



PRESS RELEASE

from Observer AB, listed on the OM Stockholm Exchange's O-list

Stockholm, August 22, 2000

Preliminary interim report January-June 2000

Observer AB

- Operating profit before goodwill amortization and items affecting comparability amounted to SEK 130.5 million (43.1). The operating margin was 23.6 percent (8.6).
- Sifo Research & Consulting and Sifo Interactive Media were divested as of January 1, with a total capital gain of SEK 384 million.
- Profit after tax amounted to SEK 416.5 million (16.4).
- Profit per share after tax and full dilution, excluding goodwill amortization and items affecting comparability, rose to SEK 1.35 (0.52).
- The Group's operating revenue rose to SEK 552.8 million (501.7). Organic growth amounted to 21 percent in local currency.
- The financial position of Observer is very strong, which enables further expansion.
- Norway's Imedia was acquired in June.

New name and structure

As of June 2000, the listed company's name is Observer AB. The name change, which was approved by the Annual General Meeting in May, is due to the Group's divestment of the Sifo Research & Consulting division during the spring. The sale was concluded in April, effective January 1, 2000.

Observer's operations are media and market monitoring, analysis, evaluation, target group identification for, and distribution of, information for PR and IR purposes.

Observer owns 50 percent of SMG Consulting, which is active in management and strategic consulting. SMG's senior consultants own the remaining 50



percent. To facilitate an international expansion, SMG's future ownership is under evaluation.

Market

Demand for the Group's services was good during the first half of the year, with value-added services remaining in strong demand. The news flow during the period was largely favorable, although the European soccer championships in June, the Olympic Games in September and similar, closely monitored special events will slow down the news flow relevant to Observer.

Revenue

Operating revenue amounted to SEK 552.8 million (501.7). Organic growth in the was nearly 21 percent in local currency during the first half of 2000. All countries with the exception of Sweden and the UK posted growth of over 20 percent in local currency. In Sweden, growth was slightly over 16 percent, while Romeike Group of the UK, which was acquired in December 1999, reported growth of slightly over 10 percent.

Observer's value-added services, excluding the recently acquired operations in the UK, accounted for 28 percent (24) of revenue. In all other markets with the exception of Germany, the share of value-added services exceeded 30 percent.

Profit

The Group's operating profit before goodwill amortization and items affecting comparability rose to SEK 130.5 million (43.1). The operating margin amounted to 23.6 percent (8.6). For comparable units, profit rose by 24 percent compared with the corresponding period a year earlier.

The increased investments to develop IT solutions, new services and new markets remain considerable. In Sweden, all of Observer's Stockholm units moved to new shared premises. The move was completed in June, to approximately 7,000 square meters of leased offices.

Efforts to integrate the recent British acquisition are progressing according to plan. The operating margin of the British operations remains high, primarily due to good growth and the fact that investments in areas such as sales and marketing, production and IT support, as well as value-added services, have not yet fully impacted earnings. Speeding up the growth rate will require an increase in expenses and result in a slight decline in the operating margin.

Profit for the period amounted to SEK 416.5 million (16.4). Capital gains amounted to SEK 383.8 million (0), of which the sale of Sifo Research & Consulting accounted for SEK 335.0 million and the divestment of Sifo Interactive Media for SEK 48.8 million.

Profit per share after tax and full dilution, excluding goodwill amortization and items affecting comparability, rose to SEK 1.35 (0.52). Profit per share after tax and full dilution was SEK 7.80 (0.37)

**Surplus insurance funds/SPP**

The discounted present value of the surplus insurance funds from the Swedish pension insurance company SPP is SEK 14.8 million. This amount has been taken up as revenue as an item affecting comparability.

Profit objective

Due to the divestment of Sifo Research & Consulting, the Board of Directors has established a new profit objective. *The Group will achieve an average long-term operating margin before goodwill amortization and items affecting comparability of 22 percent (18).*

Financial position

As part of the financing for the acquisition of Romeike Group, a rights issue was implemented in January. The issue proceeds of SEK 825.6 million were used in their entirety to repay loans.

During the period, the Group received SEK 600 million in sales proceeds for the Sifo Research & Consulting division.

The financial position is very strong and enables further expansion. The net debt/equity ratio was 6 percent (31). The total goodwill item in the balance sheet rose to SEK 1,599.0 million (209.0). Shareholders' equity amounted to SEK 1,438.4 million (187.7) at the end of the period, corresponding to SEK 25.91 per share (7.43).

Acquisitions/divestments

In June, Observer complemented its Norwegian operations by acquiring Imedia of Norway from Schibsted and Telenor. Imedia has a turnover of approximately NOK 25 million and 55 employees. Its operations are being integrated with those of Observer Norway. The takeover was effective June 1.

The division Sifo Research & Consulting was divested to Research International, which is part of the London-based global communications group WPP. The transaction was finalized in April, although Research International took over the division effective January 1, 2000. The total sales proceeds amounted to SEK 600 million.

