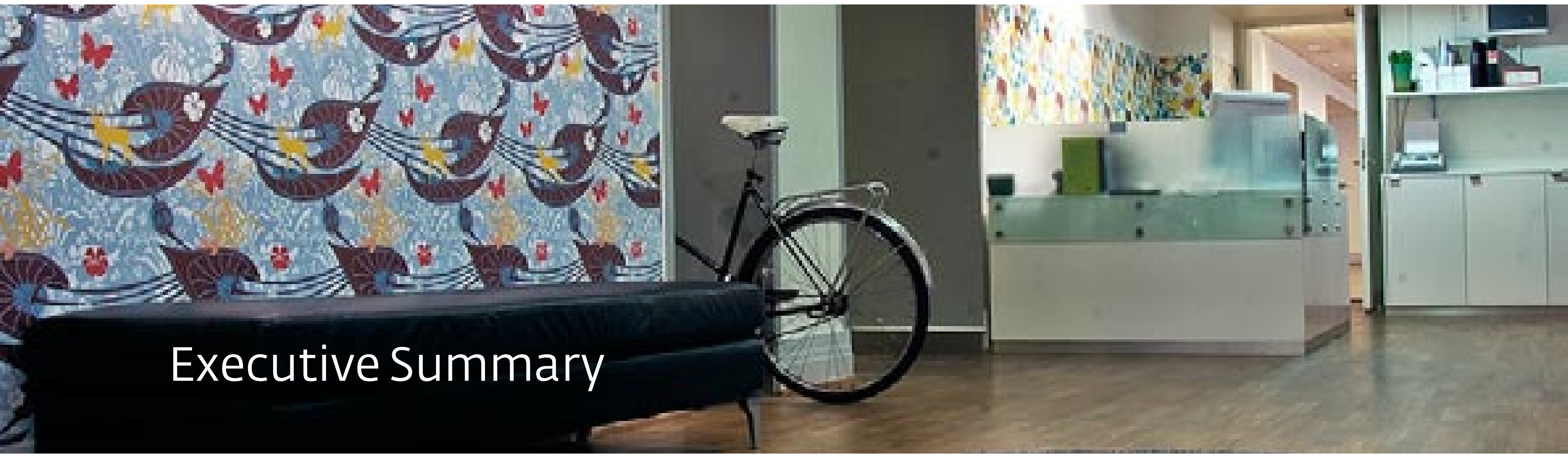
Quarterly Report 2008 Q2

LBi



LBI INTERNATIONAL AB (PUBL)

EXECUTIVE SUMMARY

- Strong turnaround in the second quarter from soft performance in the first quarter.
- Focus on quality of earnings and cost reductions have pressured revenue growth to some extent but improved margins.
- Net sales in the second quarter increased by 7.2% and amounted to EUR 42.6 million (40.4).
- Second quarter EBITDA improved both sequentially 75% and year-on-year 13%.
- Earnings per share in the second quarter came to EUR 0.05 (0.05).
- Recovery plan on track in the Netherlands as operations return to profitability in the quarter.
- Acquisition of Special Ops Media early April 2008, a New York (US) - based agency, completes the formation of our East coast Hub offering.
- Execution against strategic roadmap presented earlier this year continues according to plan.

FINANCIAL HIGHLIGHTS

EUR million	April–June 2008	Jan–March 2008	April–June 2007	Change	At constant rates[1]	Jan–June 2008	Jan–June 2007	Change	At constant rates[1]
Net sales	42.6	37.8	40.4	7.2%	13.7%	80.4	77.5	5.6%	10.8%
EBITDA[2]	6.2	3.6	5.6	13.0%	22.4%	9.7	10.2	–2.8%	4.7%
EBITDA margin	14.5%	9.3%	13.8%			12.1%	13.1%		
EBIT	4.3	0.6	4.1			4.8	7.2		
Net result/profit after tax	2.8	–0.7	3.3			2.1	5.4		
Earnings per share	0.05	–0.01	0.05			0.03	0.09		

Change rates reflects year-on-year comparisons
1) Change adjusted for exchange rate fluctuations
2) Reporting of EBITDA, see page 13

The financial information provided in this report complies with statutory regulations in Sweden.
In the report the terms operating profit and operating profit margin are used synonymously to EBIT and EBIT margin, and 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 the second quarter we saw a strong turnaround from a soft performance in the first quarter. We showed a significant improvement in profitability as we focused on increasing the quality of earnings and reducing costs across the entire group. As a result, EBITDA improved both sequentially (75%) and year-on-year (13%).

During the quarter under review we also made good progress executing against our published strategic roadmap; this is discussed in further detail in the back section. We have now begun to apply more control from the centre to ensure a greater consistency of offering and a more standardized approach to global delivery. Qualification procedures and commercial terms are also now more rigorously enforced; while this is impacting our short-term revenue development it clearly contributed to improved profitability.

