

Year-end report
2008
Q4

LBi



EXECUTIVE SUMMARY

LBi – the global digital marketing and technology agency today announces its fourth quarter and year-end results 2008

- Good overall performance in the fourth quarter given the deteriorating economic environment and the material adverse currency effects
- Strong new business performance in the fourth quarter in the main offsets contraction in spend across existing accounts
- Net sales in the fourth quarter increased by 21.7% at constant rates and amounted to EUR 39.0 million (36.6) year-on-year. Organic growth is pressured by ongoing rebalancing of portfolio and move to higher margin retained business
- Net sales for January–December increased by 9.7% at constant rates while EBITDA grew by 37% year-on-year
- Fourth quarter EBITDA came in at EUR 5.6 million, a more than doubled improvement at constant rates, translating into an improved EBITDA margin of 14.2% (6.7%)
- Earnings per share in the fourth quarter came to EUR 0.07 (0.07) and EUR 0.15 (0.18) for the full year (January – December). The Board will not propose any dividend for 2008
- Abu Dhabi office opening in the quarter to boost global offering and improve exposure to fast growing markets
- Huub Wezenberg (acting CFO) appointed as new Chief Financial Officer LBi International
- For 2009 LBi expects that the continued migration of spend from off-line to online will partly mitigate the contraction in overall marketing spend. New business success is also expected to help off-set any further shrinkage of budgets with retained clients

FINANCIAL HIGHLIGHTS

EUR million	Oct–Dec 2008	July–Sep 2008	Oct–Dec 2007	Change ¹⁾	At constant rates ²⁾	Jan–Dec 2008	Jan–Dec 2007	Change ¹⁾	At constant rates ²⁾
Net sales	39.0	41.0	36.6	16.8%	21.7%	160.4	154.5	7.8%	9.7%
EBITDA ³⁾	5.6	6.0	2.5	147.4%	165.3%	21.3	16.7	32.6%	37.0%
EBITDA margin	14.2%	14.7%	6.7%			13.3%	10.8%		
EBIT	3.6	4.1	0.6			12.5	10.2		
Net result/profit after tax	4.4	3.0	4.3			9.5	11.0		
Earnings per share	0.07	0.05	0.07			0.15	0.18		

¹⁾ Change rates reflects year-on-year comparisons

²⁾ Change adjusted for exchange rate fluctuations

³⁾ Reporting of EBITDA, see page 13

The financial information provided in this report complies with statutory regulations in Sweden. SEK are used as functional currency in the LBi Group and EBITDA margins and other growth measures are calculated from SEK. In the report the term profit after tax is used synonymously to net result. Some statements in this report are forward-looking, and the actual outcome could be materially different. In addition to the factors explicitly discussed, other factors could have a material impact on the actual outcome. Such factors include, but are not limited to, general business conditions, fluctuations in exchange and interest rates, political developments, the impact of competitors, product development, commercialisation and technological difficulties, interruptions in supply and major customer credit losses.



A word from the CEO

In Q4 2008 we recorded an EBITDA result of EUR 5.6 million, a margin of 14.2% on net revenues of EUR 39.0 million. EBITDA for the full year was EUR 21.3 million, an improvement of 37.0% at constant rates. This is a good performance given the backdrop of a rapidly deteriorating economic environment and material adverse currency effects.

Most markets in which LBI is active performed broadly in line with expectations. The quarter was characterised by a rise in project cancellations and some retained clients postponing projects or reducing marketing spend. These developments combined with our continued and deliberate focus on quality of earnings pressured the top-line performance. At the same time we won a significant amount of new business during the period. Across our markets we saw some exceptional local and inter-country performances and LBI secured significant wins against global competition. New international mandates include ING, E-concern, Electrolux and Puma. A number of these engagements started in Q4 and the strong new business performance was therefore able to offset the contraction in spend across several existing key accounts.

Against this backdrop of uncertainty, the majority of markets were able to adequately protect, and in some markets even improve margins. In most regions EBITDA levels are now typically in line with our target threshold of 18%: UK EBITDA was 20.5%, Central and Southern Europe 17.9%, the Nordic region 16.6%. The US however disappointed at 13.2%. The revenue decline in this region was quite precipitous and earnings were further adversely affected by a one-off project overrun, for which adequate measures are now in place. In order to further boost our global offering and improve our exposure to fast-growing markets, we successfully opened a new office in Abu Dhabi to serve demand in the UAE region.

2009 is at the moment difficult to call, Q1 is traditionally a weaker quarter and this year will be no exception. In all regions business conditions are expected to become more challenging. Most retained clients have to date recommitted to previously agreed levels of spend, but continued uncertainty and organisational unrest within marketing departments could still impact both budgets and project momentum leading to further pressure on the revenue line in the short term.

Looking further ahead it is vital that our strong new business record is able to broadly off-set any significant shrinkage of budgets with retained clients. We remain at all times confident of our ability to win large-scale strategic assignments through our global network. The increasing number of sizeable mandates awarded during Q4 2008 strengthens our conviction that client budgets are being diverted away from broadcast TV-based messaging into more accountable digital formats. With our differentiated and compelling digital offering we should therefore be able to perform reasonably well in these difficult economic circumstances.

