



PRESS RELEASE

Observer AB is quoted on the Attract 40 section of Stockholmsbörsen's O-list and has approximately 30,000 shareholders

Stockholm, Sweden, November 14, 2001

Observer announces U.S. acquisition

- **Observer to acquire Bacon's for USD 90 million**
 - **Bacon's is a leading provider of media databases and media monitoring services in the U.S.**
 - **Bacon's pro forma* turnover USD 37.1 million and EBITA USD 10.8 million October 2000 – September 2001**
 - **Acquisition expected to immediately improve Observer's EPS after tax excluding goodwill amortization**
 - **Acquisition anticipated to positively affect EPS after tax from 2003**
 - **Observer's first acquisition in the U.S. and third in North America**
 - **U.S. expansion strengthens Observer's global service offering**
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Observer AB has agreed to acquire all shares in Bacon's Information, Inc. – a leading provider of media databases and media monitoring services in the U.S. – from Primedia Inc. (NYSE: PRM). Completion of the acquisition is conditional upon approval by U.S. regulatory authorities. Observer has obtained full financing commitment with customary conditions precedent for payout upon completion. U.S. regulatory approval is expected within a few weeks and the transaction is expected to close at that time.

Bacon's pro forma* turnover was USD 37.1 million for the most recent 12-month period October 2000 – September 2001 with an EBITA margin of 29.1 percent. The purchase price equals 8.3 times EBITA (operating profit before goodwill amortization).

* Pro forma amounts reflect the period October 1, 2000 - September 30, 2001, assuming the acquisition of Bacon's as of September 30, 2000.



Comments by Observer's CEO, Robert Lundberg

"The acquisition of Bacon's represents a huge success for us. The company has been our preferred choice in the U.S. Coupled with our earlier acquisitions in Canada, we now have a position of strength in North America. Our already strong position in Europe therefore enables us to further develop our international offering and to secure Observer's role as a global leader in its industry," said Robert Lundberg, President and CEO for Observer.

Acquisition significant step in Observer's growth strategy

This acquisition marks a significant step in Observer's growth strategy, since Bacon's both strengthens and complements Observer's offering within its Media Intelligence as well as Communication Tools divisions. With this acquisition, Observer is creating a new platform and strengthening its position as a global leader in its industry. Observer is the only media and market monitoring/media databases provider present both in Europe and North America. In the U.S., Bacon's is a leading provider of media databases and media monitoring services. By offering a wider range of value-added services, new IT solutions and through intensified marketing efforts, Observer intends to enhance opportunities for increased growth and earnings in Bacon's.

The U.S. turnover for media monitoring services, such as Observer's, is valued at USD 300 to 400 million (approx. SEK 3 - 4 billion). Annual growth has averaged approximately 10 percent in recent years. Although smaller, demand for media databases is expanding rapidly. The general economic and political situation is currently having a dampening effect on industry growth.

For many industries, the U.S. is the most important market in the global arena as well as home to a majority of the world's largest companies. Observer's U.S. presence therefore substantially increases its stature among multinational companies. Through local presence, and as a leading European player Observer is able to develop global co-operations with global clients. The combination of Observer's existing international offering with Bacon's already strong range lays the foundation for continued growth and profitability.

Financial effects

Observer's earnings per share after tax excluding goodwill amortization is expected to increase immediately as a result of the acquisition. Observer's earnings per share after tax is expected to rise in 2003 as a result of the acquisition. The acquisition is expected to immediately improve cash flow.

Financing

The purchase price of USD 90 million (approx. SEK 950 million) will be financed through USD 60 million (approx. SEK 630 million) in new debt, a promissory note to the seller, Primedia Inc., in the amount of USD 15 million (approx. SEK 160 million), and USD 15 million (approx. SEK 160 million) from Observer's cash reserves. Observer has obtained full financing commitment with customary conditions precedent for payout upon completion. In addition to the purchase price, acquisition-related costs are estimated at



approximately USD 3.0 million (approx. SEK 32 million). The pro forma debt/equity ratio will amount to approximately 0.9 and interest coverage ratio to approximately 3.9. Observer's financial position therefore remains strong.

