazo Moosa [6]	-	-	160,000	EUR 1.93	EUR 44,607
Robert Easton	-	-	-	-	- -
Total	**1,114,000**		**5,460,000**		**EUR 1,566,805**

1) - *280,000 Series G and 500,000 series I with an exercise price of SEK 16.57 respectively SEK 15.50 per share;*
- *Series G was granted in 2008, vested 26 August 2010 and expires 26 August 2013.*
- *Series I was granted in 2009, vested 21 September 2011 and expires 21 September 2015.*

2) - *84,000 Series G and 250,000 series I with an exercise price of SEK 16.57 respectively SEK 15.50 per share;*
- *Series G was granted in 2008, vested 26 August 2010 and expires 26 August 2013.*
- *Series I was granted in 2009, vested 21 September 2011 and expires 21 September 2015.*

3) *The weighted average exercise price of EUR 1.93 is based on the exercise prices as they apply as of 1 year following the grant of the Initial Awards. These exercise prices are EUR 1.20 for 1/3 of the awards, EUR 1.80 for 1/3 of the awards and EUR 2.80 for the remaining 1/3 of the awards.*

4) *The expenses charged to the income statement in 2011 are equal to the value of the awards on grant date.*

5) *The 160,000 awards of Joost Tjaden lapsed 8 September 2011. The financial result hereof has been recognised in the income statement 2011.*

6) *Nazo Moosa may exercise the awards until 12 June 2012, 6 months after her resignation as Supervisory Board member. Thereafter these awards shall lapse.*

CORPORATE GOVERNANCE

Directors indemnification and insurance
In order to attract and retain qualified and talented persons to serve as members of the Management Board or the Supervisory Board, in respect of a sector, region, product group or other internal company structure or segment, the Company provides such persons with protection through a directors' and officers' insurance policy. The Company indemnifies every member of the Management Board and the Supervisory Board, as well as every former member of the Management Board and the Supervisory Board against:

a. All fees and legal expenses including disbursements, reasonably and necessarily incurred by or on behalf of a Management Board or Supervisory Board member in the investigation, defense and settlement of claims and appeals thereof; including in respect of extradition proceedings proactive costs incurred for an appeal and separate proceeding to overturn an extradition order.
b. Any amounts which a Management Board or Supervisory Board member is legally liable to pay for settlements, awards for damages, punitive and exemplary damages, awards of costs, statutory interest and bail and civic bond expenses.

In the event and to the extent that a, claim is arising from, based upon or attributable to a wrongful act committed by the Management Board or Supervisory Board member with the knowledge that it was in breach of any statute, contract, duty or other legal obligation, or the Management Board or Supervisory Board member gaining any personal profit, remuneration or advantage to which they are not legally entitled, a Management Board or Supervisory Board member cannot claim indemnification. This shall only apply fi the aforementioned is established by a final decision of a court, tribunal or regulator or by an admission of the Management Board or Supervisory Board member, that it was guilty of such behaviour. Moreover, a Management Board and Supervisory Board member cannot claim indemnification in the event and to the extent that the indemnified claim is covered by an insurance and the insurer has paid for the indemnified claim, or in the event and to the extent the indemnified claim is not covered by any insurance due to a cause attributable to the Management Board or Supervisory Board member concerned.

Compliance with Dutch Corporate Governance Code
The Company acknowledges the importance of good corporate governance, fully supports the principles and best practice provisions of the Code Code and complies with the relevant best practice provisions of the Code except for the following practices where for the reasons set out below it is not compliant.

II.2.9 'The company may not grant its management board members any personal loans, guarantees or the like unless in the normal course of business and on terms applicable to the personnel as a whole, and after approval of the supervisory board. No remission of loans may be granted.' In order to commit the members of the Management Board to continue their services for the Company, they have acquired shares pursuant to the PIPE. Both members paid up the nominal amount of the shares. The remaining amount of EUR 0.95 per Share has been converted into a loan granted by the Company as of the Merger. If the manager ceases to be an employee of LBi, he shall repay the loan plus accrued interest within 4 weeks. The loans bear an interest of 5% per annum and shall be repaid within four years following the Merger.

II.2.3 'In determining the level and structure of the remuneration of management board members, the supervisory board shall take into account, among other things, the results, the share price performance and non-financial indicators relevant to the long term objectives of the company, with due regard for the risks to which variable remuneration may expose the enterprise.' In addition to a fixed annual salary the members of the Management Board may also receive variable remuneration, based on outcome in relation to financial goals and growth targets within the individual area of responsibility. Under the 2010 remuneration policy they qualify for a short term incentive compensation which is subject to the achievement of short term performance targets. The Company believes that although the targets relate to the performance during the year for which the targets are set, these targets support the long term financial objectives of the Group.

II.2.4 'If options are granted, they shall, in any event, not be exercised in the first three years after the date of granting. The number of options to be granted shall be dependent on the achievement of challenging targets specified beforehand.' The Company believes that the performance of the Group depends in large part on the continued services of its members of the Management Board and key employees. In view hereof, it is deemed essential that the Company is in a position to offer internationally competitive remuneration packages to qualified members of the Management Board. The Initial Awards which have been granted (among others) to members of the Management Board and members of the Supervisory Board are not be subject to any vesting conditions, although for any value to be delivered to the grantees in the first year ending September 2011 the price of the Shares had to exceed EUR 4. Any future awards which may be granted to members of the Management Board and the Supervisory Board under the LTIP will vest, subject to a time condition only, after a vesting period of at least six months from the date of grant.

III.2.1 'All supervisory board members, with the exception of not more than one person, shall be independent within the meaning of best practice provision III.2.2.'

III.5.1 (..) 'The terms of reference may provide that a maximum of one member of each committee may not be independent within the meaning of best practice provision III.2.2.' (..).

The Company has two shareholders (The Carlyle Group and Janivo Holding) that acquired a material shareholding in the Company in consideration for certain contributions to the capital of the Company. As part of these investments in the Company, Carlyle negotiated a right to appoint one Supervisory Board member and Janivo negotiated a right to make a binding nomination for the appointment of one Supervisory Board member. It also has been agreed that these members may become part of those committees of the Supervisory Board that would benefit most from their specific expertise and knowledge. Nazo Moosa, replaced by Robert Easton, and Joost Tjaden, replaced by Toine van Laack, the Supervisory Board members appointed following these nomination and appointment rights do not qualify as independent within the meaning of best practice provision III.2.2 of the Code. Both Nazo Moosa and Joost Tjaden have become members of the Nomination Committee and the Audit Committee of the Supervisory Board. After their resignation as member of the Supervisory Board in 2011 they were replaced by Robert Easton and Toine van Laack. In addition Joost Tjaden became a member of the Remuneration Committee of the Supervisory Board. After his resignation as member of the Supervisory Board in 2011 he was replaced by Toine van Laack.

III.3.6 'The supervisory board shall draw up a retirement schedule in order to avoid, as far as possible, a situation in which many supervisory board members retire at the same time.' (..).

This best practice provision of the Code requires the Company to draw up a retirement schedule to avoid the situation in which many Supervisory Board members retire at the same time. All five contemplated Supervisory Board members will, in principle, be in office for a term of four years and these terms may be extended if the relevant members are reappointed. In view of these relatively long terms and the resignations of two Supervisory Board members in 2011, followed by the appointment of one new Supervisory Board member in 2011 and one in 2012, there is currently no urgency to draw up a retirement schedule. However, the Company will revisit the need for a retirement schedule nearer to the end of the term of the first Supervisory Board members in consultation with those members.

III.4.4 'The vice-chairman of the supervisory board shall deputise for the chairman when the occasion arises. By way of addition to best practice provision III.1.7, the vice-chairman shall act as contact for individual supervisory board members and management board members concerning the functioning of the chairman of the supervisory board.' As different Supervisory Board members may be unavailable to attend meetings from time to time, the Supervisory Board wishes to reserve the flexibility to appoint a vice-chairperson on an ad hoc basis. In addition, given the contemplated composition of the Supervisory Board, the Company feels that the additional tasks envisaged by the Code for the vice-chairperson in case the chairperson is absent would become overly burdensome for one person if combined with the duties in Supervisory Board meetings and General Meetings of Shareholders. The Company therefore wishes to reserve the right to allocate the respective duties of the vice chairperson among two different Supervisory Board members from time to time when the need arises.

III.7 'The general meeting shall determine the remuneration of supervisory board members. The remuneration of a supervisory board member is not dependent on the results of the company.' In accordance with best practice principle III.7, the general meeting of shareholders of Obtineo has determined the maximum remuneration of Supervisory Board members prior to the Merger.

The Company, however, also acknowledges the need to attract and retain the best individuals for the respective Supervisory Board positions, which may require some flexibility in terms of remuneration. In order to balance this best practice principle and the desired flexibility, the Company will allow the Supervisory Board to allocate the relevant remuneration to individual Supervisory Board members within the limits determined by the general meeting.

III.7.1 'A supervisory board member may not be granted any Shares and/or rights to Shares by way of remuneration.' In order to attract and retain excellent individuals to take a seat at the Supervisory Board, the Company allowed its Supervisory Board members to obtain a limited number of awards under any approved equity incentive plan.

The Initial Awards which have been granted (among others) to members of the Supervisory Board will not be subject to any vesting conditions, although for any value to be delivered to the grantees in the first year ending September 2011 the price of the Shares had to exceed EUR 4. The awards granted to Joost Tjaden lapsed 8 September 2011. Any future awards which may be granted to members of the Supervisory Board under the LTIP will vest, subject to a time condition only, after a vesting period of at least six months from the date of grant.

CORPORATE GOVERNANCE

Lock-up restrictions

The Shares held by the shareholders of Obtineo prior to the Merger, the Shares acquired by Janivo Holding and Cyrte Investments in connection with the Rights Offering and the Shares acquired by Janivo Holding in exchange for its shares in LBi AB pursuant to the Merger are all subject to a lock-up for a period of 540 days following the listing on NYSE Euronext Amsterdam on 5 August 2010 (representing 40.2% of the total issued capital of the Company per 31 December 2010). These lock-up restrictions expired 27 January 2012.

In addition, the Shares allotted in the Rights Offering to the LBi AB shareholders who signed an irrevocable undertaking are subject to a 180 day lock-up from 1 September 2010, the end of the exercise period (representing 3.3% of the total issued capital of the Company per 31 December 2010). These lock-up restrictions expired 28 February 2011.

External auditor

PricewaterhouseCoopers Accountants N.V. has been elected to serve as the external auditor of the Company for a three-year term, effective as of the AGM of 26 May 2011 up to and including the annual general meeting to be held in 2014. The auditors submit an audit report for the Company and the Group. The audit is carried out in accordance with generally accepted auditing standards in the Netherlands. All subsidiaries outside the Netherlands are audited in accordance with local rules and regulations. For the financial year 2011, fees for auditing services amounted to EUR 0.6 million and for non-auditing services to EUR 0.4 million. Aside from auditing services, LBi has consulted PricewaterhouseCoopers Accountants N.V. on various accounting matters and corporate governance and Deloitte on legal and tax-related matters. The amount of fees paid to the auditors is shown in Note 10.

Governing documents

LBi's operations are governed, in part, by a number of policy documents adopted by the Management Board. These policy documents are made available to staff members, inter alia by direct information to those affected. The governing documents include a finance policy, an authorisation manual for the Managing Directors of the subsidiaries of the Group, a policy regarding client contracts, a code of conduct including a whistle blowers policy, a communications policy and policy regarding business & IT continuity.

Change of control provisions in material agreements

Facilities agreement

On 8 November 2011 LBi entered into a EUR 70,000,000 facilities agreement with ABN AMRO Bank N.V. In case a change of control (any person or group of persons acting in concert gaining direct or indirect control of LBi) takes place this is deemed to be an event of default under the facilities agreement. On and at any time after the occurrence of an event of default ABN AMRO Bank N.V. may cancel the aggregate outstanding commitments, declare that all or part of the amounts accrued or outstanding be immediately due and payable or be payable on demand.

Employee equity incentive plans

Global Share Option Plan

In the event of a change of control as a result of an offer to acquire the shares or if the Company is merged into another company, all options may be exercised within six months after the date the offer has become unconditional or the effective date of the merger. The options will lapse at the end of the six month period, unless the Management Board gives reasonable notice to the option holders before the end of the six month period that the options will not lapse. If a person becomes bound or entitled to acquire shares pursuant to a written agreement which results in a change of control, options may be exercised at any time when that person remains so bound or entitled and then will lapse.

Long Term Incentive Plan

In the event of a change of control of the Company where the acquiring company permits outstanding awards to be exchanged for new awards in relation to Shares in the acquiring company on a comparable basis, the Committee may require awards to be exchanged. Where no exchange of awards is made, awards will vest in full (to the extent not already vested) and will be exercisable within prescribed time limits up to and following the change of control.

Information to the capital market

LBi regularly informs the market about the Group's financial position and development. This information is provided in the form of quarterly trading updates, half year reports and annual reports that are published in English. In addition, the Group issues press releases about news and events that may influence the share price and presentations for shareholders, financial analysts and investors both in the Netherlands and abroad. The quarterly trading updates, half year reports, annual reports and press releases are also published on the corporate website www.lbi.com. The Company's website also contains a large amount of information that is continuously updated.

IN CONTROL STATEMENT

Responsibilities of the Management Board

The Management Board of LBi is responsible for the design, implementation, operation and evaluation of the Company's internal risk management and control systems. The LBi system of internal control and risk management is based on an ongoing and evolving process designed to identify the principal risks within the business, to evaluate the nature and extent of those risks and to manage them efficiently and effectively. Criteria established under 'Internal Control – Integrated Framework', the Treadway Commission's Committee of Sponsoring Organisations (COSO) are used to help drive the risk management strategy.

A description of the principal risks the Company faces is included in the Annual Report. The risks that the business is exposed to are continually changing. The acquisitions of both Mr Youth in 2011 and bigmouthmedia in 2010 are prime examples of this.

Internal control systems can never provide absolute assurance on the achievement of corporate objectives, nor do they provide absolute assurance that material errors, losses, fraud and the violation of laws or regulations will not occur.

The Management Board is guided in this area by the Audit Committee. The Audit Committee meets regularly (at least four times a year) with the Management Board and helps formalise the risk management strategy of the Company. The evaluation of the design, operating effectiveness and future implementation of all controls and risk management are fully discussed by the Management Board with both the Supervisory Board and the Audit Committee. The Audit Committee is attended by the Chief Financial Officer and the head of internal control, both of whom have the opportunity to discuss items with the committee privately if required.

Activities in 2011

The Management Board believes that whilst acquisitions present a challenge to internal control, they also present the Company with an opportunity to improve its current internal control set-up. Integration of this complexity helps provide a driving force for all the subsidiary companies of LBi to align their current manual risk management and internal controls into a consolidated, platform driven framework.

The Management Board understands the need to further develop and fully roll out the global internal control framework. In 2011 a specific internal control function has been created to ascertain the further roll out and implementation of the desired framework. Improvements in the IT general control environment and continued investments in the implementation of ERP technology took place across business units during 2011. It is envisaged that this implementation will lead to further automation of a number of currently manual internal control procedures. Key internal controls have been present this year in each locality, some of which were informal in nature. During 2011 business units were required to complete and sign an annual in control questionnaire and an internal letter of representation to confirm their current internal controls are in place and effective. The aforementioned process has been in place for the year ended 31 December 2011, and up to the date of approval of the financial statements. During this period there have been no indications of any material issues relating thereto.

Conclusion

Based on the activities performed during 2011 and in accordance with best practice provision II.1.5, the Management Board believes that the risk management and control systems regarding the financial reporting risks have worked properly during 2011 and provides reasonable assurance that the 2011 financial statements do not contain any errors of material misstatement.

Responsibilities in respect of the financial statements and the Annual Report

As required by section 5:25c of the Dutch Financial Supervision Act (Wet op het Financieel Toezicht), the Management Board confirms to the best of its knowledge that:

- the financial statements are prepared in accordance with applicable accounting standards and give a true and fair view of the assets, liabilities and profit or loss of the Company and all its consolidated entities;
- the Annual Report gives a true and fair view of the position per 31 December 2011, the development during 2011 of LBi and its Group companies included in the annual financial statements, together with a description of principal risks LBi faces.

Management Board

Luke Taylor

Huub Wezenberg

ANNUAL ACCOUNTS 2011

CONSOLIDATED FINANCIAL STATEMENTS 2011

Consolidated income statement

For the year ended 31 December 2011

EUR million	Note	2011	2010 Amended*
Revenue	7	196.6	162.8
Cost of sales	8,9,10,11	-128.5	-110.8
Gross margin		**68.1**	**52.0**
Selling expenses	8,9,10,11	-14.1	-13.5
Administrative expenses	8,9,10,11	-36.2	-37.9
Other operating income	12	6.1	5.2
Operating result		**23.9**	**5.8**
Finance income	13	1.5	0.1
Finance expenses	13	-2.3	-2.6
Result before income tax		**23.1**	**3.3**
Income tax	14	-5.3	-2.8
Net result for the period		**17.8**	**0.5**
Attributable to:			
Owners of the Parent		17.5	0.5
Non-controlling interest		0.3	-
Net result for the period		**17.8**	**0.5**
Earnings per share (EUR)	15	0.12	0.01
Earnings per share after dilution (EUR)	15	0.12	0.01
Average number of shares outstanding (1000's)		141,224	96,717
Average number of shares outstanding after dilution (1000's)		142,683	98,194

* *See Note 3: Comparative information*

The accompanying notes form an integral part of the financial statements

Consolidated statement of comprehensive income

For the year ended 31 December 2011

EUR million	2011	2010 Amended *
Net result for the period	**17.8**	**0.5**
Other comprehensive income		
Currency translation differences	5.1	1.7
Net investment hedge	- 2.1	- 1.7
Tax related to net investment hedge	0.6	0.4
Total other comprehensive income	**3.6**	**0.4**
Total comprehensive income for the period, net of income tax	**21.4**	**0.9**
Total comprehensive income attributable to:		
Owners of the Parent	21.1	0.9
Non-controlling interest	0.3	-
Total comprehensive income for the period, net of income tax	**21.4**	**0.9**

* *See Note 3: Comparative information*

The accompanying notes form an integral part of the financial statements

Consolidated statement of financial position

For the year ended 31 December 2011

EUR million	Note	31 Dec 2011	31 Dec 2010 Amended*
Tangible assets	16	14.5	10.4
Goodwill	17	189.2	162.4
Other intangible assets	17	15.5	10.4
Deferred tax asset	18	50.8	56.5
Other non-current assets	19	1.8	2.1
Total non-current assets		**271.8**	**241.8**
Trade and other receivables	20	71.1	65.7
Current income tax receivables		0.1	2.6
Prepaid expenses and accrued revenue	21	25.8	17.5
Cash and bank deposits	22	41.1	44.3
Total current assets		**138.1**	**130.1**
Total assets		**409.9**	**371.9**
Share capital		37.5	37.5
Additional paid in capital		250.9	250.8
Currency translation reserve		12.2	8.6
Retained earnings		-51.0	-52.6
Result for the period		17.5	0.5
Shareholders' equity		**267.1**	**244.8**
Non-controlling interest		0.2	-0.1
Total equity	**23,24**	**267.3**	**244.7**
Long term liabilities to credit institutions	25	29.8	15.6
Provisions for pensions and similar obligations	26	1.1	1.0
Deferred tax liability	18	2.1	3.6
Other provisions	27	13.0	5.3
Contingent consideration long term	28	-	4.7
Total long term liabilities		**46.0**	**30.2**
Short term liabilities to credit institutions	29	14.6	19.3
Trade and other payables	30	22.3	25.9
Current income tax payable		4.9	2.1
Defererred income		20.5	12.3
Contingent consideration short term	28	0.4	-
Other short term liabilities	31	33.9	37.4
Total current liabilities		**96.6**	**97.0**
Total equity and liabilities		**409.9**	**371.9**

* *See Note 3: Comparative information*

The accompanying notes form an integral part of the financial statements

Consolidated statement of changes in equity

For the year ended 31 December 2011

EUR million	Share capi-tal	Additional paid in capital	Currency translation reserve	Retained earnings	Result for the period	Share-holders' equity	Non-controlling interests	Total equity
Opening balance 1 January 2010	**14.2**	**167.6**	**9.6**	**9.8**	**- 64.6**	**136.6**	**0.1**	**136.7**
Appropriation of result	-	-	-	- 64.6	64.6	-	-	0.0
Movement between reserves due to merger	-	-	-	-	-	-	-	0.0
New share issue related to merger	19.7	84.9	-	-	-	104.6	-	104.6
New share issue related to equity incentive plan	2.2	-	-	- 1.7	-	0.5	-	0.5
Translation result legal merger	1.4	-	- 1.4	-	-	-	-	0.0
Transaction costs	-	- 1.7	-	-	-	- 1.7	-	- 1.7
Impact of options and awards	-	-	-	3.9	-	3.9	-	3.9
Other comprehensive income	-	-	0.4	-	-	0.4	-	0.4
Result for the period	-	-	-	-	0.5	0.5	-	0.5
Transactions with non-controling interests [1]	-	-	-	-	-	-	- 0.2	- 0.2
Closing balance at 31 December 2010 Amended*	**37.5**	**250.8**	**8.6**	**- 52.6**	**0.5**	**244.8**	**- 0.1**	**244.7**
Opening balance 1 January 2011	**37.5**	**250.8**	**8.6**	**- 52.6**	**0.5**	**244.8**	**- 0.1**	**244.7**
Appropriation of result	-	-	-	0.5	- 0.5	-	-	0.0
Impact of options and awards	-	0.1	-	1.1	-	1.2	-	1.2
Other comprehensive income	-	-	3.6	-	-	3.6	-	3.6
Result for the period	-	-	-	-	17.5	17.5	-	17.5
Transactions with non-controling interests [1]	-	-	-	-	-	-	0.3	0.3
Closing balance at 31 December 2011	**37.5**	**250.9**	**12.2**	**- 51.0**	**17.5**	**267.1**	**0.2**	**267.3**

* *See Note 3: Comparative information*

1) *Transactions with non-controlling interests relate to dividend payment to the minority shareholder of MetaDesign AG in Germany*

Consolidated cash flow statement

For the year ended 31 December 2011

EUR million	Note	2011	2010 Amended*
Cash flow from operating activities			
Result before income tax		**23.1**	**3.3**
Depreciation and amortisation	11	8.0	6.6
Interest income	13	-0.2	-0.3
Interest expense	13	1.2	1.5
Corporate income tax paid/received		0.9	-0.9
Employees equity incentive plans	9	0.3	4.4
Change in trade and other receivables	20,21	-6.3	-22.5
Change in work in progress	21	7.4	3.6
Change in trade and other payables	30	-3.6	14.3
Change in earn-outs and contingent considerations	12,27	-4.8	-8.6
Change in other provisions and short term liabilities	27,31	-2.3	9.2
Net cash used/generated from operating activities		**23.7**	**10.6**
Cash flow from investing activities			
Acquisition of a subsidiary, net of cash acquired	6	-22.3	30.9
Purchase of non-current assets	16,17	-11.4	-8.1
Interest received	13	0.2	0.3
Net cash used/generated in investing activities		**-33.5**	**23.1**
Cash flow from financing activities			
Repayment of debt	25,29	-26.4	-10.7
Repayment of finance lease	29	-0.1	-
Movement bank overdraft	29	-7.0	3.6
New loans raised	25,29	43.6	-
Funds received from PIPE and Rights Offering 2010		-	9.6
Payment of earn-outs (acquisitions)	27	-2.6	-9.4
Interest paid	13	-1.2	-1.5
Dividends paid to NCI		-	-0.2
Net cash used/generated in financing activities		**6.3**	**-8.6**
Net cash used/generated during the year		**-3.5**	**25.1**
Cash at the beginning of the year		**44.3**	**21.0**
Effect of exchange rate changes on cash and bank deposits		0.3	-1.8
Net cash used/generated during the year		-3.5	25.1
Cash at the end of the year		**41.1**	**44.3**

* *See Note 3: Comparative information*

The accompanying notes form an integral part of the financial statements

Notes to the consolidated financial statements

NOTE 1 GENERAL INFORMATION

LBi international N.V. and its subsidiaries is a leading European marketing and technology agency with a global reach. As a marketing and technology agency, LBi offers services to brands (clients) to help them engage with their customers through digital channels across a wide spectrum of their points of engagement, from initial awareness of the brand, through direct interaction with the services or products offered by the brand, to ongoing relationships with the brand. The Group employs approximately 2,050 professionals located mainly in Europe and the USA.

