



## PRESS RELEASE

from Sifo Group, quoted on the O-list of the Stockholm Stock Exchange

Sollentuna, August 9, 1999

### Interim report January - June 1999

- Operating revenue rose by 18 percent to SEK 502 million (426).
- Profit before tax amounted to SEK 33.8 million (28.4), an increase of 19 percent.
- Profit per share amounted to SEK 0.48 (0.42).
- Pressfax Oy, with a turnover of SEK 2.5 million, was acquired in February. In April, an agreement was signed to acquire an additional 30 percent of the shares of Argus Media. Lastly, an agreement to acquire Navigare Medical Marketing Research AB – with a turnover of SEK 25 million – is expected to be completed in August.
- Full-year profit is expected to be higher than the previous year.

### Group structure

Sifo Group is active in media and market monitoring, surveys and consulting services. It has been quoted on the Stockholm Stock Exchange's O-list since September 10, 1998.

Sifo Group has three divisions: *Observer Media Intelligence*, which works with media and market monitoring; *Sifo Research & Consulting*, which works with surveys and related consulting services; and *SMG Consulting* (50-percent owned), which is active in management and strategic consulting. The group operates in the Nordic countries, the Baltic region and Germany.

### Market

Demand was generally good in all operating areas. Media content was favorable in most markets in which we are active, in part due to a high level of business activity, which affected *Observer Media Intelligence* positively. Demand for editorial and analytical services remained high. The market for *Sifo Research &*



*Consulting's* operations was good in both Sweden and Norway, although prices came under some pressure with respect to market research in Norway.

## Revenue

Operating revenue rose by 18 percent to SEK 502 million (426). The increase is largely attributable to organic growth.

For *Observer Media Intelligence*, operating revenue amounted to SEK 290 million (234), representing growth of 24 percent, essentially organic. For comparable units, growth was approximately 10 percent in Norway, over 20 percent in Sweden, Denmark and Germany, and over 40 percent in Finland. Since the takeover of the Baltic operations at the turn of the year, volume in that region has doubled.

Editorial and analytical services continued to develop faster than basic services and accounted for 24 percent (20) of the division's revenue. Basic services noted stronger volume growth than in the previous year.

*Sifo Research & Consulting's* operating revenue amounted to SEK 210 million (188). For comparable units, growth was 14 percent. In Sweden, growth was approximately 5 percent, while in Norway it was over 40 percent. The Internet venture Sifo Interactive Media raised its operating revenue to SEK 5.9 million (1.7).

*SMG Consulting's* operating revenue amounted to SEK 22 million (20), an increase of 10 percent. Swedish operations reported growth of slightly over 30 percent. In Finland, an improvement was posted toward the end of the period after a sluggish start to the year.

## Profit

Sifo Group's operating profit before goodwill amortization and items affecting comparability amounted to SEK 43.1 million (46.6). The division *Observer Media Intelligence* had a continued strong development while *Sifo Research & Consulting* had a weak second quarter. The major Internet investments in Sifo Interactive Media have charged the result with SEK 6.9 million (1.4). The operating margin was 8.6 percent (10.9). Excluding Sifo Interactive Media, the margin was 10.1 percent (11.3).

For *Observer Media Intelligence*, operating profit rose to SEK 51.2 million (41.4), an increase of 24 percent mainly attributable to organic growth. The Swedish and German operations in particular developed positively. The operating margin was



17.7 percent (17.7). The latest profit figures include higher development expenditures than the previous year.

Operating profit for *Sifo Research & Consulting* amounted to SEK 2.3 million (5.0) excluding Sifo Interactive Media. The Norwegian company and Strategic Marketing business area in particular had a weaker second quarter. The MIA (Management of Intangible Assets) and Media business areas developed well.

The Internet venture Sifo Interactive Media had a result of SEK -6.9 million (-1.4) according to plan. For the full-year 1999 the result is expected to be approximately SEK -12 million. The project is expected to produce positive contribution to the result from the autumn 2001.

Measures have been taken to improve the results in *Sifo Research & Consulting*. Among other things, a decision has been made to wind up the telephone center in Borlänge and concentrate operations at the center in Ronneby. This will reduce costs by SEK 2 million a year.

Strict comparisons of profit trends in the division's quarterly reports between quarters as well as between years can be somewhat misleading due to, among other things, the degree of completion of major projects each year.

*SMG Consulting's* operating profit amounted to SEK 1.6 million (1.9). The Swedish operations developed well, while in Finland the first six months were weak due to project delays. The situation in Finland improved at the end of the period.

Shared group expenses include higher expenditures regarding large investments than the previous year for new geographic markets. The public listing during second half of 1998 has also resulted in higher head-office expenses.

### **Financial position**

Acquisitions during the period amounted to SEK 4.5 million (33.2). The net debt/equity ratio was 31 percent (53). Goodwill in the balance sheet amounted to SEK 209 million (216). Shareholders' equity totaled SEK 188 million (156) at the end of the period. The equity/assets ratio was 32 percent (29).



