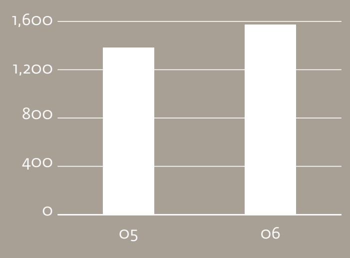
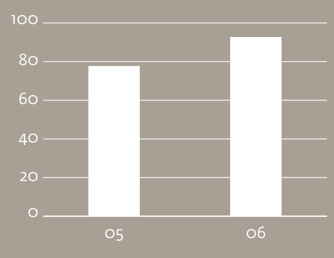
06

LBi

Pro forma sales, SEK million



Pro forma operating profit, SEK million



2006 in brief

- Framfab and LB Icon merge in August under the LBi brand, and create a leading international digital agency network
- Pro forma net sales amounts to SEK 1,572.5 million, representing growth of 14% from 2005
- Pro forma operating profit amounts to SEK 92.7 million, 20% up from 2005
- LBi wins about 130 new clients during the year
- LBi reinforces its leading position by winning two Gold Lions and one Silver Lion in Cannes, one Gold and one Bronz Medal at the One Show, an EPICA Gold Medal and a Grand Prix from Eurobest
- LBi acquires Starring and becomes market leader in Stockholm
- Robert Pickering takes up his duties as CEO in August 2006
- The new Board consisting of Katarina G. Bonde, Michiel Mol, Fred Mulder, Robert Pickering and Sven Skarendahl is effective as of August 2006

The CEO statement – Confident and hungry

We have completed another year in which we have advanced our company even further in its development. We started 2006 with the intention to merge the two leading digital marketing and communications companies in Europe.

Key management from Framfab and LB Icon in various countries worked pro-actively to develop plans that would create a combined business that would enable the new LBi to offer a stronger, more compelling full service offering to our existing and potential new clients. We have completed our combination and we not only reduced our cost structure but we are positioned to compete on the world stage with any other international agency.

The combination of our two companies brought together some of the best thinking, leading talent and entrepreneurial leadership that is unparalleled by any of our competitors in the world. Our international management team consists of some of the most experienced professionals in this industry. We continue to work together on engaging new clients, expanding our service offerings, creating people development and recruitment programs, and contributing to the evolution of this industry in general.

Our company is still in its infancy but we have come a long way. Few people would have predicted that in a few years, LBi would be the European leader in digital marketing and communication services. The outlook for our industry continues to be positive. The competition in our major markets is a reality that will continue. However, our clients are recognizing the importance and contribution our work can have to their business and are relying on fewer, more internationally capable, full service digital marketing companies to engage.

We ended 2006 as a significantly larger, more profitable, stronger managed company than when we started the year as two separate entities. We go into 2007 confident of our abilities but still hungry to create the world leader in our business. We have come a long way but we have even further to go on this journey. We will strengthen our leadership in Europe by expanding our network in other cities and by adding new services to increase the contribution of our services to our clients' businesses. On the US front, we expect to broaden our base in New York to strengthen our competitive position and to expand on our existing client relationships. We see many different opportunities in our marketplace that are strategic to our future. We are excited about the possibilities but remain focused on raising our own standards for performance.

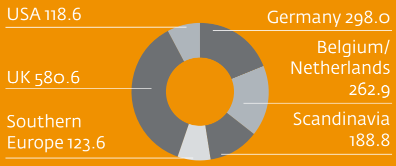
We look forward to 2007 and to shaping our business and the industry. We expect more growth and change in the new year but that is no different than any past. These are exciting times for all of us and we are confident we can make 2007 another remarkable year.

Robert Pickering
CEO and President
LBI International AB

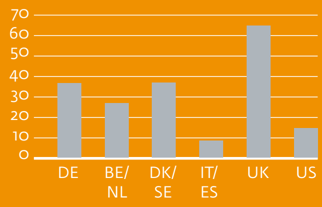
“We are the leading full-service,
fully integrated
international network.”

New York • Madrid • London • Brussels • Amsterdam • Frechen/Cologne • Gothenburg • Hamburg • Munich • Milan • Copenhagen • Berlin • Zurich • Stockholm

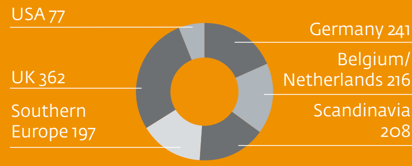
Pro forma sales by country/region, SEK million



Pro forma operating earnings by country/region, SEK million



No. of employees per year-end



“Taking the lead
to look after our clients’ future.”

This is LBi

WHO WE ARE

With an integrated service offering of marketing and communication solutions, LBi is the leading European digital agency network. The company has 1,300 employees in 18 cities in 9 European countries, the US and Middle East. LBi reports sales of SEK 1.6 billion and has a market capitalisation of approximately SEK 3.0 billion.

LBi is the result of a merger on 1 August 2006 between Framfab and LB Icon, the leading European digital agencies. The new network combines years of specialist know-how from a complete spectrum of digital services. Our integrated offering of creativity, strategy, media and technology is unrivalled when it comes to marketing and communication solutions. LBi's market leadership is based on our award-winning ability to bring together a series of disciplines. By linking marketing and communications, that approach helps strengthen the position, efficiency and market share of our clients.

OUR STRATEGY

We are constantly seeking the optimal combination of marketing and communications to place our clients at the vanguard of tomorrow's digital world. Meanwhile, we are refining our expertise in those two areas by attracting the industry's leading brains and furnishing our clients with innovative solutions.

WHAT WE DO

We design highly efficient digital marketing and communication solutions. Combining our disciplines of strategy, creativity, media and technology enables us to help our clients communicate more efficiently with their target groups through digital channels. Our success stems from the integration of suitable skills and solid experience. We have some of the best expertise in the industry.

Strategy

Our consumer orientation, business experience, comprehensive analyses and detailed data acquisition lend additional credibility to our specialist know-how and strategic recommendations. Our strategic discipline links business, branding, promotional campaigns and planning.

Creativity

The creativity that we so cherish is reflected in everything we do. In challenging preconceptions and traditional approaches, we pave the way for world-leading creative solutions. Our creative discipline includes the conceptualisation of ideas, as well as the design and implementation of solutions.

Media

Our media discipline covers planning, purchasing and implementation. Our teams have a unique ability to combine all aspects of digital media. Cooperating closely with creative experts and strategic specialists, the teams are masters at attracting specific target groups.

Technology

We have far-reaching experience in taking advantage of new and existing technical solutions to help our clients improve. The guiding principles of our world-leading technology team are innovation and measurable results. The discipline involves various types of applications for e-commerce and data processing solutions.

OUR PHILOSOPHY

Our creative, innovative corporate culture constantly fuels our next steps and long-term success. That dynamic is the cornerstone of everything we do and the engine that makes the LBi network run. The LBi network and organisation apply three fundamental principles to everything we do.

- **Boldness and courage** – we are always curious, on the lookout for new and effective ideas with which to challenge the market. Creativity is central to our business concept. We combine creativity with the innovations of tomorrow to provide our clients with unique, winning solutions
- **Specialists** – our multifaceted expertise, resources and interdisciplinary approach add up to a tightly-knit network of international specialists to serve our clients
- **Leadership and cooperation** – our strength is based on interpersonal trust and understanding with our clients. Our ability to generate win-win situations helps our clients always stay one step ahead

While developing our brand and network, we constantly measure and evaluate the degree to which we live up to our principles. Our ongoing improvement process ensures a corporate culture based on individual energy, creativity and innovation.

OUR BUSINESSES (PRO FORMA)

Belgium/Netherlands

Benelux operations consist of LBi in Belgium, as well as Escador and Lost Boys in the Netherlands. A total of 211 employees work at offices in Amsterdam, Bruges, Brussels and Den Dolder. Among our biggest clients are Belgacom, Proximus and Nestlé in Belgium, along with ING, KLM, Nuon, Philips, Postbank and Sara Lee International in the Netherlands. Benelux operations generate 17% of the Group's net sales.

Germany

A total of 241 German and Swiss employees work for Framfab and MetaDesign in Germany, as well as Framfab in Switzerland. Offices are located in Berlin, Frechen/Cologne, Hamburg, Munich and Zurich. The German business generates 19% of the Group's net sales. Among its biggest clients are Audi, DHL, Lufthansa, Postbank, Siemens, UBS and Volkswagen.

Scandinavia

The Scandinavian business consists of Framfab in Denmark and Framfab and Starring in Sweden. A total of 202 employees work at offices in Copenhagen, Gothenburg, Malmö and Stockholm. Scandinavian operations generate 12% of the Group's net sales. Among the biggest clients of the business are Danske Bank, Ford Motor Company, Nike, Nobel Biocare and the Volvo Group.

Southern Europe

The Southern European business is made up of IconMedialab in Italy, as well as LBi and Nexus IT in Spain. Operations are broken down between offices in Madrid and Milan. The business generates 8% of the Group's net sales. A total of 197 employees run projects for clients such as Abbott Laboratories, CajaEspaña, ICO Escalunga, Forcem, the government of the Canary Islands, Mediaset and Pirelli.

United Kingdom

A total of 362 UK employees work at three offices in London under joint management and the name of LBi. The business generates 37% of the Group's net sales. Among its biggest clients are BT, First Choice Holidays, Marks & Spencer, Metropolitan Police and NHS.

United States

LBi's business in the United States consists of IconNicholson, which has 77 employees in New York. US operations generate 7% of the Group's net sales. Most of the clients – such as MasterCard, EMI and Bristol-Myers Squibb – are based in the United States. The company also cooperates with other members of the LBi network on behalf of key European clients, such as Brahma, Nestlé and Regus, that are looking for continent-wide or global capacity.

The market

In 2006, demand for digital services across Europe and the US was strong. More companies are switching their spending priorities from traditional media channels to digital media.

This trend will continue through 2008 and beyond as business and consumers have ready access to the internet and they experience the broad range of information, services, buying and selling options, as well as the competitive advantages generated by e-commerce.

The European market for web design and related services is still largely fragmented. A Forrester report dated May 2006 focused on European web agencies indicated that out of 48 companies evaluated only 19 had sales greater than € 10 million. This market environment that includes increasing demand for a broader range of digital services will continue to drive both organic growth and further consolidation in the industry.

Traditional advertising agencies have been slow to recognize the trends in the shift of spending and the importance of the digital media. The large multinational advertising groups have digital capabilities but these services are not present in key markets. They lack a coherent strategy and to some extent they still suffer from conservative minds. Clearly, these companies must advance their offerings sooner or continue to cede client revenues to the growing full service digital agencies.

Competition in Europe is strong in local markets where smaller specialized digital agencies sometimes have a pricing advantage. As larger multinational clients look for more international experience and a full service offering, the number of competitors is greatly reduced. LBi maintains its leadership as the only full service digital agency with offices in 18 cities in 9 European countries, the US and the Middle East. Competition from US based digital agencies is present in the UK but not as prevalent on the Continent. However, as the consolidation in the industry continues, this picture will change.

Further market trends continue to support the growth in digital services. Broadband penetration in Europe increased by another 14% in 2006. Mobile users are becoming more adapted to using these devices for a variety of services that will advance beyond common communication to the eventual positioning of the mobile device as a prime e-commerce tool. According to a recent survey conducted by INS Media and Entertainment, as much as 76% of the mobile users in France, Germany, Italy, Spain, UK and the US have access to the web from their devices. It is estimated that more than one-third with mobile web access have used such services. While the mobile device is labelled the "third screen" behind television and PC, clearly the proliferation of the number of devices, reducing costs for services and the increased access to services should propel the growth in transactions generated via mobile devices. LBi is a European leader in the development of digital advertising and product promotions via mobile devices.

Another area of growing importance is the area of development of idTV related formats and programming. LBi started research and development in this area over 3 years ago. The development of idTV will grow more important as marketers, broadcasters and sponsoring companies recognise the revenue potential that are produced by the convergence of these digital channels. The next 5 years should be a period in which the market will see greatly expanded service offerings to consumers incorporating more interactivity.

Persons and culture

LBi has always had a spirit of innovation and renewal. We were a leader from the very start and have spearheaded developments in the industry ever since. We have made dreams and visions of the future come true. Regardless of geographic boundaries, we continue to blaze new trials by interweaving our various disciplines and offering an integrated offering of digital services.

As an international network, we are proud of our entrepreneurial roots, specialist expertise and unerring progress. Our pioneer spirit has fortified us with an unshakeable faith in our ability to realise our goals and visions. The corporate culture that has emerged stems from well-considered investments in know-how and client relationships.

Our success and durability as an international agency network in marketing and communications would have been impossible without the people behind the company. LBi's ability to attract and retain the best brains in the industry comes from our objective of promoting a unique corporate culture in which everyone keeps their eyes on the way forward. We instinctively think in new ways, and we reward creative approaches.

TALENT AND ENTHUSIASM

During a period of rapid change, the expertise and enthusiasm of our employees has enabled us to continue forging long-term client relationships.

We are constantly striving to reinforce those connections by sharing our experience of recent assignments. That kind of sharing also allows our employees to steadily improve their know-how and skills.

A proactive approach to evaluating performance and identifying training requirements is fundamental to promoting the personal and career development of our employees.

Whether in Europe or the United States, we hire the cream of the crop. They are the kinds of people who are attracted to the solutions and opportunities we provide, as well as to our unique corporate culture. We look for people who relish challenges, can

solve complex problems and thrive on responsibility. We give them the chance to work alongside talented people within and outside their areas of speciality. In addition to market-leading projects, we promote their career development by allowing them to join forces with the biggest brains in the industry.

COMMITMENT AND LOYALTY

In an industry often associated with various action program and organisational shakeups, LBi's employees are loyal, and people who leave or take a break from the company often come back.

EQUAL RIGHTS, OBLIGATIONS AND OPPORTUNITIES

Growing and developing the company requires utilising and expanding upon the skills and know-how of each employee. They are all given the chance to become better and better in the areas for which they are most gifted. Equal opportunity and multitude is integral to our growth and permeates everything we do. A total of 31% of our employees are women. The great majority of the employees have college or university degrees.

GROWING AS INDIVIDUALS AND A GROUP

LBi employees have a strong feeling of togetherness. Our decentralised organisation allows us to share expertise, know-how and resources among different countries and offices. That kind of sharing was successful in 2006 and we will speed up such efforts in 2007. For instance, employees switch workplaces and participate in global initiatives, while project resources are allocated on an international basis.

Great Experiences in a Changing World

Julio Alonso Villasevil, entrepreneur and musician at heart, is Client Service Director at the LBi Madrid office. His background is nuanced and original, but one thing that permeates is a talent for launching new ideas.

As a young adolescent Julio aspired to work as a professional musician but found the business climate with its cutthroat mentality too challenging. After finishing his music studies in Belgium he returned to Spain and started to work for French music retailer FNAC and later Warner Music Spain.

"This was my first contact with retail and marketing", he says.

A couple of years later, Julio and two friends decided to start their own independent record and video/dvd distribution company.

"Our idea was to sell non-commercial music through alternative channels", Julio explains.

After a few years the three friends parted ways and Julio started working for an independent relationship marketing agency. He ended up staying for five years, becoming partner and positioning the agency as an online company – giving him plenty of useful experience. He then spent a year freelancing before joining LBi.

As a Client Service Director, Julio's days are filled with meetings, sales work and phone calls. His constant interaction with clients is both challenging and rewarding.

"Making pitches demands total focus and is what really gets my creative juices flowing. When I introduce a fabulous concept, I want to transfer all my positive energy into getting the client as excited as I am about it."

Julio's passion for great ideas is never-ending, and at his favourite time of day, lunch hour, he gets the chance to discuss them with an open approach. He then sits down with the Creative Director to talk about the content of their work – without any restrictions.

" I don't appreciate traditional work meetings during lunch, but our discussions really give us the opportunity to express outrageous ideas and to pitch new and exciting approaches", he points out.

When asked about what he most appreciates at LBi, Julio's answer is direct and assertive.

"Without competition – it's the people! At LBi people with very different backgrounds work together and create a fruitful balance. Former engineers with a pragmatic and effective work style come together with marketing people – crazy persons like myself ", he says.

When out of the office Julio spends his free time with his family, but he also finds the time to teach strategic marketing at a business school in Madrid.

"It's very rewarding and it keeps me at my toes, constantly learning new things and meeting new people", he explains.

Julio also keeps his love for music alive by playing the flute in a medieval music group. His four children also play instruments and sing.

"We should start a band together", Julio laughs.

In the future Julio sees himself still working at LBi, contributing to the growth of the company. The most important thing for him is to be able to enjoy his work – despite a sometimes stressful and demanding environment.

"It's fantastic to meet people that have been working here for eight to ten years that are still truly happy with what work has to offer them. That's who I want to be in a decade", Julio says determinedly.


LBi
Highly effective market
and technology sol

Charting the landscape of online media

Caroline van Mol loves a challenge. Working as a media planner at LBi Brussels, her everyday aspiration is to win the heart of the target audience. Every ad campaign has to hit home – goal oriented thinking is key.

Sometimes, the best school to attend can be work life itself. Caroline holds a Master degree in Communication, but says that her four years at LBi Brussels is the best education one could ever get.

"This is my first job but I already feel as if I have tons of experience", she says enthusiastically.

"I think it's because at LBi, you always stay with the project throughout its entire lifespan, from start to end, which allows you to watch it evolve. That is a major advantage, not only in terms of my own learning, but also in my interaction with clients, as it's vital to be well informed about the development of the project", she explains.

After graduation, Caroline spent a training period with a major media centre in Belgium. This valuable experience gave her the confidence to apply for a job at LBi, after reading about the company on a jobsite. She joined the Brussels team in 2002, and has never had a moment's doubt about her decision.

As a Media Planner, Caroline spends a great deal of time researching. She investigates and maps online habits and tries to make sense of the ever erratic behaviour of online consumers. Understanding the target audience is crucial as clients want to be sure that their online ad campaigns will reach as many as possible in the selected target group. The never-ending flow of information is vast and at times overwhelming, but for Caroline it's a necessity to keep up momentum.

"Certainly, there are no speed limits, but it's something that comes with the territory. The constant flux of trends and online behaviour is actually what is so exciting about this job, and I'm always up for a challenge", she says.

"The internet is a young and evolving media, and in this business you have to be avant-garde. Site formats and front line technologies are constantly being modified, like Web 2.0 and RSS. The pace is high, but on the upside, there is never a dull moment!"

Although most of her time undoubtedly is spent at the office, Caroline highly values her leisure time. She reads a lot and appreciates a good movie. Her social life also plays an important part.

"Many of my friends are colleagues," Caroline says. "The atmosphere here at LBi is really friendly and we often spend time together outside the office. This January, five of us went on a trip together – to New York! We spent five amazing days in the Big Apple, and we even hade time to visit our colleagues at the LBi Group New York office, IconNicholson.

Given the option to change path and try something entirely different, Caroline says she would still stand by her choice of career.

"I've always wanted to work in media and communications, and I think I'd like to continue working as a Media Planner, perhaps with more focus on marketing. I wouldn't have it any other way", she says resolutely. "Why would I? I'm living my dream!"

Beyond the website

The days when Framfab only worked on web pages are long past. Today, customers contacting Christian Weinreich and his team at the Copenhagen office may come to the first meeting thinking they only want a simple website – but they will surely be offered considerably more.

"We work beyond the website, Christian explains. We always suggest the communication and business solutions that deliver the most. This will often involve a combination of different channels."

The team's ability to see each assignment from a comprehensive perspective and to combine activities into unique solutions for each customer, has given Framfab many prestigious assignments. At present their clients include IKEA, Nike and Den Danske Bank.

Christian is an information architect at the Centre for User Experience. His work involves detecting new possibilities and helping customers acquire market share by positioning them and their brands in contexts that they haven't previously considered. The objective is to enhance and improve the customer's business. One way to achieve that might be to combine the website with printed ad campaigns, events or direct marketing.

The industry is changing. Traditionally what happened online mirrored and supported activities that the company prioritised offline; the website was really just a complement. Now clients increasingly want the spotlight focused on their digital market activities. This is logical, as people are spending more and more time online. Companies are now redistributing their marketing budgets to reflect this development.

"The time that customers spend online in search of inspiration, finding solutions and finally making a decision to buy, has dramatically increased in recent years", Christian explains. Online media have increased in status and now occupy a large space in the companies' strategic marketing plans. It's not unusual for the most effective integrated marketing strategy to be based on digital media.

"Because we understand the digital world, have considerable experience and better reference cases than traditional advertising agencies and most of our competitors, we find ourselves more frequently called in at an early stage to help our clients define which market strategies they need."

In his work, Christian uses the entire arsenal of channels available in a way that is relevant and interesting for the user and that increases the value of the customer's business and brand. The work must be integrated, and in good harmony, with the company's other marketing activities.

In order to understand the customer's needs, Christian and his colleagues need to be good listeners. They frequently carry out surveys, for instance by using focus groups, with the objective to identify what will attract the end customer.

Working beyond the website involves supplying total communications solutions that work across all media. Framfab possesses the unique ability to put together complex digital strategies that really exploit the attention they create, and then converting that interest into tangible business advantages.

Salute the young and inspiring one

According to Creative Director Barbara Corti, the recipe for a stimulating work environment is to be easy-going and profound at the same time – and to never take yourself too seriously. She has found her ideal workplace at IconMedialab Italy.

While studying scenography at The Academy of Fine Arts and Architecture at Politecnico in Milan, Barbara started her career as a teacher's assistant, leading classes and conferences related to communication and design issues. She then worked as an interior and exhibition designer before joining the IconMedialab User Interface Team.

"I was very attracted by the company's methodology and anthropological aspect, linked to its user centred design approach", Barbara reveals.

Although she ended up choosing a civil career, Barbara has made sure to keep one foot firmly in the world of academia.

"I consider the connection with the academic environment very important, as I always want to keep myself updated with the latest research and experimentation", she explains.

On a normal day, Barbara faces many different challenges: project brainstorming, defining concept books to show to clients, critical problem solving as well as continuous support to the team in the design process.

"One of the most rewarding aspects about my work is the possibility to help young designers grow and develop their skills. The greatest challenge that I face is for sure to preserve the concept and quality of a project from start to end. It's not easy to develop a unique idea – it requires creativity, innovation and initiative, as well as the will to dialogue with clients and the ability to transform a problem into an opportunity!"

One recently finished project was a collaboration with Microsoft MSN Italy. The objective was to strengthen the MSN Search tool and MSN Messenger.

"We used a BOT for this project, a computer program with a particularly human profile. We created a BOT-character called Doretta – a careless and raw persona with a mysterious aura", Barbara laughs.

BOT-Doretta has her own MSN Messenger account, and she chats with the users answering their questions. IconMedialab Italy worked with the idea and concept process, on the technical development, and on the devices Doretta communicates with.

"This represents a typical project for us, where communication channels are given a human touch to offer services through simple and fun interaction", Barbara says.

Despite a high work pace and demanding projects, Barbara stresses the importance of allowing yourself to relax and enjoy your day. She says that the continuous mix of professional experiences that motivates her, and the ideal projects are the ones that at the beginning seem complex and hard to solve. Digital projects mean a constant flux of conditions, and creative ideas sometimes spring from unexpected places. Barbara often finds that her eight year old daughter Alice is a great source of inspiration.

"I sometimes show her some of what we do at IconMedialab and it always stuns me how children can be so inspiring and exciting. Graphics and design are truly my passion, which I think has rubbed off on my daughter.

But Barbara points out that there is more to creative design than what first meets the eye. The main priority has to be observing and listening to clients and understanding their needs.

"What I'm trying to reach is a link between high-level creativity, consistent strategy and managing abilities. That's my main goal! I hope and believe that my career at IconMedialab will be long-term and full of pleasant surprises. This environment is really stimulating and getting bored is just not a possibility!"

A humble giant

Marks & Spencer's website is a veteran among e-stores – it's been around for over a decade. Today it's a huge virtual marketplace generating thousands of purchases each day, but even this giant was once a baby and LBi's London agency has been around since the very beginning.

Laurent Ezekiel is a client partner in LBi's London office, and Marks & Spencer was one of his first client accounts.

"Our collaboration with Marks & Spencer dates far back in time – LBi (operating then as Wheel) was the agency chosen to build their very first website in the early nineties, mostly for the purpose of an initial online presence", Laurent says. "Today, it has grown into a full e-commerce website and we're so proud of having been a part of that development."

Reliance is at the very core of the client relationship, as LBi has full responsibility for the website. In addition to being Marks & Spencer's digital agency, the collaboration also involves offline advertising. The client team engages eight people from LBi, all working full time with the project, meeting every need. Although a dependable client, Marks & Spencer is also a demanding partner.

"They insist that we always have a lot of research underpinning our concepts", Laurent reveals. "They push us hard – but they really do trust us, and we are always up for a challenge", Laurent explains.

