

ICON MEDIALAB INTERNATIONAL AB (publ.) ANNOUNCES SECOND QUARTER 2003 RESULTS

STOCKHOLM, Sweden and AMSTERDAM, The Netherlands, July 31, 2003 – Icon Medialab International AB (Stockholm: ICON), the parent company of the e-business and IT services company IconMedialab and Lost Boys (the Group) today reported revenue and earnings data for its second quarter of 2003 ended June 30, 2003.

Revenues from operations were lower in Q2 than the previous two quarters thus resulting in an operating loss before goodwill amortization (EBITA) of SEK 26.2 million (€ 2.8 million) for the quarter. While general market conditions appear to be improving, there continues to be delays in the approval of capital projects by clients and downward pricing pressures. All operating units with the exception of Meta in Berlin reported lower than expected revenues and smaller margins on the work performed. Lead times for the approval and startup of projects have continued to extend beyond historic timeframes. To summarize, the first half of 2003 remained as difficult as any prior period.

Operating and overhead costs have been reduced to offset the lower revenues. Corporate overhead costs continued to decrease from Q1. Both direct and indirect costs in all country operations were reduced to minimize losses from lower revenues. However, the lower margins are as much a product of the pressures on pricing, making it difficult to reach the desired levels of profitability.

The backlog and pipeline for Q3 are stable and the improvement of revenues over Q2 will depend on the attitude in the market as clients return from summer vacations. Revenues in Q2 and into subsequent quarters will be increased as a result of the acquisition of Escador IT in The Netherlands (Den Dolder), England (London) and Germany (Munich). As part of the agreement, Icon assumed full control of Escador IT effective May 1, 2003 and have consolidated operational results into the Icon results starting May 1, 2003. This acquisition not only opens the UK market to Icon, but more importantly deepens Icon's expertise in the implementation of CRM, Customer Relationship Management, solutions. The new acquisition contributed SEK 13.8 million (€ 1.5 million) in revenue and SEK 0.6 million (€ 70,000) operating result to the group in Q2.

The Board decided to make a write-down related to leasehold improvements in the facilities located in Berlin and San Francisco in the amount of SEK 3.7 million (€ 400.000) and SEK 4.4 million (€ 480.000) respectively. These adjustments to the balance sheet and income statement are included in the Q2 results. Excluding these write-downs, the operating loss excluding goodwill amortization was a loss of SEK 18.1 million (€ 1.9 million).

Finally, Icon and Red Valley have agreed, in principle, to restructure and extend the maturity of all outstanding debt with Red Valley. It is anticipated that a final agreement will be reached by August 15, 2003. All debts to Red Valley are presented as longterm debt in the balance sheet.

Contacts:

Karin Groen, Communications, karin.groen@lostboys.com, +31 20 460 4500

Net Sales and earnings

For the second quarter, net sales decreased by 30% from the prior year and decreased by 6% from the first quarter 2003 year to SEK 119.3 million. The operating earnings before goodwill amortization and provision for social security fees on employee stock options were a loss of SEK 26.2 million in the quarter compared to a profit of SEK 0.9 million in the first quarter 2003.

The following table illustrates trends in quarterly performance from first quarter 2001 and onwards.

SEK in millions	2003		2002				2001			
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net sales	119.3	126.4	124.5	135.1	169.3	224.1	207.0	233.5	318.0	427.8
<i>Growth % from same Q prior year</i>	-30%	-44%	-40%	-42%	-47%	-48%	-59%	-52%	-26%	54%
<i>Growth % sequential Q</i>	-6%	2%	-8%	-20%	-24%	8%	-11%	-27%	-26%	-16%
Operating result	-30.9	-3.5	-2.6	-87.0	-129.1	-208.3	-421.6	-281.3	-143.0	-233.8
<i>Goodwill amortization and write downs</i>	-4.6	-4.3	-4.8	-29.9	-8.5	-16.6	-284.6	-47.6	-45.1	-55.4
<i>Provision for social security fees on employee stock options</i>	-0.1	-0.1	-	-	-	-	-	-	-	-
Operating earnings*	-26.2	0.9	2.2	-57.1	-120.6	-191.7	-137.0	-233.7	-97.9	-178.4
<i>Operating margin*</i>	-22.0%	0.7%	1.8%	-42.3%	-71.2%	-85.5%	-66.2%	-100.1%	-30.8%	-41.7%
<i>Items affecting comparability**</i>	-1.3	7.5	27.3	-14.1	-38.9	-	-	-	-	-
<i>restructuring charges</i>	-0.4	-	-5.5	-	-	-89.5	-41.7	-86.8	-	-96.8
<i>Operating margin excluding items affecting comparability**</i>	-24.5	-6.6	-19.6	-43.0	-81.7	-102.2	-95.3	-146.9	-97.9	-81.6
<i>Adjusted operating margin</i>	-20.5%	-5.2%	-15.7%	-31.8%	-48.3%	-45.6%	-46.0%	-62.9%	-30.8%	-19.1%
Net result	-33.0	-5.2	6.5	-88.8	-143.1	-215.5	-495.3	-300.0	-148.5	-264.2