LBi International N.V. is a public company with limited liability (naamloze vennootschap), incorporated under Dutch law as a public limited liability company, by a notarial deed executed on 28 December 2009 under the name Obtineo Netherlands Holding N.V. On 29 July 2010, the reverse merger between LBi AB and Obtineo (consisting of search engine specialist bigmouthmedia GmbH and EUR 40 million in cash) was finalised, forming a new company operating under the name LBi International N.V. Effectively LBI International AB merged with bigmouthmedia GmbH forming LBi International N.V. As of 5 August 2010 the Company is listed on NYSE Euronext Amsterdam. The Dutch Corporate Governance Code applies to LBi.

The address of its registered office is Joop Geesinkweg 209, 1096 AV Amsterdam, the Netherlands.

The 2010 Annual Report was the first annual report of the combined entity and the 2010 Company statements were the first ones of the newly incorporated LBi International N.V. The 2010 Annual Report provides extensive information about the conditions and effects of the merger and related transactions.

During 2011, the Group acquired 100% of the membership interests of Mr Youth, a digital marketing agency in the United States that has particular knowledge of social media. Furthermore, 51% of the shares in Rethink GmbH was acquired. Rethink is a Berlin based company which has specific knowledge in the field of smart phone applications.

As the financial statements of LBi International N.V. are included in the consolidated financial statements, the Company income statement is presented in an abridged form (article 402 of Book 2 of the Dutch Civil Code).

NOTE 2 BASIS OF PREPARATION

2.1 Statement of compliance

The consolidated financial statements of LBi International N.V. have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The consolidated financial statements have been prepared under the historical cost convention; certain financial assets and financial liabilities (including derivative instruments) are recognised at fair value through profit or loss.

The consolidated financial statements were prepared by the Management Board, and authorised for issue by the Supervisory Board of the Company on 12 April 2012 and will be submitted for adoption to the Annual General Meeting of Shareholders on 24 May 2012.

2.2 Basis of measurement

Until the merger in 2010, LBI international AB was listed on the OMX Nordic Stock Exchange in Stockholm. The company was Sweden based and the Swedish (SEK) most faithfully represented the economic effects of the underlying transactions, events and conditions of the company. Therefore, the functional and presentation currency was the SEK. After the merger, the listing was moved from Sweden to the Netherlands and a new holding company was incorporated: LBi international N.V. Since then, the euro (EUR) better represents the economic effects of the underlying transactions, events and conditions of the (new) Company. Therefore the functional as well as the presentation currency has been changed from SEK to EUR in 2010. All financial information presented in euros has been rounded to the nearest million with one decimal, unless stated otherwise.

2.3 Use of estimates and judgements

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements are described in the following notes:

- Acquisitions of subsidiaries and non-controlling interests need to be recognised at fair value. The valuation methodology requires estimates concerning the future performance, the cost of capital and other parameters. Information about the valuation of acquisitions can be found in Note 6.
- The Group tests annually whether any impairment has occurred on goodwill and other intangible assets with an indefinite life. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates in the field of future performance, cost of capital, capital requirements and growth perspectives. More details can be found in Note 17.
- The Group is subject to income taxes in various jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain at the time when the transactions and calculations are made. The Group recognises liabilities and assets for anticipated tax audit issues based on assessments of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made. More details about tax assets and liabilities can be found in Note 18.
- LBi has two employee equity incentive plans, a Global Share Option Plan and a Long Term Incentive Plan for LBi's Management Board, Supervisory Board and certain key personnel. The equity incentive plans are all fully equity settled and the initial recognition is subject to considerable judgements and estimates. These relate to the volatility of the share, expected share price developments and certain other parameters that are set out in more detail in Note 24. As all equity incentive plans are fully equity settled the uncertainty is limited to the initial recognition in the income statement. Subsequent changes in one or more of the assumptions would have no impact on the value recognised.
- In order to be able to satisfy future exercise of employee awards that result from the Long Term Incentive Plan (LTIP), the Group has issued new shares. The number of shares to be issued was estimated based on the specifications of the (LTIP), management knowledge of the Company and its competitors and general economic conditions. More information about the LTIP can be found in Note 24.

- The Group faces various financial risks that are assessed and monitored on a continuous basis. Estimates need to be made in the field of developments of interest rate, future Group performance and related cash requirements, condition of the economy, exchange rate developments among others. Judgements need to be made in the field of the magnitude of the risk, the chance that it occurs and the way of mitigating and or eliminating it. More details about our financial risk management policies can be found in Note 5.
- The Group uses the percentage-of-completion method in accounting for its fixed-price contracts to deliver design services. Use of the percentage-of-completion method requires the Group to estimate the services performed to date as of the balance sheet date as a proportion of the total services to be performed. More information on our revenue recognition policies can be found in Note 4.
- The Group has entered into several contingent considerations resulting from past acquisition and applied judgment in the classification of changes in the fair value in the income statement. The changes in fair value for these financial instruments are classified as operating income. Management feels this is an appropriate classification since the fair value movements are ultimately linked with the operating performance of the Company.

2.4 Cash flow statement

The cash flow statement has been prepared using the indirect method. The cash items disclosed in the cash flow statement are comprised of cash and bank deposits. Cash flows denominated in foreign currencies have been translated at average exchange rates. Exchange differences affecting cash items are shown separately in the cash flow statement. Interest paid is reflected as a financing activity and interest received as an investment activity. Dividends paid are recognised as cash used in financing activities. The purchase consideration paid for the acquired Group company is recognised as cash used in investing activities where it was settled in cash. Any cash and bank deposits in the acquired Group company were deducted from the purchase consideration. Cash payments of earn-out obligations are recognised as cash used in financing activities. Transactions not resulting in inflow or outflow of cash, including finance leases, are not recognised in the cash flow statement. Payments of finance lease instalments qualify as repayments of borrowings under cash used in financing.

NOTE 3 COMPARATIVE INFORMATION

Background and reasons for amendment

The Company amended certain financial information in the prior period in respect of (a) the accounting treatment for the earn out obligation which was included in the total consideration of the acquisition of bigmouthmedia GmbH by Obtineo Netherlands Holding N.V. on 29 April 2010 and (b) in respect of shares purchased by the Management Board members in 2010 at a discounted price.

Furthermore, certain other amendments and reclassifications have been made to the comparative financial information as outlined in this disclosure note.

The AFM (Netherlands Authority for the Financial Markets) has performed a routine review of LBi's 2010 financial statements. The AFM has notified the Company on the basis of their interpretation of relevant accounting standards to reconsider the accounting treatment of the contingent consideration and the share purchase by the management. Due to fact that the structure of the cross border merger with Obtineo was highly complex, the application of IFRS in this area involved significant judgment. The Management Board followed the notification of the AFM and reviewed the accounting treatment of both subjects. While the Management Board is still of the opinion that the accounting treatments chosen in the financial statements as of December 31, 2010 gave a true and fair view on the financial position of the Company, it is also satisfied that alternative views as preferred by the AFM result in a different accounting treatments. Therefore the Company reconsidered its accounting for these unique transactions. The fair values have been reassessed and as a result changes have been made to the accounting of these transactions in 2010 and 2011.

The impact of this accounting treatment on the EBIT (operating result) for the year 2011 is limited to only EUR 0.2 million (EUR 24.1 million in the year-end release compared to EUR 23.9 million in the Annual Report 2011). The impact of the change on the balance sheet valuation of the contingent consideration per 31 December 2011 was EUR 1.8 million (EUR 2.2 million in the year-end release compared to EUR 0.4 million in the Annual Report). There was no impact on cash flow. The liability expired on 5 February 2012 and settled with zero cash.

Financial impact

The accounting treatment for contingent considerations has been amended as follows:

According to the accounting treatment as included in the 2010 financial statements this earn out obligation was accounted for as a provision, which was based on management's best estimate. This resulted in a provision for contingent consideration of EUR 6.7 million at year end 2010 and of EUR 2.2 million at year end 2011. Under the new accounting treatment this specific contingent consideration is a financial instrument, for which the fair value is determined based on generally applied valuation models, such as Black and Scholes. This treatment would have resulted in a financial liability of EUR 4.7 million at year end 2010 and of EUR 0.4 million at year end 2011. The differences have been recognised in the applicable income statements and all related notes have been adjusted accordingly. Going forward the change is expected to have limited impact as only one such liability exists, which expired in February 2012 and resulted in no cash out flow. Because the initial recognition was during 2010 there is no impact on the opening balance sheet position of 1 January 2010, consequently no adjusted opening balance sheet position for the comparative period has been included.

The accounting treatment of the share purchase by the Management Board has been amended as follows:

Because the transaction was part of the PIPE arrangement, that was effectuated before the acquisition of BMM by Obtineo on 29 April 2010, the difference between the fair value of the shares and the price that was actually paid by the management (EUR 0.5 million) has not been reflected in the consolidated income statement 2010 of LBi international N.V. In the 2011 financial statements management follows the notification of AFM that this transaction should have resulted in expenses for LBI International AB at the time of the transaction and therefore should have been reflected in the 2010 consolidated income statement. All statements and related notes have been adjusted accordingly. Since the initial recognition was during 2010 there is no impact on the opening balance sheet position of 1 January 2010, consequently no adjusted opening balance sheet position for the comparative period has been included.

The AFM recommended revising the policy to keep the SEK as the functional currency of the Swedish branch

The Swedish branch is an integral part of the parent company, LBi international N.V. The parent company holds the euro as its functional currency, whereas the branch kept the SEK as its functional currency. Upon notification of the AFM, it was decided to change the functional currency of the branch from SEK to EUR. This resulted in an additional currency translation result of EUR -0.6 million in the 2010 income statement.

Revision of components of equity resulted in the following amendments within equity

In the 2010 financial statements 'other reserves' was presented separately from 'retained earnings'. In the 2011 financial statements these two components of equity are presented in a single column. Further to an in depth investigation of the currency translation reserve it was determined that IAS

21.35-37 has not been applied properly. This has been amended in the comparative information. The amendment entails a shift of EUR 37.9 million which has been reclassified to retained earnings.

Other reclassifications

Further to the above the Company has changed certain other classifications in the comparative financial information to reflect current year´s presentation.
The most significant elements are the following:
Basis for preparation for the Company only financial statements. The basis of preparation of the Company only financial statements has been changed from IFRS to Dutch GAAP. Under IFRS subsidiaries were valued using historical cost principles, whereas Dutch Gaap requires the use of the net asset method. As a result of application of Dutch Gaap the total consolidated equity is equal to the Company only equity.

The classification of certain elements in the cash flow statement as further outlined below:

- In the 2010 financial statements interest income and expense were recorded under cash from operations. In the 2011 financial statements these are reported under cash from investment activities and cash from financing activities respectively.
- In the 2010 financial statements the acquired cash balances that result from the PIPE and Rights Offering were categorised under cash flows from financing activities in 2010. The PIPE, however, was effectuated before the merger with Obtineo and the related cash flows should have been classified as acquired cash. The Rights Offering took place after the merger and the related cash flow was correctly recorded under financing activities. In the 2011 cash flow statement the cash flows related to the PIPE have been recorded as acquisition of subsidiary, net of cash' under cash flows from investment activities.
- In the 2010 financial statements Note 20 stated that the cash and cash equivalents in the consolidated cash flow statement include bank overdrafts. This was not the case. In the 2011 Annual Report the note on cash and bank deposits has been adjusted.
- In the 2010 financial statements payments of earn-out obligations were recognised as cash used in investing activities. In the 2011 financial statements these have been recognised as cash used in financing activities.

The classification of certain elements in the statement of financial position has changed as follows:

- Classification of goodwill as a separate line item instead of aggregated under 'other intangible assets'. This is required per IAS 1.29 to present separately each material class of similar assets;
- Classification of current tax positions as a separate line item instead of aggregated under 'trade and other receivables' and 'trade and other payables'. This is required per IAS 1.24(n) to present current tax positions as separate line items;
- Classification of deferred income as a separate line item. This is required per IAS 1.29 to present separately each material class of similar assets;
- Classification of the contingent consideration as a separate line item instead of aggregated under 'other provisions'. The contingent consideration is a financial instrument (IAS39) and not a provision (IAS 37).

On the next pages the amendments to the consolidated financial statements are given.

Consolidated income statement EUR million	2010	Amendment	2010 Amended
Revenue	162.8	-	162.8
Cost of sales	-110.8	-	-110.8
Gross margin	**52.0**	**0.0**	**52.0**
Selling expenses	-13.5	-	-13.5
Administrative expenses	-37.4	-0.5	-37.9
Other operating income	3.2	2.0	5.2
Operating result	**4.3**	**1.5**	**5.8**
Finance income	0.7	-0.6	0.1
Finance expenses	-2.6	-	-2.6
Result before tax	**2.4**	**0.9**	**3.3**
Income tax	-2.8	-	-2.8
Net result for the period	**-0.4**	**0.9**	**0.5**
Attributable to:			
Owners of the Parent	-0.4	0.9	0.5
Non-controlling interest	-	-	-
Net result for the period	**-0.4**	**0.9**	**0.5**
Earnings per share (EUR)	0.00	0.01	0.01
Earnings per share after dilution (EUR)	0.00	0.01	0.01
Average number of shares outstanding (1000's)	97,277	-560	96,717
Average number of shares outstanding after dilution (1000's)	97,557	637	98,194

Consolidated statement of comprehensive income EUR million	2010	Amendment	2010 Amended
Net result for the period	**-0.4**	**0.9**	**0.5**
Other comprehensive income			
Currency translation differences	-1.0	2.7	1.7
Tax related to current year's translation differences	0.1	-0.1	-
Net investment hedge	-	-1.7	-1.7
Tax related to net investment hedge	-	0.4	0.4
Total other comprehensive income	**-0.9**	**1.3**	**0.4**
Total comprehensive income for the period, net of income tax	**-1.3**	**2.2**	**0.9**
Total comprehensive income attributable to:			
Owners of the Parent	-1.3	2.2	0.9
Non-controlling interest	-	-	-
Total comprehensive income for the period, net of income tax	**-1.3**	**2.2**	**0.9**

Consolidated statement of financial position **EUR million**	**31 Dec 2010**	**Amendment**	**31 Dec 2010 Amended**
Tangible assets	10.4	-	10.4
Goodwill *	-	162.4	162.4
Other intangible assets	172.8	-162.4	10.4
Deferred tax asset	56.5	-	56.5
Other non-current assets	2.1	-	2.1
Total non-current assets	**241.8**	**0.0**	**241.8**
Trade and other receivables	68.3	-2.6	65.7
Current income tax receivables	-	2.6	2.6
Prepaid expenses and accrued revenue	17.5	-	17.5
Cash and bank deposits	44.3	-	44.3
Total current assets	**130.1**	**0.0**	**130.1**
Total assets	**371.9**	**0.0**	**371.9**
Share capital	35.3	2.2	37.5
Share premium	250.8	-	250.8
Other reserves *	47.6	-47.6	-
Currency translation reserve *	-26.0	34.6	8.6
Retained earnings *	-65.2	12.6	-52.6
Result for the period	-0.4	0.9	0.5
Shareholders' equity	**242.1**	**2.7**	**244.8**
Non-controlling interest	-0.1	-	-0.1
Total equity	**242.0**	**2.7**	**244.7**
Long term liabilities to credit institutions	15.6	-	15.6
Provisions for pensions and similar obligations	1.0	-	1.0
Deferred tax liability	3.6	-	3.6
Other provisions	13.6	-8.3	5.3
Contingent consideration long term	-	4.7	4.7
Total long term liabilities	**33.8**	**-3.6**	**30.2**
Short term liabilities to credit institutions	19.3	-	19.3
Trade and other payables	28.0	-2.1	25.9
Current income tax payable	-	2.1	2.1
Deferred income	-	12.3	12.3
Contingent consideration short term	-	-	-
Other short term liabilities	48.8	-11.4	37.4
Total current liabilities	**96.1**	**0.9**	**97.0**
Total equity and liabilities	**371.9**	**0.0**	**371.9**

* *This affects the opening balance of 2010, however, because all relevant information is available in this report no opening balance has been provided here*

Consolidated statement of changes in equity EUR million	Share capital	Additional paid in capital	Other reserves	Currency translation reserve	Retained earnings	Result for the period	Non-controlling interests	Total equity
Opening balance 1 January 2010	**14.2**	**167.6**	**48.3**	**- 28.3**	**- 65.2**	**0.0**	**0.1**	**136.7**
Total comprehensive income	-	-	- 4.6	3.7	-	- 0.4	-	- 1.3
New share issue related to merger	19.7	84.9	-	-	-	-	-	104.6
Translation result legal merger	1.4	-	-	- 1.4	-	-	-	0.0
Transaction costs	-	- 1.7	-	-	-	-	-	- 1.7
Impact of options and awards	-	-	3.9	-	-	-	-	3.9
Transactions with related parties	-	-	-	-	-	-	- 0.2	- 0.2
Closing balance at 31 December 2010	**35.3**	**250.8**	**47.6**	**- 26.0**	**- 65.2**	**- 0.4**	**- 0.1**	**242.0**
Amendments								
Opening balance 1 January 2010	**0.0**	**0.0**	**- 46.1**	**37.9**	**72.8**	**- 64.6**	**0.0**	**0.0**
Appropriation of result	-	-	-	-	- 64.6	64.6	-	0.0
Movement between reserves	-	-	- 4.4	-	4.4	-	-	0.0
New share issue related to equity incentive plan	2.2	-	- 1.7	-	-	-	-	0.5
Other comprehensive income	-	-	4.6	- 3.3	-	-	-	1.3
Result for the period	-	-	-	-	-	0.9	-	0.9
Total amendment	**2.2**	**0.0**	**- 47.6**	**34.6**	**12.6**	**0.9**	**0.0**	**2.7**
Opening balance 1 January 2010 Amended *	**14.2**	**167.6**	**2.2**	**9.6**	**7.6**	**- 64.6**	**0.1**	**136.7**
Appropriation of result	-	-	-	-	- 64.6	64.6	-	0.0
Movement between reserves	-	-	- 4.4	-	4.4	-	-	0.0
New share issue related to merger	19.7	84.9	-	-	-	-	-	104.6
New share issue related to equity incentive plan	2.2	-	- 1.7	-	-	-	-	0.5
Translation result legal merger	1.4	-	-	- 1.4	-	-	-	0.0
Transaction costs	-	- 1.7	-	-	-	-	-	- 1.7
Impact of options and awards	-	-	3.9	-	-	-	-	3.9
Other comprehensive income	-	-	-	0.4	-	-	-	0.4
Result for the period	-	-	-	-	-	0.5	-	0.5
Transactions with non-controling interests	-	-	-	-	-	-	- 0.2	- 0.2
Closing balance at 31 December 2010 Amended *	**37.5**	**250.8**	**0.0**	**8.6**	**- 52.6**	**0.5**	**- 0.1**	**244.7**

Consolidated cash flow statement EUR million	2010	Amendment	2010 Amended
Cash flow from operating activities			
Result before income tax	**2.5**	**0.8**	**3.3**
Depreciation and amortisation	6.6	-	6.6
Change in value of financial assets through profit and loss	0.1	- 0.1	-
Allowance doubtful accounts	2.2	- 2.2	-
Interest income	- 0.3	-	- 0.3
Interest expense	1.5	-	1.5
Fair value adjustment contingent consideration	- 3.1	3.1	-
Corporate income tax paid/received		- 0.9	- 0.9
Employees equity incentive plans	3.9	0.5	4.4
Operating cash before working capital changes and income tax paid	**13.4**	**1.2**	**14.6**
Working capital changes			
Change in trade and other receivables	- 22.8	0.3	- 22.5
Change in tax receivables/payables	- 1.5	1.5	-
Change in work in progress	-	3.6	3.6
Change in trade and other payables	23.3	- 9.0	14.3
Change in earn-outs and contingent considerations	-	- 8.6	- 8.6
Change in other provisions and short term liabilities	-	9.2	9.2
Net cash used/generated from operating activities	**12.4**	**- 1.8**	**10.6**
Cash flow from investing activities			
Payment of earn-outs (acquisitions) and other provisions	- 13.9	13.9	-
Cash spent on acquisition TRIPLE LBi	- 2.9	2.9	-
Acquisition of a subsidiary, net of cash acquired	-	30.9	30.9
Purchase of non-current assets	- 6.1	- 2.0	- 8.1
Interest received	0.3	-	0.3
Net cash used/generated in investing activities	**- 22.6**	**45.7**	**23.1**
Cash flow from financing activities			
Repayment of debt	- 9.3	- 1.4	- 10.7
Repayment of finance lease	- 0.1	0.1	-
Movement bank overdraft	3.6	-	3.6
New loans raised	-	-	-
Funds received from PIPE and Rights Offering 2010	43.4	- 33.8	9.6
Payment of earn-outs (acquisitions)	-	- 9.4	- 9.4
Interest paid	- 1.5	-	- 1.5
Dividends paid to NCI	- 0.2	-	- 0.2
Net cash used/generated in financing activities	**35.9**	**- 44.5**	**- 8.6**
Net cash used/generated during the year	**25.7**	**- 0.6**	**25.1**
Cash at the beginning of the year	**21.0**	**0.0**	**21.0**
Effect of exchange rate changes on cash and cash equivalents	- 2.4	0.6	- 1.8
Net cash used/generated during the year	25.7	- 0.6	25.1
Cash at the end of the year	**44.3**	**0.0**	**44.3**

NOTE 4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

4.1 Changes in Accounting Policies

(a) New and amended standards adopted by the Group
There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2011 that had a material impact on the Group.

(b) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2011 and not early adopted:

IAS 19 'Employee benefits' was amended in June 2011.
The impact on the Group will be as follows: to eliminate the corridor approach and recognise all actuarial gains and losses in OCI as they occur; to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). The Group is not expecting a material impact on the financial statements.

IFRS 9 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities.
IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Group is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after 1 January 2015.

IFRS 10 'Consolidated financial statements'
builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the Parent Company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Group is yet to assess IFRS 10's full impact and intends to adopt IFRS 10 no later than the accounting period beginning on or after 1 January 2013.

IFRS 12 'Disclosures of interests in other entities'
includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Group is yet to assess IFRS 12's full impact and intends to adopt IFRS 12 no later than the accounting period beginning on or after 1 January 2013.

IFRS 13 'Fair value measurement'
aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The Group is yet to assess IFRS13's full impact and intends to adopt IFRS 13 no later than the accounting period beginning on or after 1 January 2013.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

4.2 Basis of Consolidation

Subsidiaries
Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values on the acquisition date of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition related costs are expensed as incurred. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Disposal of subsidiaries

When the Group ceases to have control any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Associates

Associates are all entities over which the Group has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.
If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit/ (loss) of an associate' in the income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Transactions and non-controlling interests

As long as control is retained, the Group treats transactions with non-controlling interests as transactions with equity owners of the Group.
For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

4.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer that makes strategic decisions. The identified reportable segments are UK, Central and Southern Europe, USA and Scandinavia.