Every year the website is part of different seasonal campaigns, Christmas and Valentine's Day for example. One of the larger drives occurs before Mother's Day. The typical Marks & Spencer customer is a woman aged 35–45, but the target audience is far wider than that. Last year's campaign included ads on untraditional web locations, for example, sites with a male dominated audience like skysports.com as well as broader reach sites like aol.com. The innovative design illustrated a mother's feet running around following the cursor, picking up trash left behind. The sentence" pick up something special online for someone who always picks up after you" was displayed, and a click sent the viewer straight to a site full of traditional Mother's Day gifts, such as flowers, chocolate and women's wear.

The collaboration between LBi and Marks & Spencer will hopefully continue well into the next decade. The next step is a new site that is to be launched in spring 2007.

"The site is all about leaving the consumer in total control of the purchasing process – although we're making helpful suggestions along the way", Laurent explains. "It's very exciting to be a part of this project and watching the site grow – it will truly be the next stage in e-commerce!"


What's your
free
housekeeper
Pick up something special online
for someone who always
picks up after you
Mother's Day bouquets from
£19.50
including delivery
M&S

Framfab behind the wheel

The famous Paris Motor Show has long been the natural arena when launching a new and exclusive car model. In the middle of the 1990's however, Framfab decided to turn everything upside down. When presenting its new C70-model, Volvo Cars' first modern convertible, the internet was the forum for the spectacular launch. The car was unveiled via streamed video and the online campaign was one of the first of its kind. Right there and then, the foundation of a strong and successful collaboration was laid, and ten years down the road it is still gaining momentum. The Cyber Silver Lion that the 2006 edition of the C70 campaign was awarded with in Cannes last year is living proof of it.

Per Sjögren manages the Volvo account at LBi's Framfab office in Gothenburg. After many years of creative collaboration, Per knows nearly all there is to know about the multinational car company's business.

"We started working for Volvo Cars back in 1996 and while Volvo built up its inhouse online expertise, Framfab acted as its external interactive department", Per tells us. "In the process, we acquired know-how about the automobile industry and Volvo became a competent online marketing buyer. The close relationship that we formed then still lives on today, and Framfab continues to manage a large part of all that relates to Volvo's presence on the internet. Nearly 40 people are involved in the work." Framfab is the spider in the web.

"We manage almost all parts of the projects for Volvo, but to meet specific needs we sometimes turn to our partners for help. They are for example involved in producing clips for TV-commercials and creating CGI images, i.e. computer-generated images of cars or detailed close-ups."

The presentation of a new car on the internet is an extremely important part of Volvo Cars' market communication. Technical specifications, functional analyses and the ability to make comparisons with other models all come completely into their own when using the internet as a tool. Volvo has invested in interactive car galleries on its site, enabling prospective buyers to virtually explore cars in a new and entertaining way. For example, visitors can rotate models, open doors and see how the paintwork looks in various lights.

"Since Volvo's target group has access to powerful computers and fast internet connections today, online campaigns have become both richer in content and more lavish," Per explains. "We are increasingly seeing customers such as Volvo Cars dedicating greater and greater parts of their budgets to new digital channels in order to reach new target groups, but also to communicate more efficiently."

The average time that visitors stay on Volvo's website has increased from two to seven minutes in just one year – a remarkable progression in terms of online behaviour.

"I think we at Framfab have an edge when it comes to producing sustainable content, which is by far the most important aspect of getting potential car buyers to spend as long a time as possible on the site. The longer the visitor studies a car model, the more product features we have time to show and convince the prospective buyer with", Per stresses.

Per believes that it was Framfab's ability to combine technological expertise with creative marketing strategy that convinced Volvo of making a commitment ten years ago.

"We showed the way and demonstrated how a powerful online presence could help Volvo Cars grow – an endeavour we continue to strive for!"


VOLVO MODELS
SALES & SERVICES
VOLVO CAR CORPORATION
S40
Interactive Gallery
Features & Equipment
Technical Data
Offers

Lost in Translation

What's in a name? When it comes to company branding at least, a whole lot of effort and endeavour, according to Michel Gabriel, Head of Business Unit at MetaDesign, the LBi Group's Berlin agency. When naming memory technology company Qimonda, legal collisions and awkward interpretations were just some of the obstacles facing the team, but the result was nothing short of a success.

Michel Gabriel is head of one of three creative departments at MetaDesign, employing over 40 people. His unit consists of creative designers, account managers, copywriters and HTML-designers, all passionately engaged in the process of creating, remaking and implementing corporate brands.

When the huge German company Infineon Technologies sought to separate and brand its business unit manufacturing memory products, MetaDesign was definitely up for the challenge. Discretion was a matter of great importance, as this action would affect numerous employees, business partners and consumers all over the world. Preparations were made in utter secrecy and by fall 2005, the team could at long last launch the project.

"When working with branding, the key aim is to crystallise the company's trademark identity", Michel explains.

In several workshops with the Qimonda management, Michel and his team struggled to grasp the feeling and the characteristics of the company. They came up with some key words – bold, iconic, playful and smart – that filled a vital function symbolising the feeling of Qimonda and guiding the creation of a visual identity. The creative team at MetaDesign delivered three well-composed design suggestions aimed to serve as a graphical guide for websites, stationary, brochures and advertisement material. The management chose to go with a sleek, modern design, infused with shades of purple.

"Purple is certainly an unusual choice of colour in the technology industry", Michel points out. "Most people associate purple with a creative company, which was exactly the impression we wanted to convey. The memory products that Qimonda construct may not be especially creative – but the use for them is! The Xbox gaming console, for example, contains components manufactured by Qimonda."

When the brand concept is clear to everyone involved, the naming procedure begins. It can be an unwieldy process when, as in Qimonda's case, a company is active in almost 100 countries. Besides making sure the name is actually vacant, it's crucial to secure that spelling, sound and connotation are appropriate.

"It sure was taxing to create a name adaptable in numerous countries in such a short time. We started with a 1,000 options – and I mean that literally!", Michel points out.

The name Qimonda was chosen for many different reasons. The primary meaning is Key to the World, "KeyMonda". It's also easily associated with some Asian words ("Ki" in Japanese and "Gi" in Korean mean "power" or "breath"). In addition, it is also international, intercultural and well sounding.

"Finding a name is a delicate process, but we're confident that the right choice will make Qimonda prominent."

When Michel foretells the future in corporate branding, he expects an escalating need for companies to communicate a unique and relevant message.

"Many products out there today are very similar, and as a consumer it's hard to see the difference. Standing out is key, and at MetaDesign we know that innovative branding can make all the difference."


qimonda

Report of the Board of Directors

LBI International is the product of a merger between Framfab and LB Icon in August 2006. The merger was registered on 31 July 2006. Thus, the Framfab Group is reported as of that date. Only the LB Icon Group is reported for previous periods. To increase understanding also some selected pro forma accounting is included in the Business section.

LBI International AB (publ.), company registration no. 556528-6886, is a limited liability company domiciled in Stockholm, Sweden.

THE MARKET

In 2006, demand for digital services across Europe and the US was strong. More companies are switching their spending priorities from traditional media channels to digital media. This trend will continue through 2008 and beyond.

The European market for web design and related services is still largely fragmented. The market environment that includes increasing demand for a broader range of digital services will continue to drive both organic growth and further consolidation in the industry.

Traditional advertising agencies have been slow to recognize the trends in the shift of spending and the importance of the digital media. The large multinational advertising groups have digital capabilities but these services are not present in key markets.

Competition in Europe is strong in local markets where smaller specialized digital agencies sometimes have a pricing advantage. As larger multinational clients look for more international experience and a full service offering, the number of competitors is greatly reduced. LBi maintains its leadership as the only full service digital agency with offices in 18 cities in 9 European countries, the US and the Middle East. Competition from US based digital agencies is present in the UK but not as prevalent on the Continent. However, as the consolidation in the industry continues, this picture will change.

Further market trends continue to support the growth in digital services. Broadband penetration in Europe increased by another 14% in 2006. Mobile users are becoming more adapted to using these devices for a variety of services. While the mobile device is labelled the "third screen" behind television and PC, clearly the proliferation of the number of devices, reducing costs for services and the increased access to services should propel the growth in transaction generated via mobile devices. LBi is a European leader in the development of digital advertising and product promotions via mobile devices.

Another area of growing importance is the area of development of idTV related formats and programming. LBi started research and development in this area over 3 years ago. The development of idTV will grow more important as marketers, broadcasters and sponsoring companies recognize the revenue potential that are produced by the convergence of these digital channels. The next 5 years should be a period in which the market will see greatly expanded service offerings to consumers incorporating more interactivity.

BUSINESSES

The Group

LBi is the result of a merger on 1 August 2006 between Framfab and LB Icon, the leading European digital agencies. With an integrated service offering of marketing and communication solutions, LBi is the leading European digital agency network. Operations consist of LBi in Belgium, Framfab in Denmark, Icon-Medialab in Italy, Escador and Lost Boys in the Netherlands, Framfab in Switzerland, LBi and Nexus in Spain, LBi in the UK, Framfab and Starring in Sweden, Framfab and MetaDesign in Germany and IconNicholson in the United States. Operations are broken down among offices in 18 cities in 9 European countries, the US and Middle East. The Group had 1,301 employees on 31 December.

Belgium/Netherlands

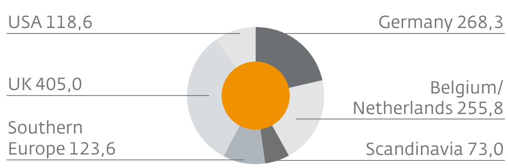
After Winsome and DAD merged in February 2007 under the name of LBi, the business consists of LBi in Belgium, along with Escador and Lost Boys in the Netherlands. Benelux operations generated 21% of the Group's net sales. Per 31 December a total of 211 employees worked at offices in Amsterdam, Bruges, Brussels and Den Dolder.

Lost Boys won three prestigious prizes in 2006 – Gold and Silver Spin Awards for the best interactive communication, as well as the Gold Esprit Award for the best direct marketing/advertising campaign.

The operating profit increased to SEK 26.8 million (–0,1), generating an operating margin of 10.3%. Net sales were down by 7% to SEK 255.8 million (276.1). The business won 30 new clients during the year.

Pro forma:
The 2006 operating profit was SEK 27.1 million (18.6), up 45% from 2005, while the operating margin was 10.1%. Net sales for 2006 increased by 19% to SEK 262.9 million (221.5). Benelux operations generated 17% of Group sales.

External net revenue per country/region, SEK million



Germany

German operations consist of Framfab and MetaDesign in Germany, as well as Framfab in Switzerland. Escador in Munich was divested in July. Per 31 December a total of 241 employees worked at offices in Berlin, Frechen/Cologne, Hamburg, Munich and Zurich. The business generated 22% of the Group's net sales.

Partly due to Framfab's business in Germany, the operating profit rose to SEK 34.9 million (18.1). The operating margin came to 12.6%. Not including Escador, net sales rose by 57% to SEK 268.3 million (171.2). German operations won 26 new clients during the year.

Pro forma:
At SEK 36.7 million (38.7), the 2006 operating profit was slightly lower than in 2005 impacted by the sale of Escador. The operating margin for the year came to 12.0%. Net sales for 2006 were SEK 298.0 million (292.4). Growth excluding the former business of Escador was 14%. German business generated 19% of total Group sales.

Scandinavia

The Scandinavian business consists of Framfab in Denmark, as well as Framfab and Starring in Sweden. The acquisition of Starring, a leading interactive agency, established market leadership in Stockholm as well. Per 31 December a total of 202 employees work at offices in Copenhagen, Gothenburg, Malmö and Stockholm. Scandinavian operations generated 6% of the Group's net sales.

Framfab Denmark reinforced its leading position during the year by winning two Gold Lions and one Silver Lion in Cannes, one Gold and one Bronze Medal at The One Show, an EPICA Gold Medal and a Grand Prix from Eurobest.

The operating profit of SEK 18.5 million (–0.7) generated an operating margin of 25.2%. Net sales were SEK 73.0 million (0.0). The business won 21 new clients in 2006.

Pro forma:
Scandinavian operations generated 12% of Group sales. The 2006 operating profit was SEK 37.0 million (35.7), up 4% from 2005, while the operating margin was 19.2%. Net sales for 2006 of SEK 188.8 million (194.5) down 3% from 2005.

Southern Europe

With 197 employees at the end of the year, the Southern European business is made up of IconMedialab in Italy, as well as LBi and Nexus IT in Spain. Operations are broken down between offices in Madrid and Milan. The business generates 10% of the Group's net sales.

The Southern European net profit was up by 412% to SEK 8.7 million (1.7). The operating margin was 7.1%. Net sales increased by 23% to SEK 123.6 million (100.6). Southern European operations won 14 new clients in 2006.

Pro forma:
The Southern European business generated 8% of total Group sales. Otherwise there are no differences between the pro forma and the legal accounting as only LB Icon operated in Italy and Spain before the merger.

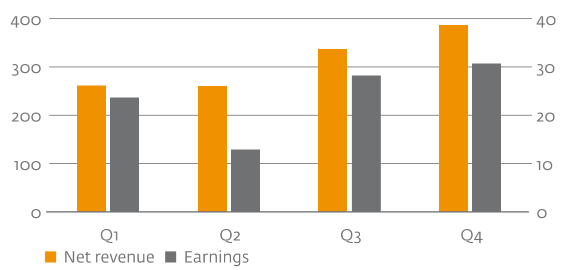
United Kingdom

Per 31 December a total of 362 employees worked at three offices in London under joint management and the name of LBi. UK operations generated 33% of the Group's net sales.

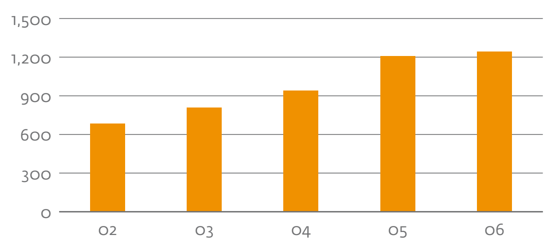
Due to infusion of Framfab's operations and a successful domestic effort, the operating profit rose to SEK 42.7 million (5.1) in 2006. The operating margin was 10.1%. Net sales increased by 75% to SEK 405.0 million (231.7). The UK business won 33 new clients in 2006.

Pro forma:
LBi UK reported an operating profit of SEK 64.9 million (53.7) for 2006, an increase of 20% from 2005. The 2006 operating margin

Net revenue and operating earnings per quarter, SEK million



Net revenue per employee, SEK thousand



was 10.9%. Net sales during the year increased by 28% to EUR 580.6 million (452.9). UK operations generated 37% of total Group sales.

United States

LBi's business in the United States consists of IconNicholson, which by year-end had 77 employees in New York. US operations generated 10% of the Group's net sales.

The operating profit of the IconNicholson subsidiary rose by 181% to SEK 14.9 million (5.3). The operating margin was 12.6%. Net sales were down by 9% to SEK 118.6 million (130.4), partly beacause of the sale of IconMedialab Inc. during 2005. The business won 5 new clients in 2006.

Pro forma:
LBi US operations generated 7% of total Group sales. Otherwise there are no differences between the pro forma and the legal accounting as only LB Icon operated in the US before the merger.

THE GROUP

Net sales and earnings

Net sales were up by 37% to SEK 1,244.3 million (910.1). Net sales per employee rose to SEK 1,242 thousand (1,207). The figure varied from country to country – it was highest in the UK and United States and lowest in Southern Europe. LBi continued its efforts in 2006 to boost sales per employee and improve capacity utilisation.

Net sales by quarter

SEK million	Q4	Q3	Q2	Q1
Net sales	386.4	336.7	260.2	261.0
Q/Q change (%)	15	29	0	–6

Note: The Framfab Group is reported as of the 1 August 2006. Only the LB Icon Group is reported for previous periods

The operating profit declined to SEK 78.9 million (82.4). Not including restructuring charges associated with the merger, the operating profit was up by 16% to SEK 95.5 million (82.4). Restructuring charges primarily involved costs for the termination of executives made redundant by the merger.

The main sources of the ongoing profitability improvement were the merger of Framfab and LB Icon, the rapid integration of the UK businesses, the larger number of international assignments, greater capacity utilisation and the generally more vigorous market. Moreover, considerable cost savings were achieved with respect to parent company functions.

All units adopted measures to improve profitability during the year. The Group explores opportunities for cost savings on an ongoing basis.

Net financial income for the year totaled SEK 5.6 million (–25.1). The profit after financial items was SEK 84.5 million (57.3).

Pro forma:
Net sales for 2006 amounted to SEK 1,572.5 thousand (1,381.3), representing growth of 14% from 2005. Net sales per employee grew by 6% from 2005 to SEK 1,269 thousand (1,194).

The Group's operating profit for 2006 was SEK 92.7 million (77.3), an improvement of 20% over 2005, while the operating margin was 5.9%. Provisions for restructuring were charged in the amount of SEK 24.2 million. Excluding restructuring charges, the operating margin was 7.4%.

Parent company

The parent company is a pure holding company with staff functions. Net sales, which consisted of internal invoicing, totalled SEK 15.8 million (13.6). The profit after financial items was SEK 131.7 million (21.7). Liquid assets totalled SEK 42.9 million (1.7) on 31 December 2006.

CASH FLOW AND FINANCIAL POSITION

Cash flow from operating activities amounted to SEK 130.4 million (45.9) for full-year 2006. Including investing and financing activities, cash flow totalled SEK 82.3 million (–51.7). Liquid assets were SEK 185.4 million (108.8) as of 31 December.

ACQUISITIONS AND DIVESTMENTS

The company divested two of its dormant companies, Icon Knowledge Management AB and Icon AB, in January 2006. The sale was facilitated by making use of the existing tax loss carry forward position in Sweden. The companies were not important for the strategic business of the group.

The 30 May extraordinary general meeting of Framfab AB and annual general meeting of LB Icon AB approved the merger of the two companies. In connection with the 31 July registration, 35,634,133 Framfab AB shares were issued to pay for the merger. The shareholders of LB Icon AB received one Framfab AB share for each share they held in LB Icon AB. The merger was carried out in accordance with acquisition accounting, and LB Icon was identified as the acquiring company pursuant to the principle of reverse acquisition. The reason that reverse acquisition was applied is that LB Icon shareholders hold the majority of share capital and Board positions after the merger. Including SEK 29 million in costs, the price of the reverse acquisition was SEK 1,171 million. Framfab had shareholders' equity of SEK 418 million on 31 July 2006. As a result, SEK 753 million is allocated to acquired assets and liabilities. A total of SEK 372 million has been allocated to deferred tax assets and SEK 381 million to client relationships and goodwill.

The Escador subsidiary in Germany was divested as of 31 July 2006 to Atos Origin Middle East (AOME). Payment consisted of 10% of AOME shares, creating a strategic alliance in the Middle East. With 31 employees, Escador reported annual sales of EUR 8–9 million.

Starring Ltd AB, a leading interactive agency in Stockholm, was acquired on 19 December. With 32 employees on the acquisition date, Starring reported sales of SEK 47 million in 2006. The acquisition produced a Stockholm leader that has a considerable share of the entire Swedish market. The acquisition involved an initial cash payment, as well as subsequent payments to be based on 2007 and 2008 earnings.

DIRECTED SHARE ISSUES AND EMPLOYEE STOCK OPTIONS

In accordance with a 9 May 2005 agreement concerning the acquisition of all Oyster Partners Ltd shares, LBi was to pay additional purchase prices based on earnings as of two dates. The 30 March 2006 annual general meeting approved the issue of 44,004,631 shares to pay the first additional purchase price of GBP 3 million. The issue was registered with the Swedish Companies Registration Office on 11 April 2006. The second additional purchase price totalled GBP 6 million. An extraordinary general meeting on 11 October 2006 voted to pay half of the second additional purchase price by issuing a total of 811,651 new shares. The issue was registered with the Swedish Companies Registration Office on 27 December 2006. The other half of the additional purchase price was paid by issuing a total of SEK 40,550,000 in interest-bearing debt instruments.

The 25 March 2004 annual general meeting of Framfab AB voted to issue up to 6,000,000 purchase (employee stock) options in accordance with the global option plan adopted by the 11 October 2000 extraordinary general meeting. At the time of the 30 March 2006 annual general meeting, the company had issued 2,700,000 of those options. 1,200,000 of these forfeited during 2005 when financial targets was not met and the remaining 1,500,000 expired on 30 September without having been exercised. The remaining 3,300,000 entitle to 66,000 shares after a 50:1 reverse split as described below.

A 30 May extraordinary general meeting approved the merger of Framfab AB and LB Icon AB. The meeting also approved a 50:1 reverse split of Framfab shares.

Conditional on registration of the merger, a 13 July extraordinary general meeting of Framfab voted to change the name of the parent company to LBI International AB. The Swedish Companies Registration Office registered the new name on 1 August 2006. In addition to its existing listing on the Stockholm Stock Exchange, LBI International AB has been listed on Eurolist by Euronext in Amsterdam since 1 August. The share has the LBI ticker symbol on both exchanges.

In connection with registration of the merger between Framfab AB and LB Icon AB on 31 July 2006, 35,634,133 new Framfab AB shares were issued to serve as payment. LB Icon's shareholders received one Framfab share for each share they held in LB Icon. After registration of the merger and the new share issue, LBI International AB (formerly Framfab AB) had a total of 60,522,946 outstanding shares. The 30 May annual general meeting also voted to issue 1,896,124 new options to rollover LB Icon's previous option program.

The extraordinary general meeting of 11 October voted to issue a total of 1,835,000 options, of which 1,019,000 have been awarded, to the Group's key employees.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

For a description of the Group's financial risks and financing policies, refer to Note 23, page 59.

Risk factors

LBi is exposed to a number of risks that can affect the Group's earnings and financial position to one degree or another.

Market and competition

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

Digital media trends and reliance on skilled employees

LBi must remain in the forefront to succeed long-term.

To do so, LBi must pioneer innovative, interactive digital solutions, thereby ensuring profitable strategic cooperation with its clients.

The Group's future is also contingent on attracting able employees and offering effective skills development opportunities. The Group strives for a work environment that encourages personal and career development, commitment and competitive terms of employment. Loss of the ability to spearhead developments or recruit the best people available could be detrimental to profitability.

Reliance on big clients

LBi's goal is to forge long-term relationships with big international companies on a large number of projects. Such relationships minimise LBi's sales costs and enhance its capacity to create added value for its clients. There is no guarantee that such partnerships will always take the same form. At any time and on short notice, clients can cut back on their purchases of LBi's services.

Assignments performed at a fixed price

Assignments performed at a fixed price account for 60–70% of LBi's income. Misjudgements about the resources required to complete such an assignment can generate a loss.

Income and cost structure

LBi derives most its income from the services it sells. As a company exclusively devoted to consulting, the majority of its costs are employee-related. LBi also engages subcontractors to cover fluctuations in its resource requirements and the market's demand for specific skills. Ongoing profitability is dependent on maintaining a balance between personnel costs and the income the company obtains for the services it provides.

Claims and disputes

LBi has been the subject of a claim regarding tax expense for a divested company. Pursuant to the agreement between the parties, the claim is below the threshold of SEK 2 million. The company also has a number of ongoing VAT and income tax matters. LBi does not believe that these matters will affect its earnings, but a resolution that is unfavourable for the company could impact the size of its loss carry-forwards.

SENSITIVITY ANALYSIS

Personnel costs

Based on payroll expenses for 2006, a 3% salary increase reduces operating earnings by SEK 17.8 million on an annual basis. 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 normally persists for 2–5 months. To ensure more cost flexibility for production resources, LBi also engages subcontractors, who accounted for 17% of all personnel costs including subcontractors in 2006.

Net sales

Net sales for a period are a function of the number of chargeable days, which varies according to holidays, etc. Net sales is also dependent on the billing ratio for billable consultants.

Exchange rates

Because LBi operates in several countries, the Group is exposed to exchange rate fluctuations. LBi's policy is to minimise the exchange rate risks faced by its subsidiaries and have the parent company take as many as possible of the risks that remain. Essentially all assets and liabilities held by each subsidiary are in the currency of its particular country. A 10% change in the value of the Swedish krona with respect to the Group's other currencies in 2006 would have impacted net sales by SEK 121 million and operating earnings by SEK 14 million.

Financing policy

LBi has a policy of not taking any special measures to guard against financial risks, such as transaction and translation exposure, involving exchange and interest rates. The policy is based on the magnitude of the assessed risks and the estimated costs associated with guarding against them.

LBi's policy is to minimise the exchange rate risks faced by its subsidiaries so as not to have more net assets in foreign units than operationally warranted.

While awaiting attractive operational investment options, surplus liquidity is placed in interest-bearing financial instruments, carrying the lowest K-1 rating (highest creditworthiness). Refer to Note 23, page 59 for additional information about financial instruments and risk management.

