

Q1 Report 2006 - TradeDoubler AB

Continued growth and improved profits

First Quarter, 2006

Financial

- Revenues for the period increased by 91% to SEK 400.5 m compared with SEK 209.3 m in the first quarter of 2005
- Gross Profit for the period amounted to SEK 107.1 m, compared with SEK 64.1 m in the first quarter of 2005, an increase of 67%
- Operating profit (EBIT) for the period amounted to SEK 36.7 m compared to SEK 14.5 m in the first quarter of 2005, an increase of 153%
- During the period, share based expenses relating to existing warrant schemes decreased operating profit by SEK 3,2 m (SEK 8.1 m)
- Profit after tax amounted to SEK 25.6 m (SEK 10.5 m)
- Reported earnings per share amounted to SEK 0.90 (SEK 0.38)

Operational

- Acquisition of Advertigo AB for SEK 10m during Q1.

Outlook Full Year 2006

- Strong revenue growth – at least in line with growth of the e-commerce market
- Improved profit margin due to fixed cost leverage

About TradeDoubler

Founded in 1999, TradeDoubler is a European provider of online marketing and sales solutions. Industry leaders all over Europe have partnered with TradeDoubler to work with performance-based marketing and to manage online relationships, in order to increase sales and improve online business. TradeDoubler is headquartered in Sweden with a presence in 15 other markets, and customers include Apple Store, Dell, Telia Sonera, eBay and Kelkoo. Please visit www.tradedoubler.com for further information.

This document contains certain forward-looking statements relating to the business, financial performance and results of the Company and the industry in which it operates. These statements are based on the Company's current plans, estimates and projections, as well as its expectations of external conditions and events. In particular the words "expect", "anticipate", "estimate", "may", "should", "believe" and similar expressions are intended to identify forward-looking statements. Forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those in the forward-looking statements. These include, but are not limited to: the level of client acceptance of existing and new and upgraded products and services; the growth of overall market demand for the Company's products ; the Company's ability to sustain and effectively manage its recent rapid growth; and the Company's relationship with third party suppliers, and its ability to accurately forecast the volume and timing of sales. Additional factors could cause future results to differ materially from those in the forward-looking statements.

The Market

The underlying market growth in our markets remains very strong. Both E-commerce and Internet advertising spend have grown rapidly in 2005 and this trend is expected to continue in 2006. Some of the most important factors behind the strong development are:

- The Internet and broadband penetration continue to increase in Europe
- More experienced users and increased confidence in the Internet – less concerns over credit card fraud and late deliveries
- The number of people who purchase on the internet is increasing, as well as average purchasing amounts
- The search functionality is continuously improved, facilitating research and purchases on the Internet
- Efficient tracking technology and performance based payment models enables the advertiser to optimize its marketing spend via the Internet

According to various European research institutes, e-commerce in Europe is dominated by travel followed by media and apparel. The growth is however apparent in all industry segments. Forrester Research forecasts that travel will remain in dominant position until 2009 and that apparel by then has grown to the second largest category.

A key reason for the growth within Internet advertising is that advertisers shift the allocation of money spent from other media and TradeDoubler estimates that the current discrepancy between allocation and media consumption will decrease in the coming years as advertisers will strive to put their budgets where their customers spend their time and do their purchases.

The market trends are confirmed by TradeDoubler's own growth trajectory. Our total number of clients has grown continuously as has the gross profit per client. During Q1 2006 the number of invoiced organisations increased to 1065 (946), an increase with 12.6% compared to Q1 2005.

Products and Services

During 2005 and the first quarter 2006 a number of new functions and features have been introduced significantly improving the performance and competitiveness of products and services. For the public affiliate program a search function enabling publishers to better determine the optimal allocation of their traffic in order to maximize returns has been introduced. This new function improves the overall efficiency of our entire network. Additionally, the scalability in the transaction handling has been enhanced enabling further growth with a minimum of investments in hardware.

During the first quarter, we introduced several functions which improved our ad management capabilities and processes. We also introduced a completely separate reporting structure with the view support the increased reporting demands from advertisers and publishers.

TradeDoubler has also, through a corporation project with Kelkoo, developed a function which allow consumer to express their opinion on certain advertisers products and services. This information is then anonymously published on Yahoo shopping where it serves as guidance for other consumers when they are in the process of making their shopping decisions.

Revenues

Januari to March 2006

TradeDoubler's revenues continued to increase during the first quarter 2006 and amounted to SEK 400.5 m (SEK 209.3 m), an increase of 91%, compared to the corresponding period the preceding year. Transaction revenues accounted for SEK 373.4 m (SEK 186.8 m) of total revenues, while other revenues accounted for SEK 27.0 m (SEK 22.5 m). Other revenues mainly consist of start-up and monthly fees and consulting revenues.