4.4 Classification

Non-current assets and long term liabilities in the Group consist in all material respects of amounts expected to be recovered or paid more than 12 months from the period end date only. Current assets and current liabilities in the Group consist in all material respects of only amounts expected to be recovered or paid within 12 months from the period end date only.

4.5 Foreign currency

Transactions in foreign currency

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges. Tax charges and credits attributable to exchange differences on those monetary items, if any, are also recognized in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets are included in comprehensive income.

Financial statements of foreign businesses

The functional currency has been determined for each foreign operation on the basis of the currency that best reflect the underlying transactions, events and conditions relevant to the operations. This is the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions of the Company.

The presentation currency of the financial statements of the Group changed from the Swedish Kronor in prior years to the euro as of 29 July 2010, the effective date of the Merger.
Results and financial position of all Group entities that have a functional currency different from the presentation currency are translated in the presentation currency. The assets and liabilities for each balance sheet of these foreign businesses, including goodwill arising on the acquisition of a foreign business, are translated to euros using the exchange rate prevailing on the balance sheet date. Income and expenses for each income statement in foreign operations are translated to euros using the average rate of exchange at each respective transaction date. Translation differences resulting from translating foreign operations and/or investments in foreign operations are reported as a translation reserve in other comprehensive income.

Upon disposal of a foreign operation the accumulated translation differences are realised in the consolidated income statement. Related translation differences that result from a net investment hedge and that have been recorded in OCI are recycled to the consolidated income statement.

The following exchange rates were used whilst preparing these consolidated financial statements:

Foreign exchange rates		Average against EUR	Ultimate against EUR
AED	Arab Emirates Dinar	0.19	0.21
CHF	Swiss Franc	0.81	0.82
DKK	Danish Krone	0.13	0.13
GBP	British Pound	1.15	1.19
INR	Indian Rupee	0.02	0.01
NOK	Norwegian Krone	0.13	0.13
PLN	Polish Zloty	0.24	0.23
SEK	Swedish Krona	0.11	0.11
USD	United States Dollar	0.72	0.77

4.6 Tangible assets

Owned assets

Tangible fixed assets comprise buildings, adaption to leased premises and computer equipment. After recognition as an asset, a tangible fixed asset is carried at its historical cost less any accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent expenditure

Subsequent costs are included in the assets' carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

- Buildings 25-40 years
- Machinery and equipment 3-5 years
- Adaption of premises/leasehold improvements coincides with underlying lease contract, max five years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

The assets' carrying amount is written down immediately to its recoverable amount if the assets' carrying amount is greater than its estimated recoverable amount (Note 4.8).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other operating income' in the income statement.

4.7 Intangible Assets

Goodwill

Goodwill is the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired. Goodwill on acquisitions of subsidiaries is presented separately on the statement of financial position.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segment.

Trademarks and licences

Separately acquired trademarks and licences are shown at historical cost. Trademarks and licences acquired in a business combination are recognised at fair value at the acquisition date. Trademarks and licences have a finite useful life and are subsequently carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licences over their estimated useful lives.

Contractual customer relationships

Contractual customer relationships acquired in a business combination are recognised at fair value at the acquisition date. The contractual customer relations have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected life of the customer relationship. The expected useful life of customer relationships is estimated per acquisition and vary between three and five years.

Computer software and R&D

Purchased software is measured at cost less accumulated amortisation and impairment losses. Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Expenditure on internally developed software is capitalised when the expenditure qualifies as development activities, otherwise it is recognised in the income statement when incurred. Development activities should meet the following criteria:

- Development activities involve a plan or a design for production
- The newly developed goods are substantially improved or entirely new good/services
- It is technically and commercially feasible
- Future economic benefits are probable
- LBi intends and has sufficient resources to complete the product and use or sell it
- The expenditure attributable to the software product during its development can be reliably measured.

The expenditure capitalised includes the cost of materials, direct labour, overhead costs and the costs of borrowing that are directly attributable to preparing the asset for its intended use if this lasts for more than one year. Expenditure on research activities, undertaken with the prospect of gaining new technical knowledge and understanding, is recognised in the income statement when incurred. Computer software development costs recognised as assets are amortised over their estimated useful lives, which does not exceed three years.

4.8 Impairment of non-financial assets

Assets that have an indefinite useful life – for example, goodwill or intangible assets not ready to use – are not subject to amortisation and are tested annually or in case of a triggering event for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the income statement for the amount by which the assets' carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the assets' fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

4.9 Financial Assets

Classification

The Group classifies its financial assets in (a) at fair value through profit or loss and (b) loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' and 'cash and bank deposits' in the balance sheet (Notes 20 and 22).

Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost, using th effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the Group's right to receive payments is established.

4.10 Impairment of financial assets

Group Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria the Group uses to determine whether there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
- adverse changes in the payment status of borrowers in the portfolio; and
- national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists.

For loans and receivables category, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial assets' original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

4.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

4.12 Derivative financial instruments and hedging activities

A derivative is a financial instrument:

- Whose value changes in response to the change in an underlying variable such as an interest rate, commodity or security price, or index;
- That requires no initial investment, or one that is smaller than would be required for a contract with similar response to changes in market factors; and
- That is settled at a future date. [IAS 39.9]

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives either as hedges of a net investment in a foreign operation (net investment hedge) or hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income (in the cash flow hedge reserve). The gain or loss relating to the ineffective portion is recognised immediately in the income statement. Amounts accumulated in comprehensive income are reclassified to profit or loss in the periods when the hedged item affects profit or loss.

The gain or loss relating to the effective portion of interest rate swaps that are hedging variable rate borrowings is recognised in the income statement within 'finance income/expense'.

Net investment hedge

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement. Gains and losses accumulated in equity are included in the income statement when the foreign operation is partially disposed of or sold. The group is uses loans as a hedge of its exposure to foreign exchange risk on its investments in foreign subsidiaries.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement. The Group uses as a hedge of its exposure to foreign exchange risk on its investments in foreign subsidiaries. Refer to Note 5. for more details.

4.13 Taxes

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected income tax payable in respect of taxable profit for the year, using tax rates enacted or substantially enacted on the balance sheet date, and any adjustment to income tax payable in respect of profits of previous years. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is provided using the liability method, for deductible, respectively taxable, temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases.

Deferred tax assets and liabilities are not recognised for the following temporary differences:

- The initial recognition of goodwill;
- The initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed on each balance sheet date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Deferred tax assets are recognised in respect of the carry forward of unused tax losses and tax credits. When an entity has a history of recent losses, the entity recognises a deferred tax asset arising from unused tax losses or tax credits only to the extent that the entity has sufficient taxable temporary differences or there is convincing other evidence that sufficient taxable profit will be available against which the unused tax losses or unused tax credits can be utilised by the entity.

4.14 Trade receivables

Trade receivables are classified in the category loan and receivables. Collection of trade receivables is expected within one year, they are classified as current assets. Trade receivables are initially recognised at fair value and subsequently at (amortised) cost, less provision for impairment. Impairment charges against trade receivables are accounted for in operating expenses.

4.15 Cash and bank overdrafts

Cash and cash equivalents include cash at hand, bank account balances, bills of exchange and cheques (only those which can be cashed in the short- term). All highly liquid investments with an original maturity of three months or less at date of purchase are considered to be cash equivalents. Bank overdrafts are presented separately as short term liabilities to credit institutions.

4.16 Share capital

Both ordinary and preference shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or equity incentives are shown in equity as a deduction, net of tax, from the proceeds. The Company has two preference shares: A and B (Note 23). The pricing of and accounting for of preference shares is the same as for regular shares.

Where any Group company purchases LBi International's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity until the shares are cancelled, re-issued or disposed of. Where such shares are subsequently sold or re-issued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects are included in equity.

4.17 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified in the category current liabilities. Trade payables have a short expected term (< 1 yr). Trade payables are recognised initially at fair value and subsequently at (amortised) cost.

4.18 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

4.19 Employee benefits

Defined contribution pension plans
Obligations relating to fees for defined contribution pension plans are reported as an expense in the income statement as incurred. The Group pays set fees to a separate legal entity and has no obligation to make further payments of fees.

Defined benefit pension plans
The Group has defined benefit pension plan obligations in subsidiary MetaDesign AG in Germany and in Italian subsidiary IconMedialab. In defined benefit pension plans benefits are paid to employees and former employees based on the salary at the time of retirement and the number of years of service. The Group bears the risk for payment of earned benefits. The defined benefit pension plans are not funded. The pension cost and the pension obligation for defined benefit pension plans is calculated in accordance with the projected unit credit method. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated annually by independent actuaries. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to the income statement in the period in which they arise.

Termination benefits
Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to a termination when the entity has a detailed formal plan to terminate the employment of current employees without possibility of withdrawal. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

4.20 Share based payments

LBi has two employee equity incentive plans in place, a Global Share Option Plan (GSOP) and a Long Term Incentive Plan (LTIP). The fair value of equity incentives awarded is reported as a personnel expense with a corresponding increase in equity. The fair value is calculated at the time of the grant date and is distributed over the vesting period. The fair value of equity incentives awarded before 2010 is calculated in accordance with the Black-Scholes model and due consideration is given to the terms and conditions that applied at the time the awards were made. The fair value of equity incentives awarded in 2010 or thereafter is calculated using the John C. Hull model. The wage tax and social security contributions payable in connection with the grant of the awards is considered an integral part of the grant itself, and the charge will be treated as a cash-settled transaction.

When the company issues new shares as a consequence of an exercise of equity incentives, the proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

4.21 Provisions & Restructuring

A provision is a liability of uncertain timing or amount. A provision is recognised in the balance sheet when, and only when:

- The Group or the entity has a present obligation (legal or constructive) as a result of a past event;
- It is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- A reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Restructuring costs

A provision for restructuring is recognised when LBi has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced publicly. Future operating costs are not provided for. The provision includes the benefit commitments in connection with early retirement, relocation and redundancy schemes.

4.22 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group. One time sales of goods and services mainly takes place using fixed price contracts, while services that are rendered on a continuous basis, are charged monthly. In both cases it is possible for LBi to buy media on behalf of clients. The revenue for this is recognised on a net basis.

Fixed-price contracts

Revenue from fixed-price contracts is recognised using the percentage of completion method, using the number of hours worked as measurement. Cost of sales include all direct material and labour costs, as well as indirect costs attributable to the completion of the project in question. An expected loss in a project is recognised immediately as a cost. Revenue for a fixed-price contract not yet invoiced to a customer is carried in the balance sheet as accrued revenue. Where the invoiced amount exceeds the total value of completion of the project, the excess amount invoiced is reported as advance payments from customers. Revenue from maintenance agreements is allocated to the appropriate period and recognised proportionally over the contract periods during which the services are performed.

Revenue when acting as an Agent

LBi recognises revenue gross when acting as a principal. When acting as an agent, LBi recognises revenue net, so the 'commission' or mark up only. In order to judge whether an entity or the Group acts as a principal or as an agent is assessed on the basis of the indicators as set forth below. LBi reports revenue net when the majority of the indicators below are answered with 'no':

- The Company is the primary obligor in the arrangement;
- The Company has general inventory risk;
- The Company has latitude in establishing the price;
- The Company changes the product or performs part of the service;
- The Company has discretion in supplier selection;
- The Company is involved in the determination of product or service specifications;
- The Company has physical loss inventory risk; and
- The Company has credit risk.

In addition to the above indicators, factors like relative size of the value added by the company itself, and general market practice are taken into consideration when making the final decision.

4.23 Dividend income

Dividend income is recognised when the right to receive payment is established.

4.24 Operating expenses

The income statement is compiled by function of expense.
The functions are as follows:

- Cost of sales include costs for payroll and materials, purchased services, costs for premises and costs for depreciation, amortisation and impairment of intangible and tangible non-current assets.
- Selling expenses include costs for the Company's own sales organisation and marketing.
- Administrative expenses refer to costs for Supervisory Board, management and other administration.
- Other operating income and expense refers to secondary activities, changes in value of derivative financial instruments and the realisation result on sale of tangible non-current assets. Also included at the consolidated level is the realisation result on the sale of Group companies.

4.25 Finance income and expense

Finance income and expense consist of interest income on bank deposits and receivables and interest-bearing securities, interest expense on loans, dividend income, exchange rate differences, unrealised and realised gains on financial investments.

Borrowing costs are expensed as incurred. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset is capitalised as part of the cost of that asset are capitalised only if the construction and/or production period lasts for more than one year. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

4.26 Leased assets

Leases are classified as either finance or operating leases. Under finance leases a substantially all of the risks and rewards of ownership are transferred to the lessee. Where that is not the case the lease is an operating lease. Assets held under finance leases are reported as tangible assets in the consolidated statement of financial position. The obligation to make future payments of leasing fees is reported as long term and current liabilities. Leased assets are depreciated according to plan.

Lease payments under operating leases

Payments under operating leases are reported in the income statement on a straight-line basis over the lease period. Benefits received in conjunction with entering into a contract are reported as part of the total lease cost in the income statement.

Payments under finance leases

Minimum lease fees are allocated to interest expense and repayment of the outstanding liability. The interest cost is distributed over the lease period so that each accounting period is charged with an amount equivalent to a fixed interest rate for the reported liability during each respective period. Variable fees are expensed in the periods when they arise.

NOTE 5 CAPITAL AND FINANCIAL RISK MANAGEMENT

Capital management

In implementing the strategy LBi strives for structural growth of the EBITDA and net result per share. Excess cash is as much as possible re-invested in the Company to help finance its buy and build strategy.

During 2010 the Group's capital structure has changed considerably. Equity increased to EUR 244.8 million, while external loans were repaid following the regular schedule. Cash that was available after the merger has been applied to fund new acquisitions. The Group considers a leverage ratio (liabilities to credit instititutions plus earn-out obligations over equity) between 20% and 30% as optimal and strives to maintain this level.

Financial risk management

LBi's financial risks primarily relate to exchange rate, interest rate risk, liquidity risk, counterparty risk, credit risk and operational risk. To minimise these risks, the Group has adopted a number of risk management procedures and policies.

LBI is exposed to a variety of financial risks. The overall risk management program focusses on reducing, but not eliminating the potential adverse effects of financial risks on LBi's financial position en performance. The financial risks are managed by the corporate finance department under policies approved by the management board. These policies are established to identify and analyse financial risks faced by LBI, to set appropriate risk limits and controls, and to monitor adherence to these limits. LBi identified three key areas of financial risk:

- Credit risk and counter party risk
- Liquidity risk
- Market risk (currency risk and interest rate risk)

The following table summarises the Group's financial assets and liabilities:

Financial assets and liabilities		2011		2010	
EUR million	Note	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets					
Fair value through P&L:					
Derviative instruments		-	-	0.2	0.2
Loans and receivables:					
Accounts receivable	20	64.6	64.6	60.7	60.7
Other current assets	20	6.1	6.1	4.8	4.8
Cash and bank deposits		41.1	41.1	44.3	44.3
Total		**111.8**	**111.8**	**110.0**	**110.0**
Financial liabilities					
Fair value through P&L:					
Contigent consideration	28	0.4	0.4	4.7	4.7
Earn-out obligations	27	12.1	12.1	8.2	8.2
Amortised costs:					
Borrowings	25,29	44.4	44.4	34.9	34.9
Trade payables	30	20.5	20.5	25.9	25.9
Total		**77.4**	**77.4**	**73.7**	**73.7**

Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

For the fair value estimation of the contingent consideration a third party has performed calculations using the Black and Scholes model. The following were the main parameters used:

Parameters applied in Black and Scholes model	2011	2010
Time to maturity (years)	0.096	1.096
Stock price	1.728	1.60
Strike price assuming no threshold	1.65	1.65
Strike price threshold	1.25	1.25
Risk free rate	2.10%	2.10%
Volatility	25%	45%

For the fair value estimation of earn out obligations, management makes forecasts of the performance of the acquired entity. Management uses past performance of the entity, its knowledge of market developments and overall economic conditions as primary input for the forecast. The provision is based on the outcome of the forecasted performance measures. Actual performance is monitored against the forecast and where necessary management adjusts the estimated amounts.

The following tables presents the Group's assets and liabilities that are measured at fair value at 31 December 2011 and 2010:

Assets and liabilities at fair value - 2011 EUR million	Level 1	Level 2	Level 3	Total
Assets				
Derivative instruments	-	-	-	-
Liabilities				
Contingent consideration	-	-	0.4	0.4
Earn-out obligations	-	-	12.1	12.1
Total	**0.0**	**0.0**	**12.5**	**12.5**

Assets and liabilities at fair value - 2010 EUR million	Level 1	Level 2	Level 3	Total
Assets				
Derivative instruments	-	0.2	-	0.2
Liabilities				
Contingent consideration	-	-	4.7	4.7
Earn-out obligations	-	-	8.2	8.2
Total	**0.0**	**0.2**	**12.9**	**13.1**

Credit and counterparty risk

Credit risk is the risk of financial loss should a counterparty to a transaction not be able to meet its contractual obligations. The credit risk for LBi stems mainly from trade accounts receivables. The maximum credit risk is equal to the carrying amount on the balance sheet of each financial asset and entails the following:

Maximum credit risk EUR million	**Note**	**2011**	**2010**
Accounts receivable	20	64.6	60.7
Other current assets	20	6.1	4.8
Cash		41.1	44.3
Total		**111.8**	**109.8**

The increase is due to the increased trade accounts receivable that result both from the acquisition of Mr Youth and the organic growth of the Company.

Group companies are responsible for the credit risk on their own accounts receivables. Group has issued restrictive policies for client acceptance to help control for the credit risk on accounts receivables. Furthermore, it is our policy to provide for amounts outstanding that are past due for more than two months. Group companies are however allowed to deviate from this policy if there is sufficient basis to assume that amounts outstanding will be paid in a later stage. For the purpose of credit risk an aging analysis is made on a regular basis by management. Details about the aging of accounts receivable and work in progress can be found in Notes 20 and 21.

Concentrations of credit risk with respect to accounts receivables are limited due to the Group's large and unrelated customer base. The table below gives an overview of our dependence on large customers:

Dependance on major clients as % of net revenue	**2011**	**2010**
Largest client	5.0%	4.4%
10 largest clients	25.7%	25.1%
20 largest clients	38.0%	36.1%

LBi is not dependent on one or two large clients. It is however, moving towards a business model of larger corporate clients.

Liquidity risk

Liquidity risk is the risk that LBi will not be able to meet its payment obligations in a tight credit market. The starting point of the liquidity risk management policy is to provide sufficient liquidity, in the form of credit facilities, loans and in cash, to meet the Company's payment obligations under normal circumstances. Within the Group a multi-currency cash pool is used to optimise the use of cash available and minimise the costs of credit facilities.

At the end of 2011 the Group has refinanced its debt. No loans are due within one year from balance sheet date. The Group currently has a net debt position of EUR 3.3 million and does not need additional funding. The risk of refinancing is therefore deemed acceptable. The Group's interest-bearing loans have two covenants that must be met: a net debt to EBITDA ratio of maximum 2.0, an interest coverage ratio of at least 6.0. For the year 2011 these ratios were 0.1 and 15.2 respectively.

A decrease in EBITDA (in this case, adjusted for transaction related expenses) of 10%, ceteris paribus, would result in a net debt to EBITDA ratio 0.1 and an interest coverage ratio of 13.5. Only with an EBITDA of less than EUR 14.0 million would the critical level of the interest coverage ratio be reached. The Company forecasts cash flows on a continuous basis to ensure that sufficient liquidity is available in the Group. Analysis of the maturity dates of the Group's liabilities provides important input for these forecasts.

The maturity dates are provided in the table below:

Maturity dates of liabilities - 2011 EUR million	**Loans and borrowings**	**Interest on borrowings**	**Earn-out obligations**	**Contingent consideration**	**Trade payables**	**Total**
Within 12 months	14.6	1.6	0.3	0.4	20.5	37.4
In 2 years	14.9	1.0	11.8	-	-	27.7
In 3 years	14.7	0.3	-	-	-	15.0
Therafter	0.2	-	-	-	-	0.2
Total	**44.4**	**2.9**	**12.1**	**0.4**	**20.5**	**80.3**

Maturity dates of liabilities - 2010 EUR million	**Loans and borrowings**	**Interest on borrowings**	**Earn-out obligations**	**Contingent consideration**	**Trade payables**	**Total**
Within 12 months	19.3	0.8	2.9	-	25.9	48.9
In 2 years	11.3	0.5	-	4.7	-	16.5
In 3 years	3.4	0.1	5.3	-	-	8.8
In 4 years	0.9	0.0	-	-	-	0.9
Total	**34.9**	**1.4**	**8.2**	**4.7**	**25.9**	**75.1**

Market risk

LBi is exposed to various kinds of market risks in the ordinary course of business. These risks include:

- Foreign currency exchange rate risks
- Interest rate risks
- Operational risks

Foreign currency exchange rate risk

Exchange rate risk is the risk of a change to a financial instrument when foreign exchange rates fluctuate. Exchange rate risks may be broken down into translation and transaction exposure.

Translation exposure is the risk of a change in the net values of subsidiaries owing to fluctuations in exchange rates. The Group uses loans as a hedge of its exposure to foreign exchange risk on its investments in foreign subsidiaries.

Included in loans at 31 December 2011 were borrowings, which has been designated as a hedge of the net investment in foreign subsidiaries, and is being used to hedge the Group's exposure to foreign exchange risk on these investments. Gains or losses on the retranslation of this borrowing are transferred to equity to offset any gains or losses on translation of the net investments in the subsidiaries. There is no ineffectiveness in the years ending 31 December 2011 and 2010. The borrowings were:

Net investment hedges EUR million	**Currency**	**Borrowing in foreign currency**	**Borrowing in euros**
LBi Limited	GBP	5.6	6.6
LBi UK Holding Ltd	GBP	1.2	1.5
LBi US Holdings, Inc.	USD	50.2	38.9
LBi US, LLC (Atlanta)	USD	0.3	0.2
LBi Sverige AB	SEK	234.7	26.2
IconMedialab Spain SA	SEK	89.4	10.0
Nexus IT SA	SEK	3.2	0.4
IconMedialab Portugal	SEK	17.2	1.9
Total			**85.7**

Transaction exposure arises as part of the normal activities of the operating subsidiaries, which do business almost exclusively in their domestic markets and invoice predominantly in local currency. LBi makes only limited purchases in foreign currencies. LBi's policy is to minimise the exchange rate risk incurred by its subsidiaries and assign as much of it as possible to the Company.

LBi has entities in various regions, spreading the exchange rate risk over various currencies. Entities that have as a functional currency the euro (EUR), US dollar (USD), British pound (GBP) or Swedish crown (SEK) make up more than 92% of the revenue.

LBi did not enter into hedging activities to reduce the transactional foreign currency exchange rate risk. Some risk in foreign currency translation is deemed acceptable.

The table below gives the impact of movements in these exchange rates if they were to in/decrease against the euro:

Impact of movement in exchange rates **EUR million**	**GBP**	**USD**	**SEK**
Base revenue: EUR 196.6 million			
5% drop agianst EUR	-3.3	-2.1	-0.7
10% drop agianst EUR	-6.7	-4.1	-1.5
5% increase agianst EUR	3.3	2.0	0.7
10% increase agianst EUR	6.7	4.1	1.5
Base EBIT: EUR 23.9 million			
5% drop agianst EUR	-0.7	0.0	0.1
10% drop agianst EUR	-1.5	0.0	0.1
5% increase agianst EUR	0.7	0.0	0.0
10% increase agianst EUR	1.4	0.0	0.0
Base equity: EUR 268.5 million			
5% drop agianst EUR	1.1	-0.1	0.0
10% drop agianst EUR	0.5	-0.2	0.1
5% increase agianst EUR	-0.8	0.1	0.0
10% increase agianst EUR	-1.4	0.2	-0.1

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will be affected by changes in the market rate of interest. The Group uses various financial instruments to manage the interest rate risk. Cash flows of Group companies are centralised as much as possible by using an international cash pool. This allows LBi to accumulate cash in multiple currencies and limit the capital requirements and related interest charge.