* Prior to goodwill amortization, write-downs and provision for social security fees on employee stock options.

** Items affecting comparability include result on discontinued operations. Last year's figure also included damage income and result on sale of real estate.

Continued and discontinued operations

The following table illustrates the split in the Income Statement between the continued and discontinued operations. The discontinued operations figures consist of Belgium. Continued operations include the businesses of the eight countries where we are currently present. In addition, all headquarter costs are included in the continued operations.

SEK in millions	April - June 2003			Jan - June 2003		
	continued	discontinued	total	continued	discontinued	total
Net sales	119.3		119.3	243.0	2.7	245.7
Cost of sales [⊠] *	-103.3		-103.3	-193.0	-2.8	-195.8
Gross profit*	16.0	0.0	16.0	50.0	-0.1	49.9
% of net sales	13.4%		13.4%	20.6%	-3.7%	20.3%
Sales costs*	-10.2		-10.2	-20.3	-0.4	-20.7
Administrative costs*	-31.7		-31.7	-64.8	-0.3	-65.1
Other costs/income*	1.0		1.0	4.4	-	4.4
Operating earnings*	-24.9	0.0	-24.9	-30.7	-0.8	-31.5
Goodwill amortization	-4.6		-4.6	-8.9	-	-8.9
Provision for social security fees on employee stock options	-0.1		-0.1	-0.2	-	-0.2
Items affecting comparability**	-1.3		-1.3	6.2	-	6.2
Operating earnings	-30.9	0.0	-30.9	-33.6	-0.8	-34.4

⊠ *Cost of sales includes personnel costs, consultants and other direct costs, as well as a portion of overhead in the form of office space and equipment expenses and depreciation.*

* *Prior to goodwill amortization, write-downs and provision for social security fees on employee stock options.*

** *Items affecting comparability include result on discontinued operations.*

Distribution of net sales and operating result

From the second quarter net sales of SEK 119 million, Europe (excluding the parent company) generated SEK 91 million (76%). From the second quarter operating loss of SEK -30.9 million, Europe (excluding the parent company) contributed a negative result of SEK -8.6 million (28 %).

Financial position

As of June 30, 2003, shareholders' equity totalled SEK 11 million, compared to SEK 53 million on December 31, 2002.

Liquid assets on June 30, 2003 totalled SEK 40 million, compared to SEK 64 million as of December 31, 2002.

Mail address:

Icon Medialab International AB
Birger Jarlsgatan 24, SE-114 34 STOCKHOLM, Sweden
www.iconmedialab.com

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Phone: +46 8 52 23 90 00
Fax: +46 8 52 23 90 97

Share data

Earnings per share after tax on a non-diluted basis were a loss of SEK 0.21 for the quarter compared to a loss of SEK 1.03 for the same period 2002. At the end of the period, shareholders' equity per share on a non-diluted basis was SEK 0.07, compared to SEK 0.80 at June 30, 2002.

The parent company had 156.963.643 outstanding shares as of June 30, 2002. On a fully diluted basis, including all outstanding options, the maximum number of shares was 172.710.643 as of that date.

Parent company

The parent company recorded net sales, including management fees, of SEK 3.1 million for the second quarter. As of June 30, 2003, the parent company recorded liquid assets of SEK 4.7 million.

Forthcoming reports

The company will announce its third quarter 2003 results on October 30, 2003.