TradeDoubler's gross profit amounted to SEK 107.1 m (SEK 64.1 m), an increase of 67%, compared to the corresponding period in the preceding year. The share of this amount attributable to transactions was SEK 80.0 m (SEK 41.6 m), while other revenues contributed SEK 27.0 m (SEK 22.5 m).

The gross margin during Q1 was 26.7 % (31.0%). The decline is explained by the growth being primarily driven by increased transaction revenues. The gross margin for Q4 2005 was 28.4%. The transaction margin decreased slightly during the first quarter to 21.4% (22.3%), which was primarily due to the large volumes generated during post Christmas sales coming to a large extent from large clients with slightly lower margins. Transaction margin during Q4 2005 amounted to 22.5%.

The positive revenue growth was the result of continued recruitment of advertisers and publishers in combination with an increased number of transactions. On March 31, the number of active advertisers (clients) amounted to 1 065 (946), and there were 107 500 (83 540) active publishers in TradeDoubler's network.

Revenue by revenue source

SEKm	Jan-Mar 2006	Jan-Mar 2005	Change (%)	Jan-Dec 2005
Transaction revenues	373	187	99%	990
Other revenues	27	22	23%	95
Total	400	209	91%	1 085

Gross profit by revenue source

SEKm	Oct-Nov 2005	Oct-Nov 2004	Change (%)	Jan-Dec 2005
Transaction revenues	80	42	90%	219
Other revenues	27	22	23%	95
Total	107	64	67%	314

Revenue by geography

January – March 2006

All geographic markets continued to show strong growth during the first quarter 2006. In the UK, revenues increased by 73% during the period, compared to the corresponding period in the preceding year. In France and Germany the increase was 128% and 62%, respectively. In France the growth is very much due to the success of our campaign activities both with existing and new clients. The growth in Germany has increased compared to previous periods. We consider the market to have a positive outlook and we continue to invest to broaden the product offering as well as in recruitment of new staff. In the rest of Europe excluding the Nordic region, revenues increased by 130%, compared to the corresponding period during the preceding year. The Nordic market grew by 82%, compared to the corresponding period in the preceding year. During the quarter 2006, 91% of the company's revenues were generated outside of Sweden.

United Kingdom				
SEKm	Jan-Mar 2006	Jan-Mar 2005	Change (%)	Jan-Dec 2005
Revenue	170	98	73%	500
Gross profit	44	28	57%	134
Rest of Europe				
SEKm	Jan-Mar 2006	Jan-Mar 2005	Change (%)	Jan-Dec 2005
France	73	32	128%	161
Germany	21	13	62%	67
Rest of Europe excl the Nordic region	76	33	130%	189
Total revenue	170	78	118%	417
Gross profit	44	23	91%	121
Nordic region				
SEKm	Jan-Mar 2006	Jan-Mar 2005	Change (%)	Jan-Dec 2005
Sweden	37	23	61%	113
Rest of Nordic region	23	10	130%	55
Total revenue	60	33	82%	168
Gross profit	19	13	46%	59

Earnings

January to March 2006

Operating profit (EBIT) during the period amounted to SEK 36.7 m (SEK 14.5 m) corresponding to an operating margin of 9.2 % (6.9%).

The earnings during the first quarter of 2006 were negatively affected by costs relating to the existing warrant schemes. During the period, these costs increased the selling expenses by SEK 3.2 m (SEK 8.1 m). Adjusted for expenses attributable to this share based compensation, the operating margin was 10.0% (10.8%) of revenues and 37.3% (35.3 %) of gross profit.

Profit after tax for the period amounted to SEK 25.6 m (SEK 10.5 m).

Earnings per share

The average number of shares after full dilution amounted to 28 469 637 resulting in earnings per share of SEK 0.90 (SEK 0.38).

Adjusted for expenses attributable to the warrant schemes earnings per share were SEK 0.98 (SEK 0.59).

Financial position and cash flow

Cash and cash equivalents at March 31, 2006 amounted to SEK 297.0 m, compared to SEK 218.3 m at December 31, 2005. The Group does not have any long-term loans or bank credit.

Cash flow from operations before changes in working capital during the period from January to March amounted to SEK 39.5 m (SEK 23.8 m). The increase in cash flow was a result of the strong increase in gross profit. The change in working capital was SEK 55.6 m (SEK 2.2 m) and consisted primarily of a decrease in other receivable from employees concerning paid taxes and social costs regarding warrants, for which proceeds has now been received by the Company

The Group's investments during the period amounted to SEK 1.0 m (SEK 1,6 m) and related primarily to investments in computer equipment.

Cash flow for the period amounted to SEK 80.5 m (27.8).

Significant events during the period

During March, TradeDoubler AB acquired all shares in Advertigo AB for SEK 10 million.