We are particularly encouraged by the speed with which we have managed to effect both organizational and operational change in the Netherlands. A new sense of momentum and urgency has quickly translated into improved new business success. We have found in general that the strides we have made in building out our ROI-led data offering and the fast evolution of our digital advertising and media services make us increasingly relevant in a challenging economic environment. We have experienced a strong increase in demand for these specific services across all geographies.

While we are confident of our ability to manage costs and meet our EBIT forecasts we are cautious of current market conditions. Although it is widely anticipated that digital marketing activity will be least affected by cost-cutting measures, we are starting to see a significant tightening of marketing and technology budgets inside large multinationals. It is vital, therefore, that we continue to focus on higher-margin retained business while deepening existing client relationships by selling across our entire service range.

Luke Taylor, CEO

Financial review

GROUP RESULTS

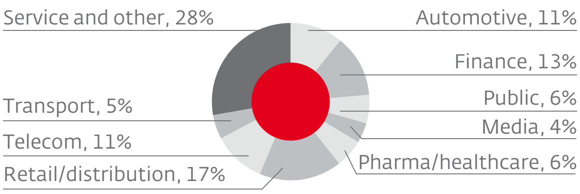
In the table below the results are adjusted for special items, resulting in normalized results.

EUR million	April–June 2008 Reported	April–June 2007 Reported	Growth at constant rates	Jan–June 2008 Reported	Jan–June 2008 Normalized	Jan–June 2007 Reported	Jan–June 2007 Normalized	Growth at constant rates
Net sales	42.6	40.4	13.7%	80.4	80.4	77.5	77.5	10.8
Cost of operations	–36.5	–34.8		–72.2	–72.2	–68.0	–68.0	
Other Income	0.1	0.0		1.5[1]	0.1	0.7[4]	0.0	
EBITDA	6.2	5.6		9.7	8.3	10.2	9.5	
EBITDA margin	14.5%	13.8%		12.1%	10.4%	13.1%	12.2%	
Depreciation	–0.8	–0.7		–2.8[2]	–1.6	–1.3	–1.3	
Amortization	–1.1	–0.8		–2.1	–2.1	–1.7	–1.7	
EBIT	4.3	4.1		4.8	4.6	7.2	6.5	
Net financial items	–0.7	0.0		–2.0[3]	–1.2	–0.2	–0.2	
Tax	–0.8	–0.8		–0.7	–0.7	–1.6	–1.6	
Net profit	**2.8**	**3.3**		**2.1**	**2.7**	**5.4**	**4.7**	

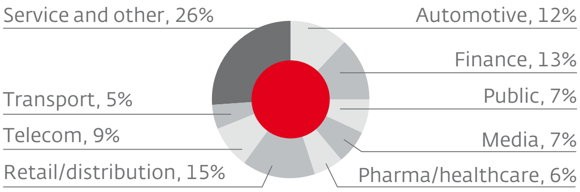
[1] Other income January–June 2008 contains a EUR 1.4 million gain related to divestments of dormant entities
[2] Depreciation January–June 2008 contains special items of EUR 1.2 million on write down of leasehold improvements in the UK
[3] Financial items January–June 2008 contain EUR 0.8 million related to the loss on the divestment of Xie
[4] Other income January–June 2007 includes a gain of 0.7 million for Xie

NET SALES

Sales per client vertical first quarter 2008



Sales per client vertical second quarter 2008



The second quarter net sales grew by 7.2% to EUR 42.6 million compared to the same quarter last year (EUR 40.4 million). Adjusted for the negative currency exchange impact the growth was 13.7% (organic growth was –2.4%). The second quarter of 2008 and 2007 were not impacted by any special items.

Net sales for the first half 2008 grew 5,6% to EUR 80.4 million compared to the same period of 2007 (EUR 77.6 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 10.8% (organic growth was –4.3%).

Gross media billings for the first half year were EUR 25 million compared to EUR 6 million for the same period last year, this represents more than a three times increase in volume.

COST OF OPERATIONS

Operating expenses for the second quarter were EUR 36.5 million (85.8% of net sales) compared to EUR 34.8 million (86.3%) last year. Operating expenses reached EUR 72.3 million over the first half year compared to EUR 68.0 million over the same period last year. Personnel expenses (including subcontracting) for the second quarter amounted to EUR 29.8 million which is 81% of Cost of operations. The costs of subcontractors in the second quarter were 12% of personnel expenses compared to 15% last year, a decline of 3% points. Personnel expenses (including subcontracting) amounted to EUR 58.9 million (82% of total Cost of operations) in the first half year last year. The costs of subcontractors were 12% of personnel expenses compared to 15% in the first half year last year, a decline of 3% points. This shows evidence of the efforts to reduce costs in the operations to maintain and improve profitability when revenues are under pressure.

EBITDA

The Group's EBITDA increased to EUR 6.2 million (14.5%) in the second quarter compared to EUR 5.6 million (13.8%) in the second quarter 2007. This implies a sharp recovery over the first quarter this year (EUR 2.2 million and 5.7%, normalized). The April–June results for 2008 and 2007 were not impacted by any special items.

