

LB Icon AB (publ.)
Report for the period January 1 – September 30, 2005

STRONG IMPROVEMENT OF SALES AND OPERATING RESULTS

AMSTERDAM, the Netherlands / STOCKHOLM, Sweden – October 20, 2005.

LB Icon AB (Euronext Amsterdam, OMX Stockholm: ICON) (“LB Icon” or the “Company”), the internationally active full-service company in Digital Marketing and Technology, today reported its results over the first nine months and the third quarter.

Key figures first nine months 2005

EUR in millions	Jan - Sep 2005	Jan - Sep 2004	% change
Net sales	68.7	46.5	↑ 48%
EBITDA	9.1	- 0.8	↑
EBIT	6.9	- 2.2	↑
Net result	3.8	- 3.0	↑
EPS (in EUR)	0.15	- 0.13	↑
Cash flow from current operations	0.1	- 2.7	↑

Highlights first nine months 2005

- Net sales growth 48%, healthy organic growth of approximately 9%
- Sales per employee (annualized) up 19% to EUR 124,000
- Solid operating/adjusted EBIT and net result improvement
- Continued profitability and increase in profit margins
- EBIT and net result further boosted by non-operating gains of in total EUR 3.8 million

Robert Pickering, CEO of LB Icon on business performance and outlook

Results from operations in the first nine months and more in particular in the third quarter were stronger than expected. This third period is usually lower in activity due to the holiday season. Clearly, our country management and professional colleagues are continuing their focus to improve our operating effectiveness and quality.

Client business activity continues to grow in all our markets and we are confident that our growth to the end of the year will exceed our original expectations. This growth will continue to be fueled through organized and selected future acquisition opportunities, such as our recent acquisition of Inpact in the Netherlands.

We are confident that we will continue with strong sales growth and increased margin improvement and have started our planning actions for 2006 with an overall strong market in mind. We will finish 2005 profitably and stronger than ever and because of our international spread of activities, increasing synergies and cooperation between group companies, combined with the sustainable growth of spend by multinational companies on technology driven online marketing solutions in Europe and the US, we are committed to exceed these figures in 2006.



OPERATIONAL REVIEW

Following the first half-year trend, the third quarter continues to show further improvement in our backlog of business in all countries. We are closing a greater percent of our sales efforts and increasing our position with several of our major clients.

Again, these are positive signs of companies and organizations moving more and more towards interactive business, willing to explore new markets and new distribution channels urged by the continuously growing opportunities offered by the digital medium.

LB Icon's reputation and market recognition is growing stronger. Large companies with a need for a new positioning and strategic focus on doing business in a multi-channel environment will make the choice for agencies like LB Icon with an international network of companies and a proven track record in combining innovative business & branding strategy with marketing & communication and usability of new digital technologies.

The Company successfully closed other significant new business during the quarter. Our business in travel & transportation, logistics, financial services and telecommunications sector is expanding rapidly. Also, our New York office received recognition for its outstanding work on two projects. They received the New York Award for Communications Excellence in the category of Electronic and Digital Communication for work completed for the Tower Group. They also received a Web Marketing Association Award for its work on project Rebirth related to the redevelopment of the World Trade Center.

Strategic Investment in Framfab

In September the Group expanded its strategic investment in Framfab by acquiring an additional 76 million shares, building up to a total of 181 million shares by end of September, representing 15.08% ownership. The purchase was partly financed through a 2-year loan of EUR 4.8 million from Red Valley Ltd, a major shareholder. As the loan can be repaid in shares (from January 2006), these additional shares financed with this loan are effectively hedged. Any gains or losses from these additional shares will have no impact in the income statement for the fourth quarter and onwards. The value of the investment in the balance sheet as per September 30th is EUR 15.9 million. The unrealized gain amounts to EUR 3.7 million.