LBi is of the opinion that a limited interest rate risk is acceptable. The Group's policy therefore aims to limit but not eliminate interest rate risks. In principle LBi has a variable interest rate on its external loans. For loan facilities B and C the variable interest rate has been swapped against a fixed rate until maturity. The interest rate risk is therefore limited to the variable interest that is charged on the use of the credit facility. The following table gives an overview of the impact that an increase in interest rate or an increase in the use of the credit facility may have:

Effects of changes in interest rate on interest charge in income statement	**Facility in use**		
Interest rate	**5 mln**	**10 mln**	**20 mln**
4.16%	0.2	0.4	0.8
5.16%	0.3	0.5	1.0
7.16%	0.4	0.7	1.4

On 31 December 2011 the facility in use was EUR 0.2 million and the effective interest rate was 4.16%.

LBi has agreed on certain covenants with its financers. If the maximum credit facility of EUR 20.0 million were used, LBi would still score well within the agreed covenants.

Operational risk

Operational risk is the risk of losses due to shortcomings in internal administrative procedures and systems, and the risk of losing business to competition. The Group has routines and authorisation procedures in place to meet its financing, IT, communication and personnel policies, etc. and it regularly performs legal reviews of its agreements. It is the Group's policy to spread the risk of losing business to the competition as much as possible. Therefore, the Group monitors rigorously its reliance on large clients and adjusts business focus accordingly. More details about operational (non-financial) risks can be found on pages 041 and 042 of this report.

NOTE 6 COMPOSITION OF LBi INTERNATIONAL N.V.

2011 Changes in composition of LBi International N.V.

Mr Youth

On 14 November 2011 LBi International N.V. gained control over 100% of the membership interests in Mr Youth, LLC. Mr Youth, LLC was acquired for EUR 30.4 million. EUR 23.6 million has been paid in cash and EUR 6.8 million is still payable as an earn out obligation. The earn out that is payable may range from EUR 5.2 million to EUR 6.8 million, depending on the financial performance of Mr Youth activities subsequent to the acquisition. At acquisition date, EUR 6.8 million has been recognised in the statement of financial position.

The acquisition fits LBi's philosophy of blending marketing and technology services in-house. Mr Youth's integration into LBi adds breadth and depth to the agency's already significant social media offering, capabilities made more urgent through several significant client wins this year. It is expected that Mr Youth will immediately contribute positively to LBi's earnings per share.

Net assets obtained Mr Youth EUR million	14 Nov 2011
Intangible fixed assets	0.2
Tangible fixed assets	0.9
Deferred tax assets	0.0
Total non-current assets	**1.1**
Net trade accounts receivable	2.0
Work in progress	0.0
Other current assets	0.3
Cash and cash equivalents	1.6
Total current assets	**3.9**
Total assets	**5.0**
Long term interest liabilities	0.8
Trade payables	0.8
Defferred income	1.3
Other short term liabilities	1.7
Total liabilities	**4.6**
Total net assets obtained	**0.4**

The net assets obtained after Purchase Price Accounting EUR million	
Goodwill	26.3
Other intangible assets	5.2
Deferred tax liability	-1.5
Net assets obtained	0.4
Total consideration	**30.4**

Of EUR 26.3 million goodwill, EUR 26.1 million is expected to be deductible for income tax purposes. Acquisition-related costs of EUR 0.6 million have been charged to administrative expenses in the consolidated income statement for the year ended 31 December 2011.

The fair value, carrying amounts and expected cash flows of acquired receivables is as follows:

Fair value of acquired assets Mr Youth EUR million	Carrying amount	Fair value
Net trade receivables		
Gross amount	2.0	2.0
Expected cash flows	2.0	2.0
Other receivables		
Gross amount	0.3	0.3
Expected cash flows	0.3	0.3

The income statement of Mr Youth stand alone for the period it was consolidated in the financial statements of LBI International N.V. is as follows:

Income statement Mr Youth EUR million	14 Nov thru 31 Dec 2011
Revenue	2.4
Cost of sales	-1.1
Gross margin	**1.3**
Selling expenses	-0.1
Administrative expenses	-0.9
Other operating income	-
Operating results	**0.3**
Financial income and expense	-
Income tax	-
Net result for the period	**0.3**

The income statement of the combined entities as if Mr Youth were part of the Group since the beginning of the year is as follows:

Pro forma income statement EUR million	12 months LBi & Mr Youth
Revenue	212.6
Cost of sales	-136.6
Gross margin	**76.0**
Selling expenses	-14.0
Administrative expenses	-41.2
Other operating income	3.8
Operating results	**24.6**
Financial income and expense	-0.7
Income tax	-5.5
Net result for the period	**18.4**

Rethink

On 30 May 2011 LBi international N.V. purchased 51% of the shares of Rethink GmbH. Rethink Berlin has particular knowledge of smart phone applications and is expected to be a valuable addition to the Group. Rethink was acquired for EUR 0.6 million, of which EUR 0.3 million has been paid in cash and EUR 0.3 million is still payable as an earn out obligation. EUR 0.1 million of this amount is expected to be payable in 2012 and similar amounts in 2013 and 2014. Pre-acquistition revenue and income were not material.

The net assets obtained are as follows: EUR million	
Goodwill	0.6
Net assets	-
Consideration paid	**0.6**

Composition of LBi International N.V.	Registration number	Registered office	Proportion of equity (%)	Proportion of votes (%)	Number of shares/ participations
Company holdings					
Icon Medialab Portugal Servicos LDA	P505215519	Lisbon	100	100	1
LBi Belgium SA *	0456.630.072	Brussels	100	100	7,689
LBi Germany Holding GmbH	HRB 130438	Berlin	100	100	25,000
LBI Group Interactive Spain SA	A81.567.810	Madrid	100	100	10,000
LBi Holding NV	34137169	Amsterdam	99.41	99.41	44,369,621
LBi SRL	MI-1998-106771	Milan	100	100	50,000
LBI Sverige AB	556296-9468	Stockholm	100	100	7,120,000
LBI Switzerland AG	CH-020.3.025.039-9	Zürich	100	100	99,997
LBI U.S. Holdings, Inc.	4341522	Delaware	100	100	1,000
Nexus Information Technology SA	A81.727.810	Madrid	100	100	1,368
Vizualize Technologies Pvt Ltd	11-98352	Mumbai	50	50	30,232

** LBi Holding NV holds 1 share in LBi Belgium SA*

Group company holdings	Registration number	Registered office	Proportion of equity (%)	Proportion of votes (%)	Number of shares/ participations
bigmouthmedia AS	987 894 962	Trondheim	100	100	1,000
bigmouthmedia Sarl	478 517 451	Paris	100	100	1,000
bigmouthmedia SL	B85586105	Madrid	100	100	50,000
Framfab AB	556529-3031	Stockholm	100	100	1,000
Framfab Sverige AB	556449-2220	Stockholm	100	100	100,000
Framtidsfabriken AB	556485-4353	Skellefteå	100	100	6,064
Framtidsfabriken Diviso AB	556571-8755	Stockholm	100	100	1,000
Icon Medialab Mijada AB	556528-8718	Stockholm	100	100	100,000
Iven & Hillmann Verwaltungs GmbH	HRB 98032	Berlin	100	100	1
LBi Germany AG	HRB 147417	Munich	100	100	90
LBI Limited	SC177425	Edinburgh	100	100	90
LBi Lost Boys BV	33276575	Amsterdam	100	100	2,700
LBi MENA FZ-LLC	17659	Dubai	100	100	50
LBi MetaDesign Limited	39773022-000-09-08-0	Hong Kong	100	100	1
LBi Netherlands BV	53792289	Amsterdam	100	100	18,000
LBI Nordic Holding A/S	29184852	Copenhagen	100	100	500,000
LBI UK Holding Limited	5920477	London	100	100	14,500
LBI US, LLC	13-3935591	New York	100	100	10,680,000
Lost Boys Polska Z.o.o.	63269	Warsaw	100	100	100
MetaDesign AG	HRB 76143	Berlin	83.66	83.66	1,024,000
MetaDesign China Limited	110000450134904	Beijing	100	100	1
Mr Youth, LLC	4312786	New York	100	100	1,793,675
OX2 SPRL *	0480.322.323	Brussels	100	100	1,279
Rethink GmbH	HRB 130645	Berlin	51	51	12,750
TRIPLE LBi ApS	30733177	Copenhagen	100	100	2,100
Vizualize Technologies Pvt Ltd	11-98352	Mumbai	50	50	30,232
Vizualize Technologies Limited	5172497	Kent	100	100	100

** LBi Holding NV holds 1 share in OX2 SPRL*

Companies being dissolved	Registration number	Registered office	Proportion of equity (%)	Proportion of votes (%)	Number of shares/ participations	Not included in consolidated statements fromy
Company holdings						
LBI France Sarl	510 525 603	Paris	100	100	100	2011-11-02
Group company holdings						
Aspect Infotek Software	08-31085	Bangalore	100	100	10,000	2008-12-18
Icon AB	56617-9825	Stockholm	100	100	6,250,000	2012-03-31
LBi Two Limited	03080409	London	100	100	23,334,432	2011-11-01
Lost Boys Interactive Spain SA	A62.031.109	Barcelona	100	100	700	2002-06-01
PIMI AB	556541-9545	Stockholm	100	100	10,000	2012-03-31
Syrup Sthlm AB	556647-0992	Stockholm	100	100	1,000	2011-10-01

Participations in associated companies	Organisation number	Registered office	Proportion of equity (%)	Proportion of votes (%)	Number of shares/ participations	Carrying amount Group	Carrying amount Company
MetaDesign Suisse AG	CH-020.3.023.324.4	Zürich	35.00	35.00	350	0.2	-
Sturm & Drang GmbH	HRB 98372	Hamburg	30.00	30.00	–	0.1	-
Total					**350**	**0.3**	**-**

Notes to the consolidated income statement

NOTE 7 OPERATING SEGMENTS

General

LBI's management has determined the operating segments based on reports reviewed by the chief operating decision maker ("CODM") as defined in IFRS 8, and used to make strategy decisions. The CODM, who is responsible for allocating resources and assessing performance of the reportable segments, has been identified as the Chief Executive Officer and the operating segments are UK, Central and Southern Europe, USA and Scandinavia. LBI's internal reporting and allocation of recourses is set up on the basis of geographical region. This is primarily because although a client may receive different types of service from LBi, they typically do so under a single contract.

The geographical regions in which LBi operates are:

- United Kingdom (UK)
- Central and Southern Europe ("Europe")
- United states of America ("USA")
- Scandinavia

Geographical regions are headed by a Regional Managing Director, who is responsible for managing performance, underlying risks and effectiveness of operations, and who is supported and supervised by the CODM.

Operating segments

In presenting information on the basis of geographical segments, segment revenue is based on the location of the operating entities. Intercompany sales and costs of sales are eliminated on a regional basis. Sales to other regions are charged at arm's length transfer prices.

The results of our operating entity in India and United Arab Emirates are entered under segment UK as these operations are managed from the UK office. The results of our operating entity in China are added under Europe, because this entity is managed from the Germany office.

Corporate activities include Group wide activities with regard to finance, IT, legal advice and human recourses. Centrally incurred costs are allocated to the various operating entities on the basis of a fixed percentage of the external revenue. The results of the corporate activities are reported separately to the Supervisory Board and are presented in the segment overview under 'Corporate and eliminations'.

All of the geographical segments derive their revenue from the sale of all services that LBi facilitates.

Key services are:

- E-commerce & self-service (transactional platform)
- Brand Strategy
- Content Service (strategy, authorship, migration)

The CODM assesses the performance of the operating segments bases on a measure of operating income. The accounting policies of the operational segments are identical to those of the Group. The operating income of the reporting segments includes the allocated Group expenses. The financial income and expense, the result of associated companies and taxes are not included in the operating income per segment.

The amounts provided to the CODM with respect to total assets and liabilities are measured in a manner consistent with that of the financial statements. These assets and liabilities are allocated based on the physical location of the asset/liability.

Operating segments EUR million	UK		Europe		USA		Scandinavia		Total segments		Holding and eliminations		Total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Revenue external	68.7	48.6	66.1	63.0	38.8	34.4	23.0	16.8	196.6	162.8	-	-	196.6	162.8
Revenue intercompany	1.8	0.7	3.1	0.3	2.1	0.2	1.9	1.0	8.9	2.2	-8.9	-2.2	-	-
Total revenue	**70.5**	**49.3**	**69.2**	**63.3**	**40.9**	**34.6**	**24.9**	**17.8**	**205.5**	**165.0**	**-8.9**	**-2.2**	**196.6**	**162.8**
Operational expenses	-53.1	-38.4	-62.6	-59.6	-38.2	-32.6	-21.8	-16.2	-175.7	-146.8	-3.1	-15.4	-178.8	-162.2
Other income	-	-	0.3	0.2	-	-	1.3	-	1.6	0.2	4.5	5.0	6.1	5.2
Operating result	**17.4**	**10.9**	**6.9**	**3.9**	**2.7**	**2.0**	**4.4**	**1.6**	**31.4**	**18.4**	**-7.5**	**-12.6**	**23.9**	**5.8**
Operating margin	**24.7%**	**22.1%**	**10.0%**	**6.2%**	**6.8%**	**5.8%**	**17.7%**	**9.0%**	**15.3%**	**11.2%**	**-**	**-**	**12.2%**	**3.6%**
Interest income - external	0.1	0.1	-	-	-	-	-	-	0.1	0.1	0.1	0.2	0.2	0.3
Interest income - internal	0.2	0.1	0.7	-	0.8	-	4.2	2.2	5.9	2.3	-5.9	-2.3	-	-
Interest expense - external	-	-	-0.1	-0.1	-	-	-	-	-0.1	-0.1	-1.1	-1.4	-1.2	-1.5
Interest expense - internal	-0.2	-2.4	-1.6	-	-1.7	-0.9	-2.5	-0.6	-6.0	-3.9	6.0	3.9	-	-
Other financial items	-3.2	-1.8	-2.3	-2.8	-1.5	-1.3	-0.9	-0.8	-7.9	-6.7	8.1	5.4	0.2	-1.3
Result before tax	**14.3**	**6.9**	**3.6**	**1.0**	**0.3**	**-0.2**	**5.2**	**2.4**	**23.4**	**10.1**	**-0.3**	**-6.8**	**23.1**	**3.3**
Non-current assets	49.8	21.0	39.2	5.9	40.7	36.0	28.1	28.8	157.8	91.7	114.0	150.1	271.8	241.8
Tax receivables and deferred tax assets	6.3	7.2	7.5	1.2	0.3	1.2	16.5	18.5	30.6	28.1	20.3	31.0	50.9	59.1
Total assets	**117.4**	**97.6**	**85.7**	**112.4**	**59.2**	**56.4**	**50.4**	**132.6**	**312.7**	**399.0**	**97.2**	**-27.1**	**409.9**	**371.9**
Tax payables and deferred tax liabilities	2.1	0.6	1.2	0.7	2.0	2.5	2.0	1.5	7.3	5.3	-0.3	0.4	7.0	5.7
Total liabilities	**38.2**	**71.5**	**22.5**	**55.9**	**24.1**	**53.7**	**13.4**	**40.9**	**98.2**	**222.0**	**44.4**	**-94.1**	**142.6**	**127.9**
Additions to non-current assets	31.0	2.7	35.4	0.4	5.6	-2.8	-	16.0	72.0	16.3	-34.1	64.6	37.9	80.9
Amortisation of intangible fixed assets	-1.0	-0.7	-0.7	-0.3	-0.2	-0.1	-0.5	-	-2.4	-1.1	-1.9	-1.7	-4.3	-2.8
Depreciation of tangible fixed assets	-1.2	-2.0	-1.4	-1.4	-0.7	-0.3	-0.2	-0.2	-3.5	-3.9	-0.2	0.1	-3.7	-3.8
Impairments	-	-	-	-	-	-	-	-	-	-	0.1	-	0.1	-

Revenue and non-current assets by country EUR million	External revenue		Non current assets	
	2011	2010	2011	2010
UK*	68.7	48.6	49.8	21.0
Netherlands	10.7	12.5	33.7	1.2
Belgium	6.7	7.5	0.6	0.7
Germany	31.7	29.4	3.1	2.6
Switzerland	1.3	1.1	-	-
France	1.0	0.3	-	-
Spain	6.9	7.4	1.3	1.1
Italy	6.1	4.7	0.4	0.1
USA	38.8	34.3	40.7	36.0
Sweden	14.9	10.0	16.4	16.6
Denmark	6.7	5.6	11.7	12.1
Norway	1.4	1.2	-	0.1
China	1.8	-	-	-
Holding & eliminations	-0.1	0.2	114.1	150.3
Total	**196.6**	**162.8**	**271.8**	**241.8**

* *The results of India and the United Arab Emirates are included in the UK results*

NOTE 8 OPERATIONAL EXPENSES

EUR million	2011			2010		
	Production	Sales	Administration	Production	Sales	Administration
Personnel related expenses	91.4	9.1	17.6	75.4	7.4	18.8
Hired capacity and temporary staff	17.7	-	0.7	16.4	-	0.8
Office expenses	4.5	0.4	1.7	2.8	0.3	1.9
Restructuring, integration	-	-	3.0	2.0	0.4	7.1
Depreciation and amortisation	6.1	0.6	1.3	4.2	0.7	1.7
Operating lease payments	4.2	0.3	1.5	3.9	0.2	1.4
Other expenses	4.6	3.7	10.4	6.1	4.5	6.2
Total	**128.5**	**14.1**	**36.2**	**110.8**	**13.5**	**37.9**

Lease expenses for 2011 amounted to EUR 6.0 million. Future minimum lease expenses are expected to be similar to the amount recognised in the 2011 financial statements. Research related expenses amounted in 2011 to EUR 0.6 million, excluding amortisation and depreciation (2010: EUR 0.2 million).

Administrative personnel related expenses in 2010 have been amended by an amount of EUR 0.5 million. This relates to the purchase of shares by the management for a discounted price. More information about this matter can be found in Note 3 'Comparative information'.

NOTE 9 PERSONNEL RELATED EXPENSES

EUR million	2011	2010
Gross salaries	94.4	77.7
Social fees	15.1	12.0
Pensions	1.3	1.1
Bonuses	0.9	0.8
Costs of stock options	0.3	4.4
Education and training	0.6	0.2
Other personnel related expenses	5.5	5.4
Total personnel related expenses	**118.1**	**101.6**

Average number of FTE's	2011	2010
UK	640	523
Europe	714	689
USA	276	237
Scandinavia	214	194
Holdings	25	19
Total average number of FTE's	**1,869**	**1,662**

In 2011, the cost of equity incentives relate for EUR 0.3 million to awards that were awarded to board members and key personnel before 2011. In 2010 an additional EUR 3.3 million relates to the Long Term Incentive Plan launched in 2010 entitling the Management Board and Supervisory Board to awards. Both plans are fully equity settled. More details on these plans can be found in Notes 23 and 24 of this report.

Cost of equity incentives in 2010 have been amended by an amount of EUR 0.5 million. This relates to the purchase of shares by the Management Board for a discounted price. More information about this matter can be found in Note 3 'Comparative information'.

Of the pension expenses EUR 0.1 million (2010: EUR 0.0 million) relates to a defined benefit plan that is used by only one person of the Company. All other pension expenses relate to defined contribution plans.

LBi has an international workforce, with personnel from approximately 16 different countries. By the end of 2011 LBi employed 2,066 FTE's, of which 6% works in the Netherlands and the remaining 93% work abroad.

NOTE 10 AUDIT FEES

EUR million	2011			2010		
	PwC	Other	Total	PwC	Other	Total
Audit of financial statements	0.5	-	0.5	0.6	0.1	0.7
Other audit procedures	0.1	-	0.1	0.5	-	0.5
Tax services	-	0.2	0.2	-	1.1	1.1
Other non-audit services	0.4	0.1	0.5	0.1	-	0.1
Total	**1.0**	**0.3**	**1.3**	**1.2**	**1.2**	**2.4**

All audit fees for 2011 have been entirely expensed. The higher expenses in 2010 are due to transaction related services due to the merger with Obtineo.

In accordance with the Dutch legislation, article 2:382a, the total audit related fees to accounting organisation PricewaterhouseCoopers Accountants N.V. seated in the Netherlands amounted to EUR 0.2 million (2010: EUR 0.6 million).

NOTE 11 DEPRECIATION AND AMORTISATION

EUR million	2011		2010	
	Depreciation	Amortisation	Depreciation	Amortisation
Production	2.9	3.2	2.4	1.8
Sales	0.3	0.3	0.5	0.2
Administration	0.5	0.8	1.0	0.7
Total	**3.7**	**4.3**	**3.9**	**2.7**

Depreciation relates primarily to depreciation of leasehold improvements and office equipment. Therefore, the basis of allocation is FTE's, which is reflected in the personnel related expenses of the three categories. Depreciation is allocated pro rato of the personnel related expenses to cost of sales, sales- and administrative expenses.

Amortisation relates for EUR 1.6 million to software and for EUR 1.1 million to the amortisation of client portfolios.

NOTE 12 OTHER OPERATING INCOME

Other income is mainly impacted by movements in the contingent consideration. The accounting treatment for such obligations has changed. The 2011 and 2010 figures have been adjusted to reflect this change in accounting treatment. More information about the financial impact of the changes in the accounting treatment for contingent considerations can be found in Note 3 'Comparative information'. The table below sets out the movements in the income statement that have been recorded during 2010 and 2011:

Other operating income EUR million	2011	2010
Release contingent consideration due to sale of shares	1.7	3.1
Fair value adjustment contingent liability	2.6	2.0
Fair value adjustment earn-out provisions	1.3	-
Other revenue	0.5	0.1
Total other income	**6.1**	**5.2**

The acquisition of TRIPLE LBi entailed an earn out obligation based on its future results. This agreement has been settled for a fixed price and the difference between the initial provision and the agreed amount has been released in the income statement.

The contingent consideration relates to an obligation that stems from the acquisition of bigmouthmedia GmbH by Obtineo Netherlands Holding N.V. in 2010. More details about this obligation can be found in Note 28 'Contingent consideration'.

NOTE 13 FINANCIAL INCOME AND EXPENSE

EUR million	2011	2010
Interest income	0.2	0.3
Exchange rate differences	1.3	- 0.2
Valuation of derivative instruments to fair value	-	- 0.1
Other financial income	-	0.1
Total financial income	**1.5**	**0.1**
Interest expenses	- 1.2	- 1.5
Exchange rate differences	- 1.0	- 0.4
Other financial expense	- 0.1	- 0.7
Total financial expenses	**- 2.3**	**- 2.6**
Total financial items	**- 0.8**	**- 2.5**

NOTE 14 CORPORATE INCOME TAX

Income tax recognised in the income statement EUR thousand	2011	2010
Current income tax - payable over current year	- 3.7	1.1
Current income tax - prior year adjustments	0.7	- 1.3
Current tax expense	**- 3.0**	**- 0.2**
Income tax - deferred	**- 2.3**	**- 2.6**
Total	**- 5.3**	**- 2.8**

The tax on the Group's Result Before Tax differs from the theoretical amount that would arise using the domestic statutory tax rate applicable for the Company.

