



PRESS RELEASE

from Observer AB, quoted on the O-list of the OM Stockholm Exchange

Stockholm, February 20, 2001

Year-end report for 2000 Observer AB

High organic growth and increased operating margin for full-year 2000. The year ended with yet another strong quarter.

- Operating profit before goodwill amortization and items affecting comparability amounted to SEK 270.5 million (134.5). For comparable units, profit improved by 24 percent from the previous year. The operating margin was 23.8 percent (12.3).
- Profit after tax amounted to SEK 461.8 million (50.9).
- Profit per share after tax and full dilution, excluding goodwill amortization and items affecting comparability, increased by 62 percent to SEK 2.95 (1.82).
- The group's operating revenue rose to SEK 1,135.4 million (1,096.3). Organic growth was 20 percent in local currency.
- Observer's financial position is very strong, facilitating a continued expansion through acquisitions.
- The Board of Directors has recommended that the dividend per share be raised by 29 percent to SEK 0.45 (0.35).

Structure

Observer's core operations are separated into two divisions. The Media Intelligence division offers media and market monitoring, communication evaluations and analysis. For the time being the division has operations in the UK, Sweden, Germany, Norway, Finland, Denmark, Estonia, Latvia and Lithuania.

The Communications division offers clients, primarily in IR and PR, databases of who's who in the media and financial worlds. Clients are also provided communication solutions for distributing business information via various electronic channels including the Internet. The division was established during the year to increase the focus on growth and internationalization in this area. The division operates in the UK under the name Media Information and in Sweden, Finland and Denmark as BIT. Operations are being established in Germany in the spring of 2001.

The name change from Sifo Group AB to Observer AB, as approved by the Annual General Meeting in May 2000, is a result of the divestment of the Sifo Research & Consulting division.



Romeike Group

Romeike Group, the UK's largest and Europe's second largest company in traditional media monitoring, was acquired in December 1999. In 2000 Observer implemented a large number of integration and development projects in the UK. Major investments were made in new production systems, sophisticated IT support, the expansion of the sales and marketing organization and the introduction of new value-added services.

Romeike Media Intelligence has been integrated in the Media Intelligence division and Media Information in the Communications division whereas a small part of the operations has been divested.

The intensive changes have been combined with increased market activity. Observer's new product offerings in the UK have been very positively received. Growth has been higher than expected and the operating margin remains high.

In December 2000 a new production system used jointly within the group was introduced by Romeike Media Intelligence. The change affects around 200 people and is expected to result in slightly lower production volumes at the start of 2001.

Market

Globalization, a rising volume of information and rapid technological developments are giving businesses and organizations more reason to monitor market and social developments. At the same time there is a growing need to communicate with the market and evaluate communication results.

Demand for Media Intelligence services has been good, with an upward trend for all value-added services.

The market for Observer's Media Intelligence services is developing quickly, with an increasing number of market monitoring firms specializing in Internet and media analysis. Companies with a platform in information technology are trying with varying degrees of success to gain a foothold in the market.

Observer's prospects of rising above the competition are good. It can meet and develop the needs of both new and current clients and grow faster than the market as a whole. An extensive client base, with around 30,000 clients in Europe, and a strong financial position enable Observer to actively develop new services. Furthermore, as an international company it can exploit growing demand for global services.

Increased communication needs in PR and IR and the introduction of new services are the basis for market growth for the Communications division. This operating area also has the opportunity to expand to new geographic markets and achieve economies of scale.

Revenue

Operating revenue amounted to SEK 1,135.4 million (1,096.3), of which Media Intelligence accounted for SEK 875.1 million and Communications for SEK 210.8



million. In the core operations, organic growth in local currency was 20 percent. Germany, Finland, Denmark and the Baltic states posted growth in excess of 22 percent in local currency. Sweden and Norway reported organic growth of 19 respective 18 percent, while in the UK the comparable figure was 13 percent.

Media Intelligence's value-added services, excluding the UK operations, accounted for 28 percent (25) of revenue.

