



PRESS RELEASE

Observer AB is quoted on the Attract 40 segment of Stockholmsbörsen's O-list and has approximately 24,000 shareholders.

Stockholm, August 5 2005

**Observer AB (publ)
Interim report January-June 2005**

Gradual improvement in sales in Europe generated two percent growth in second quarter

- The Group's operating revenue rose to SEK 856.0 million (811.4). Exchange rate effects from the translation to Swedish kronor affected revenue negatively by SEK 12 million compared with the corresponding period of the previous year. Organic growth in local currency was 1 percent (-1). In the second quarter, organic growth reached 2 percent.
- Operating profit, EBIT, amounted to SEK 86.2 million (99.5). Exchange rate effects impacted profit negatively by SEK 3.4 million compared with the year-on-year period. The operating margin was 10.1 percent (12.3).
- Earnings per share amounted to SEK 0.70 (0.84). Profit after financial items amounted to SEK 59.3 million (77.0) and net profit was SEK 49.1 million (58.7).
- Operating cash flow amounted to SEK 76.4 million (115.5).

Comment by Observer CEO Robert Lundberg:

"We are achieving greater success with our integrated services, and the positive growth in the second quarter is gratifying. We are not pleased with the profit trend, of course, and will maintain cost controls. In order to attain significant margin improvements, however, we have to benefit from our intensive service development and thereby increase revenues.

The UK and Germany returned to positive growth in the second quarter. In the Nordic region we are close to reaching positive growth. US operations continue to show a positive development and we are reaching our financial objectives in spite of temporarily higher costs in the second quarter. In the Nordic region the margin is hampered by weak top-line development, coupled with tough competition and a high development rate."



Market

In the Swedish market, the level of PR and communication activity is gradually increasing and integrated solutions that support clients' communication processes are being well received. Demand for qualified analysis services is rising in Sweden as well as other parts of the Nordic region. Competition within particular areas of Observer's offer remains tough in the region.

North American clients remain positive to Observer's integrated services. Development potential in the US market is high, and thanks in part to the acquisition of Delahaye, Observer has further strengthened its position.

British clients have been receptive to Observer's digital services, and improved order bookings are gradually counteracting the effects of weak news flows. In July, after the closing of the report period, coverage on the terror attacks in London dominated the news flows, something which negatively affected the business news flow and volumes. Growth in the German economy is weak and the market for Observer's services is stagnant. Although the client base is growing slightly, activity declined among key German clients during the first half year and many companies, for instance in the automotive industry, are cutting costs.

Long-term growth is being driven by underlying trends such as globalization, growing information flows and rapid technological developments. The importance of analyzing media content, evaluating communication activities and monitoring the competition locally and internationally is growing. The need to continuously improve and develop communication with important target groups is increasing as well.

Revenue

Operating revenue amounted to SEK 856.0 million (811.4). Exchange rate effects from the translation to Swedish kronor affected revenue negatively by SEK 12.0 million compared with the previous year. Organic growth in local currencies was 1 percent. In the second quarter organic growth was 2 percent.

Organic growth in the Nordic region is improving gradually and amounted to -2 percent. In the second quarter the organic growth was 0 percent. In the Rest of Europe, organic growth was -2 percent. The UK, Germany and Portugal reported positive growth in the second quarter, but the weak news flow earlier in the year and continued cost cuts among German clients produced negative growth for the overall six-month period.

Organic growth in North America reached 7 percent during the last quarter as well as the whole six-month period. The US has a stronger growth than Canada, where the integration of previously acquired units and weak news flows in the French-speaking Quebec area negatively affected the growth in the first six months. In the US, the migration from print catalogues to electronic databases in the Research service area is resulting in a higher share of fixed advance revenue and less seasonal variation. The integration of the media analysis company Delahaye is progressing according to plan.



Profit

The Group's operating profit, EBIT, amounted to SEK 86.2 million (99.5). Exchange rate effects impacted profit negatively by SEK 3.4 million year-on-year. The operating margin was 10.1 percent (12.3).

In the Nordic region, margins are shrinking due to weak top-line development in the beginning of the year, increases in costs for salaries and office space and a high development rate. In order to further boost efficiency in recently acquired Delahaye, part of its production was moved from the UK to the US during the second quarter. Coupled with the integration work in Quebec, this has resulted in temporarily higher costs in North American operations.