Observer has expanded its commitment to the area of Internet measurements by becoming a co-owner of MMXI Europe. Observer obtained the ownership interest by exchanging its shares in the subsidiary Sifo Interactive Media for 8 percent of the shares in MMXI Europe, along with SEK 44 million in cash and 52,000 shares in MMXI Europe's principal U.S. owner, Media Metrix listed on the Nasdaq stock exchange in New York. The other co-owners are Media Metrix, GfK of Germany, Ipsos of France and Observer.

At the beginning of the year, an additional 30 percent of Argus Media of Germany was acquired. Argus Media has been merged with Observer RTV, and the Group now has an 86-percent interest in the combined Observer Argus Media. The investment amounted to SEK 34 million.



Outlook for the full-year

We expect continued good demand in all markets, with the profit trend remaining positive.

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This press release is also available online at www.observergroup.com

Additional comments on the interim report will be provided at a telephone conference with Observer AB's management on **Tuesday, August 22 at 3:30 p.m. (CET)**. To participate in the conference, please call +46 8 737 89 81 and use code 357815.

Report dates 2000

Preliminary interim report January – September: October 26

**OBSERVER – INTERIM REPORT JANUARY-JUNE 2000****Consolidated income statement**

	Jan-Jun 2000	Jan-Jun 1999	Apr-Jun 2000	Apr-Jun 1999	Jul-Jun 1999/2000	Jan-Dec 1999
Amounts in SEK million						
Operating revenue ¹	552.8	501.7	274.1	250.1	1,147.4	1,096.3
Operating expenses	-407.3	-443.3	-208.8	-226.3	-892.6	-928.6
Amortization of goodwill	-42.2	-6.9	-20.9	-3.4	-67.4	-32.1
Other depreciation/amortization	-15.0	-15.3	-7.6	-7.8	-32.9	-33.2
Items affecting comparability	398.5	-	14.8	-	398.0	-0.5
Operating profit	486.8	36.2	51.6	12.6	552.5	101.9
Net financial income and expenses	-22.9	-2.4	-8.8	-0.9	-26.6	-6.1
Profit before tax	463.9	33.8	42.8	11.7	525.9	95.8
Tax	-44.8	-15.2	-15.8	-7.0	-67.9	-38.3
Minority interests	-2.6	-2.2	-1.1	-1.1	-7.0	-6.6
Net profit for the period	416.5	16.4	25.9	3.6	451.0	50.9

¹ Refers to the sum of net sales and the change in work in progress.

Consolidated balance sheet

	June 30 2000	June 30 1999	Dec 31 1999
Amounts in SEK million			
Goodwill	1,599.0	209.0	1,708.0
Other fixed assets	183.8	95.1	202.7
Current receivables	264.3	217.4	361.0
Financial assets	702.8	84.5	222.2
Assets	2,749.9	606.0	2,493.9
Equity	1,438.4	187.7	240.3
Minority shares	6.6	7.2	9.0
Provisions	124.3	13.2	117.1
Current liabilities	387.9	252.8	371.4
Financial liabilities	792.7	145.1	1,756.1
Equity and liabilities	2,749.9	606.0	2,493.9
Operating capital	1,534.9	255.5	1,783.2
Operating capital excl. goodwill	-64.1	46.5	75.2
Interest-bearing net indebtedness	89.8	60.6	1,533.9



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Operating revenue

Amounts in SEK million	Jan-Jun 2000	Jan-Jun 1999	Apr-Jun 2000	Apr-Jun 1999	Jul-Jun 1999/2000	Jan-Dec 1999
Observer Media						
Intelligence:						
Sweden	160.2	137.6	81.1	68.0	301.2	278.7
Denmark	32.1	27.6	15.8	13.5	62.2	57.7
Norway	39.9	32.0	19.4	15.9	73.3	65.4
Finland	34.9	28.3	17.8	13.2	64.5	57.9
Baltic states	1.7	1.1	0.9	0.8	3.3	2.6
<i>Total, Nordic and Baltic regions</i>	268.8	226.6	135.0	111.4	504.5	462.3
Germany	73.3	63.0	35.8	30.8	139.4	129.0
UK	193.4	-	94.3	-	278.6	85.2
<i>Total, rest of Europe</i>	266.7	63.0	130.1	30.8	418.0	214.2
Total, Observer Media Intelligence	535.5	289.6	265.1	142.2	922.4	676.5
Sifo Research & Consulting:	-	210.1	-	107.7	201.3	411.4
SMG Consulting	25.7	21.7	12.9	11.3	46.7	42.7
Divisions	561.2	521.4	278.0	261.2	1,170.4	1,130.6
Group eliminations	-8.4	-19.7	-3.9	-11.1	-23.0	-34.3
Total	552.8	501.7	274.1	250.1	1,147.4	1,096.3

Operating profit before goodwill amortization and items affecting comparability (EBITA)*

Amounts in SEK million	Jan-Jun 2000	Jan-Jun 1999	Apr-Jun 2000	Apr-Jun 1999	Jul-Jun 1999/2000	Jan-Dec 1999
Observer Media						
Intelligence:						
Nordic and Baltic regions	53.9	46.1	23.4	21.1	109.1	101.3
Rest of Europe	76.4	4.9	36.7	2.6	111.0	39.6
Total, Observer Media Intelligence	130.3	51.0	60.1	23.7	220.1	140.9
Sifo Research & Consulting:	-	-4.6	-	-4.7	1.1	-3.5
SMG Consulting	2.7	1.6	0.8	0.8	6.6	5.4
Divisions	133.0	48.0	60.9	19.8	227.8	142.8
Group eliminations	-2.5	-4.9	-3.2	-3.8	-5.9	-8.3
Total	130.5	43.1	57.7	16.0	221.9	134.5

* A new method for distributing expenses for shared management functions is applied as of this report. To provide a true and fair view, comparative figures for previous periods have been adjusted.