Goodwill

Bacon's will be acquired by a newly established U.S. holding company, which is wholly-owned by Observer. Observer Group will amortize the USD 92 million (approx. SEK 965 million) in goodwill arising from the acquisition over a 20-year period. According to U.S. tax laws, the amortization of goodwill will be deductible against earnings in the U.S. operations. An estimated tax reduction of USD 2.2 million (approx. SEK 23 million) per year during the fiscal amortization period of 15 years is expected. The present value of these tax deductions discounted by the cost of debt is estimated at approximately USD 21 million (approx. SEK 220 million).

Observer after the acquisition of Bacon's

Bacon's will be integrated into Observer, thereby strengthening its position as a world-leading provider of media and market monitoring and media databases. After the acquisition, Observer's operations will extend to 13 countries. The acquisition will increase the number of employees at Observer by some 400 to approximately 2,700.

Observer intends to develop a complete North American offering by integrating the service offerings of the previously acquired companies in Canada with Bacon's.

Bacon's CEO and management will continue to lead the company as part of Observer Group.

Questions concerning this press release can be directed to:

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Carnegie acted as financial adviser to Observer.

This press release is also available online at: <http://www.waymaker.net>

**Telephone conference call**

Observer AB invites you to attend a conference call concerning the acquisition of Bacon's on Wednesday, November 14 at 11 a.m. (CET). Robert Lundberg, CEO and Per Blixt, Senior VP Corporate Communications will host the conference call from New York, while Anders Lundmark, CFO and Jan-Erik Jansson, M&A Officer, will join the conference call from Stockholm.

If you would like to participate, please call +44 (0)20 8240 8244 and state the following code: Observer.

Presentation materials will be made available one hour before the conference call and can be accessed at www.observergroup.com under "news/presentations." These materials can also be forwarded electronically via e-mail by contacting Magdalena Ericsson at magdalena.ericsson@observergroup.com

Telephone playback will be accessible during a five-day period following the conference call and can be accessed by calling +44 (0)20 8288 4459, code: 687942.



About Observer AB

On a rolling twelve-month basis (Oct. 2000 – Sep. 2001), Observer AB has a turnover of more than SEK 1,200 million and employs approximately 2,300 people. Today, the company has operations in the UK, Sweden, Canada, Germany, Finland, Norway, Denmark, Portugal, Ireland, Estonia, Latvia and Lithuania.

Observer's operations are divided into two divisions: *Media Intelligence* and *Communication Tools*. The *Media Intelligence* division offers media and market monitoring, communication evaluations and analysis. Observer's *Communication Tools* division offers clients, primarily in the fields of IR and PR, databases of who's who in the media and financial worlds. Clients also receive communication solutions for distributing business information via various electronic channels including the Internet.

Read more about Observer at: www.observergroup.com

About Bacon's

Bacon's is a leading provider of media databases and media monitoring services. Headquartered in Chicago, Bacon's has approximately 400 employees and operations in New York, Los Angeles, Rockford (Illinois), and Washington DC.

Read more about Bacon's at: www.bacons.com



Pro forma accounts

The following pro forma accounts have been prepared in order to illustrate the financial effects of Observer Group's acquisition of Bacon's. In preparing the pro forma income statement for the period October 1, 2000–September 30, 2001 the acquisition of Bacon's is assumed to have been completed as of September 30, 2000. In the pro forma balance sheet Bacon's consolidation into the Group is assumed per September 30, 2001. In both the pro forma income statement and balance sheet it is assumed that the acquisition of Bacon's is financed through USD 75 million in new interest bearing liabilities and USD 15 million in cash reserves.

The acquisition will be reported according to the purchase accounting method, resulting in USD 92 million in goodwill. This goodwill will be amortized over 20 years and thus give rise to annual goodwill amortization of approximately USD 4.6 million. Interest-bearing debt increases by USD 75 million and cash reserves decrease by approximately USD 18 million. Based on current interest rates, net financial items are affected by USD -5.3 million.

Bacon's pro forma

Observer plans to carry out integration measures in Bacon's during 2002. Integration related costs are expected to amount to USD 2.0 million.