EBITDA for the first half year is EUR 9.7 million compared to EUR 10.2 million. Adjusted for special items in the first quarter normalized EBITDA ended at EUR 9.7 million over the first half year compared to EUR 10.2 million last year.

DEPRECIATION AND AMORTIZATION

Depreciation for April–June was EUR 0.8 million (1.9% of net sales) compared to EUR 0.7 million (1.7%) last year. Depreciation for the first half year was EUR 2.8 million and impacted by a write down of EUR 1.2 million on leasehold improvements in the UK in the first quarter. Normalized depreciation costs are therefore EUR 1.6 million (EUR 1.3 million) which is 2.0% (1.7%) of net sales.

Amortization of intangible assets for the second quarter was EUR 1.1 million compared to EUR 0.8 million last year. Amortization of intangible assets was EUR 2.1 million for the first half year compared to EUR 1.7 million last year and comprises the amortization of the value of client contracts identified in acquisitions. The increase is due to the amortization on client contracts on new acquisitions notably Special Ops.

NET FINANCIAL ITEMS

Net financial items for the second quarter amounts to EUR 0.7 million compared to EUR 0.0 last year. The interest cost for the quarter amounts to EUR 0.7 million compared to EUR 0.1 last year. The increase is due to higher debt which is used to finance the recent acquistions. Net financial items over the first half year 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 1.1 million over the first half compared to EUR 0.2 million over the first half last year.

TAXES

Tax cost for the second quarter was EUR 0.8 million (0.8) implying a tax rate of 21%. Most of the tax costs in the second quarter relates to the use of deferred tax assets recognized in prior years. The actual cash-out impact is minimal. Tax cost for the first half year was EUR 0.7 million (EUR 1.6 million) which includes a gain of EUR 0.7 million for new deferred tax. The profit before tax over the first half year reached EUR 2.8 million (EUR 7.0 million) which means an effective tax rate of 23% (23%).

NET PROFIT AND EARNINGS PER SHARE

Profit after tax for the second quarter was EUR 2.8 million compared to EUR 3.3 million last year. Profit after tax for the first half year amounted to EUR 2.1 million (EUR 5.4 million) resulting in earnings per share of EUR 0.03 (EUR 0.05). Shareholders' equity per share was EUR 3.36 as of 30 June. The company had 62,023,276 registered shares as of 30 June 2008.

The Company has an employee stock option programme. As per 30 June, the total number of options outstanding was 3,924,722 entitling to acquire up to 2,275,172 shares. No new options were granted in the quarter.

WORKING CAPITAL

Working capital (excluding cash) by the end of June amounted to EUR 45.2 million compared to EUR 38.8 million by the end of last year. The increase is due to the new acquisitions in the second half year 2007 and the first half year 2008. Days Sales Outstanding (DSO) by end of June amounts to 72 days compared to 77 days by end of December last year, a decrease of 5 days as a result of the focus on active working capital management throughout the Group.

DSO of accounts receivable (including unbilled revenue) by end of June was 96 days (compared to 107 days end of last year).

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 end of June, an amount of EUR 2.1 million was used (presented under short term interest bearing liabilities).

GOODWILL

Goodwill in the balance sheet amounts to EUR 176.9 million per 30 June compared to EUR 149.6 million by end of December 2007. The increase is mainly due to the acquisitions of Netrank and Special Ops.

Special Ops in NY, US was acquired in early April and consolidated as per 1 April. Over 2007 Special Ops realized gross billings of

USD 22.3 million, net sales of USD 10.1 million, EBIT of USD 4.0 million and employs today 64 professionals. The total estimated acquisition value was EUR 26.9 million. The excess value has been allocated to client contracts amounting to EUR 2.7 million and goodwill EUR 24.3 million. EUR 12.6 million of the estimated acquisition value is unpaid as of June 2008.

The equity/assets ratio ended at 61.7%.

NET DEBT AND FINANCING

The Group has financed 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 June EUR 35 million was used. The net debt by end of June amounts to EUR 24.7 million compared to EUR 0.9 million end of last year.

EARN OUT PROVISION

The remaining provision for unpaid considerations of acquisitions (earn out dependant on future profitability targets) amounts to EUR 48.3 million by end of June of which EUR 18.6 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.

CASHFLOW

Operational cash flow for the first half year was EUR 3.3 million (EUR 0.0 million).

Operational review by region

GROUP

LBI International AB's operations are located in the UK, Sweden, Denmark, Germany, Netherlands, Switzerland, Italy, Spain, Belgium, the US, India and France. LBi has an organization with reporting in accordance with the country/regional segments: UK (including India), Scandinavia, Central and Southern Europe and the US. Key hub markets are UK and US. Asia is anticipated to evolve into a third key hub market.