Income Statement, Balance Sheet, Cash Flow Analysis and Key Ratios

Summary Consolidated Income Statement

SEK in thousands	April-June 2003	April-June 2002	Jan-June 2003	Jan-June 2002	Jan-Dec 2002
Net sales	119 337	169 303	245 721	393 353	653 037
Cost of sales*	- 106 818	- 166 676	- 202 741	- 450 862	- 683 759
Gross margin	12 519	2 627	42 980	- 57 509	- 30 722
Sales costs	- 10 496	- 25 675	- 21 374	- 78 445	- 99 459
Administrative costs	- 32 723	- 70 884	- 66 608	- 168 261	- 283 184
Items affecting comparability**	- 1 331	- 38 903	6,152	- 38 903	- 25 681
Other costs/income	1 081	3 715	4 433	5 688	12 011
Operating result	- 30 950	- 129 120	- 34 417	- 337 430	- 427 035
Equity in loss/earnings of assoc. co's.	-	- 8 530	-	- 10 398	- 10 398
Net financial items	- 2 044	- 9 157	- 5 661	- 10 596	- 14 258
Loss after financial items	- 32 994	- 146 807	- 40 078	- 358 424	- 451 691
Income taxes	- 4	3 743	1 833	- 104	10 863
Minority interest	0	0	0	0	0
Net result for the period	- 32 998	- 143 064	- 38 245	- 358 528	- 440 828
Earnings per share (SEK)	-0.21	-1.03	-0.24	-3.03	-3.20
Average number of shares	156 963 643	138 945 742	156 963 643	118 218 594	137 591 119

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

** Items affecting comparability include result on discontinued operations. Last year's figure also included damage income and result on sale of real estate.

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Summary Consolidated Balance Sheet

SEK in thousands	June 30, 2003	June 30, 2002	Dec 31, 2002
Assets			
Intangible fixed assets	6 287	8 684	6 092
Goodwill	67 879	98 096	70 658
Tangible fixed assets	38 020	112 020	54 594
Financial fixed assets	3 637	31 710	5 747
Total fixed assets	115 823	250 510	137 091
Accounts receivable, trade	94 264	128 661	115 916
Other current assets	79 401	77 788	64 242
Cash and bank, sh.-term inv's	39 789	118 485	64 296
Total current assets	213 454	324 934	244 454
Total assets	329 277	575 444	381 545
Shareholders' equity & liabilities			
Restricted equity	280 640	938 550	733 026
Loss carried forward	- 231 414	- 453 910	- 239 043
Net result for the period	- 38 245	- 358 528	- 440 828
Total shareholders' equity	10 981	126 112	53 155
Minority interest	0	0	0
Total provision	48 522	72 968	44 476
Long-term loans from shareholders	96 023	-	73 430
Other long-term loans	41 498	37 163	30 305
Short-term loans from shareholders	-	23 124	-
Customer advances	4 560	4 089	10 800
Other current liabilities	127 693	311 988	169 379
Total liabilities	269 774	376 364	283 914
Total Shareholders' equity and liabilities	329 277	575 444	381 545

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 www.iconmedialab.com

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Phone: +46 8 52 23 90 00
 Fax: +46 8 52 23 90 97

Consolidated Cash Flow Analysis

SEK in thousands	April-June 2003	April-June 2002	Jan-June 2003	Jan-June 2002	Jan-Dec 2002
Current operations					
Net result for the period	-32 998	-143 064	-38 245	- 358 528	- 440 828
Adjustments for items not incl in cash flow					
Depreciations and write-downs	18 400	22 266	28 220	55 597	109 888
Non-cash financial items	348	9 198	1 562	11 066	17 214
Taxes	4	0	-1 833	0	-10 863
Other non-cash items	-1 085	12 508	-16 168	79 201	68 313
Cash flow from current operations before changes in working capital	-15 331	-99 092	-26 464	-212 664	-256 276
Changes in working capital	- 469	19 417	-29 899	-6 800	-48 251
Cash flow from current operations	-15 800	-79 675	-56 363	-219 464	-304 527
Investment activities	- 728	-18 513	-2 975	70 459	100 849
Financing activities					
Issuance of common stock for cash	-	171 577	-	171 577	171 577
Net borrowing/repayment of debt	15 020	-61 892	36 279	31 604	32 126
Cash flow from financing activities	15 020	109 685	36 279	203 181	203 703
Change in cash and cash equivalent	-1 508	11 497	-23 059	54 176	25
Cash and cash equivalent, opening balance	42 464	109 558	64 296	68 568	68 568
Translation rate differences on cash and cash equivalent	-1 167	-2 570	-1 448	-4 259	-4 297
Cash and cash equivalent, end of period	39 789	118 485	39 789	118 485	64 296