Pro forma income statement¹

October 1, 2000- September 30, 2001

| <i>Amounts in SEK million</i> | <i>Observer Group</i> | <i>Bacon's pro forma</i> | <i>Acquisition</i> | <i>Observer Group pro forma</i> |
|--|---------------------------|------------------------------|--------------------|---|
| Operating revenue | 1,265.4 | 389.6 | | 1,655.0 |
| Operating expenses | -982.5 | -265.7 | | -1,248.2 |
| Depreciation | -47.4 | -10.5 | | -57.9 |
| Profit before goodwill amortization and noncomparable items | 235.5 | 113.4 | | 348.9 |
| Amortization of goodwill | -95.6 | | -48.2 | -143.8 |
| Noncomparable items | | | | |
| Operating profit | 139.9 | 113.4 | -48.2 | 205.1 |
| Net financial income and expenses | -31.8 | | -56.1 | -87.9 |
| Profit after financial items | 108.1 | 113.4 | -104.3 | 117.2 |
| Tax | -58.1 | -44.2 | 41.4 | -60.9 |
| Minority interest | -1.6 | | | -1.6 |
| Net profit for the period | 48.4 | 69.2 | -62.9 | 54.7 |
| <i>Operating margin before goodwill amortization, %</i> | <i>18.6%</i> | <i>29.1%</i> | | <i>21.1%</i> |
| <i>Interest coverage ratio</i> | <i>6.1</i> | | | <i>3.9</i> |

¹ The figures are unaudited. Bacon's balance sheet and income statement has been translated to SEK at a SEK/USD exchange rate of 10.50.



Pro forma balance sheet¹

September 30, 2001

| <i>Amounts in SEK million</i> | <i>Observer</i> | <i>Bacon's</i> | <i>Acquisition</i> | <i>Eliminations</i> | <i>Observer Group pro forma</i> |
|---|-----------------|----------------|--------------------|---------------------|---------------------------------|
| Goodwill | 2,112.0 | 336.0 | | 629.0 | 3,077.0 |
| Other fixed assets | 208.8 | 25.2 | 977.6 | -977.6 | 234.0 |
| Current receivables | 365.4 | 79.8 | | | 445.2 |
| Financial assets | 442.2 | | -190.1 | | 252.1 |
| Total assets | 3,128.4 | 441.0 | 787.5 | -348.6 | 4,008.3 |
| Shareholders' equity | 1,700.9 | 348.6 | | -348.6 | 1,700.9 |
| Minority share | 3.8 | | | | 3.8 |
| Provisions | 106.5 | 6.3 | | | 112.8 |
| Current liabilities | 245.0 | 86.1 | | | 331.1 |
| Financial liabilities | 1,072.2 | | 787.5 | | 1,859.7 |
| Total shareholders' equity and liabilities | 3,128.4 | 441.0 | 787.5 | -348.6 | 4,008.3 |
| <i>Operating capital</i> | <i>2,334.7</i> | <i>348.6</i> | | <i>629.0</i> | <i>3,312.3</i> |
| <i>Operating capital excluding goodwill</i> | <i>222.7</i> | <i>12.6</i> | | | <i>235.3</i> |
| <i>Net interest-bearing debt</i> | <i>630.0</i> | | <i>977.6</i> | | <i>1,607.6</i> |
| <i>Equity/assets ratio, %</i> | <i>54%</i> | <i>79%</i> | | | <i>43%</i> |
| <i>Debt/equity ratio, %</i> | <i>37%</i> | <i>0%</i> | | | <i>94%</i> |

¹ The figures are unaudited. Bacon's balance sheet and income statement has been translated to SEK at a SEK/USD exchange rate of 10.50.

Pro forma data per share

October 1, 2000- September 30, 2001

| <i>Amounts in SEK</i> | <i>Observer</i> | <i>Observer Group after acquisition</i> |
|---|-----------------|---|
| Number of shares at year-end, '000 | 55,510 | 55,510 |
| Average number of shares, '000 | 55,510 | 55,510 |
| Average no. of shares after full dilution, '000 | 57,577 | 57,577 |
| Operating revenue | 22.80 | 29.81 |
| Profit after full tax | 0.87 | 0.99 |
| Excl. goodwill amortization | 2.59 | 3.58 |
| Profit after full tax and full dilution | 0.87 | 0.98 |
| Excl. goodwill amortization | 2.53 | 3.48 |
| Shareholders' equity | 30.64 | 30.64 |