Intellectual property rights

At present, LBi is primarily engaged in the provision of consulting services and develops only limited proprietary software. Software is normally developed in connection with individual assignments from clients.

Such software may sometimes be suitable for assignments from other clients as well. When that is urgent and feasible, the parties sign an agreement whereby LBi retains the copyright and the client obtains a non-exclusive license. But because software is often designed with a particular client in mind, LBi has no reason to retain the copyright.

To the extent required, the Group protects its intellectual property rights such as trademarks and domain names by registration and maintenance in all countries the Group is represented.

ENVIRONMENTAL INFORMATION

LBi has no operations in Sweden that require official permits or notification.

WORK OF THE BOARD OF DIRECTORS

The LBi Board of Directors is constituted so as to efficiently support and monitor senior management's performance. The Board held 24 meetings, of which 5 by correspondence and one following election.

Domiciled in Stockholm, the Board consisted of seven members and no deputies from 1 January to 31 July 2006: Katarina G. Bonde, Steve Callaghan, Kaj Green, Robert Gogel, Lucas Mees, Arne Myhre and Sven Skarendahl (Chairman). A 30 May 2006 extraordinary general meeting voted that the new Board after registration of the merger would consist of Katarina G. Bonde, Michiel Mol, Fred Mulder, Robert Pickering and Sven Skarendahl (Chairman). Robert Pickering was appointed CEO on 1 August 2006. When necessary, employees attend Board meetings to present a report or serve in an administrative capacity. For information about the individual Board members, refer to page 78.

The Board kept its focus on improving resource utilisation and continually evaluated potential acquisition targets on the basis of established criteria.

The nominating committee consisted of Gunnar Ek, Sven Skarendahl and Markus Winkler until the 11 October 2006 extraordinary general meeting. The meeting chose Frank Bergman, Gunnar Ek and Sven Skarendahl for the committee.

The members of the Board's remuneration committee are Katarina G. Bonde, Fred Mulder and Sven Skarendahl. Michiel Mol, Fred Mulder and Sven Skarendahl are on the Board's audit committee. Otherwise there were no special committees – the entire Board handled any matters that arose. In accordance with the Board's current rules of procedure and instructions for the CEO, management kept the Board up to date on the company's financial status, strategic development, business outlook and state of the market.

The company's auditors report annually to the Board on the basis of their review. The 11 October 2006 extraordinary general meeting chose Öhrlings PricewaterhouseCoopers as LBI International AB's auditors. Öhrlings PricewaterhouseCoopers are also the auditors for all subsidiaries. Main responsible Authorized Public Accountant is Hans Jönsson.

The Board stays up to date on newly adopted corporate governance, reporting and other rules.

Events after the balance sheet date

There have been no significant events after the balance sheet date.

Expectations concerning future trends

Demand for LBi's services rose in 2006, and independent sources foresee an expansion of the interactive marketing sector. LBi's goal is to grow with the market while improving its profitability.

Proposed appropriation of profits

The Board and CEO propose that the annual general meeting appropriate the undistributed profits of SEK 776,355,170 such that SEK 776,355,170 is carried over to the 2007 accounts.

The Board and CEO propose that the annual general meeting distribute no dividend for 2006.

For information regarding the income and the position of the group and the parent company at the end of the year, as well as the funding and use of capital during the financial year, reference is made to the following income statements and balance sheets, change in shareholders' equity, cash flow analysis and supplementary disclosures.

Sales and earnings

Net sales and earnings
• Net sales increased by 37%
• The operating margin was 6.3% (9.1)
• The profit after tax rose from SEK 48.7 million to SEK 89.6 million

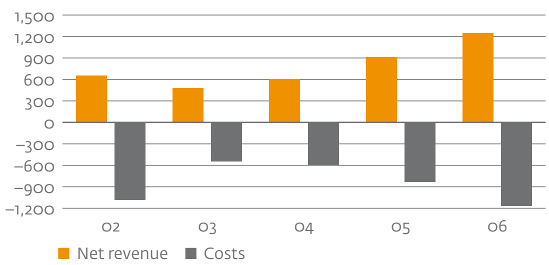
Net sales for the year totaled SEK 1,244.3 million (910.1). Net sales per employee were up by 3% to SEK 1,242 thousand (1,207) on an annual basis.

The operating profit increased by SEK 117.0 million to SEK 146.5 million. Including the parent company and Group adjustments, the operating profit was SEK 78.9 million (82.4).

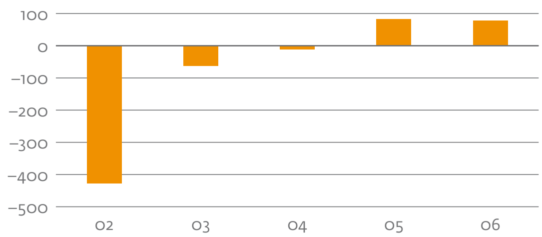
Employee related costs, 17% (17) of which were for subcontractors, came to 65% (65) of total costs in 2006. While costs for subcontractors can generally change with less than one month's notice, costs for employees are ordinarily adjustable after four months.

Earnings per share
Earnings per share were SEK 1.95 (1.72).

Net sales and costs, SEK million



Operating profit, SEK million



Pro forma: Operations at a glance

The pro forma accounts presented below have been prepared to illustrate the earnings as if the merger was completed 1 January 2005. In the pro forma accounts, a preliminary valuation of client relationships has been made, and amortizations have been included as of 1 January 2005. Adjustments for synergy gains, cost-savings or cost in conjunction with the merger have not been included. Pro forma accounting is intended to describe a hypothetical situation and has been created only for illustrative purposes to provide information and highlight facts.

Pro forma

SEK million	2006	2005
Net sales		
Belgium/Netherlands	262.9	221.5
Germany	298.0	292.4
Scandinavia	188.8	194.5
Southern Europe	123.6	100.4
United Kingdom	580.6	452.9
United States	118.6	119.6
Group	**1,572.5**	**1,381.3**
Operating profit/loss [1]		
Belgium/Netherlands	27.1	18.6
Germany [2]	36.7	38.7
Scandinavia	37.0	35.7
Southern Europe	8.7	5.3
United Kingdom	64.9	53.7
United States	14.9	7.4
Parent company and elimination	–72.4	–82.1
Group	**116.9**	**77.3**

[1] Operating profit/loss before management fee and restructuring

[2] Escador Germany was divested 31 July 2006 and is excluded as of that date

Operating margin (%)	2006	2005
Belgium/Netherlands	10.1	8.4
Germany	12.0	13.2
Scandinavia	19.2	18.4
Southern Europe	7.1	5.3
United Kingdom	10.9	11.9
United States	12.6	6.2
Group	**7.4**	**5.6**

No. of employees at end of period		
Belgium/Netherlands	211	218
Germany	241	251
Scandinavia	202	184
Southern Europe	197	181
United Kingdom	362	325
United States	77	83
Parent company	11	17
Group	**1,301**	**1,259**

Income statements

SEK million	Note	Group 2006	Group 2005	Parent company 2006	Parent company 2005
Net sales	3, 4	1,244.3	910.1	15.8	13.6
Production costs		–925.1	–658.4	–	–
Gross profit/loss	14	**319.2**	**251.7**	**15.8**	**13.6**
Selling expenses		–80.5	–69.2	–	–
Administrative expenses		–171.6	–154.5	–42.4	–30.7
Other operating income	6	13.0	56.6	–	–
Other operating expenses	6	–1.2	–2.2	–	–
Operating profit/loss	1, 2, 5, 7, 14	**78.9**	**82.5**	**–26.6**	**–17.1**
Profit/loss from financial investments					
Profit/loss from participations in group companies	8	–	–	155.9	37.9
Profit/loss from participations in associated companies	9	2.0	1.3	–	–
Profit/loss from other securities and receivables that are non-current assets	10	0.1	0.1	–	–
Financial income	11	11.5	24.3	8.7	1.6
Financial cost	12	–8.0	–50.9	–6.3	–0.7
Profit/loss after financial items	14	**84.5**	**57.3**	**131.7**	**21.7**
Income tax	13	5.1	–8.6	–	2.1
Profit for the year	14	**89.6**	**48.7**	**131.7**	**23.8**
Attributable to:					
Parent company shareholders		89.6	48.7		
Minority shareholdings		0	0		
Earnings per share attributable to parent company shareholders during the year	40				
Earnings per share (SEK)		1.95	1.72		
Earnings per share after dilution (SEK)		1.94	1.66		
Average no. of shares (thousand)		46,011	28,247		
Average no. of shares after dilution (thousand)		46,258	29,247		

Financial position

Financial position

- Shareholders' equity was SEK 1,903.1 million, while the equity/assets ratio was 81%
- Shareholders' equity per share came to SEK 31.00
- Interest-bearing net assets totalled SEK 121.6 million

SEK million	2006 31 Dec	2006 30 Sep	2006 30 Jun	2006 31 Mar	2005 31 Dec
Working capital	173.5	124.8	106.6	170.9	7.1
Percentage of net sales (%)	45	37	41	65	3
Equity/assets ratio (%)	81	81	71	68	44
Capital employed	2,047	1,923	735	742	799
Liquid assets	185.4	165.7	152.8	79.2	108.8

Intangible fixed assets of SEK 1,102.3 million (418.0) consisted primarily of goodwill and similar items from acquisitions of subsidiaries. The change during the year is primarily attributable to the merger of Framfab and LB Icon. An impairment test based on a future discounted cash flow model is performed on a regular basis. No impairment of goodwill was identified during the year.

Property, plant and equipment of SEK 51.1 million consisted mainly of renovation costs at rented London premises, as well as computers and other office equipment.

Financial fixed assets came to SEK 68.4 million. Deferred tax assets of SEK 456.4 million consisted mainly of tax deficits for the companies in the Netherlands, Sweden and United Kingdom.

Trade accounts receivable were SEK 338.0 million, while average Days Sales Outstanding (DSO, see definition on page 76), including work-in-progress, was 88.

Prepaid expenses and accrued income include work-in-progress of SEK 89.0 million (46.2).

Interest-bearing net assets were SEK 123.4 million. Net assets were affected positively by LB Icon AB's divestment of Framfab shares and negatively by the SEK 40.6 million additional purchase price for the acquisition of Oyster Partners Ltd which was reclassified from a provision to an interest-bearing liability.

SEK 46.5 million of the Group's long-term provisions and SEK 50.0 million of its current provisions were for anticipated additional purchase prices.

Balance sheets

SEK million	Note	Group 2006-12-31	Group 2005-12-31	Parent company 2006-12-31	Parent company 2005-12-31
ASSETS					
Non-current assets					
Intangible fixed assets					
Other intangible fixed assets	15	115.0	43.8	3.9	0.6
Goodwill	16	987.3	374.2	–	–
Total intangible fixed assets		**1,102.3**	**418.0**	**3.9**	**0.6**
Property, plant and equipment					
Leasehold improvement	17	20.9	12.4	–	–
Equipment	18, 19	30.2	19.4	0.0	0.1
Total property, plant and equipment		**51.1**	**31.8**	**0.0**	**0.1**
Financial fixed assets					
Participations in associated companies	9, 22	1,5	0.0	0.0	–
Participations in group companies	20, 21	–	–	1,171.8	489.1
Other long-term securities	23, 24	59.6	193.6	59.1	–
Other long-term receivables		7.3	2.8	–	–
Total financial fixed assets		**68.4**	**196.4**	**1 230.9**	**489.1**
Deferred tax assets	13	456.4	23.9	–	–
TOTAL NON-CURRENT ASSETS		**1,678.2**	**670.1**	**1,234.8**	**489.8**
Current assets					
Current receivables					
Trade accounts receivable		338.0	212.4	1.5	1.4
Receivables from associated companies		0.3	1.1	0.0	–
Receivables from group companies		–	–	112.9	68.5
Tax assets	13	7.1	12.5	–	–
Other receivables		25.5	11.1	7.7	1.1
Prepaid expenses and accrued income	25	109.6	63.9	1.4	2.5
Total current receivables		**480.5**	**301.0**	**123.5**	**73.5**
Liquid assets		185.4	108.8	42.9	1.7
Total current assets		**665.9**	**409.8**	**166.4**	**75.2**
TOTAL ASSETS		**2,344.1**	**1,079.9**	**1,401.2**	**565.0**

SEK million	Note	Group 2006-12-31	Group 2005-12-31	Parent company 2006-12-31	Parent company 2005-12-31
LIABILITIES AND SHAREHOLDERS' EQUITY					
Shareholders' equity					
Share capital	26	153.4	22.4		
Paid-in, unregistered share capital		0.1	2.1		
Other capital raised		1,812.4	577.6		
Translation differences		139,3	173.5		
Accumulated deficit, including profit for the year		–202.1	–294,7		
Total		**1,903.1**	**480.9**		
Restricted equity					
Share capital				153.4	60.0
Paid-in, unregistered share capital				0.1	–
Statutory/premium reserve				173.1	173.1
Revaluation reserve				–	52.2
Total				**326.6**	**285.3**
Non-restricted equity					
Share premium reserve				1,525.1	–
Reserve for real value				0.0	–
Loss brought forward				–880.5	–2.1
Profit for the year				131.7	23.8
Total				**776.3**	**21.7**
Total shareholders' equity attributable to parent company shareholders		**1,903.1**	**480.9**	**1,102.9**	**307.0**
Minority shareholding		0.0	0.0	–	–
Total shareholders' equity		**1,903.1**	**480.9**	**1,102.9**	**307.0**
Non-current liabilities					
Liabilities to credit institutions	31	10.9	12.8	–	–
Loans from shareholders	29	–	91.6	–	–
Convertible loan	30	–	150.8	–	–
Provision for pensions and similar commitments	27	7.0	5.9	–	–
Deferred tax liability	13	17.9	–	–	–
Other provisions	28	48.9	27.3	46.5	82.4
Total non-current liabilities		**84.7**	**288.4**	**46.5**	**82.4**
Current liabilities					
Liabilities to credit institutions	32	10.5	16.7	–	–
Other interest bearing liabilities	32	40.6	–	40.6	–
Advance payments from clients		19.8	6.4	–	–
Accounts payable		58.8	67.7	6.3	4.8
Liabilities to group companies		–	–	149.0	120.2
Tax liabilities	13	12.7	10.3	–	–
Other liabilities		51.0	35.2	0.0	0.2
Current provisions		50.0	39.2	50.0	42.6
Accrued expenses and deferred income	33	112.9	135.1	5.9	7.8
Total current liabilities		**356.3**	**310.6**	**251.8**	**175.6**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**2,344.1**	**1,079.9**	**1,401.2**	**565.0**

For information about pledged assets and contingent liabilities, refer to Note 34 and 35

Cash flow

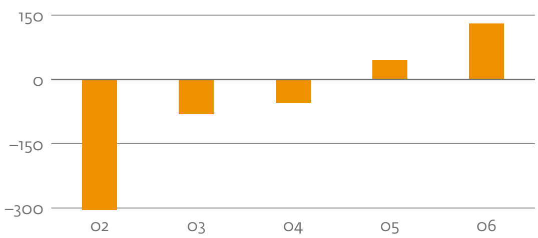
Cash flow

SEK million	Q 4	Q 3	Q 2	Q 1	Full year 2006	Full year 2005
Cash flow from operating activities	75.0	21.2	57.8	–23.6	130.4	45.9
Cash flow, net sales (%)	19	6	22	–9	10	5

Cash flow from operating activities was SEK 130.4 million for the year, while total cash flow was SEK 82.3 million.

Trade accounts receivable were SEK 338.0 million, an increase of SEK 125.6 million since the end of 2005. Trade accounts receivable increased from 77% in the latest quarter's sales on 31 December 2005 to 87% on 31 December 2006. Including work-in-progress and net advance payments from clients, the figure was 93% at the end of the year. Days Sales Outstanding (DSO, see definition on page 76) came to 88 at the end of the year, as opposed to 69 at the end of 2005.

Cash flow from operating activities (SEK million)



SEK million	2006	2005
Trade accounts receivable, year-end	338.0	212.4
Percentage of latest quarter's net sales (%)	87	77
Trade accounts receivable, average 4 quarterly accounts	246.3	163.6
Percentage of net sales (%)	20	18

Working capital increased during the year, both in absolute terms and as a percentage of net sales. Excluding liquid assets and current liabilities related to additional purchase prices, working capital was SEK 225.3 million at year-end. Excluding liquid assets, total current assets were up by SEK 179.5 million from 31 December 2005. Liquid assets at the end of the year totalled SEK 184.4 million (108.8).

Cash flow statements

SEK million	Group 2006	Group 2005	Parent company 2006	Parent company 2005
Operating activities				
Profit/loss for the year	89.6	48.7	131.7	23.8
Adjustment for items not included in cash flow	9.2	0.1	–156.0	–39.8
Cash flow from operating activities before changes in working capital	**98.8**	**48.8**	**–24.3**	**–16.0**
Cash flow from changes in working capital				
Operating receivables	85.4	–20.1	–4.9	–10.6
Operating liabilities	–53.8	17.2	37.4	44.3
Cash flow from operating activities	**130.4**	**45.9**	**8.2**	**17.7**
Investing activities				
Acquisition of group companies	41.0	–27.7	–17.1	–142.0
Capital contributions to subsidiaries	–	–	–4.6	–
Divestment of group companies	4.9	–15.0	–	–
Adjusted purchase price for previous acquisition	–18.4	–1.1	1.4	–
Merger with LB Icon AB	–	–	55.7	–
Investments in intangible fixed assets/property, plant and equipment	–23.5	–16.5	–3.5	–0.7
Investments in other financial fixed assets	–36.9	–156.7	–	–
Cash flow from investing activities	**–32.9**	**–217.0**	**31.9**	**–142.7**
Financing activities				
New share issues	9.8	32.4	1.1	–
Repayment of loans	–25.0	–32.9	–	–
Loans raised	–	119.9	–	–
Cash flow from financing activities	**–15.2**	**119.4**	**1.1**	**–**
Cash flow for the year	**82.3**	**–51.7**	**41.2**	**–125.0**
Liquid assets at beginning of the year	108.8	157.2	1.7	126.7
Exchange rate differences in liquid assets	–5.7	3.3	–	–
LIQUID ASSETS AT END OF THE YEAR	**185.4**	**108.8**	**42.9**	**1.7**

Additional information about cash flow statements

	Group		Parent company	
SEK million	**2006**	**2005**	**2006**	**2005**
Interest paid and dividends received				
Dividends received	–	–	–	6.1
Interest received	2.9	1.1	2.6	1.3
Interest paid	–4.2	–15.3	–0.6	–0.4
Adjustment for items not included in cash flow				
Dividends from subsidiaries	–	–	–	–6.1
Impairment and revaluation of assets	41.7	32.0	0.3	0.2
Reversal of and impairment of shares in group companies	–	–	–143.1	–31.8
Change in provisions	–4.9	–4.7	–	–
Employee stock options	3.7	3.4	–	–
Financial items	–	2.9	–	–
Earnings from participations in associated companies and partnerships	–1.5	0.9	–	–
Financial assets and liabilities at fair value	–5.0	–32.2	–	–
Profit/loss from sales and disposal of group companies	–5.7	–15.5	–12.8	–
Unrealised exchange rate differences	–5.1	13.2	–0.4	–
Tax	–14.0	0.1	–	–2.1
Total	**9.2**	**0.1**	**–156.0**	**–39.8**

Acquisition of subsidiaries

For acquired subsidiaries the total value of the acquired assets and liabilities, purchase prices and effect on the liquid funds of the Group were as follows:

	2006	2005
Goodwill	628.5	170.8
Other intangible assets	91.5	37.6
Property, plant and equipment	23.8	4.3
Deferred tax assets	432.0	–
Other receivables	201.3	55.5
Liquid assets	87.3	17.7
TOTAL ASSETS	**1,464.4**	**285.9**
Deferred tax liability	19.4	–
Other liabilities	209.2	63.0
TOTAL LIABILITIES	**228.6**	**63.0**
Purchase price paid		
Purchase price	–1,235.8	–222.9
Less: non-cash issue	1,141.8	114.8
realized exchange rate difference	–	–4.4
provisions for unpaid purchase price and acquisition cost	47.7	67.1
Purchase price paid	–46.3	–45.4
Less: liquid assets in acquired operations	87.3	17.7
Impact on liquid assets	**41.0**	**–27.7**

Acquisition Framfab Group	Recognized on acquisition in the Group	Carrying value
Goodwill	580.0	236.8
Other intangible assets	81.8	27.6
Property, plant and equipment	23.1	23.1
Deferred tax assets	432.0	60.3
Operating receivables	193.0	193.0
Liquid assets	75.1	75.1
Assets	**1,385.0**	**615.9**
Deferred tax liability	15.6	–
Other liabilities	198.4	198.4
Liabilities	**214.0**	**198.4**

Purchase price paid	
Purchase price	–1,171.0
Less: additional purchase price not paid	1,141.8
Purchase price paid	–29.2
Less: liquid assets in acquired operations	75.1
Impact on liquid assets	**45.9**

Acquisition Starring Ltd AB	Recognized on acquisition in the Group	Carrying value
Goodwill	48.5	1.3
Other intangible assets	9.7	–
Property, plant and equipment	0.7	0.7
Operating receivables	8.3	8.3
Liquid assets	12.2	12.2
Assets	**79.4**	**22.5**
Deferred tax liability	3.8	1.1
Other liabilities	10.8	10.8
Liabilities	**14.6**	**11.9**

Purchase price paid	
Purchase price	–64.8
Less: Additional purchase price not paid	47.7
Purchase price paid	–17.1
Less: Liquid assets in acquired operations	12.2
Impact on liquid assets	**–4.9**

Divestment of Groups	
Total assets	26.3
Total liabilities	17.2
Sales price	14.8
Less: liquid assets in divested subsidiaries	–9.9
IMPACT ON LIQUID ASSETS	**4.9**

Liquid assets included SEK 1.0 million that is unavailable for use on behalf of the Group.

Current investments are classified as liquid assets on the assumption that:

- There is a negligible risk that they will fluctuate in value
- They can be easily converted to cash
- They mature within three months or less of the acquisition date

Change in shareholders' equity

Changes in Group equity	Note	Share capital	Paid in, not registrered share capital	Other capital contributed	Reserves	Accumu-lated deficit	Total share-holders' equity
Shareholders' equity, 1 January 2005		**19.9**	**0.2**	**377.1**	**202.5**	**–343.4**	**256.3**
Translation differences for the year					33.6		33.6
Hedging of net investment	38				–6.6		–6.6
Total changes in value reported directly against shareholders' equity		**0.0**	**0.0**	**0.0**	**27.0**	**0.0**	**27.0**
Translation differences attributable to divested operations					–56.0		–56.0
Profit/loss for the year						48.7	48.7
Total changes in value, excluding transactions with the company's shareholders		**0.0**	**0.0**	**0.0**	**–29.0**	**48.7**	**19.7**
Employee stock options	39			3.2			3.2
Registration of shares		0.2	–0.2				0.0
Proportion of shareholders' equity, convertible loan				1.0			1.0
Conversion of loan/debt settlement issue		0.2		6.0			6.2
Cash new share issues		0.8	0.0	31.6			32.4
Non-cash and debt settlement issues		1.3	1.1	118.4			120.8
Conversion of convertible debt instruments			1.0	40.3			41.3
Shareholders' equity, 31 December 2005		**22.4**	**2.1**	**577.6**	**173.5**	**–294.7**	**480.9**
Translation differences for the year					–30.7		–30.7
Revaluation of financial fixed assets to real value						3.0	3.0
Translation difference on financial fixed assets to real value					–3.0		–3.0
Total changes in value reported directly against shareholders' equity		**0.0**	**0.0**	**0.0**	**–33.7**	**3.0**	**–30.7**
Translation differences attributable to divested operations					–0.5		–0.5
Profit/loss for the year						89.6	89.6
Total changes in value, excluding transactions with the company's shareholders		**0.0**	**0.0**	**0.0**	**–34.2**	**92.6**	**58.4**
Employee stock options	39			2.6			2.6
Registration of shares		2.1	–2.1				0.0
Paid in new share issue		0.5	0.1	9.2			9.8
Merger [1)]		60.6		–60.6			0.0
Non-cash and debt settlement issues		64.7		1,136.5			1,201.2
Conversion of convertible debt instruments		3.1		147.1			150.2
Shareholders' equity, 31 December 2006		**153.4**	**0,1**	**1,812.4**	**139.3**	**–202.1**	**1,903.1**

[1)] In connection with the merger the quota value was converted from 0.8 to 2.5

Changes in shareholders' equity, parent company	Restricted equity				Non-restricted equity				
	Share-capital	Paid in, not regist-ered share capital	Statu-tory re-serve	Reva-luation reserve	Share premium reserve [1]	Reserve for real value	Profit/ loss brought forward	Profit for the year	Total equity
Shareholders' equity, 1 January 2005	**57.5**	**0.0**	**0.0**	**25.7**	**171.2**	**–**	**0.0**	**–27.9**	**226.5**
Treatment of profit/loss					–27.9			27.9	0.0
Revaluation of financial assets				26.5					26.5
Tax on group contribution							–2.1		–2.1
Total changes in value reported directly against shareholders' equity	**0.0**	**0.0**	**0.0**	**26.5**	**–27.9**	**–**	**–2.1**	**27.9**	**24.4**
Profit/loss for the year								23.8	23.8
Total changes in value excluding transactions with the company's shareholders	**0.0**	**0.0**	**0.0**	**26.5**	**–27.9**	**–**	**–2.1**	**51.7**	**48.2**
New share issue	2.5				29.8				32.3
Transfer of sharepremium reserve to statutory reserve			173.1		–173.1				0.0
Shareholders' equity, 31 December 2005	**60.0**	**0.0**	**173.1**	**52.2**	**0.0**	**–**	**–2.1**	**23.8**	**307.0**
Treatment of profit/loss							23.8	–23.8	0.0
Revaluation of financial fixed assets to real value						–3.0			–3.0
Translation difference on financial fixed assets to real value						3.0			3.0
Change in translation reserve for the year				–52.2			52.2		0.0
Merger difference							–954.4		–954.4
Total changes in value reported directly against shareholders' equity, excluding transactions with the company's shareholders	**0.0**	**0.0**	**0.0**	**–52.2**	**0.0**	**0.0**	**–878.4**	**–23.8**	**–954.4**
Profit/loss for the year								131.7	131.7
Total changes in value, excluding transactions with the company's shareholders	**0.0**	**0.0**	**0.0**	**–52.2**	**0.0**	**0.0**	**–878.4**	**107.9**	**–822.7**
Paid in new share issue	0.1	0.1			0.9				1.1
Non cash issue	93.3				1,524.2				1.617.5
SHAREHOLDERS' EQUITY, 31 DECEMBER 2006	**153.4**	**0.1**	**173.1**	**0.0**	**1,525.1**	**0.0**	**–880.5**	**131.7**	**1.102.9**

[1] Share premium reserve was restricted equity until December 31, 2005

Accounting principles

Agreement with standards and laws
The consolidated accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) as approved by the European Commission for use within the European Union. This is the second complete financial report prepared in accordance with IFRS.