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

Shareholders' equity

SEK in thousands	April-June 2003	April-June 2002	Jan-June 2003	Jan-June 2002	Jan-Dec 2002
Opening balance shareholders' equity	46 733	107 265	53 155	109 705	109 705
Issuance of new stock etcetera	-	172 351	-	395 553	394 779
Net currency translation difference	- 2 754	- 10 440	- 3 929	- 20 618	- 10 501
Net result for the period	- 32 998	- 143 064	- 38 245	- 358 528	- 440 828
Closing balance shareholders' equity	10 981	126 112	10 981	126 112	53 155

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Key ratios

	April-June 2003	April-June 2002	Jan-June 2003	Jan-June 2002	Jan-Dec 2002
Equity/assets ratio	3.3%	21.9%	3.3%	21.9%	13.9%
Debt/equity ratio	12.63	0.93	12.63	0.93	1.97
Number of employees at end of period	605	839	605	839	652
Average number of employees for the period	601	1 121	672	1 245	956
Sales per employee, SEK thousand	795	604	753	770	683
Sales per consultant, SEK thousand	1 009	797	963	873	891
Outstanding shares (incl. paid but unregistered)	156 963 643	156 963 643	156 963 643	156 963 643	156 963 643
Average number of shares	156 963 643	138 945 742	156 963 643	118 218 594	137 591 119
Earnings per share (SEK)	-0.21	-1.03	-0.24	-3.03	-3.20
Shareholders' equity per share (SEK)	0.07	0.80	0.07	0.80	0.34
Shareholders' equity per share (SEK) after dilution	0.22	0.83	0.22	0.83	0.37
EBITDA , SEK thousand	- 12 550	- 106 854	- 6 197	- 281 833	- 317 147
EBITDA per share (SEK)	-0.08	-0.77	-0.04	-2.38	-2.30

Equity/assets ratio - is 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.

Net sales per employee - net sales during the period divided by average number of employees during the same period (annualised).

Net sales per consultant - net sales during the period divided by average number of consultants during the same period (annualised).

Average number of shares - calculated in consideration of when the issue payment or the capital contributed has been accessible.

Earnings per share relate to earnings after full taxation divided by average number of shares.

Shareholders' equity per share - calculated by dividing shareholders' equity by registered number of shares at end of period. In consideration of dilution, shareholders' equity has been increased by received issue payments.

EBITDA - earnings before interest, tax, depreciation and amortization.

EBITDA per share - EBITDA in relation to average number of shares.

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Accounting principles

This interim report has been prepared in accordance with the Swedish Financial Accounting Standards Council's recommendation RR 20, Interims report. The group's accounting principles have been changed since the latest annual report. The following Swedish GAAP recommendations are now implemented:

RR22 – Presentation of financial statements

RR25 – Segment reporting

RR26 – Events after the balance sheet date

RR27 – Financial instruments: Disclosure and Presentation

RR28 – Accounting for Government Grants and Disclosure of Government Assistance

None of these new recommendations has had any material accounting effect.

July 31, 2003
Stockholm, Sweden

For the Board:

Robert Pickering
CEO

This interim report has not been subject to review by the Company's auditor

IconMedialab/Lost Boys Group

IconMedialab and Lost Boys merged in January 2002 to become one of the world-leading IT professional service providers. The group provides user-driven solutions through innovative technology for all-digital channels, with global reach and local expertise. The group has developed solutions for a broad range of clients, including Audi, Q8, Goodyear, Postbank, KLM, Prada and MasterCard International. The IconMedialab stock is traded on the Stockholm Stock Exchange O-List (ICON). For more information: www.iconmedialab.com and www.lostboys.com

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www.iconmedialab.com

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Phone: +46 8 52 23 90 00
Fax: +46 8 52 23 90 97