



PRESS RELEASE

Observer AB is quoted on the Attract 40 section of Stockholmsbörsen's O-list and has approximately 28,000 shareholders.

Stockholm, Sweden, August 15, 2002

Observer AB (publ) Interim report January – June 2002

Operating profit before goodwill amortization rose by 52 percent compared with the corresponding period a year earlier. Strong cash flow and the successful rights issue in April improve Observer's acquisition capacity.

- The group's operating revenue rose to SEK 874.5 million (631.3), an increase of 39 percent. Organic growth in local currency was -2 percent (11).
- Operating profit before goodwill amortization and items affecting comparability rose to SEK 164.1 million (108.3). For comparable units, profit rose by 5 percent. The operating margin improved to 18.8 percent (17.2). The seasonal variation has increased significantly since the acquisition of Bacon's of the U.S. In the second quarter, the operating margin was 15.8 percent, against 15.3 percent in the corresponding period a year earlier.
- Profit per share after tax and full dilution, excluding goodwill amortization and items affecting comparability, amounted to SEK 1.46 (1.21).
- A strongly positive cash flow from operating activities of SEK 106.6 million (2.3), the SEK 400 million rights issue in April and a USD 175 million revolving credit facility have given Observer a strong financial position and increased its acquisition capacity.
- The integration of Bacon's is progressing well. Efforts are under way to coordinate client offerings in the U.S. and Canada as well as introduce Observer's entire range of services in North America.

Comment by Observer CEO Robert Lundberg

"Our focus on operating margin will continue until we see clear indications of an economic improvement. Sales and profit are normally considerably stronger in the first and fourth quarters, as previously noted. A strong cash flow and the successful rights issue in April have prepared us well for further international expansion."



Market

A number of underlying trends indicate good long-term prospects for Observer's services. Globalization, growing information flows and rapid technological developments are giving businesses and organizations more reason than ever to monitor developments in their industries and society. At the same time, there is a growing need to improve communication in Public Relations (PR) and Investor Relations (IR) and evaluate the results of communication activities.

Media Intelligence

The weak economy has continued to affect the market negatively. The flow of relevant business news has been weak, and media coverage has diminished due to declining advertising spending. Weak economic development has also led to lower PR and IR activity.

A broad range of services, an international presence and the opportunity to take advantage of economies of scale remain decisive factors for maintaining a strong market position and good profit. The market for analytical services remains good.

Communication Tools

Growth in Communication Tools' services is also being affected adversely by the weak economy, which has slowed IR and PR activity.

As a result of lower client activity, the number of projects in the Publish (distribution) area has declined. In the Select (database) area, revenue has been stable, as it is based on annual subscriptions. Growth in new clients has been lower, however.

With the acquisition of Bacon's of the U.S. in late 2001, Observer's operations in the Select (database) area have increased, which has also meant a greater seasonal variation in the Group's revenue. Normally, Select sales in the U.S. are concentrated in the first and fourth quarters.

Revenue

Operating revenue amounted to SEK 874.5 million (631.3), an increase of 39 percent. Of this total, *Media Intelligence* accounted for SEK 662.7 million (500.4) and *Communication Tools* for SEK 222.8 million (137.6). For the period, organic growth in local currency was -2 percent. Organic growth in the Nordic countries was -6 percent, while the rest of Europe as a whole reached 2 percent.

In the Nordic countries, value-added services accounted for 38 percent (38) of Media Intelligence's revenue, while in the UK and Germany the share was 8 percent (4).



Profit

The group's operating profit before goodwill amortization and items affecting comparability amounted to SEK 164.1 million (108.3). Operating profit was charged during the period with SEK 6.9 million for integration costs in the U.S. The operating margin rose to 18.8 percent (17.2). The *Media Intelligence* division reached an operating margin of 17.9 percent (15.6) and *Communication Tools* 28.7 percent (27.8).

As a result of the cost cuts, the Nordic operations are maintaining good operating margins despite negative growth and the operating margin in the rest of Europe improved compared to the corresponding period of the previous year.

Net financial income and expenses amounted to SEK -35.9 million (-11.9), which includes a net interest expense of SEK -42.0 million, exchange rate effects of SEK 6.7 million and other items of SEK -0.6 million. During the summer, Observer's holding in Jupiter Media Metrix was divested with no effect on profit.

Profit after tax for the period amounted to SEK 18.8 million (22.1). Profit per share after tax and full dilution, excluding goodwill amortization and items affecting comparability, amounted to SEK 1.46 (1.21). The lower tax charge during the second quarter is due to the U.S. acquisition, which will also reduce taxes in the future.

North America

Bacon's of the U.S., which was consolidated as of December 2001, has developed according to plan. The company is active in both Media Intelligence and Communication Tools and has a leading market position in the U.S.