In order to make the transition from previous accounting policies to IFRS, the Group has applied IFRS 1, First-time Adoption of International Financial Accounting Standards. RR 30:05, Supplementary Rules for Consolidated Financial Statements of the Swedish Financial Accounting Standards Council, has also been applied.

The parent company applies the same accounting policies as the Group unless otherwise indicated below in the section entitled "Parent company's accounting policies." The disparities between the policies of the parent company and Group are due to limitations on the ability of the parent company to apply IFRS in view of the Swedish Annual Accounts Act.

IFRS
Because acquisitions made after 1 January 2004 are reported in accordance with IFRS 3, companies acquired in 2004 are reported pursuant to the new rules. Reported goodwill, including that which arose from acquisitions in 2004, was tested for impairment loss on both 1 January and 31 December 2004. No impairment loss was identified.

As a consulting company, LBi benefits most from an acquisition in terms of a more extensive service offering, supplementary expertise, cost synergies, new client relationships and broader coverage of the international market. For those reasons, most of future purchase prices will be allocated to goodwill under IFRS 3, Business Combinations, as well.

The Group's financial instruments are recognised and reported in accordance with IAS 39, Financial Instruments: Recognition and Measurement.

New IFRS and interpretations that will be applied in upcoming periods
When the consolidated accounts were prepared as of 31 December 2006, a number of standards and interpretations had been published but not yet taken effect. Below is a preliminary assessment of the impact that the adoption of these standards and interpretations may have on the financial reports of LBI International AB.

Amendment to IAS 1 Presentation of Financial Statements – Capital Disclosures
The standard takes effect on 1 January 2007. At present, the amendment appears to require further additional disclosures concerning the definition of capital, capital structure and policies for managing capital.

IFRS 7 Financial Instruments: Disclosures
The standard deals with disclosures about financial assets and liabilities, as well as the disclosure requirements of IAS 32, Financial Instruments: Disclosure and Presentation. IFRS 7 requires additional disclosures in LBi's financial reports. The standard will be applied as of 1 January 2007.

IFRS 8 Operating Segments
The standard takes effect on 1 January 2009 and applies to financial years that begin as of that date. The standard deals with the breakdown of the company's operations into different segments. In accordance with the standard, the company shall proceed from, and assign reportable segments on the basis of, its internal reporting structure. LBi's assessment is that its current breakdown by segment will remain unaffected.

IFRIC 8 Scope of IFRS 2
The interpretation takes effect on 1 May 2006 and applies to financial years that begin after that date. According to IFRIC 8, the rules of IFRS 2 cover goods and services received in exchange for equity instruments even if the goods and services cannot be specifically identified, either wholly or in part. The interpretation does not apply to the Group, which does not engage in such transactions.

IFRIC 9 Reassessment of Embedded Derivatives
The statement of interpretation takes effect on 1 June 2006 and applies for financial year that begins after that date. The statement constitutes a clarification of IAS 39 concerning embedded derivates, principally amended conditions of embedded derivates, in pursuance of changes in the market conditions. At present, these changes of standards are not expected to influence the group.

IFRIC 10 Interim Financial Reporting and Impairment
The interpretation takes effect on 1 November 2006 and applies to financial years that begin after that date. The interpretation states that impairment identified in an interim report cannot be reversed in subsequent interim or annual accounts. The Group will apply IFRIC 10 as of 1 January 2007, but no impact on its accounts is anticipated.

IFRIC 11 Group and Treasury Share Transactions
The statement of interpretation takes effect on 1 March 2007 and applies to financial year beginning after that date. The interpretation clarifies handling concerning the classification of share related compensations when the company buys back shares in order to regulate its obligations, as well as the reporting of option programs in subsidiaries that applies to the IFRS. The group will apply the IFRIC 11 from 1 January 2008 but this is not expected to influence the group's accounts.

Preparation of reports for the parent company and Group
The parent company's functional and presentation currency is the Swedish krona. The Group's presentation currency, including

financial reporting, is the Swedish krona. Unless otherwise indicated, all amounts are rounded to the closest one-tenth of a million. Assets and liabilities are reported at historical cost, except for certain financial items that are reported at fair value.

Preparing financial reports in accordance with IFRS requires that management make assessments and estimates, as well as assumptions that affect the application of the accounting policies and the reported assets, liabilities, income and expenses. The estimates and assumptions are based on previous experience, along with a number of other factors that appear to be reasonable. The estimates and assumptions are subsequently used to assess the reported values of assets and liabilities that are not obvious from other sources.

The estimates and assumptions are reviewed on a regular basis. Changes in the estimates are reported in the period when they are made, and in future periods as well if also affected.

Unless otherwise indicated, the accounting policies specified below for the Group have been applied consistently for all periods covered by the Group's financial reports, as well as during preparation of the opening consolidated balance sheet in accordance with IFRS as of 1 January 2004, which explains the transition from previous policies to IFRS. The Group's accounting policies have been applied consistently for reporting and consolidation of subsidiaries.

Segment reporting

A segment is a portion of the Group that is identifiable for accounting and liability purposes and that furnishes services in a particular geographic area.

Classification

The non-current assets and long-term liabilities of the parent company and Group consist essentially of items that are expected to be recovered or paid later than 12 months after the balance sheet date. Current assets and liabilities of the parent company and Group consist essentially of items that are expected to be recovered or paid within 12 months of the balance sheet date.

Consolidation policies

Subsidiaries

Subsidiaries are companies in which LBI International AB has a controlling interest, i.e., the direct or indirect right to formulate financial and operating strategies to its own financial advantage. Subsidiaries are reported in accordance with acquisition accounting, i.e., the acquisition of a subsidiary is regarded as a transaction by which the Group indirectly acquires its assets and assumes its contingent and other liabilities. The consolidated historical cost is calculated on the basis of an analysis at the time of the acquisition. The analysis establishes the historical cost of participations or the entire business, as well as the fair value of identifiable acquired assets along with contingent and other liabilities assumed. The difference between the historical cost of shares in subsidiaries and the fair value of acquired assets, as well as contingent and other liabilities assumed, represents consolidated goodwill.

A subsidiary's financial reports are included in the consolidated accounts from the acquisition date until such time as the controlling interest ceases.

Transactions eliminated upon consolidation

Intra-Group receivables and liabilities, income or expenses and unrealised gains from intra-Group transactions among group companies are wholly eliminated when preparing the consolidated accounts. Unrealised losses are eliminated in the same manner, though only insofar as no impairment loss has been identified.

Foreign currencies

Transactions in foreign currencies

Transactions in foreign currencies are translated to the functional currency at the exchange rate on the transaction date. Monetary assets and liabilities in foreign currencies are translated to the functional currency at the exchange rate on the transaction date. Exchange rate differences upon translation are reported in the income statement.

The functional currency is the currency in the primary economic environments in which the subsidiaries operate.

Financial reports of foreign operations

The assets and liabilities, including goodwill and other Group surpluses and deficits, of foreign operations are translated to Swedish kronor at the exchange rate on the balance sheet date. The income and expenses of foreign operations are translated to Swedish kronor at the average exchange rate on the transaction dates. Translation differences in connection with foreign operations are reported as a translation reserve.

Net investment of a foreign operation

Translation differences that arise when translating the net investment of foreign operations are reported directly in the translation reserve in shareholders' equity. When foreign operations are divested, the accumulated translation differences attributable to the operations are realised after any currency hedging in the consolidated income statement has been deducted.

The cumulative translation differences of foreign operations attributable to the period before the 1 January 2004 transition to IFRS are reported separately in the translation reserve in shareholders' equity.

Revenue

Sales of goods and rendering of services

Revenue from sale of goods are recognized through the income statement when the significant risks and benefits associated with ownership have transferred to the buyer. Revenue from service agreements are recognized as services are provided.

Fixed price agreements

Revenues from fixed price arrangements are recognized on the percentage-of-completion method of accounting using labor hours incurred as the measure of progress towards completion. Production costs include all direct material and labor costs and indirect costs, related to contract performance. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined. Revenue not yet invoiced to customers for fixed price projects is presented as accrued income in balance sheet. If the invoiced amount exceeds the total completed project value, the additional invoicing is reported as advance payments from customers. Revenue from maintenance contracts are deferred and recognized ratably over the contractual periods during which services are performed.

Operating expenses

The income statement is broken down into the following functions:

- Production cost includes payroll expenses and material costs, services purchased, costs of premises, and depreciation and amortisation of intangible fixed assets and property, plant and equipment
- Selling expenses include costs for the company's sales organisation and for marketing
- Administrative expenses include costs for the Board of Directors, management and other administration
- Other operating income and expenses include secondary activities, changes in the value of derivative instruments of an operating nature, and gain/loss on the divestment of property, plant and equipment. At the Group level, gain/loss is also included upon the divestment of Group companies

Leasing – payments for operational lease contracts

Payments for operational lease contracts are reported on a straight-line basis in the income statement over the period of the lease. Benefits received when signing a lease are reported in total leasing costs in the income statement.

Payments for financial lease contracts

Minimum leasing fees are allocated between interest expense and repayment of the outstanding debt. The interest expense is allocated over the term of the lease such that an amount is charged to each accounting period equivalent to a fixed interest rate for the debt reported during the period. Variable fees are carried as an expense in the periods during which they arise.

Financial income and expenses

Financial income and expenses consist of interest income on bank accounts and receivables and interest-bearing securities, interest expenses on loans, dividend income, exchange rate differences, and unrealised and realised gains on financial investments. Dividend income is reported once the right to obtain payment has been established.

The Group and parent company do not capitalise interest in the historical cost of an asset.

Financial instruments

The Group's financial instruments are recognised and reported in accordance with IAS 39. The adoption of the standard did not have any impact. In preparing each financial report, LBi performs impairment tests on financial assets and groups of financial assets. IAS 39 assigns financial instruments to different categories. Each category reflects a particular intention in acquiring the instrument. Management assigns a category at the time of acquisition. In accordance with IAS 39, LBi has classified financial assets and liabilities as follows:

- **Financial assets at fair value in the income statement**
  This category consists of financial assets held for trading and other financial assets. A financial asset is held for trading if acquired for the purpose of selling in the near term
- **Loans and receivables**
  Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. Receivables arise when a company provides money, goods or services directly to a debtor with no intention of trading the receivable
- **Other financial liabilities**
  Financial liabilities are reported at accrued cost. Accrued cost is based on the effective rate of interest calculated when the debt was acquired

Liquid assets

Liquid assets consist of cash and balances at banks and similar institutions, as well as current liquid investments that mature in less than three months from the acquisition date and that are exposed to only a negligible risk of value fluctuations.

Financial investments

Depending on the intention, a financial investment is either a financial fixed asset or a current investment. If the maturity or expected holding period is longer than one year, it is a financial fixed asset – otherwise it is a current investment.

Financial investments consisting of shares are classified either as financial assets at fair value through the income statement or financial assets that may be sold.

Interest-bearing securities acquired with the intention of being held to maturity are classified as financial assets held to maturity and valued at the accrued cost. Interest-bearing securities the intention of which was not to be held to maturity are classified as financial assets at fair value through the income statement or financial assets that may be sold.

Long-term and other receivables

A long-term or other receivable arises when the company provides money without the intention of trading the receivable. If the expected holding period is longer than one year, it is classified among long-term receivables, otherwise it is classified among other receivables. These receivables belong to the category of loans and receivables.

Trade accounts receivable

Trade accounts receivable belong to the category of loans and receivables. Trade accounts receivable are reported at the amount expected to be received less doubtful debts as assessed on an individual basis. Because trade accounts receivable have a short time to maturity, they are reported at nominal value without discounting. Impairment of trade accounts receivable is reported as an operating expense.

Debts

Because debts are classified as other financial liabilities, they are initially reported at the amount received less transaction costs. After the acquisition date, the debt is reported at the accrued cost in accordance with the effective rate of interest method. A debt that matures in more than one year is a long-term liability, otherwise it is a current liability.

Accounts payable

Accounts payable are classified as other financial liabilities. They have short expected time to maturity and are reported at nominal value without discounting.

Financial instruments and hedge accounting

The Group's activities expose it to various kinds of financial risks. Financial risk stems from fluctuations in the company's earnings and cash flow as the result of changes in exchange and interest rates, as well as refinancing and credit exposure. The Group's current policy is not to guard against financial risk attributable to lending, transaction or translation exposure. The policy is based on the proportion of the Group's net assets that are exposed and the costs associated with guarding against possible risks. The parent company and Group manage financial risks in accordance with guidelines drawn up by the Board of Directors. The parent company generally deals with issues related to the investment of excess liquidity and other banking matters. For further information, refer to Note 23, Financial risks and financing policies.

Financial assets

Changes in real value regarding securities in foreign exchange rates is divided on translation differences regarding changes in the securities acquisition value and other changes in the securities net book value. Translation differences on non-monetary securities is reported directly to shareholders´ equity. Changes in real value regarding monetary and non-monetary securities classified as financial assets that can be sold is reported directly to shareholders´ equity.

Receivables and liabilities in foreign currencies

Changes in the value of operating receivables and liabilities are reported as operating profit/loss, whereas changes in the value of financial receivables and liabilities are reported as net financial income/expense.

LBi's assessment is that the Group's exchange rate risk and its possible impact on earnings and net assets is low.

Property, plant and equipment

Owned assets

Property, plant and equipment is reported as an asset in the balance sheet if the company is likely to obtain future financial benefits from it and the historical cost of the asset can be calculated in a reliable manner.

Group property, plant and equipment is reported at historical cost less accumulated depreciation and any impairment losses. The historical cost includes the purchase price, as well as costs directly attributable to ensuring that the asset is in the proper location and condition to be used in accordance with the purpose for which it was acquired. The reported value of property, plant and equipment is removed from the balance sheet when it is disposed of or divested. The gain or loss is reported as other operating income or expense.

Leased assets

IAS 17, Leases, is applied to leased assets. Leases are classified in the consolidated accounts as either financial or operational leasing. A lease is classified as financial leasing if the financial risks and benefits associated with ownership have essentially been passed on to the lessee, otherwise it is classified as operational leasing. Assets leased in accordance with financial leases are reported as assets in the consolidated balance sheet. The obligation to pay future leasing fees is reported as long-term and current liabilities. The leased assets are depreciated according to plan, whereas the lease payments are reported as interest and repayment of debt.

Depreciation policies

An asset is depreciated on a straight-line basis over its estimated useful life. Machinery and equipment have an estimated useful life of 3–5 years. Property, plant and equipment consists primarily of renovation of premises, as well as office and IT equipment. The reported values of the Group's assets are tested for impairment loss on each balance sheet date. If impairment loss is identified, the value in use or the net realisable value of the asset, whichever is higher, is assigned to the recoverable amount. An 11–15% discount rate of interest before tax is applied to the calculation of the value in use.

Intangible assets

Goodwill

Goodwill is the difference between the historical cost of acquired operations and the fair value of the acquired assets, as well as the contingent and other liabilities assumed. For acquisitions carried out before 1 January 2004, goodwill is reported after an impairment test at an historical cost equivalent to the reported value in accordance with previous accounting policies. Goodwill is valued at historical cost less any accumulated impairment losses. Goodwill is allocated to cash generating units and is no longer amortised but subject to an annual impairment test. Cash generating unit is allocated according to the segment reporting.

Research and development

Research expenditures is recognized as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new and improved products) are recognized as intangible assets when it is probable that the project will be a success considering its commercial and technological feasibility, and only if the cost can be measured reliably. No development expenditures have met the criteria's for capitalization.

Other intangible assets

Other intangible assets acquired by the Group are reported at historical cost less accumulated amortisation and impairment losses.

Amortisation

Amortisation is reported in the income statement on a straight-line basis over the intangible asset's estimated useful life insofar as it is determinable. Goodwill or an intangible asset with an indeterminate useful life is subject to impairment tests on an annual basis or as soon as indications arise that it has declined in value.

Impairment losses

The reported values of the Group's assets – with the exception of those tested in accordance with a separate standard – are tested as of each balance sheet date for impairment loss. If impairment loss is identified, the recoverable amount of the asset is calculated. The recoverable amount of goodwill and other intangible assets with an indeterminate useful life is calculated annually.

Goodwill and other intangible assets with an indeterminate useful life were tested for impairment loss as of the transition to IFRS on 1 January 2004 even when there was no indication of impairment loss.

Reversal of impairment losses

Impairment losses on investments held to maturity and trade accounts receivable reported at accrued cost are reversed if a subsequent increase in the recoverable amount can be determined. Impairment of goodwill is not reversed.

Impairment of other assets is reversed if the assumptions on which the calculation of the recoverable amount is based have changed. Impairment losses are reversed only insofar as the asset's reported value after reversal does not exceed the reported value that the asset would have had if no impairment losses had been identified, in view of the amortisation that would then have been made.

Employee benefits

Defined contribution pension plans

Commitments related to fees for defined contribution pension plans are reported as a cost in the income statement when they arise. The Group pays established fees to a separate legal unit and has no obligation to pay additional fees.

Defined benefit pension plans

The Group has defined benefit pension commitments in the Metadesign AG subsidiary in Germany and the Italian subsidiary. Defined benefit plans pay current and former employees based on years of employment and their salary when they retire. The Group assumes liability for payment of the promised benefits.

The defined benefit plans are unfunded. Expenses and commitments for defined benefit pension plans are calculated according to the Projected Unit Credit Method. The method allocates pension expense as employees render services for the company that increase their entitlement to future benefits. Independent actuaries perform the calculation. The company's commitments are reported at present value of future expected payments based on a discount rate of interest equivalent to the interest on treasury bills with a maturity equal to the commitments under consideration. The most important actuarial assumptions appear in Note 27.

Benefits upon notice of termination

A provision is reported in connection with notices of termination only if the company is obligated to terminate employment before the normal date.

Restructuring cost

A provision for planned restructuring is reported when a detailed implementation plan has been communicated to the parties involved. Provisions for restructuring were made in the second quarter of 2006, and the planned measures were taken in the third and fourth quarters. No provisions for restructuring remained on 31 December 2006.

Share-based payments

A stock option program enables employees to acquire shares in the company. The fair value of the awarded options are reported as a personnel cost with a corresponding increase in shareholders' equity. The fair value is calculated as of the date that the option is awarded and allocated over the period during which it was earned. The fair value of the awarded options is calculated in accordance with the Black-Scholes model in view of the terms and conditions in effect as of the date on which they were awarded.

Social security contributions attributable to share-based instruments for employees as compensation for services purchased are carried as an expense over the periods during which they were rendered. The provision for social security contributions is based on the fair value of the options as of the reporting date. For information about option programs, refer to Note 39.

Provisions

A provision is reported in the balance sheet when the Group has an existing obligation as the result of an event that has occurred and it is likely that an outflow of financial resources will be required to settle the obligation and that the amount can be reliably estimated.

Tax

Income tax consists of both current tax and deferred tax. Income tax is reported in the income statement – except when the underlying transaction is reported directly against shareholders' equity, in which case the associated tax impact is reported as shareholders' equity. Current tax is tax to be paid or received for the current year based on the tax rates that have been determined or essentially determined as of the balance sheet date, including adjustment of current tax attributable to previous periods.

Deferred tax is calculated in accordance with the liability method based on temporary differences between reported and tax values on assets and liabilities. Temporary differences that arose during the initial reporting of goodwill or that are attributable to subsidiaries are not included. Evaluation of deferred tax is based on how reported values of assets or liabilities are expected to be realised or settled. Deferred tax is calculated on the basis of tax rates and tax rules that have been determined or essentially determined as of the balance sheet date.

Only deficits that are deemed to be utilisable within a forseeable future of the balance sheet date and for which it is probable that the operations will show a profit within the next calendar year have been included in the assessment of deferred tax assets in the subsidiaries. The acquisition analysis for the merger with Framfab includes all deficits in the Framfab Group because they are deemed to be utilisable within the foreseeable future.

Contingent liabilities

A contingent liability is reported when a possible commitment is attributable to uncertain future events or when a commitment is not reported as a liability or provision because an outflow of resources is not likely to be required.

Parent company's accounting policies

The parent company has prepared its annual accounts in accordance with the Swedish Annual Accounts Act (1995:1554) and Recommendation RR 32:05, Accounting for Legal Entities, of the Swedish Financial Accounting Standards Council. RR 32:05 requires the parent company to report a legal entity in accordance with all statements and IFRS regulations that the European Union has approved to the extent permitted by the Swedish Annual Accounts Act and in view of the relationship between accounting and taxation. The recommendation specifies certain exceptions and amendments in relationship to IFRS. The differences between the accounting rules of the Group and the parent company appear below. The accounting policies stipulated for the parent company have been applied consistently to all periods covered by its financial reports. The parent company LBI International AB, name changed from Framfab AB 13 July 2006, is presented for 2006 and 2005.

Dividends

Dividend income is reported when the right to obtain payment is deemed to have been assured.

Leased assets

The parent company reports all leases in accordance with the rules for operational leasing.

Group and shareholders' contributions for legal entities

The company reports Group and shareholders' contributions in accordance with a statement of the Emerging Issues Task Force of the Swedish Financial Accounting Standards Council. Shareholders' contributions are reported directly against the shareholders' equity of the recipient and capitalised in shares and participations of the provider, insofar as no impairment losses have been identified. Group contributions are reported in accordance with their financial significance. Thus, a Group contribution for the purpose of minimising the Group's total tax is reported directly against profit brought forward, less its current tax impact.

Differences between the accounting policies of the Group and parent company

Subsidiaries

The parent company reports participations in subsidiaries in accordance with the cost method. Dividends received are reported as income only insofar as they are attributable to profits earned after the acquisition. Dividends that exceed those profits are regarded as a repayment of the investment and reduce the reported value of the share.

Financial instruments

The parent company reports financial fixed assets at historical cost less any impairment losses and current financial assets in accordance with the lower of cost or market method.

Transactions with related companies

The parent company treats its subsidiaries as related companies. All invoicing was to subsidiaries, and 60% of all purchases were from subsidiaries. Receivables and liabilities vis-à-vis subsidiaries appear in the balance sheet.

The transactions of the Group and parent company with key employees are covered by Note 1, Remuneration for Group management and the Board of Directors. None of the company's Board members or senior executives has had direct contact or indirect involvement in business transactions with LBi that are or were unusual in nature or with regard to terms. LBi has not granted loans, issued guarantees or provided security to, or for the benefit of, any Board member or senior executive.

Notes

Amounts in SEK million unless otherwise indicated.