Divestments

As announced last quarter, LB Icon is continuously evaluating the contribution of each entity and assets to the overall long-term growth and profitability of the Group. Non-core assets or entities will be divested. As a result, on July 1st, LB Icon divested its operation in St Louis, USA (IconMedialab, Inc.) as being non-core. The divestment, by means of an MBO, had a net positive impact on the income statement of EUR 0.2 million in the third quarter (presented as other income). Part of the divestment result was a settlement (and related costs) on the remaining rent obligation for an office in San Francisco as well as a positive contribution from the release of the accumulated currency translation differences related to this subsidiary. The cash flow impact of the divestment in this third quarter was positive by EUR 0.4 million, but will in total be negative by EUR 4.1 million of which EUR 2.2 million in the next quarter. A fairness opinion was issued on this related party transaction.

By the end of the quarter another US subsidiary, Escador Inc. (New York) was dissolved after being dormant since mid 2004. The impact of the deconsolidation on the group results was not material.

Events after the close of the quarter

On October 13th, just after the close of the quarter, the Company announced the acquisition of Inpact B.V. ("Inpact") located in Utrecht, the Netherlands. Inpact is one of the larger independent full service digital agencies in the Netherlands (and belongs to the Fast50, the 50 fastest growing companies in the Netherlands). Combined with the existing LB Icon business activities in the Netherlands (Lost Boys), this acquisition gives LB Icon a clear market-leading position in the Dutch market. Its on-line media, database and direct marketing activities are an enhancement to the existing Lost Boys portfolio.

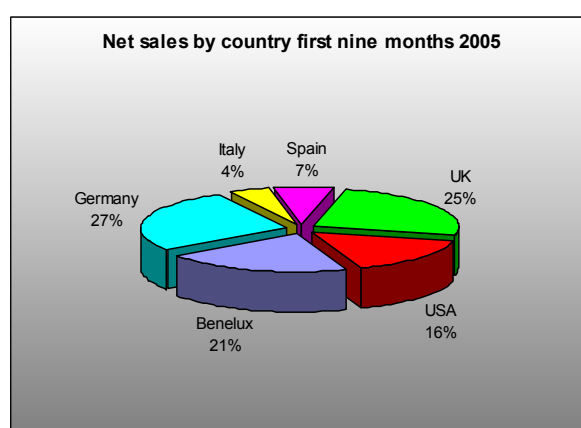
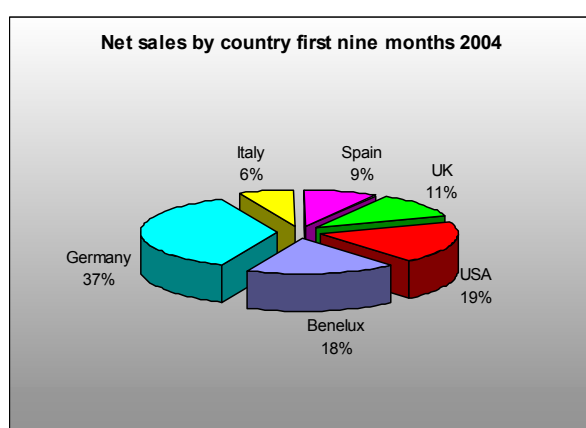
FINANCIAL REVIEW

First nine months

Sales

Net sales in the first nine months of 2005 increased to EUR 68.8 million, up by 47.7% compared to the same period last year. Organic growth for the first nine months of 2005 was approximately 9% compared to the first nine months of 2004. Net sales per employee (annualized) increased by 19% to EUR 124,000 compared to the first nine months in 2004.

The steep sales increase can be attributed to steady growth in existing markets and to new key markets in the UK and in Belgium where the Group now has a very strong presence as a result of last year's acquisitions in the UK and this year's acquisitions of Wheel (London) and DAD (Brussels). In the first nine months the UK accounted for EUR 17.5 million in sales compared to EUR 5.2 million in the first nine months of 2004. Belgium accounted for EUR 4.5 million compared to EUR 0.9 million in the same period last year.