The Canadian companies acquired in the autumn of 2001 have been merged. Operations are now concentrated in one company and are developing according to plan. Efforts to coordinate offerings in the U.S. and Canada and introduce Observer's entire range of services in North America are progressing well.

Growth and profit objective

Observer's long-term financial objective remains unchanged. The objective is to maintain annual organic growth of at least 10-15 percent. In addition, expansion will be achieved through acquisitions.

The group will maintain a 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 margin, however.



Option program

In February 2001, a decision was made to introduce a stock option program. In several countries, social security contributions are payable on the appreciation in the value of the options when exercised. Provisions for social security expenses on estimated benefits are expensed as they arise. No provisions were made during the period.

Financial position

In addition to high organic growth, Observer's growth strategy is based on acquisitions in new geographic markets. Acquisitions of companies with strong market positions lead to considerable goodwill. The total goodwill item on the balance sheet amounts to SEK 2,666.0 million. Since December 31, 2001 goodwill has decreased by SEK 385.2 million, of which SEK 305.1 million consists of exchange rate effects.

Shareholders' equity amounted to SEK 1,929.5 million (1,645.1) at the end of the period, or SEK 28.62 per share (29.64). The debt/equity ratio was 49 percent (20), an improvement of 45 percentage points since the beginning of the year. In June, the company's long-term financing was strengthened through a USD 175 million revolving credit facility. The financing has a final maturity of five years and further strengthens the financial base for a continued expansion.

Rights issue

To better financially prepare Observer for further expansion, a new share issue with preferential rights for current shareholders was floated in April of this year. The issue provided the company with proceeds of approximately SEK 400 million. Following the rights issue, the conversion of convertible debenture loans and the exercise of warrants, the number of shares amounted to 67,427,998 as of June 30.

Accounting principles

The interim report has been prepared in compliance with recommendation RR 20 of the Swedish Financial Accounting Standards Council's on Interim Financial Reporting.

Outlook

Long-term development potential for Observer's services is good. Expectations are that Observer will continue to grow faster than the underlying market and maintain long-term organic growth of 10-15 percent a year. Efforts to expand geographically through acquisitions are continuing as well.

The cost base has been reduced, at the same time that the client offering has been expanded to include a number of new services. The expansion in North America creates the opportunity for attractive offerings for multinational clients.



Market conditions are expected to improve at the end of 2002, with higher organic growth as a result. The aim is to return as quickly as possible to an operating margin before goodwill amortization and items affecting comparability of 22 percent.

Stockholm, August 15, 2002

Robert Lundberg
President and CEO

Observer AB

Observer's operations are divided into two divisions. The *Media Intelligence* division, which is active in Business and Communication Intelligence, offers media and market monitoring and communication evaluations. It currently operates in the U.S., the UK, Sweden, Canada, Germany, Norway, Finland, Denmark, Portugal, Ireland, Estonia, Latvia and Lithuania. A special marketing unit for multinational clients has been established in London.

The *Communication Tools* division offers communication tools for clients primarily in IR and PR. The division builds databases with information on strategically important target groups in the media and financial world. Clients are also offered tools and channels for distributing and publishing business information and evaluating communication activities. Operations are conducted in the U.S., the UK, Sweden, Canada, Finland, Germany and Norway.



OBSERVER – Interim report January – June 2002

Consolidated income statement						
	Jan-Jun 2002	Jan-Jun 2001	Apr-Jun 2002	Apr-Jun 2001	July-June 2001/2002	Jan-Dec 2001
Amounts in SEK million						
Operating revenue	874.5	631.3	424.4	319.6	1,601.9	1,358.7
Operating expenses	-674.4	-500.1	-338.7	-259.1	-1,250.6	-1,076.3
Other depreciation/amortization	-36.0	-22.9	-18.7	-11.7	-64.3	-51.2
EBITA	164.1	108.3	67.0	48.8	287.0	231.2
Amortization of goodwill	-80.1	-46.6	-39.7	-24.9	-141.1	-107.6
Operating profit	84.0	61.7	27.3	23.9	145.9	123.6
Net financial income and expenses	-35.9	-11.9	-18.8	-9.9	-63.3	-39.3
Profit before tax	48.1	49.8	8.5	14.0	82.6	84.3
Tax	-28.5	-28.3	-6.5	-13.2	-54.4	-54.2
Minority interests	-0.8	0.6	-0.4	0.3	-2.1	-0.7
Net profit for the period	18.8	22.1	1.6	1.1	26.1	29.4

<i>Profit per share after tax, SEK:</i>						
Before dilution	0.32	0.40	0.02	0.02	0.45	0.53
Excl. goodwill amortization and items affecting comparability	1.69	1.24	0.67	0.47	2.92	2.47
After dilution	0.30	0.40	0.04	0.03	0.44	0.54
Excl. goodwill amortization and items affecting comparability	1.46	1.21	0.61	0.46	2.67	2.42