In line with the past year, we will also continue to act quickly to right-size the organisation and safeguard efficiencies. By doing this, we should be able to protect our strong margins going forward.

Luke Taylor, CEO

Market

OVERVIEW

The situation for digital marketing in the current global downturn is somewhat paradoxical. While overall marketing budgets are being slashed, the market for products and services delivered online continues to grow – albeit at a slower rate than at any time during the past decade. This renders accurate forecast of potential growth or shrinkage of demand for digital marketing services complex, though not impossible.

BUDGETS CUT IN THE UK AND EUROPE

The renowned Bellwether Report, published in the UK in January and based on the budgets of 300 global marketing organisations tracked by the IPA, indicates that overall marketing budgets fell in Q4 2008 by a massive 42%. While the biggest falls in marketing spend occurred once again in traditional media – over 30% reductions were recorded for TV and print – for the first time since the economic downturn, digital was not immune: search budgets fell 4% and the decline across all other online marketing sectors was 7%.

US ONLINE MARKET GROWTH

Against this we have to consider the continued increase not only in the overall size of the online market, but in the quantity and quality of usage. Recent US research shows that social networking activity has grown 93% in the past two years, and is now a regular feature of online life for 76% of America's 105 million broadband users. Add to that the knowledge that active social networkers spend an average of USD 101 online per month compared with USD 80 online per month for inactive or non-social networkers, and a clear upward economic trend is apparent, with a market valued at USD 1,471 billion in 2009.

SOCIAL NETWORKING AS A KPI

So in the wider context of more people spending more time online, and, if the trend is sustained, more people spending more money online; the contraction of online marketing budgets makes less sense. Marketing needs an audience and that audience is now increasingly located online. US adults now spend, on average, 30% of their leisure time online – part of a recent and dramatic (over 70% increase since 2007) trend and a number likely to rise as a greater proportion of the population spend more time at home as a consequence of the current economic downturn. (The corresponding numbers for Sweden, Germany and the UK respectively are 18%, 23% and 28%.) Therefore, even if overall discretionary consumer spend falls as a result of reduced income, a greater proportion of that income will be spent online. Hence, the difficulty in calculating the percentage of market share growth for digital against overall decline in consumer spend.

THE WIDER OPPORTUNITY IN ASIA

For further context, and as a more positive look at where the growth opportunities really lie, note that in China, South Korea and Japan, Internet users spend respectively, 44%, 40% and 38% of their leisure time online. If regular participation in social network is the key indicator for increased consumer spend, there is plenty of reason for optimism, as only 24% of all Chinese broadband users currently regularly participate in social networking.

THE BUSINESS TO BUSINESS MARKET

Finally, looking briefly at the impact of the current downturn on the business-to-business market, current dynamics are clearer. Marketing budgets will be reduced overall, but digital spend will remain stable or grow slightly. (A current survey from WWP, Worldwide Partners, published in February 2009, shows that, in a sample of 83 global business leaders, 62% of North American CEOs and 39% of non-North American CEOs said that they think digital marketing budgets will increase in 2009.) Thus digital budgets will grow as a proportion of total marketing spend.

Over the long-term the movement of audiences and marketers from traditional display and broadcast media to interactive media will continue to accelerate. The outlook for digital is certainly positive once the challenges of the current business cycle can be overcome.

SOURCES:

IPA – Institute of Practitioners in Advertising
TNS Global
Harrison Interactive
Magna
ChangeWave
Worldwide Partners

Financial review

GROUP RESULTS

In the table below the results are adjusted for special and/or one-off items, resulting in normalised results.

EUR million	Oct-Dec 2008		Growth at constant rates	Jan-Dec 2008		Jan-Dec 2007		Growth at constant rates
	Reported	Reported		Reported	Normalised ⁵⁾	Reported	Normalised	
Net sales	39.0	36.6	21.7%	160.4	160.4	154.5	154.5	9.7%
Cost of operations	-33.3	-34.2		-141.0	-141.0	138.7	138.7	
Other Income/cost	-0.1	0.1		1.9 ¹⁾	0.5	0.9 ⁴⁾	0.2	
EBITDA	5.6	2.5		21.3	19.9	16.7	16.0	
EBITDA margin	14.2%	6.7%		13.3%	12.4%	10.8%	10.3%	
Depreciation	-0.9	-0.9		-4.6 ²⁾	-3.4	-3.0	-3.0	
Amortisation	-1.1	-1.0		-4.2	-4.2	-3.5	-3.5	
EBIT	3.6	0.6		12.5	12.3	10.2	9.5	
Net financial items	-0.4	-1.5		-2.6 ³⁾	-1.8	-1.9	-1.9	
Tax	1.2	5.2		-0.4	-0.4	2.7	2.7	
Net profit	4.4	4.3		9.5	10.1	11.0	10.3	

¹⁾ Other income January–December 2008 contains a EUR 1.4 million gain related to divestments of dormant entities

²⁾ Depreciation January–December 2008 contains special items of EUR 1.2 million on write down of leasehold improvements in the UK

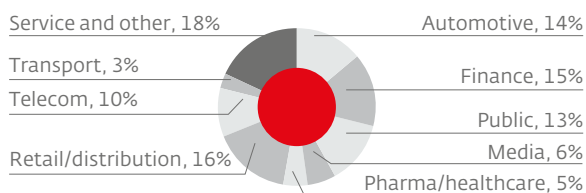
³⁾ Financial items January–December 2008 contain EUR 0.8 million related to the loss on the divestment of Xie