The following table displays the sources of deviation:

Effective tax rate **EUR thousand**	**2011**		**2010**	
	EUR	**%**	**EUR**	**%**
Result before tax	**23.1**		**3.3**	
Domestic tax rate	25.0%		25.5%	
Income tax based on domestic tax rate	5.8	25.0%	0.8	25.5%
Impact tax rates in foreign jurisdictions	0.8	3.5%	0.1	3.0%
Prior year adjustments	-0.7	-3.0%	1.3	39.4%
Impact non-deductible expenses	1.2	5.2%	-0.4	-12.1%
Impact tax incentives and exempt income	-1.7	7.4%	-0.2	-6.1%
(De)recognition of deferred tax positions	-0.1	-0.4%	1.1	33.3%
Other reconciling items	-	0.0%	0.1	3.0%
Effective tax charge	**5.3**	**22.9%**	**2.8**	**84.8%**

The applicable tax rate in 2011 compared to 2010 has changed because of a change in domestic legislation.

The tax (charged)/credited relating to components of other comprehensive income is as follows:

Income tax relating to components of other comprehensive income **EUR million**	**2011**	**2010**
Tax related to net investment hedge	0.6	0.4
Total	**0.6**	**0.4**

There was no tax charged or credited directly to equity.

NOTE 15 EARNINGS PER SHARE

The following table shows the calculation of the basic and fully diluted earnings per share attributable to equity holders:

EUR million	2011	2010
Result for the year	**17.8**	**0.5**
Result attributable to non -controlling interests	0.3	-
Result attributable to equity holders	17.5	0.5
Weighted average number of shares outstanding (Note 23)	141,224	96,717
Diliution effects:		
Options in the money	1,459	1,477
Weighted average number of shares outstanding including dillution effects	142,683	98,194
Earnings per share after tax attributable to equity holders for the year in EUR		
Basic	0.12	0.01
Diluted	0.12	0.01

Basic earnings per share is calculated by dividing the profit attributable to equity holders by the weighted average number of ordinary shares in issue during the year excluding ordinary shares purchased by the Company and held as treasury shares (Note 23 and 24).

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares: share options. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

The profit attributable to equity holders used for calculations on a diluted basis is equal to the profit attributable to equity holders used for calculations on a non-diluted basis.

Notes to the consolidated balance sheet

NOTE 16 TANGIBLE FIXED ASSETS

2011 EUR million	Buildings	Adaption of premises	Equipment	Total
Costs 1 January	0.2	10,9	25.1	36.2
Accumulated depreciation per 1 January	-	- 4.9	- 20.9	- 25.8
Book value as at 1 January	**0.2**	**6.0**	**4.2**	**10.4**
Changes:				
Investments	0.1	3.4	4.2	7.7
Depreciation	- 0.1	- 0.8	- 2.8	- 3.7
Translation differences	-	0.1	-	0.1
Total changes	**0.0**	**2.7**	**1.4**	**4.1**
Costs 31 December	0.3	14.4	29.3	44.0
Accumulated depreciation per 31 December	- 0.1	- 5.7	- 23.7	- 29.5
Book value as at 31 December	**0.2**	**8.7**	**5.6**	**14.5**

2010 EUR million	Buildings	Adaption of premises	Equipment	Total
Costs 1 January	-	9.2	21.6	30.8
Accumulated depreciation per 1 January	-	- 3.8	- 18.1	- 21.9
Book value as at 1 January	**0.0**	**5.4**	**3.5**	**8.9**
Changes:				
Investments	0.2	1.5	2.7	4.4
Depreciation	-	- 1.1	- 2.8	- 3.9
Translation differences	-	0.2	0.8	1.0
Total changes	**0.2**	**0.6**	**0.7**	**1.5**
Costs 31 December	0.2	10.9	25.1	36.2
Accumulated depreciation per 31 December	-	- 4.9	- 20.9	- 25.8
Book value as at 31 December	**0.2**	**6.0**	**4.2**	**10.4**

NOTE 17 INTANGIBLE FIXED ASSETS

2011 **EUR million**	**Goodwill**	**Trademarks**	**Contracts**	**Software**	**Total**
Costs 1 January	162.4	1.6	21.9	10.4	196.3
Accumulated depreciation per 1 January	-	-1.6	-16.2	-5.7	-23.5
Book value as at 1 January	**162.4**	**0.0**	**5.7**	**4.7**	**172.8**
Changes:					
Additions through business combinations	26.9	2.9	2.0	0.3	32.1
Investments	-	-	-	3.7	3.7
Amortisation	-	-	-2.2	-2.1	-4.3
Translation differences	-0.1	0.2	0.2	0.1	0.4
Total changes	**26.8**	**3.1**	**0.0**	**2.0**	**31.9**
Costs 31 December	189.2	4.7	24.1	14.5	232.5
Accumulated depreciation per 31 December	-	-1.6	-18.4	-7.8	-27.8
Book value as at 31 December	**189.2**	**3.1**	**5.7**	**6.7**	**204.7**

2010 **EUR million**	**Goodwill**	**Trademarks**	**Contracts**	**Software**	**Total**
Costs 1 January	87.9	1.6	18.1	6.6	114.2
Accumulated depreciation per 1 January	-	-1.6	-15.1	-4.1	-20.8
Book value as at 1 January	**87.9**	**0.0**	**3.0**	**2.5**	**93.4**
Changes:					
Additions through business combinations	78.0	-	3.4	-	81.4
Investments	-	-	-	3.7	3.7
Amortisation	-	-	-1.1	-1.6	-2.7
Fair value adjustments	-7.4	-	-	-	-7.4
Translation differences	3.9	-	0.4	0.1	4.4
Total changes	**74.5**	**0.0**	**2.7**	**2.2**	**79.4**
Costs 31 December	162.4	1.6	21.9	10.4	196.3
Accumulated depreciation per 31 December	-	-1.6	-16.2	-5.7	-23.5
Book value as at 31 December	**162.4**	**0.0**	**5.7**	**4.7**	**172.8**

Additions through business combinations relate to the acquisition of Mr Youth and Rethink in 2011 and to the merger with Obtineo and the acquisition of TRIPLE LBi Copenhagen in 2010.

Investments in software relate to capitalised labour expenses that were dedicated to in-house built software. No other software was acquired during 2010 and 2011.

In 2010, fair value adjustments of EUR 7.4 million relate to reductions in earn-out obligations stemming from acquistions prior to the adoption of IFRS 3R.

Impairment test for intangible assets

Goodwill is the only intangible assets that has an indefinite useful life. Goodwill is allocated to the Group of Cash Generating Units ("CGUs") that are expected to benefit from the business combinations. The Group of CGUs are defined at the level of operating segments. On that basis the carrying amounts of goodwill are divided over the Group of CGUs and monitored as follows:

Goodwill per CGU EUR million	2011	2010
UK	72.1	71.4
Europe	43.3	42.7
USA	56.8	29.6
Scandinavia	17.0	18.7
Total Goodwill	**189.2**	**162.4**

Impairment tests on goodwill are performed for each operating segment at least annually and more often when indicators for impairment are identified. The impairment charge is the amount by which the carrying value exceeds the recoverable value. The recoverable value is the higher of the fair value less cost to sell and the value in use.

The discounted cash flow ("DCF") method is used to determine the value in use. In the DCF method the estimated future cash flows are discounted to their present value using a discount rate, determined as a pre-tax weighted average cost of capital per operating segment that reflects the current market assessment of the time value of money and the risk of the asset. The estimated cash flows for the coming year are based on local financial plans adopted by Group management and approved by the Supervisory Board. Cash flows for a five-year period are extrapolated using expected annual per country revenue and EBITDA growth rates. For all regions a 6% short-term revenue growth rate was used and EBITDA margins are expected to stay flat, where synergetic effects of the BMM acquisition as well as of the Mr Youth acquisition will offset the effects of market pressure.

Other key assumptions are:

- The market for digital marketing services will grow in the near future in all regions. A smaller increase is expected in Europe than in the other regions;
- The required working capital as a percentage of the revenue is flat;
- Synergies resulting the acquisition of Mr Youth have been identified and are included in the calculations;
- Cash flows after the first 5-year period were extrapolated using expected annual long term inflation, based on external sources, in order to calculate the terminal recoverable amount of 3% (2010: 3%);
- A pre-tax weighted average cost of capital ("WACC") was calculated for the various CGUs, ranging from 13.5% to 17.1%. Management of LBi believe that a pre-tax WACC of approximately 14.5% best represents the Group's cost of capital.

The values assigned to the key assumptions represent management's assessment of future trends in the digital marketing industry and are based on both external sources and internal sources (historical data).

The expected future cash flows used in the impairment analysis are based on management's estimates. Events in digital marketing industry as well as the financial markets and the overall economy may have an adverse impact on the estimated future cash flows of LBi's businesses.

A sensitivity analysis was performed on all CGUs, by changing the parameters that have the biggest impact on the recoverable amounts. All CGUs had sufficient headroom between the carrying value of the CGU tested and the recoverable amount. In 2011 impairment test calculations did not lead to impairment charges, even though the economic climate during this timeframe has been boisterous.

The following table gives an indication of the approximate goodwill impairments which would have been recognised in 2011, on an aggregated basis, if key assumptions change adversely and would have been used in the impairment testing of each cash-generating unit.

An impairment charge will be taken in case the carrying value exceeds the recoverable value, using the base assumptions for the impairment test.

Indication of the approximate goodwill impairments		Decrease in long term growth rate		
EUR million		Base	By 1% point	By 2% point
	Base	-	-	-
Increase in discount rate	By 1% point	-	-	-
	By 2% point	-	-	-

NOTE 18 DEFERRED TAX

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Movements in deferred tax position EUR million	Deferred tax asset		Deferred tax liability	
	2011	2010	2011	2010
Opening balance at 1 January	**56,5**	**51.0**	**3.6**	**0.8**
Movements during the year:				
Usage tax loss carry forwards	-7.3	-	-	-
Addition tax loss carry forwards	1.2	3.0	-	-
De-recognition TLCF's	-5.0	-	-	-
Movement in temporary differences	6.0	-	-3.4	-
Acquistions	-	-	1.9	2.8
Currency translation adjustment effects	-0.6	2.5	-	-
Total	**-5.7**	**5.5**	**-1.5**	**2.8**
Closing balance at 31 December	**50.8**	**56.5**	**2.1**	**3.6**

Usage of tax loss carry forwards relates for EUR 6.5 million to the Netherlands. LBi Lost Boys B.V. sold its assets to newly incorporated LBi Netherlands B.V. The gain on this asset sale resulted in taxable profit, which was offset against Dutch Tax losses Carried Forward (TLCF's). As a result, no tax was due. In LBi Netherlands B.V. this transaction resulted in temporary differences of the same amount but in opposite direction.

De-recognition of deferred tax position relates mainly to write downs of the remaining TLCF's in the Netherlands and TLCF's in the UK.

The movements in the deferred tax have been processed as stated in the table below:

Deferred tax on the balance sheet EUR million	2011			2010		
	Assets	**Liability**	**Net**	**Assets**	**Liability**	**Net**
Balance per 1 January	**56.5**	**3.6**	**52.9**	**51.0**	**0.8**	**50.2**
Charged/credited to income statement	-5.5	-3.2	-2.3	2.6	1.9	0.7
Charged/credited to other comprehensive income	0.6	-	0.6	0.4	-	0.4
Charged directly to equity	-	-	-	-	-	-
Acquisitions	-	1.5	-1.5	0.1	0.9	-0.8
Currency translation effects	-0.8	0.2	-1.0	2.4	-	2.4
Balance per 31 December	**50.8**	**2.1**	**48.7**	**56.5**	**3.6**	**52.9**

The composition of the deferred tax assets and – liabilities is as follows:

Composition of deferred taxes EUR thousand	**2011**			**2010**		
	Assets	**Liability**	**Net**	**Assets**	**Liability**	**Net**
Tax loss carry forwards	42.8	-	42.8	55.0	-	55.0
Temporary differences intangible assets	7.4	2.1	5.3	1.1	3.6	- 2.5
Temporary differences resulting from Net Investment Hedge	0.6	-	0.6	0.4	-	0.4
Net deferred tax position	**50.8**	**2.1**	**48.7**	**56.5**	**3.6**	**52.9**

In order to support the recognition of these losses as a deferred tax asset, management prepared a forecast for the period up to and including FY 2023 ('use of tax losses').

The aggregate amount of temporary tax differences associated with the acquisition of Obtineo is EUR 0.9 million. The acquisition of Obtineo involved an amount of EUR 3.4 million for client portfolios. The temporary tax difference associated with this asset has been recognised under deferred tax liabilities and is EUR 0.9 million.
The aggregate amount of temporary tax differences associated with the acquisition of Mr Youth, LLC is EUR 1.5million. The acquisition of Mr Youth, LLC involved an amount of EUR 5.2 million for client portfolios, software and trademarks. The temporary tax differences associated with these assets have been recognised under deferred tax liabilities and is EUR 1.5 million.

The expected term of recovery of deferred tax assets and deferred tax liabilities is as follows:

Deferred tax on the balance sheet EUR million	**2011**	**2010**
Deferred tax asset		
To be recovered within 12 months	7.3	8.2
To be recovered after 12 months	43.5	48.3
Total	**50.8**	**56.5**
Deferred tax liability		
To be recovered within 12 months	0.3	1.2
To be recovered after 12 months	1.8	2.4
Total	**2.1**	**3.6**
Net deferred tax position	**48.7**	**52.9**

Tax loss carry forwards are comprised and recognised as follows:

Tax loss carry forwards EUR thousand	2011		2010	
	Base	Tax value	Base	Tax value
Recognised	162.8	42.8	208.6	55.0
Unrecognised	50.6	13.2	33.9	8.9
Total	**213.4**	**56.0**	**242.5**	**63.9**

The majority of the TLCF's are in Sweden, UK and the Netherlands. Losses in Sweden and UK do not have an expiry date, losses in the Netherlands and other regions have expiry dates between 2012 and 2016.

An amount of EUR 21.8 million of the Swedish losses relates to the legacy of LBI International AB (now the Swedish branch of LBi International N.V.).

As a result of the cross border merger in 2010, tax loss carry forwards in former LBI International AB as of FY 2009 (old tax losses) are restricted. The restriction sees to it that these losses can only be used by certain Group companies until they can be fully applied in FY 2016.

NOTE 19 OTHER NON-CURRENT ASSETS

EUR million	2011	2010
Derivative instruments	-	0.2
Participations in associates	0.2	0.2
Other long term receivables	1.6	1.7
Total other non-current assets	**1.8**	**2.1**

NOTE 20 TRADE AND OTHER RECEIVABLES

EUR million	2011	2010
Accounts receivable	64.6	60.7
Due from associated companies	0.4	0.2
Other current assets	6.1	4.8
Total trade and other receivables	**71.1**	**65.7**

Days outstanding trade accounts receivable EUR million	2011			2010		
	Gross accounts receivable	Impairment	Net accounts receivable	Gross accounts receivable	Impairment	Net accounts receivable
Current	37.5	-	37.5	37.4	-	37.4
0 - 30 days overdue	15.8	-	15.8	10.5	-	10.5
31 - 60 days overdue	4.1	-	4.1	3.6	-	3.6
61 - 90 days overdue	2.3	-	2.3	4.2	-	4.2
91 - 120 days overdue	1.9	- 0.2	1.7	4.0	- 0.6	3.4
121 - 365 days overdue	2.8	- 0.3	2.5	3.1	- 1.4	1.7
> 365 days overdue	1.8	- 1.1	0.7	0.1	- 0.2	- 0.1
Total	**66.2**	**- 1.6**	**64.6**	**62.9**	**- 2.2**	**60.7**

The net book value of the trade accounts receivables is approximately the same as the fair value of the trade accounts receivables. The allowance for impairment of accounts receivables is recorded at nominal value, considering the short term character of this line item. The allowance for impairment of accounts receivables fully relates to receivables whose contractually agreed payment date has expired at balance sheet date. Receivables that are considered not collectable are fully impaired.

Movements in allowance for impairment of accounts receivable EUR million	2011	2010
Opening balance January	**2.2**	**0.2**
Acquisitions	-	0.4
Additions	0.1	1.7
Utilisation	- 0.5	-
Release	- 0.2	-
Foreign exchange rate effects	-	- 0.1
Other movements	-	-
Closing balance December	**1.6**	**2.2**

The Group policy requires that all amounts that are past due for more than 2 months are impaired, however, local entities can deviate from this rule if sufficient basis exists to expect that the outstanding amounts will be recovered.

NOTE 21 PREPAID EXPENSES AND ACCRUED REVENUE

EUR million	2011	2010
Prepaid expense	3.5	2.6
Accrued income	0.1	0.1
Work in progress	22.2	14.8
Total	**25.8**	**17.5**

Cost of earnings in excess of billing relates to hours spent on client projects for which the revenue is valued with the percentage of completion method. The following table gives insight in the aging of this line item (2010 not available):

Work in progress EUR million	2011
0 - 30 days	12.0
31 - 60 days	4.5
61 - 90 days	3.0
91 - 120 days	1.5
121 - 150 days	0.9
151 - 365 days	0.3
> 365 days	-
Total	**22.2**

NOTE 22 CASH AND BANK DEPOSITS

In the consolidated cash flow statement and in the consolidated balance sheet, cash and cash equivalents include cash in hand and deposits held at call with banks. Bank overdrafts and other borrowings are shown in the consolidated balance sheet within borrowings in current liabilities. In the consolidated cash flow statement, cash and cash equivalents equal cash and cash equivalents in the consolidated balance sheet.

NOTE 23 SHARE CAPITAL AND ADDITIONAL PAID IN CAPITAL

Before and during 2011 the authorised share capital consisted of 600,000,000 ordinary shares and 2 preference shares of EUR 0.25 nominal value per share.

Weighted (average) number of shares outstanding	End of period	Nr of days	Weighted average
Share capital 1 January 2010	62,023,276	365	62,023,276
Issue related to merger 29 July 2010	68,191,934	155	28,958,219
Issue related to minority shareholders BMM 30 August 2010	941,398	123	317,238
Rights Offering 7 September 2010	10,000,000	115	5,418,044 *
Share capital 31 December 2010 excl. equity incentive	**141,156,608**		**96,716,777**
Treasury shares related to equity incentive 27 September 2010	8,610,316	95	2,241,041
Share capital 31 December 2010 incl. equity incentive	**149,766,924**		**98,957,818**
Share capital 1 January 2011 excl. equity incentive	**141,156,608**	365	**141,156,608**
Exercised options 13 January 2011	40,000	352	38,575
Exercised options 14 February 2011	20,000	320	17,589
Exercised options 10 June 2011	20,000	204	11,178
Share capital 31 December 2011 excl. equity incentive	**141,236,608**		**141,223,950**
Treasury shares related to equity incentive 27 September 2010	8,610,316	365	8,610,316
Treasury shares related to equity incentive 26 May 2011	100,000	219	60,000
Weighted average number of shares per end of period	**149,946,924**		**149,894,266**

* *The weighted average amount is taking into consideration the bonus element included in the rights offering*

This bonus element has been included for the 250 days prior to the rights issuance and amounts to 3,310,345.

Bonus element included in rights offering:	3,310,345
Time weight	250 days
Impact on weighted number of shares	2,267,359

The remaining amount consists of 3,150,685 for the period after the rights offering, for a period of 115 days.

nominal value of rights offering	10,000,000
Time weight	115 days
Impact on weighted number of shares	3,150,685

There are two preference shares, A and B. The holder of the share A, The Carlyle Group, is given the right to appoint one member of the Supervisory Board, provided that this shareholder holds at least 5% of all issued and outstanding shares at the time of such appointment. The holder of the share B, Janivo Holding, is given the right to nominate one member of the Supervisory Board, provided that this shareholder holds at least 5% of all issued and outstanding shares at the time of such nomination.

On 31 December 2011 149,946,924 shares with nominal value of EUR 0.25 were issued and paid up, of which 8,710,316 shares were issued to the LBi International N.V. Employee Benefit Trust ("LBi EBT") in connection with the granting of awards under the employee equity incentive plan that is described in Note 24. All shares are listed, with the exception of the A and B share.

During the year 100,000 options were awarded to an employee under the JSOP plan. In order to arrange for future exercise of these options another 100,000 treasury shares have been issued.

Nature and purpose of reserves

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries. It is also used to record the effect of hedging net investments in foreign operations.

NOTE 24 EMPLOYEE EQUITY INCENTIVE PLANS

It has always been one of the Company's goals to enable its employees to have a stake in the Company's future, including the chance of owning Shares in the Company. The Company has a Global Share Option Plan (GSOP) and a Long Term Incentive Plan (LTIP) in place. The GSOP and the LTIP are further described in Section Corporate Governance, Employee equity incentive plans. The costs of the employee incentive plans were fully expensed and recorded in the other reserve in equity.

Global Share Option Plan

No new options will be granted under GSOP as of the Merger. In 2011 there were 3,033,250 (2010: 3,514,100) options outstanding under the GSOP, which together entitled the holders to purchase a maximum of 3,033,250 (2010: 3,514,100) shares in LBi International N.V.

Warrants related to the Global Share Option Plan

During 2006 and 2007 LBi AB issued warrants to secure its undertaking to deliver shares under the Global Share Option Plan and to cover the related administrative expenses and social security contributions. The number of outstanding warrants as per 31 December 2009 was 3,042,445. As a result of the Merger all warrants lapsed. No new warrants were issued during 2010 or 2011.

Long Term Incentive Plan

As of 31 December 2011 12,080,316 awards have been granted under the LTIP (Long Term Incentive Plan), for which 8,710,316 treasury shares have been issued to the LBi EBT. During 2011 100,000 awards were granted to one employee, representing 100,000 shares.

The maximum number of shares available to be awarded under the LTIP is 12,750,000 shares. The remainder of shares to be awarded under the LTIP as of 31 December 2011 is 899,684.

The following tables show all outstanding stock options from LBi AB (including rollover from LB Icon AB) under the GSOP, held by employees as of 31 December 2011 and 2010.

In 2011 there are no more employee stock options in the Global Share Option Plan rollover from LB Icon AB as all expired in the course of 2010.

Awards to acquire shares, which lapse or have been released flow back to the pool.

