07

ANNUAL GENERAL MEETING

The annual general meeting of LBI International AB will be held on Tuesday, 6 May 2008 at 3 p.m. at Hotel Anglais, Humlegårdsgatan 23 in Stockholm, Sweden. Any shareholder wishing to attend the meeting must:

- Be entered in the share register maintained by VPC AB no later than Tuesday 29 April 2008.
- Notify LBI International AB of his/her attendance by Friday 2 May 2008 at 4 p.m.

ENTRY IN THE SHARE REGISTER

VPC AB keeps LBI International AB's share register. 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 29 April 2008.

NOTIFICATION OF ATTENDEE

Any shareholder who wishes to participate in the annual general meeting must notify the company no later than 2 May 2008 by:

E-mail: anita.hallgren@lbi.com
Mail: LBI International AB
Att: Anita Hallgren
Kungsgatan 6
SE-111 43 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

PROXIES

Shareholders who are represented by a proxy must authorise the proxy by issuing a power of attorney. If such power of attorney is issued by a legal entity, an attested copy of the certificate of registration must be attached.

2007 at a glance

Key operational developments
Acquisition of a majority stake in Vizualize (Mumbai, India) in March, an online technology development and support company, in order to increase the use of offshore and to establish an LBi base for turning Asia into a third hub market next to the US and UK markets.

Successful integration of the new LBi organisation in the UK completed in the first half of 2007. With a staff of approximately 400, LBi is the largest digital agency in the UK.

Acquisition of Creative Digital Group (Atlanta, US) in May, specialising in the strategic development and creative execution of online advertising and rich media campaigns, complementing LBi's existing operations in New York City.

Acquisition of digital agency Syrup LLC (New York, US) in August, strategically complementing LBi's US operations and extending LBi's full service offering to existing US and European based clients.

Acquisition of Satama Netherlands (Amsterdam, Netherlands), in December strengthening LBi's position as market leader for digital interactive business in the Dutch market.

Delivery of the digital data dashboard which improves the quality of decision making across the digital channel. At the beginning of 2008 the data dashboard is ready for commercial roll out.

Acquisition of Iven & Hillmann (Berlin, Germany) in December, an online performance marketing agency, specialising in the rapidly growing search engine marketing field, which further supports LBi's full service offering to blue chip clients.

Deterioration of topline across a number of geographies in the 2nd half of 2007, with the most pronounced impact in the Netherlands. This impacted LBi's overall performance and resulted in a revised outlook for the full year 2007. Appropriate action has been taken in the Netherlands. The client services organisation has been reinvigorated with a series of important hires and management changes.

Appointment of Luke Taylor as new CEO and President (January 2008) followed by strategic roadmap announcement in March 2008.

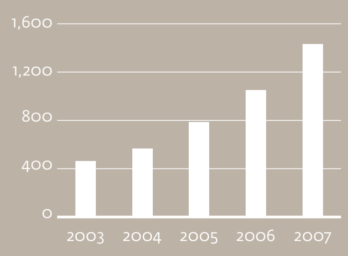
Key financial developments (compared to pro forma 2006)
Net sales grew by 4.3% to MSEK 1,429.1 / MEUR 154.5 in 2007.

EBIT for 2007 increased by 1.5% to MSEK 94.1 / MEUR 10.2. The disappointing increase is attributable to lower organic sales due to a deteriorating topline in the 2nd half of 2007, due to restructuring and integration costs and a number of one off investment activities. As a consequence, the EBIT margin decreased to 6.6% from 6.8% for the full year.

Strong fourth quarter cash flow contribution and positive cash flow from operating activities for the full year at MSEK 129.6 / MEUR 14.2 compared to MSEK 130.4 / MEUR 14.1 in 2006.

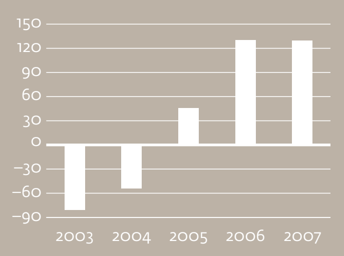
Recognition of deferred tax assets has been done to an amount of MSEK 66.6 / MEUR 7.0 gross, leading to a 1.5% increase in full year net income of MSEK 101.9 / MEUR 11.0 and an earnings per share of SEK 1.63 (1.95) / EUR 0.18 (0.21).

Net Sales, MSEK



Operating Profit, MSEK

Cash Flow from current operations, MSEK



Word from the CEO

We started the year 2007 robustly. The strong new business momentum and outlook encouraged us to initiate a number of activities to drive forward our leadership position in key territories and improve the global relevance of our service offering. We looked to unify all offices under a single brand platform, execute around a single go-to-market message, mature our approach to the management and reuse of intellectual property, and deliver a data dashboard that improved the quality of decision making across the digital channel. In both first and second quarter 2007 we were able to successfully execute against these ambitions and deliver results in line with expectation.

In the second half of the year we witnessed deterioration in the topline across a number of geographies. The most pronounced impact was felt in the Netherlands. Our Dutch unit experienced strong competitive pressure on new business acquisition and it was unable to successfully deepen relationships with existing clients. We have recently reinvigorated the client services organisation with a series of important hires and management changes.

Although we saw 2007 net income increase by 10% from 2006 pro forma to a level of MSEK 101.9 / MEUR 11.0 the pressures encountered in the second half and especially the fourth quarter of the year resulted in a disappointing topline growth of 4.3% and a slipping operating margin of 6.6% for the full year.

The deterioration of performance in especially the Dutch market surfaces a number of business issues that are common across most of our territories. Revenues are in general too project orientated and there is a consequent reliance on expensive new business acquisition. The fixed fee nature of these engagements also introduces execution risk which can negatively impact gross profit. Finally, competitive pressure means it is difficult to offset the inflationary effects of a skills shortage with a rate card increase.

Therefore, a number of things need to change quickly and under my responsibility as new CEO, we have already started taking action.

We need to continue to realign our service offering so that we are more marketing orientated and participate formally in defining and owning the online customer acquisition strategy of our clients' businesses and brands. We need therefore to improve the strategic and creative capability in several markets and deepen our media offering in the key US and UK geographies. This development will improve the predictability and stability of the revenues as we move increasingly into retained relationships and away from one-off fixed fee engagements.

We need to build expertise centers and strengthen our full service offering in the key US and UK hub markets where mandates for such multinational engagements are typically awarded. In addition, we need to further build our market position in Asia with our recently established full service offering in India to evolve into the third key hub market. At the same time, we need to improve the quality and concentration of the client base by focusing on a select number of key clients who engage across the entire breadth of our service offering.

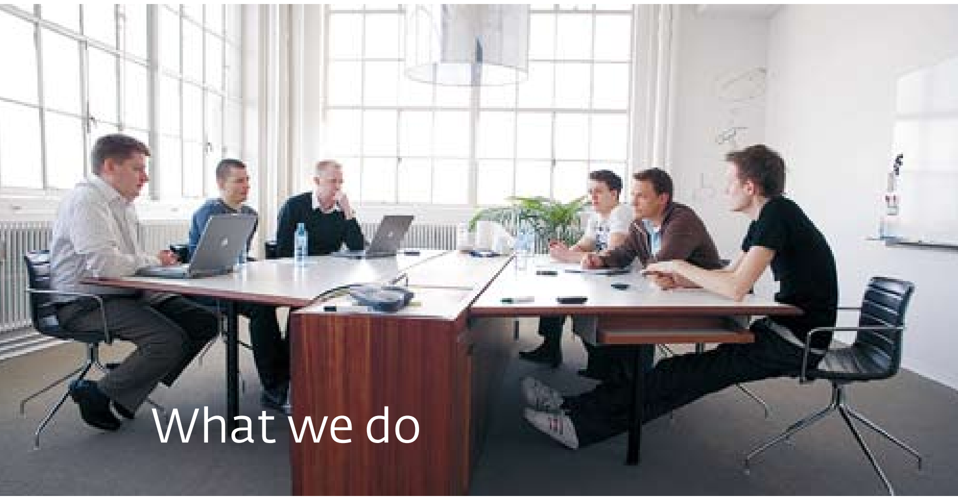
Also, we need to bolster the topline and improve the inherent profitability of the local market cost structure by increasingly distributing the delivery of our big international engagements across multiple geographies. This allows our local market operations to benefit from a higher centrally procured rate card.

Finally, we need to go to market coherently under one brand and one vision so that the quality and relevance of our offering is more clearly understood.

We need to execute quickly and confidently against these objectives if we are going to take full advantage of our unique offering and global footprint.

In the first part of 2008 we will certainly have to further reshape and align our organization and business model so that it better suits evolving client demand. It is these actions that will set the stage for sustainable margin improvement and value creation as the year progresses.

Luke Taylor
CEO and President, as of January 2008
LBI International AB



What we do

ABOUT LBI

LBi is a global marketing and technology agency. The Company employs approximately 1,500 professionals located primarily in the major European, American and Asian business centers, such as Amsterdam, 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 communication technology, LBi offers a unique and valuable proposition.

LBi is listed on OMX Nordic in Stockholm and Euronext in Amsterdam (symbol: LBI).

OUR OFFER

We design innovative, highly efficient digital marketing and communication solutions. Our market leadership is based on our ability to bring together a series of disciplines. By linking marketing, technology and communications across all digital touch points, our approach helps strengthen the position, efficiency and market share of our clients.

We believe passionately in helping our clients use digital media and technology to communicate with their customers and users in the most appropriate manner. As such, we allow time in all projects to understand the client's business needs, user needs and known parameters around technology and budget constraints. We balance the client's needs and constraints with our own technical know-how and recommend solutions that always maximise the use of the digital channel.

OUR CORE COMPETENCIES

Combining our disciplines of creativity, strategy, 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. We apply our skills across the whole of our clients' businesses: attracting new customers, engaging them with our clients' brands and creating long-lasting and valuable relationships with them. The starting point is to have the right skills at the right levels of depth. Our capabilities are some of the best in the industry:

Creativity is at the heart of everything we do. By challenging accepted logic and traditional thinking we create the conditions for outstanding creativity. From strategic concepts through online advertising campaigns to engaging and compelling experiences, our teams are experts at creating inspiring and relevant work whatever the challenge.

Our strategy capability combines research, business, brand and campaign planning with data planning and analytics. We deliver unique insights about customers that help formulate well-rounded digital strategies. We then use these services to measure and continuously improve the performance of our clients.

Our media team covers planning, buying and execution. They have grown up in the digital age and have a unique understanding of how to mix all aspects of digital media together. They are experts at where, when and how to find today's digital audience and how this audience moves from off-line to on-line and back again.

Our technology team is a fusion of IT-industry veterans and technical experts who've grown up with the Internet. They combine the rigour that comes from thousands of significant technical build projects with the flexibility required to mix the latest technology with strategy, media and creativity to deliver real innovation.

OUR STRATEGY

The LBi vision is to create and maximise value. We do this by taking the lead in safeguarding and optimising our clients' futures, while constantly innovating in our own area of operation and expertise.

LBi offers its clients unique scale. Our breadth of service, depth of expertise and access to local markets allow us to assemble unparalleled expertise that meets our clients' requirements. Dedicated, global and local client services teams ensure that delivery is always in line with expectations, and that there is continuity of knowledge and understanding throughout our ongoing relationship with our customers. Our 'One Company' strategy allows us to draw from the full potential of the global organisation for the benefit of our clients.

Long term partnerships with clients have given us integral insight into the problems their businesses face. By constantly broadening the range of services that we provide, and simultaneously strengthening our know-how in these areas, we are able to advise our clients on all areas of digital marketing as they emerge and evolve. And so, as demand for digital marketing increases, both in scale and complexity, LBi is taking the lead. Our continued investment in research and analytics, including our proprietary data platform and dashboard, ensures that the decisions that we make with our clients are based on sturdy, demonstrable foundations of understanding, providing a fully-traceable, audit-strength return on investment. We pride ourselves on our unique ability to put the user at the heart of our strategic and design processes, from in-depth, front line user research to award-winning personas.

A business like ours is nothing without its people. We are continuously adding to and improving the skills of the organisation. We continue to offer our staff the best opportunities for experience and development. We only employ people motivated by the pursuit of excellence. By working with clients who encourage us to push the boundaries, our work continues to break new ground in interactive design, marketing and technology. We don't just deliver excellent work: we also work hard to identify new opportunities, and then to create and test hypotheses around them. Our partnership strategy with clients allows them to draw on our deep subject matter expertise.

Our quarterly publication, LBiQ, not only taps into our experiences but those of others in the industry to surface and dissect current and future insights and thinking.

Our strategy positions customers at the heart of our work, our people at the heart of the company and our company at the heart of our clients' businesses, with the clearly-stated aim of creating maximum value for all involved.

Our People and Organisation

OUR PEOPLE AND ORGANISATION

In 2007 LBi grew from 1,301 to 1,500 employees. Our 24 offices have a well-deserved reputation for pushing the digital boundaries and we continue to blaze new trails by interweaving our various disciplines and providing an integrated offering.

Our success and durability as an international digital agency 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 stays true to our pioneering spirit.

We look for people who relish challenges, can solve complex problems and thrive on responsibility. We then give them the chance to work alongside talented people within and outside their areas of specialty.

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.

This kind of knowledge-sharing also allows our employees to steadily improve their know-how and skills and is just one way in which we help our people develop their expertise and enrich their careers.

COMMITMENT AND LOYALTY

In an industry often associated with rapid turnover and organisational shake-ups, LBi's employees are loyal to LBi and the spirit of innovation that has run through the company from its creation.

Our size and international presence offer unique opportunities to take part in cutting edge projects for major global brands. This culture of innovation and entrepreneurship are reasons why many of our people who leave or take a break from the company often come back.

EQUAL RIGHTS, OBLIGATIONS AND OPPORTUNITIES

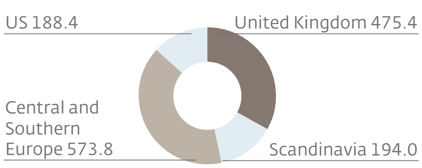
Growing and developing the company requires us to properly utilize and expand the skills of our people. All employees are offered the opportunity to develop themselves in the areas for which they are most gifted. Equal opportunity and multitude is integral to our growth and permeates everything we do. A total of 32% of our employees are women. The great majority of the employees have college or university degrees.

GROWING AS INDIVIDUALS AND A GROUP

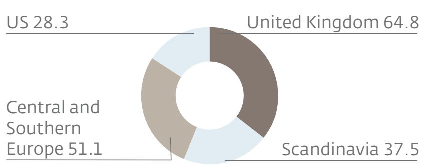
LBi employees have a strong feeling of togetherness. Our decentralised organisation allows us to share expertise, know-how and resources among different countries and offices. That kind of sharing was successful in 2007 and we will speed up such efforts in 2008. For instance, employees switch workplaces and participate in global initiatives, while project resources are allocated on an international basis.

KEY RATIOS 31 DECEMBER 2007 (MSEK)

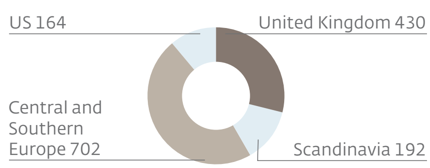
Net Sales per region



Operating Profit per region

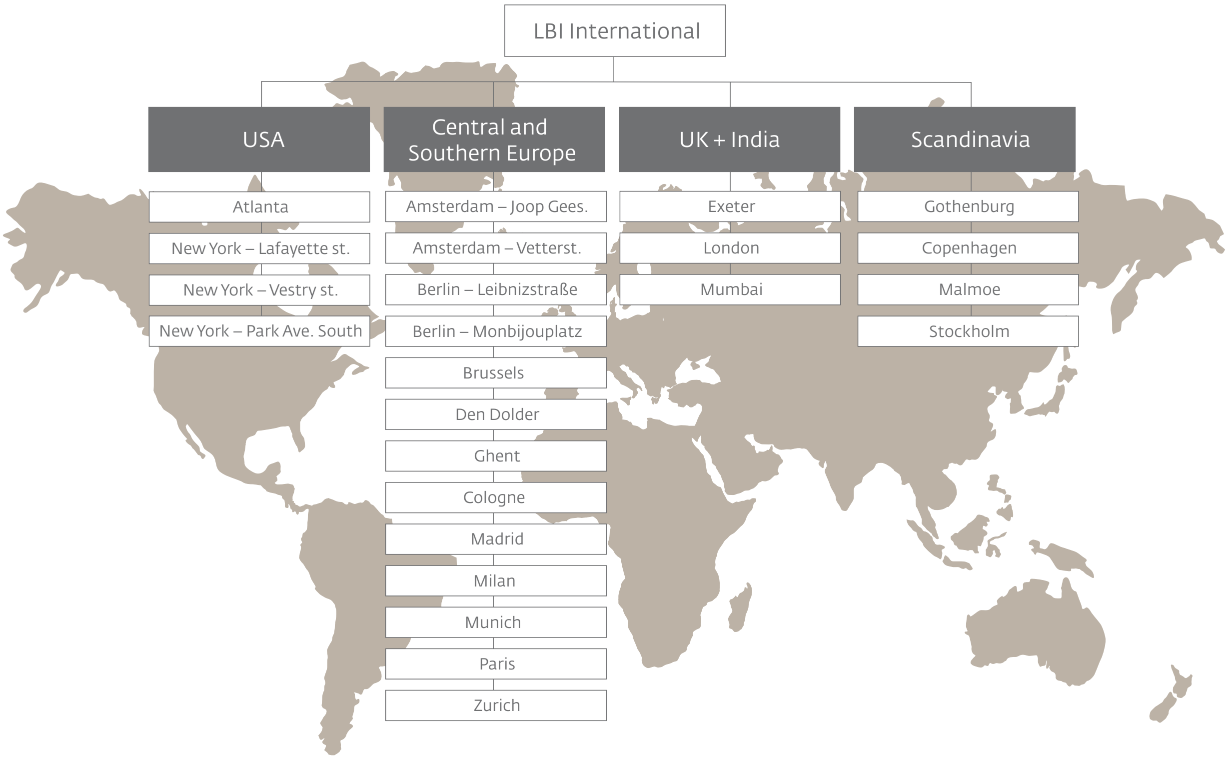


No of employees per region



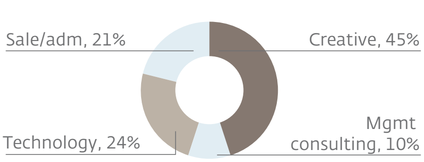
Excluding parent company and eliminations.

MD Meeting in Brussels November 2007

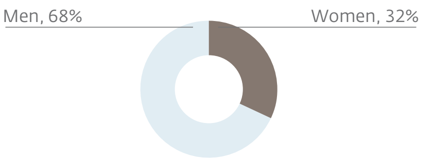


KEY RATIOS EMPLOYEES 31 DECEMBER 2007

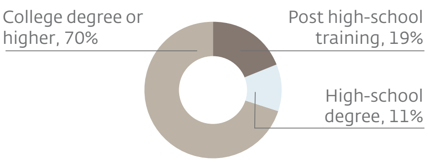
Staff Category



Gender



Education



Market

Global demand for digital marketing and technology services grew again in 2007, a trend expected to continue in 2008. While this technology-specific growth was broadly in line with an overall increase in global marketing and media spend of around 6%, digital once again increased its share of marketing budget to approximately 9%, and is forecast to exceed 10% of total marketing expenditure (expected to increase by almost 7% in 2008, although downward adjustment are to be expected given worsening financial outlook). Consumers are already way ahead, consuming over 25% of their media online, a further indication of what to expect in future demand for digital marketing and technology services.

It's worth noting, as has been done historically, and with increasing frequency over recent quarters, that the division between digital and 'traditional' marketing continues to disintegrate. While it is still possible to segment agency revenues and client spend in this way – using the technical criterion of 'digital' as opposed to 'analogue' – the classification is becoming less relevant as 'traditional' media brands – in particular those associated with TV and print – become inherently 'digital' themselves, through changing production mechanisms and migration of delivery channels to the Internet.

Against this generally positive situation and outlook, key markets for LBi locally experienced variations and challenges. Conditions in the US were essentially buoyant in 2007, although the impact of the sub-prime credit illiquidity crisis was felt through falling new business activity in Q4.

Demand in the UK market also remained fundamentally strong, albeit with some volatility in some specific clients and projects, due to a mixture of unpredictable business cycle fluctuation and knock-on effects from the tightening international credit markets similar to those in the US. In particular, expectations of poor Christmas season trading led to end of year budgets being cut unexpectedly at short notice, with resulting topline impact.

In northern Europe, increased competitor activity reflected polarisation in the unconsolidated digital services market, as hyper-specialised niche boutiques pitched highly-specific single project solutions against larger, longer-term, strategic engagements proposed by larger, full-service integrated agencies, such as LBi. Ultimately the middle market of medium-sized generalist agencies were the biggest losers here, but greater competition, rising costs of sale and downward price pressure flattened top and bottom line growth for all businesses operating in this area.

Asia also saw sustained and accelerating growth. While the big ad agencies networks continued to demonstrate global capabilities in digital through long-established creative and service hubs in Singapore and Tokyo, the biggest markets and the biggest growth prospects and overall markets are now clearly in India and China. Favourable economic conditions, and a massive increase in the proportion of the populations who now have access to the Internet and to mobile phone networks, have combined to make these two territories, home to 40% of the world's population, the

fastest growing and most exciting areas of operation and opportunity on the planet for digital marketing and technology agencies. More generally, client demand across the globe is shifting inexorably towards full service. Based on demonstrable economies of scale, increased ROI and overall efficiency in end-to-end definition and delivery, clients business are showing a marked preference for single suppliers that can manage all digital activities; from strategic online business consultancy and overall project coordination, to media planning and buying, to original content creation, web build services and ongoing management. Key multinational mandates for these increasingly popular engagements are typically awarded and serviced in the UK, US and Asia, with development and delivery distributed globally throughout group and network locations.

The war for talent, to revisit should also be considered globally. The short supply of skilled, experienced digital professionals remains out of sync with growing worldwide demand, and as a result continues to impact the agency cost base.

Audiences – specifically communities and individuals – continued to dominate the digital marketing agenda in 2007. The rise and rise of social networks saw predictive valuations of innovative but immature businesses surge towards dot com boom levels, the putative $15 billion price tag put on Facebook being the most extreme and high profile example. This extreme optimism was largely driven by the belief that advertising revenues will follow mass audiences, something that remains to be proved. What are expected are further disintermediation, fragmentation and specialisation in the provision and use of social networking services. Communities and individuals are now fully empowered to dictate the terms on which they form, how they communicate, and – most challengingly for marketers – how they are identified, reached and engaged with. A shift from broadcast targeting of wide-spectrum, mass market audiences to participation and dialogue within specific, sometimes very small and tightly-defined communities is the inevitable evolution for the marketing function if it is to continue playing a significant part in the production-sales-consumer process. Since digital marketing technology has been the catalyst and the vehicle for this fundamental change in consumer behaviour, it is inevitable that it will be digital marketing and technology agencies who will lead this process, and LBi remains well-positioned to innovate and direct the fundamental changes that lie ahead.

Sources:
“This Year, Next Year” – Group M
Internet Advertising Revenue Report 2007 – IAB, PwC
Annual Forecast – The Kelsey Group
The Connected Agency – Forrester

Looking Beyond Tomorrow

"The thing that separates us from all the others in this branch is that we deliver the best creative solutions entirely on our own, and that's what we all love about working here. More traditional digital companies might consider this a problem and some simply cannot get their ideas and concepts to work. We want to do everything on our own and are proud of our cutting edge technology – although the creative idea is always the core."

"What we're doing reaches far beyond technology."

When Martin Ludvigsen and Lucio Rufo describe their work at LBi Denmark, there is an avalanche of creativity, pride and enthusiasm.

"I'm from Brazil and coming to work in Europe was a new personal experience for me. My expectations of LBi were out the roof, they are a well-known company throughout Europe. I was so inspired by LBi Denmark and the fantastic campaigns and projects they have initiated over the last few years that now I'm proud to be a part of it," says Lucio, the Creative Director. "Our team here is extremely strong with a good creative edge and that contributes to the friendly atmosphere. Now that we also have X-Box and Guitar Hero, I hardly need to go home" Lucio laughs.

Martin manages the Interface Development group and is technically responsible for their work. He's more than happy to share the story of his first project with LBi.

"When you do technical Flash as I do, you can't normally use the latest technology, since you're not sure if the client will appreciate it, or that users will have the latest software necessary for it to work. While here the motto is – 'Create the best possible design with the best possible functionality – and by all means – use the

Lucio Rufo

Martin Ludvigsen

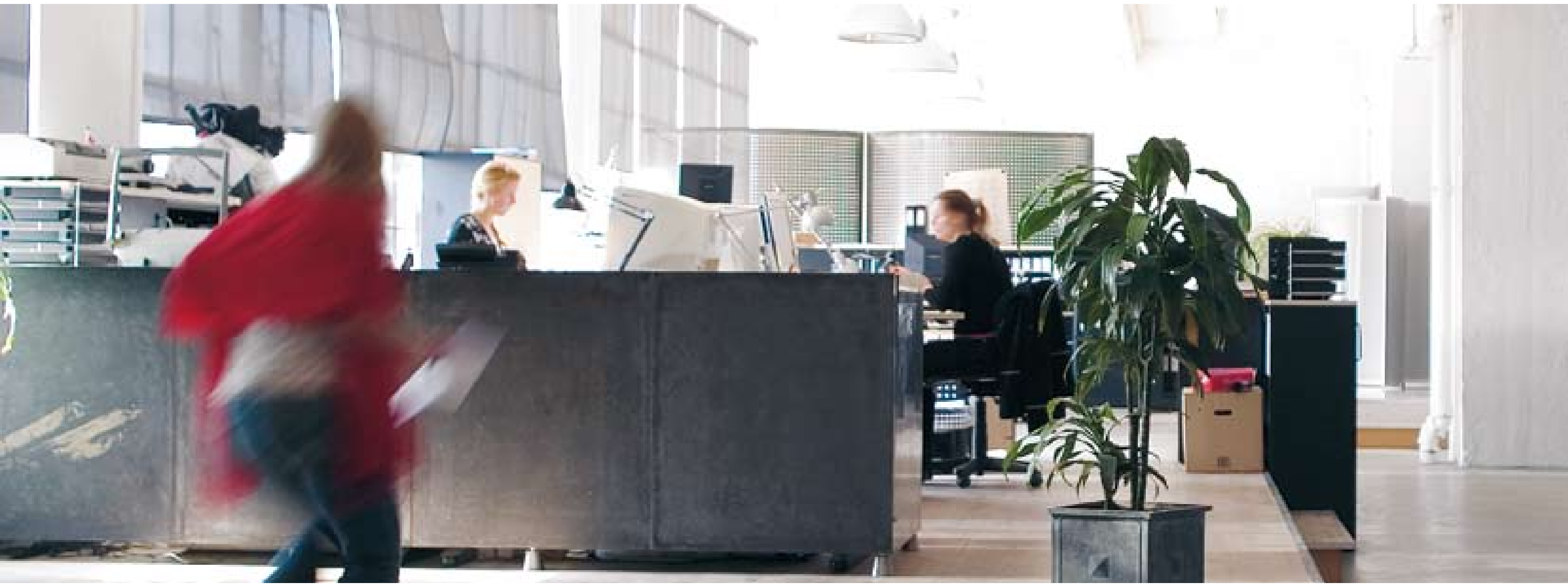
latest technology! Use whatever it takes to create the most fantastic experience'. Beginning to work this way with a client was amazing – and that was only my first impression."