The UK now contributes 25% to the Group's net sales, Germany 27% and Benelux is up to 21% and will increase in Q4 as a result of the recent acquisition of Inpact.

Costs and results

Despite continuing pricing pressure in most countries, margins on projects improved because of the Group's focus on cost efficient operations, resulting in a strong improvement of EBITDA (adjusted for extraordinary results) in the first nine months and turning positive to EUR 5.3 million versus EUR -0.3 million in the same period in 2004.

EBIT (adjusted for extraordinary results) came in at EUR 3.1 million compared to EUR -1.7 million in the first nine months of 2004. This strong improvement reflects the Group's continued focus on cost cutting programs aimed at enhancing efficiency as well as an immediate positive contribution to the Group's results from the new acquisitions.

Third quarter 2005

Key figures third quarter 2005

EUR in millions	July - Sep 2005	July - Sep 2004	% change
Net sales	24.1	17.5	↑ 37%
EBITDA	4.4	0.3	↑
EBIT	3.6	- 0.1	↑
Net result	2.9	- 0.4	↑
EPS (in EUR)	0.11	- 0.02	↑
Cash flow from current operations	- 0.6	- 1.2	↑

Highlights third quarter 2005

- Net sales increase of 37.5% compared to Q3 2004 and 2% compared to Q2 2005 despite divestment of US subsidiary
- Continued increase in sales per employee (annualized) of EUR 125,000 compared to EUR 110,000 for the same quarter last year
- Positive net result for the fourth consecutive quarter, EUR 2.9 million in Q3 2005

Sales

Net sales for LB Icon in the third quarter reached EUR 24.1 million, up by 37% from third quarter 2004 and up 2% from the second quarter of 2005. The third quarter, however, was impacted by the divestment of the St. Louis operations per July 1. Adjusted for that, the third quarter sales in fact increased by 6.1% over the second quarter 2005 despite the fact that the third quarter traditionally is a weak quarter (holiday season).

Costs and results

The continued strong sales performance over the third quarter was accompanied by slightly lower EBITDA and EBIT results (both adjusted for extraordinary gains), giving evidence of the seasonal dip.

EBITDA (adjusted) for the third quarter reached EUR 1.8 million compared to EUR 2.0 million for the second quarter and EUR 0.4 million for the same quarter last year. It was the fourth consecutive quarter with a positive EBITDA result.

EBIT (adjusted) came in at EUR 1.0 million compared to EUR 1.3 million in the second quarter of 2005 and EUR -1.2 million in the third quarter of 2004.

The difference between EBIT and EBIT adjusted is a result of the extraordinary results related to the gain on investment in Framfab (EUR 0.6 million in first quarter 2005; EUR 0.6 million in second quarter 2005 and EUR 2.5 million in the third quarter 2005) and listing costs at Euronext (EUR 0.5 million in the second quarter of 2004).

Net result

Net result for the first nine months was positive by EUR 3.8 million compared to a loss of EUR -3.0 million for the same period last year. Net result improved to a profit of EUR 2.9 million in the third quarter compared to a loss of EUR -0.4 million in the same quarter last year and to a positive result of EUR 0.6 million in the second quarter this year.

Net result was positive for the fourth quarter in a row.

Earnings per share for the first nine months 2005 were EUR 0.15 compared to EUR -0.13 last year. The number of shares outstanding by end of September was 26,836,145.

The net result for the third quarter included a greater amount of extraordinary gains than in prior periods. While we expect to realize further extraordinary gains in subsequent quarters we do not expect as significant impact to the net result.

Balance sheet and cash flow

Balance sheet

DSO of debtors by the end of the third quarter moved to 61 days compared to 63 days for the same quarter last year and 63 days by end of June 2005. The Group is actively working to bring this down further in forthcoming quarters. Traditionally, the DSO of debtors in our Southern European entities is high, affecting the overall group ratio negatively.