Net financial income and expenses amounted to SEK -26.9 million (-22.5). Profit after financial items was SEK 59.3 million (77.0) and net profit for the period was SEK 49.1 million (58.7). Earnings per share amounted to SEK 0.70 (0.84).

Financial position

Shareholders' equity amounted to SEK 2,047.9 million (1,874.1) at the end of the period, or SEK 29.22 per share (26.79). Shareholders' equity rose by SEK 249.8 million during the first half year, of which net profit for the period accounted for SEK +49.1 million, the dividend for SEK -31.5 million, new shares issued through the exercise of employee stock options for SEK +4.1 million and exchange rate effects for SEK +228.0 million.

Investments during the period amounted to SEK 32.8 million (23.6).

The debt/equity ratio was 42 percent (41) and the interest coverage ratio was 3.5.

Operating cash flow amounted to SEK 76.4 million (115.5), while cash flow from operating activities was SEK 48.9 million (98.9). Cash flow was affected during the first quarter by the payment of pension premiums, prepaid rents and bonus payments. During the second quarter operating cash flow was SEK 68.0 million (68.3). The Group's liquid assets amounted to SEK 120.4 million at the end of the June.

The total goodwill item on the balance sheet amounted to SEK 2,704.5 million (2,498.8). As a result of exchange rate effects of SEK 314.4 million and a smaller, complementary acquisition, goodwill rose during the period by SEK 314.9 million.

Transition to IFRS 2005

This interim report has been prepared in accordance with the International Financial Reporting Standards (IFRS). IFRS standards have not yet been fully established and may still change with a retroactive effect.

The most significant effect of the transition to IFRS is that goodwill amortization has been replaced as of January 1, 2005 by impairment tests. Since 2001 Observer regularly conducts impairment tests. The tests confirm the reported book value. The goodwill amortization charged against last year's profit has been reversed when 2004 is shown as a comparative year adjusted in accordance with IFRS.



The transition to the new accounting standards has a positive effect of SEK 80.6 million on profit for the first half year 2004. For a detailed report on the transition to IFRS, see the attachment "Transition to reporting in accordance with IFRS."

Acquisitions

In late December 2004 Observer acquired Delahaye, one of the world's strongest brands in media analysis, with operations in the US and UK. Delahaye, whose client base is dominated by companies on the US Fortune 1000 list, has an annual turnover of approximately SEK 60 million and was consolidated by Observer as of the turn of the year 2004/05.

During the second quarter Observer acquired exclusive rights to a previously part-owned technology for web-based client solutions in the Contact service area. In addition, a small, complementary acquisition in Monitoring was made in Canada.

Other

The Swedish tax authorities have decided to raise Observer AB's taxable income for year 2000 by approximately SEK 440 million, which would result in a tax charge of SEK 173 million. The decision concerns the sale of Sifo Research & Consulting.

The company considers the decision to be unfounded and has filed an appeal with the county administrative court.

Observer is of the opinion that the tax authorities' decision will not result in any increased tax expense and, until further notice, will not make any provision due to the decision.

The Board has initiated the process of recruiting a new CEO, succeeding Robert Lundberg, who in the beginning of June this year announced that he wishes to leave his position at the latest by the Annual General Meeting 2006.

Outlook

Observer's integrated services have potential in every market. Opportunities to broaden the client base are considerable in several major markets and the international offering has good growth potential.

Together with high sales activity, continuous productivity improvements and cost consciousness, this will ensure a good operating margin, strong cash flows and growth moving forward.

Stockholm August 5, 2005

Observer AB (publ)
Robert Lundberg
President and CEO

Observer Interim report January-June 2005

CONSOLIDATED INCOME STATEMENT						
	2005	2004	2005	2004	2004/5	2004
Amounts in SEK million	Jan-Jun	Jan-Jun	Apr-Jun	Apr-Jun	Jul-Jun	Jan-Dec
Operating revenue	856.0	811.4	432.5	400.9	1 658.2	1 613.6
Operating expenses	-736.0	-680.6	-379.5	-346.8	-1 409.3	-1 353.9
Depreciation/amortization	-33.8	-31.3	-17.6	-14.3	-68.3	-65.8
Operating profit	86.2	99.5	35.4	39.8	180.6	193.9
Net financial income and expenses	-26.9	-22.5	-14.9	-11.4	-49.5	-45.1
Profit before tax	59.3	77.0	20.5	28.4	131.1	148.8
Tax	-10.2	-18.3	-2.2	-6.6	-11.0	-19.1
Net profit for the period	49.1	58.7	18.3	21.8	120.1	129.7