Profit

The group's operating profit before goodwill amortization and items affecting comparability rose to SEK 270.5 million (134.5). The operating margin was 23.8 percent (12.3). The Media Intelligence division's operating margin was 23.4 percent and the Communications division's 32.1 percent. For comparable units, profit rose by 24 percent compared with the previous year.

Investments to develop IT solutions, new services and new markets remained significant. The aim of Observer's development projects is to maintain high organic growth, add additional value to client offerings and facilitate a continued international expansion. Among a large number of projects that were undertaken in 2000 were the further development of a service package designed for international clients and a joint IT platform for production and delivery systems.

The profit trend was favorable in all countries. After a slightly downward trend during the first six months of 2000, growth and profit margins in the Swedish operations returned to previous levels later in the year.

The operating margin in the UK remains high. The efforts to further improve growth will require higher expenses and mean a slight decline in the operating margin.

Capital gains amounted to SEK 383.8 million (0), of which the sale of Sifo Research & Consulting accounted for SEK 335.0 million and Sifo Interactive Media for SEK 48.8 million. The stockholdings in Nasdaq-listed Jupiter Media Metrix have been written down to their current market value. The writedown has charged the financial net with SEK -6.5 million.

The financial net was affected by a SEK -6.5 million writedown of the shares in Nasdaq-listed Jupiter Media Metrix to their current market value.

Profit for the year after tax amounted to SEK 461.8 million (50.9).

Profit per share after tax and full dilution, excluding goodwill amortization and items affecting comparability, rose to SEK 2.95 (1.82). Profit per share after tax and full dilution was SEK 8.37 (1.12)



Surplus insurance funds

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

Growth and profit objective

Observer's objective is to achieve annual organic growth of at least 10-15 percent. In addition, it will expand through acquisitions.

The group will achieve an average long-term operating margin before goodwill amortization and items affecting comparability of 22 percent. Acquisitions of companies with low margins and special investments may temporarily result in a lower operating margin, however.

With organic growth of 20 percent and an operating margin of 23.8 percent for the full-year 2000, the objectives were successfully met.

Financial position

As part of the financing for the acquisition of Romeike Group, a rights issue was implemented in January 2000. The issue proceeds of SEK 825 million were used in their entirety to repay loans.

During the year the group received SEK 600 million as the sales proceeds for the Sifo Research & Consulting division.

Apart from high organic growth, Observer's growth strategy is based on acquisitions in new geographic markets. The industry's emphasis on knowledge-intensive services and acquisitions of companies with strong market positions results in substantial goodwill. The total goodwill item in the balance sheet amounts to SEK 1,604.6 million (1,708.0). Shareholders' equity amounted to SEK 1,562.9 million (240.3) at year-end, or SEK 28.16 per share (5.38). The debt/equity ratio was 7 percent (615). All the companies are generating good cash flow. Observer's financial position is very good, facilitating a continued expansion through acquisitions.

Acquisitions/divestments

Sifo Research & Consulting was sold as of January 1, 2000 to Research International/WPP. The purchase price amounted to SEK 600 million. During the year Observer also sold the subsidiary Sifo Interactive Media in return for eight percent of the shares in MMXI Europe, 52,000 shares in Media Metrix USA (now Jupiter Media Metrix) and approximately SEK 44 million in cash. The company is active in Internet measurements.

At the beginning of the year an additional 30 percent of Argus Media in Germany was acquired. Argus Media has been merged with Observer RTV Medienauswertungen. The group's ownership interest in the combined Observer Argus Media now amounts to 86 percent.



During the year Observer complemented its Norwegian operations by acquiring Imedia Norge from Schibsted and Telenor. Imedia has a turnover of approximately NOK 25 million. Its operations have been integrated with Observer Norway. The takeover was effective June 1.

On September 1 Observer sold a small part of its UK operations, Hollis Directories. As a result, the British operations have also been concentrated on Media Intelligence and Communications. Hollis has a turnover of approximately GBP 2 million on an annual basis. The purchase price amounted to GBP 3.6 million and produced no capital gain.