2010 Employee stock options rollover from LB Icon AB

Series	Date of grant	Date of expiration	Strike price options (SEK)	Outstanding options as of 2009-12-31	Granted	Lapsed	Exer-cised	Outstanding options as of 2010-12-31	Number of shares out-standing can increase by
L	2003-05-29	2010-05-29	15.00	100,000	-	-100,000	-	0	0
M1-4	2003-11-14	2010-11-14	22.90	1,732,500	-	-1,732,500	-	0	0
P4-7	2005-04-28	2010-04-28	40.00	17,500	-	-17,500	-	0	0
Total				**1,850,000**	**-**	**-1,850,000**	**-**	**0**	**0**

2011 Employee stock options LBI International AB

Series	Date of grant	Date of expiration	Strike price options (SEK)	Outstanding options as of 2010-12-31	Granted	Lapsed	Exercised	Released	Outstanding options as of 2011-12-31	Number of shares outstanding can increase by
D1-3	2006-10-30	2011-10-30	44.65	330,000	-	- 330,000	-	-	-	-
D4-6	2006-10-30	2011-10-30	44.65	70,000	-	- 70,000	-	-	-	-
E	2007-02-16	2012-02-16	52.50	200,000	-	-	-	-	200,000	200,000
F4-6	2007-11-27	2012-11-27	31.79	120,000	-	-	-	-	120,000	120,000
G1-3	2008-08-26	2013-08-26	16.57	538,000	-	-	-	- 12,500	525,500	525,500
H1-4	2009-02-13	2014-02-13	11.26	280,000	-	-	- 80,000*	62,200	262,200	262,200
I1-3	2009-09-21	2014-09-21	15.50	1,976,100	-	-	-	- 71,100	1,925,550	1,925,550
Total				**3,514,100**	**-**	**- 400,000**	**- 80,000**	**- 21,400**	**3,033,250**	**3,033,250**

* *40,000 Stock options were exercised on 13 January 2011. The average share price on that day was EUR 1.70*
20,000 Stock options were exercised on 14 February 2011. The average share price on that day was EUR 1.91
20,000 Stock options were exercised on 10 June 2011. The average share price on that day was EUR 1.71

2010 employee stock options LBI International AB

Series	Date of grant	Date of expiration	Strike price options (SEK)	Outstanding options as of 2009-12-31	Granted	Lapsed	Exercised	Released	Outstanding options as of 2010-12-31	Number of shares outstanding can increase by
D1-3	2006-10-30	2011-10-30	44.65	591,250	-	- 261,250	-	-	330,000	330,000
D4-6	2006-10-30	2011-10-30	44.65	100,000	-	- 30,000	-	-	70,000	70,000
E	2007-02-16	2012-02-16	52.50	200,000	-	-	-	-	200,000	200,000
F4-6	2007-11-27	2012-11-27	31.79	366,000	-	- 246,000	-	-	120,000	120,000
G1-3	2008-08-26	2013-08-26	16.57	642,000	-	-	-	- 104,000	538,000	538,000
H1-4	2009-02-13	2014-02-13	11.26	280,000	-	-	-	-	280,000	280,000
I1-3	2009-09-21	2014-09-21	15.50	2,087,900	-	-	-	- 111,800	1,976,100	1,976,100
Total				**4,267,150**	**-**	**- 537,250**	**-**	**- 215,800**	**3,514,100**	**3,514,100**

Vesting

E 100% will vest on a change of control only (as defined in the Plan Rules).

F4-6 The first part of 50% vested 27 November 2009, the second part of 25% vested 27 November 2010 and the remaining 25% vested 27 November 2011.

G1-3 The first part of 50% vested on 26 August 2010, the second part of 25% vested on 26 August 2011 and the remaining part of 25% will vest 26 August 2012.

H1-4 The first part of 25% vested 13 February 2010, the second part of 25% vested 13 February 2011, the third part of 25% will vest 13 February 2012 and the remaining part of 25% will vest from 13 February 2013. In deviation of Rule 6.1 of the Rules the options will not lapse if the employee ceases to be an employee of any member of the Group but may be exercised within 5 years following the Date of Grant (i.e. by 13 February 2014) subject to the exercise periods.

I1-3 The first part of 50% vested 21 September 2011, the second part of 25% will vest 21 September 2012, and the remaining part of 25% will vest from 21 September 2013.

2011 awards LBi International N.V. under the Long Term Incentive Plan *										
Series	Date of grant	Date of expiration	Price awards (EUR)	Outstanding awards 2010-12-31	Granted	Lapsed	Exercised	Released	Outstanding awards 2011-12-31	Number of shares outstanding can increase by
A1	2010-09-08	2010-09-15	1.20	1,123,333	-	-	-	-76,666	1,046,667	1,046,667
A2	2010-09-08	2010-09-15	1.80	1,123,333	-	-	-	-76,666	1,046,667	1,046,667
A3	2010-09-08	2010-09-15	2.80	1,123,334	-	-	-	-76,668	1,046,666	1,046,666
A5	2010-09-08	2010-09-15	1.20	2,870,105	-	-	-	-	2,870,105	2,870,105
A6	2010-09-08	2010-09-15	1.80	2,870,105	-	-	-	-	2,870,105	2,870,105
A7	2010-09-08	2010-09-15	2.80	2,870,106	-	-	-	-	2,870,106	2,870,106
B1-3	2011-05-26	2016-05-26	2.04	-	100,000	-	-	-	100,000	100,000
Total				**11,980,316**	**100,000**	**-**	**-**	**- 230,000**	**11,850,316**	**11,850,316**

* *Whereof 8,710,316 shares where issued to the trustee of the trust company of LBi Employee Benefit Trust*

2010 awards LBi International N.V. under the Long Term Incentive Plan *										
Series	Date of grant	Date of expiration	Price awards (EUR)	Outstanding awards 2009-12-31	Granted	Lapsed	Exercised	Released	Outstanding awards 2010-12-31	Number of shares outstanding can increase by
A1	2010-09-08	2010-09-15	1.20	-	1,123,333	-	-	-	1,123,333	1,123,333
A2	2010-09-08	2010-09-15	1.80	-	1,123,333	-	-	-	1,123,333	1,123,333
A3	2010-09-08	2010-09-15	2.80	-	1,123,334	-	-	-	1,123,334	1,123,334
A5	2010-09-08	2010-09-15	1.20	-	2,870,105	-	-	-	2,870,105	2,870,105
A6	2010-09-08	2010-09-15	1.80	-	2,870,105	-	-	-	2,870,105	2,870,105
A7	2010-09-08	2010-09-15	2.80	-	2,870,106	-	-	-	2,870,106	2,870,106
Total				**-**	**11,980,316**	**-**	**-**	**-**	**11,980,316**	**11,980,316**

* *Whereof 8,610,316 shares where issued to the trustee of the trust company of LBi Employee Benefit Trust*

Vesting

A1-7 No vesting period applies to the awards granted on 8 September 2010 (i.e. the vesting date). However, the exercise price is EUR 4 for the first year and shall thereafter be decreased to EUR 1.20 for 1/3, EUR 1.80 for 1/3 and EUR 2.80 for the remaining 1/3 of the awards.
The fair value of the LTIP is estimated as per emission date at EUR 3.3 million, accounted for in the profit and loss account. The amount was calculated with the help of the John C. Hull model.
The following input data were used in the model: expected volatility 45% per year, risk free rate 2.1% per year and an exercise multiple of 1.30 in the case of a price of EUR 1.20, 1.20 in the case of a price of EUR 1.80 and 1.10 in case of a price of EUR 2.80.

B1-3 The first part of 50% will vest 26 May 2012, the second part of 25% will vest 26 May 2013 and the remaining part of 25% will vest on 26 May 2014.
The fair value of the granted awards is estimated as per emission date at EUR 39 thousand, accounted for in the profit and loss account.
The amount was calculated with the help of the John C. Hull model. The following input data were used in the model: expected volatility 45% per year, risk free rate 2.1% per year and an exercise multiple of 1.30.

NOTE 25 LONG TERM LIABILITIES TO CREDIT INSTITUTIONS

In 2010 our most important credit facilities consisted of a number of loans held centrally at the Danske Bank in various currencies. These loans were granted to facilitate the acquisition of a number of Group companies. The terms and conditions to the loans were conform market practices and were similar for all loans. End of 2010 LBi easily met all of the criteria and had enough headroom to allow for unexpected changes in the performance.

On 10 November 2011 all Danske Bank loans and other facilities have been refinanced with ABN AMRO Bank. The new financing structure entails a EUR 20.0 million uncommitted working capital facility (facility A), a EUR 30.0 million committed revolving credit facility (facility B) and a EUR 20.0 million term loan (facility C). End of 2011, there were no more Danske Bank loans outstanding.

As a current account facility, facility A has a short term variable interest rate. The current account facility is reported under short term liabilities to credit institutions. Facilities B and C mature in 3 years' time and have a variable interest rate based on EURIBOR plus a mark-up.

To reduce its exposure to borrowings at market interest rates, interest rate swaps denominated in euros, have been entered into with financial institutions. The swaps mature at 31 October 2014. At 31 December 2011 the Group had two interest rate swaps with notional contract amounts of EUR 20.0 million and EUR 23.0 million (2010: EUR 19.9 million).

Interest rate swaps are stated at fair value with the realised and unrealised result recorded as net financing costs in the profit and loss account.

The fair value of interest rate swaps amounts to EUR 0.0 million (2010: EUR 0.2 million) and is included in 'Other non-current assets' as 'Derivative instruments' in the statement of the financial position. There were no gains/loses related to hedging instruments.

Long term liabilities to credit institutions 2011 EUR million	**Effective interest rate**	**Balance at 31-12-2011**	**Due in 2013***	**Due in 2014**	**Thereafter**
ABN AMRO facility B	4.16%	15.3	7.6	7.7	-
ABN AMRO facility C	4.16%	14.0	7.0	7.0	-
Other		0.5	0.3	-	0.2
Total		**29.8**	**14.9**	**14.7**	**0.2**

Long term liabilities to credit institutions 2010 EUR million	**Effective interest rate**	**Balance at 31-12-2010**	**Due in 2012***	**Due in 2013**	**Due in 2014**
Danske Bank EUR	2.60%	5.6	4.6	0.8	0.2
Danske Bank GBP	2.43%	1.0	0.7	0.3	0.1
Danske Bank SEK	2.61%	1.0	0.4	0.4	0.3
Danske Bank USD	2.74%	7.4	5.4	1.8	-
Other loans		0.6	0.2	0.1	0.3
Total		**15.6**	**11.3**	**3.4**	**0.9**

* *Amounts due in 2012 and 2011 are presented under short term liabilities to credit institutions*

The exposure of the Group's borrowings to interest rate changes has been hedged with an interest rate swap.

The trade receivables of certain subsidiaries of the Group serve as collateral for long term bank borrowings. In case the Group defaults under the loan agreement, the bank has the right to receive the cash flows from the trade receivables of these entities. Without default, the entities will collect the receivables and allocate new receivables as collateral. The following collateralised assets are provided as a security for the various bank facilities:

EUR million	2011	2010
Equipment	-	0.1
Equipment used in accordance with financial lease contracts	-	0.2
Trade receivables *	39.0	0.3
Shares in subsidiaires	-	183.1
Corporate mortgages	-	11.6
Total collateral	**39.0**	**195.3**
Other engagements		
Restricted accounts and deposits	1.3	1.2
Total	**40.3**	**196.5**

* *Only from LBi Lost Boys B.V., LBi Netherlands B.V., LBi Limited, LBi Sverige AB and LBi USA, LLC*

NOTE 26 PROVISIONS FOR PENSIONS AND SIMILAR COMMITMENTS

More than half of the provision (EUR 0.6 million) is for pension commitments by one of the German Group companies to a member of management. The pension scheme is classified as a defined benefit plan. The provision is based on an actuarial calculation pursuant to IAS 19 based on the following actuarial assumptions:

Actuarial assumptions	2011 Richttafeln 2005 G	2010 Richttafeln 2005 G
Discount rate of interest (%)	5.4%	5.0%
Future annual salary increases (%)	2.0%	1.5%
Retirement age	63	63

Payments under this plan will be made starting in 2020 in accordance with the retirement age. Just short of half of the provision (EUR 0.4 million) is for pension commitments to employees of the Italian Group company. In accordance with Italian legislation (Trattamento di Fine Rapporto), provisions to which employees are entitled are set aside when employment is terminated. The annual provision is based on the remuneration that the employee received during the year and is adjusted to the Italian CPI. The pension scheme is classified as a defined benefit plan pursuant to IAS 19. The provision is based on an actuarial calculation in accordance with IAS 19.

Provisions for pensions and similar obligations EUR million	2011	2010
Opening balance	1.0	1.0
Provision for the year	0.2	0.1
Utilisation	-0.1	-0.1
Total provision for pensions	**1.1**	**1.0**

NOTE 27 OTHER PROVISIONS

Movements in other provisions EUR million	Earn-out obligations		Other provisions		Total other provisions	
	2011	2010	2011	2010	2011	2010
Opening balance long term portion	5.3	7.5	-	-	5.3	7.5
Opening balance short term portion	2.9	5.3	-	-	2.9	5.3
Total opening balance	**8.2**	**12.8**	**0.0**	**0.0**	**8.2**	**12.8**
Acquisitions	7.0	7.8	-	-	7.0	7.8
Fair value adjustment	-0.5	-3.4	-	-	-0.5	-3.4
Utilisation	-2.6	-9.4	-	-	-2.6	-9.4
Addition	-	-	1.3	-	1.3	-
Foreign exchange rate effects	-	0.4	-0.1	-	-0.1	0.4
Closing balance long term portion	11.8	5.3	1.2	-	13.0	5.3
Closing balance short term portion	0.3	2.9	-	-	0.3	2.9
Total other provisions	**12.1**	**8.2**	**1.2**	**0.0**	**13.3**	**8.2**

Acquisition of earn out obligations fully relates to the acquisition of TRIPLE LBi Copenhagen in early February 2010 and of Mr Youth and Rethink in 2011. Fair value adjustments on this provision are the result of certain earn out targets of subsidiaries, acquired in years prior to 2010 that were not met. In 2010 EUR 9.4 million of the earn out provision has been paid out in cash based on realised targets and purchase agreements. In 2011 EUR 2.6 million was paid to former owners of TRIPLE LBi, Copenhagen.

Other provisions relate to a provision for litigation of EUR 1.0 million and various small items.

NOTE 28 CONTINGENT CONSIDERATION

When Obtineo acquired BMM on 29 April 2010 sellers were paid in LBI shares. Sellers guaranteed that the 3 month average share price of New LBi would be at least EUR 1.65 18 months after the merger. This has been recognised as a contingent consideration in Obtineo. The policy on the treatment of contingent considerations has changed since 2010. More information about the policy change can be found in Note 3 'Comparative information'.

The following table sets out the movements in the contingent consideration on the statement of financial position:

Contingent consideration EUR million	Initial	Amendment	Amended
Balance sheet			
Total obligation at acquisition 29 July 2010	**9.8**	**-**	**9.8**
Release due to sale of shares	- 3.1	-	- 3.1
Fair value adjustment Black & Scholes	-	- 2.0	- 2.0
Balance end of December 2010	**6.7**	**- 2.0**	**4.7**
Opening balance January 2011	**6.7**	**- 2.0**	**4.7**
Release due to sale of shares	- 1.7	-	- 1.7
Quarterly release conform policy 2010	- 2.8	2.8	0.0
Fair value adjustment Black & Scholes	-	- 2.6	- 2.6
Balance end of December 2011	**2.2**	**- 1.8**	**0.4**

NOTE 29 SHORT TERM LIABILITIES TO CREDIT INSTITUTIONS

EUR million	2011	2010
Short term portion long term loans *	13.8	11.4
Bank overdraft facility	0.7	7.7
Current portion of capital lease obligations	0.1	0.2
Total	**14.6**	**19.3**

* *The terms and conditions for short term liabilities to credit institutions are the same as those for long term liabilities to credit institutions*

NOTE 30 TRADE AND OTHER PAYABLES

EUR million	2011	2010
Trade payables	20.5	25.9
VAT payable	1.2	-
Withholding tax payable	0.6	-
Total	**22.3**	**25.9**

NOTE 31 OTHER SHORT TERM LIABILITIES

EUR million	2011	2010
Accrued expenses	22.6	23.4
Other short term liabilities	11.3	14.0
Total	**33.9**	**37.4**

Notes to the consolidated cash flow statement

NOTE 32 NON-CASH TRANSACTIONS

Non-cash transactions related to the acquisition of Mr Youth, LLC and Rethink GmbH. For Mr Youth, LLC EUR 6.8 million and for Rethink EUR 0.3 million remains payable until payment terms are met. Refer to Note 6 for more information about these acquisitions.

Other items

NOTE 33 COMPENSATION OF KEY PERSONNEL

The remuneration of key personnel comprises both a fixed and a variable component as well as share based pay. The policy and terms and conditions are set out in the remuneration paragraphs on pages 051 through 055 in the chapter 'Corporate Governance'.

As key personnel are identified the members of the Management Board and the Supervisory Board. The Management Board has two members: the Chief Executive Officer and the Chief Financial Officer. The following table denotes the breakdown in remuneration key personnel in 2011 and 2010:

Key Management Personnel Compensation EUR thousand	Short term: Remuneration	Post Pensions	Severance	Long term: Equity incentives	Other	Total
2010						
Management Board						
Luke Taylor (CEO)	500.0	-	-	1,042.7	-	1,542.7
Huub Wezenberg (CFO)	250.0	18.0	-	246.8	14.0	528.8
Supervisory Board						
Fred Mulder (chairman)	49.8	-	-	178.4	6.0	234.2
George Fink	35.8	-	-	133.8	-	169.6
John Farrell	20.8	-	-	133.8	-	154.6
Nazo Moosa	8.3	-	-	44.6	-	52.9
Joost Tjaden	8.3	-	-	44.6	-	52.9
Katarina Bonde	18.4	-	-	-	-	18.4
Michiel Mol	16.4	-	-	-	-	16.4
Lucas Mees	16.4	-	-	-	-	16.4
Total	**924.2**	**18.0**	**-**	**1,824.7**	**20.0**	**2,786.9**
2011						
Management Board						
Luke Taylor (CEO)	500.0	-	-	-	-	500.0
Huub Wezenberg (CFO)	250.0	14.0	-	-	12.0	276.0
Supervisory Board						
Fred Mulder (chairman)	70.0	-	-	-	-	70.0
George Fink	50.0	-	-	-	-	50.0
John Farrell	50.0	-	-	-	-	50.0
Joost Tjaden (until 26 May 2011)	10.0	-	-	- 44.6	-	- 34.6
Nazo Moosa (until 12 December 2011)	20.0	-	-	-	-	20.0
Robert Easton (from 12 December 2011)	-	-	-	-	-	-
Total	**950.0**	**14.0**	**-**	**- 44.6**	**12.0**	**931.4**

Remuneration Supervisory Board

As of 29 July 2010, the effective date of the Merger, the following amounts shall be paid to the members of the Supervisory Board per annum (until such amounts are amended in accordance with the Articles of Association):

– Fred Mulder, chairman	EUR 70,000
– George Fink	EUR 50,000
– John Farrell	EUR 50,000
– Nazo Moosa	EUR 20,000
– Joost Tjaden	EUR 20,000
– Robert Easton	EUR 20,000

The Company has not entered into (service) agreements with members of the Supervisory Board providing for benefits upon termination of such agreement.

In September 2010 awards have been granted to the Supervisory Board members Fred Mulder, George Fink, Nazo Moosa, Joost Tjaden and John Farrell under the Long Term Incentive Plan. The awards of Joost Tjaden lapsed 26 November 2011, 6 months after his resignation as Supervisory Board member. Nazo Moosa may exercise the awards until 12 June 2012, 6 months after her resignation as Supervisory Board member. Thereafter the awards of Nazo Moosa shall lapse. The Long Term Incentive Plan is further described in the chapter 'Employee Incentive plans' below. An overview of the awards granted to the Supervisory Board members, the value of the awards on the date of grant as well as the expenses of the equity incentives that were charged to the income statement in 2011 is included in Notes 9, 24 and 35. In 2011 no additional awards were granted.

Remuneration Management Board

The members of the Management Board, Luke Taylor and Huub Wezenberg, continued their services in accordance with their agreements existing prior to the Merger.

Short term compensation

Luke Taylor, Management Board member and CEO, is entitled to an annual base salary of EUR 500,000 gross. Under the Remuneration Policy he may receive a short term incentive compensation of up to 100 per cent of his annual base salary which is subject to the achievement of short term performance targets, including EBITDA targets set for the Group and specific regions, and growth targets within the individual area of responsibility. Luke Taylor is neither entitled to any profit sharing arrangement nor to any pension benefits.

Huub Wezenberg, Management Board member and CFO, is entitled to an annual base salary of EUR 250,000 gross. Under the Remuneration Policy he may receive a short term incentive compensation of up to 50 percent of his annual base salary which is subject to the achievement of short term performance targets, including EBITDA targets set for the Group and specific regions, and growth targets within the individual area of responsibility. Huub Wezenberg is not entitled to any profit sharing arrangement. He has defined contribution pension plan for which the expenses amounted to EUR 14,000 in 2011.

No variable remuneration was awarded to the Management Board members in 2011 since the EBITDA targets were not met.

Long term compensation

Shares

In order to commit Luke Taylor and Huub Wezenberg, the members of the Management Board, to continue their services for the Company, Luke Taylor acquired 666,667 shares and Huub Wezenberg acquired 166,666 shares in the Company pursuant to a private placement of shares (the "PIPE") which was completed on 29 April 2010. Both members paid up the nominal amount of the PIPE shares. The remaining amount of EUR 0.95 per share converted into a loan granted by the Company as of 29 July 2010 of in total EUR 791,666. If the Management Board member ceases to be an employee of LBi, he shall repay the loan plus accrued interest within 4 weeks. The loans bear an interest of 5% per annum and shall be repaid within four years following the effective date of the Merger.

The PIPE Shares were offered at a discounted price. The difference between the fair value of the shares at the date they were acquired and the actual price paid should be seen as a component of salary and amounted to EUR 0.3 million.

Equity incentives

Prior to the Merger Luke Taylor and Huub Wezenberg have been granted rights to acquire shares in the capital of LBI International AB (options) under the Global Share Option Plan. As per 29 July 2010 these options were replaced by new options in the Company on terms corresponding to the options held in LBI International AB. The options can be exercised on the condition that Luke Taylor and Huub Wezenberg respectively are still employees of the LBi group. The award of the options was determined by the Board of Directors of LBI International AB, with due reference to such criteria as the manager's performance and his position within, and significance for the Group.

Furthermore Luke Taylor and Huub Wezenberg have been granted awards under the Long Term Incentive Plan of the Company in September 2010.

To the options granted under the Global Share Option Plan still outstanding per 31 December 2011 the following applies:

Luke Taylor

a) exercise price options:
   Series G at SEK 16.57 and series I at SEK 15.50
b) the aggregate number of options granted not yet exercised:
   780,000 entitling to 780,000 shares, whereof 280,000 series G and 500,000 series I
c) the conditions of the options:
   Series G vested 26 August 2010 and expire 26 August 2013
   Series I vested 21 September 2011 and expire 21 September 2015

Huub Wezenberg

a) exercise price options:
   Series G at SEK 16.57 and series I at SEK 15.50
b) the aggregate number of options granted not yet exercised:
   334,000 entitling to 334,000 shares, whereof 84,000 series G and 250,000 series I
c) the conditions of the options:
   Series G vested 26 August 2010 and expire 26 August 2013,
   series I vested 21 September 2011 and expire 21 September 2015

To the awards granted under the Long Term Incentive Plan the following applies:

Luke Taylor

a) exercise price awards:
   EUR 1.20 for 1/3 of the awards, EUR 1.80 for 1/3 of the awards and EUR 2.80 for the remaining 1/3 of the awards
b) the aggregate number of awards granted not yet exercised:
   3,000,000
c) the conditions of the awards:
   No vesting period applies to these awards. The exercise price of the awards was EUR 4 for the first year. Therefore in order to receive any value in the 12 months following the grant the price of the LBi shares had to exceed EUR 4,-.
d) British legislation requires UK participants of the JSOP to deposit EUR 0.07 per award in the LBI EBT. This amount has been paid by LBi and remains receivable from Mr Taylor.

Huub Wezenberg

a) exercise price awards:
   EUR 1.20 for 1/3 of the awards, EUR 1.80 for 1/3 of the awards and EUR 2.80 for the remaining 1/3 of the awards
b) the aggregate number of awards granted not yet exercised:
   700,000
c) the conditions of the awards:
   No vesting period applies to these awards. The exercise price of the awards was EUR 4 for the first year. Therefore in order to receive any value in the 12 months following the grant the price of the LBi shares had to exceed EUR 4.

The Global Share Option Plan and the Long Term Incentive Plan are further described in the chapter 'Employee incentive plans' below. An overview of the options and awards, the value of the awards on the date of grant as well as the expenses of the equity incentives that were charged to the income statement in 2011 is included in Notes 9, 24 and 35.

Terms of employment

The members of the Management Board have employment contracts for an indefinite period of time.