The LBi Group has a total of about 1,600 people in 24 offices. After the merger between Framfab and LB Icon in 2006, the Group decided to re-brand the company LBi. It is expected that all business units will operate as LBi by the end of this year with the exception of MetaDesign in Germany.

LBI International AB is listed on the Nasdaq OMX Nordic Exchange in Stockholm and on Eurolist by Euronext in Amsterdam. The share has the LBI ticker symbol on both exchanges.

Management changes. Chris Clarke joins LBi as Chief Creative Officer. The creation of this key executive position is part of a strategic strengthening of LBi's global creative capability. Clarke will focus initially on the LBi agency brand and on bringing focus to the UK creative product, before invigorating LBi's creative proposition across the network.

Acquisitions. April 1 the Group acquired Special Ops Media in New York, which is also consolidated as per 1 April. Over 2007 Special Ops realized gross billings of USD 22.3 million, net sales of USD 10.1 million, EBIT of USD 4.0 million and employs over 60 professionals.

Annual general meeting. The annual general meeting (AGM) was held as announced in Stockholm 6 May. The AGM decided as previously announced and in accordance with the Board's proposal to appoint Lucas Mees as Member of the Board of Directors and to reappoint all other Board Members. For more details, see www.lbi.com

UK

UK operations reported decreased sales, but increased profitability (margin). The development of the top line continues to be negatively impacted by the sharp drop-off in spend from clients in the Financial services sector, however recent new business succes with both Syngenta and Lloyds gives us the confidence that spend in the sector is starting to recover.

By the end of June LBi moved to new premises in Brick Lane (causing the write down of EUR 1.2 million) which will result in improved efficiency going forward. Build was done on time on cost. The search engine optimization (SEO) capability of Netrank is fully integrated into UK operations full-service mix.

Key client wins are Lloyds TSB, Harrods, Barratt Homes, Barclays, Syngenta, 3 Mobile and F1 Redbull.

LBi India in Mumbai is included in the UK reporting from 1 April 2007. We expect further expansion in this area as our team gain momentum with successful marketing mandates. LBi UK reported net sales of EUR 11.3 million (14.9) and EBITDA of EUR 2.2 million (2.8) in the second quarter. The EBITDA margin was 19.4%. UK operations generated 26.5% of total Group sales in the second quarter 2008. Employees numbered 457 on 30 June, as opposed to 430 at the end of 2007.

EUR million	April–June 2008	April–June 2007	Change	At constant rates	Organic growth	YTD 2008	YTD 2007	Change	At contant rates	Organic Growth
Net sales	11.3	14.9	–23.1%	–11.1%	–14.8%	22.4	28.3	–19.5%	–9.1%	–13.6%
EBITDA	2.2	2.8	–20.7%	–8.9%		3.8	4.1	–5.5%	6.7%	
EBITDA margin	19.4%	18.9%				17.0%	14.5%			
EBIT*	2.0	2.6				2.2	3.7			
No. of employees	457	426					426			

* Operating earnings before management fee .EBIT in first half year 2008 is impacted by write down of EUR 1.2 million on leasehold improvements. Normalized EBIT is EUR 3.4 million

CENTRAL AND SOUTHERN EUROPE

This region includes LBi operations in the Netherlands, Germany, Belgium, Italy, Switzerland, Spain and France.

After a difficult first quarter the Netherlands operations returned to profitabilty in the second quarter. The restructuring programme is now completed with the Satama advertising skillset fully intergrated into the LBi LostBoys organization. This recently resulted in the European marketing agency-of-record mandate for Mitsubishi. Other key client wins in the region are Vodafone, Thomas Cook, Eandis and Munich Re.

German operations have delivered a strong second quarter due in part to our successful engagement with Volkswagen, LBi agency MetaDesign has been working with Volkswagen on the re-development and design of VW's dealerships in China as part of a global realignment of the brand at its dealerships, and as a result of the success of this work, the LBi MetaDesign offices are now officially open in Beijing's Central Business District. The Beijing office will be included in the Central and Southern Europe reporting segment.

Stanislas van Oost was appointed as CEO for LBi Belgium. OX2 Web Analytics capability is now completely integrated in LBi Brussels.

The Central and Southern Europe operations generated 44.6% of total Group sales in the first half year of 2008. Employees numbered 735 on 30 June, as opposed to 702 at the end of 2007. Net sales in the second quarter 2008 were EUR 18.9 million (14.9). The April–June 2008 EBITDA was EUR 2.6 million (2.0), while the EBITDA margin was 13.7%.

EUR million	April–June 2008	April–June 2007	Change	At constant rates	Organic Growth	YTD 2008	YTD 2007	Change	At contant rates	Organic Growth
Net sales	18.9	14.9	28.7%	27.3%	7.5%	35.9	29.3	24.7%	22.7%	3.6%
EBITDA	2.6	2.0	28.8%	27.2%		3.0	4.4	–30.3%	–31.3%	
EBITDA margin	13.7%	13.6%				8.3%	14.9%			
EBIT*	2.1	1.8				3.0	3.8			
No. of employees	735	647				735	647			

* Operating earnings before management fee .