The solvency of the Company remained stable at required levels despite the earlier convertible bond loans and regular loans raised. The solvency rate (equity/assets ratio) end of September is 34.6% compared to 39.6% end of September last year. Notice should be taken that part of the current debt consists of earn out obligations that will be settled in shares in the forthcoming 2 years. As a result, the equity will ultimately increase by EUR 13.8 million, causing the solvency rate to improve to 48.1%.

The annual interest payment of the Company is about EUR 1.5 million. Due to the continued strong EBIT performance, the interest coverage ratio (EBIT divided by interest paid) has improved to around 6.2.

By the end of September, the Group succeeded in raising new capital of EUR 2.8 million related to a warrant issue. 100% of all outstanding warrants that expired in September have been exercised at a price of SEK 40 (EUR 4.25) per share.

The total group cash balance by the end of September shows EUR 11.4 million of which EUR 6.0 million is in the Parent Company.

Cash flow

Cash flow from current operations for the first nine months was positive by EUR 64 thousand- and increased by EUR 2.7 million compared to the first nine months of 2004 (EUR -2.65 million).

The Group redeemed high interest rate long-term debt and paid down on expensive local credit facilities from credit institutions in the first half year for a total of EUR 4.3 million. In the third quarter a loan from Red Valley Ltd. was taken of EUR 4.8 million to finance the new investment in Framfab. The Group received the proceeds from the green shoe convertible bond of EUR 2.25 million in January, EUR 0.6 million from stock option exercises and EUR 2.8 million from the exercise of warrants in September. The net cash flow from financing activities ended at EUR 7.8 million.

Stockholm, October 20, 2005

For the Board

Robert Pickering
CEO

This interim report has not been reviewed by the Company's auditor.

About LB Icon

Dutch/Swedish LB Icon, active since 1993, is one of the leading international full service companies offering an integrated approach of business & brand strategy consulting combined with marketing & communications and digital technology services. The Company employs over 800 professionals located primarily in the major European and American business centers, such as Amsterdam, London, New York, Brussels, Munich, Berlin, Madrid and Milan. Through multidisciplinary teams, LB Icon creates innovative multi-channel solutions for its national and international corporate clients by uniquely combining strategy development and creative design with specific industry expertise and latest digital technology. LB Icon is listed on both Euronext Amsterdam and OMX Stockholm stock exchanges (symbol: ICON).

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FORTHCOMING REPORTS

The Company will report its fourth quarter results on February 23, 2006

FINANCIAL INFORMATION:

Accounting principles
Summary consolidated income statement
Summary consolidated balance sheets
Shareholders' equity
Consolidated cash flow analysis
Key ratios
IFRS

Accounting Principles

These interim consolidated financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting, which is in accordance with RR31 Interim Consolidated Financial Reporting. The IFRS standards and IFRIC interpretations that will be applicable at December 31, 2005, including those that will be applicable on an optional basis, are not known with certainty at the time of preparing these interim financial statements.

In comparison to the last annual report the accounting principles have been changed due to the adoption of IFRS. Reconciliation and descriptions of the effect of the transition from Swedish GAAP to IFRS on the Group's equity and its net result are provided in a separate appendix. The principles have been applicable as of January 1, 2005, and the comparable year 2004 has been recalculated. The adoption rules are available in IFRS 1, First-time Adoption of IFRS, which state that all standards shall be applied retrospectively. However, a number of mandatory as well as voluntary exceptions from the main rule are stated. LB Icon uses the voluntary exceptions that are applicable to the Group.

From January 1, 2005

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Assets in this category are classified as current if they are either held for trading or are expected to be realized within 12 months of the balance sheet date. The preparation of financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimated impairment of goodwill

The Group tests regularly whether goodwill has suffered any impairment, in accordance with the accounting policies. If indication of impairment exists the recoverable amounts of cash-generating units will be determined based on value-in-use calculations. These calculations require the use of estimates.

Hedge accounting

In the second quarter the Company has applied IAS 39 for two the acquisitions resulting in a translation effect on unpaid consideration (convertible bond and provisions) being recorded directly into equity.

Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business.

SUMMARY CONSOLIDATED INCOME STATEMENTS

	Jul - Sep 2005 EUR 000	Jul - Sep 2004 EUR 000	Jan - Sep 2005 EUR 000	Jan - Sep 2004 EUR 000	Jan - Dec 2004 EUR 000
Net sales	24,105	17,537	68,744	46,534	66,205
Cost of sales*	- 17,072	- 12,449	- 49,244	- 35,036	- 49,467
Gross margin	7,033	5,088	19,500	11,498	16,738
Sales costs	- 1,479	- 1,605	- 5,488	- 3,741	- 5,667
Administrative costs	- 4,759	- 3,969	- 12,059	- 10,238	- 13,136
Other operating income	2,805	371	4,995	415	849
Other operating expenses	0	2	0	- 98	- 101
Operating result	3,600	- 113	6,948	- 2,164	- 1,317
Equity in loss/earnings of associated companies	0	0	0	0	0
Net financial items	- 167	- 169	- 2,107	- 705	- 611
Result after financial items	3,433	- 282	4,841	- 2,869	- 1,928
Income taxes	- 519	- 105	- 1,047	- 166	4,122
Net result for the period	2,914	- 387	3,794	- 3,035	2,194
Net result attributable to minority interest	0	0	0	0	0
Net result attributable to the shareholders of the company	2,914	- 387	3,794	- 3,035	2,194
Earnings per share on a non diluted basis	0.11	- 0.02	0.15	- 0.13	0.09
Average number of shares	26,388,137	25,326,475	25,906,034	22,981,136	23,854,277
Earnings per share on a fully diluted basis **	0.10	-0.02	0.13	-0.13	0.09
Average number of shares after dilution	29,778,989	27,476,609	29,294,283	23,944,113	26,242,415

* cost of sales includes personnel costs, consultants, other direct costs and a portion of overhead in the form of office space, equipment expenses and depreciation

** 2004 result per share has not been allowed to be affected by the dilution due to its positive effect on the result per share.

SUMMARY CONSOLIDATED BALANCE SHEETS

	Sep 30, 2005 EUR 000	Sep 30, 2004 EUR 000	Dec 30, 2004 EUR 000
Assets			
Intangible fixed assets	3,999	1,280	1,384
Goodwill	36,392	21,917	21,920
Tangible fixed assets	3,451	3,424	3,372
Financial fixed assets	18,981	543	4,708
Total fixed assets	62,823	27,164	31,384
Accounts receivable, trade	19,092	14,441	18,014
Other current assets	8,615	6,746	5,753
Cash and bank, short-term investments	11,434	5,518	17,450
Total current assets	39,141	26,705	41,217
Total Assets	101,964	53,869	72,601
Shareholders' equity & liabilities			
Restricted equity	59,348	54,831	60,848
Loss carried forward	- 27,878	- 30,453	- 33,988
Net result for the period	3,794	- 3,035	2,194
Minority interest	0	0	0
Total shareholders' equity	35,264	21,343	29,054
Long term provision	924	982	970
Long-term loans from shareholders	4,818	2,532	-
Convertible loan - long term portion	15,998	-	13,681
Other long-term loans	1,512	4,547	3,871
Convertible loan - short term portion	4,242	-	-
Short term provisions	13,791	7,612	6,387
Other current liabilities	25,415	16,854	18,638
Total liabilities	66,700	32,527	43,547
Total Shareholders' equity & liabilities	101,964	53,869	72,601