Severance arrangements

The service agreement of Luke Taylor is terminable on six months' written notice by either party. At any time on or after notice to terminate the agreement is given by either party Luke Taylor will not, without LBi's prior written consent, be employed or otherwise engaged in the conduct of any business activity which directly conflicts with his duties to LBi for a maximum period of six months if so requested by LBi. During this period, Luke Taylor will be entitled to receive his salary and all contractual benefits in accordance with his service agreement.

In the event of a change of control, LBi shall pay to Luke Taylor an amount equal to the bonus he would have received for the current financial year by assuming that the financial results and criteria for the year been met in full (resulting in an amount of EUR 500,000). This agreement is covered by English law.

The employment agreement of Huub Wezenberg is terminable on six months' written notice by the employer and three months' written notice by Huub Wezenberg. In case the agreement is terminated by LBi other than (i) for an urgent cause within the meaning of Article 7:678 of the Dutch Civil Code, or (ii) after a period of illness of two years, while the termination was not fully or principally based on any misconduct or lack of conduct, Huub Wezenberg shall be entitled to compensation of an amount equal to his gross annual salary including holiday allowance. The agreement does not include a change of control clause. This agreement is governed by Dutch law.

NOTE 34 SHARE OWNERSHIP OF KEY PERSONNEL

The number of Shares owned by members of the Management Board and the Supervisory Board as of 31 December 2011 are as follows:

Share ownership key personnel	# Shares 2011	# Shares 2010
Management Board		
Luke Taylor (CEO)	743,667	743,667
Huub Wezenberg (CFO)	171,666	171,666
Supervisory Board		
Fred Mulder (chairman)	349,417	349,417
George Fink	-	-
John Farrell	-	-
Joost Tjaden	-	-
Nazo Moosa	-	-
Robert Easton	-	-
Total	**1,264,750**	**1,264,750**

NOTE 35 EQUITY INCENTIVES KEY PERSONNEL

The Company has a Global Share Option Plan ("GSOP") and a Long Term Incentive Plan ("LTIP") in place. General information and more details on both plans can be found in Note 25 of the consolidated statements.

Global Share Option Plan

Under the GSOP employees have been awarded options to purchase Shares in LBi. Options have been awarded without payment of a premium and the redemption price for the options reflected the market value of an LBi share on the date on which the options were issued. The options cannot be exercised earlier than six months or later than seven years from the date on which they have been issued and on the condition that the holder of the options is still an employee of the LBi Group. The award of options was determined by the Board of Directors, or a committee appointed by the Board of Directors, with due reference to such criteria as the employee's performance and his/her position within, and significance for, the Group. The purpose of the option programme was to create the conditions for maintaining and recruiting competent employees in the Group.

The outstanding options under the GSOP were granted prior to the Merger and entitled the holders to purchase shares in LBI international AB. As per 29 July 2010, these options have been replaced by new options in the Company on terms corresponding to the options held in LBI International AB. One option in LBI International AB has thus be replaced by one corresponding option in the Company. No new options will be granted under the GSOP. As of 31 December 2011 3,033,250 options were outstanding under the GSOP, which together entitled the holders to purchase a maximum of 3,033,250 shares in LBi International N.V.

In the event of a change of control as a result of an offer to acquire the shares or if the Company is merged into another company, all options may be exercised within six months after the date the offer has become unconditional or the effective date of the Merger. The options will lapse at the end of the six month period, unless the Management Board gives reasonable notice to the option holders before the end of the six month period that the options will not lapse. If a person becomes bound or entitled to acquire shares pursuant to a written agreement which results in a change of control, options may be exercised at any time when that person remains so bound or entitled and then will lapse.

A participant who ceases employment at a time when options have vested will be able to exercise its options in principle in the six month period following cessation of employment (regardless of the reason of termination), after which the options will lapse. Options held by a participant who ceases employment prior to their vesting will lapse in full.

Long Term Incentive Plan

The LTIP provides for the grant of equity awards to facilitate the recruitment, motivation and retention of executives and employees. All major decisions relating to the LTIP will be made by the Remuneration Committee. The LTIP is discretionary and will only operate in those years that the Remuneration Committee determines. Any employee (including executive directors) of a Group company will be eligible to participate in the LTIP at the discretion of the Remuneration Committee.

Awards may take the form of any of (or a combination of) the following:

- an option (delivered in the form of a stock appreciation right to be settled either in Shares or cash) at nil cost or such other exercise price as determined by the Remuneration Committee;
- an interest in Shares
- any other type of equity or equity related interest giving substantially the same economic benefit.

Awards may be granted over newly issued Shares, treasury shares or shares purchased in the market. Awards under the LTIP will not form part of a participant's pensionable earnings. Awards are not transferable (other than on death) without the consent of the Remuneration Committee. No payment will be required for the grant of an award (however payment for receipt of an interest in Shares will be required).

The maximum number of Shares available to be awarded under the LTIP is 12,750,000 Shares. For the purposes of calculating the number of Shares remaining in the pool, awards or other rights to acquire Shares which lapse or have been released do not count. However, where appropriate, Shares subscribed by the trustees of the employee benefit trust to satisfy rights granted under any equity incentive plans adopted by the Company would count towards these limits. 11,980,316 awards have been granted in September 2010 (the "Initial Awards"), wherefore 8,610,316 Shares were issued at the end of September 2010 to the trustee of the Trust Company LBi Employee Benefit Trust in connection with the granting of Initial awards under the equity incentive plan of LBi.

An additional 100,000 awards have been granted in May 2011 whereof 100,000 Shares were issued in Q2 2011 to the trustee of the trust company LBi Employee Benefit Trust and the participant jointly. The remainder of Shares to be awarded under the LTIP as of 31 December 2011 is 899,684.

Future awards may be granted in any period of six weeks following (i) the annual General Meeting of Shareholders; (ii) an announcement by the Company of its interim or final results; (iii) any other time when the Remuneration Committee determines that exceptional circumstances exist justifying the making of an award (this may, for example, include making awards to recruit key individuals) and (iv) any change or proposed change to legislation, regulation or government directive that affects the LTIP. If there exists any legal or regulatory barrier to making an award, the award will be made within six weeks of such barrier being removed. No individual limits will apply that restrict the value of awards that may be granted to any employee in any financial year.

No vesting period applies to the Initial Awards. However, the exercise price of the Initial Awards was EUR 4,- for the first year and is thereafter decreased to EUR 1.20 for 1/3 of the awards, EUR 1.80 for 1/3 of the awards and EUR 2.80 for the remaining 1/3 of the awards. Therefore in order for members of the Management Board, Supervisory Board or Senior Management to receive any value in the 12 months following the grant the price of the Shares will had to exceed EUR 4.

The Remuneration Committee, at the date of grant, will determine the vesting arrangements in respect of future awards. The minimum vesting period of future awards will be six months from the date of grant. Awards will lapse no later than the seventh anniversary of the date of grant (or such earlier date as determined by the Remuneration Committee).

A participant who ceases employment at a time when awards have vested will be able to exercise its awards in the six month period (or such longer period as the Remuneration Committee may determine) following cessation of employment (regardless of the reason of termination), after which the awards will lapse. Awards held by a participant who ceases employment prior to their vesting will lapse in full.

In the event of a change of control of the Company where the acquiring company permits outstanding awards to be exchanged for new awards in relation to Shares in the acquiring company on a comparable basis, the Remuneration Committee may require awards to be exchanged. Where no exchange of awards is made, awards will vest in full (to the extent not already vested) and will be exercisable within prescribed time limits up to and following the change of control.

Any alterations to the rules to the advantage of participants governing eligibility and the number of Shares available under the LTIP, must be approved in advance by the General Meeting of Shareholders.

The Remuneration Committee may grant awards to employees on different terms or establish further plans, as it considers necessary or desirable to take account of or to mitigate or to comply with relevant taxation, securities or exchange control laws provided that the terms of the awards are not overall more favourable than the terms of awards granted to other employees and that any Shares made available under such plans shall count towards the overall limits set out above.

Number of outstanding equity incentives

The number of equity incentives owned by members of the Management Board and the Supervisory Board under the GSOP and the LTIP as of 31 December 2011 are as follows:

Number of outstanding equity incentives	# Options GSOP	Weighted average exercise price	# Awards LTIP	Weighted average exercise price 3)	Expenses equity incentives charged to the income statement 2010 4)
Management Board					
Luke Taylor (CEO) 1)	780,000	EUR 1.59	3,000,000	EUR 1.93	EUR 836,372
Huub Wezenberg (CFO) 2)	334,000	EUR 1.60	700,000	EUR 1.93	EUR 195,153
Supervisory Board					
Fred Mulder (chairman)	-	-	640,000	EUR 1.93	EUR 178,426
George Fink	-	-	480,000	EUR 1.93	EUR 133,820
John Farrell	-	-	480,000	EUR 1.93	EUR 133,820
Joost Tjaden 5)	-	-	160,000	EUR 1.93	EUR 44,607
Nazo Moosa 6)	-	-	160,000	EUR 1.93	EUR 44,607
Robert Easton	-	-	-	-	- -
Total	**1,114,000**		**5,460,000**		**EUR 1,566,805**

1) - *280,000 Series G and 500,000 series I with an exercise price of SEK 16.57 respectively SEK 15.50 per share;*
- *Series G was granted in 2008, vested 26 August 2010 and expires 26 August 2013.*
- *Series I was granted in 2009, vested 21 September 2011 and expires 21 September 2015.*

2) - *84,000 Series G and 250,000 series I with an exercise price of SEK 16.57 respectively SEK 15.50 per share;*
- *Series G was granted in 2008, vested 26 August 2010 and expires 26 August 2013.*
- *Series I was granted in 2009, vested 21 September 2011 and expires 21 September 2015.*

3) *The weighted average exercise price of EUR 1.93 is based on the exercise prices as they apply as of 1 year following the grant of the Initial Awards. These exercise prices are EUR 1.20 for 1/3 of the awards, EUR 1.80 for 1/3 of the awards and EUR 2.80 for the remaining 1/3 of the awards.*

4) *The expenses charged to the income statement in 2010 are equal to the value of the awards on grant date.*

5) *The 160,000 awards of Joost Tjaden lapsed 8 September 2011. The financial result hereof has been recognised in the income statement 2011.*

6) *Nazo Moosa may exercise the awards until 12 June 2012, 6 months after her resignation as Supervisory Board member. Thereafter these awards shall lapse.*

NOTE 36 OFF BALANCE SHEET COMMITMENTS

2010 EUR million	Lease equipment	Lease cars	Rent	Other commitments	Total commitments
Less than 1 year	0.4	0.7	4.9	0.1	6.1
Between 1 and 5 years	0.8	1.0	18.2	-	20.0
More than 5 years	1.4	-	11.0	-	12.4
Total commitment	**2.6**	**1.7**	**34.1**	**0.1**	**38.5**

2011 EUR million	Lease equipment	Lease cars	Rent	Other commitments	Total commitments
Less than 1 year	0.3	0.4	4.8	-	5.5
Between 1 and 5 years	0.5	0.6	15.8	-	16.9
More than 5 years	-	-	11.4	-	11.4
Total commitment	**0.8**	**1.0**	**32.0**	**-**	**33.8**

In 2010, the increase in commitments of less than 1 year and between 1 and 5 years is due to the merger with Obtineo; the increase in commitments that fall due after 5 years is due to extended contracts in the USA for office space. In 2011, the increases are mainly due to the acquisition of Mr Youth and Rethink.

NOTE 37 RELATED PARTIES

The Group identifies the following related parties: subsidiaries, associates, members of the Supervisory Board, members of the Management Board and large block holders.

Relationships with subsidiaries and associates entailed only intercompany transactions in the regular course of business. Long term relationships are formalised by contracts, whereas short term relationships are settled regularly.

Members of the Management Board and Supervisory Board received remuneration for their deployment. As part of the Long Term Incentive Plan Luke Taylor deposited EUR 213,000 in the LBi Employee Benefit Trust that was incorporated for the execution of the Long Term Incentive Plan. This amount remains receivable by LBi. More details about the remuneration of the Management and Supervisory Board can be found on page 051 (Remuneration policy) and pages 053 and 054 (amounts).

During 2010 Chairman Fred Mulder via his company FM Sud Consulting invoiced LBI International AB in the amount of EUR 6,000. In 2011 no additional amounts were charged.

During 2010 LBi Holding N.V. invoiced Futuremakers B.V. an amount of EUR 72,000 for sublease, canteen- and cleaning services. For 2011 this was EUR 25,304. Director Michiel Mol has a 50 percent interest in Futuremakers B.V. and is a large block holder of LBI. During 2011 Futuremakes B.V. moved out of the LBi office building.

Stephen Leach, a former block holder of LBi until 15 December 2010 rents out office space to (former) BMM entities for an amount of EUR 97,000 per annum.

In 2010 the management board acquired LBI shares under the PIPE conditions. The amount payable for the shares concerns EUR 1.05 million and remains receivable by LBi. In 2011 this amount was increased by EUR 0.1 million which represents the interest on this loan, and decreased by EUR 0.4 million wich represents the periodical repayment of the loan.

The Rights Offering that was issued in September 2010 was underwritten by shareholders Janivo Holding and Cyrte Investments. Each took up 65,316 shares to complement the total number of shares settled to 10,000,000.

Company balance sheet

The Group identifies the following related parties: subsidiaries, associates, members of the Supervisory Board, members of the Management Board and large block holders.

EUR million	Note	31 Dec 2011	31 Dec 2010 Amended
Assets			
Intangible assets	4	13.7	38.3
Tangible assets	5	0.5	0.2
Finacial assets	6	381.4	264.0
Total non-current assets		**395.6**	**302.5**
Receivables from Group companies		5.4	3.0
Other receivables and prepayments	7	2.3	2.3
Cash and cash equivalants		-	-
Total current assets		**7.7**	**5.3**
Total assets		**403.3**	**307.8**
Share capital		37.5	37.5
Additional paid in capital		250.9	250.8
Foreign translation adjustments		12.2	8.6
Retained earnings		- 51.0	- 49.3
Current year result		17.5	- 2.8
Total shareholders' equity	**8**	**267.1**	**244.8**
Provisions	9	2.2	5.9
Non-current liabilities	10	89.3	30.6
Current liabilities	11	44.7	26.5
Total liabilities		**136.2**	**63.0**
Total equity and liabilities		**403.3**	**307.8**

The accompanying notes form an integral part of the financial statements.

Company income statement

For the year ended 31 December 2011 (before appropriation of the result)

EUR million	2011	2010 Amended
Company result	- 0.8	- 4.3
Result from participating interests	18.3	1.5
Result for the period	**17.5**	**- 2.8**

The accompanying notes form an integral part of the financial statements.

Notes to the Company annual accounts

COMPANY NOTE 1 Basis of preparation

The Company financial statements for the year ended 31 December 2011 have been prepared in accordance with Part 9 of Book 2 of the Dutch Civil Code. In accordance with sub article 8 of article 362, Book 2 of the Dutch Civil Code, the Company applies the same principles of valuation and determination of result for the corporate financial statements as the consolidated financial statements. LBI International's investments in Group companies are stated using the 'net asset value method' ('netto vermogens waarde methode') as further outlined in Note 2. For the principles of valuation of assets and liabilities and for the determination of results reference is made to the notes to the consolidated statement of financial position and income statement.

LBi International N.V. has been incorporated on 28 December 2009. Therefore, the reporting year 2010 has been extended by three days so that the results of the last three days of 2009 are included reporting year 2010.

In the Annual Report of 2010, the Company Financial Statements were prepared under IFRS, where subsidiaries were recognised at historical cost and Company equity deviates from Consolidated equity.

Application of the recognition and measurement principles as applied in the consolidated financial statements is common practice for Dutch based companies. Users of the Financial Statements are more familiar with the application of the recognition and measurement principles as applied in the consolidated financial statements than with application of IFRS in the Company only annual accounts and therefore users are expected to benefit from this change in accounting policy. Management therefore believes the application of the revised accounting policies leads to more insight and better comprehension of the results of the Company.

The comparative figures have been amended applying the recognition and measurement principles as applied in the consolidated financial statements. Because the 2010 Financial Statements were the first financial statements of LBi International N.V., there are no other amendmends. The current accounting policies will be consistently applied going forward.

In principle, the application of the net asset value method for the determination of result leads to equal net income in both the consolidated statements and the Company statements. Because the legal merger, that took place on 29 July 2010, was a reverse acquisition, this will not be the case. The table below gives a schematic overview of the results that have been recognised in the consolidated and in the Company statements.

Recognition of results 2010	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Consolidated statements												
LBI International AB												
Obtineo Netherlands Holding N.V.												
bigmouthmedia GmbH												
Company statements												
LBI International AB												
Obtineo Netherlands Holding N.V.												
bigmouthmedia GmbH												

The table below gives an overview of the financial statement line items impacted by the accounting policy change:

Change in basis of preparation EUR million	Goodwill	Subsidiaries	Equity	Liabilities
According to 2010 financial statements	**0.0**	**140.2**	**177.5**	**65.7**
Net asset value method	37.9	38.9	64.0	-
Contingent consideration	-	-	2.0	- 2.0
Change functional currency	-	-	1.3	- 0.7
2010 Amended	**37.9**	**179.1**	**244.8**	**63.0**

COMPANY NOTE 2 Financial fixed assets

In the Company financial statements investments in subsidiaries are stated at net asset value.

Investments with negative net asset value are first deducted from loans that form part of the net investment (if any). Provision is made in excess of net investment only to the extent that the Company has the firm intention to settle and that the obligations meet the criteria for recognition as a provision (e.g. constructive and legal obligations, potential cash outflow etc.).

COMPANY NOTE 3 Goodwill

Presentation of goodwill is dependent on the structuring of the acquisition. Goodwill is presented separately in the Company financial statements if this relates to an acquisition performed by the Company itself. Goodwill is subsumed in the carrying amount of the net asset value (see Company Note 6) if an investment in a subsidiary is acquired through the Company's intermediate subsidiary.

COMPANY NOTE 4 Intangible assets

EUR million	Software	Goodwill	2011	2010
Costs 1 January	0.4	37.9	38.3	-
Accumulated amortisation per 1 January	-	-	-	-
Book value at 1 January	**0.4**	**37.9**	**38.3**	**0.0**
Changes				
Corporate restructuring	-	- 25.1	- 25.1	-
Acquired through business combinations	-	-	-	38.3
Investments	0.5	-	0.5	-
Amortisation	- 0.1	-	- 0.1	-
Translation differences	0.1	-	0.1	-
Total changes	**0.5**	**- 25.1**	**- 24.6**	**38.3**
Costs 31 December	1.0	12.8	13.8	38.3
Accumulated amortisation per 31 December	- 0.1	-	- 0.1	-
Book value at 31 December	**0.9**	**12.8**	**13.7**	**38.3**

Investments in software relate to capitalised labour expenses that were dedicated to in-house built software. Investments in goodwill in 2010 result from the merger with Obtineo.

In 2011 the Group changed its internal ownership structure, whereby the Parent Company sold a number of subsidiaries to intermediate holdings. This reduced the goodwill recognised in the Parent Company by EUR 25.1 million. Likewise, the acquisition of Mr Youth and Rethink both were done by intermediate holdings.

For the amortisation of intangible assets the following percentages have been used:

Software:	3 years
Trademarks:	5 years
Contracts:	3-5 years
Goodwill:	impairment test

Impairment test for intangible assets

The goodwill shown above represents only goodwill on subsidiaries directly owned by the Company. For the annual impairment test, this goodwill is allocated to the relevant cash-generating units. Additional information is included in Note 17 of the consolidated financial statements.

COMPANY NOTE 5 Tangible assets

EUR million	2011	2010
Costs 1 January	0.2	-
Accumulated amortisation per 1 January	-	-
Book value at 1 January	**0.2**	**0.0**
Changes		
Acquired through business combinations	-	0.2
Investments	0.3	-
Total changes	**0.3**	**0.2**
Costs 31 December	0.5	0.2
Accumulated amortisation per 31 December	-	-
Book value at 31 December	**0.5**	**0.2**

Tangible assets relate to real estate in Sweden. Depreciation hereof is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over a period of 25 - 40 years.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other (losses)/gains – net' in the income statement. When re-valued assets are sold, the amounts included in other reserves are transferred to retained earnings.

COMPANY NOTE 6 Financial assets

EUR million	Group companies	Loans to Group companies	Total
Book value at 1 January 2010	**0.0**	**0.0**	**0.0**
Acquisition through business combinations	177.6	80.5	258.1
Result from Group companies	1.5	-	1.5
New loans	-	4.4	4.4
Total changes	**179.1**	**84.9**	**264.0**
Net asset value at 31 December 2010 (amended)	**179.1**	**84.9**	**264.0**
Corporate restructuring	-8.7	-	-8.7
Capital injections	55.1	-	55.1
Dividend	-0.2	-	-0.2
Result from Group companies	18.3	-	18.3
Exchange rate differences	-0.6	-	-0.6
New loans	-	53.2	53.2
Change in provision for negative net asset value	0.3	-	0.3
Total changes	**64.2**	**53.2**	**117.4**
Net asset value at 31 December 2010 (amended)	**243.3**	**138.1**	**381.4**

The reduction in Group companies due to corporate restructuring relates to the sale of subsidiaries to entities held by the Company. Acquisition through business combinations in 2010 is composed of the following items:

EUR million	Group companies	Loans to Group companies
BMM acquisition by Obtineo	31.1	5.0
LBi acquisition by Obtineo	148.0	79.9
Total	**179.1**	**84.9**

The loans to Group companies have maturity dates between 2013 and 2016 and some qualify as net investments. Interest rates are variable and based on externally charged interest rates to the holding and increased by a mark-up dependant on the risk specification of the Group company.

COMPANY NOTE 7 Other receivables and prepayments

EUR million	2011	2010
Current tax receivables	0.0	0.4
Prepaid expenses	1.2	0.4
Other receivables	1.1	1.5
Total trade and other receivables	**2.3**	**2.3**

COMPANY NOTE 8 Movements in Company equity

EUR million	Share capital	Share premium	CTA reserve	Retained earnings	Unallocated current year's result	Total equity
Opening balance 1 January 2010	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Share issue incorporation	8.3	31.7	-	-	-	40.0
Share issue BMM acquisition	9.0	44.3	-	-	-	53.3
Legal merger	15.5	171.8	8.2	- 51.5	-	144.0
Share issue Rights Offering	2.5	7.5	-	-	-	10.0
Share issue equity incentives	2.2	-	-	- 1.7	-	0.5
Transaction costs	-	- 4.5	-	-	-	- 4.5
Impact of awards and options	-	-	-	3.9	-	3.9
Currency translation effects	-	-	0.4	-	-	0.4
Net income for the period	-	-	-	-	- 2.8	- 2.8
Balance 31 December 2010 *	**37.5**	**250.8**	**8.6**	**- 49.3**	**- 2.8**	**244.8**
Opening balance 1 January 2011	**37.5**	**250.8**	**8.6**	**- 49.3**	**- 2.8**	**244.8**
Appropriation of result	-	-	-	- 2.8	2.8	0.0
Impact of awards and options	-	0.1	-	1.1	-	1.2
Currency translation effects	-	-	3.6	-	-	3.6
Net income for the period	-	-	-	-	17.5	17.5
Balance 31 December 2011	**37.5**	**250.9**	**12.2**	**- 51.0**	**17.5**	**267.1**

* *Amended see Company Note 1*

More details on the share issues in 2010 can be found in Note 23 of the consolidated financial statements.

Before and during 2011 the authorised share capital consisted of 600,000,000 ordinary shares and 2 preference shares, all with nominal value EUR 0.25 and together representing an issued and paid in share capital of EUR 37.5 million.

The currency translation reserve is a legal reserve. The unallocated current year's result amounting to EUR 17.5 million positive will be added to the retained earnings.