Earnings per share						
Amounts in SEK	2005	2004	2005	2004	2004/5	2004
	Jan-Jun	Jan-Jun	Apr-Jun	Apr-Jun	Jul-Jun	Jan-Dec
Before dilution	0.70	0.84	0.26	0.31	1.71	1.85
After dilution	0.70	0.84	0.26	0.31	1.71	1.85

CONSOLIDATED BALANCE SHEET*			
Amounts in SEK million	2005	2004	2004
	June 30	June 30	Dec 31
Goodwill	2,704.5	2,498.8	2,389.6
Other fixed assets	262.4	231.5	231.4
Current receivables	375.9	307.9	329.8
Tax receivables	47.2	64.3	30.2
Financial assets	133.7	187.2	110.8
Total assets	3,523.7	3,289.7	3,091.8
Shareholders' equity	2,047.9	1,874.1	1,798.1
Operating liabilities	432.5	374.7	395.9
Tax liabilities	49.9	86.8	55.3
Financial liabilities	993.4	954.1	842.5
Total shareholders' equity and liabilities	3,523.7	3,289.7	3,091.8
Operating capital	2,910.3	2,663.5	2,554.9
Operating capital excl. goodwill	205.8	164.7	165.3
Interest-bearing net debt	859.7	766.9	731.7

* Complete balance sheet on page 16

CONSOLIDATED STATEMENT OF CASH FLOWS						
Amounts in SEK million	2005 Jan-Jun	2004 Jan-Jun	2005 Apr-Jun	2004 Apr-Jun	2004/5 Jul-Jun	2004 Jan-Dec
<i>Operating activities</i>						
Net profit for the period	49.1	58.7	18.3	21.8	120.1	129.7
Tax	10.2	18.3	2.2	6.6	11.0	19.1
Net financial items	26.9	22.5	14.9	11.4	49.5	45.1
Depreciation/amortization	33.8	31.3	17.6	14.3	68.3	65.8
Other non-cash items	0.5	0.8	0.6	0.4	1.4	1.7
Reversal: Profit shares in associated companies	-	-0.6	-	-0.4	-0.2	-0.8
Net of interest and dividends	-26.4	-22.4	-6.6	-11.6	-50.3	-46.3
Income tax paid	-33.9	-17.8	-19.4	-10.5	-32.3	-16.2
Change in working capital	-11.3	8.1	29.1	25.2	-15.6	3.8
Cash flow from operating activities	48.9	98.9	56.7	57.2	151.9	201.9
<i>Investing activities</i>						
Business acquisitions	-11.1	-9.5	-11.1	-9.5	-99.5	-97.9
Investments in other fixed assets	-32.8	-23.6	-14.7	-11.0	-63.8	-54.6
Disposal of other fixed assets	-	-	-	-	-	-
Increase/decrease in financial fixed assets	0.3	0.0	0.3	0.0	1.4	1.1
Cash flow from investing activities	-43.6	-33.1	-25.5	-20.5	-161.9	-151.4
<i>Financing activities</i>						
New share issues	4.1	-	1.3	-	4.1	-
Increase/decrease in long-term financial liabilities	38.3	-22.2	38.3	-22.4	3.7	-56.8
Increase/decrease in current financial liabilities	-2.3	6.7	-30.1	7.3	-16.3	-7.3
Dividend to shareholders	-31.5	-31.5	-31.5	-31.5	-31.5	-31.5
Cash flow from financing activities	8.6	-47.0	-22.0	-46.6	-40.0	-95.6
Cash flow for the period	13.9	18.8	9.2	-9.9	-50.0	-45.1
Liquid assets at beginning of period	98.3	145.0	105.3	178.0	165.6	145.0
Translation difference in liquid assets	8.2	1.8	5.9	-2.5	4.8	-1.6
Liquid assets at end of period	120.4	165.6	120.4	165.6	120.4	98.3