NOTE 1 EMPLOYEES

Average employees	2006 Women	2006 Men	2006 Total	2005 Women	2005 Men	2005 Total
Parent company						
Sweden	3	3	6	4	4	8
Group						
Sweden	16	27	43	–	1	1
Denmark	8	22	30	–	–	–
Belgium/Netherlands	46	155	201	36	123	159
Germany	112	127	239	79	99	178
Southern Europe	62	125	187	58	103	161
United Kingdom	35	190	225	41	113	154
United States	27	50	77	39	62	101
Total Group	**306**	**696**	**1,002**	**253**	**501**	**754**

Senior executives by gender (%)	Men 2006	Men 2005
Parent company		
Board members	80	86
Group		
Board members	87	100
Managing Directors and management	65	91

Salaries and remuneration	2006 Salaries and remuneration	2006 Payroll overhead (of which pension expenses)	2005 Salaries and remuneration	2005 Payroll overhead (of which pension expenses)
Parent company	8.9	2.6 (0.6)	13.0	3.7 (0.8)
Group	**612.5**	**95.2 (8.2)**	**362.4**	**50.8 (5.3)**

Salaries and remuneration between Board members, Managing Directors and other employees	2006 Board and Managing Directors (of which bonuses)	2006 Other employees	2005 Board and Managing Directors (of which bonuses)	2005 Other employees
Parent company	4.2 (1.4)	4.7	6.7 (2.9)	6.3
Group	**36.5 (2.6)**	**576.0**	**37.0 (3.7)**	**325.4**

2006 Salaries and remuneration for the Board and senior executives (SEK thousand)	Basic salary/ remuneration	Other benefits	Pensions	Other remun-eration	Total	Shares	Options	Granted during the year
Katarina G Bonde	185	–	–	–	185	3,340	–	–
Michiel Mol	185	–	–	–	185	15,082,798 [1)]	–	–
Fred Mulder	185	–	–	–	185	274,500	–	–
Robert Pickering (CEO and President)	5,311	–	–	–	5,311	38,735	3,295,000	–
Sven Skarendahl (Chairman)	925	–	–	–	925	–	–	–
Other senior executives (3)	8,684	–	268	–	8,952	–	320,000	220,000
Total	**15,475**	**–**	**268**	**–**	**15,743**	**15,399,373**	**3,615,000**	**220,000**

[1)] Via companies

NOTE 1 cont'd

An extraordinary general meeting on 30 May elected, Katarina G. Bonde, Michiel Mol, Fred Mulder, Robert Pickering and Sven Skarendahl to the Board, effective upon approval by the Swedish Companies Registration Office of the merger between Framfab AB and LB Icon AB. The merger was registered on 31 July 2006.

An extraordinary general meeting on 11 October 2006 approved Board fees of EUR 30 thousand for the Chairman and EUR 20 thousand for the other members. Previous fees received from Framfab AB or LB Icon AB are to be deducted. No member who is employed by the company shall receive a fee.

Steve Callaghan, who was CEO of Framfab AB in January–June, received total remuneration of GBP 565 thousand in 2006. The remuneration included a GBP 216 thousand bonus for the first six months. Completion of the merger with LB Icon triggered a change of control clause, whereby Mr Callaghan was entitled to severance pay equivalent to 12 monthly salaries. As of 31 December 2006, six months remained to be paid. The amount has been set aside June 2006.

The board members Kaj Green, Arne Myhre and Lucas Mees has received SEK 120 thousand per person in board fee during 2006. The board members in former LB Icon AB, Christopher Honeyborne and Jesper Jos Olsson have received a total of EUR 23.3 thousand in board fee for 2006.

2005

Annual remuneration for the CEO of GBP 211 thousand consisted of a basic salary and pension benefits. The CEO also received a bonus for 2005 representing 70% of his basic salary for the first half of the year and 100% for the second half, for a total of GBP179 thousand, based on the Group's financial performance measured as operating earnings during the 2005 calendar year.

The other senior executives was Jesper Andersen, Group Vice-President and Managing Director of the Swedish and Danish businesses, and Jan Norman, CFO. They received total remuneration of SEK 3,019 thousand in basic salaries, SEK 2,494 thousand in bonuses and SEK 383 thousand in occupational pensions.

In accordance with a decision of the annual meeting, remuneration to the board of directors until the next annual meeting received the amount of SEK 720 thousand, of which SEK 240 thousand is for the chairman and SEK 120 thousand for each of the other board members. Remuneration for the board of directors during the year totalled SEK 720 thousand, of which SEK 240 thousand was for the chairman. The board of directors is not entitled to any pension benefits. Neither the chairman nor the other members obtained any other remuneration either directly from the company or indirectly from a related company.

In 2005 the LB Icon CEO's remuneration totaled SEK 5,715 thousand in salary. Other senior executives received a total remuneration of SEK 7,212 thousand (5 persons). The Board in LB Icon received a total remuneration of SEK 1,798 thousand, whereof to the chairman SEK 458 thousand. The board remuneration also includes consultary fees for services within mergers and acquisitions of SEK 1,157 thousand.

NOTE 2 FEES AND EXPENSES

	Group		Parent company	
	2006	**2005**	**2006**	**2005**
Audit				
Öhrlings PricewaterhouseCoopers	4.0	3.7	0.8	–
KPMG	–	–	0.5	0.8
Others	–	0.5	–	–
Services other than audit assignments				
Öhrlings PricewaterhouseCoopers	2.3	0.9	1.4	–
KPMG	0.4	–	1.8	0.3
Others	0.3	1.8	–	–
Total	**7.0**	**6.9**	**4.5**	**1.1**

An auditing assignment involves examining the annual report and accounting records, as well as the management of the company by the Board of Directors and CEO, other tasks that the company's auditors are obligated to perform, advisory services and other assistance occasioned by observations made during said examination or performance of said other tasks. Non-auditing assignments refer to everything else. Other assignments this year refers to services in connection with prospectus, merger and the quotation on Euronext. The major part of these expenditures are capitalized in the acquisition analysis in connection with the merger.

NOTE 3 SEGMENT REPORTING

Geographic areas

Segment reporting is prepared for the Group's geographic areas. The Group's internal reporting system is structured so as to monitor the return generated by its operations in various countries. Thus, the basic breakdown is by geographic area.

Information about the assets of the segments and the period's investments in property, plant and equipment and intangible fixed assets are based on geographic areas grouped according to the location of the assets. Intra-Group sales are at market prices.

Parent company's invoicing	**2006**	**2005**
Sweden	**1.8**	**2.8**
Belgium	0.4	–
Denmark	1.8	2.5
Germany	1.8	1.5
Italy	0.2	–
Netherlands	1.0	0.4
Spain	0.3	–
United Kingdom	8.0	6.4
United States	0.5	–
Total outside Sweden	**14.0**	**10.8**
Total invoicing	**15.8**	**13.6**

NOTE 3 cont'd

Information about geographic areas

2006	**Belgium/ Nether-lands**	**Scandi-navia**	**United Kingdom**	**Southern Europe**	**Germany**	**United States**	**Parent company and Elim.**	**Total Group**
External sales	255.8	73.0	405.0	123.6	268.3	118.6	0.0	1,244.3
Intra-Group sales	5.1	0.4	16.0	0.0	8.8	0.1	–30.4	0.0
Total income	**260.9**	**73.4**	**421.0**	**123.6**	**277.1**	**118.7**	**–30.4**	**1,244.3**
Operating profit/loss	26.8	18.5	42.7	8.7	34.9	14.9	–67.6	78.9
Finance/result from financial assets	–17.3	8.3	–27.7	–7.2	–8.9	–4.8	63.2	5.6
Pre-tax profit/loss	**9.5**	**26.8**	**15.0**	**1.5**	**26.0**	**10.1**	**–4.4**	**84.5**
Assets	134.0	1,123.4	291.9	92.3	102.7	39.8	560.0	2,344.1
Liabilities	78.2	114.2	165.9	154.4	35.4	20.7	–127.8	441.0
Investments, non-current assets	4.0	61.1	4.1	2.3	7.1	0.0	3.6	82.2
Depreciation and amortisation, non-current assets	–6.7	–12.0	–11.3	–2.2	–6.5	–0.1	–2.9	–41.7

2005								
External sales	276.2	0.0	231.7	100.6	171.2	130.4	0.0	910.1
Intra-Group sales	1.5	0.0	2.0	0.0	1.6	0.0	–5.1	0.0
Total income	**277.7**	**0.0**	**233.7**	**100.6**	**172.8**	**130.4**	**–5.1**	**910.1**
Operating profit/loss	–0,1	–0.7	5.1	1.7	18.1	5.3	53.0	82.4
Finance/result from financial assets	8.3	0.1	–2.3	–0.7	–1.0	0.4	–29.9	–25.1
Pre-tax profit/loss	**8.2**	**–0.6**	**2.8**	**1.0**	**17.1**	**5.7**	**23.1**	**57.3**
Assets	273.5	72.0	166.4	87.4	65.6	30.7	384.3	1,079.9
Liabilities	75.8	0.6	99.3	162.9	38.4	21.8	200.2	599.0
Investments, non-current assets	5.4	0.0	4.6	2.0	3.4	1.1	0.0	16.5
Depreciation and amortisation, non-current assets	–10.5	0.0	–8.9	–3.8	–6.5	–2.3	0.0	–32.0

NOTE 4 PURCHASING AND SALES WITHIN THE GROUP

Of administrative expenses during the financial year 60% (30) was for purchases from group companies. Of net sales for the financial year 100% (100) was for sales to group companies.

NOTE 5 OPERATIONAL LEASE CONTRACTS

The nominal value of future leasing fees for contracts with remaining maturities longer than one year is broken down as follows:

	Group		**Parent company**	
Due for payment	**2006**	**2005**	**2006**	**2005**
2007/2006	38.7	43.9	1.6	2.2
2008/2007	22.7	30.5	–	1.6
2009/2008	21.2	18.0	–	–
2010/2009	18.6	13.1	–	–
2011/2010	11.3	12.3	–	–
Later than 5 years	38.4	50.0	–	–
Total	**150.9**	**167.8**	**1.6**	**3.8**

NOTE 6 OTHER OPERATING INCOME AND EXPENSES

	Group		**Parent company**	
	2006	**2005**	**2006**	**2005**
Profit/loss on divestment and liquidation of group companies	6.9	15.5	–	–
Profit/loss from financial assets reported at fair value through the income statement	5.0	29.0	–	–
Revaluation of loans	–	3.4	–	–
Subleasing	–	8.5	–	–
Other income	1.1	0.2	–	–
Total other operating income	**13.0**	**56.6**	**–**	**–**
Impairment loss on participations in partnerships	–	–2.2	–	–
Profit/loss on divestment and liquidation of group companies	–1.2	0.0	–	–
Total other operating expenses	**–1.2**	**–2.2**	**–**	**–**
Total	**11.8**	**54.4**	**–**	**–**

Profit/loss from financial assets reported at fair value through the income statement refers to shares in Framfab AB that LB Icon AB held through 31 March 2006.

NOTE 7 DEPRECIATION, AMORTISATION AND IMPAIRMENT LOSS

	2006	2005
Impairment loss on goodwill	–	–3.2
Depreciation and amortisation of other non-current assets	–41.7	–28.8
Total	**–41.7**	**–32.0**

Depreciation, amortisation and impairment losses have been allocated among the following functions:

	2006			2005		
	Other	Goodwill	Total	Other	Goodwill	Total
Production	–17.1	–	–17.1	–15.2	–2.7	–17.9
Sales	–1.7	–	–1.7	–1.8	–0.1	–1.9
Administration	–22.9	–	–22.9	–11.8	–0.4	–12.2
Total	**–41.7**	**–**	**–41.7**	**–28.8**	**–3.2**	**–32.0**

NOTE 8 PROFIT/LOSS FROM PARTICIPATIONS IN GROUP COMPANIES

Parent company	2006	2005
Impairment loss on participations in group companies	–	–0.8
Reversal of previous impairment loss	143.1	32.6
Dividends	–	6.1
Profit/loss on divestments	12.8	–
Total	**155.9**	**37.9**

Reversal for the year of participations in group companies consists of adjustment of participations in IconMedialab Mijada AB after the merger with LB Icon AB.

NOTE 9 PARTICIPATIONS IN THE PRE-TAX PROFIT/ LOSS OF ASSOCIATED COMPANIES

	Group		Parent company	
	2006	2005	2006	2005
Profit/loss on divestment of participations	0.5	2.4	–	–
Revaluation of receivables	–	–1.1	–	–
Profit participation for the year	1.5	–		
Participation in profit/loss of associated companies	**2.0**	**1.3**	**–**	**–**
Opening proportion of equity	0.0	0.0	–	–
Divestment for the year	–	2.3	–	–
Reversal of previous impairment losses	–	–2.3	–	–
Profit participation for the year, including changes in shareholder's equity	1.5	0.0	–	–
Closing proportion of equity	**1.5**	**0.0**	**–**	**–**

NOTE 10 PROFIT/LOSS FROM OTHER SECURITIES AND RECEIVABLES THAT ARE NON-CURRENT ASSETS

	Group		Parent company	
	2006	2005	2006	2005
Interest	0.1	0.1	–	–
Total	**0.1**	**0.1**	**–**	**–**

NOTE 11 FINANCIAL INCOME

	Group		Parent company	
	2006	2005	2006	2005
Interest income	3.2	1.2	6.5	1.3
Exchange rate differences	8.3	23.1	2.2	0.3
Total	**11.5**	**24.3**	**8.7**	**1.6**

SEK 6.0 million (0.4) of the parent company's interest income is from subsidiaries.

NOTE 12 FINANCIAL COST

	Group		Parent company	
	2006	2005	2006	2005
Interest expenses	–4.5	–15.4	–4.5	–0.4
Discounted interest expenses [1]	–	–2.9	–	–
Exchange rate differences	–3.5	–32.6	–1.8	–0.3
Total	**–8.0**	**–50.9**	**–6.3**	**–0.7**

[1] Refers to convertible debt instruments. Interest expenses for debt instruments are calculated as effective return by using the effective rate of 8% for similar, non-convertible debt instruments for the proportion of debt of the convertible debt instruments. After transaction costs, the effective rate on the total loan (including green shoe) is 9.7%.

SEK 3.9 million (0.3) of the parent company's interest expenses are to subsidiaries.

NOTE 13 TAX

	Group		Parent company	
	2006	2005	2006	2005
Deferred tax	14.0	–0.1	–	–
Current tax	–8.9	–8.5	–	2.1
Total	**5.1**	**–8.6**	**–**	**2.1**
Pre-tax profit/loss	84.5	57.3	131.7	21.7
Tax according to current tax rate	–27.6	–21.2	–36.9	–6.1
Tax impact of costs that are not tax-deductible				
Amortisation of goodwill	–5.2	–3.1	–	–
Impairment loss on goodwill	–	–1.2	–	–
Impairment loss on shares	–	–	40.1	8.9
Divestment of group and associated companies	1.6	5.0	3.4	–
Other non-deductible costs	–9.4	–1.9	–0.2	–2.6
Tax impact of income that is not taxable				
Other non-taxable income	3.1	9.3	0.5	1.9
Tax impact of items that are tax-deductible, but not carried as an expense	25.2	0.3	0.2	–
Utilised loss carry-forwards	18.0	16.3	–	–
Utilised loss carry-forwards /unreported tax assets with regard to loss carry-forwards	–14.6	–12.0	–7.1	–
Reported tax expenses	**–8.9**	**–8.5**	**–**	**2.1**

Swedish tax loss carry-forwards may be utilised for an unlimited period of time. Total loss carry-forwards as of the balance sheet date may be utilised the following year.

	Group		Parent company	
Loss carry-forwards	**2006**	**2005**	**2006**	**2005**
2007	5.1	0.7	–	–
2008	2.6	2.8	–	–
2009	5.6	56.0	–	–
2010	1.1	76.0	–	–
Subsequent years	–	150.3	–	–
Unlimited time	2,445.6	530.4	668.3	518.1
Total	**2,460.0**	**816.2**	**668.3**	**518.1**

Tax loss carry-forwards in the parent company will not be available for use during the next five years according to the rules of restriction in connection with the merger.

Additional loss carry-forwards are capital losses that may be utilised against future capital gains only.

Deferred tax assets and liabilities	Group		Parent company	
	2006	**2005**	**2006**	**2005**
Deferred tax assets				
Loss carry-forwards	456.4	23.9	–	–
Deferred tax liabilities				
Temporary differences	17.9	0.0	–	–

Deferred tax assets and liabilities are offset when there is a legal right of set-off for current tax assets and liabilities. After such a set-off, the above amounts have emerged. The amounts in the table below have been reported in accordance with gross accounting.

Temporary differences

Temporary differences reflect any discrepancy between the reported and tax values of assets and liabilities.

Temporary differences for the following items have led to deferred tax liabilities and assets:

	Group		Parent company	
Deferred tax liabilities	**2006**	**2005**	**2006**	**2005**
Tangible and Intangible fixed assets	17.9	–	–	–
Total deferred tax liabilities	**17.9**	**–**	**–**	**–**

	Group		Parent company	
Deferred tax assets	**2006**	**2005**	**2006**	**2005**
Tangible and intangible fixed assets	10.6	1.2	–	–
Current receivables and liabilities	–	2,6	–	–
Tax loss carry-forwards	706.2	260.4	187.1	145.1
Total deferred tax assets	**716.8**	**264.2**	**187.1**	**145.1**
Unreported tax assets with regard to loss carry-forwards	–260.4	–236.5	–187.1	–145.1
Unreported tax assets with regard to temporary differences	–	–3.8	–	–
Total unreported tax assets	**–260.4**	**–240.3**	**–187.1**	**–145.1**
Total deferred tax assets, net	**456.4**	**23.9**	**0.0**	**0.0**

NOTE 14 DISPOSED OPERATIONS

	Disposed 2006	Disposed 2005
Net sales	53.7	25.5
Production costs	–40.6	–18.9
Gross profit/loss	**13.1**	**6.6**
Selling expenses	–2.0	–4.6
Administrative expenses	–3.9	4.2
Other operating income	0.0	–
Other operating expenses	0.0	–3.4
Operating profit/loss	**7.2**	**–5.6**
Financial income	0.1	0.1
Financial cost	0.0	0.0
Profit/loss after financial items	**7.3**	**–5.5**
Tax on profit/loss for the year	–2.6	–
Profit/loss for the year	**4.7**	**–5.5**

NOTE 15 OTHER INTANGIBLE FIXED ASSETS

	Group		Parent company	
Software	**2006**	**2005**	**2006**	**2005**
Opening acquisition value	37.5	27.1	0.6	–
Through acquisition of group companies	6.3	3.4	–	–
Capitalised expenditures for the year	7.3	5.5	3.5	0.6
Sales and disposals	–4.6	–0.4	–	–
Translation differences	–3.0	1.9	–	–
Closing accumulated acquisition value	**43.5**	**37.5**	**4.1**	**0.6**
Opening amortisation	–27.3	–18.8	0.0	–
Through acquisition of group companies	–5.6	–2.0	–	–
Sales and disposals	3.1	0.4	–	–
Amortisation for the year	–4.1	–5.5	–0.2	0.0
Translation differences	0.7	–1.4	–	–
Closing accumulated amortisation	**–33.2**	**–27.3**	**–0.2**	**0.0**
Closing residual value according to plan	**10.3**	**10.2**	**3.9**	**0.6**

	Group		Parent company	
Brands	**2006**	**2005**	**2006**	**2005**
Opening acquisition value	17.9	2.7	–	–
Through acquisition of group companies	–	14.5	–	–
Translation differences	–0.4	0.7	–	–
Closing accumulated acquisition value	**17.5**	**17.9**	**–**	**–**
Opening amortisation	–3.3	–0.3	–	–
Amortisation for the year	–2.9	–2.9	–	–
Translation differences	0.3	–0.1	–	–
Closing accumulated amortisation	**–5.9**	**–3.3**	**–**	**–**
Closing residual value according to plan	**11.6**	**14.6**	**–**	**–**

	Group		Parent company	
Client relationships	**2006**	**2005**	**2006**	**2005**
Opening acquisition value	25.1	2.2	–	–
Capitalised expenditures for the year	63.9	–	–	–
Through acquisition of group companies	35.9	21.8	–	–
Translation differences	1.5	1.1	–	–
Closing accumulated acquisition value	**126.4**	**25.1**	**–**	**–**
Opening amortisation	–6.1	–0.5	–	–
Through acquisition of group companies	–9.0	–		
Amortisation for the year	–18.0	–5.4	–	–
Translation differences	–0.2	–0.2	–	–
Closing accumulated amortisation	**–33.3**	**–6.1**	**–**	**–**
Closing residual value according to plan	**93.1**	**19.0**	**–**	**–**
Total other intangible fixed assets	**115.0**	**43.8**	**3.9**	**0.6**

Other intangible fixed assets per segment	**2006**	**2005**
Belgium/Netherlands	12.4	21.2
Germany	7.1	4.2
Scandinavia	59.7	–
Southern Europe	2.0	1.3
United Kingdom	33.7	16.9
United States	0.1	0.2
Total	**115.0**	**43.8**

[1] Additional value from acquisition analysis in excess of values in entities

NOTE 16 GOODWILL

	2006	2005
Opening acquisition value	377.5	197.5
Acquisitions for the year	390.4	170.8
Through acquisitions of group companies	238.1	–
New assessment with regard to additional purchase price	3.0	–9.5
Sales and disposals	–4.8	–0.7
Translation differences	–16.9	19.4
Closing accumulated acquisition value	**987.3**	**377.5**
Opening amortisation and impairment losses	–3.3	–
Impairment losses for the year	–	–3.2
Sales and disposals	3.3	–
Translation differences	–	–0.1
Closing accumulated amortisation and impairment losses	**0.0**	**–3.3**
Closing carrying amount	**987.3**	**374.2**
Goodwill per segment		
Belgium/Netherlands	119.3	122.1
Germany	108.1	54.5
Scandinavia	262.0	–
Southern Europe	–	–
United Kingdom	497.9	197.6
United States	–	–
Total	**987.3**	**374.2**

Goodwill has an indeterminate useful life and is not amortised. Impairment test is performed at least once a year for each cash generating unit in accordance with a model that compares the present value of future forecasted cash flows with their reported values. The essential assumptions of the model are an 11–15% discount rate of interest and 3% annual growth. Management does not deem that any changes that have been made in the essential assumptions will cause the estimated recoverable amount of goodwill to be lower than the reported value.

Acquisitions for the year refer to Framfab AB's subsidiaries in connection with the 31 July 2006 merger and the acquisition of Starring on 19 December 2006.

NOTE 17 LEASEHOLD IMPROVEMENT

	Group	
	2006	2005
Opening acquisition value	40.3	43.3
Through acquisitions of group companies	15.5	1.3
Through divestments of group companies	–	–7.3
Acquisitions for the year	3.0	1.1
Sales and disposals	–3.7	–1.2
Reclassifications	–	–0.5
Translation differences	–3.6	3.6
Closing accumulated acquisition value	**51.5**	**40.3**
Opening depreciation	–24.0	–22.0
Through acquisitions of group companies	–4.9	–0.8
Through divestments of group companies	–	2.9
Sales and disposals	3.7	1.2
Depreciation for the year	–2.2	–3.5
Reclassifications	–	0.1
Translation differences	0.4	–1.9
Closing accumulated depreciation	**–27.0**	**–24.0**
Opening impairment losses	–3.9	–7.4
Through divestments of group companies	–	4.4
Translation differences	0.3	–0.9
Closing accumulated impairment losses	**–3.6**	**–3.9**
Closing carrying amount	**20.9**	**12.4**

NOTE 18 EQUIPMENT

	Group		Parent company	
	2006	2005	2006	2005
Opening acquisition value	93.3	90.0	1.1	1.0
Through acquisitions of group companies	71.3	16.3	–	–
Through divestments of group companies	–1.1	–15.7	–	–
Acquisitions for the year	15.0	–10.2	–	0.1
Sales and disposals	–6.3	–16.8	–0.4	–
Reclassifications	–	0.2	–	–
Translation differences	–5.0	9.1	–	–
Closing accumulated acquisition value	**167.2**	**93.3**	**0.7**	**1.1**
Opening depreciation	–73.9	–73.5	–1.0	–0.9
Through acquisitions of group companies	–58.1	–12.5	–	–
Through divestments of group companies	0.7	14.8	–	–
Sales and disposals	6.0	16.7	0.4	–
Reclassifications	0.0	–0.1	–	–
Depreciation for the year	–14.5	–11.5	–0.1	–0.1
Translation differences	2.8	–7.8	–	–
Closing accumulated depreciation	**–137.0**	**–73.9**	**–0.7**	**–1.0**
Closing residual value according to plan	**30.2**	**19.4**	**0.0**	**0.1**

NOTE 19 FINANCIAL LEASE CONTRACTS

The Group's property, plant and equipment includes leased assets held in accordance with financial lease contracts as follows:

	2006	2005
Equipment		
Accumulated acquisitions	8.0	2.7
Accumulated depreciation	–3.4	–1.4
Total	**4.6**	**1.3**

The present value of future payment commitments stemming from the financial lease contracts are reported as current and long-term liabilities to credit institutions as follows:

	2006	2005
Non-current	2.6	0.4
Current	2.2	0.8
Total debt reported in consolidated balance sheet	**4.8**	**1.2**

NOTE 20 ACQUISITIONS OF GROUP COMPANIES

Group

The following operating companies were acquired during the year:

Company	Consolidated as of	Proportion of equity (%)	Share in Group's net sales 2006 (%)	Share in Group's profit after financial items 2006 (%)
Framfab Group	2006-08-01	100	19	30
Starring Ltd AB	2006-12-31	100	0	0

Merger of Framfab Group's subsidiaries

The 30 May extraordinary general meeting of Framfab AB and annual general meeting of LB Icon AB approved the merger of the two companies. Framfab's extraordinary general meeting also approved a 50:1 reverse split of Framfab shares.