⁴⁾ Other income January–December 2007 includes a gain of EUR 0.7 million for Xie

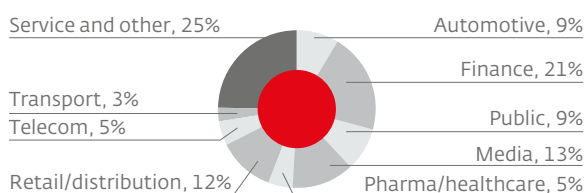
⁵⁾ Normalised results January–December 2008 are not adjusted for the Q1 EBITDA loss of EUR 1.4 million in the Netherlands

NET SALES

Sales per client vertical fourth quarter 2008



Sales per client vertical third quarter 2008



The development of net sales was impacted by LBI's explicit effort to rebalance and future proof the portfolio. LBI has over the year reduced the relative exposure to the automotive and finance sectors and significantly deepened high margin strategic agency of record relationships across the key blue chip client base.

LBI believes that this proactive management of the net sales will serve the Group well in a more difficult economic environment. The fourth quarter net sales grew by 16.8% to EUR 39.0 million compared to the same quarter last year (EUR 36.6 million). Adjusted for the negative currency exchange impact growth was 21.7% (organic growth was -3%).

Net sales for January–December 2008 grew 7.8% to EUR 160.4 million compared to the same period of 2007 (EUR 154.5 million), as a result of organic growth and the contribution of acquisitions, which was offset by the impact of a weaker pound sterling and dollar. Growth at constant rates was 9.7% (organic growth was -5%).

Gross media billings for January–December were EUR 53.2 million compared to EUR 16.0 million for last year, this represents more than a three times increase in volume.

COST OF OPERATIONS

In the fourth quarter LBI continued to track well against its cost optimisation programme. Cost of operations for the fourth quarter were EUR -33.3 million (85.6% of net sales) compared to EUR -34.2 million (93.6%) last year. Cost of operations reached EUR -141.0 million over January–December compared to EUR -138.7 million over the same period last year.

Personnel expenses (including subcontracting) for the fourth quarter amounted to EUR -30.3 million which is 85.5 % of cost of operations, compared to EUR -29.1 million last year (84.8% of cost of operations). The costs of subcontractors in the fourth quarter were 12.6% of personnel expenses (including subcontractors) compared to 15.5% in the same period last year.

Personnel expenses (including subcontracting) amounted to EUR -116.9 million (82.9% of total cost of operations) in January–December, compared to EUR -114.5 (83.0 %) last year. The costs of subcontractors were 12.4% of personnel expenses compared to 16.2% in January–December last year.

EBITDA

The Group's EBITDA increased to EUR 5.6 million (14.2%) in the fourth quarter compared to EUR 2.5 million (6.7%) in the fourth quarter 2007. EBITDA for January–December is EUR 21.3 million compared to EUR 16.7 million in 2007.

The full-year EBITDA was impacted by a gain of EUR 1.4 million regarding unwinding of dormant subsidiaries (for which the results have been normalised) as well as by an operational loss of EUR 1.4 million in the Netherlands, both in the first quarter. The EBITDA margin for the full year was 13.3% compared to 10.8% last year.

DEPRECIATION AND AMORTISATION

Depreciation for October–December was EUR -0.9 million (2.3% of net sales) compared to EUR -0.9 million (2.4%) last year.

Depreciation for January–December was EUR -4.6 million and impacted by a write down of EUR -1.2 million on leasehold improvements in the UK in the first quarter. Normalised depreciation costs are therefore EUR -3.4 million (EUR -3.0 million) which is 2.2% (1.9%) of net sales.

Amortisation of intangible assets for the fourth quarter was EUR -1.1 million in line with EUR -1.0 million last year. Amortisation of intangible assets was EUR -4.2 million for January–December compared to EUR -3.5 million last year and comprises the amortisation of the value of client contracts identified in acquisitions. The increase is due to the amortisation on client contracts on new acquisitions notably Special Ops, which was acquired in April 2008.

NET FINANCIAL ITEMS

Net financial items for the fourth quarter amount to EUR -0.4 million compared to EUR -1.5 million last year. The interest cost for the quarter amounts to EUR -0.6 million compared to EUR -0.2 last year. The increase is due to higher debt which was used to finance the acquisitions of Netrank and Special Ops.

Net financial items over January–December included the loss on the sale of the minority investment in Xie for an amount of EUR -0.8 million. Interest cost (mainly related to the Danske Bank facilities) amounted to EUR -1.9 million over January–December compared to EUR -0.6 million last year.

TAXES

The Swedish corporate income tax rate has decreased from 28% to 26.3% per 1 January 2009. As a result the value of the Group's deferred tax assets has been adjusted downwards with EUR 1.7 million in the fourth quarter. The negative impact on the tax line in the income statement could be offset by an amount of EUR 6.4 million for new deferred tax assets (regarding old tax losses that had not been recognised before and now fulfil the criteria for capitalisation). Tax for the fourth quarter was a gain of EUR 1.2 million (5.2).