KEY FINANCIAL HIGHLIGHTS FOR THE GROUP	2005 Jan-Jun	2004 Jan-Jun	2005 Apr-Jun	2004 Apr-Jun	2004/5 Jul-Jun	2004 Jan-Dec
Operating margin	10.1%	12.3%	8.2%	9.9%	10.9%	12.0%
Return on equity					6%	7%
Return on operating capital					6%	7%
Debt/equity ratio	42%	41%	42%	41%	42%	41%
Equity/assets ratio	58%	57%	58%	57%	58%	58%
Interest coverage, multiple	3.5	5.2	2.6	4.0	4.0	4.8
Earnings per share before dilution*, SEK	0.70	0.84	0.26	0.31	1.71	1.85
Earnings per share after dilution*, SEK	0.70	0.84	0.26	0.31	1.71	1.85
Equity per share, SEK	29.22	26.79	29.22	26.79	29.22	25.70
No. of shares at end of period, thousands	70,088	69,957	70,088	69,957	70,088	69,957
Avg. number of shares before dilution, thousands	70,030	69,957	70,082	69,957	69,994	69,957
Avg. number of shares after dilution, thousands	70,222	70,274	70,268	70,223	70,161	70,195
No. of employees at end of period	2,680	2,464	2,680	2,464	2,680	2,647

*Earnings related to the shares of the parent company

CONSOLIDATED SHAREHOLDERS' EQUITY	2005	2004	2004
Amounts in SEK million	June 30	June 30	Dec 31
Opening balance	1,798.1	1,774.8	1,774.8
Effect of change to IAS 39 on Jan. 1, 2005	0.9	-	-
Opening shareholders' equity balance adjusted in accordance with IFRS 1	1,799.0	1,774.8	1,774.8
Translation differences	275.7	81.3	-100.9
Hedging of net investment in foreign operations	-47.7	-10.1	24.4
Effects of IFRS 2, Share-based Payment	0.5	0.9	1.6
Exercise of employee stock options (Option program 2001-2003)	-1.3	-	-
Net profit for the period	49.1	58.7	129.7
Dividend	-31.5	-31.5	-31.5
New share issue	4.1	-	-
Closing balance	2,047.9	1,874.1	1,798.1

OPERATING REVENUE	2005	2004	2005	2004	2004/5	2004
Amounts in SEK million	Jan-Jun	Jan-Jun	Apr-Jun	Apr-Jun	Jul-Jun	Jan-Dec
<i>REGIONS</i>						
Sweden	138.0	143.8	68.6	69.4	274.0	279.8
Denmark	37.3	36.3	19.0	18.0	73.9	72.9
Norway	38.0	35.9	17.6	17.4	74.2	72.1
Finland	36.7	38.0	18.5	18.4	72.4	73.7
Baltic states	4.1	3.8	2.2	1.9	7.9	7.6
Total, Nordic & Baltic	254.1	257.8	125.9	125.1	502.4	506.1
Germany	84.1	86.0	42.7	42.0	166.9	168.8
UK	181.1	191.2	92.2	93.9	355.4	365.5
Portugal	20.0	17.6	10.2	8.9	39.1	36.7
Ireland	9.9	10.5	5.1	5.5	20.7	21.3
Total, Rest of Europe	295.1	305.3	150.2	150.3	582.1	592.3
USA	243.8	203.3	125.5	104.0	458.3	417.8
Canada	74.3	57.5	36.6	28.1	138.2	121.4
Total, North America	318.1	260.8	162.1	132.1	596.5	539.2
Total, regions	867.3	823.9	438.2	407.5	1,681.0	1,637.6
Group eliminations	-11.3	-12.5	-5.7	-6.6	-22.8	-24.0
Group	856.0	811.4	432.5	400.9	1,658.2	1,613.6
<i>SERVICE AREAS</i>						
Research/Contact (formerly Communication Tools)	228.3	229.2	113.7	110.1	453.7	454.6
Monitor/Evaluate (formerly Media Intelligence)	639.0	594.7	324.5	297.4	1,227.3	1,183.0
Total, service areas	867.3	823.9	438.2	407.5	1,681.0	1,637.6
Group eliminations	-11.3	-12.5	-5.7	-6.6	-22.8	-24.0
Group	856.0	811.4	432.5	400.9	1,658.2	1,613.6