### **Acquisitions**

In February, Sifo Group acquired Pressfax Oy, now BIT Finland, with a turnover of SEK 2.5 million, as a first step in BIT's (Börslistas Informationstjänst) internationalization. BIT is part of Observer Media Intelligence.

In April, an agreement was signed to acquire an additional 30 percent of the shares of Argus Media, Germany, effective January 1, 2000, after which Sifo Group's interest will amount to 80 percent. The intent is to merge Argus Media and Observer RTV Medienauswertungen in early 2000 and thereby take full advantage of potential economies of scale. Sifo Group will own 86 percent of the combined operations and is now the market leader in Germany.

In May, an agreement in principle was reached to acquire Navigare Medical Marketing Research AB, which in 1998 had a turnover of slightly over SEK 25 million. The acquisition is expected to be completed in August. Navigare will be part of the Sifo Research & Consulting division.

### **Millennium shift**

Efforts to ensure the functionality of the group's IT systems began in 1998. A large number of systems have been modified and work is under way to complete the necessary measures on remaining systems. The measures are expected to be completed well before year-end.

### **Outlook for the full-year**

We expect continued good growth during the remainder of the year.

Profit for the full-year is expected to be higher than the previous year.

This report has not been reviewed by the company's auditors.

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## SIFO GROUP – INTERIM REPORT JANUARY-JUNE 1999

### Consolidated income statement

Amounts in SEK million	1999	1998	1999	1998	1998/99	1998
	Jan-Jun	Jan-Jun	Apr-Jun	Apr-Jun	Jul-Jun	Jan-Dec
Operating revenue <sup>1</sup>	501.7	425.7	250.1	230.9	970.4	894.4
Operating expenses	-443.3	-369.2	-226.3	-199.5	-844.4	-770.3
Amortization of goodwill	-6.9	-6.7	-3.4	-3.6	-13.8	-13.6
Other amortization/depreciation	-15.3	-9.9	-7.8	-4.6	-27.3	-21.9
Items affecting comparability	-	-6.8	-	-6.8	1.5	-5.3
<b>Operating profit</b>	<b>36.2</b>	<b>33.1</b>	<b>12.6</b>	<b>16.4</b>	<b>86.4</b>	<b>83.3</b>
Net financial income and expenses	-2.4	-4.7	-0.9	-2.6	-7.3	-9.6
<b>Profit before tax</b>	<b>33.8</b>	<b>28.4</b>	<b>11.7</b>	<b>13.8</b>	<b>79.1</b>	<b>73.7</b>
Tax	-15.2	-11.5	-7.0	-5.4	-27.4	-23.7
Minority interest	-2.2	-2.5	-1.1	-1.3	-3.2	-3.5
<b>Net profit for the period</b>	<b>16.4</b>	<b>14.4</b>	<b>3.6</b>	<b>7.1</b>	<b>48.5</b>	<b>46.5</b>

<sup>1</sup> Refers to the sum of net sales and the change in work in progress.

### Consolidated balance sheet

Amounts in SEK million	1999	1998		1998
	June 30	June 30		Dec 31
Goodwill	209.0	216.3		219.2
Other fixed assets	95.1	87.6		91.4
Current receivables	217.4	188.9		210.6
Financial assets	84.5	70.3		72.6
<b>Assets</b>	<b>606.0</b>	<b>563.1</b>		<b>593.8</b>
Shareholders' equity	187.7	156.0		194.1
Minority shares	7.2	7.6		8.8
Provisions	13.2	18.0		21.8
Current liabilities	252.8	225.1		251.7
Financial liabilities	145.1	156.4		117.4
<b>Equity and liabilities</b>	<b>606.0</b>	<b>563.1</b>		<b>593.8</b>
Operating capital	255.5	249.7		247.7
Operating capital excl. goodwill	46.5	33.4		28.5
Interest-bearing net indebtedness	60.6	86.1		44.8

The accounts for the period January-June 1998 were prepared applying the accounting principles of the Scribona Group, of which Sifo Group was then part. Comparable figures for 1998 have now been recalculated in accordance with Sifo Group's accounting principles.



**SIFO GROUP – INTERIM REPORT JANUARY-JUNE 1999**

**Operating revenue**

	<b>1999</b>	1998	1999	1998	1998/99	1998
Amounts in SEK million	<b>Jan-Jun</b>	Jan-Jun	Apr-Jun	Apr-Jun	Jul-Jun	Jan-Dec
Observer Media Intelligence	<b>289.6</b>	233.6	142.2	118.2	549.1	493.1
Sifo Research & Consulting:						
Operations excl. Sifo Interactive Media	<b>204.2</b>	186.1	103.9	110.4	400.6	382.5
Sifo Interactive Media	<b>5.9</b>	1.7	3.8	1.1	8.4	4.2
SMG Consulting	<b>21.7</b>	19.7	11.3	10.5	45.0	43.0
<b>Divisions</b>	<b>521.4</b>	441.1	261.2	240.2	1,003.1	922.8
Group items	<b>-19.7</b>	-15.4	-11.1	-9.3	-32.7	-28.4
<b>Total</b>	<b>501.7</b>	425.7	250.1	230.9	970.4	894.4