EBIT and EBITDA in first half year of 2007 were impacted by gain on Xie of 0.7 million. Normalized EBIT and EBITDA were EUR 3.1 and 3.7 million respectively.

UNITED STATES

LBi's presence in the US exists of 3 offices in New York and one in Atlanta. Early April the Group acquired Special Ops Media in New York, which completes the formation of our East coast Hub offering. In the second quarter a US Board was established under the leadership of Tom Nicholson, the founder of IconNicholson, to drive the formation of a seamless full-service offer. The US offices have combined as a one-stop-shop that delivers best-in-class marketing strategy, media planning & buying and website design & build services across a number of our tier one US clients.

Key client wins are Chicago Humanities, Newell Rubbermaid, News Corp, Hooked on Phonics and Intercontinental Exchange.

US operations generated 16.5% of total Group sales in January–June 2008. Employees numbered 258 on 30 June, as opposed to 164 at the end of 2007. US operations reported net sales in the second quarter of EUR 7.6 million (4.7). EBITDA was EUR 1.6 million (0.9) and the EBITDA margin was 21.3%.

EUR million	April–June 2008	April–June 2007	Change	At constant rates	Organic Growth	YTD 2008	YTD 2007	Change	At contant rates	Organic Growth
Net sales	7.6	4.7	63.8%	87.4%	14.4%	13.3	7.9	72.5%	95.2%	21.6%
EBITDA	1.6	0.9	89.4%	116.1%		2.6	1.4	88.3%	113.0%	
EBITDA margin	21.3%	18.4%				19.3%	17.7%			
EBIT*	1.6	0.8				2.3	1.3			
No. of employees	258	131				258	131			

* Operating earnings before management fee .

SCANDINAVIA

Scandinavian operations consist of offices in Copenhagen, Gothenburg, Malmoe and Stockholm.

Scandinavian operations recovered slightly from the first quarter but 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 LBi Group strategy to funnel clients via the UK, to make full use of the extraordinary good technical and creative skills in Denmark and Sweden and benefit from the lower cost rates. In response to the difficult circumstances management was able to manage the costbase down to ensure that the region delivers adequate margins.

Key client wins are NIkewomen, Atava Insurances, Bonnier and Telia.

Scandinavian operations generated 11.7% of total Group sales in January–June 2008. Employees numbered 180 on 30 June, as opposed to 192 at the end of 2007.

Net sales were EUR 5.0 million (5.8) in the second quarter 2008. EBITDA was EUR 1.1 million as opposed to EUR 1.2 million in 2007. The EBITDA margin was 22.7 %.

EUR million	April–June 2008	April–June 2007	Change	At constant rates	Organic Growth	YTD 2008	YTD 2007	Change	At contant rates	Organic Growth
Net sales	5.0	5.8	–11.8%	–12.7%	–12.7%	9.4	12.1	–21.1%	–21.5%	–21.5%
EBITDA	1.1	1.2	–3.5%	–4.9%		1.8	3.0	–37.2%	–37.8%	
EBITDA margin	22.7%	20.7%				19.7%	24.8%			
EBIT*	1.1	1.1				1.8	2.8			
No. of employees	180	200				180	200			

* Operating earnings before management fee .

PARENT COMPANY

Net sales for the second quarter totalled EUR 1.4 million (1.1) of which EUR1.4 million (1.1) was for internal invoicing. The loss after financial items was EUR –1.1 million (–0.8). External net financial debt was EUR 46.4 million (9.7.

PARENT COMPANY AND ELIMINATION

EUR million	April–June 2008	April–June 2007	Change	At constant rates	Organic Growth	YTD 2008	YTD 2007	Change	At contant rates	Organic Growth
Net sales	–0.3	–0.0				–0.6	–0.0			
EBITDA	–1.4	–1.4				–1.5	–2.7			
EBITDA margin	–	–				–	–			
EBIT*	–2.4	–2.3				–3.6	–4.4			
No. of employees	11	13				11	13			

* Operating earnings before management fee .

EBITDA and EBIT in first half year of 08 were impacted by a non cash gain of EUR 1.4 million related to divestments. Normalised EBITDA is EUR –2.9 million. Normalised EBIT is –5.0 million.

TOTAL

EUR million	April–June 2008	April–June 2007	Change	At constant rates	Organic Growth	YTD 2008	YTD 2007	Change	At contant rates	Organic Growth
Net sales	42.6	40.4	7.2%	13.7%	–2.4%	80.4	77.5	5.6%	10.8%	–4.3%
EBITDA	6.2	5.6	13.0%	22.4%		9.7	10.2	–2.8%	4.7%	
EBITDA margin	14.5%	13.8%				12.1%	13.1%			
EBIT*	4.3	4.1				4.8	7.2			
No. of employees	1641	1,417					1,471			

* Operating earnings before management fee .