INCOME STATEMENTS BY REGION	2005	2004	2005	2004	2004/5	2004
Amounts in SEK million	Jan-Jun	Jan-Jun	Apr-Jun	Apr-Jun	Jul-Jun	Jan-Dec
<i>External revenue</i>						
Nordic & Baltic	246.3	250.3	122.0	121.2	487.5	491.5
Rest of Europe	291.6	300.3	148.4	147.6	574.2	582.9
North America	318.1	260.8	162.1	132.1	596.5	539.2
Other/eliminations	0.0	0.0	0.0	0.0	0.0	0.0
Group	856.0	811.4	432.5	400.9	1,658.2	1,613.6
<i>Intra-Group revenue</i>						
Nordic & Baltic	0.6	1.7	0.3	0.9	1.0	2.1
Rest of Europe	1.2	0.8	0.7	0.3	3.0	2.6
North America	0.0	0.0	0.0	0.0	0.0	0.0
Other/eliminations	-1.8	-2.5	-1.0	-1.2	-4.0	-4.7
Group	0.0	0.0	0.0	0.0	0.0	0.0
<i>Intra-segment revenue</i>						
Nordic & Baltic	7.2	5.8	3.6	3.0	13.9	12.5
Rest of Europe	2.3	4.2	1.1	2.4	4.9	6.8
North America	0.0	0.0	0.0	0.0	0.0	0.0
Other/eliminations	-9.5	-10.0	-4.7	-5.4	-18.8	-19.3
Group	0.0	0.0	0.0	0.0	0.0	0.0
<i>TOTAL OPERATING REVENUE</i>						
Nordic & Baltic	254.1	257.8	125.9	125.1	502.4	506.1
Rest of Europe	295.1	305.3	150.2	150.3	582.1	592.3
North America	318.1	260.8	162.1	132.1	596.5	539.2
Other/eliminations	-11.3	-12.5	-5.7	-6.6	-22.8	-24.0
Group	856.0	811.4	432.5	400.9	1,658.2	1,613.6

INCOME STATEMENTS BY REGION						
Cont.	2005	2004	2005	2004	2004/5	2004
Amounts in SEK million	Jan-Jun	Jan-Jun	Apr-Jun	Apr-Jun	Jul-Jun	Jan-Dec
<i>Operating expenses</i>						
Nordic & Baltic	-246.2	-237.9	-123.8	-118.6	-468.2	-459.9
Rest of Europe	-246.5	-252.3	-127.2	-130.8	-487.0	-492.8
North America	-237.8	-189.3	-123.5	-96.3	-443.3	-394.8
Other/eliminations	-5.5	-1.1	-5.0	-1.1	-10.8	-6.4
Group	-736.0	-680.6	-379.5	-346.8	-1,409.3	-1,353.9
<i>Depreciation/amortization</i>						
Nordic & Baltic	-7.5	-7.1	-3.8	-3.8	-13.8	-13.4
Rest of Europe	-12.4	-7.7	-6.2	-3.8	-26.3	-21.6
North America	-10.6	-10.6	-5.5	-5.1	-18.6	-18.6
Other/eliminations	-3.3	-5.9	-2.1	-1.6	-9.6	-12.2
Group	-33.8	-31.3	-17.6	-14.3	-68.3	-65.8
<i>Operating profit</i>						
Nordic & Baltic	0.4	12.8	-1.7	2.7	20.4	32.8
Rest of Europe	36.2	45.3	16.8	15.7	68.8	77.9
North America	69.7	60.9	33.1	30.7	134.6	125.8
Other/eliminations	-20.1	-19.5	-12.8	-9.3	-43.2	-42.6
Group	86.2	99.5	35.4	39.8	180.6	193.9
<i>Operating margin</i>						
Nordic & Baltic	0.2%	5.0%	-1.4%	2.1%	4.1%	6.5%
Rest of Europe	12.3%	14.8%	11.2%	10.5%	11.8%	13.2%
North America	21.9%	23.3%	20.4%	23.2%	22.6%	23.3%
Other/eliminations						
Group	10.1%	12.3%	8.2%	9.9%	10.9%	12.0%