**Operating profit before goodwill amortization and items affecting comparability**

	<b>1999</b>	1998	1999	1998	1998/99	1998
Amounts in SEK million	<b>Jan-Jun</b>	Jan-Jun	Apr-Jun	Apr-Jun	Jul-Jun	Jan-Dec
Observer Media Intelligence	<b>51.2</b>	41.4	23.6	19.3	98.8	89.0
Sifo Research & Consulting:						
Operations excl. Sifo Interactive Media	<b>2.3</b>	5.0	-1.4	7.0	18.0	20.7
Sifo Interactive Media	<b>-6.9</b>	-1.4	-3.3	-0.7	-12.4	-6.9
SMG Consulting	<b>1.6</b>	1.9	0.8	1.0	5.1	5.4
<b>Divisions</b>	<b>48.2</b>	46.9	19.7	26.6	109.5	108.2
Group items	<b>-5.1</b>	-0.3	-3.7	0.2	-10.8	-6.0
<b>Total</b>	<b>43.1</b>	46.6	16.0	26.8	98.7	102.2

**SIFO GROUP – INTERIM REPORT JANUARY-JUNE 1999****Consolidated statement of cash flows**

Amounts in SEK million	1999 Jan-Jun	1998 Jan-Jun	1999 Apr-Jun	1998 Apr-Jun	1998/99 Jul-Jun	1998 Jan-Dec
Operating profit before financial items	<b>36.2</b>	33.1	12.6	16.4	86.4	83.3
Depreciation/amortization	<b>22.2</b>	16.6	11.2	8.2	41.1	35.5
Other items not affecting liquidity	<b>-1.4</b>	-3.7	2.4	8.6	-2.3	-4.6
Net interest and dividends	<b>-3.0</b>	-5.3	8.6	-6.9	1.0	-1.3
Income tax paid	<b>-14.4</b>	1.9	-5.9	-8.9	-19.3	-3.0
Change in working capital	<b>-37.0</b>	9.8	-38.6	36.3	-15.1	31.7
<b>Cash flow from operating activities</b>	<b>2.6</b>	<b>52.4</b>	<b>-9.7</b>	<b>53.7</b>	<b>91.8</b>	<b>141.6</b>
<i>Investing activities</i>						
Business acquisitions	<b>-4.5</b>	-33.2	-	-	-6.0	-34.7
Investments in fixed assets	<b>-20.8</b>	-22.2	-13.4	-15.4	-39.1	-40.5
<b>Cash flow from investing activities</b>	<b>-25.3</b>	<b>-55.4</b>	<b>-13.4</b>	<b>-15.4</b>	<b>-45.1</b>	<b>-75.2</b>
<i>Financing activities</i>						
Increase/decrease in long-term financial liabilities	<b>36.2</b>	4.0	30.5	-21.1	-4.3	-36.5
Increase/decrease in current financial liabilities	<b>2.1</b>	-11.3	2.1	-10.6	-8.8	-22.2
Dividend paid	<b>-17.1</b>	-	-17.1	-	-17.1	-
<b>Cash flow from financing activities</b>	<b>21.2</b>	<b>-7.3</b>	<b>15.5</b>	<b>-31.7</b>	<b>-30.2</b>	<b>-58.7</b>
<b>Cash flow for the period</b>	<b>-1.5</b>	<b>-10.3</b>	<b>-7.6</b>	<b>6.6</b>	<b>16.5</b>	<b>7.7</b>

**SIFO GROUP – INTERIM REPORT JANUARY-JUNE 1999****Key ratios**

	<b>1999</b>	1998	1999	1998	1998/99	1998
	<b>Jan-Jun</b>	Jan-Jun	Apr-Jun	Apr-Jun	Jul-Jun	Jan-Dec
Operating margin	<b>8.6 %</b>	10.9 %	6.4 %	11.6 %	10.2 %	11.4%
Return on equity					25 %	28%
Equity/assets ratio	<b>32 %</b>	29 %			32 %	34%
Net debt/equity ratio	<b>31 %</b>	53 %			31 %	22%
Interest coverage, multiple	<b>10.0</b>	6.3	7.2	5.8	9.9	7.9
<i>Profit per share after full tax:</i>						
Before dilution, SEK	<b>0.48</b>	0.42	0.11	0.21	1.42	1.36
Excl. goodwill amortization, SEK	<b>0.68</b>	0.62	0.21	0.31	1.82	1.76
After full dilution, SEK	<b>0.47</b>	0.42	0.10	0.21	1.39	1.34
Excl. goodwill amortization, SEK	<b>0.67</b>	0.61	0.20	0.31	1.78	1.73
Equity per share, SEK	<b>5.48</b>	4.56			5.48	5.67
Number of shares at end of period, thousands	<b>34,240</b>	34,240			34,240	34,240
Number of employees at end of period	<b>1,182</b>	1,064			1,182	1,089

For definitions see the annual report for 1998.