Dividend

The Board of Directors and the President are recommending that the dividend be raised to SEK 0.45 (0.35) per share.

Outlook

Historically, Observer has been relatively unaffected by economic fluctuations. Current indications of weaker economic growth will not lead to any adjustments in the company's financial objectives. The work involved in the geographic expansion of the Observer group activities continues according to plan.

Stockholm February 20, 2001

Observer AB

The Board of Directors and the President

Financial report schedule

May 10	Interim report January-March/Annual General Meeting
August 16	Interim report January-June
October 25	Interim report January-September

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Further comments on the year-end report will be provided at a telephone conference with Observer AB's management at 3:00 p.m. (CET) February 20. To participate, please phone +46 8 600 53 81 and use code 630024.

OBSERVER – YEAR-END REPORT FOR 2000

Consolidated income statement

	2000	1999	2000	1999
Amounts in SEK million	Jan-Dec	Jan-Dec	Oct-Dec	Oct-Dec
Operating revenue ¹	1,135.4	1,096.3	310.6	376.1
Operating expenses	-830.7	-928.6	-224.7	-302.2
Amortization of goodwill	-87.1	-32.1	-22.5	-21.6
Other depreciation/amortization	-34.2	-33.2	-11.0	-10.6
Items affecting comparability	398.6	-0.5	-	-0.5
Operating profit	582.0	101.9	52.4	41.2
Net financial income and expenses	-35.6	-6.1	-6.6	-1.9
Profit before tax	546.4	95.8	45.8	39.3
Tax	-81.0	-38.3	-17.3	-19.3
Minority interests	-3.6	-6.6	-2.0	-2.8
Net profit for the period	461.8	50.9	26.5	17.2

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

Consolidated balance sheet

	2000	1999
Amounts in SEK million	Dec 31	Dec 31
Goodwill	1,604.6	1,708.0
Other fixed assets	189.8	202.7
Current receivables	289.9	361.0
Financial assets	579.1	222.2
Assets	2,663.4	2,493.9
Equity	1,562.9	240.3
Minority shares	7.7	9.0
Provisions	143.8	117.1
Current liabilities	257.5	371.4
Financial liabilities	691.5	1,756.1
Equity and liabilities	2,663.4	2,493.9
Operating capital	1,683.0	1,783.2
Operating capital excl. goodwill	78.4	75.2
Interest-bearing net indebtedness	112.4	1,533.9



OBSERVER – YEAR-END REPORT FOR 2000

Operating revenue

Amounts in SEK million	2000 Jan-Dec	1999 Jan-Dec	2000 Oct-Dec	1999 Oct-Dec
Geographic distribution:				
Sweden	332.1	278.7	96.4	77.3
Denmark	67.1	57.7	18.7	15.9
Norway	89.6	65.4	26.2	18.5
Finland	71.4	57.9	19.8	17.5
Baltic states	3.3	2.6	0.9	0.8
<i>Total, Nordic and Baltic regions</i>	563.5	462.3	162.0	130.0
Germany	153.8	129.0	41.3	31.7
UK	368.6	81.5	98.2	81.5
<i>Total, rest of Europe</i>	522.4	210.5	139.5	113.2
Total, core operations	1,085.9	672.8	301.5	243.2
SMG Consulting	44.3	42.7	9.8	13.2
Divisions	1,130.2	715.5	311.3	256.4
Operations sold	21.7	415.1	0.2	128.4
Group eliminations	-16.5	-34.3	-0.9	-8.7
Group	1,135.4	1,096.3	310.6	376.1
Core operations:				
Media Intelligence	875.1	586.5	241.4	200.8
Communications	210.8	86.3	60.1	42.4
Total, core operations	1,085.9	672.8	301.5	243.2