OPERATING CAPITAL BY REGION	2005	2004	2004
Amounts in SEK million	June 30	June 30	31 dec
Assets			
<i>Operating assets</i>			
Nordic & Baltic	129.5	125.4	117.8
Rest of Europe	265.4	240.9	226.7
North America	209.9	143.1	183.9
Other/eliminations	33.5	30.0	32.8
Group	638.3	539.4	561.2
<i>Intra-Group receivables</i>			
Nordic & Baltic	1.2	1.3	0.8
Rest of Europe	2.6	3.7	2.2
North America	0.0	0.0	0.2
Other/eliminations	-3.8	-5.0	-3.2
Group	0.0	0.0	0.0
<i>Goodwill</i>			
Nordic & Baltic	135.8	130.2	129.8
Rest of Europe	1,362.9	1,305.9	1,236.9
North America	1,205.8	1,062.7	1,022.9
Other/eliminations	0.0	0.0	0.0
Group	2,704.5	2,498.8	2,389.6
<i>Financial assets and tax receivables</i>			
Nordic & Baltic	-	-	-
Rest of Europe	-	-	-
North America	-	-	-
Other/eliminations	180.9	251.5	141.0
Group	180.9	251.5	141.0
<i>TOTAL ASSETS</i>			
Nordic & Baltic	266.5	256.9	248.4
Rest of Europe	1,630.9	1,550.5	1,465.8
North America	1,415.7	1,205.8	1,207.0
Other/eliminations	210.6	276.5	170.6
Group	3,523.7	3,289.7	3,091.8

OPERATING CAPITAL BY REGION	2005	2004	2004
Amounts in SEK million	June 30	June 30	31 dec
Liabilities and operating capital			
<i>Current liabilities</i>			
Nordic & Baltic	101.5	98.1	99.7
Rest of Europe	114.5	109.3	102.8
North America	178.3	136.1	153.5
Other/eliminations	38.2	31.2	39.9
Group	432.5	374.7	395.9
<i>Intra-Group liabilities</i>			
Nordic & Baltic	0.8	0.9	1.4
Rest of Europe	4.9	5.5	2.2
North America	2.9	0.6	0.1
Other/eliminations	-8.6	-7.0	-3.7
Group	0.0	0.0	0.0
<i>Financial liabilities & tax liabilities</i>			
Nordic & Baltic	-	-	-
Rest of Europe	-	-	-
North America	-	-	-
Other/eliminations	1,043.3	1,040.9	897.8
Group	1,043.3	1,040.9	897.8
TOTAL LIABILITIES			
Nordic & Baltic	102.3	99.0	101.1
Rest of Europe	119.4	114.8	105.0
North America	181.2	136.7	153.6
Other/eliminations	1,072.9	1,065.1	934.0
Group	1,475.8	1,415.6	1,293.7
<i>OPERATING CAPITAL</i>			
Nordic & Baltic	164.2	157.9	147.3
Rest of Europe	1,511.5	1,435.7	1,360.8
North America	1,234.5	1,069.1	1,053.4
Other/eliminations	0.1	0.8	-6.6
Group	2,910.3	2,663.5	2,554.9
<i>OPERATING CAPITAL EXCL. GOODWILL</i>			
Nordic & Baltic	28.4	27.7	17.5
Rest of Europe	148.6	129.8	123.9
North America	28.7	6.4	30.5
Other/eliminations	0.1	0.8	-6.6
Group	205.8	164.7	165.3