When Martin and Lucio describe their colourful day-to-day routines, it soon becomes obvious that this unique work environment is a contributing factor to the company's success.

"We are always looking for people who share our ideas about the importance of their work environment. We cultivate an ambitious atmosphere that is enormously motivating. Our staff continuously strive to do their best and a strong sense of enthusiasm radiates from everyone here. The office space physically inspires openness, because we work in completely open spaces. This way of working as a team all the time doesn't suit everyone. You need to be a part of the place and of the whole team's efforts. You don't just sit in your cubicle doing your small share of the work. This is really important."

Martin is no stranger to new challenges and his visions for the future are vast.

"We want to continue to strike people with awe – and that's a real challenge. We're facing strong competition and there are people out there doing some very good work. What we're doing today will not impress anyone tomorrow, and that's why we have to look beyond tomorrow to make sure we continue to be an inspiring force. When I'm introduced to a new project, the first question that comes to mind is whether we can actually do this? Then my answer is always – yes!"



Brave Ideas: Proof of Confidence

LBi UK is the UK's largest digital agency with over 400 employees. One of their biggest challenges is helping their clients relate to LBi's vast international network of 1,500 employees without being overwhelmed. All of LBi UK's client partners work within small teams that have a direct and personal relationship with each client. At the same time the sheer size of the agency is a huge attraction to clients when they consider the scope of LBi's channels and the resources that this makes available to them.

Judith Carr is the Client Services Director at LBi UK, as it is known today, and has been with the agency for seven years. Anil Pillai is the company's Managing Director and has more than 11 years experience with the organisation and its predecessors. Judith and Anil strive to build both friendly and profitable long-term relationships with their clients. LBi's core mission going forward is to deliver brave ideas, which requires a real bond of confidence between the agency and their clients.

"To stay in business through good and bad times in the economy you need to have amazing client relationships. Our clients have confidence in us and feel secure in their investments. They need to know that we deliver the best possible service with incredible results," says Anil.

"Without a stable ground of confidence you could never come up with innovative and creative solutions or achieve good business results. Building a mutual trust is vitally important and this is where our Client Services function plays a key role. We are in contact with our clients every day, from morning to night, and also keep in touch with their working partners. It's important to many of our clients that we are a completely integrated and "seamless" member of their team," Judith adds.

Judith and Anil describe their work as an ongoing challenge. The goal is to achieve genuine client buy-in to LBi UK and its talent whilst providing real value along the way to achieving their business goals. This requires insight and competence in the broadest sense, but more importantly it is the special alchemy involved in combining competences in just the right way that is vital. LBi is able to give each client what they lack in their own teams: the right combination of different areas of expertise at the right time and in perfect balance. Anil goes on to describe the magic of good project leadership:

"It's the combination of competence and insight that makes us successful in each project. Project leadership is an ability that we don't often refer to, but it is in fact the heartbeat of the organisation."

In 2007 LBi UK took steps to further invest in the company and the industry's future. The digital industry as a whole experienced a lull at the beginning of 2000 when very few new staff were being taken on, this meant that very few people were educated in all things digital during that period.

"You couldn't find people with four years of experience, while today we have both seniors and juniors, it's still difficult to find staff in the middle ground. Last year we hired around 40 graduate students in various areas of the business, from creative and experience architecture through to client services. This is something that doesn't happen overnight, but we're working to actively cultivate our own talents", Judith explains confidently.

"Our motto as an employer is to find the best talent in the field and we also want to be one of the top employers. Our aim is to develop, reward and acknowledge the talent within the company. We know digital marketing is a very competitive industry for attracting the right people, which is why we focus on retaining our personnel. An individual has the chance to create a future here and we're prepared to reward their efforts." Anil speaks from his own experience as living proof of this policy.

During 2008 LBi UK will be relocating to new premises on Brick Lane in London. Judith has already been to the new location, sporting construction overalls, a helmet and neon vest. "This is fantastic – everyone's looking forward to moving. You can really feel that this is an innovative investment and it's important we share the experience. We're getting a manifestation of what LBi stands for, and that brave ideas will come out of this building."

Anil Pillai

Judith Carr

The Human Touch

The year was 2001 when Bart Van Den Kieboom first knocked on the door of the digital company that is today known as LBi Belgium. Bart was looking for a job as a project manager, but was offered the job of selling projects instead. His outgoing personality and profile made him a natural in sales and customer relations. This was one of the best decisions of his life – although at the time he described it as teaming up with his worst enemy.

"I was curious and took the opportunity, thinking I could probably do something good there. Everyone is aware of the constant battle between project managers and sales in the agency world. The project managers always think their projects are being sold too cheaply, with very short time frames," Bart laughs. "In principle I felt like I was going over to the dark side. Although I've never regretted this and now have a much greater respect for "sales people", as well as the experience and competence I need today as Client Service Director."

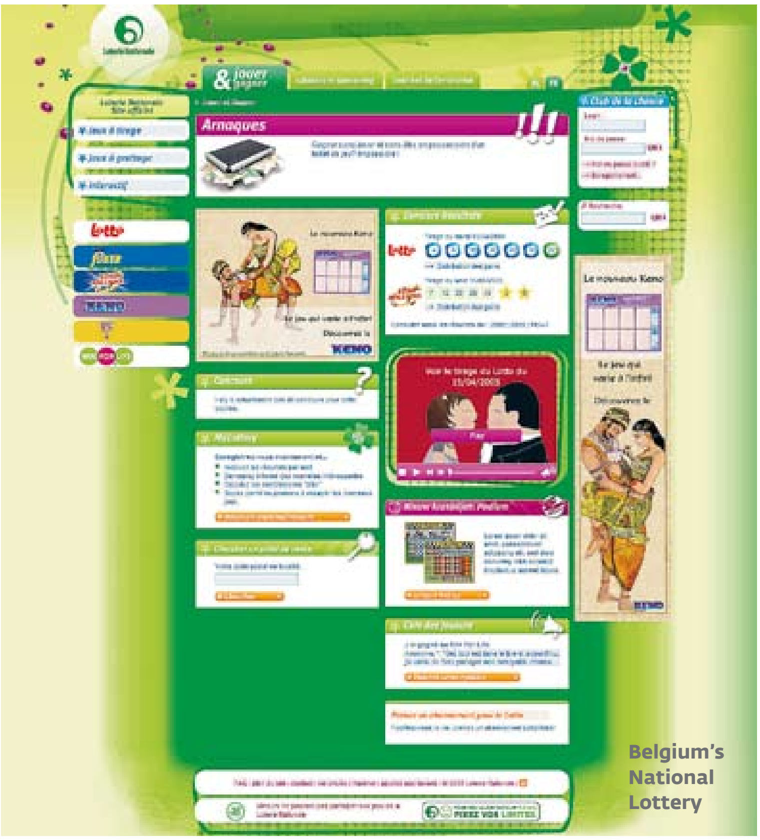
This same flexible attitude towards recruitment hasn't changed in LBi Belgium. They're always on the look out for curious people, since their recruitment views curiosity and culture as more important than pure technical knowledge. This method and practice usually follows the adage that the right person can always learn. We're talking about people who have a deep sense of innovation, the spirit of enthusiasm and a willingness to learn, coupled with a passion for the digital world.

Laurent Kinet heads LBi Belgium's strategy department and has been working with the pioneers of this company for eight years. What initially attracted him to work there was the challenge, discovering new markets and meeting unique people. His expectations have definitely been fulfilled and today Laurent's biggest challenge is to really understand the end users on a deep and personal level:

"All the components depend upon this insight; the combination of concept, design, user-friendly applications, content, technology, hosting and the ability to measure all of these different variables. LBi has the competence to do all of this and we're able to merge this practical knowledge with the unique values of our clients."

Bart and Laurent

Belgacom TV, one of LBi's clients



Belgium's National Lottery

The relationship with the client is profound and incredibly important. A client project can continue and evolve for several years and it involves the full palette of LBi's services while delivering the quality promised within the expected time frame. Just never forget that these projects aren't about working with paper, but with people, which is the toughest aspect, since people have different expectations and usually view things from their own personal perspective. Bart starts each project by developing the right relationships with many people, as he explains:

"We focus on delivering quality service, but above all the most important thing is "the human touch". We have a flat organisation internally, but my challenge at the micro-level is to lead my team – all those individuals with their expectations and ambitions. I want to ensure that they will make a difference in the coming year and that they achieve something. Moreover, you not only have a team at LBi, the people running the project on the client's side are also a part of that team. They also need to show results to their boss and run the project for their company. Once you get everybody to understand that you are all going for the same goal (a successful project) you can start aligning the individual hopes and ambitions. That's how you get confident people and when the entire team is confident, the rest follows automatically."

Laurent and Bart are proud to belong to a leading international corporation with enormous organisational resources that enables them to share and spread their knowledge. LBi Belgium has implemented a model for delivery passed down by LBi Netherlands and this model fits into LBi's special business concept perfectly, which Bart describes anecdotally:

"We fill the gap between the predominantly IT-related projects and the highly creative projects – there's a large gap there that needs to fit together perfectly. We're the glue that makes it happen."

Handy Tips

"People working with their hands need information that can get hold of," says Lisa Cambell Harper, Vice President Marketing Strategies at LBi Atlanta. The US home improvement chain, The Home Depot, has customers that like to "Do It Yourself" but also customers who are classified as "Do It For Me". In the stores they encounter knowledgeable employees who provide tips and advice in a professional and friendly way. Why should their encounters on the Internet be any different?

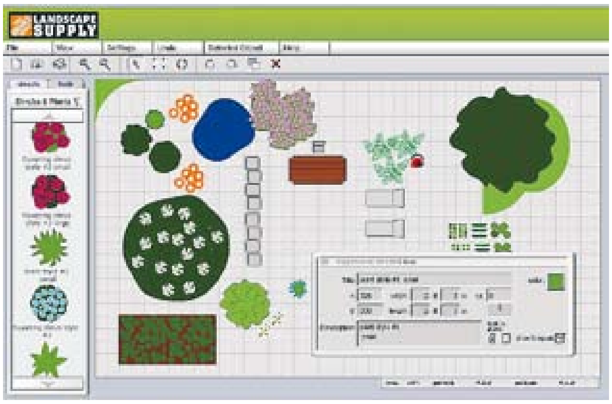
The collaboration between Home Depot and LBi Atlanta has taken many imaginative turns that have given the expression "living media" a very real meaning. In preparation for the launch of an awareness campaign for the Home Services division of The Home Depot, LBi decided to produce an expandable, interactive banner which drove users to a microsite also built by LBi Atlanta.

"The hype surrounding do-it-yourself has been supplemented by a desire for do-it-for-me, and that's where Home Services comes into the picture" says Dawn Elmore, Client Partner at LBi. "In the United States, The Home Depot is the market leader in selling building materials and tools. This is where the traditional do-it-yourselfer shops, but few people know that they can also get help with installation," she explains. "When you use Home Services you get a professional project manager who arranges installation of specific products, be it roofing, windows or flooring – it's almost like having your own builder."

"Naturally, we also want to guide new customers towards a sale," she emphasizes. "We are always launching fresh campaigns together with The Home Depot. Recently we did a homepage takeover of AOL.com. Our expandable ad became the sole advertiser on the homepage for 24 hours with over 31 million impressions and an 11.16% interaction rate."

People who visited AOL during the ad period were surprised in mid-surf by an orange apron flying across the screen and then folding itself into exciting origami-like shapes. All store associates at The Home Depot wear the familiar apron which is highly recognisable among Americans.

"It's a fun way to flirt with origami, the Japanese art of folding paper into intricate shapes," says Lisa Cambell Harper. "For example, the apron is folded into a little house that links to the microsite for The Home Depot's Home Services. We studied how visitors reacted to the ad and the response was overwhelming – in a 24-hour period 66,000 visitors found the website via the link and they spent an average of 174 seconds on the ad," she says. The Home Depot was immensely pleased with the one-day test and is planning on using this model in future campaigns.


LANDSCAPE
SUPPLY


ToolRental
Professional Contractor
GET STARTED
Do-it-Yourselfer
GET STARTED
Tool School
Tool Guide
Truck Rental


LANDSCAPE
SUPPLY


LANDSCAPE
SUPPLY
FRIDAY
17
AUGUST

Goodbye Drearyness

"Our customers thought our old website was formal and dreary – and they were probably right! Insurance policies are often perceived as complicated and a necessary evil – but everybody needs them. Our objective for our website is to make encounters with insurance more enjoyable for our customers," says Carina Persson, Internet coordinator at Trygg-Hansa.

The Internet today is a natural part of everyday life. We can take care of almost everything online – including taking out an insurance policy. This makes it important for insurance companies to pay more attention to their online presence. When Swedish Trygg-Hansa challenged LBi Starring to innovatively re-design its website, the result was playful packaging of an often dull product.

"The idea is to turn the perspective around," explains Fredrik Lundgren, Creative Director at LBi Starring. "Instead of talking about Trygg-Hansa's products, we bring the customers' needs into focus, making them the starting point for communication."

At www.trygghansa.se the visitor encounters a romantic atmosphere of a comfortable life in the Swedish welfare state. A warm pictorial language shows confident people in a pleasant environment. Visitors can conduct a test to get an overview of their insurance needs and are then invited to enter a three-dimensional world full of creatively designed options. Houses, cars and boats fall from the sky to the sound of chirping birds and classical music. In a manner that is both entertaining and informative, the most important insurance needs for the home, car or boat are presented.

Mutual understanding is key in the relationship between Trygg-Hansa and LBi Starring. LBi Starring's team is open and receptive, particularly in discussions with Trygg-Hansa's own IT technicians about which solutions are realistic based on the company's technical capabilities.

"We especially appreciate how LBi Starring presents new ideas; it is clear right from the start which alternatives they recommend and why," says Carina Persson. "They have made us more mature but at the same time more playful and bold – exactly what we are looking for."

trygghansa.se has attracted a lot of attention, both in Sweden and abroad and has succeeded in reaching a wide audience. Last year the website was voted Best Insurance Web Site 2007 by InternetWorld magazine and one of the finalists in the prestigious advertising competitions Webby Awards, Cannes Lions and Eurobest.

Trygg-Hansa's latest campaign also applies this successful concept; it's not just about being insured, it's about having the right insurance. The campaign illustrates various unfortunate scenarios in short films: yogurt spills over a laptop, a mobile phone falls and breaks into a thousand pieces, a car drives into a wing mirror shattering the glass. Each sequence is filmed with a high-speed camera and is shown in slow motion against a black background to the magnificent tones of Mozart. The customer triggers the accidents and receives direct answers as to whether the damage is covered by the insurance policy.

"It was a very demanding production process, but eight hours and eleven wing mirrors later we captured exactly the effect we wanted," says Fredrik Lundgren with a smile. "The end result was perfect – both effective and innovative."

Joel, Markus, Fredrik, Maria and Johan from LBi Starring in Stockholm

Parcel Finesse Without Stress

In the Netherlands there is always a sense of panic in the weeks leading up to St. Nicholas Day on 5 December, when, according to tradition, families and friends exchange presents. In the quest for the perfect gift the streets and shopping centres are filled with frantic people wearing a desperate expression. The stress of the season provided inspiration for LBi's branch in Amsterdam, when they were developing the concept for the Sara Lee Corporation's latest campaign – "first aid for gift idea paralysis!"

The gift given in the name of St. Nicholas is called a surprise in Dutch because, traditionally, it is concealed in clever wrapping that gives clues about the contents.

"Planning on giving a beach towel? If so, create a mini swimming pool from a box and put the gift inside. Thinking of giving a tool set? Hide it inside a little tool shed," suggests Menno Buis, Account Director at LBi Netherlands. "Here in the Netherlands we take our surprises very seriously; some people spend weeks gluing, constructing and painting. You need to use your imagination and that's why we wanted to lend a hand in the excitement of the creative process."

The focus of the campaign was Senseo, one of the main brands within the Sara Lee Group. Senseo produces a closed-portion coffee maker, a product that has rapidly gained ground on the Continent.

"In order to get started with your coffee maker you need a box of coffee pods and a special pod holder," explains Menno Buis. It was Senseo's team that came up with the clever idea of launching the coffee pod box as a perfect surprise for St. Nicholas Day.

LBi single-handedly developed the concept and produced all parts of the campaign. The hub was Senseo's website. For four weeks visitors could order a starterkit online which they could pick up at various Sara Lee owned outlets that sell coffee around the country. The kit contained a bag of high-quality Espresso coffee pods and a pod holder.

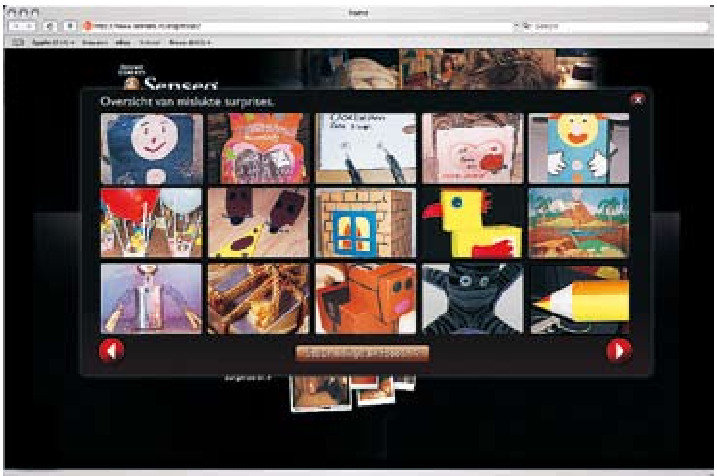
"Shopkeepers could then add their own touches to the surprise parcel by including small gifts," says Menno Buis. "Imagine getting a piece of luxury dark chocolate to enjoy with a freshly brewed cup of coffee!"

The campaign was a fantastic success; 10,000 boxes were ordered in just a few weeks.

"Visitors to the website were even given help with the St. Nicholas rhyme that traditionally accompanies the surprise. It should be a humorous rhyme that alludes to the recipient's personality, often teasing them as well," explains Menno Buis.

The LBi team developed a special Web tool that generated poems. Visitors could choose to enter their own rhyme or select a ready-made one that was then printed directly onto the parcel.

"That was really the icing on the cake in a very successful campaign. The people at Senseo were so happy that they sent us a special thank-you message – created of course by the rhyme generator," says Menno Buis with a smile.



Boundary Breaching Design

Cultural clashes, impressive volumes of information and extreme distances are just a few of the challenges in the task of building an international megasite. When LBi was assigned to do just that for British Telecom Global Services, it was a question of being bold enough to defy boundaries and traverse continents.

BT Global Services is a multinational company that works with business solutions within IT and telephony. In May 2008 the company plans to launch the new website created in cooperation with LBi New York. The website will be an international platform that will integrate over 50 sites. The goal is for 50% of BT's customer service to take place online by 2010. Susan Lynton, Head of Strategy and Creative at BT, talks about the winding road leading to that goal.

"Our existing website is almost a decade old – it really was time for a rejuvenation treatment," says Susan Lynton. "Everyone agreed that BTGS online needed a real injection of life and renewal, but how should we go about it?"

"The BTGS site contained an impressive amount of valuable information," says Ann Neilsen, Executive Producer at LBi New York. "But the customer is not supposed to get lost in an information jungle. Our goal is to enable people to find what they are looking for in three mouse clicks."

"By offering the right information we have come a long way" agrees Susan Lynton. "But packaging sells too! BTGS is a strong brand – and that should be clearly apparent. Regardless of whether you are surfing in Hong Kong or Reykjavik, you should feel you are in familiar territory."

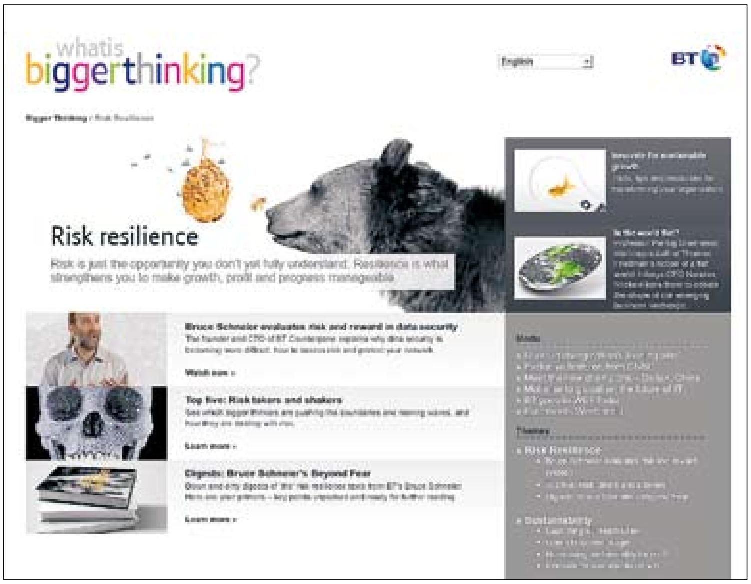
BTGS's new website is light and airy with clear lines. Individual colours are picked out from otherwise black and white photographs and a delicate pictorial language with butterflies, soap bubbles and paper swallows gives a light feeling to contrast the otherwise heavy headings.

"It is an extremely visual page with strong imagery that we know will work internationally," says Ann Neilsen. "However, we don't want it to look identical in all countries – some images send different signals in Scandinavia than in Southern Europe. The same applies of course to the choice of colour. White, for example, stands for freedom and openness in many countries in the West, while in eastern cultures it's the colour that represents death. Paying attention to local idiom is essential."

"Just as we need to bear in mind the different nationalities of our customers, we also need to adapt to their needs in the modern world" says Susan Lynton. "These days a customer's first encounter with our website could be via a mobile phone with a two-inch screen while on the Tokyo metro."

"We are also dependent on technology since our project members are located in several different countries," continues Susan Lynton. "But sometimes the distances can present a challenge when important decisions need to be made. When it was time to decide on the appearance of our website I was in my house in France, but this didn't seem to be a problem for LBi. They were determined for me to be involved in the choice of design."

"We had prepared three different alternatives and we were happy with all of them," says Ann Neilsen. "We put them on a laptop, gave it to our Creative Director and put him on a plane to Europe. After travelling for one whole day he arrived at the little French village and made his way to Susan's house to present the proposals. She went for one of them almost immediately and he was gone barely 72 hours. But it was worth it – for a website that is being built for 1.3 billion people in more than 70 countries that speak 20 different languages, it's important to make the right decision."


whatis
biggerthinking?
English
BT
Bigger Thinking / Risk Resilience
Risk resilience
Risk is just the opportunity you don't yet fully understand. Resilience is what strengthens you to make growth, profit and progress manageable.
Bruce Schneier evaluates risk and reward in data security
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Top five: Risk takers and shakers
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Digests: Bruce Schneier's Beyond Fear
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ALGERIA
LIBYA
EGYPT
MAURITANIA
MALI
NIGER
SUDAN
ANGOLA
OCEAN

Report of the Board of Directors

LBI International was created by the merger of Framfab and LB Icon in August 2006. The merger was registered 31 July 2006. It should therefore be noted that the Framfab Group is consolidated as of that date. Only LB Icon Group is reported for preceding periods. In the Operations section certain information is also provided on a pro forma basis for years 2005 and 2006 in the interest of clarity.

LBI International AB (publ.), registration number 556528-6886, is a limited liability company with its registered office in Stockholm, Sweden.

MARKET

Marketing efforts continued to increase internationally also during the latter part of 2007. The annual increase was 6% according to WPP's Group M and the total figure for the year was USD 448 billion, with digital media accounting for 8.9% thereof.

Geographically, the development in Europe (Czech Republic, Hungary, Poland and Russia) and Latin America recorded the most rapid growth. This pattern will continue in 2008, with an expected increase of 6.5–7% in annual international marketing efforts and on-line efforts are expected to exceed 10% for the first time.

The greatest change is that from a traditional marketing budget to more digital media in the mature western European markets. For example, in Sweden, Denmark and the UK, on-line marketing investment is expected to exceed the budget for TV advertising in 2008. Although the softening global economy must be taken into consideration, digital communication and on-line services will attract an increase in total marketing efforts. This will translate into growth in the on-line sector, even though there will be little growth in the marketing sector itself.

There are clear signs of consolidation from established advertising agencies and networks in our sector. Digital agencies are being invited to participate in more traditional sales processes and the distinction between digital and traditional marketing continues to disintegrate.

Given all the opportunities in the marketplace, LBi will continue to dominate several of these markets. More difficult business conditions and perhaps small budgets will have the effect that customers will increasingly focus on efficiency, a situation where LBi's size, depth and breadth with an integrated offer will continue to present an exceptional, and in many respects, uniquely adapted solution.

OPERATIONS

Group

LBi was formed on 1 August 2006 by the merger of Europe's two leading digital agencies, Framfab and LB Icon. LBi is Europe's leading agency digital network offering full service for delivery of marketing and communication solutions. In 2007 the Group was composed of LBi in Belgium, LBi Denmark, IconMediaLab in Italy, Lost Boys and Satama in the Netherlands, Framfab in Switzerland, Nexus and LBi in Spain, LBi in the UK, Vizualize in India, LBi and LBi Starring in Sweden, Framfab, Iven & Hillmann and MetaDesign in Germany, and IconNicholson, LBi New York and LBi Atlanta in the US. In total there were 23 offices in 10 European countries, and in the US and India, and 1,500 employees at the end of the period.

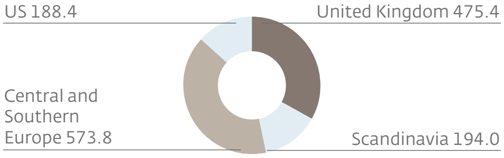
Central and Southern Europe

Operations in central and southern Europe consist of businesses in the Netherlands, Germany, Belgium, Italy, Spain, Switzerland and France. 40% of the Group's total net sales stem from our work in central and southern Europe. At the end of the year there were a total of 702 employees at our offices in Amsterdam, Brussels, Berlin, Ghent, Munich, Hamburg, Cologne, Milan, Madrid, Zurich and Paris.

Igor Milder has taken over as Managing Director for Lost Boys in 2008.

Satama in the Netherlands was acquired in December. The operating result was MSEK 51.1 (72.5 pro forma) in 2007 and the operating margin was 8.9%. External net sales for 2007 were MSEK 573.8 (606.9 pro forma).

External Net Sales by country/region in MSEK



Scandinavia

Scandinavian operations have by the end of the year 192 employees at offices located in Copenhagen, Gothenburg, Malmö and Stockholm. 14% of the Group's net sales stem from the Scandinavian companies.

The operating profit for the year amounted to MSEK 37.5 (37.0 pro forma) and the operating margin was 19.3%. The external net sales for 2007 were MSEK 194 (174.1 pro forma).

The United Kingdom

By the end of the year we had 430 employees in the UK, divided between three offices in London with joint management under the name LBi. 33% of the Group's total net sales stem from the UK operations.

LBi UK reported a operating result of MSEK 64.8 (64.9 pro forma) for 2007 and the operating margin was 13.6%. Net sales for 2007 were MSEK 475.4 (474.8 pro forma). The company Vizualize Technologies in India is included in the UK reporting from 1 April and has had a marginal impact on LBi UK's results.