In connection with the merger, 35,634,133 new shares were issued to serve as payment, whereby LB Icon shareholders obtained one Framfab share for each share that they held in LB Icon AB. The registration of the merger between Framfab AB and LB Icon AB on 31 July formed the leading European digital agency network. The new Group, which has operated under the name of LBI International since 1 August, is the leading European provider of digital marketing and communication services. The merger enables the Group to meet the greater needs of clients when it comes to geographic coverage. LBi is market-leading in six European countries – Belgium, Denmark, Germany, the Netherlands, Sweden and the United Kingdom.

The merger has generated both cost and revenue synergies. The merger was carried out in accordance with acquisition accounting, and LB Icon was identified as the acquiring company pursuant to the principle of reverse acquisition. The reason that reverse acquisition was applied is that LB Icon shareholders hold the majority of share capital and Board positions after the merger.

Including SEK 29 million in costs, the price of the reverse acquisition was SEK 1,171 million. Because Framfab had shareholders' equity of SEK 418 million on 31 July 2006, SEK 753 million was allocated to acquired assets and liabilities. A total of SEK 372 million was allocated to deferred tax assets, and acquired client relationships are reported at SEK 54 million with an associated deferred tax liability of SEK 16 million. Client relationships are amortised over five years. The remaining SEK 343 million is allocated to goodwill, consisting primarily of synergies, as well as training programs, recruitment and career development, the client and service organisation, marketing, geographic coverage and relationships with public agencies.

Starring Ltd AB

Starring Ltd AB, located in Stockholm, was acquired on 19 December 2006. As an interactive agency with 32 employees, Starring has produced more than 200 websites and 500 campaigns since 1996. Skilled employees, top-class services and close client relationships supplement the Group's existing Stockholm business. The purchase price was SEK 16.8 million cash, and an additional purchase price based on earnings until 2008 has been estimated at SEK 47.7 million. The goodwill of SEK 47.2 million and client relationships of SEK 9.7 million identified at the time of the acquisition will be amortised over the next five years. Starring is reported in the consolidated accounts as of 31 December.

NOTE 21 SHARES IN GROUP COMPANIES

	Company registration number	HQ	Proportion of equity (%)	Proportion of votes (%)	No. of parti-cipations/ shares	Carrying amount parent company
Parent company's holdings						
Framfab Sverige AB	556296-9468	Stockholm	100	100	7,120,000	600.9
Framfab Holding Deutschland GmbH	HRB 36778	Frechen	100	100	2,945	1.6
Framfab Deutschland AG	HRB42707	Frechen	100	100	270,000	0.0
Paregos Mediadesign AB	556485-4353	Skellefteå	100	100	6,064	0.6
Framfab Schweiz AG	CH- 20.3.025.039-9	Zurich	100	100	99,997	0.6
Starring Ltd AB	556647- 0992	Stockholm	100	100	1,000	64.8
PIMI AB	556541-9545	Stockholm	100	100	10,000	0.1
Parallel Consulting Group International AB (publ)	556449-2220	Stockholm	100	100	2,500,000	0.2
IconMedialab Mijada AB	556528-8718	Stockholm	100	100	100,000	185.0
IconMedialab Holding AB	556617-9825	Stockholm	100	100	6,250,000	0.3
IconMedialab Spain SAU	A81.567.810	Madrid	100	100	9,960	1.1
Nexus Information Technology SAU	A81.727.810	Madrid	100	100	1,368	8.8
IconMedialab Portugal Servicos LDA	P505215519	Lisbon	100	100	1	0.0
IconMedialab Srl	106771/1998	Milan	100	100	50,000	14.7
IconNicholson Inc.	13-2918300	New York	100	100	1,000	39.2
Lost Boys NV	34137169	Amsterdam	99.41	99.41	44,369,621	139.7
Winsome Benelux NV	71.915	Bruges	100	100	4,067	12.9
Digital Age Design SA	0456.630.072	Brussels	100	100	7,690	57.6
Oyster Partners Framfab Limited (formerly SBI)	3435961	London	100	100	1,000,000,000	43.3
LBi UK Holding Ltd	05920477	London	100	100	14,500	0.4
Framfab 2002 Limited	3189494	London	100	100		0.0
						1,171.8

	Company registration number	HQ	Proportion of equity (%)	Proportion of votes (%)	No. of parti-cipations/ shares
Holdings of group companies					
Framfab Diviso AB	556571-8755	Stockholm	100	100	1,000
Framfab Business Partners AB	556529-3031	Stockholm	100	100	1,000
Framfab Nordic Holding A/S	29184852	Copenhagen	100	100	500,000
Lost Boys BV	33276575	Amsterdam	100	100	2,700
Escador Holdings BV	30154768	Den Dolder	100	100	15,415,286
Escador Innovation BV	27149196	Den Dolder	100	100	4,000
Framfab Holding Nederland NV	34125726	Amsterdam	100	100	65,934
Framfab Nederland BV	33279333	Amsterdam	100	100	20,000
Framfab Deutschland AG	HRB42707	Frechen	100	100	270,000
MetaDesign AG	HRB 76143	Berlin	83.67	83.67	1,024,000
MetaLog Gesellshaft fur Kommunikationstechnologien	HRB 43781	Berlin	100	100	–
Lost Boys Polska Z.o.o.	63269	Warsaw	100	100	100
LBi Ltd (formerly Oyster)	03080409	London	100	100	23,334,432
Aspect Internet Holdings Ltd	3130785	London	98.4	98.4	16,624,530
Aspect Technologies Ltd	3907655	London	100	100	1
Aspect Infotek Software Private Ltd	08-31085	Bangalore	100	100	10,000
LB Icon Ltd (formerly Nettec Solutions Ltd)	2973118	London	100	100	113
Escador Ltd	3989892	London	100	100	1,000
Wheel Communication Ltd	4960440	London	100	100	103,001
Wheel Group Ltd	4413228	London	100	100	1,468,861
Wheel Ltd	2157728	London	100	100	87,974
IconNicholson, LLC	13-3935591	New York	100	100	10,680,000
Framfab A/S	21096571	Copenhagen	100	100	1

NOTE 21 cont'd

	Company registration number	HQ	Proportion of equity (%)	Proportion of votes (%)	No. of partici-pations/ shares	Not included in consolidated accounts as of
Parent company's holding in companies under liquidation						
IconMedialab AG	HRB 69037	Hamburg	100	100	20,000	2002-11-01
IconMedialab Syd AB	556505-0738	Malmö	100	100	300,000	2002-05-01
IconMedialab AB	556536-1812	Stockholm	100	100	1,000,000	2002-05-01
IconMedialab A/S	19372286	Copenhagen	100	100	1,000	2003-08-01
IconMedialab Boathouse AG	CH-170.3.024.417-9	Zug	100	100	100	2004-01-01
IconMedialab GmbH	50306306	Vienna	100	100	100	2005-12-31
IconMedialab Holding SA	B403514805	Paris	100	100	2,500	2005-12-31
Framfab France SA	40252082900027	Paris	100	100	12,716	2002-11-01
IconMedialab Vestigia Oy	711.587	Tampere	100	100	150	2005-12-31
Holdings of group companies in companies under liquidation						
IconMedialab Vestigia Oy	648.398	Tampere	100	100	6,000	2002-08-01
IconMedialab Parallel AB	556558-0965	Stockholm	100	100	1,000	2002-05-01
IconMedialab SA	B403514805	Paris	100	100	2,500	2002-05-01
Lost Boys SA	B401338827	Paris	100	100	27,000	2002-06-01
Lost Boys Spain SA	A62.031.109	Barcelona	100	100	700	2002-06-01
Lost Boys tv & streaming media BV	30092344	Hilversum	100	100	400	2003-09-01
IconMedialab Switzerland	CH-550-1032858-3	Gland	100	100	100	2004-01-01
Escador Academy BV	30162896	Den Dolder	100	100	40	–
Escador BV	34103333	Den Dolder	100	100	40	–
Anthraciet BV	32067226	Hilversum	100	100	2,000	–
Divested companies						
Kungsleden Birdie HB	969712-1151	Stockholm	100	100	100	–
Fastighets Handelsbolaget Torlunda	969711-9999	Stockholm	100	100	100	–
Nxoci AB (former Icon AB)	556488-7874	Stockholm	100	100	1,000	2006-04-01
Icon Knowledge Management AB	556556-5909	Stockholm	100	100	1,000	2006-04-01
Escador GmbH	HRB 116553	Munich	100	100	–	2006-08-01

	2006	2005
Opening historical costs	3,425.1	2,627.1
Acqusitions through merger	2,608.3	–
Acquisitions	89.6	298.0
Shareholders' contributions	549.0	500.0
Divested/liquidated	–745.0	–
Closing accumulated costs	**5,927.0**	**3,425.1**
Opening impairment losses	–2,936.0	–2,494.3
Acquired impairment losses through merger	–2,116.9	–
Revaluation for the year	–	26.5
Reversal/impairment losses for the year	143.1	31.8
Dividends that exceed earned profits	–	–500.0
Divested/liquidated	154.6	–
Closing accumulated impairment losses	**–4,755.2**	**–2,936.0**
Closing carrying amount	**1,171.8**	**489.1**

NOTE 22 PARTICIPATIONS IN ASSOCIATED COMPANIES

Group	Company registration number	HQ	Proportion of equity (%)	Proportion of votes (%)	No. of participat-ions/shares	Carrying amount Group	Book value PC
WhatSoEver Förlag AB in liquidation	556535-6887	Stockholm	49.51	49.51	30,108	0.0	0.0
MetaDesign Suisse	CH-020.3.023.324.4	Zurich	35.00	35.00	350	1.5	–
Total						**1.5**	**0.0**

	Parent company	
	2006	**2005**
Opening acquisition value	–	–
Acquisiion through merger	5.2	–
Closing accumulated costs	**5.2**	**–**
Opening impairment losses	–	–
Impairment losses through merger	–5.2	–
Closing accumulated impairment losses	**–5.2**	**–**
Closing carrying amount	**0.0**	**–**

NOTE 23 FINANCIAL RISKS AND FINANCING POLICIES

Financing

Financing for the parent company and Group has been obtained by means of equity capital. An agreement was signed with Danske Bank in February 2007 about credit facilities of EUR 5 million for operation and EUR 20 million for acqusitions. The goal is for operating activities to generate cash flow in line with Group earnings.

Financial risk management in general

LBi's financial risks consist primarily of exchange rate, refinancing and operational risks. The Group has put together procedures and policies for management and minimisation of these risks.

Exchange rate risk is the risk of a change to a financial instrument when exchange rates fluctuate. Exchange rate risks may be broken down into transaction and translation exposure. Translation exposure arises by virtue of LBi's holdings in foreign operating subsidiaries. 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 parent company. The exceptions are described below. The parent company has net receivables of EUR 1.2 million, GBP –2.1 million and DKK 2.7 million from subsidiaries in foreign currency. Framfab Sverige AB has net receivables of DKK 272.4 million and GBP 39.6 million.

The loans have less than one year to maturity. The interest on all intra-Group loans is at the particular currency's fixing rate.

Translation exposure is the risk of a change in the net values of subsidiaries owing to fluctuations in exchange rates. The Group policy is not to guard against translation exposure when translating the shareholders' equity of foreign subsidiaries.

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 places excess liquidity in interest-bearing instruments while awaiting attractive operating investment alternatives. Given that the liquidity is normally invested for 1–3 months, the interest rate risk and its impact on earnings is deemed to be low.

Refinancing risk is the risk that a company will not be able to obtain financing or will incur significantly higher costs in doing so. The Group has interest-bearing liabilities of SEK 60.2 million, including leasing commitments and liquid assets of SEK 185.4 million. LBi deems the Group's refinancing risk to be low.

Liquidity risk is the risk that LBi will have difficulty meeting its payment obligations if its credit is overextended.

The company's operations are financed primarily by means of cash and shareholders' equity. At present, the Board of Directors anticipates that any future financing requirements can be satisfied on that basis.

Counterparty risk is the risk that a party to a financial instrument transaction will be unable to meet its obligation.

The counterparty risk in LBi's financial transactions is limited by their being exclusively with counterparties that have very high creditworthiness (corresponding to a K1 rating).

Credit risks stem also from outstanding trade accounts receivable, of which the Group had SEK 338.0 million.

LBi regularly rates the credit of its clients. The Group's clients are generally big, reputable companies that pose limited risk of credit losses.

Operational risk is the risk of losses due to snags in internal administrative procedures and systems. The LBI Group's procedures are covered by its financing, IT, communications and personnel policies, etc., as well as its attestation instructions. The company performs a legal review of its agreements on an ongoing basis.

NOTE 24 OTHER LONG-TERM SECURITIES

	Group		Parent company	
	2006	2005	2006	2005
Opening historical costs	231.0	37.5	–	–
Investments	59.1	164.6	–	–
Acquisition through merger	–	–	59.1	–
Profit/loss from financial assets reported at fair value through the income statement	5.0	28.9	–	–
Divestments	–235.5	–	–	–
Revaluation	3.0	–	3.0	
Translation differences	–3.0	–	–3.0	–
Closing accumulated costs	**59.6**	**231.0**	**59.1**	**–**
Opening impairment losses	–37.4	–37.4	–	–
Divestments	37.4	–	–	–
Closing accumulated impairment losses	**–**	**–37.4**	**–**	**–**
Closing carrying amount	**59.6**	**193.6**	**59.1**	**–**

The acquisition 2006 is shares in Atos Origin Middle East (AOME) Holding Ltd.

The carrying amount 2005 consisted primarily of the market value of Framfab AB shares. The shares were divested March 2006.

NOTE 25 PREPAID EXPENSES AND ACCRUED INCOME

	Group		Parent company	
	2006	2005	2006	2005
Prepaid rents	5.1	4.1	–	2.0
Accrued consulting income	89.0	46.2	–	–
Other items	15.5	13.6	1.4	0.5
Total	**109.6**	**63.9**	**1.4**	**2.5**

NOTE 26 SHARE CAPITAL

Share capital is allocated among 61,397,779 (including paid, unregistered) shares with a ratio of SEK 2.50. All shares are the same class, entitling the holder to equal assets and profits. Existing option programs entitle holders to subscribe for a specific number of LBI International AB (publ.) shares at a predetermined price. Options were awarded to senior executives in 2006 entitling them to subscribe for 1,085,000 shares at an average price of SEK 44.65 each. 6,132,306 options were exercised in 2006 and a corresponding 646,471 number of shares were issued.

NOTE 27 PROVISIONS FOR PENSIONS AND SIMILAR COMMITMENTS

Half of the provision (SEK 3.5 million) is for pension commitments by a German group company 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 in accordance with the following assumptions:

	31-12-2006 Richttafeln 2005 G	31-12-2005 Richttafeln 2005 G
Discount rate of interest (%)	4.50	4.25
Future annual salary increases (%)	2.00	1.75
Retirement age	62	62

Payment with regard to this plan will be made starting in 2020 in accordance with the pension date.

The other half of the provision (SEK 3.5 million) is for pension commitments to employees of the Italian group company. In according 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.

	2006	2005
Opening balance	5.9	5.3
Provision for the year	1.3	0.4
Translation differences	–0.2	0.2
Closing balance	**7.0**	**5.9**

NOTE 28 OTHER PROVISIONS

	Group		Parent company	
	2006	2005	2006	2005
Additional purchase price	46.5	27.3	46.5	82.4
Social security contributions options	1.6	–	–	–
Other provisions	0.8	–	–	–
Total	**48.9**	**27.3**	**46.5**	**82.4**
Opening balance	27.3	3.4	82.4	–
Provision for the year	26.2	26.5	23.8	81.2
Provisions through merger	–	–	23.4	–
Utilised	–3.5	–3.1	–40.5	–
Reclassifications	–	–0.4	–40.6	–
Translation differences	–1.1	0.9	–2.0	1.2
Closing balance	**48.9**	**27.3**	**46.5**	**82.4**

NOTE 29 LOANS FROM SHAREHOLDERS

The Group raised a loan from Red Valley Ltd, one of the Group's major shareholders, totaling SEK 95.0 million in late 2005. The loan was used exclusively to finance Framfab shares. A total of 111.7 million shares were acquired at an average price of SEK 0.85. On 31 March 2006 , before the merger of Framfab AB and LB Icon AB, LB Icon and Red Valley agreed to repay the loan in full by delivery of 111,715,168 Framfab shares from LB Icon to Red Valley. Delivery of the shares took place on April 12, 2006.

	2006	2005
Opening loans	91.6	–
New loans raised	–	95.0
Revaluation of loans	–	–3.4
Repayment of loans	–91.6	–
Translation difference	–	–
Closing loans	**–**	**91.6**

NOTE 30 CONVERTIBLE DEBT INSTRUMENTS

On 28 December 2004, LB Icon AB issued convertible debt instruments with a nominal value of EUR 15 million. The debt instruments bore annual interest of 7%, to be paid every six months starting on 28 June 2005. The nominal value of each debt instrument was EUR 10 thousand.

The fair value of the proportion of debt and shareholders' equity is determined when the debt instruments are issued. The fair value of the proportion of debt, which is included in long-term liabilities, is based on a market rate of interest for corresponding non-convertible debt instruments. The remaining amount, which represents the value of the proportion of shareholders' equity, is included in shareholders' equity.

On 6 March 2006, LB Icon AB requested redemption of the convertible debt instruments with an outstanding principal of EUR 17,040,000. On 29 March when the time limit had expired, holders of debt instruments that represented a total nominal amount of EUR 16,940,000 decided to convert their debt instruments to 3,849,993 shares (at EUR 4.4 each), while holders of debt instruments that represented a total nominal amount of EUR 100,000 chose repayment at 105% plus accrued interest.

	Group	
	2006	2005
Opening values	150.8	123.2
Nominal value of convertible debt instruments	–	20.2
Transaction costs	–	–0.8
Proportion of shareholders' equity	–	–0.6
Conversion	–150.2	–0.9
Translation difference	–0.6	6.8
Discounted interest	0.0	2.9
Closing residual value, proportion of debt	**–**	**150.8**

The reported value on the balance sheet date of the proportion of debt in the convertible debt instruments is a reliable approximation of the fair value.

Interest expenses for debt instruments are calculated as effective return by using the effective rate of 8% for similar, non-convertible debt instruments for the proportion of debt of the debt instruments. After transaction costs, the effective rate on the total loan (including green shoe) is 9.7%.

NOTE 31 LONG-TERM LIABILITIES

	2006	2005
Other liabilities to credit institutions	10.9	12.4
Other liabilities	–	0.4
Total	**10.9**	**12.8**
Falls due:		
2008/2007	8.2	2.2
2009/2008	2.0	1.8
2010/2009	0.7	0.6
2011/2010	–	0.6
2012/2011	–	7.6
Total	**10.9**	**12.8**

	2006	Interest (%)
Lloyds Bank	5.3	6.75
IKB Bank	0.7	4.50
Centro para el Desarrollo Tecnológico Industrial (CDTI)	1.8	0.00
Financial leasing	2.6	7.00
Other	0.5	–
Total	**10.9**	

The loan from Lloyds Bank was raised through one of the subsidiaries in the UK and will be replaced 2007 by a Group cash pool. The loan from IKB Bank was raised through a German subsidiary. The remaining loan of EUR 240,000 is to be repaid in annual amounts of EUR 80,000. The EUR 160,000 portion to be repaid next year has been reported as a current liability to a credit institution. The long-term portion is reported above.

The loan from Centro para el Desarrollo Tecnológico Industrial (CDTI), a state institution linked to the Spanish Ministry of Industry, has been raised by the Group's Spanish company and is related to R&D projects. The loan, which is to be repaid in six-month instalments, falls due in July 2010 and is interest-free.

NOTE 32 INTEREST-BEARING CURRENT LIABILITIES

	2006	2005
Current portion of financial lease commitments	2.2	0.8
Current portion of loan from IKB Bank	1.4	1.5
Additional purchase price [1]	40.6	–
Utilised bank overdraft facilities	6.9	14.4
Total	**51.1**	**16.7**

[1] For acquisition of Oyster Partners Ltd

NOTE 33 ACCRUED EXPENSES AND DEFERRED INCOME

	Group		Parent company	
	2006	2005	2006	2005
Holiday salaries	18.6	10.2	0.3	0.2
Accrued social security contributions	5.7	1.6	0.2	0.1
Deferred income	17.7	32.6	–	–
Other items	70.9	90.7	5.4	7.5
Total	**112.9**	**135.1**	**5.9**	**7.8**

NOTE 34 PLEDGED ASSETS

	Group		Parent company	
	2006	2005	2006	2005
For company provisions and liabilities				
For liabilities to credit institutions				
Leasehold improvement	–	9.3	–	–
Equipment	5.0	9.7	–	–
Equipment used in accordance with financial lease contracts	4.6	1.4	–	–
Trade accounts receivable	3.4	56.8	–	–
Floating charges	26.7	8.8	–	–
Floating charges in company's custody	–	–8.8	–	–
For other commitments				
Other financial assets	–	118.2	–	–
Blocked accounts and deposits	7.6	11.3	1.0	1.0
Total	**47.3**	**206.7**	**1.0**	**1.0**

NOTE 35 CONTINGENT LIABILITIES

	Group		Parent company	
	2006	2005	2006	2005
Guarantees for liquidated operations	–	0.7	–	–
Sureties for the benefit of subsidiaries	–	–	35.2	35.6
Other contingent liabilities	–	8.0	–	–
Total	**–**	**8.7**	**35.2**	**35.6**

NOTE 36 TRANSACTIONS WITH RELATED PARTIES

Red Valley Ltd

In September 2005, Red Valley Ltd, one of the company's major shareholders, granted the company a SEK 90 million loan. An additional SEK 5 million was granted in November 2005. The loan was raised in connection with the acquisition of Framfab AB shares. The company pledged as collateral the Framfab shares that were acquired for the loan from Red Valley. The loan bore 4% interest and was repaid during the second quarter 2006.

On 31 March 2006, LB Icon AB signed an agreement with Red Valley Ltd, the majority shareholder, to sell its Framfab holding. Of the 236 million shares held by the company, 111.7 million were used to repay the loan from Red Valley Ltd. The remaining shares were sold to Red Valley and received for cash on 21 April 2006.

In December 2005, Red Valley granted the company a loan totalling EUR 19 million. The loan carried 3% interest and was repaid in its entirety the same month. The loan was raised in connection with a tax transaction. In addition to interest, the company paid a fee of SEK 1.8 million in connection with the transaction.

Client agreements

Lost Boys BV provides consulting services for Media Republic, of which Michiel Mol is a board member. The agreement on services between Lost Boys BV and Media Republic is on the same terms as for other Lost Boys clients. Excluding VAT, income from Media Republic totalled EUR 177 thousand in 2006.

Consulting services

In 2007, EUR 70 thousand has been paid to Board Chairman Sven Skarendahl for consulting services in connection with the merger of Framfab AB and LB Icon AB.

NOTE 37 COSTS BROKEN DOWN BY TYPE

	Group		Parent company	
	2006	**2005**	**2006**	**2005**
Office and administration	87.1	81.7	0.8	0.7
Marketing and sales	8.1	7.5	–	–
External consultants	126.3	98.8	3.3	2.8
Material and goods	192.7	127.2	–	–
Personnel costs	638.4	470.2	14.1	18.1
Depreciation, amortisation and impairment loss	41.7	32.0	0.3	0.1
Other costs	82.9	64.7	23.9	9.0
Total	**1,177.2**	**882.1**	**42.4**	**30.7**
Total, of which for				
Production costs	925.1	658.4	–	–
Selling expenses	80.5	69.2	–	–
Administrative expenses	171.6	154.5	42.4	30.7
Total	**1,177.2**	**882.1**	**42.4**	**30.7**

NOTE 38 HEDGE ACCOUNTING

The hedge accounting refers to 2005.