OBSERVER – INTERIM REPORT JANUARY-JUNE 2000

Consolidated statement of cash flows

Amounts in SEK million	Jan-Jun 2000	Jan-Jun 1999	Apr-Jun 2000	Apr-Jun 1999	Jul-Jan 1999/2000	Jan-Dec 1999
<i>Operating activities</i>						
Operating profit	486.8	36.2	51.6	12.6	552.5	101.9
Amortization/depreciation	57.2	22.2	28.5	11.2	100.3	65.3
Capital gains	-383.8	-	-0.1	-	-383.8	-
Other non-cash items	45.5	-1.4	-15.0	2.4	36.2	-10.8
Net of interest and dividends	-20.1	-3.0	-2.9	8.6	-21.7	-4.6
Income tax paid	-24.9	-14.4	-11.6	-5.9	-44.1	-33.6
Change in working capital	-72.6	-37.0	-69.8	-38.6	-106.5	-70.8
Cash flow from operating activities	88.1	2.6	-19.3	-9.7	132.9	47.4
<i>Investing activities</i>						
Business acquisitions	-63.7	-4.5	-29.6	-	-1,541.9	-1,482.7
Business divestments	516.2	-	441.7	-	516.0	-0.2
Investments in non-financial fixed assets	-39.7	-19.4	-24.7	-12.0	-84.3	-64.0
Divestment of non-financial fixed assets	-	-	-	-	2.7	2.7
Increase/decrease in financial assets	-28.4	-1.4	-2.9	-1.4	-22.0	5.0
Cash flow from investing activities	384.4	-25.3	384.5	-13.4	-1,129.5	-1,539.2
<i>Financing activities</i>						
Issue in kind	-	-	-	-	27.2	27.2
New share issue	825.6	-	-	-	825.6	-
Increase/decrease in long-term financial liabilities	11.7	36.2	-16.4	30.5	745.0	769.5
Increase/decrease in current financial liabilities	-826.0	2.1	-13.3	2.1	40.2	868.3
Dividend to shareholders	-19.4	-17.1	-19.4	-17.1	-19.4	-17.1
Cash flow from financing activities	-8.1	21.2	-49.1	15.5	1,618.6	1,647.9
Cash flow for the period	464.4	-1.5	316.1	-7.6	622.0	156.1
Liquid assets at beginning of period	218.7	68.3	365.7	74.4	64.0	68.3
Translation difference	-12.8	-2.8	-11.5	-2.8	-15.7	-5.7
Liquid assets at end of period	670.3	64.0	670.3	64.0	670.3	218.7



OBSERVER – INTERIM REPORT JANUARY-JUNE 2000

Key ratios

Amounts in SEK million	Jan-Jun 2000	Jan-Jun 1999	Apr-Jun 2000	Apr-Jun 1999	Jul-Jan 1999/2000	Jan-Dec 1999
Operating margin (EBITA margin)	23.6 %	8.6 %	21.0%	6.4%	19.3 %	12.3 %
Return on equity					55 %	23 %
Return on equity excl. items affecting comparability					8 %	24 %
Equity/assets ratio	53 %	32 %	53%	32%	53 %	10 %
Net debt/equity ratio	6 %	31 %	6%	31%	6 %	615 %
Interest coverage, multiple	17.6	11.9	5.3	9.1	15.8	10.6
<i>Profit per share after tax:</i>						
Before dilution, SEK *	8.02	0.37	0.47	0.08	10.47	1.15
Excl. goodwill amortization and items affecting comparability *	1.39	0.53	1.03	0.16	3.07	1.89
After full dilution, SEK *	7,80	0.37	0.46	0.08	9.63	1.12
Excl. goodwill amortization and items affecting comparability *	1.35	0.52	0.64	0.16	2.33	1.82
Equity per share, SEK (at end of period)	25.91	7.43	25.91	7.43	25.91	5.38
Number of shares at end of period, thousands	55,510	34,240	55,510	34,240	55,510	34,694
Average number of shares	51,965	34,240	55,510	34,240	43,085	34,271
Number of employees at end of period	1,539	1,182				

* Historical figures have been adjusted to reflect the effects of the new share issue.

For definitions, see the annual report for 1999. In calculating the interest coverage ratio, goodwill amortization is reversed, however. With earlier definition the interest coverage ratio for the first half year of 2000 would be 16.2 and for the second quarter of 2000 3.9.