US

LBi's American business consists of IconNicholson, LBi New York (previously Syrup) and LBi Atlanta (previously Creative Digital Group), which by the end of the year had 164 employees. 13% of the Group's total net sales come from these American companies.

US reports operating profit of MSEK 28.3 (14.9) with an operating margin of 15.0%. External net sales during 2007 were MSEK 188.4 (114.2). Creative Digital Group (name changed to LBi Atlanta) was acquired in May 2007 and Syrup (name changed to LBi New York) was acquired during the third quarter of 2007.

Group

Luke Taylor was appointed as CEO on 10 January 2008. Luke Taylor founded Oyster Partners Ltd in London and had been EVP of the Framfab Group. Additional members of the executive management team are Theo Cordesius, Jesper Andersen, Ewen Sturgeon and the acting CFO Huub Wezenberg (from 1 March 2008). Jan Norman resigned as CFO on 29 February 2008. Sven Skarendahl, a member of the LBI International Board of Directors, passed away end of January 2008.

Net sales by quarter 2007

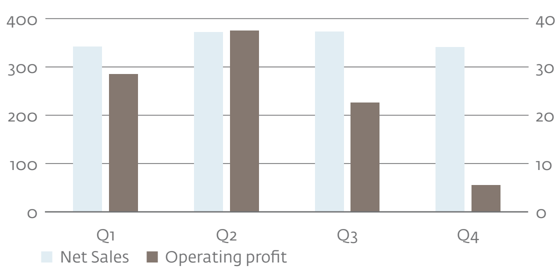
MSEK	Q4	Q3	Q2	Q1
Net sales	340.8	373.6	372.5	342.2
Quarterly change (%)	–8.8	0.3	8.9	4.1

Net sales for 2007 were MSEK 1,429.1 (1,051.6 and 1,370.0 pro forma). The operating profit for 2007 was MSEK 94.1 (78.9 and 92.7 pro forma). Not including the restructuring costs associated with the merger, the operating profit for 2006 on a pro forma basis was MSEK 116.9. The disappointing increase in operating profit compared with the pro forma figures for 2006 are mainly due to a lower income as a result of a number of key projects that were delayed, restructuring costs, as well as a number of non-recurring investments. Net finance costs for the year were MSEK –17.4 (5.6). Profit after finance costs was MSEK 76.7 (84.5).

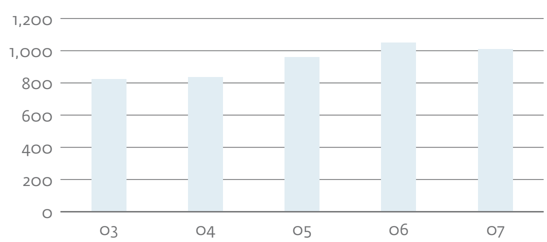
Parent Company

The Parent Company is a pure holding company with personnel functions. For 2007 net revenue, mainly internal billing, was MSEK 20.5 (15.8). The result after finance items was MSEK –43.5 (131.7). Cash and cash equivalents totalled MSEK 71.9 (42.9) as of 31 December 2007.

Net Sales and operating profit by quarter, MSEK



Net Sales per employee, SEK thousand



CASH FLOW AND FINANCIAL POSITION

Cash flow from current operations amounted to MSEK 129.6 (130.4) for the full year 2007. The total cash flow, including investing and financing activities, was MSEK 34.6 (82.3). Cash and cash equivalents were MSEK 217.2 (185.4) as of 31 December 2007.

ACQUISITIONS AND DIVESTMENTS

In March 2007 LBi acquired a majority (51%) of the shares outstanding in the Indian company Vizualize Technologies PVT Ltd (Vizualize). Vizualize is a technology development company based in Mumbai with approximately 75 employees. This acquisition gives the LBi Group improved opportunities to develop the use of offshore capacity, thereby securing the availability of resources and improving the operating margin.

In May 2007, Creative Digital Group (name-changed to LBi Atlanta) in Atlanta US was acquired. The company has net sales of MUSD 10 and 35 employees. LBi Atlanta is an interactive digital agency that specialises in strategic development and creative solutions for on-line advertising and media campaigns.

In the third quarter of 2007, Syrup (name-changed to LBi New York) was acquired. The digital agency has net sales of MUSD 7, with 22 employees.

During December 2007, Satama in the Netherlands was acquired. The company has net sales of MEUR 7 and 60 employees. Lost Boys' and Satama's complementary service offerings position LBi as the leading digital agency with a complete service offering in the Netherlands.

In December 2007, Iven & Hillmann in Berlin was acquired. The company has net sales of MEUR 2.0 and 22 employees. Iven & Hillmann is one of Germany's leading on-line marketing agencies, specialising in search engine and affiliate marketing. Search engine marketing is an area that continues to be heavily fragmented and Iven & Hillmann is contributing to LBi's complete service package for large international customers.

SHARE DATA AND EMPLOYEE STOCK OPTIONS

An extraordinary general meeting held 30 May 2006 approved the merger of Framfab AB and LB Icon AB. The meeting also approved a 50:1 reverse split of Framfab shares.

An extraordinary general meeting in Framfab was held 13 July 2006. Subject to registration of the merger, it was resolved 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 and on the same day the combined LBI International AB was listed on the Stockholm Stock Exchange. LBI International AB was also listed on Euronext in Amsterdam. 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 in the merger. LB Icon's shareholders received one Framfab share for each share 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 shares outstanding. The Annual General Meeting held 30 May also resolved to issue 1,896,124 new subscription options to secure LB Icon's previous option programme.

There were 66,000 options remaining from the former Framfab programme that were rolled over into the new LBi programme. The extraordinary meeting held 11 October resolved to issue a total of 1,835,000 options. 2,001,000 options have been awarded to the Group's key employees in 2007.

The Parent Company had 62,017,276 registered shares outstanding as of 31 December 2007.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

For a description of the Group's financial risks and financing policies, refer to Note 25, page 67.

Risk factors

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

Market and competition

LBi is exposed to severe competition. 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 the market and sell both its established and newly developed services. Any failure to satisfy demands and remain competitive in these and other respects could be detrimental to the Group's operations, earnings and financial position.

Digital media trends and reliance on skilled employees

LBi must remain in the forefront of development to succeed in the 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 to create 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 have a negative effect on profitability.

Reliance on big clients

LBi's goal is to forge long-term relationships with big international companies on a large number of projects. The Company is of the opinion that such relationships minimise LBi's selling 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 with respect to the resources required to complete such an assignment can generate a loss.

Sales and cost structure

LBi derives most of its sales from the services it sells. As a company exclusively devoted to consulting, the majority of LBi's costs are employee-related (79% in 2007). In addition to its own employees, 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 revenue the Company generates from services provided.

Claims and disputes

The Company has a number of on-going VAT and income tax issues. 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

Payroll expenses for Company employees increased by 3%, reducing operating profit by MSEK 25.0 during 2007. 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 engages subcontractors, who accounted for 19% of all personnel costs including subcontractors during 2007.

Net sales

Net sales for a period is 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

LBi operates in several countries and is thus exposed to exchange rate fluctuations. LBi's policy is to minimise the exchange rate risks faced by its subsidiaries and have the Parent Company assume as much as possible of the potential risk that remains. Essentially all assets and liabilities held by each subsidiary are in the currency of the respective country. A 10% change in the value of the Swedish krona with respect to the Group's other currencies in 2007 would have impacted net revenue by MSEK 130.5 and operating profit by MSEK 11.4.

Financial policy

LBi has a policy of not taking any special measures to guard against financial risks, such as transaction and translation exposure, involving currencies 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 currency risks faced by its subsidiaries and the goal is not to have more net assets in foreign units than operationally warranted.

Surplus liquidity is invested in the interest rate market in financial instruments with a minimum credit rating of K-1 (the highest credit rating). Investments in the interest rate market are made awaiting interesting operational investment alternatives. Further information regarding financial instruments and risk management will be found in Note 25, page 67.

Intellectual property rights

LBi is primarily engaged in providing consulting services and develops only limited proprietary software. Software is normally developed in connection with individual assignments from clients.

In the case that such software may be suitable for assignments from other clients and when it is important and feasible, the parties sign an agreement whereby LBi retains the copyright and the client obtains a non-exclusive license. Otherwise software is usually specifically designed for a particular client and LBi has no reason to obtain 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 where the Group is represented.

SALARIES AND COMPENSATION

LBi's basic policy 2007 is that all salaries and other benefits for management shall be comparable to and competitive with current market standards in order to ensure that the Group attracts and retains competent management personnel. The total compensation shall consist of fixed annual salaries, variable compensation, pensions and other benefits. In addition to fixed salaries, Group management receives variable compensation based on actual earnings relative to earnings and performance targets in their individual areas of responsibility. This variable compensation shall not exceed 100% of the annual fixed salary for managing directors or other management personnel. Additional benefits such as company cars, extra health care insurance or company-sponsored health care, is based on local standards for members of senior management in the market where such executive is active.

In the case of termination at the initiative of the Company, the period of notice for all members of senior management is a maximum of 12 months, with the right to severance payment equivalent to a maximum of 100 percent of the current fixed salary for a maximum period of 12 months.

The Board will propose no changes to be made in the guidelines for remuneration for 2008.

ENVIRONMENTAL INFORMATION

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

CHANGE OF ACCOUNTING POLICIES

Segment reporting

Beginning with the second quarter of 2007, LBi reports by new segments, where Benelux, German and southern European companies were combined into one segment for purposes of reporting, control and management.

Reporting of sales from Media Services

LBi's service offerings include a growing proportion of media services, such as the collection and analysis of data from search engines, as well as other services related to on-line marketing research campaigns. These services are usually contracted from outside partners. According to IFRS regulations, the income from such services can either be accounted for on a net or gross basis, with a deduction for the cost of external services. LBi decided to change accounting policy from gross to net as of 1 July 2007, which means that only revenue generated above the costs of purchased services will be reported as invoicing. Financial information for the previous periods of 2007, 2006, 2005, 2004 and 2003 has been recalculated according to this new policy. The change of accounting from gross to net income in this sector provides a more accurate picture of the Group's earnings, as well as a better basis for comparison with other companies in the media sector.

WORK OF THE BOARD OF DIRECTORS

The LBi Board of Directors is composed so as to efficiently support and monitor senior management's performance. During 2007, the Board of Directors held 15 meetings, of which 8 were per capsulam and one meeting was statutory.

Domiciled in Stockholm, the Board of Directors consisted of 5 directors and no alternates during the period: Katarina G. Bonde, Fred Mulder (Chairman), Sven Skarendahl, Michiel Mol and Robert Pickering (Managing Director). Board member Sven Skarendahl passed away in January 2008. When necessary, employees attend Board of Directors meetings to present a report or serve in an administrative capacity. For more information about the board members, refer to page 92.

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

The Company's nomination committee consisted of Gunnar Ek (Chairman), Fred Mulder and Frank Bergman.

A remuneration committee has been established within the Board of Directors consisting of Michiel Mol, Fred Mulder and Sven Skarendahl. The audit committee of the Board of Directors was composed of Katarina G. Bonde, Fred Mulder and Sven Skarendahl. No other special committees have been established and the Board of Directors in its entirety has dealt with any matters that arose. In accordance with the Board's current rules of procedure and instructions for the CEO, executive management has continually kept the Board up to date as to the Group's financial position, strategic developments, as well as trends in the business and the marketplace.

The Company's auditors report annually to the Board of Directors based on their review. At the Annual General Meeting held 2 May 2007, Öhrlings PricewaterhouseCoopers was appointed as auditor for LBI International AB for a period of four years. Authorised Public Accountant Hans Jönsson will serve as Chief Auditor.

The Board of Directors keeps current on newly adopted corporate governance and reporting procedures.

Events of importance after the end of the financial year

Luke Taylor was appointed Managing Director effective as of 10 January 2008. In order to better meet client demand LBi has set out the following strategic priorities presented in a strategic roadmap by CEO Luke Taylor 6 March 2008.

- Build expertise centers and strengthen full service offering in key hub markets US, UK and Asia
- Leverage local best-in-class service offering, skills and country rate cards across international client base
- Evolve offer in local European markets
- Move towards one global brand with consistency of process and offer for increased recognition as the leading international digital agency.

The presentation of the roadmap can be downloaded in its entirety from www.lbi.com.

In April the full-service digital Agency Special Ops Media in New York was acquired. Special Ops perfectly delivers on the ambition to extend and deepen LBi's service offer in the United States. Over 2007 Special Ops realised net sales of USD 10.1 million and has over 60 employees. The total purchase price will be in the range of USD 20–45 million (dependant on an earn-out arrangement based on future performance) and can partially be paid with shares.

Expectations concerning the future development

Market demand for LBi's services increased during the past year and independent sources foresee an expansion in the interactive marketing sector. LBi's goal is to grow with the market while improving its profitability.

Proposed allocation of the Company's earnings

The Board of Directors and the CEO propose that the Annual General Meeting approves appropriation of retained earnings of SEK 748,019,621 be carried forward.

The Board of Directors and CEO propose no dividend be declared for 2007.

For information regarding the profit and financial position of the Group and the Parent Company at the end of the fiscal year, as well as funding and use of capital during the financial year, reference is made to the following income statements and balance sheets, specifications of changes in shareholder's equity, cash flow statement, reporting and valuation principles as well as notes.

Net sales and profit

Net sales and profit

- Net sales increased by 36%
- The operating margin was 6.6% (7.5)
- Profit after tax rose from MSEK 89.6 to MSEK 101.9

Net sales for the year totalled MSEK 1,429.1 (1,051.6). Net revenue per employee decreased for the year by 4% to an annual rate of KSEK 1,010 (1,050).

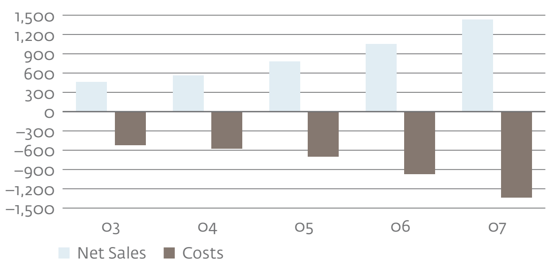
Operating profit for the full year was MSEK 94.1 (78.9).

Employee related costs, including subcontractors, were 79% (78) of total costs in 2007, while costs for subcontractors were 19% (20) of total personnel costs. Costs for subcontractors can generally change with less than one month's notice, while costs for employees are ordinarily adjustable after four months.

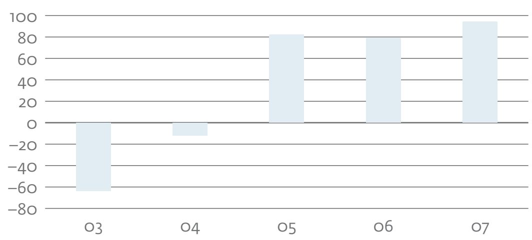
Earnings per share

Earnings per share were SEK 1.63 (1.95).

Net Sales and Costs, MSEK



Operating profit, MSEK



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 on 1 January 2005. In the pro forma accounts a preliminary valuation of client relationships has been made, and amortisation has been charged to this result. 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

MSEK	2007	2006	2005
External net sales			
United Kingdom	475.4	474.8	370.4
Scandinavia	194.0	174.1	179.5
Central and Southern Europe	573.8	606.9	528.4
US	188.4	114.2	115.1
Eliminations	–2.5	–0.0	–0.0
Group	**1,429.1**	**1,370.0**	**1,193.4**
Operating profit [1]			
United Kingdom	64.8	64.9	53.7
Scandinavia	37.5	37.0	35.7
Central and Southern Europe [2]	51.1	72.5	62.6
US	28.3	14.9	7.4
Parent Company and eliminations	–87.6	–72.4	–82.1
Group	**94.1**	**116.9**	**77.3**

[1] Operating profit before management fee and costs for restructuring 2006
[2] Escador Germany was sold 31 July 2006 and is excluded as of that date

Operating Margin (%)	2007	2006	2005
United Kingdom	13.6	13.7	14.5
Scandinavia	19.3	21.2	19.9
Central and Southern Europe	8.9	11.9	11.8
US	15.0	13.0	6.4
Group	**6.6**	**8.5**	**6.5**
Number of employees at the end of the period			
United Kingdom	430	362	325
Scandinavia	192	202	184
Central and Southern Europe	702	649	650
US	164	77	83
Parent Company	12	11	17
Group	**1,500**	**1,301**	**1,259**

Income Statements

MSEK	Note	Group 2007	Group 2006	Group 2005	Parent Company 2007	Parent Company 2006	Parent Company 2005
Net sales	3, 4	1,429.1	1,051.6	783.0	20.5	15.8	13.6
Production costs		–1,005.4	–732.4	–531.3	–	–	–
Gross profit	16	**423.7**	**319.2**	**251.7**	**20.5**	**15.8**	**13.6**
Selling expenses		–75.7	–80.5	–69.2	–	–	–
Administrative expenses		–261.9	–171.6	–154.5	–49.6	–42.4	–30.7
Other operating income	6	8.0	13.0	56.6	–	–	–
Other operating expenses	6	–	–1.2	–2.2	–	–	–
Operating profit/loss	1, 2, 3, 4, 5, 7, 16	**94.1**	**78.9**	**82.4**	**–29.1**	**–26.6**	**–17.1**
Profit/loss from financial investments							
Profit from shares in Group companies	8	–	–	–	0.4	155.9	37.9
Profit from shares in associated companies	9	0.2	2.0	1.3	–	–	–
Profit/loss from financial non-current assets	10	–10.8	0.1	0.1	–11.3	–	–
Finance income	11	21.4	11.5	24.3	11.9	8.7	1.6
Finance costs	12	–28.2	–8.0	–50.9	–15.4	–6.3	–0.7
Profit after finance items	16	**76.7**	**84.5**	**57.3**	**–43.5**	**131.7**	**21.7**
Income tax	13	25.2	5.1	–8.6	1.7	–	2.1
Profit for the year	3, 16	**101.9**	**89.6**	**48.7**	**–41.8**	**131.7**	**23.8**
Attributable to							
The Parent Company's equity holders		101.2	89.6	48.7			
Minority interest		0.7	0.0	0.0			
Earnings per share attributable to the Parent Company's equity holders	40						
Earnings per share (SEK)		1.63	1.95	1.72			
Earnings per share after dilution (SEK)		1.63	1.94	1.66			
Average number of shares outstanding (thousand)		61,826	46,011	28,247			
Average number of shares outstanding after dilution (thousand)		62,345	46,258	29,247			

Financial position

Financial position

- Shareholders' equity amounts to MSEK 2,019.0, while the equity ratio was 69%
- Shareholder's equity per share was SEK 32.54
- Interest-bearing net liabilities amounted to MSEK 8.1

MSEK	2007 31 Dec	2007 30 Sep	2007 30 Jun	2007 31 Mar	2006 31 Dec
Working capital	181.5	205.7	281.8	250.4	175.3
Proportion of net revenue (%)	53	55	76	73	53
Equity ratio (%)	69	76	80	81	81
Capital employed	2,456	2,233	2,169	2,057	2,021
Cash and cash equivalents	217.2	161.1	131.4	136.8	185.4

Intangible non-current assets amounting to MSEK 1,552.9 (1,102.3) consist primarily of goodwill and similar items from acquisitions of subsidiaries. Any impairment of goodwill is continuously evaluated based on a future discounted cash flow model. No impairment of goodwill was identified during the year.

Property, plant and equipment valued at MSEK 63.4 (51.1) consist mainly of leasehold improvement costs at rented London premises, as well as computers and other office equipment.

Financial non-current assets amount to MSEK 37.0 (68.4). Deferred tax assets of MSEK 498.3 (456,4) consisted mainly of tax deficits for the companies in the Netherlands, the United Kingdom and Sweden.

Trade accounts receivable stood at MSEK 414.6 (338.0), while average Days of Sales Outstanding (DSO, see definition on page 89), including work-in-progress was 84 days.

Prepaid expenses and accrued income include work-in-progress of MSEK 94.8 (89.0).

Interest-bearing net assets were MSEK 8.1. The Group's net indebtedness increased as a result of the year's acquisitions.

MSEK 279.8 of the Group's long-term provisions and MSEK 49.8 of its short-term provisions were for anticipated additional purchase price.

Balance Sheets

		Group			Parent Company		
MSEK	**Note**	**2007-12-31**	**2006-12-31**	**2005-12-31**	**2007-12-31**	**2006-12-31**	**2005-12-31**
ASSETS							
Non-current assets							
Intangible non-current assets							
Other intangible non-current assets	17	135.9	115.0	43.8	4.7	3.9	0.6
Goodwill	18	1,417.0	987.3	374.2	–	–	–
Total intangible non-current assets		**1,552.9**	**1,102.3**	**418.0**	**4.7**	**3.9**	**0.6**
Tangible non-current assets							
Leasehold improvements	19	20.2	20.9	12.4	–	–	–
Equipment	20, 21	43.2	30.2	19.4	0.5	0.0	0.1
Total tangible non-current assets		**63.4**	**51.1**	**31.8**	**0.5**	**0.0**	**0.1**
Financial non-current assets							
Participations in associated companies	9, 24	1.7	1.5	0.0	0.0	0.0	–
Participations in Group companies	22, 23	–	–	–	1,213.7	1,171.8	489.1
Other long-term securities	26	20.4	59.6	193.6	–	59.1	–
Other long-term receivables		14.9	7.3	2.8	–	–	–
Total financial non-current assets		**37.0**	**68.4**	**196.4**	**1,213.7**	**1,230.9**	**489.1**
Deferred tax assets	13	498.3	456.4	23.9	–	–	–
Total non-current assets	15	**2,151.6**	**1,678.2**	**670.1**	**1,218.9**	**1,234.8**	**489.8**
Current assets							
Short-term receivables							
Trade accounts receivable	14	414.6	338.0	212.4	1.5	1.5	1.4
Receivables from associated companies		0.0	0.3	1.1	0.0	0.0	–
Receivables from Group companies		–	–	–	225.1	112.9	68.5
Current tax assets	13	1.9	7.1	12.5	–	–	–
Other receivables		26.8	25.5	11.1	9.6	7.7	1.1
Prepaid expenses and accrued income	27	115.8	109.6	63.9	3.7	1.4	2.5
Total current receivables	15	**559.1**	**480.5**	**301.0**	**239.9**	**123.5**	**73.5**
Cash and cash equivalents		217.2	185.4	108.8	71.9	42.9	1.7
Total current assets		**776.3**	**665.9**	**409.8**	**311.8**	**166.4**	**75.2**
Total assets	15, 25	**2,927.9**	**2,344.1**	**1,079.9**	**1,530.7**	**1,401.2**	**565.0**

MSEK	Note	Group 2007-12-31	Group 2006-12-31	Group 2005-12-31	Parent Company 2007-12-31	Parent Company 2006-12-31	Parent Company 2005-12-31
LIABILITIES AND SHAREHOLDERS' EQUITY							
Shareholders' equity							
Share capital	28	155.0	153.4	22.4			
Paid-in, unregistered share capital		–	0.1	2.1			
Other capital contributed		1,826.2	1,812.4	577.6			
Reserves		140.6	139.3	173.5			
Accumulated deficit, including profit for the year		–103.9	–202.1	–294.7			
Total		**2,017.9**	**1,903.1**	**480.9**			
Restricted equity							
Share capital					155.0	153.4	60.0
Paid-in, unregistered share capital					–	0.1	–
Legal reserve					173.1	173.1	173.1
Revaluation reserve					–	–	52.2
Total					**328.1**	**326.6**	**285.3**
Non-restricted equity							
Share premium reserve					1,534.1	1,525.1	–
Fair value reserve					–	0.0	–
Loss brought forward					–744.3	–880.5	–2.1
Profit for the year					–41.8	131.7	23.8
Total					**748.0**	**776.3**	**21.7**
Total shareholders' equity attributable to the Parent Company's equity holders		**2,017.9**	**1,903.1**	**480.9**	**1,076.1**	**1,102.9**	**307.0**
Minority interests		1.1	0.0	0.0	–	–	–
Total shareholders' equity		**2,019.0**	**1,903.1**	**480.9**	**1,076.1**	**1,102.9**	**307.0**
Long-term liabilities							
Liabilities to credit institutions	33	163.0	10.9	12.8	157.6	–	–
Loans from shareholders	31	–	–	91.6	–	–	–
Convertible loan	32	–	–	150.8	–	–	–
Provision for pensions and similar commitments	29	8.0	7.0	5.9	–	–	–
Deferred tax liability	13	14.7	17.9	–	–	–	–
Other provisions	30	283.3	48.9	27.3	26.2	46.5	82.4
Total long-term liabilities	16	**469.0**	**84.7**	**288.4**	**183.8**	**46.5**	**82.4**
Current liabilities							
Liabilities to credit institutions	34	62.3	10.5	16.7	57.1	–	–
Other interest-bearing liabilities	34	–	40.6	–	–	40.6	–
Advance payments from clients		42.0	19.8	6.4	–	–	–
Accounts payable		99.7	58.8	67.7	7.2	6.3	4.8
Liabilities to Group companies		–	–	–	185.5	149.0	120.2
Current tax liabilities	13	24.4	12.7	10.3	–	–	–
Other liabilities		48.4	51.0	35.2	0.1	0.0	0.2
Short-term provisions		49.8	50.0	39.2	17.6	50.0	42.6
Accrued expenses and deferred income	35	113.3	112.9	135.1	3.3	5.9	7.8
Total current liabilities	16	**439.9**	**356.3**	**310.6**	**270.8**	**251.8**	**175.6**
Total liabilites and shareholders' equity	16, 25	**2,927.9**	**2,344.1**	**1,079.9**	**1,530.7**	**1,401.2**	**565.0**

For information about pledged assets and contingent liabilities, refer to Notes 36 and 37

Cash Flow

Cash Flow

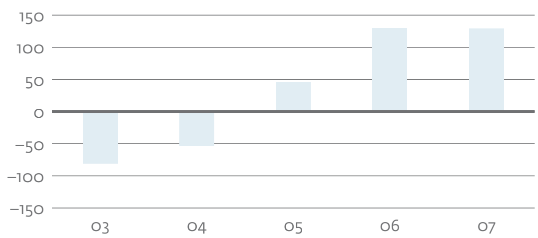
MSEK	Q4	Q3	Q2	Q1	Full year 2007	Full year 2006	Full year 2005
Cash flow from operating activities	47.3	82.7	24.5	–24.9	129.6	130.4	45.9
Cash flow from net revenue (%)	14	22	7	–7	9	12	6

Cash flow from operating activities was MSEK 129.6 for the year, while total cash flow was MSEK 34.6.

Trade accounts receivable amounted to MSEK 414.6, an increase of MSEK 76.6 since the end of 2006. Trade accounts receivable percentage of the most recent quarter's sales was 122% compared to 103% at the end of the previous year.

Including work-in-progress and net advance payments from clients, the figure was 137% (124) at year-end. DSO (Days of Sales Outstanding, see definition on page 89) was 84 days at the end of the year, compared with 100 days at year-end 2006.