Consolidated balance sheet			
	June 30 2002	June 30 2001	Dec 31 2001
Amounts in SEK million			
Goodwill	2,666.0	1,812.1	3,051.2
Other fixed assets	225.9	205.4	246.6
Current receivables	314.3	311.1	344.3
Tax receivables	40.9	46.1	39.7
Financial assets	405.8	403.6	239.9
Total assets	3,652.9	2,778.3	3,921.7
Equity	1,929.5	1,645.1	1,681.1
Minority shares	5.1	3.4	4.5
Provisions	0.0	70.1	29.2
Current liabilities	301.7	250.2	325.1
Tax liabilities	58.4	78.9	58.3
Financial liabilities	1,358.2	730.6	1,823.5
Total equity and liabilities	3,652.9	2,778.3	3,921.7
Operating capital	2,904.5	2,008.3	3,287.8
Operating capital excl. goodwill	238.5	196.2	236.6
Interest-bearing net debt	952.4	327.0	1,583.6



OBSERVER – Interim report January – June 2002

Operating revenue						
	Jan-Jun 2002	Jan-Jun 2001	Apr-Jun 2002	Apr-Jun 2001	July-June 2001/2002	Jan-Dec 2001
Amounts in SEK million						
<i>Geographic distribution</i>						
Sweden	192.2	200.1	95.5	99.1	380.2	388.1
Denmark	39.0	38.5	19.0	18.4	78.1	77.6
Norway	51.2	54.9	24.7	27.0	106.8	110.5
Finland	43.6	44.2	21.5	21.7	86.6	87.2
Baltic states	2.6	2.0	1.4	1.1	4.8	4.2
<i>Total, Nordic and Baltic</i>	328.6	339.7	162.1	167.3	656.5	667.6
Germany	85.6	80.2	42.6	42.1	177.0	171.6
UK	209.8	206.4	101.0	103.4	430.6	427.2
Portugal	13.0	6.8	6.5	5.2	24.8	18.6
Ireland	10.3	4.9	5.1	4.9	19.9	14.5
<i>Total, rest of Europe</i>	318.7	298.3	155.2	155.6	652.3	631.9
USA	171.8	-	79.2	-	207.1	35.3
Canada	66.4	-	33.2	-	108.2	41.8
<i>Total, North America</i>	238.2	-	112.4	-	315.3	77.1
Divisions	885.5	638.0	429.7	322.9	1,624.1	1,376.6
Divested units	-	-	-	-	-	-
Group eliminations	-11.0	-6.7	-5.3	-3.3	-22.2	-17.9
Group	874.5	631.3	424.4	319.6	1,601.9	1,358.7
<i>Divisions</i>						
Media Intelligence	662.7	500.4	326.3	250.9	1,237.4	1,075.1
Communication Tools	222.8	137.6	103.4	72.0	386.7	301.5
Total, divisions	885.5	638.0	429.7	322.9	1,624.1	1,376.6

Operating profit before goodwill amortization and items affecting comparability

EBITA						
	Jan-Jun 2002	Jan-Jun 2001	Apr-Jun 2002	Apr-Jun 2001	July-June 2001/2002	Jan-Dec 2001
Amounts in SEK million						
<i>Geographic distribution</i>						
Nordic and Baltic	70.2	62.8	33.6	23.8	126.6	119.2
Rest of Europe	62.6	53.6	22.3	30.1	115.6	106.6
North America	49.2	-	16.6	-	65.5	16.3
Divisions	182.0	116.4	72.5	53.9	307.7	242.1
Divested units	-	-	-	-	-	-
Group eliminations	-17.9	-8.1	-5.5	-5.1	-20.7	-10.9
Group	164.1	108.3	67.0	48.8	287.0	231.2
<i>Divisions</i>						
Media Intelligence	118.0	78.1	48.5	31.7	201.8	161.9
Communication Tools	64.0	38.3	24.0	22.2	105.9	80.2
Total, divisions	182.0	116.4	72.5	53.9	307.7	242.1