Hedging of net investment

The effective portion of changes in the fair value of derivative instruments as hedging of net investments in foreign operations and that meet the conditions for hedge accounting are reported as shareholders' equity. The profit or loss attributable to the ineffective portion is reported immediately in the income statement.

	(EUR)	(GBP)
Net investment at fair value	**5.4**	**9.7**
Unpaid purchase price	4.6	5.7
Convertible debt instruments	–	2.9
Total	**4.6**	**8.6**

For 2005, an amount of SEK 6.6 million has been reported directly against shareholders' equity as a result of this hedging.

Hedging of fair value

Changes in the fair value of derivatives that are identified as hedging of fair value and that meet the conditions for hedge accounting are reported in the income statement along with changes in the fair value of the asset or liability that gave rise to the hedged risk.

Financial assets reported at fair value through the income statement	**(SEK)**
Acquisition	95.0
Profit/loss from financial assets reported at fair value	−3.4
Total	**91.6**
Loans from shareholders	
Loans raised	95.0
Revaluation of loans	−3.4
Total	**91.6**

The financial assets reported at fair value through the income statement consist of the investment in Framfab shares.

The investment was partially financed by raising a loan from Red Valley Ltd, one of the company's major shareholders. The loan was repaid 2006.

NOTE 39 EMPLOYEE STOCK OPTION PROGRAM

Ever since the company was founded, it has striven to enable its employees to have a stake in the company's future, including the chance of owning shares in the company. At the Extraordinary General Meetings of shareholders it was resolved to implement an international employee stock option program for the group's employees. The Employee Stock Option Program means that the group's current and future employees can be allocated options to purchase shares (known as employee stock options), which entitle the holder of the options to acquire shares in LBi. No price is to be paid for these options. The redemption price for the options must essentially reflect the market value of the LBi share on the date on which the options were issued. The options may be used no earlier than six months and no later than seven years from the date on which they were issued and on condition that the holder of the options is still an employee of the group on the date on which they are redeemed. The distribution of options is 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 program is to create the conditions for maintaining and recruiting competent employees in the group.

As of 31 December 2006, employees own a total of 9,523,363 (16,810,868) options to purchase 2,242,486 shares under the international Employee Stock Option Program. In the year under review a total of 1,085,000 new options were granted in one series.

The following series of the former LB Icon employee stock options expired: Series C1 on 30 September 2006, series D on 31 December 2006 and series I5-7 on 4 April 2006.

On 29 November 2006, the Board of Directors resolved to extend the exercise periods of the employee stock options of the former LB Icon stock option plan which have an option period of less than 5 years to a total period of 5 years. This extension applies to the series H1, L and O5-7.

The following tables show all stock options held by employees as of 31 December 2006:

Stock options: rollover LB Icon

Series	Date of grant	Date of expiration	Strike price options (SEK)	Number of options as of 2005-12-31	Granted	Matured/ Returned	Exercised	Number of options as of 2006-12-31	Number of shares can increase by
C1	2000-09-01	2006-09-30	1,510.00	38,880	–	–38,880	0	0	0
C2	2000-09-01	2007-09-30	1,510.00	38,874	–	–6,344	0	32,530	3,253
C3	2000-09-01	2008-09-30	1,510.00	333	–	0	0	333	33
D1-6	2001-04-27	2006-12-31	110.00	150,000	–	–150,000	0	0	0
D11-16	2001-04-27	2006-12-31	123.70	41,500	–	–41,500	0	0	0
D31-36	2001-04-27	2006-12-31	110.40	187,000	–	–187,000	0	0	0
J	2002-08-19	2007-08-19	15.40	1,600,000	–	0	–1,600,000	0	0
I1-4	2002-09-04	2007-08-19	11.50	28,750	–	0	–28,750	0	0
I5-7	2002-09-04	2006-04-04	11.50	1,600,000	–	0	–1,600,000	0	0
H1	2002-11-14	2007-11-14	11.30	1,350,000	–	0	0	1,350,000	135,000
H2-5	2002-11-14	2007-08-19	11.30	62,500	–	0	0	62,500	6,250
K	2003-02-14	2008-04-04	18.50	2,746,500	–	–93,250	–223,750	2,429,500	242,950
L	2003-05-29	2008-05-29	15.00	4,495,000	–	0	–2,400,000	2,095,000	209,500
M1-4	2003-11-14	2008-11-14	22.90	2,230,000	–	–10,000	–100,000	2,120,000	212,000
M5-7	2003-11-14	2008-11-14	22.90	300,000	–	–150,000	–150,000	0	0
N1-3	2004-09-02	2009-09-02	21.28	41,767	–	–80	0	41,687	41,687
N4-6	2004-09-02	2009-09-02	21.28	4,000	–	0	0	4,000	4,000
N7-9	2004-09-02	2009-09-02	92.21	1,763	–	–645	0	1,118	1,118
N10-14	2004-09-02	2009-09-02	21.28	92,001	–	0	–25,556	66,445	66,445
O1-4	2004-12-30	2009-12-30	33.70	57,000	–	–22,500	–4,250	30,250	30,250
O5-7	2004-12-30	2009-12-30	33.70	170,000	–	0	0	170,000	170,000
P1-3	2005-04-28	2010-04-28	40.00	40,000	–	–40,000	0	0	0
P4-7	2005-04-28	2010-04-28	40.00	35,000	–	0	0	35,000	35,000
Total				**15,310,868**	**–**	**–740,199**	**–6,132,306**	**8,438,363**	**1,157,486**

NOTE 39 cont'd

Vesting period

C1 100.0% vested on 1 September 2001

C2 100.0% vested on 1 September 2002

C3 100.0% vested on 1 September 2003

D1-6 1st part of 16.7% vested on 1 November 2001; 2nd part of 16.7% vested on 1 May 2002; 3rd part of 16.7% vested on 1 November 2002; 4th part of 16.7% vested on 1 May 2003; 5th part of 16.6% vested on 1 November 2003 and the remaining part of 16.6% vested on 1 May 2004

D11-16 1st part of 24.0% vested on 1 November 2001; 2nd part of 39.5% vested on 1 May 2002; 3rd part of 9.1% vested on 1 November 2002; 4th part of 9.1% vested on 1 May 2003; 5th part of 9.1% vested on 1 November 2003 and the remaining part of 9.2% vested on 1 May 2004

D31-36 1st part of 16.7% vested on 1 November 2001; 2nd part of 16.7% vested on 1 May 2002; 3rd part of 16.7% vested on 1 November 2002;4th part of 16.7% vested on 1 May 2003; 5th part of 16.6% vested on 1 November 2003 and the remaining part of 16.6% vested on 1 May 2004

J 1st part of 25.0% vested on 19 August 2003; 2nd part of 25.0% vested on 19 August 2004; 3rd part of 25.0% vested on 19 August 2005 and the remaining part of 25.0% vested on 19 August 2006

I1-4 1st part of 25.0% vested on 19 August 2003; 2nd part of 25.0% vested on 19 August 2004; 3rd part of 25.0% vested on 19 August 2005 and the remaining part of 25.0% vested on 19 August 2006

I5-7 1st part of 33.4% vested on 4 April 2003; 2nd part of 33.3% vested on 4 April 2004 and the remaining part of 33.3% vested on 4 April 2005

H1 100.0% vested on 19 August 2003. On 29 November 2006 the board resolved to extend the exercise period from 31 December 2006 to 14 November 2007

H2-5 1st part of 25.0% vested on 19 August 2003; 2nd part of 25.0% vested on 19 August 2004; 3rd part of 25.0% vested on 19 August 2005 and the remaining part of 25.0% vested on 19 August 2006

K 1st part of 25.0% vested on 4 April 2004; 2nd part of 25.0% vested on 4 April 2005; 3rd part of 25.0% vested on 4 April 2006 and the remaining part of 25.0% will vest on 4 April 2007

L 1st part of 33.4% vested on 29 May 2004; 2nd part of 33.3% vested on 29 November 2004 and the remaining part of 33.3% will vest on 29 December 2004. On 29 November 2006 the board resolved to extend the exercise period from 29 November 2006 to 29 May 2008

M1-4 1st part of 25.0% vested on 14 November 2004; 2nd part of 25.0% vested on 14 November 2005; 3rd part of 25.0% vested on 14 November 2006 and the remaining part of 25.0% will vest on 14 November 2007

M5-7 1st part of 50.0% vested on 14 November 2005; 2nd part of 25.0% vested on 14 November 2006 and the remaining part of 25.0% will vest on 14 November 2007

N1-3 1st part of 45.0% vested on 2 September 2004; 2nd part of 5.0% vested on 2 March 2005 and the remaining part of 50.0% vested on 2 September 2005

N4-6 1st part of 30.0% vested on 2 September 2004; 2nd part of 30.0% vested on 30 September 2005 and the remaining part of 40.0% vested on 30 September 2006

N7-9 1st part of 25.0% vested on 2 September 2004; 2nd part of 25.0% vested on 2 March 2005 and the remaining part of 50.0% vested on 2 September 2005

N10-14 1st part of 25.0% vested on 14 November 2004; 2nd part of 25.0% vested on 2 March 2005; 3rd part of 16.7% vested on 2 November 2005; 4th part of 16.7% vested on 2 September 2006 and the remaining part of 16.6% will vest from 2 September 2007

O1-4 1st part of 25.0% vested on 30 December 2005; 2nd part of 25.0% vested on 30 December 2006; 4rd part of 25.0% will vest on 30 December 2007 and the remaining part of 25.0% will vest on 30 December 2008

O5-7 1st part of 33.4% vested on 30 December 2005; 2nd part of 33.3% vested on 30 December 2006 and the remaining part of 33.3% will vest on 30 December 2007; on 29 November 2006 the board resolved to extend the exercise period from 30 December 2008 to 30 December 2009

P1-3 1st part of 50.0% will vest on 28 April 2008; 2nd part of 25.0% will vest on 28 December 2008; and the remaining part of 25.0% will vest on 28 April 2009

P4-7 1st part of 25.0% vested on 28 April 2006; 2nd part of 25.0% will vest on 28 April 2007; 3rd part of 25.0% will vest on 28 April 2008 and the remaining part of 25.0% will vest on 28 April 2009

NOTE 39 cont'd

Stock options: LBI International

Series	Date of grant	Date of expiration	Strike price options (SEK)	Number of options as of 2005-12-31	Granted	Matured/ Returned	Exercised	Number of options as of 2006-12-31	Number of shares can increase by
A1-3	2004-04-30	2008-05-01	37.50	750,000	–	–750,000	0	0	0
A4-5	2004-04-30	2008-05-01	37.50	0	–	0	0	0	0
B1-3	2004-11-10	2008-11-11	25.00	0	–	0	0	0	0
C1-3	2005-09-09	2009-09-10	34.00	750,000	–	–750,000	0	0	0
D1-3	2006-10-30	2011-10-30	44.65	0	925,000	0	0	0	0
D4-6	2006-10-30	2011-10-30	44.65	0	160,000	0	0	0	0
Total				**1,500,000**	**1,085,000**	**–1,500,000**	**0**	**0**	**0**

Vesting period

A1-3 1st part of 33.4% vested on 1 May 2005; 2nd part of 33.3% vested on 1 May 2006 and the remaining part of 33.3% will vest on 1 May 2007

A4-5 1st part of 50.0% vested upon achieving financial criteria for Q4 2004; and the remaining part of 50.0% vested upon additional financial criteria for Q4 2004

B1-3 1st part of 33.4% vested on 11 Nov 2005; 2nd part of 33.3% vested on 11 Nov 2006 and the remaining part of 33.3% will vest on 11 Nov 2007

C1-3 1st part of 33.4% vested on 10 Sept 2006; 2nd part of 33.3% will vest on 10 Sept 2007 and the remaining part of 33.3% will vest on 10 Sept 2008

D1-3 1st part of 50.0% will vest on 11 Oct 2008; 2nd part of 25.0% will vest on 11 Oct 2009 and the remaining part of 25.0% will vest on 11 Oct 2010

D4-6 1st part of 50.0% will vest on 1 March 2008; 2nd part of 25.0% will vest on 1 March 2009 and the remaining part of 25.0% will vest on 1 March 2010

WARRANTS RELATED TO THE STOCK OPTION PROGRAM

To ensure the company's undertaking to deliver shares under the stock option program and to cover related administrative costs and social security contributions, the company issued warrants. Upon the exercise of stock options by an employee, warrants will be exercised to create new shares in LBI International AB. The exercise of warrants does not require further approval of the General Meeting contrary to a share issue. The exercise of options causes dilution.

Each warrant entitles the holder to subscribe for one new share, except for warrants issued before the reversed split that entitles the owner to subscribe one new share for ten warrants. During 2006 warrants have been issued according to the following table:

Series	Subscription price (SEK)	Subscription period		Number of warrants issued	Number of shares can increase by	Exercised	Lapsed/ Matured	Number of warrants as of 2006-12-31	Number of shares can increase by
A	2.50	2006-07-31	2013-12-31	1,896,124	1,896,124	–59,496	–2,098	1,834,530	1,834,530
				1,896,124	**1,896,124**	**–59,496**	**–2,098**	**1,834,530**	**1,834,530**

WEIGHTED AVERAGE FAIR VALUE

Value of employee services related to fair value of options granted have been recognized in the income statement with an amount of SEK 3,667 thousand in 2006 and SEK 3,223 thousand in 2005.

The weighted average fair value of options granted during 2006 has been SEK 11.89 (SEK 13.13 for 2005).

The fair value of equity-settled share options granted are estimated at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted.

The following table lists the inputs to the model used for 2006 and 2005.

	2006	2005
Expected volatility (%)	35.00	45.00
Weighted risk-free interest (%)	3.80	3.00
Employee turnover (%)	7.00	7.00
Expected life of option (years)	2.75	2.97

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also but not necessarily be the actual outcome.

NOTE 40 EARNINGS PER SHARE

	2006	2005
Earnings per share (SEK)		
Basic	1.95	1.72
Diluted [1)]	1.94	1.66
Profit attributable to equity shareholders of the company	89.6	48.7
Interest expense on convertible debt (net of tax) [1)]	–	–
Adjusted profit	89.6	48.7
Weughted average numbers of shares, included not registred (thousand)		
Basic	46,011	28,247
Options	247	1,000
Diluted	46,258	29,247

Diluted earnings per share is calculated by adjusting profit for the year adjusted for the interest expense less the tax effect on the convertible debts divided by weighted average numbers of shares, adjusted for additional shares by conversion and exercise of options.

[1)] In the calculation above potential shares on convertible bonds or share options with a strike price higher than market price has been excluded since they have an antidilitive effect (would improve earnings per share)

As indicated below, the Board of Directors approved the annual accounts and consolidated accounts on 13 April 2007. The consolidated income statement and balance sheet, as well as the parent company's income statement and balance sheet, will be submitted for adoption by the 2 May 2007 annual general meeting.

Stockholm, 13 April 2007

LBI International AB (publ)

Katarina G. Bonde

Michiel Mol

Fred Mulder

Robert Pickering
CEO and President

Sven Skarendahl
Chairman of the Board

Our auditor's report was submitted on 13 April 2007

Öhrlings PricewaterhouseCoopers AB

Hans Jönsson
Authorized Public Accountant

Auditor's report

To the annual general meeting of LBI International AB (publ)
Company registration no. 556528-6886

We have reviewed the annual accounts, consolidated accounts, accounting records and management by the CEO and Board of Directors of LBI International AB (publ) for 2006. The Board of Directors and CEO are responsible for the accounting records and management, as well as for ensuring compliance with the Swedish Annual Accounts Act when preparing the annual accounts and compliance with International Financial Accounting Standards as adopted by the European Union and the Swedish Annual Accounts Act when preparing the consolidated accounts. Our responsibility is to state our opinion with respect to the annual accounts, the consolidated accounts and management, based on the results of our audit.

The audit has been performed in accordance with generally accepted auditing practices in Sweden. Thus, we have planned and conducted the audit in such a manner as to satisfy ourselves with great but not absolute assurance that the annual accounts and consolidated accounts are free of material misstatement. An audit includes examining a selection of the documents supporting the amounts and disclosures in the accounting records. An audit also includes examining the company's accounting policies, as well as the Board of Directors' and CEO's compliance with them, assessing the significant estimates that the Board of Directors and CEO made when preparing the annual accounts and consolidated accounts, and evaluating the overall data contained in the annual accounts and consolidated accounts. As a basis for our statement granting discharge from liability, we have examined significant decisions, actions and relationships within the company, with a view to determining whether any member of the Board of Directors or the CEO may be liable to the company for damages, or may have in any other way acted contrary to the Swedish Companies Act, the Swedish Annual Accounts Act or the company's articles of association. We regard our audit as having provided us with reasonable grounds to state the following.

The annual accounts have been prepared in compliance with the Swedish Annual Accounts Act, and offer a true and fair representation of the company's performance and financial position in accordance with generally accepted accounting practices in Sweden. The consolidated accounts have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the Swedish Annual Accounts Act and offer a true and fair representation of the Group's performance and financial position. The management report is consistent with the remaining portions of the annual accounts and consolidated accounts.

We recommend that the annual general meeting adopt the parent company's and consolidated income statements and balance sheets, appropriate the profit of the parent company in accordance with the proposal in the management report and discharge the members of the Board of Directors and CEOs from liability for the financial year.

Stockholm, 13 April 2007

Öhrlings PricewaterhouseCoopers AB

Hans Jönsson
Authorized Public Accountant

Corporate governance

Swedish Code of Corporate Governance

The Swedish Code Group submitted the Swedish Code of Corporate Governance on 16 December 2004, initially covering all listed companies with market capitalisation above SEK 3 billion. The code, which is based on self-regulation in accordance with the principle of "comply or explain", deals primarily with the working methods of annual general meetings, boards of directors and corporate management.

Because LBi's market capitalisation was below SEK 3 billion when last checked, the company is not obligated to comply with the code but LBi will follow the code, insofar as it is deemed reasonable and appropriate.

Shareholders

The three largest share holdings are with Euroclear Bank in Belgium (31.6%), Red Valley in Luxemburg (24.8%) and SIS Segaintersettle in Switzerland (5.4%). The company had 67,228 shareholders at the end of the year. The share capital of SEK 153.5 million is allocated among 61,397,779 shares. Each share entitles the holder to an equal proportion of the company's assets and earnings.

Annual general meeting

An annual general meeting is held within six months after the close of each financial year. All shareholders who are entered in the share register by the cut-off date and have notified the company of their intention to attend may participate.

Nominating committee

The nominating committee's tasks include determining whether the Board of Directors is properly constituted and finding new candidates if it is not. In addition, the committee proposes Board members and auditors to the annual general meeting. The committee consists of Frank Bergman, Gunnar Ek (the Swedish Shareholders' Association) and LBi Board Chairman Sven Skarendahl. The committee is elected by a general meeting. The members of the committee are not paid.

Remuneration committee

The members of the Board's remuneration committee are Katarina G. Bonde, Fred Mulder and Sven Skarendahl.

Audit committee

Michiel Mol, Fred Mulder and Sven Skarendahl are on the Board's audit committee.

Board of Directors

The LBi Board of Directors is constituted so as to efficiently support and monitor management's performance. When necessary, employees attend Board meetings to present a report or serve in an administrative capacity.

The rules of procedure describe the Board's duties in greater detail. They govern how the Board is to work, how often it is to meet and the types of matters it is to discuss. For instance, the rules of procedure state that the Board will regularly assess the company's financial status, set objectives for the company's business and supervise compliance with the rules and plans that have been established.

The Board chairman sees to it that the Board's performance is evaluated on an annual basis and that the nominating committee is notified of the findings.

See the section entitled "Work of the Board of Directors" on page 28 for further information about 2006.

Executive management

The members of Group management are CEO Robert Pickering, EVP Jesper Anderson (CEO of Framfab in Denmark and Sweden), EVP and COO Theo Cordesius and CFO Jan Norman. In accordance with the Board's current rules of procedure and instructions for the CEO, management kept the Board up to date on the company's financial status, strategic development, business outlook and state of the market.

LBi's organisation is such that each country or region represents a sphere of responsibility and profit centre.
A Managing Director heads up operations in each country or region.

Extended Group management consists of Group management and the Managing Directors of each country/region. Extended Group management is scheduled to meet at least four times a year.

Remuneration for Board of Directors and management

See note 1, page 48.

Policies and governing documents

The key policies and guidelines that the company has drawn up are:

- The Board's rules of procedure
- Instructions for the CEO
- An attestation and authorisation plan
- An insider policy
- A communications policy
- Financing policy

Risk management and internal monitoring

The Board of Directors has overall responsibility for internal monitoring, including risk management. The CEO is responsible for ensuring that internal monitoring is upheld and carried out. Targets are set each year for the various countries. The company's performance is then monitored against the targets and the outcome for the previous year. Limits are set for the entire business, which otherwise is highly decentralised. The Group conducts financial monitoring and performance comparisons among the units on a monthly basis.

External audits

Öhrlings PricewaterhouseCoopers AB is selected as the company's auditor until the 2007 annual general meeting. Authorized public accountantant Hans Jönsson is appointed main responsible. The auditors submits an auditor's report for the parent company and the Group. The review of the auditors also covers the management of the company by the Board of Directors and CEO. The audit is performed in accordance with generally accepted auditing practices in Sweden. All foreign subsidiaries are audited in accordance with legal requirements.

Financial reporting

LBi regularly releases financial information by means of interim reports, press releases and an annual report. The company's position is generally presented in connection with the interim reports, whereas meetings and teleconferences are held with analysts and prospective investors.

The LBi-share

The information below refers to the parent company share, LBI International AB, former Framfab AB.

Share capital and number of shares
LBI International AB shares numbered 61,397,779 as of 31 December 2006. Each share entitles the holder to one vote at a general meeting and an equal proportion of the company's assets and earnings. Each share has a par value of SEK 2.50. The total share capital was SEK 153.5 million. Upon submission of this annual report, total shares numbered 61,727,181.

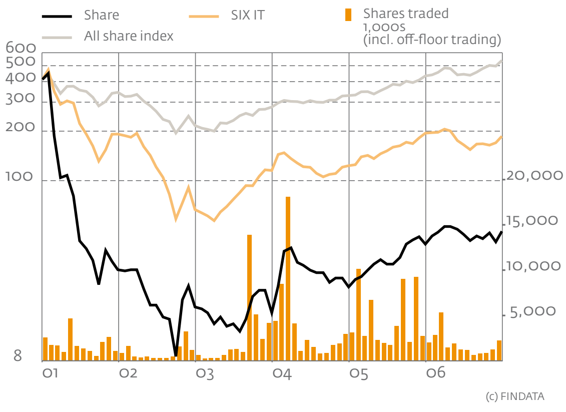
Share price performance in 2006
The LBi share has traded on the Stockholm Stock Exchange since 23 June 1999. Recalculated after the 8:1 split of 6 March 2000 and the 50:1 reverse spilt of 11 June 2006, the issue price was SEK 781.50. All figures are adjusted for the 2006 reverse split.

During the 2006 financial year, the share price rose by 19.8% from SEK 41.00 to SEK 49.10 as of 29 December. The All-share Index of the Stockholm Stock Exchange was up by 23.6%, and the SIX IT Index was up down 4.2% for the same period. The highest price paid during the year was SEK 58.00 on 21 March, while the lowest price paid was SEK 41.00 on 2 January. The highest closing price was SEK 56.00 on 12 May, and the lowest closing price was SEK 41.50 on 2 January. 200 shares in LBI International AB constituted one trading lot on the Stockholm Stock Exchange.

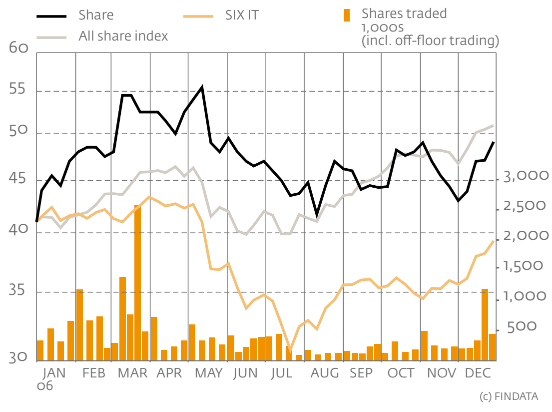
Trading in LBi shares
A total of 29,809,158 LBi shares worth SEK 1,445 million (1,893) traded on the Stockholm Stock Exchange and Euronext in Amsterdam during the year. An average of 5.6 million (11.0) shares were traded per session. The shares traded represented 64.7% of the total average number of shares issued.

Shareholder structure
LBi had 67,228 shareholders as of 29 December 2006, as opposed to 75,775 a year earlier. The ten biggest shareholders accounted for 72.5% (40.2) of the shares and votes.