Cash flow from operating activities, MSEK



MSEK	2007	2006	2005
Trade accounts receivable, year-end	414.6	338.0	212.4
Proportion of latest quarter's net sales (%)	122	103	96
Trade accounts receivable, average 4 quarterly accounts	382.8	246.3	163.6
Proportion of net sales (%)	27	23	21

Working capital increased during the year, both in absolute numbers and as a percentage of net sales. Excluding liquid assets and current liabilities related to additional purchase price, working capital stood at MSEK 231.3 (225.3) at year-end. Total current assets, excluding liquid assets, were up by MSEK 78.6 compared with 2006. Cash and cash equivalents at the end of the year totalled MSEK 217.2 (185.4).

Statement of Cash Flow

MSEK	Note	Group 2007	Group 2006	Group 2005	Parent Company 2007	Parent Company 2006	Parent Company 2005
Operating activities							
Profit for the year		101.9	89.6	48.7	–41.8	131.7	23.8
Adjustment for items not included in cash flow		26.3	9.2	0.1	–0.1	–156.0	–39.8
Cash flow from operating activities before changes in working capital		**128.2**	**98.8**	**48.8**	**–41.9**	**–24.3**	**–16.0**
Cash flow from changes in working capital							
Operating receivables		–29.5	85.4	–20.1	–111.1	–4.9	–10.6
Operating liabilities		30.9	–53.8	17.2	11.9	37.4	44.3
Cash flow from operating activities		**129.6**	**130.4**	**45.9**	**–141.1**	**8.2**	**17.7**
Investing activities							
Acquisition of Group companies	22	–211.0	41.0	–27.7	–19.3	–17.1	–142.0
Capital contributions to subsidiaries		–	–	–	–	–4.6	–
Divestment of Group companies		0.4	4.9	–15.0	0.4	–	–
Purchase price paid for previous acquisitions		–51.4	–18.4	–1.1	–51.4	1.4	–
Merger with LB Icon AB		–	–	–	–	55.7	–
Investments in intangible/tangible non-current assets		–40.3	–23.5	–16.5	–3.3	–3.5	–0.7
Change in other financial non-current assets		32.4	–36.9	–156.7	59.1	–	–
Cash flow from investing activities		**–269.9**	**–32.9**	**–217.0**	**–14.5**	**31.9**	**–142.7**
Financing activities							
New share issues		10.5	9.8	32.4	10.5	1.1	–
Repayment of loans		–32.4	–25.0	–32.9	–40.6	–	–
Loans raised		196.8	–	119.9	214.7	–	–
Cash flow from financing activities		**174.9**	**–15.2**	**119.4**	**184.6**	**1.1**	**–**
Cash flow for the year		**34.6**	**82.3**	**–51.7**	**29.0**	**41.2**	**–125.0**
Liquid assets at beginning of the year		185.4	108.8	157.2	42.9	1.7	126.7
Exchange rate differences in liquid assets		–2.8	–5.7	3.3	–	–	–
Liquid assets at year-end		**217.2**	**185.4**	**108.8**	**71.9**	**42.9**	**1.7**

Supplementary cash flow statement information

	Group			Parent Company		
MSEK	**2007**	**2006**	**2005**	**2007**	**2006**	**2005**
Interest expense and dividend income						
Dividend income	–	–	–	–	–	6.1
Interest income	5.7	2.9	1.1	1.4	2.6	1.3
Interest expense	–11.2	–4.2	–15.3	–8.3	–0.6	–0.4
Adjustment for items not included in cash flow						
Dividends from subsidiaries	–	–	–	–	–	–6.1
Depreciation, amortisation and impairment of assets	60.1	41.7	32.0	2.0	0.3	0.2
Reversal of and impairment of shares in Group companies	–	–	–	–	–143.1	–31.8
Change in provisions	–1.0	–4.9	–4.7	–	–	–
Employee stock options	6.3	3.7	3.4	–	–	–
Financial items	–	–	2.9	–	–	–
Result from participations in associated companies and partnerships	–0.2	–1.5	0.9	–	–	–
Financial assets and liabilities at fair value	–	–5.0	–32.2	–	–	–
Result from sales and disposal of Group companies	–0.4	–5.7	–15.5	–0.4	–12.8	–
Unrealised exchange rate differences	–0.3	–5.1	13.2	–	–0.4	–
Taxes	–38.2	–14.0	0.1	–1.7	–	–2.1
Total	**26.3**	**9.2**	**0.1**	**–0.1**	**–156.0**	**–39.8**

Change in shareholders' equity

Changes in Group equity	Note	Share-capital	Paid in, not registered share capital	Other capital contributed	Reserves	Accumulated deficit	Minority interest	Total equity
		Shareholders' equity attributable to the parents shareholders						
Shareholders' equity, 1 January 2005		**19.9**	**0.2**	**377.1**	**202.5**	**–343.4**	**0.0**	**256.3**
Translation differences for the year					33.6			33.6
Hedging of net investment	40				–6.6			–6.6
Total changes in value charged directly to equity		**0.0**	**0.0**	**0.0**	**27.0**	**0.0**	**0.0**	**27.0**
Translation differences attributable to divested operations					–56.0			–56.0
Net profit for the year						48.7		48.7
Total changes in value, not including transactions with the Company's equity holders		**0.0**	**0.0**	**0.0**	**–29.0**	**48.7**	**0.0**	**19.7**
Employee stock options				3.2				3.2
Registration of shares		0.2	–0.2					0.0
Equity portion of convertible loan				1.0				1.0
Conversion of loan/set-off issue		0.2		6.0				6.2
Cash new share issues		0.8	0.0	31.6				32.4
Non-cash and set-off 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**	**0.0**	**480.9**
Translation differences for the year					–30.7			–30.7
Revaluation of financial non-current assets to fair value						3.0		3.0
Translation difference on financial non-current assets to fair value					–3.0			–3.0
Total changes in value charged directly to equity		**0.0**	**0.0**	**0.0**	**–33.7**	**3.0**	**0.0**	**–30.7**
Translation differences attributable to divested operations					–0.5			–0.5
Net profit for the year						89.6		89.6
Total changes in value, not including transactions with the Company's equity holders		**0.0**	**0.0**	**0.0**	**–34.2**	**92.6**	**0.0**	**58.4**
Employee stock options	41			2.6				2.6
Registration of shares		2.1	–2.1					0.0
Paid in new share issues		0.5	0.1	9.2				9.8
Merger [1]		60.6		–60.6				0.0
Non-cash and set-off 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**	**0.0**	**1,903.1**

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

Changes in Group equity	Note	Shareholders’ equity attributable to the parents shareholders Share-capital	Paid in, not registered share capital	Other capital contributed	Reserves	Accumulated deficit	Minority interest	Total equity
Shareholders’ equity, 1 January 2007		**153.4**	**0.1**	**1,812.4**	**139.3**	**–202.1**	**0.0**	**1,903.1**
Translation differences for the year					–1.7			–1.7
Total changes in value charged directly to equity						–3.0		–3.0
Translation differences attributable to divested operations					3.0			3.0
Minority interest, acquisition							0.4	0.4
Total changes in value reported directly against shareholders’ equity		**0.0**	**0.0**	**0.0**	**1.3**	**–3.0**	**0.4**	**–1.3**
Net profit for the year						101.2	0.7	101.9
Total changes in value, not including transactions with the Company’s equity holders		**0.0**	**0.0**	**0.0**	**0.0**	**98.2**	**1.1**	**100.6**
Employee stock options	41			4.8				4.8
Registration of shares		0.1	–0.1					–
Cash new share issues		1.5		9.0				10.5
Shareholders’ equity, 31 december 2007		**155.0**	**–**	**1,826.2**	**140.6**	**–103.9**	**1.1**	**2,019.0**

Changes in shareholders' equity Parent Company	Restricted equity: Share capital	Restricted equity: Paid in, not registered share capital	Restricted equity: Legal reserve	Restricted equity: Revaluation reserve	Non-restricted equity: Share premium reserve[1)]	Non-restricted equity: Fair value reserve	Non-restricted equity: Profit/loss brought forward	Non-restricted equity: Net 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**
Allocation of profit/loss					–27.9			27.9	0.0
Revaluation of financial assets				26.5					26.5
Tax effect of group contribution received							–2.1		–2.1
Total changes in value charged directly to equity	**0.0**	**0.0**	**0.0**	**26.5**	**–27.9**	**–**	**–2.1**	**27.9**	**24.4**
Net profit for the year								23.8	23.8
Total changes in value not including transactions with the Company's equity holders	**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 share premium reserve to legal 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**
Allocation of profit/loss							23.8	–23.8	0.0
Change in translation reserve for the year				–52.2			52.2		0.0
Revaluation of financial non-current assets to fair value						3.0			3.0
Translation difference on financial non-current assets to fair value						–3.0			–3.0
Merger difference							–954.4		–954.4
Total changes in value charged directly to equity, not including transactions with the Company's equity holders	**0.0**	**0.0**	**0.0**	**–52.2**	**0.0**	**0.0**	**–878.4**	**–23.8**	**–954.4**
Net profit for the year								131.7	131.7
Total changes in value, not including transactions with the Company's equity holders	**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**	**–**	**1,525.1**	**0.0**	**–880.5**	**131.7**	**1,102.9**

1) The share premium reserve was restricted equity until 31 December 2005

Changes in shareholders' equity Parent Company	Restricted equity Share capital	Restricted equity Paid in, not registered share capital	Restricted equity Legal reserve	Restricted equity Revaluation reserve	Non-restricted equity Share premium reserve[1]	Non-restricted equity Fair value reserve	Non-restricted equity Profit/loss brought forward	Non-restricted equity Net profit for the year	Total equity
Shareholders' equity, 1 January 2007	**153.4**	**0.1**	**173.1**	**–**	**1,525.1**	**0.0**	**–880.5**	**131.7**	**1,102.9**
Allocation of profit							131.7	–131.7	0.0
Revaluation of financial non-current assets to fair value						–3.0			–3.0
Translation difference on financial non-current assets to fair value						3.0			3.0
Group contribution received							6.2		6.2
Tax effect on group contribution received							–1.7		–1.7
Total changes in value charged directly to equity, not including transactions with the Company's equity holders	**0.0**	**0.0**	**0.0**	**–**	**0.0**	**0.0**	**136.2**	**–131.7**	**4.5**
Profit/loss for the year								–41.8	–41.8
Total changes in value not including transactions with the Company's equity holders	**0.0**	**0.0**	**0.0**	**–**	**0.0**	**0.0**	**136.2**	**–173.5**	**–37.3**
Registration of shares	0.1	–0.1							0.0
New share issue	1.5				9.0				10.5
Shareholders' equity, 31 december 2007	**155.0**	**–**	**173.1**	**–**	**1,534.1**	**–**	**–744.3**	**–41.8**	**1,076.1**

Accounting principles

Agreement with standards and law

The consolidated accounts have been prepared in accordance with 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. Additionally, RR 30:06 of the Swedish Financial Accounting Standards Council and Supplementary Rules for Consolidated Financial Statements for consolidated financial statements and the Swedish Accounts Act have been applied.

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

New IFRS and interpretations to be applied in future reporting

When the consolidated accounts were prepared as of 31 December 2007, a number of standards and interpretations had been published, but had 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.

IAS 1 Presentation of Financial Statements (effective from 1 January 2009)

This amendment is still pending endorsement by the European Union and applies to the interpretation and wording of the Group's financial statements. Future reporting of the Group's financial statement will be influenced when this standard is introduced.

IAS 23 Borrowing costs (effective from 1 January 2009)

This amendment is still pending endorsement by the European Union. It requires companies to capitalise borrowing costs directly attributable to purchase, construction or production of an asset that takes considerable time to complete for use or sale, as a part of the acquisition value of the asset. The alternative of expensing immediately these borrowing costs will be removed. The Group will apply IAS 23 (Amendment) from 1 January 2009, but this is currently irrelevant since the Group has no assets for which borrowing costs can be capitalised.

IAS 27 Consolidated and Separate Financial Statements (effective from 1 July 2009).

This amendment is still pending endorsement by the European Union. The amendment states, inter alia, that transactions with minority interests shall always be reported in equity, even when the minority interest is negative, and particularly when a partial divestment of a subsidiary results in a loss of control of the subsidiary, all remaining interest shall be revaluated at fair value.

IFRS 3 Consolidation policies (effective from 1 July 2009)

This amendment is still pending endorsement by the European Union, and will have an effect on how future business consolidations are reported, i.e. the reporting of transaction costs, business consolidations conducted in stages, and other possible contingent considerations. The Group will apply the standard from 1 January 2010. This does not have any impact on previous business consolidations.

IFRS 8, Operating Segments (effective from 1 January 2009)

IFRS 8 replaces IAS 14 and adapts segment reporting to USA standard SFAS 131, Disclosures about segments of an enterprise and related information. This new standard requires a company's operation be broken down into different segments and reported from the perspective of management, which is the same format used for internal reporting. The Group shall implement IFRS 8 from 1 January 2009. The Group continues to analyse the effects of this standard and foresees that both the number of segments, as well as the reporting for each segment, will continue to follow the current internal breakdown by segment that is being reported to the CEO. Since goodwill is allocated by income generating sections on a segmented level, this change requires that management allocates goodwill between the new operating segments. The Group does not foresee that this will result in any impairment of goodwill.

IFRC 11, IFRS 2 – Internal share transactions (effective for the financial year beginning on or after 1 March 2007)

IFRIC 11 applies to internal share-related transactions within the Group (e.g. options of a parent company's shares), and sets standards as to how such transactions shall be reported for share-related compensations when the company buys back shares in order to regulate its obligations, or when reporting such transactions for the parent company in respect to subsidiaries. This is not expected to influence the Group's financial reporting.

IFRIC 14, IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction (effective from 1 January 2008)

IFRIC 14 provides guidance for assessing the limit in IAS 19 on the amount of surplus that can be recognised as an asset, and clarifies how pension assets or liabilities may be affected by a statutory or contractual minimum-funding requirement. The Group will apply IFRIC 14 from 1 January 2008 and does not foresee this will have any effect on the Group's accounting.

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.

Important estimates and assumptions

Estimates and assumptions are reviewed on a regular basis and are based on previous experience and other factors, including future expectations considered reasonable in present conditions. Changes in the estimates are reported in the period when they are made, and in future periods as well if also affected.

Goodwill and other intangible assets

The Group performs an impairment assessment each year to determine whether any write-down requirement has arisen. The recoverable value of cash-generating units has been established through the calculation of the value in use. Certain estimations must be made for these computations. See Note 17.

Taxes

The Group is required to pay tax in many different countries. Comprehensive appraisals are required to determine the worldwide provision for income taxes. There are many transactions and computations where the final tax is uncertain at the point in time the transactions and computations are carried out. The Group reports a liability for anticipated tax-audit issues based on estimations as to whether further tax liabilities will arise. In cases where the final tax for such items differs from the amounts initially reported, such differences will affect the tax and deferred tax provisions in the period that such is determined.

Revenue recognition

The Group applies the percentage-of-completion method when reporting fixed-price contracts for the sale of design services. The percentage of completion method implies that the Group must estimate the proportion of the services already performed as per the balance sheet date in relation to the total services that are to be provided.

Supplementary purchase considerations regarding acquisitions

The Group and management continuously monitor profit developments of acquired operations that have outstanding supplementary purchase considerations, and estimate the related future outcomes.

Segment reporting

A segment can be comprised of a geographical area engaged in providing products and services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments. A segment can also be an operating area that is a group of assets and operations engaged in providing products or services subject to risks and returns that are different from those of other operating areas.

The Group's primary segments are geographical areas. The Group has no secondary reportable segment since there is only one operating area, which is comprised of providing consulting services.

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 the purchase method of 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 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, represent 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.

Associated companies

Associated companies are those companies where LBi has a significant but not decisive influence, which as a rule implies a shareholding of between 20 and 50 percent of the voting rights. The shareholding of associated companies is reported as per the equity method and is initially valued at the acquisition value. The proportion of the profit/loss of associated companies is included in the profit/loss before tax of the consolidated income statement, and pertains to the proportion of the associated companies' profit/loss after tax.

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

Translations in foreign currencies

Transactions in foreign currencies are translated to the functional currency at the exchange rate on the transaction date. Monetary assets are 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 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 operation 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 adoption of IFRS are reported separately in the translation reserve in shareholders' equity.

Sales

Sales of goods and execution of service assignments

Revenue from fixed-price assignments are recognised in the income statement based on the degree of completion on the balance sheet date. The degree of completion is determined through an appraisal of work performed based on individual assessments. Revenue is not recognised if it is probable that the Group will not obtain the economic benefits. Should significant uncertainty prevail with regard to the payment or related costs, no revenue recognition will be made. In cases where a project is deemed to contain a loss risk, individual provisions will be made with consideration to the appraised risk. As of 2007, revenues are netted from media services. LBi's service offer includes an increasing proportion of media services, such as the collection and analysis of data regarding search words, as well as other services related to online marketing campaigns. Such services are purchased from independent partners.

Fixed-price agreements

Revenue from fixed price arrangements is recognised on the percentage-of-completion method of accounting using labour hours incurred as the measure of progress towards completion. Production costs include all direct material, labour costs and indirect costs, related to contract performance. Provisions for estimated losses or 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 the 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 recognised rateably over the contractual period during which services are performed.

Dividends

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

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 and tangible non-current assets.
- 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 changed 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 expense

Financial income and expense 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 gain on financial investments. Dividend income is reported once the right to obtain payment has been established.

The Group and the 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 future.
- **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.
- **Available-for-sale financial assets**
  Available-for-sale financial assets are assets that are not derivative instruments and where the assets have been identified as being able to be sold or that have not been classified in another category. They are included under non-current assets if it is not intended to dispose of an asset within 12 months after balance sheet date. When securities that have been classified as financial assets that could be sold, are sold, the accumulated adjustments of the fair value is transferred from equity to the income statement as profit or loss from financial instruments. The Group appraises upon each balance sheet date whether there exists any objective evidence for the write-down of a financial asset or a group of financial assets.

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

A financial investment is either a financial fixed asset or a current investment, depending on the intention. 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 the 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 tie to maturity, they are reported at nominal value without discounting. Impairment of trade accounts receivable is reported as an operating expense.

Liabilities

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 methods. A debt that matures in more than one year is a long-term liability; otherwise it is a current liability.

Borrowing

Borrowing is initially reported at fair value, net after transaction costs. Borrowing is then reported at the accrued acquisition value, and any difference between the received amount (net after transaction costs) and the repayment amount is reported in the income statement spread over the period of the borrowing, with application of the effective interest method.

The fair value of the debt portion of convertible debt instruments is determined by using the market interest rate for an equivalent non-convertible debt instrument. Such amounts are reported as debt at the accrued acquisition value until such time as the debt expires through conversion or redemption. The remaining part of received amounts is attributed to the option part, which is reported in equity. Borrowings are classified as current liabilities if the Group does not have an unconditional right to postpone payment of the liability for at least 12 months after the balance sheet date.

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 assets valued at fair value via equity

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 are reported directly to shareholders equity. Changes in real value regarding monetary and non-monetary securities classified as financial assets that can be sold are reported directly to shareholders equity.

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 25, Financial risks and financing policies.

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 liability 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 deemed to be manageable.

Tangible non-current assets

Owned assets

Tangible non-current assets are 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 tangible non-current assets are 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 a 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 but is reviewed continuously. Useful life for renovations will run concurrent to the contracts. Property, plant and equipment consist 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 are recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new and improved products) are recognised 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.

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 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 adoption of 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 IconMedialab. 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 person plans are calculated according to the Projected Unit Credit Method. The method allocates pension expenses as employees render services for the company that increase their entitlement to the future benefits. Independent actuaries perform the calculation. The company's commitments are reported at the 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 29.

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 costs

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 restructuring cost has been charged to 2007. No provisions for restructure remained on 31 December 2007.

Share-based payments

A stock option program enables employees to acquire shares in the company. The fair values 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 41.

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.

Taxes

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 are attributed 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 foreseeable 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.

Share capital

Ordinary shares are classified as equity.

Transaction costs that can be directly attributed to the issuance of new shares or warrants are reported in equity as a deduction from issue proceeds received.

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 32:06, Accounting for Legal Entities, of the Swedish Financial Accounting Standards Council. RR 32:06 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 31 July 2006, is presented for the reported periods.

Leased assets

The Parent Company reports all leasing contracts according to the rules for operational leasing.

Group and shareholder contributions for legal entities

The Company reports Group and shareholder contributions in accordance with a statement of the Emerging Issues Task Force of the Swedish Financial Accounting Standards Council. Shareholder contributions are reported directly against the 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 the financial purpose. Thus, a Group contribution for the purpose of minimising the Group's total taxes is reported directly against profit brought forward, less its current tax impact.

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.

Related party transactions

The Parent Company treats its subsidiaries as related companies. All invoicing was to subsidiaries, and 60 percent 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 directors or senior executives have had direct contact or indirect involvement in business transactions with LBi that are or were unusual in nature, or with regard to terms and conditions. LBi has not granted loans, issued guarantees or provided security to, or for the benefit of, any director or senior executive.

Notes

Amounts in MSEK, otherwise indicated.

NOTE 1 EMPLOYEES

Average number of employees	2007			2006			2005		
	Women	**Men**	**Total**	**Women**	**Men**	**Total**	**Women**	**Men**	**Total**
Parent Company									
Sweden	3	3	6	3	3	6	4	4	8
Group									
Sweden	48	84	132	16	27	43	–	1	1
Denmark	13	47	60	8	22	30	–	–	–
Belgium/Netherlands	66	189	255	46	155	201	36	123	159
United Kingdom/India	94	258	352	35	190	225	41	113	154
Southern Europe	67	98	165	62	125	187	58	103	161
Germany	123	164	287	112	127	239	79	99	178
United States	45	119	164	27	50	77	39	62	101
Group total	**456**	**959**	**1,415**	**306**	**696**	**1,002**	**253**	**501**	**754**

Directors and senior executives (%)	Men		
	2007	**2006**	**2005**
Parent company			
Directors	80	80	86
Group			
Directors	92	87	100
Managing Directors and senior executives	63	65	91

	2007		2006		2005	
Salaries and remuneration	**Salaries and remuneration**	**Payroll overhead (of which pension expenses)**	**Salaries and remuneration**	**Payroll overhead (of which pension expenses)**	**Salaries and remuneration**	**Payroll overhead (of which pension expenses)**
Parent Company	5.8	2.5 (0.6)	8.9	2.6 (0.6)	13.0	3.7 (0.8)
Group	**768.2**	**113.7 (12.7)**	**612.5**	**95.2 (8.2)**	**362.4**	**50.8 (5.3)**

Note 1 cont'd

2007 Salaries and remuneration for directors and senior executives (SEK thousand)	Basic salary/ remuneration	Other benefits	Pensions	Other remune-ration	Total	Shares	Options	Granted during the year
Katarina G. Bonde	185	–	–	–	185	3,340	–	–
Michiel Mol	185	–	–	–	185	15,249,607 [1]	–	–
Fred Mulder (Chairman as of 2/5)	247	–	–	–	247	274,500	–	–
Robert Pickering (CEO and President)	5,614	–	–	–	5,614	412,856	200,000	200,000
Sven Skarendahl (Chairman until 2/5)	863	–	–	–	863	–	–	–
Other senior executives (3)	7,216	56	463	–	7,735	54,000	520,000	200,000
Total	**14,310**	**56**	**463**	**–**	**14,829**	**15,994,303**	**720,000**	**400,000**

2006 Salaries and remuneration for directorsand senior executives (SEK thousand)	Basic salary/ remuneration	Other benefits	Pensions	Other remune-ration	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	412,356	3,295,000	–
Sven Skarendahl (Chairman)	925	–	–	–	925	–	–	–
Other senior executives (3)	8,684	–	268	–	8,952	54,000	320,000	220,000
Total	**15,475**	**–**	**268**	**–**	**15,743**	**15,826,994**	**3,615,000**	**220,000**

[1] Via companies

Remuneration for the Board of Directors, CEO and senior executives [1]	**2007**	**2006**	**2005**
Parent Company			
Salaries and other benefits	1.6	0.4	–
(of which bonuses)	0.3	–	–
Pensions	0.3	0.1	–
Number of persons	1	1	0
Subsidiaries			
Salaries and other benefits	61.0	39.8	32.5
(of which bonuses)	10.9	7.5	9.8
Pensions	1.8	1.0	0.8
Number of persons	42	35	23
Group			
Salaries and other benefits	62.6	40.2	32.5
(of which bonuses)	11.2	7.5	9.8
Pensions	2.1	1.1	0.8
Number of persons	43	36	23

[1] Local management group in each operational subsidiary.

2007

A general meeting on 2 May elected, Katarina G.Bonde, Michiel Mol, Fred Mulder, Robert Pickering and Sven Skarendahl as Board members with Fred Mulder as Chairman. They approved Board fees up to the annual report 2009 of EUR 20,000 for ordinary Board members, and EUR 30,000 to the Chairman. Luke Taylor was recognised as CEO in January 2008, while Robert Pickering continues to hold his position on the Board.

The other senior executives were Jesper Andersen, EVP and Theo Cordesius, EVP as well as CFO Jan Norman. They received a combined fee of KSEK 7,216 as base salary and bonuses, as well as KSEK 463 in pension.

In 2007, EUR 70,000 was paid to Board Chairman Sven Skarendahl for consulting services in connection with the merger of Framfab AB and LB Icon AB.

2006

An extraordinary general meeting on 30 May elected, Katarina G. Bonde, Michiel Mol, Fred Mulder, Robert Pickering and Sven Skarendahl to serve as directors, 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 directors' fees of EUR 30,000 for the Chairman and EUR 20,000 for the other directors. 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 565,000 in 2006. The remuneration included a GBP 216,000 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. Directors Kaj Green, Arne Myhre and Lucas Mees have received SEK 120,000 per person in directors' fee during 2006. Directors of the former LB Icon AB, Christopher Honeyborne and Jesper Jos Olsson, received a total of EUR 23,300 in directors' fee for 2006.

2005

Annual remuneration for the CEO of GBP 211,000 consisted of a basic salary and pension benefits. The CEO also received a bonus for 2005 equivalent to 70 percent of his basic salary for the first half of the year and 100 percent for the second half, for a total of GBP179,000, based on the Group's financial performance measured as operating earnings during the 2005 calendar year.

The other senior executives were Jesper Andersen, Executive Vice-President and Managing Director of the Swedish and Danish businesses, and Jan Norman, CFO. They received total remuneration of SEK 3,019,000 in basic salaries, SEK 2,494,000 in bonuses and SEK 383,000 in occupational pensions.

In accordance with a decision of the Annual General Meeting, remuneration to the Board of Directors until the next annual meeting was paid the amount of SEK 720,000, of which SEK 240,000 is for the Chairman and SEK 120,000 for each of the other directors. Remuneration for the Board of Directors during the year totalled SEK 720,000, of which SEK 240,000 was for the Chairman. The Board of Directors is not entitled to any pension benefits. Neither the Chairman nor the other directors obtained any other remuneration, either directly from the Company, or indirectly from any related company.

In 2005 the LB Icon CEO's remuneration totalled SEK 5,715,000 in salary. Other senior executives received total remuneration of SEK 7,212,000 (5 persons). The Board in LB Icon received total remuneration of SEK 1,798,000, whereof to the chairman SEK 458,000. This amount also includes consulting fees for services relating to mergers and acquisitions in an amount of SEK 1,157,000.