Going forward

MARKET DEVELOPMENTS

As the financial sector crisis cascades to affect other parts of the economy, budgets are tightening and demand is softening. How, when and where this affects digital marketing and technology agencies is not immediately clear.

According to Forrester, global marketing leaders expect to reduce their total budgets, particularly around traditional brand advertising. However, most analysts believe that internet-based and digital marketing activity generally will suffer least in the event of cutbacks. Global marketing intelligence provider IDC predicts that despite a best case scenario of zero or very low overall economic growth through 2009, online advertising revenues are expected to double from $25.5 billion in 2007 to $51.1 billion in 2012. In this period the reach of the online channel in the US is expected to see a rise from fifth to second, leapfrogging print and TV to trail only direct marketing as a commercial communications medium. Within the digital mix, video advertising is estimated to grow at an annual rate of almost 50%, while search will be the largest single revenue generator.

In Europe, where the overall downturn is expected to follow the US, this trend is further advanced, with online marketing spend due to overtake TV this year in the UK and Sweden in 2008, and a territory-wide increase in investment in social media, marketing analytics and, again, search.

Effects of the credit squeeze will be less keenly and immediately felt in Asia, particularly India and China, which will become increasingly important growth markets for Europe and US-based businesses. While the important acquisition and engagement activities like media planning and buying, search engine optimization, content development and electronic public relations (ePR) will be important in the less digitally developed Asian market, some more traditional forms of marketing communications, such as brand strategy & creation, and offline brand execution, will continue to thrive.

The current difficult macro economic environment asks for caution. Marketing and technology agencies which are able to combine digital proficiency; geographical reach, particularly in Asia; and flexible, evolutionary service lines – especially in search, social media and content – are well-placed in case of a downturn. The best defence strategy against macro marketing budget cuts will be demonstration of expertise and increased accountability in core digital marketing services: media and communications planning and buying, brand led web experiences and transactional systems. The opportunity play, meanwhile, lies in search, content, social media, digital service innovation and – especially in Asia – in blending these services and leveraging their benefits into brand strategy, creation and offline execution to maximize acquisition of and engagement with the still-emergent digital audience.

Sources:
IDC: Internet Advertising 2008–2012 Forecast and Analysis: Defying Economic Crisis, June 2008
Forrester Marketing Cuts Budgets By 3%, May 2008

STRATEGIC PROGRESS

Earlier this year we outlined a strategic roadmap that detailed key imperatives for 2008. The significant developments that are moving us forwards are briefly identified as follows:

IMPERATIVE 1: Building out Hubs in key markets

The acquisition of Special Ops completes the formation of our US East Coast hub. In the second quarter we established a US board under the leadership of Tom Nicholson to drive the formation of a seamless full-service offer. LBi IconNicholson and LBi Special Ops are already successfully working together as a one-stop-shop that delivers best-in-class marketing strategy, media planning & buying, and website design & build services across our tier-one US clients.

In the UK we have integrated the search engine optimization (SEO) capability of Netrank into our full-service mix and already on-sold the service into BT, RBS and Harrods. In the UK we are now highly differentiated in that we uniquely offer SEO, all digital media, online advertising, complex platform design and build, and CRM fulfilment. It was our ability to articulate this set of joined-up skills that helped us to win the agency-of-record mandate for Lloyds TSB from the incumbent Digitas.

In India we have built a team with skills in: marketing strategy and branding; pay-per-click (PPC) and display media planning & buying; and online advertising. Successful marketing mandates with HDFC securities, Kotak Mahindra Bank, the GMS Group create the momentum for further expansion in this area.

Finally our move into electronic customer relationship management (ECRM) strategy and fulfilment gathers pace as we increasingly take ownership of e-mail direct response engagements for our key clients. Early client discussions around adoption of the data dashboard platform have been universally positive and the quality of these conversations is helping us to extend our value proposition into the territory of direct response, an area traditionally exclusively owned by below-the-line agencies.

IMPERATIVE 2: Global distributed delivery

In the second quarter we established a revenue-sharing mechanism to drive cross-border sales collaboration and servicing. We additionally standardized our go-to-market offer to improve cooperation between offices. Sales and service decision-making is now being centrally mediated on all large new engagements so that we can sensitively match supply and demand across our global footprint. This allows us to exploit local rate card differences to the economic advantage of our clients and also improve our global resource allocation.

IMPERATIVE 3: Local market service extension

In all our local (non-hub) markets we now insist in excellence in online advertising as well as the development of brand and transactional experiences. Key hires in the creative, planning and copy disciplines have helped us upgrade project-orientated relationships into retained agency-of-record mandates. In Belgium, for example, on the Belgacom account we now plan and deliver campaign activity alongside platform development. In the Netherlands we have won the European marketing agency-of-record mandate for Mitsubishi which is in part due to the successful integration of an enhanced online advertising capability into the LBi Netherlands organization.