Tax cost for January–December was EUR -0.4 million (EUR +2.7 million gain last year). The profit before tax over January–December reached EUR 9.9 million (EUR 8.3 million) which means an effective tax rate of 3.9%.

Tax cost in 2009 will increase as the Group will be using its deferred tax assets and no material new deferred tax losses can be recognised since all available losses have now been capitalized.

NET PROFIT AND EARNINGS PER SHARE

Profit after tax for the fourth quarter was EUR 4.4 million compared to EUR 4.3 million last year.

Profit after tax for January–December amounted to EUR 9.5 million (EUR 11.0 million) resulting in earnings per share of EUR 0.15 (EUR 0.18). Shareholders' equity per share was EUR 3.12 as of 31 December 2008. The company had 62,023,276 registered shares as of 31 December 2008.

The Company has an employee stock option programme. As per 31 December, the total number of options outstanding was 4,753,139 entitling to acquire up to 3,103,889 shares. In the fourth quarter no new options were granted.

OPERATING WORKING CAPITAL

Operating working capital by the end of December amounted to EUR 40.5 million compared to EUR 38.8 million by the end of last year.

DSO of working capital by end of December amounts to 66 days compared to 86 days end of September 2008 and 75 days end

of December 2007. The decrease of 20 days over this quarter and 9 days for the full year was a result of high focus on working capital management in all Group subsidiaries which resulted in material collections especially in Germany and UK.

DSO is defined as trade accounts receivable plus accrued income for non-invoiced services rendered less accounts payables and less prepayments from clients divided by (annualised) gross sales over the prior 3 months times 365 days.

Given the current market circumstances the Group does not expect a further improvement of DSO over the forthcoming quarters. In order to finance its working capital, the Group has got a working capital credit line with Danske Bank of EUR 10 million available for use by all group companies. This credit line is attached to the Group cash pool. By the end of December, an amount of EUR 1.7 million was used (presented under short term interest bearing liabilities).

GOODWILL

Goodwill in the balance sheet amounts to EUR 152.2 million per 31 December compared to EUR 149.6 million 2007 and 180.6 million by end of September. Goodwill was tested for impairment at end of December and resulted in no need for re-evaluation of goodwill against the reported value, as a result there is no need to write down goodwill. The decrease of EUR 28 million in the fourth quarter is mainly due to a re-assessment of the earn out obligations adjusted against goodwill as well as a negative exchange rate movement on the pound sterling. The equity/assets ratio ended at 63.8%.

NET DEBT AND FINANCING

The net debt by end of December amounts to EUR 20.3 million compared to EUR 0.9 million end of last year. The Group has fi-

nanced the acquisition of Special Ops and earlier on Netrank with debt and cash to avoid dilution to its shareholders. The Group has a financing arrangement with Danske Bank for an acquisition line amounting to a total of EUR 45 million of which by end of December EUR 34 million was used. The amount that will fall due within one year is EUR 8.1 million and is presented under short term interest bearing liabilities.

EARN OUT PROVISION

The remaining provision for unpaid considerations of acquisitions (earn out dependant on future profitability targets) amounts to EUR 28.2 million by end of December of which EUR 12.2 million will fall due within 1 year (presented under short term non interest bearing liabilities). The company has the option to settle earn out obligations in shares or cash.

The Group had at acquisition dates reported full obligations regarding future earn outs. By year-end the Group has re-assessed its earn-out commitments based on the realised performance and future outlook of the acquired companies that are under an earn-out. The earn-out and provision (and corresponding goodwill) by year-end has been adjusted downwards with an amount of EUR 18.2 million. There was no P&L impact.

CASH FLOW

Operational cash flow for the fourth quarter was EUR 13.8 million (EUR 5.3 million). Operational cash flow for January-December was EUR 20.3 million (EUR 14.2 million). Cash flow was impacted by active focus on working capital management in the Group and a result of a in general strong fourth quarter.

The Group continues to put focus on cash flow management especially considering the current financial climate.

Operational review by region

GROUP

LBI has global operations with 24 offices in 13 countries and a staff of over 1,600. LBI's reporting is in accordance with its regional segmentation: UK (currently including India and UAE), Central and Southern Europe, Scandinavia and US. Key hub markets are UK and US. Asia is anticipated to evolve into a third key hub market.

UK (INCLUDING INDIA AND UAE)

In the fourth quarter, LBI reported a decrease in spend from clients most notably in the financial services sector. However, recent new business successes within other sectors compensated this decline and give confidence that tightened budgets will not immediately affect digital marketing spend. In November LBI opened an office in Abu Dhabi (UAE) to further boost its global offering and improve exposure to fast growing markets.

In the fourth quarter, the UK operations, in partnership with Denmark, won the CRM and digital communications brief for Electrolux across EMEA and all emerging markets. LBI was also appointed by Etihad, the National Airline of the UAE, sponsor of Chelsea Football Club and the Ferrari Formula One team, as their long term digital partner. Other UK key client wins during the quarter include: Wesleyan, COI – Department of Health "Pandemic Flu", Vodafone Zyb, Oxfam and Citroën.