NOTE 2 FEES AND EXPENSES

	Group			Parent company		
	2007	2006	2005	2007	2006	2005
Audit						
Öhrlings PricewaterhouseCoopers	3.9	4.0	3.7	1.4	0.8	–
KPMG	–	0.0	–	0.0	0.5	0.8
Others	0.5	–	0.5	–	–	–
Services other than audit assignment						
Öhrlings PricewaterhouseCoopers	0.2	2.3	0.9	0.4	1.4	–
KPMG	0.1	0.4	–	0.1	1.8	0.3
Others	1.0	0.3	1.8	0.4	–	–
Total	**5.7**	**7.0**	**6.9**	**2.3**	**4.5**	**1.1**

By audit assignment is meant examining the annual accounts 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-audit assignments refer to everything else. Other assignments 2006 refer to services in connection with prospectus, merger and the listing on Euronext. A major portion of these expenditures is capitalised 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 tangible and intangible non-current 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	2007	2006	2005
Sweden	**2.0**	**1.8**	**2.8**
Belgium	0.9	0.4	–
Denmark	1.2	1.8	2.5
Italy	0.9	0.2	–
Netherlands	2.3	1.0	0.4
Spain	1.2	0.3	–
United Kingdom	6.5	8.0	6.4
Germany	3.2	1.8	1.5
United States	2.3	0.5	–
Total outside Sweden	**18.5**	**14.0**	**10.8**
Total invoicing	**20.5**	**15.8**	**13.6**

Note 3 cont'd

Information about geographic areas

2007	United Kingdom	Scandi-navia	Central and Southern Europe	US	Parent Company and eliminations	Group total
External net sales	475.4	194.0	573.8	188.4	–2.5	1,429.1
Inter-segment net sales	26.0	0.2	3.5	5.9	–35.6	0.0
Total net sales	**501.4**	**194.2**	**577.3**	**194.3**	**–38.1**	**1,429.1**
Operating profit/loss	64.8	37.5	51.1	28.3	–87.6	94.1
Finance/result from shares	–33.3	61.7	–34.8	–7.2	–3.8	–17.4
Pre-tax profit/loss	**31.5**	**99.2**	**16.3**	**21.1**	**–91.4**	**76.7**
Assets	848.7	804.2	870.3	294.4	110.3	2,927.9
Liabilities	104.5	36.7	272.2	194.0	301.5	908.9
Capital investments, non-current assets	16.2	1.6	52.4	17.0	3.2	90.4
Depreciation and amortisation, non-current assets	–21.3	–13.2	–20.3	–2.4	–2.9	–60.1

2006						
External net sales	335.0	67.0	534.9	114.7	0.0	1,051.6
Inter-segment net sales	16.0	0.4	13.9	0.1	–30.4	0.0
Total net sales	**351.0**	**67.4**	**548.8**	**114.8**	**–30.4**	**1,051.6**
Operating profit/loss	42.7	18.5	70.4	14.9	–67.6	78.9
Finance/result from shares	–27.7	8.3	–33.4	–4.8	63.2	5.6
Pre-tax profit/loss	**15.0**	**26.8**	**37.0**	**10.1**	**–4.4**	**84.5**
Assets	291.9	1,123.4	329.0	39.8	560.0	2,344.1
Liabilities	165.9	114.2	268.0	20.7	–127.8	441.0
Capital investments, non-current assets	4.1	61.1	13.4	0.0	3.6	82.2
Depreciation and amortisation, non-current assets	–11.3	–12.0	–15.4	–0.1	–2.9	–41.7

2005						
External net sales	176.6	0.0	476.8	129.6	0.0	783.0
Inter-segment net sales	2.0	0.0	3.1	0.0	–5.1	0.0
Total net sales	**178.6**	**0.0**	**479.9**	**129.6**	**–5.1**	**783.0**
Operating profit/loss	5.1	–0.7	19.7	5.3	53.0	82.4
Finance/result from shares	–2.3	0.1	6.6	0.4	–29.9	–25.1
Pre-tax profit/loss	**2.8**	**–0.6**	**26.3**	**5.7**	**23.1**	**57.3**
Assets	166.4	72.0	426.5	30.7	384.3	1,079.9
Liabilities	99.3	0.6	277.1	21.8	200.2	599.0
Capital investments, non-current assets	4.6	0.0	10.8	1.1	0.0	16.5
Depreciation and amortisation, non-current assets	–8.9	0.0	–20.8	–2.3	0.0	–32.0

NOTE 4 PURCHASING AND SALES WITHIN THE GROUP

Of administrative expenses during the financial year 78% (60) 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 exceeding one year is broken down as follows:

	Group			Parent Company		
Due for payment	**2007**	**2006**	**2005**	**2007**	**2006**	**2005**
2008/2007/2006	29.4	38.7	43.9	0.0	1.6	2.2
2009/2008/2007	25.4	22.7	30.5	–	–	1.6
2010/2009/2008	25.3	21.2	18.0	–	–	–
2011/2010/2009	16.8	18.6	13.1	–	–	–
2012/2011/2010	16.9	11.3	12.3	–	–	–
Later than in 5 years	62.0	38.4	50.0	–	–	–
Total	**175.8**	**150.9**	**167.8**	**0.0**	**1.6**	**3.8**

NOTE 6 OTHER OPERATING SALES AND EXPENSES

	Group			Parent Company		
	2007	**2006**	**2005**	**2007**	**2006**	**2005**
Profit/loss on divestment and liquidation of Group companies	0.4	6.9	15.5	–	–	–
Profit/loss from financial assets reported at fair value via the income statement	–	5.0	29.0	–	–	–
Revaluation of loans	–	–	3.4	–	–	–
Subleasing	1.6	–	8.5	–	–	–
Other income	6.0	1.1	0.2	–	–	–
Total other operating revenue	**8.0**	**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 revenue	**–**	**–1.2**	**–2.2**	**–**	**–**	**–**
Total	**8.0**	**11.8**	**54.4**	**–**	**–**	**–**

Profit/loss from financial assets reported at fair value via 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

	2007	**2006**	**2005**
Impairment loss on goodwill	–	–	–3.2
Depreciation and amortisation of other non-current assets	–60.1	–41.7	–28.8
Total	**–60.1**	**–41.7**	**–32.0**

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

	2007			2006			2005		
	Other	**Goodwill**	**Total**	**Other**	**Goodwill**	**Total**	**Other**	**Goodwill**	**Total**
Production	–45.0	–	–45.0	–17.1	–	–17.1	–15.2	–2.7	–17.9
Sales	–3.4	–	–3.4	–1.7	–	–1.7	–1.8	–0.1	–1.9
Administration	–11.7	–	–11.7	–22.9	–	–22.9	–11.8	–0.4	–12.2
Total	**–60.1**	**–**	**–60.1**	**–41.7**	**–**	**–41.7**	**–28.8**	**–3.2**	**–32.0**

NOTE 8 PROFIT/LOSS FROM PARTICIPATIONS IN GROUP COMPANIES

Parent Company	2007	2006	2005
Impairment loss on participation in group companies	–	–	–0.8
Reversal of previous impairment loss	–	143.1	32.6
Dividends	–	–	6.1
Profit/loss on divestments	0.4	12.8	–
Total	**0.4**	**155.9**	**37.9**

Reversal for the year of participations in Group companies consists of adjustments 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		
	2007	2006	2005	2007	2006	2005
Profit/loss on divestment of participations	–	0.5	2.4	–	–	–
Revaluation of receivables	–	–	–1.1	–	–	–
Profit participation for the year	0.2	1.5	–	–	–	–
Participation in profit/loss of associated companies	**0.2**	**2.0**	**1.3**	**–**	**–**	**–**
Opening proportion of equity	1.5	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 shareholders' equity	0.2	1.5	0.0	–	–	–
Closing proportion of equity	**1.7**	**1.5**	**0.0**	**–**	**–**	**–**

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

	Group			Parent Company		
	2007	2006	2005	2007	2006	2005
Capital loss, divestment	–11.3	–	–	–11.3	–	–
Interest	0.5	0.1	0.1	–	–	–
Total	**–10.8**	**0.1**	**0.1**	**–11.3**	**–**	**–**

NOTE 11 FINANCIAL INCOME

	Group			Parent Company		
	2007	2006	2005	2007	2006	2005
Interest income	5.8	3.2	1.2	8.5	6.5	1.3
Exchange rate differences	15.6	8.3	23.1	3.4	2.2	0.3
Total	**21.4**	**11.5**	**24.3**	**11.9**	**8.7**	**1.6**

SEK 7.1 milion (6.0) of the Parent Company's interest income is from subsidiaries.

NOTE 12 FINANCE COSTS

	Group			Parent Company		
	2007	2006	2005	2007	2006	2005
Interest expense	–11.4	–4.5	–15.4	–11.8	–4.5	–0.4
Discounted interest expense [1]	–	–	–2.9	–	–	–
Exchange rate differences	–16.8	–3.5	–32.6	–3.6	–1.8	–0.3
Total	**–28.2**	**–8.0**	**–50.9**	**–15.4**	**–6.3**	**–0.7**

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

SEK 6.0 million (3.9) of the Parent Company's interest expenses are to subsidiaries.

NOTE 13 TAXES

	Group			Parent Company		
	2007	2006	2005	2007	2006	2005
Deferred tax	39.3	14.0	–0.1	1.7	–	–
Current tax	–14.1	–8.9	–8.5	–	–	2.1
Total	**25.2**	**5.1**	**–8.6**	**1.7**	**–**	**2.1**
Pre-tax profit/loss	76.7	84.5	57.3	–43.5	131.7	21.7
Tax according to current tax rate	–26.1	–27.6	–21.2	12.2	–36.9	–6.1
Tax impact of costs that are not tax-deductible						
Amortisation of intangible assets	–8.6	–5.2	–3.1	–	–	–
Impairment loss on goodwill	–	–	–1.2	–	–	–
Impairment loss on shares	–	–	–	–	40.1	8.9
Divestment of Group and associated companies	0.1	1.6	5.0	0.1	3.4	–
Other non-deductible costs	–6.5	–9.4	–1.9	–3.3	–0.2	–2.6
Tax impact of revenue that is not taxable						
Other non-taxable revenue	0.2	3.1	9.3	–	0.5	1.9
Tax impact of items that are tax-deductible, but not recognised as an expense	10.4	25.2	0.3	–	0.2	–
Tax effect on group contribution	–	–	–	–1.7	–	–
Utilised tax loss carry-forwards	24.5	18.0	16.3	–	–	–
Utilised tax loss carry forwards/unreported tax assets with regard to tax loss carry-forwards	–8.1	–14.6	–12.0	–7.3	–7.1	–
Reported tax expenses	**14.1**	**–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		
Tax loss carry-forwards	2007	2006	2005	2007	2006	2005
2008/2007	2.8	5.1	0.7	–	–	–
2009/2008	5.9	2.6	2.8	–	–	–
2010/2009	1.3	5.6	56.0	–	–	–
2011/2010	0.1	1.1	76.0	–	–	–
Subsequent years	256.4	–	150.3	–	–	–
Unlimited time	2,099.6	2,445.6	530.4	694.4	668.3	518.1
Total	**2,366.1**	**2,460.0**	**816.2**	**694.4**	**668.3**	**518.1**

Tax loss carry-forwards amounting to MSEK 638.5 in the Parent Company will be available for use 2011, according to the rules of restriction in connection with a merger. In addition to tax loss carry-forwards there are capital losses that may be utilised against future capital gains only.

Note 13 cont'd

Deferred tax assets and liabilities	Group 2007	Group 2006	Group 2005	Parent Company 2007	Parent Company 2006	Parent Company 2005
Deferred tax assets						
Tangible and intangible non-current assets	8.2	10.6	–	–	–	–
Tax loss carry-forwards	490.1	445.8	23.9	–	–	–
Deferred tax liabilities						
Temporary differences	14.7	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:

Deferred tax liabilities	Group 2007	Group 2006	Group 2005	Parent Company 2007	Parent Company 2006	Parent Company 2005
Tangible and intangible non-current assets	14.7	17.9	–	–	–	–
Total deferred tax liabilities	**14.7**	**17.9**	**–**	**–**	**–**	**–**

Deferred tax assets	Group 2007	Group 2006	Group 2005	Parent Company 2007	Parent Company 2006	Parent Company 2005
Tangible and intangible non-current assets	8.2	10.6	1.2	–	–	–
Current receivables and liabilities	–	–	2.6	–	–	–
Tax loss carry-forwards	679.1	706.2	260.4	197.8	187.1	145.1
Total deferred tax assets	**687.3**	**716.8**	**264.2**	**197.8**	**187.1**	**145.1**
Unreported tax assets relating to loss carry-forwards	–189.0	–260.4	–236.5	–197.8	–187.1	–145.1
Unreported tax assets relating to temporary differences	–	–	–3.8	–	–	–
Total unreported tax assets	**–189.0**	**–260.4**	**–240.3**	**–197.8**	**–187.1**	**–145.1**
Total deferred tax assets, net	**498.3**	**456.4**	**23.9**	**0.0**	**0.0**	**0.0**

NOTE 14 CREDIT QUALITY OF FINANCIAL ASSETS

The credit quality of financial assets that are neither due for payment or subject to impairment can be evaluated by referring to customer category or be determined based on the counterparty's credit history:

	2007	2006	2005
Trade accounts receivable	414.6	338.0	212.4
Counterparties by customer category			
Listed companies	234.4	197.2	101.4
Central and local government	32.7	23.4	18.4
Other	147.5	117.4	92.6
	414.6	**338.0**	**212.4**

Trade accounts receivable	2007	2006	2005
Trade accounts receivable	418.6	345.2	217.2
Less: provision for doubtful credits	–4.0	–7.2	–4.8
Trade accounts receivable, net	**414.6**	**338.0**	**212.4**

Note 14 cont'd

No impairment provision is deemed necessary for trade accounts receivable less than three months overdue. As of 31 December 2007 trade accounts receivable in an amount of MSEK 31.1 (11.8) were more than 3 months overdue without a provision of impairment being deemed necessary. This refers to a number of different clients with a good payment history. The aging of these trade accounts receivable is as follows:

	2007	2006	2005
3 to 6 months overdue	26.3	8.0	8.6
More than 6 months overdue	4.8	3.8	4.0
Total	**31.1**	**11.8**	**12.6**

The reported amounts, by currency, for the Group's trade accounts receivable is as follows:

	2007	2006	2005
EUR	219.9	171.6	140.9
SEK	38.8	22.9	–
USD	36.1	23.4	17.1
GBP	103.8	114.2	51.5
Other currencies	16.0	5.9	2.9
Total	**414.6**	**338.0**	**212.4**

Changes in the reserve for doubtful trade accounts receivable are as follows:

	2007	2006	2005
As of 1 January			
Reserves for doubtful receivables	**–7.2**	**–4.8**	**–4.2**
Cost	–0.5	–2.5	–0.9
Reversal of unutilised amounts	3.7	0.1	0.3
As of 31 December	**–4.0**	**–7.2**	**–4.8**

NOTE 15 FINANCIAL INSTRUMENTS BY CATEGORY

Accounting policies for financial instruments have been applied for the following items:

	Loans and accounts receivable	Assets valued at fair value in balance sheet	Available for sale	Total	Fair value
2007-12-31					
Assets in balance sheet					
Other long-term securities	0.5	–	19.9	20.4	20.4
Other long-term receivables	14.9	–	–	14.9	14.9
Trade accounts receivables and other receivables	441.4	–	–	441.4	441.4
Cash and cash equivalents	217.2	–	–	217.2	217.2
Total	**674.0**	**–**	**19.9**	**693.9**	**693.9**

	Other financial liabilities			Total	Fair value
Liabilities in balance sheet					
Trade accounts payable	99.7	–	–	99.7	99.7
Other liabilities	90.4	–	–	90.4	90.4
Liabilities to credit institutions	225.3	–	–	225.3	225.3
Total	**415.4**	**–**	**–**	**415.4**	**415.4**

Note 15 cont'd

	Loans and accounts receivable	Assets valued at fair value in balance sheet	Available for sale	Total	Fair value
2006-12-31					
Assets in balance sheet					
Other long-term securities	0.5	–	59.1	59.6	59.6
Other long-term receivables	7.3	–	–	7.3	7.3
Trade accounts receivable and other receivables	363.8	–	–	363.8	363.8
Cash and cash equivalents	185.4	–	–	185.4	185.4
Total	**557.0**	**–**	**59.1**	**616.1**	**616.1**

	Other financial liabilities			Total	Fair value
Liabilities in balance sheet					
Trade accounts payable	58.8			58.8	58.8
Other liabilities	70.8			70.8	70.8
Other interest-bearing liabilities	40.6			40.6	40.6
Liabilities to credit institutions	21.4			21.4	21.4
Total	**191.6**	**–**	**–**	**191.6**	**191.6**

	Loans and accounts receivable	Assets valued at fair value in balance sheet	Available for sale	Total	Fair value
2005-12-31					
Assets in balance sheets					
Other long-term securities	0.5	193.1	–	193.6	193.6
Other long-term receivables	2.8	–	–	2.8	2.8
Trade accounts receivable and other receivables	224.6	–	–	224.6	224.6
Cash and cash equivalents	108.8	–	–	108.8	108.8
Total	**336.7**	**193.1**	**–**	**529.8**	**529.8**

	Other financial liabilities	Total	Fair value
Liabilities in balance sheet			
Trade accounts payable	67.7	67.7	67.7
Other liabilities	41.6	41.6	41.6
Convertible loan	150.8	150.8	150.8
Loan from shareholders	91.6	91.6	91.6
Liabilities to credit institutions	29.5	29.5	29.5
Total	**381.2**	**381.2**	**381.2**

NOTE 16 DISPOSED OPERATIONS

	2007	2006	2005
Net sales	–	53.7	25.5
Production costs	–	–40.6	–18.9
Gross profit	**–**	**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**
Finance income	–	0.1	0.1
Finance costs	–	0.0	0.0
Profit/loss after financial items	**–**	**7.3**	**–5.5**
Income tax	–	–2.6	–
Profit/loss for the year	**–**	**4.7**	**–5.5**

NOTE 17 OTHER INTANGIBLE NON-CURRENT ASSETS

	Group			Parent Company		
Software	**2007**	**2006**	**2005**	**2007**	**2006**	**2005**
Opening acquisition value	43.5	37.5	27.1	4.1	0.6	–
Via acquisition of Group companies	0.1	6.3	3.4	–	–	–
Capitalised expenditures for the year	10.5	7.3	5.5	2.7	3.5	0.6
Sales and disposals	–13.0	–4.6	–0.4	–	–	–
Translation differences	0.5	–3.0	1.9	–	–	–
Closing accumulated acquisition value	**41.6**	**43.5**	**37.5**	**6.8**	**4.1**	**0.6**
Opening amortisation	–33.2	–27.3	–18.8	–0.2	0.0	–
Via acquisition of Group companies	0.0	–5.6	–2.0	–	–	–
Sales and disposals	13.0	3.1	0.4	–	–	–
Amortisation for the year	–5.0	–4.1	–5.5	–1.9	–0.2	0.0
Translation differences	–0.5	0.7	–1.4	–	–	–
Closing accumulated amortisation	**–25.7**	**–33.2**	**–27.3**	**–2.1**	**–0.2**	**0.0**
Closing residual value according to plan	**15.9**	**10.3**	**10.2**	**4.7**	**3.9**	**0.6**

	Group			Parent Company		
Brands	**2007**	**2006**	**2005**	**2007**	**2006**	**2005**
Opening acquisition value	17.5	17.9	2.7	–	–	–
Capitalised expenditures for the year	–	–	14.5	–	–	–
Translation differences	–0.2	–0.4	0.7	–	–	–
Closing accumulated acquisition value	**17.3**	**17.5**	**17.9**	**–**	**–**	**–**
Opening amortisation	–5.9	–3.3	–0.3	–	–	–
Amortisation for the year	–3.5	–2.9	–2.9	–	–	–
Translation differences	0.0	0.3	–0.1	–	–	–
Closing accumulated amortisation	**–9.4**	**–5.9**	**–3.3**	**–**	**–**	**–**
Closing residual value according to plan	**7.9**	**11.6**	**14.6**	**–**	**–**	**–**

Note 17 cont'd

Client relationships	Group 2007	Group 2006	Group 2005	Parent Company 2007	Parent Company 2006	Parent Company 2005
Opening acquisition value	126.4	25.1	2.2	–	–	–
Via acquisition of group companies	43.1	99.8	21.8	–	–	–
Translation differences	0.1	1.5	1.1	–	–	–
Closing accumulated acquisition value	**169.6**	**126.4**	**25.1**	**–**	**–**	**–**
Opening amortisation	–33.3	–6.1	–0.5	–	–	–
Via acquisition of Group companies	–	–9.0	–	–	–	–
Amortisation for the year	–24.1	–18.0	–5.4	–	–	–
Translation differences	–0.1	–0.2	–0.2	–	–	–
Closing accumulated amortisation	**–57.5**	**–33.3**	**–6.1**	**–**	**–**	**–**
Closing residual value according to plan	**112.1**	**93.1**	**19.0**	**–**	**–**	**–**
Total other intangible non-current assets	**135.9**	**115.0**	**43.8**	**4.7**	**3.9**	**0.6**

Other intangible non-current assets by segment	2007	2006	2005
United Kingdom	26.5	33.7	16.9
Scandinavia	49.5	59.7	–
Central and southern Europe	49.5	21.5	26.7
United States	10.4	0.1	0.2
Total	**135.9**	**115.0**	**43.8**

NOTE 18 GOODWILL

	2007	2006	2005
Opening acquisition value	987.3	377.5	197.5
Via acquisition of Group companies	440.8	628.5	170.8
New assessment with regard to additional purchase money	0.9	3.0	–9.5
Sales and disposals	–	–4.8	–0.7
Translation differences	–12.0	–16.9	19.4
Closing accumulated acquisition value	**1,417.0**	**987.3**	**377.5**
Opening impairment losses	0.0	–3.3	–
Impairment losses for the year	–	–	–3.2
Sales and disposals	–	3.3	–
Translation differences	–	–	–0.1
Closing accumulated impairment losses	**0.0**	**0.0**	**–3.3**
Closing carrying amount	**1,417.0**	**987.3**	**374.2**
Goodwill by segment			
United Kingdom	496.9	497.9	197.6
Scandinavia	267.0	262.0	–
Central and southern Europe	446.9	227.4	176.6
United States	206.2	–	–
Total	**1,417.0**	**987.3**	**374.2**

Goodwill has an indeterminable useful life and is not amortised. Impairment test is performed on a regular basis for each cash generating unit. The impairment charge is in the amount by which the book value exceeds the recovery value. The recovery value is the present value of future cash flows. Cash flows are prognosticated by cash-flow-generating units for the coming three years based on local financial plans adopted by Group management and approved by the Board of Directors. Cash flows beyond this period are extrapolated with the help of an assumed growth rate of 3%. The calculation of the value in use is based on assumptions and estimates. The most essential assumptions relate to future cash flow and future capital operationally employed as well as the discount factor. The discount factor is estimated according to WACC (Weighted Average Cost of Capital) and totals 11–13% (11-15) depending on local conditions. Management estimates that no change of the essential assumptions made will lead to an estimated recovery value for goodwill will be lower than the reported value. The acquisitions of the year are specified in Note 22.

NOTE 19 LEASEHOLD IMPROVEMENTS

	Group		
	2007	2006	2005
Opening acquisition value	51.5	40.3	43.3
Via acquisitions of Group companies	0.0	15.5	1.3
Via divestments of Group companies	–	–	–7.3
Acquisitions for the year	2.4	3.0	1.1
Sales and disposals	–0.8	–3.7	–1.2
Reclassifications	–	–	–0.5
Translation differences	0.2	–3.6	3.6
Closing accumulated acquisition value	**53.3**	**51.5**	**40.3**
Opening depreciation	–27.0	–24.0	–22.0
Via acquisitions of Group companies	0.0	–4.9	–0.8
Via divestments of Group companies	–	–	2.9
Sales and disposals	0.8	3.7	1.2
Depreciation for the year	–3.0	–2.2	–3.5
Reclassifications	–	–	0.1
Translation differences	–0.2	0.4	–1.9
Closing accumulated depreciation	**–29.4**	**–27.0**	**–24.0**
Opening impairment losses	–3.6	–3.9	–7.4
Via divestment of Group companies	–	–	4.4
Translation differences	–0.1	0.3	–0.9
Closing accumulated impairment losses	**–3.7**	**–3.6**	**–3.9**
Closing carrying amount	**20.2**	**20.9**	**12.4**

NOTE 20 EQUIPMENT

	Group			Parent Company		
	2007	2006	2005	2007	2006	2005
Opening acquisition value	167.2	93.3	90.0	0.7	1.1	1.0
Via acquisitions of Group companies	14.7	71.3	16.3	–	–	–
Via divestments of Group companies	–	–1.1	–15.7	–	–	–
Acquisitions for the year	32.5	15.0	10.2	0.6	–	0.1
Sales and disposals	–0.1	–6.3	–16.8	–0.1	–0.4	–
Reclassifications	–	–	0.2	–	–	–
Translation differences	0.3	–5.0	9.1	–	–	–
Closing accumulated acquisition value	**214.6**	**167.2**	**93.3**	**1.2**	**0.7**	**1.1**
Opening depreciation	–137.0	–73.9	–73.5	–0.7	–1.0	–0.9
Via acquisitions of Group companies	–9.8	–58.1	–12.5	–	–	–
Via divestments of Group companies	–	0.7	14.8	–	–	–
Sales and disposals	0.1	6.0	16.7	0.1	0.4	–
Reclassifications	–	0.0	–0.1	–	–	–
Depreciation for the year	–24.5	–14.5	–11.5	–0.1	–0.1	–0.1
Translation differences	–0.2	2.8	–7.8	–	–	–
Closing accumulated depreciation	**–171.4**	**–137.0**	**–73.9**	**–0.7**	**–0.7**	**–1.0**
Closing residual value according to plan	**43.2**	**30.2**	**19.4**	**0.5**	**0.0**	**0.1**

NOTE 21 FINANCIAL LEASE CONTRACTS

The Group's tangible non-current assets include leased assets held under financial lease contracts as follows:

	2007	2006	2005
Equipment			
Accumulated acquisitions	6.6	8.0	2.7
Accumulated depreciation	–4.6	–3.4	–1.4
Total	**2.0**	**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:

	2007	2006	2005
Long-term portion	2.6	2.6	0.4
Current portion	1.9	2.2	0.8
Total debt reported in consolidated balance sheet	**4.5**	**4.8**	**1.2**

NOTE 22 ACQUISITION 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 2007 (%)	Share in Group's profit after financial Items 2007 (%)
LBi NY LLC	2007-08-01	100	1	4
Iven & Hillmann	2007-12-01	100	0	1
Other	2007-03-01–2007-11-01	51–100	2	neg

LBi NY LLC

On 1 August 2007 Syrup LLC (name changed to LBi NY LLC) located in New York, United States, was acquired. The company has 22 employees and offers complete services and also complements the Group geographically. The purchase price was SEK 30.2 million in cash, with a purchase price based on earnings estimated at SEK 121.5 million, the estimated value of client relations at SEK 11.0 million, which will be amortised over 5 years and goodwill at the time of acquisition is estimated at SEK 141.4 million.