CHANGE IN SHAREHOLDERS' EQUITY

	Jul - Sep 2005 EUR 000	Jul - Sep 2004 EUR 000	Jan - Sep 2005 EUR 000	Jan - Sep 2004 EUR 000	Jan - Dec 2004 EUR 000
Opening balance shareholders' equity	34,794	17,883	29,054	5,215	5,215
Issuance of new stock etcetera	2,825	3,965	6,447	19,215	22,556
Net currency translation difference	- 288	- 118	1,032	- 52	- 911
Release of net currency translation differences as a result of divestments	- 4,981	0	- 5,063	0	-
Net result for the period	2 914	- 387	3 794	- 3 035	2 194
Closing balance shareholders' equity	35,264	21,343	35,264	21,343	29,054

CONSOLIDATED CASH FLOW ANALYSIS

	Jul - Sep 2005 EUR 000	Jul - Sep 2004 EUR 000	Jan - Sep 2005 EUR 000	Jan - Sep 2004 EUR 000	Jan - Dec 2004 EUR 000
Current operations					
Net result for the period	2,914	- 387	3,794	- 3,035	2,194
Adj for items not incl in cash flow:					
Depreciation and write-downs	816	459	2,162	1,394	1,921
Non-cash financial items	- 2,084	37	- 2,323	240	- 51
Taxes	338	105	752	166	- 4,313
Other non-cash items	- 245	- 1,054	- 925	- 1,793	- 2,720
Cash flow fm current operations before changes in working cap	1,739	- 840	3,460	- 3,028	- 2,969
Changes in working capital	- 2,374	- 313	- 3,396	378	- 2,937
Cash flow fm current operations	- 635	- 1,153	64	- 2,650	- 5,906
Investment activities	- 5,672	- 2,402	- 13,589	- 4,048	- 3,790
Financing activities					
Issuance of common stock for cash	2,825	3,296	3,411	8,082	8,576
Net borrowing/repayment of debt	6,215	197	4,340	- 1,097	13,247
Cash flow fm financing activities	9,040	3,493	7,751	6,985	21,823
Change in cash and cash equivalent	2,733	- 63	- 5,774	287	12,127
Cash and cash equivalent, opening balance	8,712	5,605	17,450	5,207	5,207
Translation rate differences on cash and cash equivalent	- 11	- 24	- 242	24	116
Cash and cash equivalent end of period	11,434	5,518	11,434	5,518	17,450

* investing and financing transactions that do not require the use of cash are excluded from the cash flow analysis

KEY RATIOS

	July - Sep 2005 EUR 000	July - Sep 2004 EUR 000	Jan - Sep 2005 EUR 000	Jan - Sep 2004 EUR 000	Jan - Dec 2004 EUR 000
Equity/Assets ratio	34.6%	39.6%	34.6%	39.6%	40.0%
Debt/Equity ratio	0.81	0.37	0.81	0.37	0.68
Liquid ratio, %	90%	109%	90%	109%	165%
Profit margin, %	14%	- 2%	7%	- 6%	- 3%
EBITDA	4,416	281	9,110	- 835	604
EBIT	3,601	- 113	6,948	- 2,164	- 1,317
EBITDA (% of sales)	18%	2%	13%	- 2%	1%
EBIT (% of sales)	15%	- 1%	10%	- 5%	- 2%

Key ratio's per employee

Number of employees at end of period	769	676	769	676	674
Average nr of employees for the period	773	638	725	588	615
Sales per employee	125	110	124	104	108
Sales per consultant	152	135	153	130	135

Share data

Number of shares (incl not registered)	26,836,145	24,552,816	26,836,145	24,552,816	25,187,256
Average number of shares	26,388,137	25,326,475	25,906,034	22,981,136	23,854,277
Nr of shares after full subscr/conversion	33,981,047	26,777,316	33,981,047	26,777,316	32,211,514
Shareholders' equity per share (EUR)	1.31	0.87	1.31	0.87	1.15
Shareholders' equity per share (EUR) after dilution	1.50	0.98	1.50	0.98	1.27
Earnings per share (EUR)	0.11	- 0.02	0.15	- 0.13	0.09
EBITDA per share (EUR)	0.17	0.01	0.35	- 0.04	0.03
EBIT per share (EUR)	0.14	0.00	0.27	- 0.09	- 0.06
Cash flow from current operations (EUR)	- 0.02	- 0.05	0.00	- 0.12	- 0.25
Share price	6.4	3.4	6.4	3.4	3.7
Market capitalisation	172,386	83,390	172,386	83,390	94,239
Price/Sales (P/S)	1.98	1.38	1.98	1.38	1.40