In the UK, fourth quarter net sales came in at EUR 9.0 million (9.5) an increase of 17.4% at constant rates. EBITDA reached EUR 1.9 million (1.7), bringing EBITDA margin to a strong 20.5% (18.0%), including the contribution by the search engine optimisation

business Netrank, acquired in January 2008. The result includes a one-time recharge of EUR 0.2 million (180k GBP) to Sweden (Mijada) regarding development costs for the digital dashboard.

For the full year 2008 (January – December), net sales in the UK stood at EUR 41.8 million (51.4). The EBITDA margin came in at 18.6% up from 15.3% year-on-year. EBITDA reached EUR 7.8 million, an increase of 15.4% at constant rates. The results were impacted by special items of in total MEUR + 0.2 million (dashboard recharge). Adjusted for special items, the EBITDA margin was 18.9% for the quarter and 18.2% for the full year.

The UK operations generated 22% of total Group sales in the full year 2008. Staff numbered 438 at year-end 2008, as opposed to 430 at the end of 2007.

EUR million	Oct-Dec 2008	Oct-Dec 2007	Change	At constant rates	Organic growth	YTD 2008	YTD 2007	Change	At constant rates	Organic Growth
Net sales	9.0	9.5	4.9%	17.4%	7.0%	41.8	51.4	-15.6%	-5.6%	-9.3%
EBITDA	1.9	1.7	19.1%	33.3%		7.8	7.8	3.1%	15.4%	
EBITDA margin	20.5%	18.0%				18.6%	15.3%			
EBIT*	1.6	1.5				5.6	7.0			
No. of employees	438	430				438	430			

* Operating earnings before management fee. EBIT 2008 is impacted by write down of EUR 1.2 million on leasehold improvements and recharge of EUR 0.2 million regarding the dashboard. Normalised EBIT is EUR 6.6 million.

CENTRAL AND SOUTHERN EUROPE

Central and Southern Europe delivered a strong fourth quarter. The German and Belgian operations delivered ahead of plan as a consequence of strong new business and operational management.

Key client wins during the quarter include ING, Underarmour and eConcern in the Netherlands; Hanover Airport, EasyCar, Playstation and Kraft Philadelphia in Germany; Vodafone Italia, Henkel/Nelsen and Indesit in Italy. In addition, promising long term relationships have been started with Bobcat Europe and Sanitec Europe in Belgium.

Net sales in the fourth quarter 2008 were up 14.9% at constant rates at EUR 18.4 million (16.9). EBITDA more than tripled to EUR 3.4 million (1.1), corresponding with an EBITDA margin of 17.9% up from 6.3% year-on-year.

For the full year 2008, net sales in Central and Southern Europe were up 17.6% at constant rates at EUR 73.0 million (62.0). EBITDA margin came in at 12.4% up from 11.7% year-on-year. The full year results were impacted by the operational loss in the Netherlands in the first quarter of EUR 1.4 million. Adjusted for that, the EBITDA margin was 14.3%.

The Central and Southern Europe operations generated 46% of total Group sales in January–December 2008. Employees numbered 719 on 31 December, as opposed to 702 at the end of 2007.

EUR million	Oct–Dec 2008	Oct–Dec 2007	Change	At constant rates	Organic Growth	YTD 2008	YTD 2007	Change	At constant rates	Organic Growth
Net sales	18.4	16.9	19.4%	14.9%	–3.2%	73.0	62.0	22.2%	17.6%	1.2%
EBITDA	3.4	1.1	239.9%	227.2%		9.0	7.3	29.2%	24.4%	
EBITDA margin	17.9%	6.3%				12.4%	11.7%			
EBIT*	2.9	0.6				7.2	5.5			
No. of employees	719	702				719	702			

* Operating earnings before management fee.

EBIT and EBITDA 2007 were impacted by gain on Xie of 0.7 million, normalised EBITDA and EBIT were EUR 6.6 and 4.8 million respectively.

UNITED STATES

LBi operations in both New York and Atlanta were affected by a contraction in spend across existing key accounts. Pressure on EBITDA was for the most part mitigated through overhead reduction initiatives and a flexing of the variable contractor cost base.

Key client wins during the quarter include PUMA, who appointed Syrup as new global partner and creative lead for PUMA teamsports and football, with a brief that straddles all consumers touch points including TV; MoneyGram - for a large-scale redesign of its web presence. Other new clients include Universal Music Group (2009 media AOR), AMD, MSG Entertainment, Nokia, CollegeBoard and leading US cultural institution National Gallery of Art (NGA).

The fourth quarter result was affected by a one-off project overrun in Atlanta. As a consequence of this operational issue LBi is reshaping the organisation design and service structure in the Atlanta office. Atlanta will now report directly into LBi Icon Nicholson in New York. As a consequence of these adjustments there is now a single integrated delivery organisation that can service both offices, leading to better resource balancing and higher billable utilisation.

US operations reported a net sales increase by 60.9% at constant rates in the fourth quarter to EUR 8.3 million (5.8). The increase is partly due to the acquisition of Special Ops made during the second quarter. EBITDA was EUR 1.1 million (0.7) and the EBITDA margin was 13.2%, impacted by the one-off project overrun in Atlanta, but still up from 12.5% year-on-year, partly as a result of overhead reduction initiatives and a flexing of the variable contractor cost base.

For the full year 2008 (January – December), net sales in the US were up 58.7% at EUR 30.3 million (20.4) at constant rates. The EBITDA margin came in at 18.9%, up from 15.6% year-on-year.