COMPANY NOTE 9 Provisions

EUR million	2011	2010
Provision for negative equity Group companies	0.4	1.1
Provision for litigation	1.7	0.0
Other provisions	0.1	4.8
Total provisions	**2.2**	**5.9**

COMPANY NOTE 10 Non-current liabilities

EUR million	2011	2010
Non-current loans from Group companies	60.0	15.7
Non-current liabillities to credit institutions	29.3	14.9
Other non-current liabillities	-	-
Total liabilities to credit institutions	**89.3**	**30.6**

COMPANY NOTE 11 Current liabilities

EUR million	2011	2010
Non-current liabillities to credit institutions	38.7	20.9
Payables to Group companies	2.2	0.6
Accounts payable	0.7	0.8
Current portion of restructuring reserve	-	0.2
Accrued expenses	2.6	1.5
Other short term liabillities	0.5	2.5
Total trade and other payables	**44.7**	**26.5**

COMPANY NOTE 12 Off balance sheet commitments

2011 EUR million	Lease equipment	Lease cars	Rent	Other commitments	Total commitments
Less than 1 year	-	-	-	-	0.0
Between 1 and 5 years	-	0.1	0.3	-	0.4
More than 5 years	-	-	0.1	-	0.1
Total commitment	**0.0**	**0.1**	**0.4**	**0.0**	**0.5**

2010 EUR million	Lease equipment	Lease cars	Rent	Other commitments	Total commitments
Less than 1 year	-	-	-	-	0.0
Between 1 and 5 years	-	0.1	-	-	0.1
More than 5 years	-	-	-	-	0.0
Total commitment	**0.0**	**0.1**	**0.0**	**0.0**	**0.1**

The average remaining term of the lease agreements is 5 years.

LBi heads a fiscal unity for corporate income tax purposes, to which all the Dutch wholly-owned subsidiaries at year-end 2011 belong. On this basis, the Company is wholly and severally liable for the tax commitments of the fiscal unity as a whole.

COMPANY NOTE 13 Directors' remuneration

Director's remuneration EUR thousand	Remuneration	Pensions	Severance	Equity incentives	Other	Total
2010						
Statutory directors						
Until merger						
Joost Tjaden	-	-	-	-	-	-
Nazo Moosa	-	-	-	-	-	-
Since merger						
Luke Taylor	208.0	-	-	1,042.7	-	1,250.7
Huub Wezenberg	103.0	8.0	-	246.8	6.0	363.8
Supervisory Board						
Fred Mulder (chairman)	29.2	-	-	178.4	6.0	213.6
George Fink	20.8	-	-	133.8	-	154.6
John Farrell	20.8	-	-	133.8	-	154.6
Joost Tjaden	8.3	-	-	44.6	-	52.9
Nazo Moosa	8.3	-	-	44.6	-	52.9
Total	**398.4**	**8.0**	**-**	**1,824.7**	**12.0**	**2,243.1**
2011						
Statutory directors						
Luke Taylor	500.0	-	-	-	-	500.0
Huub Wezenberg	250.0	14.0	-	-	12.0	276.0
Supervisory Board						
Fred Mulder (chairman)	70.0	-	-	-	-	70.0
George Fink	50.0	-	-	-	-	50.0
John Farrell	50.0	-	-	-	-	50.0
Joost Tjaden (until 26 May 2011)	10.0	-	-	- 44.6	-	- 34.6
Nazo Moosa (until 12 December 2011)	20.0	-	-	-	-	20.0
Robert Easton (from 12 December 2011)	-	-	-	-	-	-
Total	**950.0**	**14.0**	**-**	**-44.6**	**12.0**	**931.4**

In order to commit Luke Taylor and Huub Wezenberg, the members of the Management Board, to continue their services for the Company, Luke Taylor acquired 666,667 shares and Huub Wezenberg acquired 166,666 shares in the Company pursuant to a private placement of shares (the "PIPE") which was completed on 29 April 2010. Both members paid up the nominal amount of the PIPE shares. The remaining amount of EUR 0.95 per share converted into a loan granted by the Company as of 29 July 2010 of in total EUR 791,666. If the Management Board member ceases to be an employee of LBi, he shall repay the loan plus accrued interest within 4 weeks. The loans bear an interest of 5% per annum and shall be repaid within four years following the effective date of the Merger. Per balance sheet date the total amount outstanding was EUR 623,000.

As part of the Long Term Incentive Plan Luke Taylor deposited EUR 213,000 in the LBi Employee Benefit Trust that was incorporated fot the execution of the Long Term Incentive Plan. This amount remains receivable by LBi.

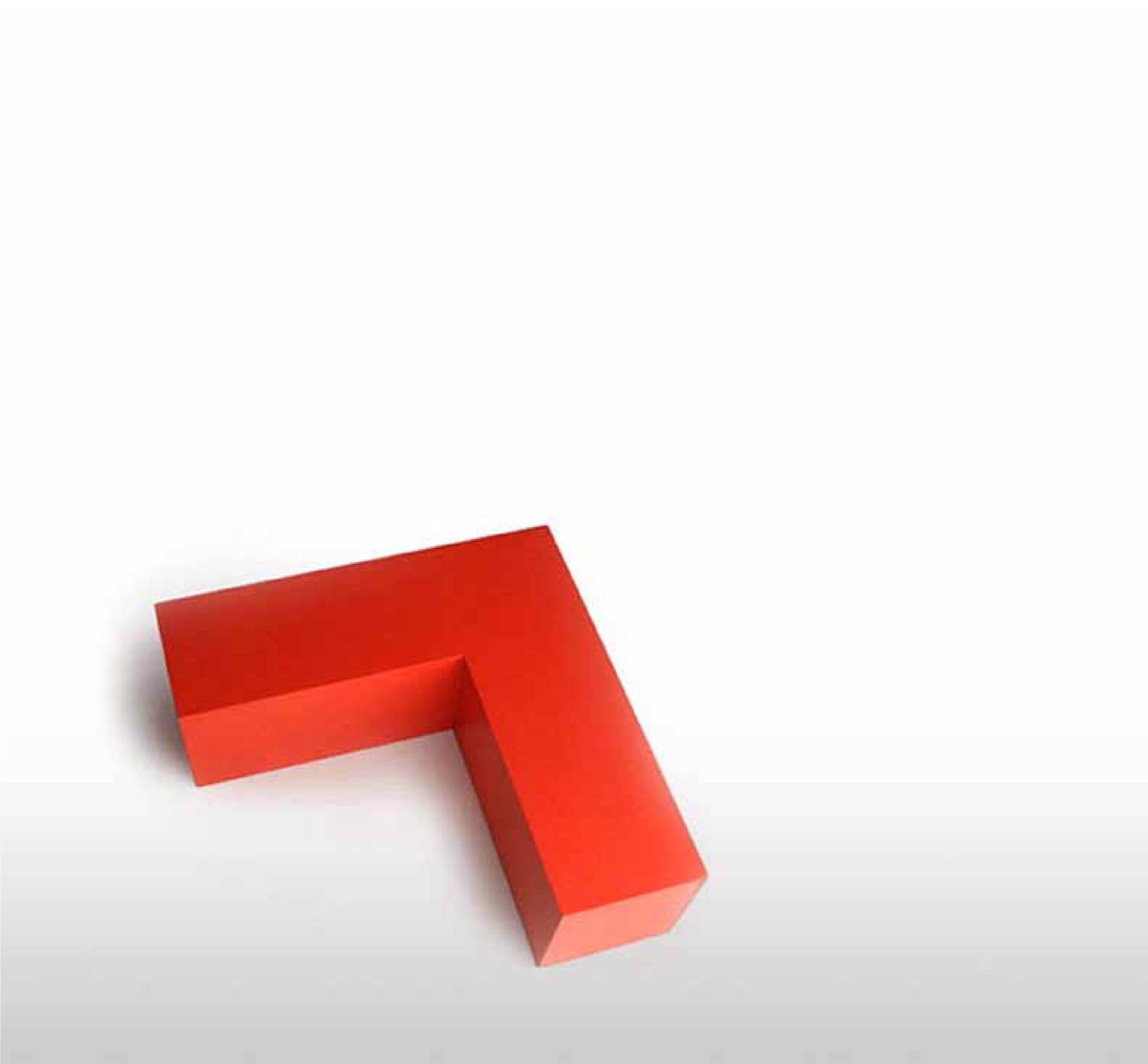
The Annual Accounts were authorised for issue by the Management Board and the Supervisory Board on 12 April 2012 and were signed on its behalf.

Amsterdam, 12 April 2012

LBi International N.V.

Management Board
Luke Taylor
Huub Wezenberg

Supervisory Board
Fred Mulder, chairman
George Fink
John Farrell
Robert Easton
Toine van Laack (appointed as of 8 February 2012)



OTHER INFORMATION

Auditors' report

The Auditors' report is included on page 152.

Result appropriation according to the Articles of Association

According to article 37 of the Articles of Association the Management Board, subject to approval of the Supervisory Board, may determine which part of the profits shall be reserved. The part of the profit remaining after reservation shall be at disposal of the general meeting of shareholders.

Proposed appropriation of results

Following the proposed result appropriation of the Management Board, upon approval by the Supervisory Board, it is proposed to the AGM to credit the result for the year of EUR 17.5 million to retained earnings.

Subsequent events

The contingent consideration that is described in Note 26 of the consolidated financial statements, matured on 4 February 2012. The 3 month' average share price between 5 November 2011 and 4 February 2012 was higher than the guaranteed price of EUR 1.65. Therefore, the remaining of the provided amount for this obligation has been released into the income statement. No cash payments were due.

INDEPENDENT AUDITOR'S REPORT

To: the General Meeting of Shareholders of LBi International N.V.

Report on the financial statements

We have audited the accompanying financial statements 2011 of LBi International N.V., Amsterdam as set out on pages 63 to 150. The financial statements include the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated statement of financial position as at 31 December 2011, the consolidated income statement, the statements of comprehensive income, changes in equity and cash flows for the year then ended and the notes, comprising a summary of significant accounting policies and other explanatory information. The company financial statements comprise the company statement of balance sheet as at 31 December 2011, the company income statement for the year then ended and the notes, comprising a summary of accounting policies and other explanatory information.

Management Board's responsibility

The management board is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the management board report in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the management board is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management board, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion with respect to the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position of LBi International N.V. as at 31 December 2011, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code.

Opinion with respect to the company financial statements

In our opinion, the company financial statements give a true and fair view of the financial position of LBi International N.V. as at 31 December 2011, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under Section 2: 393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the Report of the Management Board, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2: 392 sub 1 at b-h has been annexed. Further we report that the Report of the Management Board, to the extent we can assess, is consistent with the financial statements as required by Section 2: 391 sub 4 of the Dutch Civil Code.

Amsterdam, 12 April 2012
PricewaterhouseCoopers Accountants N.V.

B. Koolstra RA

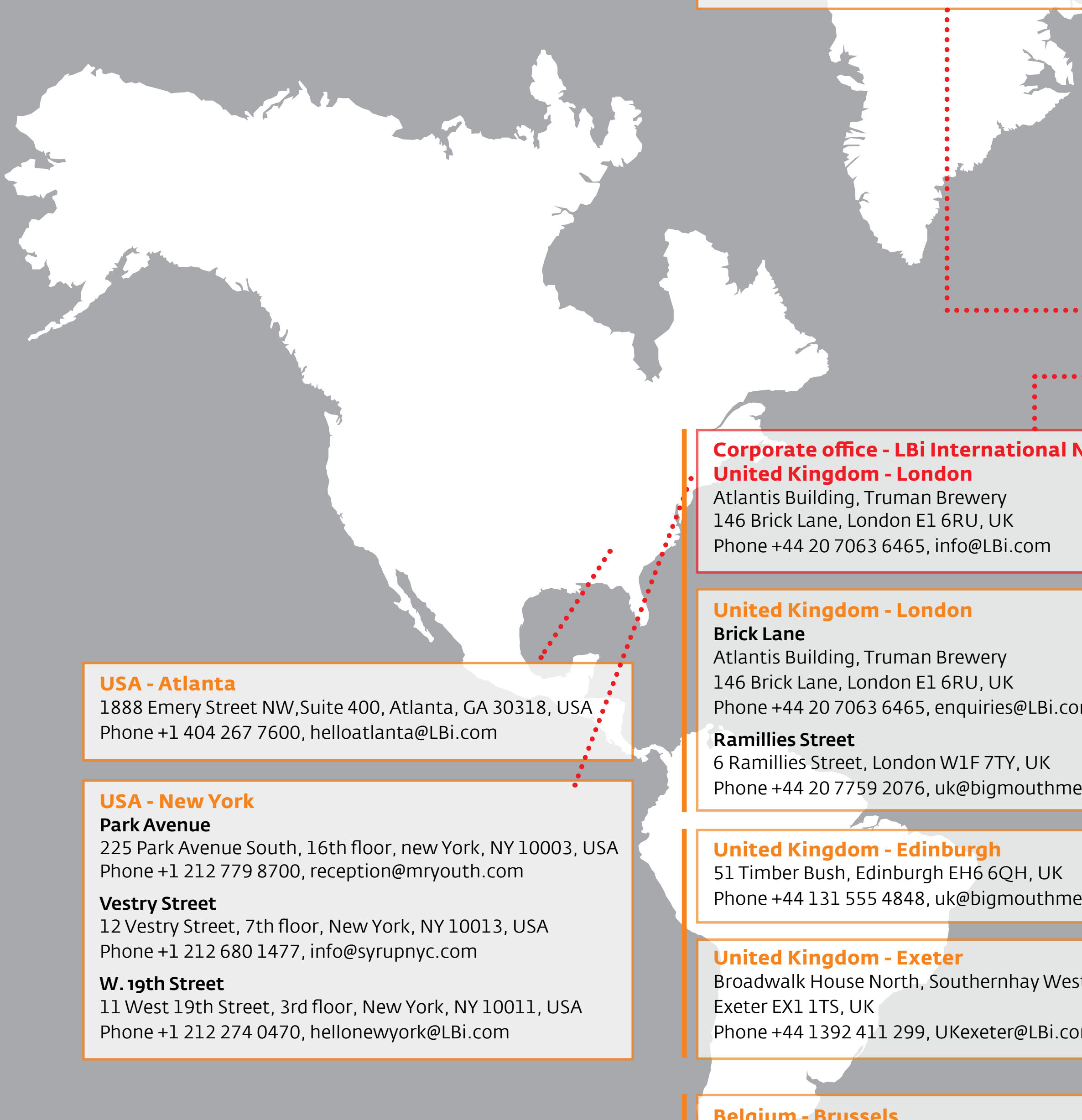
DEFINITIONS AND GLOSSARY

All capitalised terms in this Annual Report shall have the meaning as set out below unless the context may otherwise require.

AGM	Annual General Meeting of shareholders.
Articles of Association	The articles of association (statuten) of the Company.
Audit Committee	The audit committee of the Company.
BMM or bigmouthmedia	bigmouthmedia GmbH, the former German holding company of the BMM group including its subsidiaries where the context so requires.
Carlyle	CETP bigmouthmedia S.à r.l., a limited liability company (Société à responsabilité limitée) incorporated under the laws of Luxembourg, having its office address at CETP bigmouth-media S.a.r.l., Société à responsabilité limitée, 2 Avenue Charles de Gaulle, L-1653 Luxembourg, R.C.S. Luxembourg under number B 116 879.
CGUs	Cash Generating Units.
CODM	Chief Operating Decision Maker.
Company	LBi International N.V., a public company with limited liability (naamloze vennootschap), incorporated under Dutch law as a public limited liability company.
CRM	Customer relationship management consists of the processes a company uses to track and organise its contacts with its current and prospective customers and its customer relations.
Cyrte	Cyrte Investments GP I B.V., a private company with limited liability incorporated under the laws of the Netherlands, having its official seat in Amsterdam, the Netherlands, and its office address at Flevolaan 41a, 1411 KC Naarden, the Netherlands, registered with the trade register of the Chamb-ers of Commerce under number 32116545, acting in its capacity as general partner of CF I Invest C.V., a limited partnership incorporated under the laws of the Netherlands, having its office address at Flevolaan 41a, 1411 KC Naarden, the Netherlands, registered with the trade register of the Chambers of Commerce under number 32116673.
DCF	Discounted Cash Flow.
DSO	Days of sales outstanding, which is defined as trade accounts receivable plus accrued income for non-invoiced services rendered less advance payments from clients and accounts payable divided by annualised gross sales over the prior three months times 365 days.
Code	Dutch Corporate Governance Code.
EBITDA	Earnings before interest, taxes, depreciation and amortisation.
EBITDA margin	Operating income before depreciations and amortisations as a percentage of revenue.
EUR or euro	Currency of the European Union.
NYSE Euronext Amsterdam	NYSE Euronext Amsterdam by NYSE Euronext, a regulated market operated by Euronext Amsterdam N.V.
General Meeting of Shareholders	The meeting of shareholders of the Company entitled to vote, together with pledgees and usufructuaries to whom voting rights attributable to the Shares accrue or the body of the Company consisting of persons entitled to vote on the Shares (as applicable).
Global Share Option Plan or GSOP	The global share option plan of LBi which gives right to options on shares.
Group	The Company and its subsidiaries.
Initial awards	Awards granted under the equity incentive plan (LTIP) in September 2010.
IFRS	The international accounting standards, international financial reporting standards and the related interpretations of these standards issued or adopted by the International Accounting Standards Board from time to time and approved by the European Commission.

Janivo	Janivo Holding B.V., a private company with limited liability incorporated under the laws of the Netherlands, having its registered office in Utrecht, the Netherlands, and its office address at Sparrenheuvel 36, 3708 JE Zeist, the Netherlands, registered with the trade register of the Chambers of Commerce under number 30145961.
LBi	LBi International N.V., a public company with limited liability (naamloze vennootschap), incorporated under Dutch law as a public limited liability company, whose regitered office is in Amsterdam, the Netherlands, including its subsidaries where the context so requires.
LBi AB	Prior to the Merger, LBI International AB, a public limited liability company incorporated in Sweden, Corp. Reg. No. 556528-6886, whose registered office is at Hamngatan 2, SE-11147, Sweden, including its subsidiaries where the context so requires.
LBi EBT	LBi International N.V. Employee Benefit Trust ("LBi EBT")
Long Term Incentive Plan or LTIP	The employee incentive plan of the Company.
Nomination Committee	The nomination committee of the Company.
Management Board	The Management Board (Raad van Bestuur) of the Company.
Merger	The reverse merger between LBi AB and Obtineo (consisting of search engine specialist bigmouthmedia and EUR 40 million in cash) was finalised on 29 July 2010, forming a new company operating under the name LBi International N.V.
Obtineo	Obtineo Netherlands Holding N.V., the N.V. before the Merger renamed LBi International N.V. upon the effective date of the Merger.
PIPE	The private placement of shares in Obtineo in a amount of EUR 40 million which was completed on 29 April 2010.
PPC	Pay-per-click which relates to the adverts at the top and on the right of the Google, Yahoo! and Bing search results.
Remuneration Committee	The remuneration committee of the Company.
Rights Offering	The offering of SETs by the Company to the LBi AB shareholders, which therefore excluded the shareholders of Obtineo (i.e. the BMM shareholders and the PIPE Investors) in respect of the shares acquired by them prior to the Merger.
SEK	Swedish Krona.
SEO	Search engine optimisation is the process of improving the volume and quality of traffic to a website from search engines via search results.
Shareholders	The holders of Shares in the Company.
Shares	The ordinary shares in the capital of the Company, each with a nominal value of EUR 0.25.
Social Media	An engagement with online communities to generate exposure, opportunity and sales. Common social media marketing tools include Twitter, Blogs, LinkedIn, Facebook and YouTube.
Supervisory Board	The Supervisory Board (Raad van Commissarissen) of the Company.
Swedish Companies Act	Chapter 23, Article 1 and 36 of the Swedish Companies Act (2005:551).
WACC	Weighted average cost of capital

OFFICES AND CONTACTS



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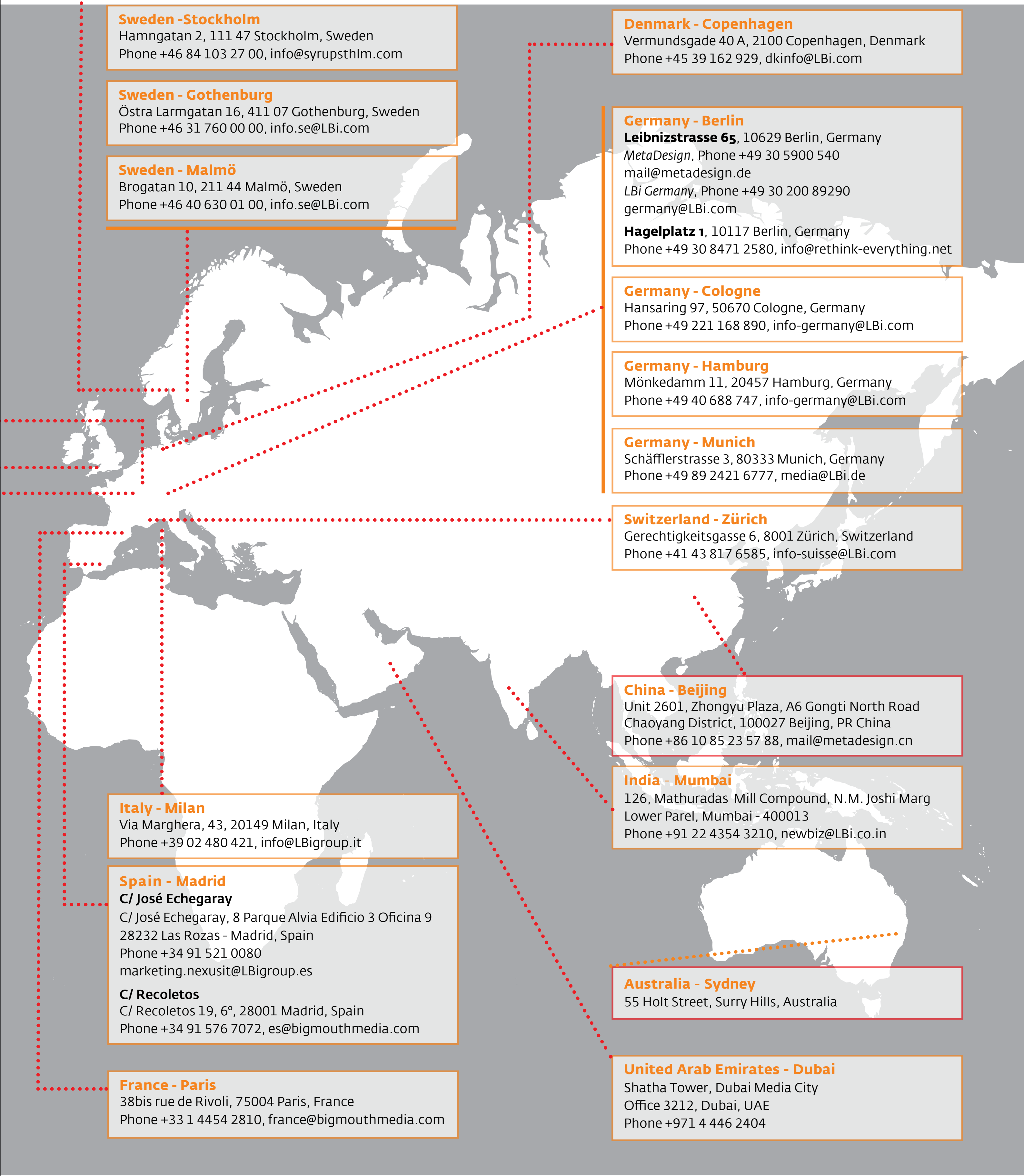
LBi's offices until April 2012



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