LBi share 2001–2006



LBi share 2006



Major shareholders as of 29 December 2006

	No. of shares	Percentage of shares and votes
Euroclear Bank S/A, Belgium	19,412,519	31.7
Red Valley, Luxembourg	15,249,608	24.8
SIS Segaintersettle AG, Switzerland	3,323,152	5.4
KAS Depository Trust Company, the Netherlands	1,543,751	2.5
Barclays Priv Client Intern Ltd	1,150,152	1.9
Pictet & Cie	766,245	1.2
ABN Amro Bank NV	693,820	1.1
Clearstream Banking SA	632,045	1.0
Fjärde AP-Fonden	595,700	1.0
Finsbury Trust	542,322	0.9
Total, 10 major shareholders	**43,909,314**	**71.5**
Other shareholders	17,488,465	28.5
TOTAL NO. OF SHARES	**61,397,779**	**100.0**

Source: VPC

Size of shareholdings as of 29 December 2006

	No. of shareholders	Percentage of no. of shareholders	Percentage of share capital
1 – 500	63,950	95.1	9.0
501 – 1,000	1,990	3.0	2.3
1,001 – 2,000	719	1.1	1.8
2,001 – 5,000	332	0.5	1.7
5,001 – 10,000	101	0.2	1.2
10,001 – 20,000	47	0.1	1.1
20,001 – 50,000	41	0.1	2.0
50,001 – 100,000	10	0.0	1.3
100,001 – 500,000	28	0.0	9.4
500,001 – 1,000,000	5	0.0	5.3
1,000,001 – 5,000,000	3	0.0	9.8
5,000,001 –	2	0.0	55.1
TOTAL	**67,228**	**100.0**	**100.0**

Source: VPC

Data per share

Share price performance and trading	**2006**	**2005**	**2004**	**2003**	**2002**
Closing price as of 31/12 (SEK)	49.10	41.00	22.50	17.50	19.00
Annual share price performance (%)	20	82	29	–8	–40
Highest price paid (SEK)	56.00	55.00	64.50	42.00	43.00
Lowest price paid (SEK)	41.50	22.00	18.00	13.00	7.50
Thousands of shares traded	28,809	55,543	48,101	28,054	10,019
Average no. of shares traded (thousand)	116	220	190	113	40
Total shares traded (SEK thousand)	1,445,232	1,893,040	1,687,968	710,000	251,764
Average shares traded (SEK thousand)	5,602	7,482	6,672	5,600	1,007
Trading rate [1)]	0.65	2.31	2.46	2.63	1.06

Per-share key ratios	**2006**	**2005**	**2004 [2)]**	**2003 [2)]**	**2002 [2)]**
P/E multiple [3)]	33.65	27.60	20.64	neg	neg
P/S multiple [4)]	2.42	2.08	1.59	0.97	0.53
P/S multiple [4)] based on pro forma accountings	1.92	–	–	–	–
Volatility [5)] (%)	35.0	45.5	63.2	82.0	122.8
Share price/Shareholders' equity (%)	158.4	273.4	185.5	291.7	165.2
EPS (SEK)	1.95	1.50	1.50	–8.50	–6.00
Dividend/share (SEK)	–	–	–	–	–
Shareholders' equity/share (SEK)	31.00	15.00	12.00	6.0	11.50
Cash flow/share (SEK)	1.34	–4.00	5.50	0.50	–7.00
No. of shares (thousand)	61,398	24,009	22,991	14,235	9,494
Average No. of shares (thousand)	46,011	23,629	19,575	10,684	9,494
Market capitalisation, 31 December (SEK thousand)	3,014,631	984,358	517,290	249,111	180,379

[1)] Trading rate: Number of shares traded during the year divided by the total number of shares

[2)] Not restated in accordance with IFRS

[3)] P/E multiple: Share price divided by net earnings per share as of 31 December

[4)] P/S multiple: Market capitalisation as of 31 December divided by total sales

[5)] Volatility: Rate of share price fluctuations

Change in share capital

Year	Transaction	Change in no. of shares	Change in share capital (SEK)	Total no. of shares	Total share capital (SEK)	Nominal amount (SEK)
1998	Company formed	10,000,000	100,000	10,000,000	100,000	0.01
	Non-cash issue	1,913,562	19,136	11,913,562	119,136	0.01
	Directed share issue	2,100,000	21,000	14,013,562	140,136	0.01
1999	Bonus issue		5,465,289	14,013,562	5,605,425	0.40
	2:1 reverse split	–7,006,781		7,006,781	5,605,425	0.80
	Non-cash issues	3,780,299	3,024,240	10,787,080	8,629,665	0.80
	New share issues	2,000,000	1,600,000	12,787,080	10,229,665	0.80
	Subscriptions for new shares	315,475	252,380	13,102,555	10,482,045	0.80
2000	Non-cash issues before split	2,172,747	1,738,198	15,275,302	12,220,243	0.80
	New share issues before split	650,000	520,000	15,925,302	12,740,243	0.80
	Subscription for new shares before split	186,175	148,940	16,111,477	12,889,183	0.80
	8:1 split	112,780,339		128,891,816	12,889,183	0.10
	Non-cash issues after split	12,264,087	1,226,408	141,155,903	14,115,591	0.10
	Subscription for new shares after split	712,000	71,200	141,867,903	14,186,791	0.10
2001	Non-cash issues	4,266,870	426,687	146,134,773	14,613,478	0.10
	Subscriptions for new shares	3,706,446	370,645	149,841,219	14,984,123	0.10
	New share issues	324,841,219	32,484,122	474,682,438	47,468,245	0.10
2002	No transactions				47,468,245	0.10
2003	Debt settlement issues	27,563,980	2,756,398	502,246,418	50,224,642	0.10
	New share issue	1,700,000	170,000	503,946,418	50,394,642	0.10
	New share issue	1,050,000	105,000	504,996,418	50,499,642	0.10
	Directed share issue	110,000,000	11,000,000	614,996,418	61,499,642	0.10
	Directed share issue	95,000,000	9,500,000	709,996,418	70,999,642	0.10
	Subscription for new shares	1,750,000	175,000	711,746,418	71,174,642	0.10
2004	New share issue	35,000,000	3,500,000	746,746,418	74,674,642	0.10
	New share issue	20,000,000	2,000,000	766,746,418	76,674,642	0.10
	Non-cash issue	19,348,514	1,934,851	786,094,932	78,609,493	0.10
	Reduction of share capital		–39,304,747		39,304,747	0.05
	Debt settlement issue	35,000,000	17,500,000	821,094,932	41,054,747	0.05
	Preferential issue	328,437,972	16,421,898	1,149,532,904	57,476,646	0.05
2005	Non-cash issue	50,903,077	2,545,154	1,200,435,981	60,021,800	0.05
2006	New share issue	44,004,631	2,200,232	1,244,440,612	62,222,031	0.05
	Option rights	38	2	1,244,440,650	62,222,033	0.05
	50:1 reverse split			24,888,813	62,222,033	2.50
	New share issue	35,634,133	89,085,332	60,522,946	151,307,365	2.50
	Option rights	63,182	157,955	60,586,128	151,465,320	2.50
	New share issue	811,651	2,029,128	61,397,779	153,494,448	2.50

Five-year summary

Below information considers the LBI Group where the Framfab Group is included from 1 August 2006. Before that date only the LB Icon Group is included.

Income statement	**2006**	**2005**	**2004**	**2003** [1]	**2002** [1]
Net sales	1,244.3	910.1	604.2	481.6	653.0
Operating profit/loss	78.9	82.4	–12.0	–63.5	–427.0
Profit/loss after financial items	84.5	57.3	–17.6	–68.5	–451.7
Profit/loss for the period	**89.6**	**48.7**	**20.0**	**–66.3**	**–440.8**

Balance sheet	**06-12-31**	**05-12-31**	**04-12-31**	**03-12-31** [1]	**02-12-31** [1]
ASSETS					
Intangible fixed assets	1,102.3	418.0	209.9	65.0	76.7
Property, plant and equipment	51.1	31.8	30.4	31.0	54.6
Financial fixed assets	68.4	196.4	3.5	4.3	5.7
Deferred tax assets	456.4	23.9	38.9	–	–
Total non-current assets	**1,678.2**	**670.1**	**282.7**	**100.3**	**137.0**
Trade accounts receivable	338.0	212.4	162.2	107.7	115.9
Other current assets	142.5	88.6	46.4	38.3	64.3
Liquid assets	185.4	108.8	157.2	47.4	64.3
Total current assets	**665.9**	**409.8**	**365.8**	**193.4**	**244.5**
TOTAL ASSETS	**2,344.1**	**1,079.9**	**648.5**	**293.7**	**381.5**
LIABILITIES AND SHAREHOLDERS' EQUITY					
Shareholders' equity	**1,903.1**	**480.9**	**256.3**	**45.1**	**53.2**
Long-term provisions	73.8	33.2	8.7	29.3	44.5
Long-term liabilities	10.9	255.2	158.1	97.5	103.7
Prepayments from customers	19.8	6.4	0.0	3.4	10.8
Other current liabilities	336.5	304.2	225.4	118.4	169.3
Total liabilities	**441.0**	**599.0**	**392.2**	**248.6**	**328.3**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**2,344.1**	**1,079.9**	**648.5**	**293.7**	**381.5**

Cash flow statement	**2006**	**2005**	**2004**	**2003** [1]	**2002** [1]
Cash flow from operations	98.8	48.8	–27.1	–48.5	–256.3
Changes in working capital	31.6	–2.9	–26.8	–32.1	–48.2
Cash flow from operating activities	**130.4**	**45.9**	**–53.9**	**–80.6**	**–304.5**
Cash flow from investing activities	–32.9	–217.0	–34.6	–7.5	100.8
Cash flow from financing activities	–15.2	119.4	199.2	73.6	203.7
Cash flow for the period	**82.3**	**–51.7**	**110.7**	**–14.5**	**0.0**
Liquid assets at beginning of the period	108.8	157.2	47.4	64.3	68.6
Translation differences in liquid assets	–5.7	3.3	–0.9	–2.4	–4.3
LIQUID ASSETS AT END OF THE PERIOD	**185.4**	**108.8**	**157.2**	**47.4**	**64.3**

Five-year summary (cont'd)

Key ratios	2006	2005	2004	2003 [1]	2002 [1]
Growth in net sales (%)	37	51	26	–26	–45
Operating margin (%)	6	9	–2	–13	–65
Profit margin (%)	7	6	–3	–14	–69
Equity/assets ratio (%)	81	45	40	15	14
Return on capital employed (%)	7	18	–3	–36	–201
Return on shareholders' equity (%)	7	13	13	–135	–541
Average no. of employees	1,002	816	674	559	652
No. of employees at end of the period	1,301	754	615	595	956
Sales per employee, SEK thousand	1,242	1,207	983	810	683
Shareholders' equity per share (SEK)	31.00	15.71	10.18	2.39	3.39
EPS (SEK)	1.95	1.72	0.81	–3.77	–29.18
Cash flow per average no. of shares (SEK)	1.79	–1.83	4.49	–0.83	0.00

[1] Years 2002 and 2003 are not translated according to IFRS. Date of transition is as earlier communicated 1 January 2004. This means that for 2003 and 2002 no amortisation of goodwill has been done. According to IFRS no amortisations is done however the assets are tested for impairment at least once a year. Also for the years 2003 and 2002 no costs have been charged as regards IFRS 2, Share based payments.

Definitions

Operating margin
Operating profit/loss as a percentage of net sales

Profit margin
Profit/loss for the period after financial items as a percentage of net sales

Equity/assets ratio
Shareholders' equity as a percentage of the balance sheet total

Capital employed
Balance sheet total less current interest-free operating liabilities including deferred tax liabilities

Profit/loss per employee
Operating profit/loss for the period after depreciation of property, plant and equipment divided by the average number of employees during the period

Return on capital employed
Operating profit/loss including financial income as a percentage of average quarterly capital employed

Return on shareholders' equity
Earnings for the period as a percentage of average quarterly shareholders' equity

Sales per employee
Net sales for the period divided by the average number of employees during the period – quarterly data is calculated on an annual basis

Earnings per share (EPS)
Profit/loss for the period divided by the average number of shares during the year

Working capital
Current assets less liquid assets less current interest-free liabilities

Shareholders' equity per share
Shareholders' equity as of the balance sheet date divided by the number of outstanding shares

Cash flow per average number of shares
Cash flow divided by the average number of shares

Days Sales Outstanding (DSO)
Trade accounts receivable excluding VAT plus accrued income for non-invoiced services rendered less prepayments from clients divided by net sales per month based on the number of days as of the balance sheet date

Information for shareholders

Annual general meeting
The annual general meeting of LBI International AB will begin at 15.00 on Wednesday, 2 May 2007 at Clarion Hotel, Ringvägen 98 in Stockholm, Sweden.

Any shareholder wishing to attend the meeting must:

- Be entered in the share register maintained by VPC AB no later than 25 April 2007
- Notify LBI International AB of his/her attendance by 25 April 2007

Entry in the share register
VPC AB keeps LBI International AB's share register. Only shares entered by a shareholder are listed in his/her name. In order to participate in the annual general meeting, any shareholder whose shares are registered in the name of an authorised agent must request temporary re-entry in the share register under his/her own name well before 25 April 2007.

Notification of attendance
Any shareholder who wishes to participate in the annual general meeting must notify the company no later than 25 April 2007 by one of the following methods:

E-mail: anita.hallgren@lbi.com
Post: LBI International AB
Att: Anita Hallgren
Box 38078
SE-100 64 Stockholm, Sweden
Phone: +46 8 41 00 10 39
Fax: +46 8 411 65 95

Each notification must include:
Name
Personal identity no. or company registration no.
Address
Phone number
No. of shares
Any proxies

Any shareholder who has a representative should include a power of attorney with the notification. Anyone representing a legal entity must produce a copy of the certificate of registration or equivalent authorisation.

Nominating committee
The nominating committee's tasks include determining whether the Board of Directors is properly constituted and finding new candidates if it is not. In addition, the committee proposes Board members and auditors to the annual general meeting. The committee consists of Frank Bergman, Gunnar Ek (the Swedish Shareholders' Association) and LBi Board Chairman Sven Skarendahl. The committee is elected by a general meeting.

Dividend
The Board of Directors and CEO propose to the annual general meeting that no dividend be distributed for 2006.

Ordering reports
Reports may be ordered from LBI International by:

E-mail: anita.hallgren@lbi.com
Post: LBI International AB
Att: Anita Hallgren
Box 38078
SE-100 64 Stockholm, Sweden
Phone: +46 8 41 00 10 39
Fax: +46 8 411 65 95

Upcoming financial reports

- The January–March 2007 interim report will be released on 25 April
- The annual general meeting will be held on 2 May 2007 in Stockholm
- The January–June 2007 interim report will be released on 26 July
- The January–September 2007 interim report will be released on 25 October

Board and management

BOARD OF DIRECTORS

Katarina G. Bonde
Member of the Board since August 2006 (Member of the Framfab Board June 2005 – August 2006)
Born: 1958
Education: M.Sc., Royal Institute of Technology, Stockholm
Other Board assignments: Orc Software (since March 2006), Seraph Capital (since January 2003), the Seattle Opera (since April 2003), The Royal Swedish Opera (since June 2005), the Sigvard and Marianne Bernadotte Artist's Foundation (since April 2004), the Swedish-American Chamber of Commerce, USA (since 2003), Packetfront AB (since October 2006) and Aptilo Networks (Chairman since September 2005)
Other positions: Managing Director of Kubi LLC in the US (since October 2003)
Previous positions: CEO of Unisite Software Inc. (April 2000 – September 2003), EVP at Captura Software (January 1997 – March 2000)
LBi shares: 3,340 (held by family member)
LBi stock options: 0

Michiel Mol
Member of the Board since August 2006 (Member of the LB Icon Board 2002 – August 2006)
Born: 1969
Education: Master degree in Computer Science and Artificial Intelligence from the University of Leiden
Other positions: Director of Formula One Team, Spyker F1 (since 2006)
Previous positions: Creative Director and founder of Media Republic B.V. (since 2002) and CEO and founder of Lost Boys B.V.
LBi shares: 15,082,798 (through Red Valley and Team Lost Boys B.V.)
LBi stock options: 0

Fred Mulder
Member of the Board since August 2006 (member of the Board of LB Icon since 2002 and then Chairman 2005 – August 2006)
Born: 1941
Education: MBA from Harvard Business School, USA
Other board/committee assignments: Greenfield Capital Partners (Chairman of Investment Committees), Pensioenstichting Radio Holland, the Netherlands (Chairman of the Board), Duos Technology Inc. (Chairman of the Board), Jacksonville, USA, Aleri Lab Inc., USA/UK, WAYSIS B.V. and Spyker Cars N.V, the Netherlands
Previous positions: 43 years of professional experience. Member of the Executive Board of Pon Holdings B.V., President Transmark Holding B.V. and Director International Marketing and Managing Director Netherlands of Xerox Corporation
LBi shares: 274,500
LBi stock options: 0

Robert Pickering
CEO and member of the Board since August 2006 (CEO of LB Icon 2002 – August 2006 and member of the Board of LB Icon 2005 – August 2006)
Born: 1952
Education: Master degree in Business, Baylor University, USA
Other board assignments: B&J Food Service Equipment, USA (since 1996) and OraOxygen, Canada (since 2005)
Previous positions: IT professional services industry for over 25 years. Partner with Andersen Consulting/Accenture, USA and CEO of Origin, the Netherlands.
LBi shares: 412,356 (including share loan for exercises global share option plan)
LBi stock options: 200,000

All the share and stock option data reflects April 13, 2007.

Sven Skarendahl
Chairman of the Board since August 2006 (member of the Board of Framfab since 1999 and then Chairman 2001 – August 2006)
Born: 1943
Education: M.Sc. in Business economics from Uppsala University
Other positions: HCSS Ltd. (Non-Executive Chairman since 2003), NordNet AB (Member of the Board and Non-Executive Director since 2003), British-Swedish Chamber of Commerce (Non- Executive Director since 2003) and Libertas Capital Plc since (Non- Executive Director since 2004)
Previous positions: 35 years experience in international companies. CEO of AGA Medical, CEO of the Beijer Industrial Group, CEO of UBI and EVP of Intermec Inc.
LBi shares: 52,624 (via family trust)
LBi stock options: 0

EXECUTIVE MANAGEMENT

Jesper Andersen
EVP since August 2006 (Joined Framfab Denmark in January 2001 and assumed the role as Managing Director of Framfab Denmark in May the same year. Managing Director of Framfab Sweden since November 2003 and EVP of Framfab AB August 2005 – August 2006)
Born: 1961
Education: Master degree from Copenhagen Business School.
Previous positions: Business and IT Consultant at Andersen Consulting (now Accenture) for more than 14 years, the last three and a half years as a Partner
LBi shares: 0
LBi stock options: 60,000 which entitle to 60,000 shares

Theo Cordesius
EVP and COO since August 2006 (COO of LB Icon from 2002 – August 2006)
Born: 1953
Education: Business Management and Marketing Executive studies in Boston, Lausanne and Paris
External Board assignments: HotSMS.com
Previous positions: Over 22 years of experience in the IT industry. Vice President EMEA & Managing Principal within Compaq Global Services and senior positions in Digital Equipment and Philips
LBi shares: 54,000
LBi stock options: 1,100,000 which entitle to 200,000 shares

Jan Norman
CFO since August 2006 (CFO of Framfab November 2004 – August 2006)
Born: 1957
Education: Graduate in Business Administration, Stockholm University.
External Board assignments: Member of the Board of SQM Nordic AB (since June 2004)
Previous positions: CEO of Thalamus Networks AB (June 2002 – June 2004), CFO of Bergman & Beving AB and nine years at Öhrlings Pricewaterhouse-Coopers
LBi shares: 0
LBi stock options: 60,000 which entitle to 60,000 shares

Robert Pickering
See Board of Directors

ACCOUNTANTS

Hans Jönsson
Öhrlings PricewaterhouseCoopers
Accountant for the company since October 2006
Born: 1955

Offices and contacts


AMSTERDAM


BERLIN


COPENHAGEN

HEAD QUARTER
Stockholm
– LBI International AB
Kungsgatan 6
111 43 Stockholm
Sweden
Phone: +46 8 410 010 00
Fax: +46 8 411 65 95
info@lbi.com
www.lbi.com

Amsterdam
– LBI International AB
Joop Geesinkweg 209
1096 AV Amsterdam
P.O.Box 94829
1090 GV Amsterdam
The Netherlands
Phone: +31 20 460 4500
Fax: +31 20 460 4502
info@lbi.com
www.lbi.com

BELGIUM
Bruges – LBi
Koningin Astridlaan 97/10
8200 Bruges
Belgium
Phone: +32 50 393 336
Fax: +32 50 393 304
info@lbigroup.be
www.lbigroup.be

Brussels – LBi
Rue Colonel Bourgstraat 105a
1140 Brussels
Belgium
Phone: +32 2 706 0540
Fax: +32 2 706 0569
info@lbigroup.be
www.lbigroup.be

DENMARK
Copenhagen – Framfab
Vermundsgade 40 A, 2. sal
2100 Copenhagen
Denmark
Phone: +45 39 16 29 29
Fax: +45 39 16 29 30
info.dk@framfab.com
www.framfab.dk

GERMANY
Berlin – MetaDesign
Leibnizstraße 65
10629 Berlin
Germany
Phone: +49 30 5900 540
Fax: +49 30 5900 54111
mail@metadesign.de
www.metadesign.de

Frechen/Cologne – Framfab
Augustinusstraße 11a
50226 Frechen
Germany
Phone: +49 22 34 69 90
Fax: +49 22 34 699 599
info.de@framfab.com
www.framfab.de

Hamburg – Framfab
Mönkedamm 11
20457 Hamburg
Germany
Phone: +49 40 688 747
Fax: +49 40 688 74 999
info.de@framfab.com
www.framfab.de

Munich – Framfab
Kolosseumstraße 1
80469 Munich
Germany
Phone: +49 89 189 287 80
Fax: +49 89 189 287 60
info.de@framfab.com
www.framfab.de

ITALY
Milan – IconMedialab
Via Marghera, 43
20149 Milan
Italy
Phone: +39 02 4804 21
Fax: +39 02 4804 2400
info@iconmedialab.it
www.iconmedialab.it

NETHERLANDS
Amsterdam – Lost Boys
Joop Geesinkweg 209
1096 AV Amsterdam
P.O.Box 94829
1090 GV Amsterdam
The Netherlands
Phone: +31 20 460 4500
Fax: +31 20 460 4501
mail@lostboys.nl
www.lostboys.nl


GOTHENBURG


LONDON

MILAN

Den Dolder – Escador
Hertenlaan West 38a
P.O.Box 9
3734 ZG Den Dolder
The Netherlands
Phone: +31 30 229 9100
Fax: +31 30 229 9111
www.escador.com
reneevink@escador.com

SPAIN
Madrid – LBi and Nexus IT
Las Rozas Business Campus
C/José Echegaray, 6 B - 1ª Planta
28230 Las Rozas, Madrid
Spain
Phone: +34 91 521 0080
Fax: +34 91 522 8220
correo@servidor.com
www.lbigroup.com

SWEDEN
Gothenburg – Framfab
Östra Larmgatan 16
411 07 Gothenburg
Sweden
Phone: +46 31 760 00 00
Fax: +46 31 760 05 50
info.se@framfab.com
www.framfab.se

Malmö – Framfab
Brogatan 10
211 44 Malmö
Sweden
Phone: +46 40 630 01 00
Fax: +46 40 630 01 50
info.se@framfab.com
www.framfab.se

Stockholm – Starring
Kungsgatan 6
111 43 Stockholm
Sweden
Phone: +46 8 614 46 00
Fax: +46 8 614 46 10
frontdesk@starring.se
www.starring.se

SWITZERLAND
Zürich – Framfab
Gerechtigkeitsgasse 6
8002 Zurich
Switzerland
Phone: +41 43 817 6585
Fax: +41 43 817 6589
info.ch@framfab.com
www.framfab.ch

UNITED KINGDOM
London – LBi
Beaumont House
Kensington Village
Avonmore Road
London W14 8TS
United Kingdom
Phone: +44 20 7348 1000
Fax: +44 20 7348 1111
info.uk@lbigroup.com
www.lbigroup.com

Clerkenwell House
67 Clerkenwell Road
London EC1R 5BL
United Kingdom
Phone: +44 20 7504 6900
Fax: +44 20 7504 6901
info.uk@lbigroup.com
www.lbigroup.com

1 Naoroji Street
London WC1X 0JD
United Kingdom
Phone: +44 20 7446 7500
Fax: +44 20 7446 7555
info.uk@lbigroup.com
www.lbigroup.com

USA
New York – IconNicholson
The Puck Building
295 Lafayette Street
New York, NY 10012
USA
Phone: +1 212 274 0470
Fax: +1 212 274 0380
mktg@iconnicholson.com
www.iconnicholson.com

Production: LBI in corporation with n3prenör.
Printing: EO Grafiska AB, 2007.

We innovate. We create. We are LBi