US operations generated 21% of total Group sales in January–December 2008. Employees numbered 257 on 31 December, as opposed to 164 at the end of 2007.

EUR million	Oct–Dec 2008	Oct–Dec 2007	Change	At constant rates	Organic Growth	YTD 2008	YTD 2007	Change	At constant rates	Organic Growth
Net sales	8.3	5.8	56.6%	60.9%	–3.7%	30.3	20.4	54.5%	58.7%	3.6%
EBITDA	1.1	0.7	64.5%	69.0%		5.7	3.2	86.9%	92.0%	
EBITDA margin	13.2%	12.5%				18.9%	15.6%			
EBIT*	1.0	0.7				5.5	3.1			
No. of employees	257	164				257	164			

* Operating earnings before management fee.

SCANDINAVIA

Scandinavian operations are still under pressure as several larger Nordic clients are cutting budgets as a consequence of increased economic uncertainty. The slowdown on the Nordic market can over time be counterbalanced by the determination to make full use of the good technical and creative skillset in Denmark and Sweden across the LBI global client base. In response to the fact that retained clients have cut budgets, costs were managed down to ensure that the region delivers adequate margins.

Key client wins during the quarter include: Casall, The International Federation of the Red Cross and Electrolux in cooperation with the UK operations.

Net sales were almost level at EUR 4.4 million (4.2) in the fourth quarter 2008. EBITDA was up 55% to EUR 0.7 million (0.5). EBITDA margin was 16.6% up from 12.1% year-on-year.

For the full year 2008 (January – December), net sales in Scandinavia were EUR 17.5 million, down from EUR 21.0 million last year. The EBITDA margin came in at 18.0%, down from 20.0% year-on-year.

Scandinavian operations generated 11% of total Group sales in January–December 2008. Employees numbered 174 on 31 December, as opposed to 192 at the end of 2007.

EUR million	Oct–Dec 2008	Oct–Dec 2007	Change	At constant rates	Organic Growth	YTD 2008	YTD 2007	Change	At constant rates	Organic Growth
Net sales	4.4	4.2	12.6%	9.4%	9.4%	17.5	21.0	-13.6%	-14.6%	-14.6%
EBITDA	0.7	0.5	55.0%	55.0%		3.1	4.2	-22.2%	-23.1%	
EBITDA margin	16.6%	12.1%				18.0%	20.0%			
EBIT*	0.7	0.5				3.0	4.1			
No. of employees	174	192				174	192			

* Operating earnings before management fee.

PARENT COMPANY

Net sales for the year totalled EUR 2.6 million (2.2) of which EUR 2.6 million (2.2) was for internal invoicing. The loss after financial items was EUR –3.1 million (–4.7). External net financial debt was EUR 41.3 million (15.0).

PARENT COMPANY AND ELIMINATION

EUR million	Oct–Dec 2008	Oct–Dec 2007	Change	At constant rates	Organic Growth	YTD 2008	YTD 2007	Change	At constant rates	Organic Growth
Net sales	–1.1	0.2				–2.1	–0.3			
EBITDA	–1.5	–1.5				–4.4	–5.8			
EBITDA margin										
EBIT*	–2.5	–2.7				–8.8	–9.5			
No. of employees	14	12				14	12			

* Operating earnings before management fee.

EBITDA and EBIT in 2008 were impacted by a non cash gain of EUR 1.4 million related to divestments.

TOTAL

EUR million	Oct–Dec 2008	Oct–Dec 2007	Change	At constant rates	Organic Growth	YTD 2008	YTD 2007	Change	At constant rates	Organic Growth
Net sales	39.0	36.6	16.8%	21.7%	–3.0%	160.4	154.5	7.8%	9.7%	–5.0%
EBITDA	5.6	2.5	147.4%	165.3%		21.3	16.7	32.6%	37.0%	
EBITDA margin	14.2%	6.7%				13.3%	10.8%			
EBIT*	3.6	0.6				12.5	10.2			
No. of employees	1 602	1 500				1 602	1 500			

* Operating earnings before management fee.

APPOINTMENT NEW CFO

Huub Wezenberg has been appointed by the LBi Board of Directors as CFO of LBi International AB with immediate effect. Mr Wezenberg has been working for LBi and previously LB Icon and Lost Boys since 2000 as Group controller. Following the resignation of the former CFO Jan Norman in March 2008 he has been acting CFO.

Accounting policies

This interim report has been prepared in compliance with IAS and Årsredovisningslagen. The annual report for 2007 describes the accounting policies employed in this interim report.

REPORTING OF MEDIA SALES

As per the third quarter 2007, the Group changed its reporting of sales from gross to net. The service offering of LBi includes an increasing amount of media services. Media services include for example measurement and analytics which are purchased from third party service providers.

According to IFRS, these external services and other third party services can in LBi's case be reported on a gross or net basis. LBi has decided to change the accounting principles from gross to net basis as of 1 July 2007. In the net basis principle, only the mark-up portion of media services is included in net sales. The financial information for earlier periods in 2007 and 2006 has been adjusted to comply with the new accounting principles for media sales. Historical financial data per segment for 2006 and 2007 have been disclosed in a separate press release on 1 February 2008.