Iven & Hillmann GmbH & Co

In December 2007 Iven & Hillmann in Berlin was acquired. Iven & Hillmann is one of Germany's leading on-line marketing companies, specialising in search engine and affiliate marketing. Search engine marketing is an area that continues to be highly fragmented and Iven & Hillmann contributes to LBi's complete service package for large international clients. The company has net sales of MEUR 2.0 and 16 employees. The purchase price was SEK 63.5 million in cash and a future-earnings-based supplemental purchase price of MSEK 110.8. At the time of acquisition the estimated value of goodwill was SEK 138.8 million and client relationships were valued at MSEK 24.6, which will be amortised over 5 years.

Additional acquisitions

In March 2007, LBi acquired 51% of the shares outstanding in the Indian Vizualize Technologies PVT Ltd. Vizualize is a technology development company based in Mumbai with approximately 75 employees. This acquisition gives the LBi Group improved opportunities developing an offshore capacity, thereby securing available resources and improving the operating margin.

In May 2007, the Creative Digital Group (now LBi Atlanta) in Atlanta United States was acquired with net sales of MUSD 10 and 35 employees. LBi Atlanta is an interactive digital agency that specialises in strategic development and creative solutions for on-line advertising and media campaigns.

In December 2007, Satama in the Netherlands was acquired. Satama's complementary service offerings made LBi's position that of the leading digital agency with a complete service range in the Netherlands.

The purchase price for the additional acquisitions was MSEK 134.2, and an earnings-based supplemental purchase price of MSEK 59.4. At the time of acquisition the estimated value of goodwill was MSEK 160.6 and client relationships were valued at MSEK 7.5, which will amortised over 5 years.

Note 22 cont'd

Acquisition of Group companies

The total value of acquired assets and liabilities, purchase prices and effect on the Group's cash and cash equivalents is as follows:

	Group		
MSEK	**2007**	**2006**	**2005**
Goodwill	440.8	628.5	170.8
Other intangible non-current assets	43.2	91.5	37.6
Tangible non-current assets	4.9	23.8	4.3
Deferred taxes	–	432.0	–
Other receivables	54.6	201.3	55.5
Cash and cash equivalents	16.9	87.3	17.7
Total assets	**560.4**	**1,464.4**	**285.9**
Minority interest	0.4	–	–
Deferred tax liability	–	19.4	–
Other liabilities	40.4	209.2	63.0
Total liabilities	**40.8**	**228.6**	**63.0**
Purchase price paid			
Purchase price	–519.6	–1,235.8	–222.9
Less: Non-cash issue	–	1,141.8	114.8
Realised exchange rate differences	–	–	–4.4
Provisions for unpaid purchase price and acquisition costs	291.7	47.7	67.1
Purchase price paid	–227.9	–46.3	–45.4
Less: Cash and cash equivalents in acquired operations	16.9	87.3	17.7
Effect on cash and cash equivalents	**–211.0**	**41.0**	**–27.7**

Acquisition of LBi NY LLC	**Fair value in the Group**	**Reported value**
Goodwill	141.4	–
Other intangible non-current assets	11.0	–
Tangible non-current assets	2.2	2.2
Deferred taxes	–	–
Other receivables	3.7	3.7
Cash and cash equivalents	1.8	1.8
Total assets	**160.1**	**7.7**
Deferred tax liability	–	–
Other liabilities	8.4	8.4
Total liabilities	**8.4**	**8.4**
Purchase price paid		
Purchase money	–151.7	
Less: Additional purchase price not paid	121.5	
Purchase price paid	–30.2	
Less: Cash and cash equivalents in acquired businesses	1.8	
Effect on cash and cash equivalents	**–28.4**	

Note 22 cont'd

Acquisition of Iven & Hillmann GmbH & Company	Fair value in the Group	Reported value
Goodwill	138.8	–
Other intangible non-current assets	24.7	0.1
Tangible non-current assets	0.6	0.6
Other receivables	24.9	24.9
Cash and cash equivalents	6.8	6.8
Total assets	**195.8**	**32.4**
Deferred tax liability	–	–
Other liabilities	21.5	21.5
Total liabilities	**21.5**	**21.5**
Purchase price paid		
Purchase price	–174.3	
Less: Additional purchase price not paid	110.8	
Purchase price paid	–63.5	
Less: Cash and cash equivalents in acquired businesses	6.8	
Effect on cash and cash equivalents	**–56.7**	

Other acquisitions	Fair value in the Group	Reported value
Goodwill	160.6	–
Other intangible non-current assets	7.5	–
Tangible non-current assets	2.1	2.1
Other receivables	26.0	26.0
Cash and cash equivalents	8.3	8.3
Total assets	**204.5**	**36.4**
Minority interest	0.4	0.4
Deferred tax liability	–	–
Other liabilities	10.5	10.5
Total liabilities	**10.9**	**10.9**
Purchase price paid		
Purchase price	–193.6	
Less: Additional purchase price not paid	59.4	
Purchase price paid	–134.2	
Less: Cash and cash equivalents in acquired businesses	8.3	
Effect on cash and cash equivalents	**–125.9**	

NOTE 23 PARTICIPATIONS IN GROUP COMPANIES

	Company registration number	Registered office	Proportion of equity (%)	Proportion of votes (%)	Number of participations/ shares	Book Value Parent Company
Parent Company's holdings						
Digital Age Design SA	0456.630.072	Brussels	100	100	7,690	70.5
Framfab 2002 Limited	3189494	London	100	100	3,435,942	0.0
Framfab Holding Deutschland GmbH	HRB 36778	Frechen	100	100	2,945	1.6
Framfab Schweiz AG	CH– 20.3.025.039–9	Zurich	100	100	99,997	0.6
Framfab Sverige AB	556296–9468	Stockholm	100	100	7,120,000	600.9
Framtidsfabriken AB	556485–4353	Skellefteå	100	100	6,064	0.6
Icon AB	556617–9825	Stockholm	100	100	6,250,000	0.3
Icon Medialab Mijada AB	556528–8718	Stockholm	100	100	100,000	185.0
Icon Medialab Portugal Servicos LDA	P505215519	Lisbon	100	100	1	0.0
LBi Group Interactive Spain SA	A81.567.810	Madrid	100	100	10,000	1.1
Icon Medialab Srl	106771/1998	Milan	100	100	50,000	14.7
Icon Nicholson Inc.	13–2918300	New York	100	100	1,000	39.2
LBi US Holdings	11–3811618	New York	100	100	1,000	0.0
Lost Boys NV	34137169	Amsterdam	99.41	99.41	44,369,621	139.7
Nexus Information Technology SAU	A81.727.810	Madrid	100	100	1,368	8.8
Parallel Consulting Group International AB (publ)	556449–2220	Stockholm	100	100	100,000	23.2
Oyster Partners Framfab Limited (former SBI)	3435961	London	100	100	16,600,181	43.3
PIMI AB	556541–9545	Stockholm	100	100	10,000	0.1
Starring Ltd AB	556647– 0992	Stockholm	100	100	1,000	64.8
Vizualize Technologies Pvt Ltd	11–98352	Mumbai	51	51	13,958	19.3
Total						**1,213.7**
Holdings of Group companies						
Aspect Infotek Software Private Ltd	08–31085	Bangalore	100	100	10,000	
Aspect Internet Holdings Ltd	3130785	London	98.4	98.4	16,624,530	
Aspect Technologies Ltd	3907655	London	100	100	1	
Escador Holdings BV	30154768	Den Dolder	100	100	15,415,286	
Escador Innovation BV	27149196	Den Dolder	100	100	4,000	
Escador Ltd	3989892	London	100	100	1,000	
Framfab A/S	21096571	Copenhagen	100	100	2,100	
Framfab AB	556529–3031	Stockholm	100	100	1,000	
Framfab Deutschland AG	HRB42707	Frechen	100	100	270,000	
Framfab Diviso AB	556571–8755	Stockholm	100	100	1,000	
Framfab Holding Nederland NV	34125726	Amsterdam	100	100	65,934	
Framfab Nederland BV	33279333	Amsterdam	100	100	20,000	
Framfab Nordic Holding A/S	29184852	Copenhagen	100	100	500,000	
Icon Nicholson, LLC	13–3935591	New York	100	100	10,680,000	
Iven & Hillmann GmbH & Co	DE814064028	Berlin	100	100		
MetaLog Gesellshaft fur Kommunikationstechnologien	HRB 43781	Berlin	100	100	–	
LB Icon Ltd (fd. Nettec Solutions Ltd)	2973118	London	100	100	113	
LBi Atlanta LLC	11–3811627	Atlanta	–	100	–	
LBi NY LLC	74–3233659	New York	–	–	–	
LBi UK Holding Ltd	05920477	London	100	100	14,500	
LBi Ltd (former Oyster)	03080409	London	100	100	23,334,432	
Lost Boys BV	33276575	Amsterdam	100	100	2,700	
Lost Boys Polska Z.o.o.	63269	Warszawa	100	100	100	
MetaDesign AG	HRB 76143	Berlin	83.67	83.67	1,024,000	
MetaLog Gesellshaft fur						
Satama Design & Development BV	34259973	Amsterdam	100	100	18,000	
Satama Flash Fabriek BV	34257329	Amsterdam	100	100	18,000	
Satama Interactive BV	33258298	Amsterdam	100	100	180	

Note 23 cont'd

	Company registration number	Registered office	Proportion of equity (%)	Proportion of votes (%)	Number of participations/ shares	Book Value Parent Company
Holdings of Group companies cont'd						
Wheel Communications 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	
Vizualize Technologies LLC	2638373	Hull	100	100	10	
Vizualize Technologies Ltd	5172497	London	100	100	10	

	Company registration number	Registered office	Proportion of equity (%)	Proportion of votes (%)	Number of participations/ shares	Not included in consolidated reporting from
Parent Company's holdings in companies under liquidation						
Framfab France SA	40252082900027	Paris	100	100	12,716	2003-11-01
Icon Medialab A/S	19372286	Copenhagen	100	100	1,000	2003-08-01
Icon Medialab AB	556536–1812	Stockholm	100	100	1,000,000	2002-05-01
Icon Medialab AG	HRB 69037	Hamburg	100	100	20,000	2002-11-01
Icon Medialab Boathouse AG	CH–170.3.024.417–9	Zug	100	100	100	2004-01-01
Icon Medialab GmbH	50306306	Vienna	100	100	100	2005-12-31
Icon Medialab Holding SA	B403514805	Paris	100	100	2,500	2005-12-31
Winsome Benelux NV	71.915	Bruges	100	100	4,067	2006-12-31
Icon Medialab Vestigia Oy	1097311–3	Tampere	100	100	150	2005-12-31
Group's holdings in companies under liquidation						
Escador Academy BV	30162896	Den Dolder	100	100	40	–
Escador BV	34103333	Den Dolder	100	100	40	–
Icon Medialab Parallel AB	556558–0965	Stockholm	100	100	1,000	2002-05-01
Icon Medialab SA	B403514805	Paris	100	100	2,500	2002-05-01
Icon Medialab Switzerland	CH–550–1032858–3	Gland	100	100	100	2004-01-01
Lost Boys Interactive Spain SA	A62.031.109	Barcelona	100	100	700	2002-06-01
Lost Boys SA	B401338827	Paris	100	100	27,000	2002-06-01

	2007	2006	2005
Opening acquisition cost	5,927.0	3,425.1	2,627.1
Acquisitions via merger	–	2,608.3	–
Acquisitions	19.3	89.6	298.0
Shareholder contributions	23.0	549.0	500.0
Divested/liquidated	-0.4	–745.0	–
Closing accumulated acquisition cost	**5,968.9**	**5,927.0**	**3,425.1**
Opening impairment losses	–4,755.2	–2,936.0	–2,494.3
Impairment losses via merger	–	–2,116.9	–
Revaluation for the year	–	–	26.5
Reversal/impairment losses for the year	–	143.1	31.8
Dividends that exceed earned profit	–	–	–500.0
Divested/liquidated	0.0	154.6	–
Closing accumulated impairment losses	**–4,755.2**	**–4,755.2**	**–2,936.0**
Closing carrying amount	**1,213.7**	**1,171.8**	**489.1**

NOTE 24 PARTICIPATIONS IN ASSOCIATED COMPANIES

	Registration Number	Registered office	Proportion of equity (%)	Proportion of votes (%)	Number of partici-pation/ shares	Carrying amount Group	Carrying value Parent Company
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	1.7	–
Total						**1.7**	**0.0**

	Parent Company		
	2007	**2006**	**2005**
Opening acquisition value	5.2	–	–
Acquisition via merger	–	5.2	–
Closing accumulated acquisition cost	**5.2**	**5.2**	**–**
Opening impairment losses	–5.2	–	–
Impairment losses throgh merger	–	–5.2	–
Closing accumulated impairment losses	**–5.2**	**–5.2**	**–**
Closing carrying amount	**0.0**	**0.0**	**–**

NOTE 25 FINANCIAL RISKS AND FINANCE POLICIES

Financing

Financing for the Parent Company and Group has been obtained mainly in the form of equity. An agreement was concluded with Danske Bank in February 2007 for credit facilities of MEUR 5 for working capital and MEUR 20 for acquisitions. The Group has adequate liquidity for its operations. 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 as a consequence 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. Framfab Sverige AB however has net receivables of MDKK 294.4 and MGBP 26.8. The Parent Company has net receivables of MEUR 1.4, MGBP –0.1, MUSD 1.7 and MDKK 3.3 from subsidiaries in foreign currency.

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's policy is not to hedge against translation exposure when converting 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 MSEK 225.3, including leasing commitments and cash and cash equivalents of MSEK 217.2. LBi deems the Group's refinancing risk to be low.

Liquidity risk is the risk that LBi will have difficulty meeting its payment obligations in a tight credit market.

The Company's operations are financed primarily by means of its own cash and shareholders' equity. At present, the Board of Directors anticipates that any future financing requirements can be satisfied on this 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 MSEK 414.6. 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 shortcomings 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 authorisation instructions. The Company performs a legal review of its agreements on an ongoing basis.

NOTE 26 OTHER LONG-TERM SECURITIES

	Group			Parent Company		
	2007	2006	2005	2007	2006	2005
Opening acquisition cost	59.6	231.0	37.5	59.1	–	–
Investments	19.9	59.1	164.6	–	–	–
Acquisitions via merger	–	–	–	–	59.1	–
Profit/loss from financial assets reported at fair value via the income statement	–	5.0	28.9	–	–	–
Divestments	–59.1	–235.5	–	–59.1	–	–
Revaluation	–	3.0	–	–	3.0	–
Translation differences	–	–3.0	–	–	–3.0	–
Closing accumulated acquisition values	**20.4**	**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	**20.4**	**59.6**	**193.6**	**–**	**59.1**	**–**

The year's acquisitions were a minority stake of 5% in Xie Entertainment and the sale of 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 27 PREPAID EXPENSES AND ACCRUED INCOME

	Group			Parent Company		
	2007	2006	2005	2007	2006	2005
Prepaid rents	3.8	5.1	4.1	0.0	–	2.0
Accrued consulting income	94.8	89.0	46.2	–	–	–
Other items	17.2	15.5	13.6	3.7	1.4	0.5
Total	**115.8**	**109.6**	**63.9**	**3.7**	**1.4**	**2.5**

NOTE 28 SHARE CAPITAL

Share capital is divided into 62,017,276 shares with a quotient value of SEK 2.50. All shares are of the same class, entitling the holder to equal rights to 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 2007 entitling them to subscribe for 916,000 shares at an average price of SEK 36,31 per share. The total number of options outstanding as of 31 December 2007 was 4,226,470 which entitles their holders to 2,417,620 shares.

NOTE 29 PROVISIONS FOR PENSIONS AND SIMILAR COMMITMENTS

More than half of the provision (MSEK 4.2) 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 based on the following assumptions:

	2007-12-31 Richttafeln 2005 G	2006-12-31 Richttafeln 2005 G	2005-12-31 Richttafeln 2005 G
Discount rate of interest (%)	5.50	4.50	4.25
Future annual salary increases (%)	2.00	2.00	1.75
Retirement age	62	62	62

Payments under this plan will be made starting in 2020 in accordance with the retirement age.

Just short of half of the provision (MSEK 3.8) is for pension commitments to employees of the Italian Group company. In accordance with Italian legislation (Trattamento di Fine Rapporto), provisions to which employees are entitled are set aside when employment is terminated. The annual provision is based on the remuneration that the employee received during the year and is adjusted to the Italian CPI. The pension scheme is classified as a defined benefit plan pursuant to IAS 19.

The provision is based on an actuarial calculation in accordance with IAS 19.

	2007	2006	2005
Opening balance	7.0	5.9	5.3
Provision for the year	0.7	1.3	0.4
Translation differences	0.3	–0.2	0.2
Closing balance	**8.0**	**7.0**	**5.9**

NOTE 30 OTHER PROVISIONS

	Group			Parent Company		
	2007	2006	2005	2007	2006	2005
Additional purchase price	279.8	46.5	27.3	26.2	46.5	82.4
Social security contributions, options	0.2	1.6	–	–	–	–
Other provisions	3.3	0.8	–	–	–	–
Total	**283.3**	**48.9**	**27.3**	**26.2**	**46.5**	**82.4**
Opening balance	48.9	27.3	3.4	46.5	82.4	–
Provision for the year	263.2	26.2	26.5	–	23.8	81.2
Provisions via merger	–	–	–	–	23.4	–
Utilisation	–20.1	–3.5	–3.1	–20.1	–40.5	–
Reclassification	–	–	–0.4	–	–40.6	–
Translation differences	–8.7	–1.1	0.9	–0.2	–2.0	1.2
Closing balance	**283.3**	**48.9**	**27.3**	**26.2**	**46.5**	**82.4**

Additional purchase price is based on acquired companies' estimated future results. Additional purchase price can always be paid in cash

NOTE 31 LOANS FROM SHAREHOLDERS

The Group raised a loan from Red Valley Ltd, one of the Group's major shareholders, totalling MSEK 95.0 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 12 April 2006.

	2007	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 32 CONVERTIBLE DEBT INSTRUMENTS

On 28 December 2004, LB Icon AB issued convertible debt instruments with a nominal value of MEUR 15. 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 equity is determined when the debt instruments are issued. The fair value of the debt proportion, 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		
	2007	**2006**	**2005**
Opening values	–	150.8	123.2
Nominal value of convertible debt instruments	–	–	20.2
Transaction costs	–	–	–0.8
Proportion of equity	–	–	–0.6
Conversion	–	–150.2	–0.9
Translation difference	–	–0.6	6.8
Discounted interest	–	0.0	2.9
Closing residual value, debt portion	**–**	**–**	**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 33 LONG-TERM LIABILITIES

	2007	**2006**	**2005**
Other liabilities to credit institutions	162.2	10.9	12.4
Other liabilities	0.8	–	0.4
Total	**163.0**	**10.9**	**12.8**
Falls due:			
2009/2008/2007	44.4	8.2	2.2
2010/2009/2008	42.1	2.0	1.8
2011/2010/2009	41.0	0.7	0.6
2012/2011/2010	35.5	–	0.6
2013/2012/2011	–	–	7.6
Total	**163.0**	**10.9**	**12.8**

	2007	**Interest rate (%)**
Danske Bank USD	27.4	6.15
Danske Bank USD	22.1	6.18
Danske Bank EUR	56.0	5.08
Danske Bank EUR	52.1	5.22
Centro para el Desarrollo Tecnológico Industrial (CDTI)	1.2	0.00
Financial leasing	2.6	7.00
Other	1.6	0.00
Total	**163.0**	

In 2007 an acquisition credit of MEUR 20 was raised from Danske Bank. The interest is variable and with the interest level on 31 December 2007 the interest due 2008 is MSEK 5.8, 2009 at MSEK 5.5, in 2010 at MSEK 3.9, in 2011 MSEK 2.3, and 2012 at MSEK 0.8.

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 installments, falls due in July 2010 and is interest-free.

NOTE 34 INTEREST-BEARING CURRENT LIABILITIES

	2007	**2006**	**2005**
Current portion of financial lease commitments	1.9	2.2	0.8
Current portion of loan from IKB Bank	0.7	1.4	1.5
Supplemental purchase price [1]	–	40.6	–
Credit facility	57.1	–	–
Utilised bank overdraft facilities	2.6	6.9	14.4
Total	**62.3**	**51.1**	**16.7**

[1] For acquisition of Oyster Partners Ltd.

Interest on acquisition credit during 2008 amounts to MSEK 2.7, based on the interest rate level 31 December 2007.

NOTE 35 ACCRUED EXPENSES AND DEFERRED INCOME

	Group			Parent Company		
	2007	2006	2005	2007	2006	2005
Holiday pay	17.6	18.6	10.2	0.3	0.3	0.2
Accrued social security contributions	5.0	5.7	1.6	0.2	0.2	0.1
Deferred income	25.2	17.7	32.6	–	–	–
Other items	65.5	70.9	90.7	2.8	5.4	7.5
Total	**113.3**	**112.9**	**135.1**	**3.3**	**5.9**	**7.8**

NOTE 36 PLEDGED ASSETS

	Group			Parent Company		
	2007	2006	2005	2007	2006	2005
For company provisions and liabilities						
For liabilities to credit institutions						
Leasehold improvements	–	–	9.3	–	–	–
Equipment	3.6	5.0	9.7	–	–	–
Equipment used in accordance with financial lease contracts	2.0	4.6	1.4	–	–	–
Trade accounts receivable	–	3.4	56.8	–	–	–
Shares in subsidiaries	162.6	–	–	–	–	–
Floating charges	20.0	26.7	8.8	–	–	–
Floating charges held in treasury	–	–	–8.8	–	–	–
For other commitments						
Other financial assets	–	–	118.2	–	–	–
Restricted accounts and deposits	61.7	7.6	11.3	61.7	1.0	1.0
Total	**249.9**	**47.3**	**206.7**	**61.7**	**1.0**	**1.0**

Equipment used as security for the loan in Germany due in 2008. Floating charges refer to Framfab Sverige AB. Funds and shares in subsidiaries used as security for acquisition credit.

NOTE 37 CONTINGENT LIABILITIES

	Group			Parent Company		
	2007	2006	2005	2007	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 38 TRANSACTIONS WITH RELATED PARTIES

Red Valley Ltd

In September 2005, Red Valley Ltd, one of the Company's major shareholders, granted the Company a MSEK 90 loan. An additional MSEK 5 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 proceeds of 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 concluded 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 payment was received 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 MSEK 1.8 in connection with the transaction.

Note 38 cont'd

Client agreements

Lost Boys BV provides consulting services for Media Republic, of which Michiel Mol is a shareholder. The agreement for 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 KEUR 128 in 2007 (177).

Consulting services

In 2007, EUR 70,000 was paid to former Board Chairman Sven Skarendahl for consulting services in connection with the merger of Framfab AB and LB Icon AB.

NOTE 39 COSTS BROKEN DOWN BY TYPE

	Group			Parent Company		
	2007	**2006**	**2005**	**2007**	**2006**	**2005**
Office and administration	129.2	87.1	81.7	1.0	0.8	0.7
Marketing and sales	10.9	8.1	7.5	–	–	–
External consultants	171.5	126.3	98.8	5.8	3.3	2.8
Personnel costs	887.1	638.4	470.2	8.3	14.1	18.1
Depreciation, amortisation and impairment loss	60.1	41.7	32.0	1.9	0.3	0.1
Other costs	84.2	82.9	64.8	32.6	23.9	9.0
Total	**1,343.0**	**984.5**	**755.0**	**49.6**	**42.4**	**30.7**
Total, of which for						
Production costs	1,005.4	732.4	531.3	–	–	–
Selling expenses	75.7	80.5	69.2	–	–	–
Administrative expenses	261.9	171.6	154.5	49.6	42.4	30.7
Total	**1,343.0**	**984.5**	**755.0**	**49.6**	**42.4**	**30.7**

NOTE 40 HEDGE ACCOUNTING

The hedge accounting refers to 2005.

Net investment hedges

The effective portion of changes in 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 money	4.6	5.7
Convertible debt instruments	–	2.9
Total	**4.6**	**8.6**

For 2005, an amount of MSEK 6.6 was carried directly to equity as a result of this hedging.

Fair value hedges

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 in 2006.

NOTE 41 EMPLOYEE STOCK OPTION PROGRAMME

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 Programme means that the Group's current and future employees can be awarded options to purchase shares (known as employee stock options), which entitle the holder of the options to acquire shares in LBi.

Options are awarded without payment of a premium and the redemption price for the options reflects the market value of the LBi share on the date on which the options were issued. The options may be exercised 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 award 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 2007, employees own a total of 4,226,470 (9,523,363) options to purchase 2,417,620 (2,242,486) shares under the international Employee Stock Option Programme. In the year under review a total of 916,000 new options were granted in two series.

The following employee stock option programme expired as of 31 December 2007: Series C2 on 30 September 2007, series J, H2-5 and I1-4 on 19 August 2007 and series H1 expired on 14 November 2007. On 29 December 2006, the Board of Directors resolved to extend the exercise periods of the employee stock options of the former LB Icon employee 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 2007 and 2006, the old prgram from LB Icon, rolled over to LBi and the new under LBI International:

Employee stock options from LB Icon

Series	Date of grant	Date of expiry	Strike price options (SEK)	Number of options as of 2006-12-31	Granted	Expired	Exercised	Number of options outstanding as of 2007-12-31	Number of shares outstanding can increase by
C2	2000-09-01	2007-09-30	1,510.00	32,530	–	–32,530	0	0	0
C3	2000-09-01	2008-09-30	1,510.00	333	–	0	0	333	33
H1	2002-11-14	2007-11-14	11.30	1,350,000	–	0	–1,350,000	0	0
H2–5	2002-11-14	2007-08-19	11.30	62,500	–	0	–62,500	0	0
K	2003-02-14	2008-04-04	18.50	2,429,500	–	–26,250	–2,226,250	177,000	17,700
L	2003-05-29	2008-05-29	15.00	2,095,000	–	0	–1,995,000	100,000	10,000
M1–4	2003-11-14	2008-11-14	22.90	2,120,000	–	–75,000	–312,500	1,732,500	173,250
M5–7	2003-11-14	2008-11-14	22.90	0	–	0	0	0	0
N1–3	2004-09-02	2009-09-02	21.28	41,687	–	–113	0	41,574	41,574
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	1,118	–	0	0	1,118	1,118
N10–14	2004-09-02	2009-09-02	21.28	66,445	–	0	0	66,445	66,445
O1–4	2004-12-30	2009-12-30	33.70	30,250	–	–10,000	–5,250	15,000	15,000
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	0	–	0	0	0	0
P4–7	2005-04-28	2010-04-28	40.00	35,000	–	0	–17,500	17,500	17,500
Total				**8,438,363**	**–**	**–143,893**	**–5,969,000**	**2,325,470**	**516,620**

Note 41 cont'd

Employee stock options from LB Icon

Series	Date of grant	Date of expiry	Strike price options (SEK)	Number of options as of 2005-12-31	Granted	Expired	Exercised	Number of options outstanding as of 2006-12-31	Number of shares outstanding 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**	**0**	**–740,199**	**–6,132,306**	**8,438,363**	**1,157,486**

Vesting period

C2 100.0% vested on 1 September 2002.

C3 100.0% vested on 1 September 2003.