OPERATING CASH FLOW BY REGION	2005	2004	2005	2004	2004/5	2004
Amounts in SEK million	Jan-Jun	Jan-Jun	Apr-Jun	Apr-Jun	Jul-Jun	Jan-Dec
<i>Operating profit</i>						
Nordic & Baltic	0.4	12.8	-1.7	2.7	20.4	32.8
Rest of Europe	36.2	45.3	16.8	15.7	68.8	77.9
North America	69.7	60.9	33.1	30.7	134.6	125.8
Other/eliminations	-20.1	-19.5	-12.8	-9.3	-43.2	-42.6
Group	86.2	99.5	35.4	39.8	180.6	193.9
<i>Depreciation/amortization</i>						
Nordic & Baltic	7.5	7.1	3.8	3.8	13.8	13.4
Rest of Europe	12.4	7.7	6.2	3.8	26.3	21.6
North America	10.6	10.6	5.5	5.1	18.6	18.6
Other/eliminations	3.3	5.9	2.1	1.6	9.6	12.2
Group	33.8	31.3	17.6	14.3	68.3	65.8
<i>Investments</i>						
Nordic & Baltic	-4.2	-2.2	-1.6	-1.3	-8.3	-6.3
Rest of Europe	-12.3	-13.9	-4.8	-4.1	-24.4	-26.0
North America	-16.1	-7.2	-8.4	-5.4	-27.4	-18.5
Other/eliminations	-0.2	-0.3	0.1	-0.2	-3.7	-3.8
Group	-32.8	-23.6	-14.7	-11.0	-63.8	-54.6
<i>Disposals</i>						
Nordic & Baltic	-	-	-	-	-	-
Rest of Europe	-	-	-	-	-	-
North America	-	-	-	-	-	-
Other/eliminations	-	-	-	-	-	-
Group	0.0	0.0	0.0	0.0	0.0	0.0

OPERATING CASH FLOW BY REGION						
Cont.	2005	2004	2005	2004	2004/5	2004
Amounts in SEK million	Jan-Jun	Jan-Jun	Apr-Jun	Apr-Jun	Jul-Jun	Jan-Dec
<i>Other non-cash items/profit share in associated companies</i>						
Nordic & Baltic	-	-	-	-	-	-
Rest of Europe	-	-	-	-	-	-
North America	-	-	-	-	-	-
Other/eliminations	0.5	0.2	0.6	0.0	1.2	0.9
Group	0.5	0.2	0.6	0.0	1.2	0.9
<i>Change in working capital</i>						
Nordic & Baltic	-3.8	1.4	2.2	7.1	3.9	9.1
Rest of Europe	-10.4	7.9	-1.5	10.4	-10.3	8.0
North America	15.2	-2.9	21.2	4.2	-2.4	-20.5
Other/eliminations	-12.3	1.7	7.2	3.5	-6.8	7.2
Group	-11.3	8.1	29.1	25.2	-15.6	3.8
<i>OPERATING CASH FLOW</i>						
Nordic & Baltic	-0.1	19.1	2.7	12.3	29.8	49.0
Rest of Europe	25.9	47.0	16.7	25.8	60.4	81.5
North America	79.4	61.4	51.4	34.6	123.4	105.4
Other/eliminations	-28.8	-12.0	-2.8	-4.4	-42.9	-26.1
Group	76.4	115.5	68.0	68.3	170.7	209.8

DISTRIBUTION BY SERVICE AREA	2005	2004	2004
Amounts in SEK million	June 30	June 30	38717
<i>Operating assets</i>			
Research/Contact (formerly Communication Tools)	177,1	139,6	150,6
Monitor/Evaluate (formerly Media Intelligence)	427,7	369,8	377,8
Other	33,5	30,0	32,8
Group	638,3	539,4	561,2

DISTRIBUTION BY SERVICE AREA	2005	2004	2005	2004	2004/5	2004
Amounts in SEK million	Jan-Jun	Jan-Jun	Apr-Jun	Apr-Jun	Jul-Jun	Jan-Dec
<i>External revenue</i>						
Research/Contact (formerly Communication Tools)	228,1	228,9	113,6	109,9	452,6	453,4
Monitor/Evaluate (formerly Media Intelligence)	627,9	582,5	318,9	291,0	1 205,6	1 160,2
Other	0,0	0,0	0,0	0,0	0,0	0,0
Group	856,0	811,4	432,5	400,9	1 658,2	1 613,6
<i>Investments</i>						
Research/Contact (formerly Communication Tools)	7,9	6,5	3,7	3,6	15,6	14,2
Monitor/Evaluate (formerly Media Intelligence)	24,7	16,8	11,1	7,2	44,5	36,6
Other	0,2	0,3	-0,1	0,2	3,7	3,8
Group	32,8	23,6	14,7	11,0	63,8	54,6