IMPERATIVE 4: One company

The roll-out of the LBi brand continues apace with both Denmark and Sweden adopting it during the second quarter. We will shortly have the LBi brand universally adopted across all our European digital full-service offices.

In the second quarter we also rolled out a common organizational design language and template across all key markets. This "client portfolio"-led model facilitates both better global account management and the cross-border servicing of clients; builds and protects domain expertise and drives improved resource utilization. We have now applied this model to all major markets.

To great critical acclaim we have launched a periodical "LBiQ", which delivers truly innovative digital thought leadership to global Chief Executive Officers.

The second quarter also saw the appointment of Chris Clarke as our Global Creative Head. He joins us from Digitas where he was responsible for the European creative offering and also ran the UK agency. Going forward Chris Clarke will take ownership of the LBi brand strategy and ensure this is implemeted across all our markets.

Accounting policies

This interim report has been prepared in compliance with IAS 34, Interim Financial Reporting, which adheres to Recommendation 31, Interim Financial Reporting for Groups, of the Swedish Financial Accounting Standards Council. The annual report for 2007 describes the accounting policies employed by 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 finacial data per segment for 2006 and 2007 has 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 amortization (on client relationships) in acquistions.

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 derives 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 employees.
  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 quarterly report for January–September 2008 will be released on 23 October 2008.

This quarterly 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 describing the significant risks and uncertainties to which the Parent Company and the Group are exposed.

Stockholm, 24 July 2008

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 marketing and technology agency. The Company employs approximately 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 blends the full range of service disciplines to create innovative multichannel solutions for national and international corporate clients. By combining business and media strategy development with creative design, industry expertise and the latest digital communications technology, LBi offers a unique , and uniquely valuable proposition. LBi is listed on Nasdaq OMX in Stockholm and Euronext in Amsterdam (symbol: LBI).

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Summary of income statements

EUR million	April–June 2008	April–June 2007	Jan–Jun 2008	Jan–June 2007	Jan–Dec 2007
Net sales	42.6	40.4	80.4	77.5	154.5
Production expenses	–28.8	–27.1	–56.7	–53.1	–108.7
Gross margin	**13.8**	**13.3**	**23.7**	**24.4**	**45.8**
Selling expenses	–2.1	–2.2	–4.5	–4.2	–8.2
Administrative expenses	–7.5	–7.0	–15.9	–13.7	–28.3
Other operating income/expenses	0.1	0.0	1.5	0.7	0.9
Operating profit/loss	**4.3**	**4.1**	**4.8**	**7.2**	**10.2**
Net financial items	–0.7	0.0	–2.0	–0.2	–1.9
Profit/loss after financial items	**3.6**	**4.1**	**2.8**	**7.0**	**8.3**
Tax	–0.8	–0.8	–0.7	–1.6	2.7
Profit/loss for the period	**2.8**	**3.3**	**2.1**	**5.4**	**11.0**
Of which attributable to:					
Parent company's shareholders	2.8	3.2	2.1	5.3	10.9
Minority interests	0.0	0.1	0.0	0.1	0.1
Profit/loss for the period	**2.8**	**3.3**	**2.1**	**5.4**	**11.0**
Earnings per share, EUR	0.05	0.05	0.03	0.09	0.18
Earnings per share after dilution, EUR	0.05	0.05	0.03	0.09	0.18

Summary of balance sheets

EUR million	30 June 2008	30 June 2007	31 Dec 2007
Assets			
Intangible assets	192.3	130.3	163.9
Tangible assets	11.6	5.8	6.7
Financial assets	54.2	55.6	56.5
Total non-current assets	**258.1**	**191.7**	**227.1**
Trade accounts receivable	47.3	43.2	43.8
Other current assets	18.8	19.1	15.3
Liquid assets	13.3	14.2	22.9
Total current assets	**79.4**	**76.5**	**82.0**
Total assets	**337.5**	**268.2**	**309.1**
Liabilities and shareholders' equity			
Shareholders' equity [1]			
Attributable to parent company's shareholders	208.2	214.6	213.0
Attributable to minority interests	0.1	0.1	0.1
Total shareholders' equity	**208.3**	**214.7**	**213.1**
Long-term interest-bearing liabilities	28.8	9.7	17.2
Long-term non-interest-bearing liabilities	32.6	11.1	32.3
Short-term interest-bearing liabilities	9.2	1.0	6.6
Short-term non-interest-bearing liabilities	58.6	31.7	39.9
Total liabilities	**129.2**	**53.5**	**96.0**
Total liabilities shareholders' equity	**337.5**	**268.2**	**309.1**

[1] Shareholders' equity			
At beginning of the period	213.1	210.3	210.3
Stock options	0.2	0.8	1.6
Tax	0.8	–0.4	0.0
Translation differences	–7.9	–1.4	–9.8
Profit/loss for the period	2.1	5.4	11.0
At end of period	208.3	214.7	213.1