Advertigo AB was founded in 2005, has four employees, and has developed technology and functionality to manage contextual online advertising campaigns on the Internet. The ad-serving system automatically deciphers the content of a website and matches it to relevant ads hosted in Advertigo's system. In addition, the company has developed a Pay-Per-Call service whereby an advertiser can market their products and services online while only paying for the telephone calls generated through the marketing campaign.

These two concepts are in line with TradeDoubler's product development strategy. TradeDoubler expects the acquisition to have a significant contribution on the introduction of new products and services.

The activities will be fully integrated into TradeDoubler's existing business during the second and third quarters of 2006. The acquisition is not expected to have a significant effect on TradeDoubler's 2006 results.

Employees

At March 31, 2006, TradeDoubler had 288 (195) employees. During the first quarter of 2006, we added a further 32 employees. Most new recruitment during the period took place in the local subsidiaries to strengthen sales and support functions.

The average number of employees from January to March was 276 (185).

Parent Company

The Parent Company's sales increased by 61% to SEK 50.6 m (SEK 31.5 m), consisting to a major extent of license fees from the subsidiaries. Earnings after financial items amounted to SEK 19.8 m (SEK 12.5 m). Liquid funds at March 31, 2006 amounted to SEK 79.7 m compared to SEK 68.0 m as per December 31, 2005. Investments in fixed assets amounted to SEK 0.5 m (SEK 1.1 m). The average number of employees during the period was 72 (46).

Transition to IFRS

As of January 1, 2005, TradeDoubler applies the International Financial Reporting Standards (IFRS) adopted by the EU in its consolidated accounts. This means that the following financial statements were prepared in accordance with IFRS. See also the section regarding accounting principles.

Significant events after the closing date

No significant events are considered to have taken place after the closing date that would affect the results for the period.

Outlook for 2006

The company's assessment is that the positive market trend with increasing Internet advertising and e-commerce will continue during 2006. Consumers are expected to spend more time on the Internet, and in parallel with this trend, the effectiveness of Internet advertising is expected to increase, resulting in higher conversion rates. TradeDoubler expect a continued growth in revenues at least in line with the growth of the e-commerce market. Revenues for the full year 2006 is expected to significantly exceed the preceding year.

Based on the anticipated market growth the company will continue to recruit people mainly in sales/support but to some extent in product and system development. TradeDoubler will continue to evaluate the possibilities to establish offices in new markets and the probability to enter one or more countries in 2006 are high. Profit for the full year 2006 is expected to significantly exceed the preceding year.

As the company continue to grow a improved productivity is foreseen as the ratio between adjusted operating profit and gross profit will continue to improve over time.

Forthcoming reporting dates

Report Q2, 2006
Report Q3, 2006

August 10th, 2006
October 27th, 2006

Annual Meeting

Annual Meeting of the Shareholders will be held in Stockholm, May 30th at 13.00.

Stockholm, April 28th 2006

Martin Henricson
CEO

This Interim Report has not been reviewed by the auditors.

Consolidated income statement

SEK 000s	jan-mar 2006	jan-mar 2005	Jan-Dec 2005
Revenue	400 460	209 262	1 085 047
Cost of services sold	-293 388	-145 194	-770 567
Gross profit	107 072	64 068	314 480
Selling expenses	-46 966	-34 671	-153 449
Administrative expenses	-19 087	-11 409	-102 455
Development expenses	-4 291	-3 518	-14 625
Operating profit	36 728	14 470	43 951
Net financial items	946	547	3 427
Profit before tax	37 674	15 017	47 378
Income tax expense	-12 082	-4 502	-8 526
Net profit	25 592	10 515	38 852
Basic earnings per share (SEK)	0,95	0,43	1,57
Diluted earnings per share (SEK)	0,90	0,38	1,38
Total number of shares outstanding (period end)	27 009 069	24 500 226	26 913 234
Total number of shares outstanding after full dilution (period end)	28 464 509	28 011 570	28 491 528
Average number of shares outstanding	26 961 152	24 500 226	24 801 852
Average number of shares outstanding after full dilution	28 469 637	27 839 707	28 099 257

Consolidated balance sheet

SEK 000s	31 mar 2 006	31 mar 2 005	31 Dec 2 005
ASSETS			
Fixed assets			
Intangible fixed assets	13 750	-	-
Tangible fixed assets	9 558	7 322	9 781
Other long-term receivables	778	536	778
Deferred tax asset	8 625	16 325	7 806
Total fixed assets	32 711	24 183	18 365
Current assets			
Accounts receivable	244 272	157 389	253 716
Prepaid expenses and accrued income	5 381	2 667	4 851
Other current receivables	13 871	4 548	38 526
Cash and cash equivalents	296 997	159 361	218 348
Total current assets	560 521	323 965	515 441
TOTAL ASSETS	593 232	348 148	533 806
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	213 627	109 954	188 562
Long-term liabilities			
Provisions for social security contributions	8 300	10 798	7 200
	8 300	10 798	7 200
Current liabilities			
Accounts payable	10 989	4 842	8 987
Publisher payable	197 123	117 916	178 845
Tax liability	13 880	6 712	1 612
Other current liabilities	109 017	81 483	106 826
Accrued expenses and deferred income	29 596	16 443	32 474
Provisions for social security contributions	10 700	-	9 300
	371 305	227 396	338 044
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	593 232	348 148	533 806