Equity/assets ratio	Calculated by dividing shareholders' equity including minority holdings by total assets
Debt/equity ratio	Calculated by dividing financial liabilities by shareholders' equity including minority shares
Liquid ratio	Current assets in relation with current liabilities
Profit margin	Profit/loss after financial items in relation to net sales
EBITDA	Earnings before interest, tax, depreciation and amortization
EBIT	Earnings before interest and tax
Net sales per employee	Net sales during the period divided by average number of employees during the same period (annualized)
Net sales per consultant	Net sales during the period divided by average number of consultants during the same period (annualized)
Average number of shares	Calculated in consideration of when the issue payment or the capital contributed has been accessible
Shareholders' equity per share	Calculated by dividing shareholders' equity by registered number of shares at end of the period. In consideration of dilution, shareholders' equity has been increased by received issue payments; earnings per share relate to earnings after full taxation divided by average number of shares
EBITDA per share	EBITDA for the period in relation to average number of shares
EBIT per share	EBIT for the period in relation to average number of shares
EPS	Earnings per share
P/S	Calculated by dividing the market capitalization by last year's sales

Shareholder's equity according to IFRS (K EUR)

	<u>Sep 30, 2004</u>	<u>Dec. 31, 2004</u>
Shareholder's equity according to Swedish Gaap	18,691	24,800
- adjustment for the amortization of Goodwill	2,555	3,804
- translation effect on goodwill amortization	-12	-50
- adjustment for the fair value of issued stock options	257	711
- adjustment for cost of stock options	-84	-113
- adjustment for amortization of other intangible assets	-64	-98
Shareholder's equity according to IFRS	21,343	29,054

Income statement according to IFRS (K EUR)

	<u>Jul - Sep 2004</u>	<u>Jan - Sep 2004</u>	<u>Jan - Dec 2004</u>
Net result according to Swedish Gaap	-1,490	-5,442	-1,402
- adjustment for the amortization of Goodwill	1,168	2,555	3,804
- adjustment for cost of stock options	-28	-84	-111
- adjustment for amortization of other intangible assets	-37	-64	-97
Net result according to IFRS	-387	-3,035	2,194

Amortization of goodwill

According to IFRS 3, goodwill is deemed to have an indefinite useful life and is no longer amortized. Instead, it is subject to annual impairment tests. For first-time adopters of IFRS, this means that the goodwill amount recorded in the books as of December 31, 2003 (the transition date for LB Icon) has been frozen, and that amortization of that goodwill has ceased from January 1, 2004 and onwards.

Acquisitions

The adoption of IFRS 3 has not radically changed the purchase price allocation, but made it more rigorous. All identifiable intangible assets of the acquired business must be recorded at their fair value. Intangible assets that would have been subsumed within goodwill must be separately identified and valued. This will capture more intangible assets than have typically been recognized. For all acquisition in 2004 the Company has prepared a purchase price allocation in accordance with IFRS 3.

Share-Based Payments

Under Swedish GAAP, no charge to the income statement has been recorded when options are granted to employees. IFRS 2 is the new financial reporting standard for share-based payments. The new accounting standard will require a P&L charge for the grant of options to employees. IFRS 2 requires companies to recognize the cost of share-based awards to employees over the period from the grant date to the vesting date. The cost is assessed on a fair value basis with measurement at the grant date. There is a corresponding credit to equity. IFRS 2 applies to accounting periods commencing on or after January 1, 2005 with a restatement of comparatives. The transitional provisions prescribe a partial retrospective effect. Share awards made on or after November 7, 2002 that have not been vested by January 1, 2005 are taken into account.