Summary of cash flow statements

EUR million	April–June 2008	April–June 2007	Jan–June 2008	Jan-June 2007	Jan–Dec 2007
Cash flow from operations	5.4	5.3	6.8	9.3	13.9
Changes in working capital	–6.6	–2.6	–3.5	–9.3	0.3
Cash flow from operating activities	–1.2	2.7	3.3	–0.0	14.2
Acquisition/divestment of subsidiaries	–12.5	–4.8	–19.6	–8.8	–28.6
Cash flow from other investing activities	–4.5	–0.9	–8.0	–1.9	–0.8
Cash flow before financing	–18.2	–3.0	–24.3	–10.7	–15.2
Cash flow from financing activities	15.9	2.6	14.4	4.7	18.9
Cash flow for the period	**–2.3**	**–0.4**	**–9.9**	**–6.0**	**3.7**
Liquid assets at beginning of the period	15.4	14.7	22.9	20.5	20.5
Translation differences in liquid assets	0.2	–0.1	0.3	–0.3	–1.3
Liquid assets at end of the period	**13.3**	**14.2**	**13.3**	**14.2**	**22.9**

Quarterly income statements

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

Key ratios

EUR million	April–June 2008	April–June 2007	Jan–June 2008	Jan–June 2007	Jan–Dec 2007
Change in net sales	7.2%	4.8%	5.6%	–0.1%	4.3%
Operating margin	10.0%	10.1%	6.0%	9.2%	6.6%
Profit margin	6.8%	6.8%	2.7%	6.2%	7.1%
Equity/assets ratio	61.7%	80.1%	61.7%	80.1%	69.0%
Average no. of employees	1,643	1,403	1,597	1,380	1,415
No. of employees at end of the period	1,641	1,417	1,641	1,417	1,500
Sales per employee (EUR, thousand) [1]	104	115	101	112	109
Sales per employee (EUR, thousand) [2]	109	120	106	115	113
No. of shares at end of the period (thousand)	62,023	61,740	62,023	61,740	62,017
No. of shares after dilution (thousand)	62,314	63,497	62,314	63,497	62,330
Average no. of shares (thousand)	62,021	61,734	62,019	61,710	61,826
Average no. of shares after dilution (thousand)	62,045	62,116	62,072	62,128	62,345
Shareholders' equity per share (EUR)	3.36	3.47	3.36	3.47	3.43
Shareholders' equity per share after dilution (EUR)	3.34	3.47	3.34	3.47	3.43
Cash flow per average no. of shares	–0.04	–0.01	–0.16	–0.10	0.06

1) Annual rate
2) Excluding India

Parent Company

SUMMARY OF INCOME STATEMENTS

EUR million	Jan–Jun 2008	Jan–Jun 2007	Jan–Dec 2007
Net sales	1.4	1.1	2.2
Production expenses	–	–	–
Gross margin	**1.4**	**1.1**	**2.2**
Selling expenses	–	–	–
Administrative expenses	–2.0	–1.7	–5.3
Other operating income/expenses	–	–	–
Operating profit/loss	**–0.6**	**–0.6**	**–3.1**
Net financial items	–0.5	–0.2	–1.6
Profit/loss after financial items	**–1.1**	**–0.8**	**–4.7**
Tax	–	–	0.2
Profit/loss for the period	**–1.1**	**–0.8**	**–4.5**

SUMMARY OF BALANCE SHEETS

EUR million	30 June 2008	30 June 2007	31 Dec 2007*
Assets			
Intangible assets	0.4	0.5	0.5
Tangible assets	0.0	0.0	0.1
Financial assets	128.7	135.5	128.1
Total non-current assets	**129.1**	**136.0**	**128.7**
Trade accounts receivable	0.1	0.2	0.2
Receivables from group companies	47.5	17.9	23.8
Other current assets	0.8	1.1	1.3
Liquid assets	0.0	0.0	7.6
Total current assets	**48.4**	**19.2**	**32.9**
Total assets	**177.5**	**155.2**	**161.6**
Liabilities and shareholders' equity			
Shareholders' equity [1]	**112.8**	**119.0**	**113.6**
Long-term interest-bearing liabilities	32.6	9.1	16.6
Long-term non-interest-bearing liabilities	0.8	3.6	2.8
Short-term interest-bearing liabilities	13.8	0.6	6.0
Liabilities to group companies	14.6	18.0	19.6
Short-term non-interest-bearing liabilities	2.9	4.9	3.0
Total liabilities	**64.7**	**36.2**	**48.0**
Total liabilities and shareholders' equity	**177.5**	**155.2**	**161.6**

[1] Shareholders' equity			
At beginning of the period	113.6	121.9	121.9
Issue of new shares	–	0.5	1.1
Group contribution	–	–	0.7
Tax on group contribution	–	–	–0.2
Translation differences	0.3	–2.6	–5.4
Profit/loss for the period	–1.1	–0.8	–4.5
At end of period	112.8	119.1	113.6

* Includes the former LB Icon for the entire period and the former Framfab as of 1 August.