Changes in consolidated shareholders' equity

SEK 000s	jan-mar 2006	jan-mar 2005	jan-dec 2005
Shareholders equity on opening date	188 562	93 488	93 488
Translation differences	-1 428	1 202	2 266
Profit for the period	25 592	10 515	38 852
Share issues	169	3 314	48 211
Share-based compensation adjusted by equity items	732	1 435	5 745
Total shareholders' equity on closing date	213 627	109 954	188 562

Consolidated cash flow statement

SEK 000s	Jan-Mar 2006	2005	Jan-Dec 2005
Operating activities			
Profit before tax	37 674	15 017	47 378
Adjustments for non-cash items	2 500	9 042	25 510
Income taxes paid	-628	-248	-1 136
Cash flows from operating activities before changes in working capital	39 546	23 811	71 752
Changes in working capital	55 591	2 200	-29 912
Cash flow from operating activities	95 137	26 011	41 840
Investing activities			
Net investment of intangible fixed assets	-13 750	-	-
Net investment of tangible fixed assets	-1 018	-1 571	-7 218
Cash flow from investment activities	-14 768	-1 571	-7 218
Financing activities			
New share issues	169	3 314	48 211
Cash flow from financing activities	169	3 314	48 211
CASH FLOW FOR THE PERIOD	80 538	27 754	82 833
Cash and cash equivalents on opening date	218 348	128 589	128 589
Translation difference in cash and cash equivalents	-1 889	3 018	6 926
Cash and cash equivalents on closing date	296 997	159 361	218 348
Adjustment for non-cash items			
Depreciation	1 218	910	4 167
Non-recurring cost relating to the offer	-1 950	0	3 200
Personnel expenses, including social security expenses, attributable to share related programs	3 232	8 132	18 143
Total non-cash items	2 500	9 042	25 510

Quarterly results

SEK 000s	Jan-Mar 2005	Apr-Jun 2005	Jul-Sept 2005	Oct-Dec 2005	Jan-Mar 2006
Revenue	209 262	256 732	277 186	341 867	400 460
Quarter-on-quarter growth (%)	8	23	8	23	17
Cost of services sold (publisher compensation)	-145 194	-182 729	-197 864	-244 780	-293 388
Gross profit	64 068	74 003	79 322	97 087	107 072
Quarter-on-quarter growth (%)	7	16	7	22	10
Selling expenses ¹⁾	-34 671	-39 294	-41 823	-37 661	-46 966
Administrative expenses	-11 409	-18 510	-53 017	-19 519	-19 087
Development expenses	-3 518	-3 645	-3 594	-3 868	-4 291
Operating profit ¹⁾	14 470	12 554	-19 112	36 039	36 728
Net financial items	547	689	653	1 538	946
Profit before tax ¹⁾	15 017	13 243	-18 459	37 577	37 674
Income tax expense ¹⁾	-4 502	-5 071	212	835	-12 082
Net profit ¹⁾	10 515	8 172	-18 247	38 412	25 592

1) The selling expenses for the three months ended March 31, 2005 and June 30, 2005 do not correspond to the selling expenses contained in the interim quarterly reports for these periods, reflecting a restatement of these numbers for comparison purposes to comply with the Swedish Financial Accounting Standards Council's Emerging Issues Task Force pronouncement 46 (URA46 Estimation of Social Expenses in connection with the Application of IFRS 2), which is effective since September 2005.

Key data

SEK 000s	Jan-Mar 2006	Jan-Mar 2005	Jan-Dec 2005
Operating margin (%)	9	7	4
EBITDA	39 819	19 063	48 118
EBITDA margin (%)	10	9	4
Equity ratio (%)	36	32	35
Return on equity (%)	13	13	28
Number of employees on closing date	288	195	256
Average number of employees	276	185	222

Accounting principles

This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting and RR 31 Consolidated Interim Financial Reporting. The accounting policies that have been applied are in agreement with the accounting policies that were used in the preparation of the company's latest annual report. A description of the accounting policies is included in note 1 of the annual report. New or revised IFRS standards or IFRIC interpretations, which came into force on 1 January 2006, have not had any effect on the group's results of operations or financial position.