OBSERVER – YEAR-END REPORT FOR 2000

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

Amounts in SEK million	2000 Jan-Dec*	1999 Jan-Dec	2000 Oct-Dec	1999 Oct-Dec
Geographic distribution:				
Nordic and Baltic regions	125.0	102.3	42.0	29.5
Rest of Europe	147.6	38.5	37.1	30.4
Total, core operations	272.6	140.8	79.1	59.9
SMG Consulting	5.1	5.4	1.2	2.6
Divisions	277.7	146.2	80.3	62.5
Operations sold	5.3	-5.7	-	1.4
Group eliminations	-12.5	-6.0	-5.4	-0.6
Group	270.5	134.5	74.9	63.3
Core operations:				
Media Intelligence	205.0	109.2	62.3	47.6
Communications	67.6	31.6	16.8	12.3
Total, core operations	272.6	140.8	79.1	59.9

*A new method for distributing shared management expenses is applied as of July 1, 2000. To provide a true and fair view, comparative figures for previous periods have been adjusted.

OBSERVER – YEAR-END REPORT FOR 2000

Consolidated statement of cash flows

Amounts in SEK million	2000 Jan-Dec	1999 Jan-Dec	2000 Oct-Dec	1999 Oct-Dec
<i>Operating activities</i>				
Operating profit	582.0	101.9	52.4	41.2
Amortization/depreciation	121.3	65.3	33.5	32.2
Capital gains	-383.8	-	-	-
Other non-cash items	-1.5	-10.8	-24.0	-6.0
Net of interest and dividends	-40.1	-4.6	-5.1	-5.5
Income tax paid	-34.5	-33.6	0.4	-16.2
Change in working capital	-122.6	-70.8	-16.3	-47.2
Cash flow from operating activities	120.8	47.4	40.9	-1.5
<i>Investing activities</i>				
Business acquisitions	-63.7	-1,482.7	-	-1,463.2
Business divestments	550.9	-0.2	-26.4	-0.2
Investments in non-financial fixed assets	-77.7	-64.0	12.1	-30.5
Divestment of non-financial fixed assets	-	2.7	-	2.7
Increase/decrease in financial assets	-22.6	5.0	7.3	22.4
Cash flow from investing activities	386.9	-1,539.2	-7.0	-1,468.8
<i>Financing activities</i>				
Issue in kind	-	27.2	-	27.2
New share issue	825.1	-	-0.5	-
Increase/decrease in long-term financial liabilities	-183.6	769.5	-17.3	725.3
Increase/decrease in current financial liabilities	-822.3	868.3	10.2	866.6
Dividend to shareholders	-19.4	-17.1	-	-
Cash flow from financing activities	-200.2	1,647.9	-7.6	1,619.1
Cash flow for the period	307.5	156.1	26.3	148.8
Liquid assets at beginning of period	218.7	68.3	512.2	72.1
Translation difference	14.1	-5.7	1.8	-2.2
Liquid assets at end of period	540.3	218.7	540.3	218.7



OBSERVER – YEAR-END REPORT FOR 2000

Key ratios

	2000 Jan-Dec	1999 Jan-Dec	2000 Oct-Dec	1999 Oct-Dec
Operating margin (EBITA margin)	23.8%	12.3%	24.1%	16.8%
Return on equity	51%	23%		
Return on equity excl. items affecting comparability	8%	24%		
Equity/assets ratio	59%	10%	59%	10%
Net debt/equity ratio	7%	615%	7%	615%
Interest coverage, multiple	13.2	10.6	10.4	9.2
<i>Profit per share after tax:</i>				
Before dilution, SEK *	8.59	1.15	0.48	0.39
Excl. goodwill amortization and items affecting comparability *	3.02	1.89	0.88	0.89
After full dilution, SEK *	8.37	1.12	0.47	0.38
Excl. goodwill amortization and items affecting comparability *	2.95	1.82	0.86	0.85
Equity per share, SEK (at end of period)	28.16	5.38	28.16	5.38
Number of shares at end of period, thousands	55,510	34,694	55,510	34,694
Average number of shares	53,747	34,271	55,510	34,363
Number of employees at end of period	1,675	1,794		

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

For definitions, see the annual report for 1999. Goodwill amortization is reversed in the calculation of interest coverage, however. According to the previous definition, the interest coverage for the whole year of 2000 would have been 11.5 and for the fourth quarter of 2000 7.3.