The change of accounting principles from gross to net will give a more true view of the LBi Group's performance and will also give a better comparison to other companies in the media sector.

REPORTING OF EBITDA

In order to make the results and performance better comparable with competitors, the company has started to put more focus on EBITDA rather than EBIT. The tables in the financial reports now include EBITDA numbers and margins next to EBIT.

For the analysis of the operational performance per segment, EBITDA is a better measure than EBIT since it excludes the amortisation (on client relationships) in acquisitions.

RISKS – *this section has been added to comply with new directives on financial reporting.*

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

- **Dependency on major clients**
A substantial part of LBi's sales are derived from major international clients. There is no absolute guarantee that one or more of these clients might not choose another supplier or reduce the use of the Group's services in the future in which case the Group's business, result of operations and financial condition could be negatively affected.
- **Market and competition**
LBi does business in a highly competitive market. Failure to satisfy client demands and remain competitive could be detrimental to the Group's operations, earnings and financial position.

- **Digital media trends and reliance on skilled employee**
LBi must pioneer innovative, interactive digital solutions, thereby ensuring profitable strategic cooperations with its clients. Loss of the ability to spearhead developments and recruit the best people available could be detrimental to profitability.

For a full description of the risks meeting LBi, see the annual report for 2007.

Calendar and contacts

CALENDAR

- The 2008 Annual Report will be published on 17 April 2009
- The quarterly report for January–March 2009 will be released on 29 April 2009
- The AGM 2009 will take place on 6 May 2009 in Stockholm

This year-end report provides a true and fair representation of the operations, financial position, sales and earnings of the Parent Company and the Group, as well as a description of the significant risks and uncertainties to which the Parent Company and the Group are exposed.

Stockholm, 12 February 2009

Katarina G. Bonde

Michiel Mol

Fred Mulder
Chairman of the Board

Robert Pickering

Luke Taylor
President and CEO

Lucas Mees

The company's auditors have not reviewed this report.

CONTACTS

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ABOUT LBI

LBI is a global digital marketing and technology agency, blending insight, creativity and expertise to solve business problems. The largest genuinely full service agency of its kind in Europe, LBI provides the full range of digital capabilities, including digital strategy, branded content, service design, media, CRM, technology, managed hosting and support services.

The Company employs over 1,600 professionals located primarily in the major European, American and Asian business centers; such as Amsterdam, Atlanta, Berlin, Brussels, London, Milan, Mumbai, New York, Paris and Stockholm. LBI is listed on Nasdaq OMX in Stockholm and NYSE Euronext in Amsterdam (symbol: LBI).

Summary of income statements

EUR million	Oct-Dec 2008	Oct-Dec 2007	Jan-Dec 2008	Jan-Dec 2007
Net sales	39.0	36.6	160.4	154.5
Production expenses	-27.8	-27.7	-111.7	-108.7
Gross margin	11.2	8.9	48.7	45.8
Selling expenses	-3.1	-2.1	-10.0	-8.2
Administrative expenses	-4.4	-6.3	-28.1	-28.3
Other operating income/expenses	-0.1	0.1	1.9	0.9
Operating profit/loss	3.6	0.6	12.5	10.2
Net financial items	-0.4	-1.5	-2.6	-1.9
Profit/loss after financial items	3.2	-0.9	9.9	8.3
Tax	1.2	5.2	-0.4	2.7
Profit/loss for the period	4.4	4.3	9.5	11.0
Of which attributable to:				
Parent company's shareholders	4.4	4.3	9.5	10.9
Minority interests	0.0	0.0	0.0	0.1
Profit/loss for the period	4.4	4.3	9.5	11.0
Earnings per share, EUR	0.07	0.07	0.15	0.18
Earnings per share after dilution, EUR	0.07	0.07	0.15	0.18

Summary of balance sheets

EUR million	31 Dec 2008	31 Dec 2007
Assets		
Intangible assets	165.4	163.9
Tangible assets	10.8	6.7
Deferred tax assets	46.7	52.6
Financial assets	1.1	3.9
Total non-current assets	224.0	227.1
Trade accounts receivable	44.1	43.8
Other current assets	18.7	15.3
Liquid assets	17.0	22.9
Total current assets	79.8	82.0
Total assets	303.8	309.1
Liabilities and shareholders' equity		
Shareholders' equity ¹		
Attributable to parent company's shareholders	193.7	213.0
Attributable to minority interests	0.1	0.1
Total shareholders' equity	193.8	213.1
Long-term interest-bearing liabilities	26.5	17.2
Long-term non-interest-bearing liabilities	17.5	32.3
Short-term interest-bearing liabilities	10.8	6.6
Short-term non-interest-bearing liabilities	55.2	39.9
Total liabilities	110.0	96.0
Total liabilities shareholders' equity	303.8	309.1
¹ Shareholders' equity		
At beginning of the period	213.1	210.3
Stock options	0.7	1.6
Tax	-0.1	0.0
Translation differences	-29.4	-9.8
Profit/loss for the period	9.5	11.0
At end of period	193.8	213.1