OBSERVER – Interim report January – June 2002

Consolidated statement of cash flows						
	Jan-Jun 2002	Jan-Jun 2001	Apr-Jun 2002	Apr-Jun 2001	July-June 2001/2002	Jan-Dec 2001
Amounts in SEK million						
<i>Operating activities</i>						
Operating profit	84.0	61.6	27.3	23.8	146.0	123.6
Amortization/depreciation	116.1	69.6	58.5	36.8	205.3	158.8
Other non-cash items	0.4	-30.6	-2.4	-18.4	25.7	-5.3
Net of interest and dividends	-60.8	-11.7	-47.0	-14.5	-89.2	-40.1
Income tax paid	-26.7	-42.8	-20.9	-17.1	-41.4	-57.5
Change in working capital	-6.4	-43.8	12.3	30.3	-45.9	-83.3
Cash flow from operating activities	106.6	2.3	27.8	40.9	200.5	96.2
<i>Investing activities</i>						
Business acquisitions	-	-138.7	-	-61.9	-1,276.0	-1,414.7
Business divestments	-	-2.5	-	-	2.5	-
Investments in non-financial fixed assets	-37.6	-22.1	-22.2	-11.1	-82.3	-66.8
Divestment of non-financial fixed assets	3.9	2.7	3.3	2.7	4.8	3.6
Increase/decrease in financial assets	0.5	0.6	0.0	-3.6	-3.7	-3.6
Cash flow from investing activities	-33.2	-160.0	-18.9	-73.9	-1,354.7	-1,481.5
<i>Financing activities</i>						
Rights issue	414.5	-	406.8	-	416.3	1.8
Increase/decrease in long-term financial liabilities	-182.6	-1.5	-148.5	-76.2	869.0	1 050.1
Increase/decrease in current financial liabilities	-96.2	-12.1	-98.2	-8.7	-93.9	-9.8
Dividend to shareholders	-25.2	-26.1	-25.2	-26.1	-24.1	-25.0
Cash flow from financing activities	110.5	-39.7	134.9	-111.0	1,167.3	1,017.1
Cash flow for the period	183.9	-197.4	143.8	-144.0	13.1	-368.2
Liquid assets at beginning of period	200.2	540.3	232.7	506.8	367.2	540.3
Translation difference	-13.1	24.3	-5.5	4.4	-9.3	28.1
Liquid assets at end of period	371.0	367.2	371.0	367.2	371.0	200.2



OBSERVER – Interim report January – June 2002

Key financial highlights	Jan-Jun 2002	Jan-Jun 2001	Apr-Jun 2002	Apr-Jun 2001	July-June 2001/2002	Jan-Dec 2001
Operating margin (EBITA margin)	18.8%	17.2%	15.8%	15.3%	17.9%	17.0%
Return on equity					2%	2%
Excl. items affecting comparability					2%	2%
Equity/assets ratio	53%	59%	53%	59%	53%	43%
Debt/equity ratio	49%	20%	49%	20%	49%	94%
Interest coverage, multiple	4.6	5.5	4.0	4.6	4.7	5.1
<i>Profit per share after tax</i>						
Before dilution, SEK	0.32	0.40	0.02	0.02	0.45	0.53
Excl. goodwill amortization and items affecting comparability	1.69	1.24	0.67	0.47	2.92	2.47
After full dilution, SEK	0.30	0.40	0.04	0.03	0.44	0.54
Excl. goodwill amortization and items affecting comparability	1.46	1.21	0.61	0.46	2.67	2.42
Equity per share, SEK (at end of period)	28.62	29.64	28.62	29.64	28.62	30.25
Number of shares at end of period, thousands	67,428	55,510	67,428	55,510	67,428	55,578
Number of shares after dilution, thousands	68,855	57,577	68,855	57,577	68,855	57,515
Average number of shares, thousands	58,685	55,510	61,647	55,510	57,099	55,525
Number of employees at end of period	2,536	1,964	2,536	1,964	2,536	2,580



Shareholders' equity					
Amounts in SEK thousand	Share capital	Restricted reserves	Non-restricted reserves	Profit for the year	Total
Opening balance Jan 1, 2002	83,367	995,121	573,136	29,429	1,681,053
<i>Previous year's earnings disposition</i>					
Transfer to reserves			29,429	-29,429	0
Rights issue and conversion	17,775	396,763			414,538
Dividend			-25,187		-25,187
Change in accounting principles					0
Transfer between restricted and non-restricted equity		194,291	-194,291		0
Translation difference for the period		-142,861	-16,804		-159,665
Net profit for the period				18,809	18,809
Closing balance June 30, 2002	101,142	1,443,314	366,283	18,809	1,929,548

For definitions, see Annual Report 2001.

Financial report schedule 2002:

October 29 Interim report January-September 2002

For further information, please contact:

Per Blixt, Senior VP Corporate Communications/Investor Relations, telephone: +46 70 549 28 08, e- mail: per.blixt@observergroup.com

Jan-Erik Jansson, Senior VP and Chief M&A Officer, telephone: +46 8 507 410 14 or +46 70 511 91 53, e- mail: jan-erik.jansson@observergroup.com

Robert Lundberg, Chief Executive Officer, telephone: +46 8 507 410 10, e- mail: robert.lundberg@observergroup.com

Anders Lundmark, Chief Financial Officer, telephone: +46 8 507 417 23 or +46 70 333 29 77, e- mail: anders.lundmark@observergroup.com

Further comments on the interim report will be provided at a telephone conference with Observers AB's management at 3:30 p.m. (CET) on August 15. To participate, please phone +44 (0) 20 8781 0562 Use code: Observer