H1 100.0% vested on 19 August 2003. The Board decided 29 Nov 2006 to extend the period from 31 Dec 2006 to 14 Nov 2007.

H2-5 The 1st part 25.0% vested 19 August 2003, the 2nd part 25.0% vested 19 August 2004, the 3rd part 25.0% vested 19 August 2005, and the remaining 4th part 25.0% vested 19 August 2006.

K The 1st part 25.0% vested 4 April 2004, the 2nd part 25.0% vested 4 April 2005, the 3rd part 25.0% vested 4 April 2006 and the remaining 4th part 25.0% vested 4 April 2007.

L The 1st part 33.4% vested 29 May 2004, the 2nd part 33.3% vested 29 November 2004 and the remaining 3rd part 33.3% vested 29 December 2004. The Board of Directors decided 29 Nov 2006 to extend the period from 29 Nov 2006 to 29 May 2008.

M1-4 The 1st part 25.0% vested 14 November 2004, the 2nd part 25.0% vested 14 November 2005, the 3rd part 25.0% vested 14 November 2006 and the remaining part 25.0% vested 14 November 2007.

M5-7 The 1st part 50.0% vested 14 November 2005, the 2nd part 25% vested 14 November 2006, the remaining 25% vested 14 November 2007.

N1-3 The 1st part 25.0% vested 2 September 2004, the 2nd part 25.0% vested 2 March 2005, the remaining 50.0% vested 2 September 2005.

N4-6 The 1st part 30.0% vested 2 September 2004, the 2nd part 30.0% vested 30 September 2005, the remaining 40.0% vested 30 September 2006.

N7-9 The 1st part 25.0% vested 2 September 2004, the 2nd part 25.0% vested 2 March 2005, the remaining 50.0% vested 2 September 2005.

Note 41 cont'd

N10-14 The 1st part 25.0% vested 2 September 2004, the 2nd part 25.0% vested 2 March 2005, the 3rd part 16.7% vested 2 November 2005, the 4th part 16.7% vested 2 September 2006 and the remaining part 16.6% vested 2 September 2007.

O1-04 The 1st part 25.0% vested 30 December 2005, the 2nd part 25.0% vested 30 December 2006, the 3rd part 25.0% vested 30 December 2007 and the remaining part 25.0% vests 30 December 2008.

O5-7 The 1st part 33.4% vested 30 December 2005, the 2nd part 33.3% vested 30 Dec 2006 and the remaining part 33.3% vested 30 December 2007. The Board of Directors decided on 29 November 2006 to extend the period from 30 December 2008 to 30 December 2009.

P1-3 The 1st part 50.0% vested 28 April 2008, the 2nd part 25.0% vested 28 December 2008 and the remaining 3rd part 25.0% vests 28 April 2009.

P4-7 The 1st part 25.0% vested 28 April 2006, the 2nd part 25.0% vested 28 April 2007, the 3rd part 25.0% vests 28 April 2008 and the remaining 4th part 25.0% vests 28 April 2009.

Employee stock options: LBI International

Series	Date of grant	Date of expiry	Strike price options (SEK)	Number of options as of 2006-12-31	Granted	Expired	Exercised	Number of options outstanding as of 2007-12-31	Number of shares outstanding can increase by
A1–3	2004-04-30	2008-05-01	37.50	0	–	0	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	0	–	0	0	0	0
D1–3	2006-10-30	2011-10-30	44.65	925,000	–	–100,000	0	825,000	825,000
D4–6	2006-10-30	2011-10-30	44.65	160,000	–	0	0	160,000	160,000
E	2007-02-16	2012-02-16	52.50	0	200,000	0	0	200,000	200,000
F1–3	2007-11-27	2012-11-27	31.79	0	100,000	0	0	100,000	100,000
F4–6	2007-11-27	2012-11-27	31.79	0	616,000	0	0	616,000	616,000
Total				**1,085,000**	**916,000**	**–100,000**	**0**	**1,901,000**	**1,901,000**

Employee stock options: LBI International

Series	Date of grant	Date of expiry	Strike price options (SEK)	Number of options as of 2005-12-31	Granted	Expired	Exercised	Number of options outstanding as of 2006-12-31	Number of shares outstanding 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	925,000	925,000
D4–6	2006-10-30	2011-10-30	44.65	0	160,000	0	0	160,000	160,000
Total				**1,500,000**	**1,085,000**	**–1,500,000**	**0**	**1,085,000**	**1,085,000**

Note 41 cont'd

Vesting period

A1-3 1st part of 33.4% vested 1 May 2005; 2nd part of 33.3% vested 1 May 2006 and the remaining part of 33.3% vested 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 11 Nov 2005; 2nd part of 33.3% vested 11 Nov 2006 and the remaining part of 33.3% vested 11 Nov 2007.

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

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

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

E 100% vested 1 July on a change of control.

F1-3 1st part of 50.0% will vest 27 November 2009; 2nd part of 25% will vest 27 November 2010 and final 25% will vest 27 November 2011; in addition all options become exercisable in full as of the date that LBi enters into a binding agreement to sell 25% or more of the Company or upon the termination of holders' employment.

F4-6 1st part of 50% will vest 27 November 2009; 2nd part of 25% will vest 27 November 2010 and final 25% will vest 27 November 2011.

WARRANTS RELATED TO THE EMPLOYEE STOCK OPTION PROGRAM

To secure 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. As opposed to issuance of shares, the exercise of warrants does not require further approval of a General Meeting of Shareholders. The exercise of options gives rise to dilution.

Each warrant entitles the holder to subscribe for one new share, except for warrants issued before the reverse split that entitles the owner to subscribe one new share for each ten warrants. During 2007 warrants have been issued as follows:

Series	Subscription price (SEK)	Subscription period		Number of warrants issued	Number of shares can increase by	Exercised options	Lapsed/ matured	Number of warrants outstanding 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	–676,861	–5,818	1,213,445	1,213,445
B	2.50	2007-01-09	2015-12-31	1,835,000	1,835,000	0	0	1,835,000	1,835,000
				3,731,124	**3,731,124**	**–676,861**	**–5,818**	**3,048,445**	**3,048,445**

Series	Subscription price (SEK)	Subscription period		Number of warrants issued	Number of shares can increase by	Exercised options	Lapsed/ matured	Number of warrants outstanding 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 VALUE

Value of employee services related to fair value of options granted have been recognised in the income statement in an amount of SEK 4,829,000 in 2007 and SEK 3,667,000 in 2006.

The weighted average value of options granted during 2007 has been SEK 12.88 (SEK 11.89 for 2006). The weighted average value of the share during 2007 was 47.43 SEK (49.15)

The fair value of awarded stock options is estimated as of the date of award with the help of Black and Scholes model, taking into account the terms and conditions upon which the options were awarded. The following table shows the input data used in the model for 2007, 2006 and 2005.

	2007	2006	2005
Expected volatility (%)	38.90	35.00	45.00
Weighted risk-free interest (%)	3.90	3.80	3.00
Employee turnover (%)	7.00	7.00	7.00
Expected term of option (years)	4.78	2.75	2.97

The expected term 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 42 EARNINGS PER SHARE

	2007	2006	2005
Earnings per share (SEK)			
Basic	1.63	1.95	1.72
Diluted [1)]	1.63	1.94	1.66
Profit attributable to the equity holders of the Parent Company	101.2	89.6	48.7
Interest expense on convertible debentures (net of tax) [1)]	–	–	–
Adjusted profit	101.2	89.6	48.7
Weighted average numbers of shares, included not registered (thousand)			
Basic	61,826	46,011	28,247
Warrants	519	247	1,000
Diluted	62,345	46,258	29,247

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

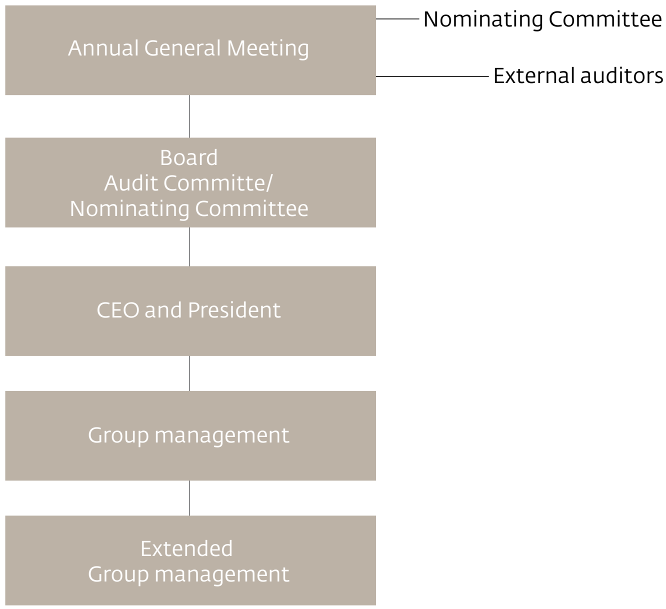
[1)] In the calculation above, potential shares relating to convertible bonds or options with a strike price higher than market price have been excluded since they would have a positive dilutive effect.

Corporate Governance

Corporate governance deals with the systems for decision-making and the structure through which the owners directly and indirectly govern the company. Corporate governance at LBi is based on Swedish legislation, primarily the Swedish Companies Act and the listing agreement with the OMX Nordic Exchange Stockholm.

Since LBi had a market capitalisation of less than SEK 3 billion during the preceding year, LBi is not required to comply with the Swedish Code of Corporate Governance. The code applies since 1 July 2005 to all publicly held companies listed on the A-list and major companies listed on the O-list with a market capitalisation exceeding SEK 3 billion. Reconciliation takes place annually on 31 May.

Compliance with the Swedish Code of Corporate Governance is mandatory for all companies listed on the OMX Nordic Exchange Stockholm as of 1 July 2008. LBi has as its goal to continue developing a structure for corporate governance in line with the code ahead of 1 July 2008. No later than by this date will LBi's corporate governance fulfil the requirements of the code and its principle for "comply or explain," which means following the instructions of the code or to explain any deviation from the code. LBi has a primary listing on the OMX Nordic Exchange Stockholm and a secondary listing at Euronext in Amsterdam, which means that the Company is not under obligation to adhere to the Dutch code for corporate governance.



Bodies for corporate governance

Corporate governance and control is exercised in LBi by a number of bodies within the Company.

Shareholders exercise their voting rights at the Annual General Meeting when it comes to the composition of the Board of Directors and the election of auditors. The Nominating Committee proposes candidates for directors, chairman of the board of directors and auditors. The Board of Directors is responsible for LBi's long-term development and strategy, and for controlling and evaluating the Company's day-to-day business. The Board of Directors also appoints LBi's President, who is also the Company's chief executive officer. The Board of Directors carries out a part of its duties via the Audit Committee and the Remuneration Committee.

The President is responsible for ensuring that the day-to-day business in LBi is conducted in accordance with the guidelines of the Board of Directors and instructions. In accordance with the rules of procedure and instructions for the CEO in force, Group management shall inform the Board of Directors on a current basis of the Company's financial situation and the state of the business and the market.

For the year ended 31 December 2007 LBi had an organisation with reporting in accordance with the country/regional segments United States, Central and Southern Europe, the United Kingdom (including India) and Scandinavia. Responsibility for reporting in accordance with the segments rests with Group management: the President, the Group's two executive Vice Presidents, the Managing Director for LBi UK and the CFO; with ultimate reporting to the President.

The extended Group management consists of Group management and the Subsidiary CEOs and MDs. The extended Group management holds a scheduled meeting at least four times per year.

There are a number of policy documents adopted by the Board of Directors to govern LBi's operations. Refer to Governing documents.

Ownership situation

The three largest shareholdings are held by Euroclear Bank, custodian in Belgium (41.39%), Red Valley in Luxembourg (24.59%) and Janivo Beleggingen BV, custodian in the Netherlands (5.20%). Refer to The LBi share for more information about the Company's ownership structure. The number of shareholders is 57,247. The share capital is SEK 155,043,190 divided into 62,017,276 shares. Each share entitles its owner to equal proportions of the Company's assets and earnings.

Annual General Meeting

The right of the shareholders to decide on the affairs of the Company is exercised at annual general meetings or extraordinary general meetings of shareholders. Shareholders who are registered in the share register on the record date and have filed notice of attendance are eligible to attend. The Annual General Meeting shall be held within six months of the end of each financial year, usually between the end of March and the beginning of May. Extraordinary general meetings of shareholders are convened as needed.

Notice of Annual General Meeting in LBI International AB is given as prescribed in the Articles of Association, in the form of advertisement in Post- och inrikes tidningar and Svenska Dagbladet. The time and location for the Annual General Meeting are set forth in the notice, and the procedure that must be followed by those wishing to vote. Each share entitles its holder to one vote. Shareholders who are unable to participate in person may be represented by a proxy in writing signed and dated by the shareholder. (Proxies have a maximum validity of one year from the date of issuance).

The General Meeting usually passes resolution with an ordinary majority. In certain cases there is a legal requirement of certain higher majority, however. In the case of elections, he or she with the highest number of votes is deemed to be elected.

Issues resolved by the Annual General Meeting include adoption of the income statement and balance sheet, allocation of the Company's earnings or loss, and discharge from liability for the directors and the President. Other issues that may be resolved solely by the Annual General Meeting include the composition of the Board of Directors, increase or reduction of the share capital, new issuance of shares, and issuance of subscription options or warrants. Regarding issuance of securities it is common, however, for the Annual General Meeting to give the Board of Directors a yearlong mandate to make decisions within certain limits.

LBi's goal is that as many directors as possible shall be present at the Annual General Meeting. At least one of the Company's auditors shall be present at the Annual General Meeting. Shareholders who wish to have an issue brought before an Annual General Meeting shall make a request in writing to the Board of Directors. On the condition that such request is received in time to be included in the notice, the issue will be brought before the general meeting. Shareholders are also given an opportunity to pose questions to the Company at the Annual General Meeting.

Those who wish to contact the Board of Directors or the Nominating Committee may do so via Anita Hallgren, assistant to management, anita.hallgren@lbi.com. Such message should state whether the matter is aimed at an individual director, the Chairman, the entire Board of Directors, or the Nominating Committee.

Annual General Meeting 2007

At LBi's 2007 Annual General Meeting held 2 May at Clarion Hotel in Stockholm the following directors and members of Group management participated: Fred Mulder, Chairman, Robert Pickering, President, Jan Norman, Chief Financial Officer and Auditor Hans Jönsson, assisted by Johan Lilliehöök. The following resolutions were passed at the 2007 Annual General Meeting:

- Resolution to adopt the income statements and the balance sheets for the Company and the Group for the 2006 financial year.
- Resolution not to declare a dividend for 2006.
- The Board of Directors and the President were granted discharge from liability for the 2006 financial year.
- Resolution to pay directors fees as follows: Chairman, EUR 30,000 and other directors EUR 20,000. Directors who are compensated by the Company due to employment receive no fee.
- Fred Mulder was elected to serve as Chairman. Katarina G. Bonde, Michiel Mol, Robert Pickering and Sven Skarendahl were re-elected as directors. Öhrlings PricewaterhouseCoopers AB was elected to serve as auditors until adjournment of the 2011 Annual General Meeting.
- Resolution to approve the proposal of the Board of Directors for guidelines for compensation to members of senior management.
- Resolution to authorise the Board of Directors to decide on new issuance of up to 2,000,000 shares.
- Resolution to authorise the Board of Directors to make arrangements for certain loan financing.

2008 Annual General Meeting

LBi's 2008 Annual General Meeting will be held 6 May in Stockholm.

Nominating Committee

Among the tasks of the Nominating Committee are to make an assessment of whether the Board of Directors has the right composition and if such is not the case, identify new candidates. The Nomination Committee shall also present suggestions for directors and auditors. The Nomination Committee consists of Frank Bergman (Chairman), Gunnar Ek (The Swedish Shareholders Association) and LBi's Chairman, Fred Mulder. The Nomination Committee is elected at an Annual General Meeting. No compensation is paid to the members of The Nomination Committee.

Suggestions may be sent to:
LBI International
Attention: Nomination Committee
Kungsgatan 6
SE-111 43 Stockholm

Board of Directors

The Board of Directors bears the ultimate responsibility for the Company's organisation and management of its business. The Board of Directors is composed to provide efficient support and monitoring of the work of corporate management, which in turn ensures that the Board of Directors receives reports on a regular basis on the development of the Group's business, its results, performance and liquidity, and events of significance to the Company. In case of need, corporate officers participate in Board of Directors meetings as presenters or in administrative functions.

The Board of Directors, which shall consist of not less than 3 and not more than 10 directors, is elected by the Annual General Meeting for the period until the adjournment of the next following Annual General Meeting. There is no limit for the number of consecutive terms a director may be a member of the Board of Directors.

The rules of procedure describe the tasks of the Board of Directors in greater detail. The rules of procedure contain provisions on how the Board of Directors should operate, how often meetings should be held and what type of issues should be brought before the Board of Directors. For example, according to the rules of procedure, the Board of Directors should assess the Company's financial situation on an ongoing basis, set goals for the Company's operations and ensure that rules adopted and plans instituted are followed.

The Chairman of the Board of Directors shall ensure that the work of the Board of Directors is evaluated on an annual basis and that the Nomination Committee is informed of the results of such evaluation. The Board of Directors held 15 meetings during 2007, 8 of which were per capsulam and one meeting was statutory. The Board of Directors continued to focus on improved utilisation of resources and also continually evaluated potential acquisition candidates based on set criteria.

Issues brought before the Board of Directors during 2007 include:

- Acquisition of a majority of Indian off-shore company Vizualize Technology in March 2007.
- Implementation of a new system for financial reporting and control during the first half of 2007.
- Acquisition of Creative Digital Group in Atlanta, United States, in May 2007.
- Acquisition of Syrup in New York, United States, Satama NL in Amsterdam and Iven & Hillmann in Berlin during the autumn of 2007.

Remuneration Committee

The principal responsibility of the Remuneration Committee is to offer advice to the Board of Directors in matters dealing with salaries and compensation.

A Remuneration Committee was appointed within the Board of Directors and consisted of the following during 2007: Michiel Mol, Fred Mulder and Sven Skarendahl.

The Remuneration Committee held two formal meetings during 2007 in conjunction with Board of Directors meetings with discussions about developing a bonus plan for Group management 2007 and the Company's strategy for retaining key personnel.

Audit Committee

The principal task of the Audit Committee is to review the annual accounts and interim reports and to monitor the audit work. The Audit Committee formally monitors on behalf of the Board of Directors the completeness of the financial statements, compliance with legislation and regulations and the effectiveness of LBi's control system for financial reporting.

During 2007 the Audit Committee of the Board of Directors consisted of Katarina G. Bonde, Fred Mulder and Sven Skarendahl.

The Audit Committee held two formal meetings during 2007 in conjunction with regularly scheduled Board of Directors meetings for reporting on ongoing reviews, operational audit and review of the year-end financial report.

Executive management

The Board of Directors appoints the CEO and his deputy. The CEO and Group management bears responsibility for day-to-day operations.

During 2007 Group management consisted of CEO Robert Pickering, Executive Vice President Jesper Anderson (President of Framfab in Denmark and Sweden), Executive Vice President Theo Cordesius and Jan Norman, Chief Financial Officer.

During 2008 Group management consists of CEO Luke Taylor (took office 10 January 2008), Executive Vice President Jesper Anderson (President of LBi in Denmark and Sweden), Executive Vice President Theo Cordesius, Ewen Sturgeon, Managing Director of LBi in the U.K. and Huub Wezenberg, Chief Financial Officer (from 1 April 2008).

Management has provided the Board of Directors with information on a current basis on the Company's financial position, the strategic development and the state of the business and the market in accordance with the rules of procedure in force for the Board of Directors and the instructions for the CEO.

Remuneration of the Board of Directors and management

Refer to Note 1, page 49.

External auditors

Öhrlings PricewaterhouseCoopers AB has been elected to serve as auditors for a period ending with the 2011 Annual General Meeting. Authorised Public Accountant Hans Jönsson is appointed Auditor-in-Charge. The auditors submit an audit report for the Parent Company and the Group. The auditors also examine management of the Company's affairs by the Board of Directors and the CEO. The audit is carried out in accordance with generally accepted auditing standards in Sweden. All subsidiaries outside Sweden are audited in accordance with local rules and regulations.

Governing documents

LBi's operations are governed, in part, by a number of policy documents adopted by the Board of Directors. These policy documents are made available to staff members, inter alia by publication on LBi's internal web, or by direct information to those affected. The governing documents include the rules of procedure of the Board of Directors, a finance policy, customer agreements and an information policy.

The rules of procedure describe the tasks of the Board of Directors in greater detail. Included are rules for how the Board of Directors should work, how often meetings are to be convened and what type of issues should be dealt with by the Board of Directors. For example, according to the rules of procedure, the Board of Directors shall keep continuous watch over the Company's financial situation, set goals for the Company's operations and also ensure that rules adopted and plans instituted are followed.

The CEO instructions describe in greater detail the work of the CEO, including tasks and duties, areas of responsibility and financial reporting. The insider policy provides a brief description of the Swedish insider legislation. It is intended for members of LBi's senior management, who are on file on the Swedish Financial Supervisory Authority's so-called insider list.

The attestation and authorisation plan governs rights of internal and external authorisation

The purpose of the finance policy is to make clear responsibilities and authority within the Group's finance function. The finance function manages issues relating to cash management, liquidity and financial risks. The finance policy sets areas of responsibility for each respective function, authority and criteria for assessing risk. The finance policy also governs the distribution of responsibility among the Board of Directors, the CEO, the CFO and other associates in the Parent Company's finance function.

The equality policy is an integrated area of the development of operations so that all individuals may develop in accordance with their own prerequisites.

The environmental policy states that operations and methods of working should be based on the premise of minimal environmental impact. Since travel is an important element of the Company's business, this is a prioritised area in our regard for the environment. If at all possible the Company's staff travels by train and continually strive to plan their travel so as to combine several meetings on a single trip, but especially by seeking to handle the matter by a telephone conference.

The basic purpose of the information policy is to contribute to a correct assessment of the LBi share's market value through transparent, relevant and clear information. LBi strives to provide information about strategy, operations, prospects, risks and results in such a way that shareholders and others are given an opportunity to obtain sufficient knowledge. We publish interim and annual reports on a regular basis in Swedish and English. Information about events deemed to have a possible effect on the market value of the LBi share is published in the form of press releases. We apply the following guidelines for our financial and other reporting:

- Transparency: Information from LBi shall be distinguished by openness. The information shall also be sufficient to create a reasonable ground for assessment of the market value of the LBi share.
- Relevance: Information from LBi is limited to what may be regarded as relevant and useful for shareholders and the market and pursuant to legislation in force.
- Simplicity: Information from LBi shall be distinguished by simplicity and being as easy to understand as possible.
- Consistency: Information from LBi shall be comparable and consistent between different reporting periods.
- Immediate: Information about significant events is announced via press releases to ensure that data is disseminated simultaneously to all stakeholders.

Our website, www.lbi.se, contains extensive information about LBi, including an archive with annual reports and quarterly reports, as well as presentations made by Group management to various industry groups.

The purpose of the customer agreement policy is to manage and minimise risks in contract situations with clients. The policy also seeks to promote consistency and quality control within the Group.

Risk management and internal control

The Board of Directors bears overall responsibility for internal control, including risk management. Responsibility for implementation and maintenance of internal control rests with the CEO. Goals are set annually for the business on a country level and follow-up is on a monthly basis and compared to actual outcomes the year before. A framework is created for overall operations, which in other respects are operated on a decentralised basis. Financial follow-up and performance comparisons between the units are carried out on a monthly basis.

The LBi share

The information below refers to the Parent Company's share, LBI International AB, formerly Framfab AB.

Share capital and number of shares outstanding

The number of shares outstanding in LBI International AB was 62,017,276 as of 31 December 2007. Each share entitles its holder to one vote and an equal proportion of the Company's assets and earnings. The shares have a quotient value of 2.50 SEK. The total share capital was 155.0 MSEK. The number of shares outstanding at the time of this annual report was 62,017,276.

Share price performance in 2007

LBi shares have been listed on the Stockholm Stock Exchange since 23 June 1999. The issue price was 781,50 SEK, calculated after the 8:1 split on 6 March 2000, and the 50:1 reverse split on 11 July 2006. All figures are adjusted for the reverse split carried out during the year.

During the 2007 financial year the share price declined from SEK 49.1 to SEK 29.0 as of 28 December, which represents a decrease of 40.9%. The Stockholm Stock Exchange OMX SPI index dropped for the same period by 25.5% and the SIX IT index declined by 6.0%. The highest share price paid on the Stockholm Exchange during the year was SEK 56.5, quoted on 6 February, and the lowest share price was SEK 28.0 quoted on 20 December. The highest closing price for the year was quoted on 5 February at SEK 56.5. The lowest closing price was SEK 29.0 quoted on 28 December. The highest share price on the Euronext for the year was EUR 6.23 quoted on the 1 February and the lowest share price was EUR 3.50 quoted on 19 December. The highest closing price for the year on Euronext was quoted on 5 February at EUR 6.21. The lowest closing price was on the 28 December at EUR 3.25. The trading lot for the LBI International AB share on the Stockholm Stock Exchange is 200 shares.

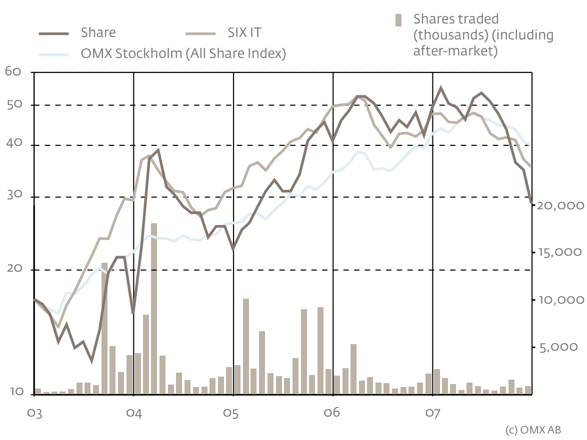
Trading in LBi Shares

A total of 28,569,820 LBi shares changed hands on the Stockholm Stock Exchange and Euronext in Amsterdam during 2007, representing a value of MSEK 1,335 (1,445). An average of MSEK 5.2 (5.6) were traded per session. The shares traded represent 46% of the average number of shares outstanding.

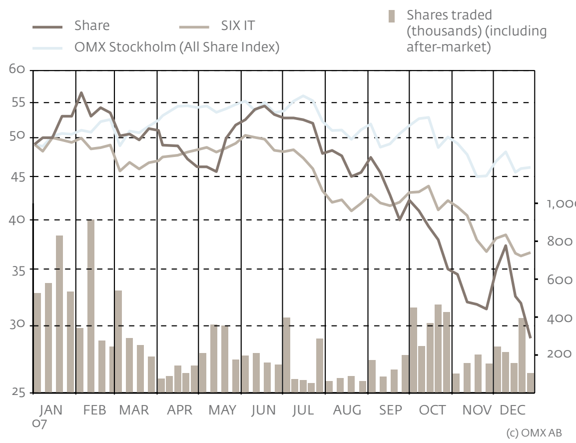
Shareholder Structure

LBi has 57,247 shareholders as of 28 December 2007, compared to 67,228 shareholders the previous year. The ten largest shareholders represented 78.7% (72.5) of the number of shares and votes.