Summary of cash flow statements

EUR million	Oct-Dec 2008	Oct-Dec 2007	Jan-Dec 2008	Jan-Dec 2007
Cash flow from operations	4.4	1.3	16.8	13.9
Changes in working capital	9.4	4.0	3.5	0.3
Cash flow from operating activities	13.8	5.3	20.3	14.2
Acquisition/divestment of subsidiaries	-3.7	-15.5	-23.3	-28.6
Cash flow from other investing activities	-1.2	4.2	-11.1	-0.8
Cash flow before financing	8.9	-6.0	-14.1	-15.2
Cash flow from financing activities	-4.7	12.2	10.0	18.9
Cash flow for the period	4.2	6.2	-4.1	3.7
Liquid assets at beginning of the period	13.9	17.5	22.9	20.5
Translation differences in liquid assets	-1.1	-0.8	-1.8	-1.3
Liquid assets at end of the period	17.0	22.9	17.0	22.9

Quarterly income statements

EUR million	Q4 2008	Q3 2008	Q2 2008	Q1 2008	Q4 2007	Q3 2007	Q2 2007	Q1 2007	Q4 2006
Net sales	39.0	41.0	42.6	37.8	36.6	40.3	40.4	37.2	35.6
Cost of operation	-33.3	-35.5	-36.5	-35.6	-34.2	-36.3	-34.8	-33.3	-31.2
Other income	-0.1	0.5	0.1	1.4	0.1	0.0	0.0	0.7	0.4
EBITDA	5.6	6.0	6.2	3.6	2.5	4.0	5.6	4.6	4.8
Depreciation	-0.9	-0.9	-0.8	-2.0	-0.9	-0.8	-0.7	-0.6	-0.7
Amortisation	-1.1	-1.0	-1.1	-1.0	-1.0	-0.8	-0.8	-0.9	-0.8
EBIT	3.6	4.1	4.3	0.6	0.6	2.4	4.1	3.1	3.3
Net financial items	-0.4	-0.3	-0.7	-1.4	-1.5	-0.2	0.0	-0.2	0.3
PBT	3.2	3.8	3.6	-0.8	-0.9	2.2	4.1	2.9	3.6
Tax	1.2	-0.8	-0.8	0.1	5.2	-0.9	-0.8	-0.8	1.0
Net profit/loss	4.4	3.0	2.8	-0.7	4.3	1.3	3.3	2.1	4.6

Key ratios

EUR million	Oct-Dec 2008	Oct-Dec 2007	Jan-Dec 2008	Jan-Dec 2007
Change in net sales	16.8%	3.7%	7.8%	4.3%
Operating margin	9.1%	1.6%	7.8%	6.6%
Profit margin	10.8%	11.8%	5.9%	7.1%
Equity/assets ratio	63.8%	69.0%	63.8%	69.0%
Average no. of employees	1,624	1,472	1,613	1 415
No. of employees at end of the period	1,602	1,500	1,602	1 500
Sales per employee (EUR, thousand) ¹	102	100	99	109
Sales per employee (EUR, thousand) ²	108	104	106	113
No. of shares at end of the period (thousand)	62,023	62,017	62,023	62,017
No. of shares after dilution (thousand)	62,023	62,330	62,023	62,330
Average no. of shares (thousand)	62,023	62,017	62,021	61,826
Average no. of shares after dilution (thousand)	62,023	62,247	62,088	62,345
Shareholders' equity per share (EUR)	3.12	3.43	3.12	3.43
Shareholders' equity per share after dilution (EUR)	3.12	3.43	3.12	3.43
Cash flow per average no. of shares	0.09	0.10	-0.07	0.06

¹⁾ Annual rate

²⁾ Excluding India

Parent Company

SUMMARY OF INCOME STATEMENTS

EUR million	Jan-Dec 2008	Jan-Dec 2007
Net sales	2.6	2.2
Production expenses	-	-
Gross margin	2.6	2.2
Selling expenses	-	-
Administrative expenses	-5,2	-5,3
Other operating income/expenses	-	-
Operating profit/loss	-2,6	-3,1
Net financial items	-0,5	-1,6
Profit/loss after financial items	-3,1	-4,7
Tax	0,1	0,2
Profit/loss for the period	-3,0	-4,5

SUMMARY OF BALANCE SHEETS

EUR million	31 Dec 2008	31 Dec 2007
Assets		
Intangible assets	0.2	0.5
Tangible assets	0.0	0.1
Financial assets	113.0	128.1
Total non-current assets	113.2	128.7
Trade accounts receivable	-	0.2
Receivables from group companies	50.4	23.8
Other current assets	0.3	1.3
Liquid assets	0.8	7.6
Total current assets	51.7	32.9
Total assets	164.9	161.6
Liabilities and shareholders' equity		
Shareholders' equity ¹	92.5	113.6
Long-term interest-bearing liabilities	26.0	16.6
Long-term non-interest-bearing liabilities	0.1	2.8
Short-term interest-bearing liabilities	11.1	6.0
Liabilities to group companies	31.9	19.6
Short-term non-interest-bearing liabilities	3.1	3.0
Total liabilities	72.2	48.0
Total liabilities and shareholders' equity	164.9	161.6
¹ Shareholders' equity		
At beginning of the period	113.6	121.9
Issue of new shares	-	1.1
Group contribution	-3.2	0.7
Tax on group contribution	-0.1	-0.2
Translation difference	-14.8	-5.4
Profit/loss for the period	-3.0	-4.5
At end of period	92.5	113.6