The LBi share 2003–2007



The LBi share 2007



Major shareholders as of 28 December 2007

	Number of shares	Percentage proportion of shares and votes
Euroclear Bank	25,667,436	41.4%
Red Valley	15,249,607	24.6%
SIS Segaintersettle AG	2,134,535	3.4%
Fidelity Small Cap	1,700,100	2.7%
KAS Depository Trust Company	1,334,566	2.2%
Pictet & Cie	724,406	1.2%
Sweden Tax Treaty 15 Percent	692,254	1.1%
Andra AP-Fonden	441,691	0.7%
SEB Sverigefond	434,000	0.7%
Robert Pickering	412,856	0.7%
Total, 10 major shareholders	**48,791,451**	**78.7%**
Other Shareholders	13,225,825	21.3%
Total number of shares outstanding	**62,017,276**	**100.0%**

Source: VPC

Size of shareholdings as of 28 December 2007

	Number of shareholders	Percentage of number of shareholders	Percentage of shares and votes
1 – 500	54,843	95.9	6.1
501 – 1,000	1,450	2.5	1.7
1,001 – 2,000	502	0.9	1.2
2,001 – 5,000	245	0.4	1.2
5,001 – 10,000	78	0.1	0.9
10,001 – 20,000	47	0.1	1.1
20,001 – 50,000	33	0.1	1.7
50,001 – 100,000	21	0.0	2.5
100,001 – 500,000	21	0.0	7.0
500,001 – 1,000,000	2	0.0	2.3
1,000,001 – 5,000,000	3	0.0	8.3
5,000,001 –	2	0.0	66.0
Total	**57,247**	**100.0**	**100.0**

Source: VPC

Per-share data

	2007	2006	2005	2004	2003
Closing price as of 31/12 (SEK)	29.00	49.10	41.00	22.50	17.50
Annual share price performance (%)	–41	20	82	29	–8
Highest price paid (SEK)	56.50	56.00	55.00	64.50	42.00
Lowest price paid (SEK)	29.00	41.50	22.00	18.00	13.00
Total number of shares traded (thousands)	28,570	29,809	55,543	48,101	28,054
Average number of shares traded (thousands)	112	116	220	190	113
Total trading volume (SEK thousand)	1,335,123	1,445,232	1,893,040	1,687,968	710,000
Average trading volume (SEK thousand)	5,237	5,602	7,482	6,672	5,600
Trading rate [1)	0.46	0.65	2.31	2.46	2.63

Per-share key ratios Adjusted for 50:1 reverse split 2006	**2007**	**2006**	**2005**	**2004**	**2003** [2)
P/E ratio [3)	17.79	33.65	27.60	neg	neg
P/S ratio [4)	1.26	2.87	1.26	0.92	0.54
Volatility (%) [5)	38.6	35.0	45.5	63.2	82.0
Share price/Shareholders' equity (%)	0.89	158.4	273.4	185.5	291.7
Earnings per share (SEK)	1.63	1.95	1.50	1.50	–8.50
Dividend/Share (SEK)	–	–	–	–	–
Shareholders' equity/share (SEK)	32.54	31.00	15.00	12.0	6.0
Cash flow/share (SEK)	0.56	1.34	–4.00	5.50	0.50
Number of shares outstanding (thousand)	62,017	61,398	24,009	22,991	14,235
Average no. of shares (thousand)	61,826	46,011	23,629	19,575	10,684
Market capitalisation, 31/12 (SEK thousand)	1,798,501	3,014,631	984,358	517,290	249,111

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

[2)] Not restated in accordance with IFRS

[3)] P/E ratio: Share price divided by net earnings per share as of 31/12

[4)] P/S ratio: Market capitalisation as of 31/12 divided by total revenue

[5)] Volatility: Rate of share price fluctuation

Change in share capital

Year	Transaction	Change in number of shares outstanding	Change in share capital (SEK)	Total number of shares outstanding	Total share capital (SEK)	Nominal amount
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
	Private placement	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
	1:2 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 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 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	Set-off issues	27,563,980	2,756,398	502,246,418	50,224,642	0.10
	New issue	1,700,000	170,000	503,946,418	50,394,642	0.10
	New issue	1,050,000	105,000	504,996,418	50,499,642	0.10
	Private placement	110,000,000	11,000,000	614,996,418	61,499,642	0.10
	Private placement	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 issue	35,000,000	3,500,000	746,746,418	74,674,642	0.10
	New 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
	Set-off issue	35,000,000	17,500,000	821,094,932	41,054,747	0.05
	Rights 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 issue	44,004,631	2,200,232	1,244,440,612	62,222,031	0.05
	Subscription options	38	2	1,244,440,650	62,222,033	0.05
	50:1 reverse split			24,888,813	62,222,033	2.50
	New issue	35,634,133	89,085,332	60,522,946	151,307,365	2.50
	Subscription options	63,182	157,955	60,586,128	151,465,320	2.50
	New issue	811,651	2,029,128	61,397,779	153,494,448	2.50
2007	Subscription options	619,497	1,548,742	62,017,276	155,043,190	2.50

Five-year Summary

Below information refers to the LBi Group where the Framfab Group is included from 1 August 2006. Before that date only the LB Icon Group is included.

Income Statements	**2007**	**2006**	**2005**	**2004**	**2003[1)]**
Net revenue	1,429.1	1,051.6	783.0	565.0	460.6
Operating profit/loss	94.1	78.9	82.4	–12.0	–63.5
Profit/loss after financial items	76.7	84.5	57.3	–17.6	–68.5
Profit/loss for the period	**101.9**	**89.6**	**48.7**	**20.0**	**–66.3**

Balance Sheets	**07-12-31**	**06-12-31**	**05-12-31**	**04-12-31**	**03-12-31[1)]**
ASSETS					
Intangible non-current assets	1,552.9	1,102.30	418.0	209.9	65.0
Tangible non-current assets	63.4	51.1	31.8	30.4	31.0
Financial non-current assets	37.0	68.4	196.4	3.5	4.3
Deferred tax assets	498.3	456.4	23.9	38.9	–
Total non-current assets	**2,151.6**	**1,678.2**	**670.1**	**282.7**	**100.3**
Trade accounts receivable	414.6	338.0	212.4	162.2	107.7
Other current assets	144.5	142.5	88.6	46.4	38.3
Cash and cash equivalents	217.2	185.4	108.8	157.2	47.4
Total current assets	**776.3**	**665.9**	**409.8**	**365.8**	**193.4**
Total assets	**2,927.9**	**2,344.1**	**1,079.9**	**648.5**	**293.7**
LIABILITIES AND SHAREHOLDERS' EQUITY					
Shareholders' equity	**2,019.0**	**1,903.1**	**480.9**	**256.3**	**45.1**
Long-term provisions	306.0	73.8	33.2	8.7	29.3
Long-term liabilities	163.0	10.9	255.2	158.1	97.5
Prepayments from customers	42.0	19.8	6.4	0.0	3.4
Other current liabilities and provisions	397.9	336.5	304.2	225.4	118.4
Total liabilities	**908.9**	**441.0**	**599.0**	**392.2**	**248.6**
Total liabilities and shareholders' equity	**2,927.9**	**2,344.1**	**1,079.9**	**648.5**	**293.7**

Cash Flow Statement	**2007**	**2006**	**2005**	**2004**	**2003[1)]**
Cash flow from operations	128.2	98.8	48.8	–27.1	–48.5
Changes in working capital	1.4	31.6	–2.9	–26.8	–32.1
Cash flow from operating activities	**129.6**	**130.4**	**45.9**	**–53.9**	**–80.6**
Cash flow from investing activities	–269.9	–32.9	–217.0	–34.6	–7.5
Cash flow from financing activities	174.9	–15.2	119.4	199.2	73.6
Cash flow for the period	**34.6**	**82.3**	**–51.7**	**110.7**	**–14.5**
Liquid assets at beginning of the period	185.4	108.8	157.2	47.4	64.3
Translation differences in liquid assets	–2.8	–5.7	3.3	–0.9	–2.4
Liquid assets at end of the period	**217.2**	**185.4**	**108.8**	**157.2**	**47.4**

Five-year Summary (cont'd)

Key financial indicators	2007	2006	2005	2004	2003 [1]
Growth of net revenue (%)	36	34	39	23	–27
Operating margin (%)	7	8	11	–2	–14
Profit margin (%)	8	8	6	4	–14
Equity ratio (%)	69	81	45	40	15
Return on capital employed (%)	5	7	18	–3	–36
Return on shareholders' equity (%)	5	7	13	13	–135
Average number of employees	1,415	1,002	816	674	559
Number of employees at end of the period	1,500	1,301	754	615	595
Net revenue per employee (SEK thousand)	1,010	1,050	960	838	824
Shareholders' equity per share (SEK)	32.54	31.00	15.71	10.18	2.39
Earnings per share (SEK)	1.63	1.95	1.72	0.81	–3.77
Cash flow per average no. of shares (SEK)	0.56	1.79	–1.83	4.49	–0.83

[1] Years 2002 and 2003 are not translated according to IFRS. As previously communicated, the date of adoption was 1 January 2004. This means that for 2003 and 2002 no amortisation of goodwill has been effected. According to IFRS, no amortisation is effected. Assets are tested for impairment at least once per year, however. Also, for years 2003 and 2002 no costs have been charged in accordance with IFRS 2, Share based payments.

The Board of Directors and the President and CEO declare that the consolidated financial statements have been prepared in accordance with IFRS as adopted by the EU and give a true and fair view of the Group's financial position and results of operations. The financial statements of the Parent Company have been prepared in accordance with generally accepted accounting principles in Sweden and give a true and fair view of the Parent Company's financial position and results of operations. The statutory Administration Report of the Group and the Parent Company provides a fair review of the development of the Group's and the Parent Company's operations, financial position and results of operations and describes material risks and uncertainties facing the Parent Company and the companies included in the Group.

The annual accounts and the consolidated accounts has been approved by the Board 7 April 2008. The profit and loss statement and the balance sheet for the Group and Parent Company will be submitted for adoption at the general annual meeting 6 May 2008.

Stockholm, 7 April 2008

LBI International AB (publ)

Katarina G. Bonde

Michiel Mol

Robert Pickering

Luke Taylor
CEO and President

Fred Mulder
Chairman of the Board

Our aditor's report was submitted on 7 April 2008

Öhrlings PricewaterhouseCoopers AB

Hans Jönsson
Authorised Public Accountant

Audit report

To the annual meeting of the shareholders
of LBI International AB (publ)
Corporate identity number 556528-6886

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the board of directors and the managing director of LBI International AB (publ) for the year 2007. The Company's annual accounts are included in the printed version on pages 24–87. The board of directors and the managing director are responsible for these accounts and the administration of the company as well as for the application of the Annual Accounts Act when preparing the annual accounts and the application of international financial reporting standards IFRSs as adopted by the EU and the Annual Accounts Act when preparing the consolidated accounts. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the board of directors and the managing director and significant estimates made by the board of directors and the managing director when preparing the annual accounts and consolidated accounts as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any board member or the managing director. We also examined whether any board member or the managing director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts have been prepared in accordance with the Annual Accounts Act and give a true and fair view of the company's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The consolidated accounts have been prepared in accordance with international financial reporting standards IFRSs as adopted by the EU and the Annual Accounts Act and give a true and fair view of the group's financial position and results of operations. The statutory administration report is consistent with the other parts of the annual accounts and the consolidated accounts.

We recommend to the annual meeting of shareholders that the income statements and balance sheets of the parent company and the group be adopted, that the accumulated profit of the parent company be dealt with in accordance with the proposal in the administration report and that the members of the board of directors and the managing director be discharged from liability for the financial year.

Stockholm, 7 April 2008

Öhrlings PricewaterhouseCoopers AB

Hans Jönsson
Authorised Public Accountant

Definitions

Operating margin/EBIT 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

In the annual 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.

Information to shareholders

Annual general meeting
The annual general meeting of LBI International AB will begin at 15.00 on Tuesday, 6 May 2008 at Hotel Anglais, Humlegårdsgatan 23 in Stockholm, Sweden.

Any shareholder wishing to attend the meeting must:
- Be entered in the share register maintained by VPC AB no later than Tuesday 29 April 2008.
- Notify LBI International AB of his/her attendance by Friday 2 May 2008 at 4 p.m.

Entry in the share register
VPC AB keeps LBI International AB's share register. Only shares entered by a shareholder in his/her name are listed. 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 29 April 2008.

Notification of attendance
Any shareholder who wishes to participate in the annual general meeting must notify the company no later than 2 May 2008 by one of the following methods:

E-mail: anita.hallgren@lbi.com
Post: LBI International AB
Att: Anita Hallgren
Kungsgatan 6
SE-111 43 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 Fred Mulder. 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 2007.

Ordering reports
Reports may be ordered from LBI International by:
E-mail: anita.hallgren@lbi.com
Post: LBI International AB
Att: Anita Hallgren
Kungsgatan 6
SE-111 43 Stockholm, Sweden
Phone: +46 8 41 00 10 39
Fax: +46 8 411 65 95

Upcoming financial reports
- The January–March 2008 interim report will be released on 24 April
- The annual general meeting will be held on 6 May 2008 in Stockholm
- The January–June 2008 interim report will be released on 24 July
- The January–September 2008 interim report will be released on 23 October


LBi

Board and Management

The LBI International AB's Board of Directors: Michiel Mol, Katarina G. Bonde, Fred Mulder, Robert Pickering and Sven Skarendahl (passed away January 2008)

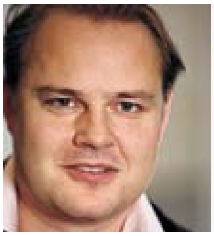
BOARD

Fred Mulder, Chairman
Chairman of LBi since May 2007. Member of the Board since August 2006 and member of the Board of LB Icon since 2002 (Chairman since 2005)
Born: 1941
Education: MBA from Harvard Business-School, US
Other board/committee assignments: Greenfield Capital Partners (Chairman of Investment Committees), Duos Technology Inc. (Chairman of the Board), Jacksonville, US, Aleri Lab Inc., US/UK, WAYSIS B.V. and W.P. Stewart & Co., Ltd., New York
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

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 Swedish-American Chamber of Commerce, US (since 2003) 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: Co-owner and Board Member of Force India F1 team
Previous positions: Creative Director and founder of Media Republic B.V. (since 2002) and CEO and founder of Lost Boys B.V. Director of Formula One Team, Spyker F1
LBi shares: 15,249,607 (through Red Valley)
LBi stock options: 0

Robert Pickering
Member of the Board since August 2006 (Chief Executive Officer of LBi 2006-2008. Chief Executive Officer 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, US
Other board assignments: B&J Food Service Equipment, US (since 1996) and OraOxygen, Canada (since 2005) and Board Member of the Texas Department of Information Resources of the State of Texas (since May 2007)
Previous positions: IT professional -services industry for over 25 years. Partner with Andersen Consulting/Accenture, US and CEO of Origin, the Netherlands
LBi shares: 412,856 (406,856 exl. share loan for exercises global share option plan)
LBi Stock options: 200,000


Luke Taylor


Ewen Sturgeon


Theo Cordesius


Jan Norman


Jesper Andersen


Huub Wezenberg

MANAGEMENT

Luke Taylor
Chief Executive Officer of LBI International AB since January 2008. Previously Chief Executive Officer of LBi UK. Luke founded Oyster Partners in 1995 as an independent full-service interactive agency. Oyster grew rapidly to become the largest full-service digital agency in the UK. Following the sale of Oyster to Framfab and the subsequent merger of Framfab and LB Icon a new entity was created called LBi UK.
Born: 1968
Education: Degree in English Literature from Oxford University.
Previous Positions: Broad experience as a strategic business adviser in both Marketing and IT professional services. Luke has advised Vuarnet, Kodak Eastman and Conagra on their European growth strategy while at IAMCO consulting. He helped set up and grow the Internet Bookshop (Europe's first Ecommerce Venture) as Head of Operations.
External Board assignments: Member of the Creative Industries Forum with a mandate to advise the Government on how to promote and build the UK's Creative industries both at home and overseas. Member of George Osborne's New Enterprise Council.
LBi shares: 77,000
LBi stock options: 275,000

Ewen Sturgeon
Chief Executive Officer of LBi UK since January 2008. Previously Managing Director of LBi UK. Ewen was one of the founders of full service digital agency Wheel and has been working in the industry since 1992. Wheel became one of the best regarded and largest full service digital agencies in the UK. Following the sale of Wheel to LB Icon in 2005 and subsequent merger with Oyster/Framfab, LBi UK was created.
Born: 1966
Education: Degree in Business from Middlesex University
Previous positions: Ewen began his career at Wheel and managed its evolution from launch to market leadership and subsequent purchase by LBi. During this time he has acted as digital marketing adviser and strategist to clients such as Marks and Spencer, Unilever, Argos and Inbev.
External Activities: Ewen is a founding shareholder of e-consultancy, one of the worlds leading providers of information, training and events to digital marketing professionals.
LBi shares: 98,250
LBi stock options: 170,000

Theo Cordesius
Executive Vice President and Chief Operations Officer of LBI International AB 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 the Professional Services and Global Services organisations of Compaq Computer and senior executive positions in Digital Equipment Corporation (DEC) and Philips Information Systems
LBi shares: 54,000
LBi stock options: 1,200,000 which entitles to 300,000 shares

Jan Norman – resigned and replaced by Huub Wezenberg
Chief Financial Officer of LBI International AB since August 2006 (CFO of Framfab November 2004–August 2006)
Born: 1957
Education: Graduate in Business Administration, Stockholm University
External Board assignments: No external Board assignments.
Previous positions: Chief Executive Officer of Thalamus Networks AB (June 2002–June 2004), Chief Financial Officer of Bergman & Beving AB and nine years at Öhrlings PricewaterhouseCoopers
LBi shares: 0
LBi stock options: 0

Huub Wezenberg
Acting Chief Financial Officer of LBI International AB since March 1, 2008 (group controller of LBI International AB since August 2006 and previously group controller of LB Icon since 2002 and before that group controller of Lost Boys NV since February 2001)
Born: 1965
Education: Graduate in Business Administration and post doc Accountancy at Vrije Universiteit Amsterdam
Previous positions: Chief accountant and Head of Internal Audit at the Amsterdam police force (Regiopolitie Amsterdam-Amstelland) and six years at Paardekooper & Hoffman Registeraccountants (now Mazars).
LBi shares: 5,000
LBi stock options: 141,000 which entitle to 51,000 shares

Jesper Andersen
Executive Vice President and Chief Operations Officer of LBI International AB since 2008. Executive Vice President since August 2006. Chief Executive Officer of LBi Denmark and Sweden. (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 Executive Vice President 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: 160,000

ACCOUNTANTS

Öhrlings PriceWaterhouseCoopers
Hans Jönsson (Auditor in charge)
Accountant for the company since October 2006
Born: 1955

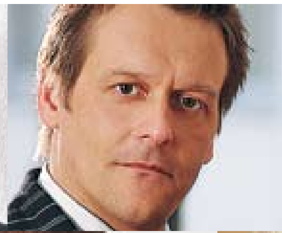
All the share and stock options data reflects 7 April 2008

Benoit Lips

Christian Anthony

Arend Lars Iven

Ron Hillmann

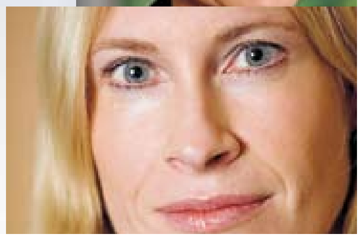


Uli Mayer-Johanssen

Igor Milder

Maria José Carus

Andreas Spee



Petra Stenqvist

Subsidiary CEOs and MDs

BELGIUM
Brussels and Ghent
Benoit Lips
CEO since: Jan. 1995 (founder of DAD, acquired by LBi in 2002)
Started his interactive career in 1992 at Catholic University of Louvain (Belgium) as a researcher.
Education: Civil Engineer, Catholic University of Louvain 1988
Born: 1964

DENMARK
Copenhagen
Jesper Andersen,
Group Management

FRANCE
Paris
Ewen Sturgeon,
Group Management

INDIA
Mumbai
Nand Kapadia
CEO/MD since: 2003
Started his career in 1993 at Rave Technologies as CTO
Born: 1972

ITALY
Milan
Marco Tosi
CEO/MD since: April 1999
Previous assignments:
1995–1999 Founder and CEO of I.com Consulting (acquired by IconMedialab in April 1999). 1992–1995 Internal Consultant at Allianz Italy. 1989–1992 Senior Consultant at Andersen Consulting
Education: Degree in Industrial Engineering at Politecnico di Milano
Born: 1963

GERMANY
Berlin – MonBijouplatz
Arend Lars Iven
CEO since: 2004
Founder of one of the best known Internet portals for students at the time, 1998.
Previous assignments: Online Marketing Manager at ImmobilienScout24
Education: MBA, University of Münster and the University of California at Berkeley
Born: 1975

Ron Hillmann
CEO since: 2004
Started his career in 1999 at price comparison idealo.de as Marketing Manager.
Previous assignments: Scholz & Friends, independent consultant for Zanox.de AG, and a Marketing Manager career with ImmobilienScout24.
Education: BA in business administration, Technische Universität Berlin
Born: 1967

Berlin – Vetterstraat (MetaDesign)
Uli Mayer-Johanssen
MD since: 2007
In 1990, Uli co-founded the corporate identity agency MetaDesign with two partners. Prior to this, Uli served as managing partner at the Berlin design agency FAB Kommunikation.
Education: Graphic and set design in Stuttgart, and degree in 1986 at the Visual Communications Department of the College of Fine Arts in Berlin.
Other assignments: Currently teaches at ESCP-EAP European School of Management in Berlin, the Institute of Cultural Management at the Free University of Berlin and the Swiss Center for Corporate Management.
Born: 1958

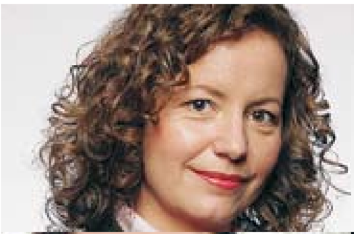
Cologne and Hamburg
Anke Freikamp
CEO/MD since: 2005 (at LBi since 2001)
Started her career in 1999 at vista new media GmbH.
Previous assignments: Pro Concept, Law firm Dr. Liebscher, vista new media.
Education: Legal graduate degree at University of Cologne, Attorney at law
Born: 1971

Munich
Patrick Wolf
CEO/MD since: 2005 (at LBi since 2003)
Started his career in 1996 at Lehr & Brose online/as a Client Partner
Previous assignments: Lehr & Brose, Detterbeck, Wider, Dialog Links interactive, argonauten.
Education: Direkt Marketing Fachwirt (BAW)
Born: 1971

NETHERLANDS
Amsterdam – Vetterstraat and Joop Geesinkweg
Igor Milder
MD since: 2008
Started working for Renault as Head Communications in 1995. Founded his own full service interactive agency Inpact (together with Jalbert Kuijper), which merged with Lost Boys (now LBi Netherlands) in 2005.
Education: Graduated from the HEAO in Utrecht in 1994.
Born: 1971

SPAIN
Madrid
Maria José Carus
CEO/MD since: April 2000
Started her ineractive career in 2000 at IconMedialab as MD.
Previous assignments:
Co-founder and MD of nexus IT, company acquired by IconMedia-

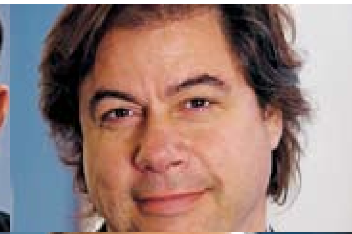
Anke Freikamp

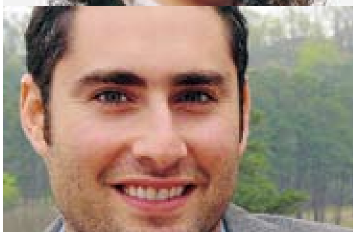


Patrick Wolf

Nand Kapadia

Marco Tosi

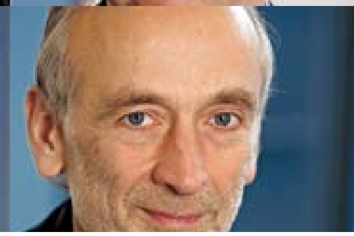




Jason Klein

Joe Schab

Robert Holzer



Tom Nicholson

lab in April of 2000. Several Management responsibilities at Software AG Spain
Education: Degree in mathematics at the Valladolid University
Born: 1961

SWITZERLAND

Zurich

Andreas Spee

CEO/MD since: 2005
Started his interactive career in 1998 as a project manager at one of LBi's predecessor companies in Cologne.
Previous assignments: project management, business consulting and account management.
Education: Marketing and Information Technology in Munich (Germany) and Wales (UK) , holds a BA in Business Administration (Diplom Betriebwirt) from University Munich of Applied Sciences.
Born: 1971

SWEDEN

Malmö and Gothenburg

Jesper Andersen,
Group Management

Stockholm

Petra Stenqvist

CEO/MD since Starring was acquired in December 2006 and MD of Starring since it was founded in 1998.
Started her career in 1998 at Moonwalk.
Previous assignments: PR and marketing at Universum
Education: Master of Science in media and mass communication Göteborg's University
Born: 1970

UK

Exeter och London

Ewen Sturgeon,
Group Management

US

Atlanta

Joe Schab

CEO/MD since: 2005
Started his career in 1999 at Bullet Point News as Vice President of Content
Previous assignments: FleetBoston Financial, Sr. VP E-Business; Executive Producer, Producer NBC. Director Client Marketing, Viacom
Education: MBA, Goizueta Business School, Emory University; Bachelor's Degree, Northeastern University
Born: 1966

NY – Lafayette Street

Tom Nicholson

CEO of IconNicholson since 1987 (at LBi since 2000).
Started his interactive career with interactive media at the United States Pavilion for the 1982 World's Fair.
Previous assignments: over 25 years of experience servicing clients across a broad range of digital solutions such as MasterCard, IBM, Nestle, Prada, NBC, MOMA and many others.
Education: Masters Degree in Design from Cranbrook Academy of Art in Bloomfield Hills, Michigan. Undergraduate studies including architecture and film at the University of Detroit.
Born: 1947

NY – Park Avenue South

Christian Anthony

co-CEO and Chairman of Special Ops Media, a full-service interactive agency he co-founded with President and co-CEO Jason Klein in 2002.
Prior to founding Special Ops, Christian founded and was involved with a number of start-ups. He began his career as an investment banker at JP Morgan in New York.
Education: Graduated with honors from Brown University in 1996.
Born: 1974

Jason Klein

Jason Klein, President and co-CEO of Special Ops Media, a full-service interactive agency he co-founded in 2002 with Chairman and co-CEO Christian Anthony.
Prior to founding Special Ops, Jason was a senior executive with a New York-based start-up.
Education: Graduated Magna Cum Laude from Brown University in 2000 with a degree in biomedical ethics and philosophy, and later attended medical school at Columbia University.
Born: 1978

NY – Vestry Street

Robert Holzer

CEO/MD since: 1998
Started his career in 1996 at The New York Times Electronic Media Group as a Marketing & Sales Director.
Previous assignments: Director of Sales, Commtouch
Education: BA, Political Science, Colgate University, 1991
Born: 1970

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We innovate. We create. We are LBi