CONSOLIDATED BALANCE SHEETS DIVIDED BETWEEN CURRENT AND LONG-TERM LIABILITIES		IFRS	IFRS
	2005	June 30	Dec 31
Amounts in SEK million	June 30	2004	2004
OPERATING ASSETS			
Intangible assets			
Goodwill	2,704.5	2,498.8	2,389.6
Other intangible assets	66.9	55.7	60.4
Tangible fixed assets	177.8	154.6	151.8
Other fixed assets ¹⁾	26.8	36.0	27.0
Current receivables ²⁾	414.0	357.4	352.2
Operating assets, total	3,390.0	3,102.5	2,981.0
FINANCIAL ASSETS			
Financial fixed assets	1.0	8.7	0.4
Current receivables	12.3	12.9	12.1
Cash and bank balances and short-term investments	120.4	165.6	98.3
Financial assets, total	133.7	187.2	110.8
Assets	3,523.7	3,289.7	3,091.8
SHAREHOLDERS' EQUITY			
Shareholders' equity	2 047.9	1 874.1	1 798.1
OPERATING LIABILITIES			
Provisions for taxes ⁴⁾	33.7	52.3	36.8
Long-term liabilities	12.9	14.1	13.5
Current liabilities ³⁾	435.8	395.1	400.9
Operating liabilities, total	482.4	461.5	451.2
FINANCIAL LIABILITIES			
Provisions for pensions and similar commitments	1.1	1.1	1.0
Long-term liabilities	972.7	908.7	820.9
Current liabilities	19.6	44.3	20.6
Financial liabilities, total	993.4	954.1	842.5
Shareholders' equity and liabilities	3,523.7	3,289.7	3,091.8
1) Of which deferred tax receivable	9.1	14.8	7.8
2) Of which tax receivables	38.1	49.5	22.4
Total tax receivables	47.2	64.3	30.2
3) Of which tax liabilities	16.2	34.5	18.5
4) Provisions for taxes	33.7	52.3	36.8
Total tax liabilities	49.9	86.8	55.3

Accounting principles

This interim report has been prepared in accordance with the International Financial Reporting Standard – IFRS. It is the second external report that Observer has prepared in accordance with IFRS. The interim report has been prepared according to IAS 34. The changed accounting principles, and their effect on the profit/loss and balance, are described on page 24. From January 1, 2005, Observer AB complies with The Swedish Financial Accounting Standards Council's recommendation RR 32, "Redovisning för juridiska personer" (Accounting for Legal Entities), which replaces the former recommendations RR 1-29.

**Observer AB**

Observer is the world leader in media analysis and business intelligence. Its services enable clients to identify the right target audience, distribute information, and monitor and analyze their media image.

Observer AB is quoted on the Attract40 segment of Stockholmsbörsen's O-list and has around 24,000 shareholders. The company has around 2,600 employees and a turnover of slightly over SEK 1.6 billion in 2004. Observer operates in the US, UK, Sweden, Canada, Germany, Norway, Finland, Denmark, Portugal, Ireland, Estonia, Latvia and Lithuania.

Financial report schedule:

November 1, 2005 Interim report January-September 2005

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Further comments on the report will be provided at a telephone conference with Observer AB's management at 15 pm (CEsT) on August 5. To participate, please dial one of the following numbers:

UK dial in number: +44 (0)207 162 0179

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Swedish dial in number: +46 8 505 201 14 (Please note that even when calling from Stockholm you have to dial the area code "08")

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Appendix – Transition to reporting in accordance with IFRS

This interim report covers the second quarter of 2005 and is the first report Observer has prepared in accordance with IAS 34, Interim Financial Reporting, which meets the requirements of RR31, Interim reporting for groups.

Observer's annual report 2004 was prepared in accordance with the Swedish Financial Accounting Standards Council's accounting standards and the pronouncements of the Swedish Emerging Issues Task Force. Since these standards are essentially based on IFRS standards, the consolidated accounts have already been largely adapted to the new rules. In certain areas, the standards differ, in which case IFRS takes precedent.

The consolidated accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS), including the International Accounting Standards (IAS) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) that apply as of June 30, 2005. According to IFRS 1, the financial statements are prepared in accordance with the IFRS standards that apply as of December 31, 2005. It has not yet been determined which standards will apply as of December 31, 2005. Consequently, the standards used in the preparation of this report may change by December 31, 2005, with the resulting effect on the reported amounts.

The accounting principles used in the preparation of the consolidated accounts for the second quarter of 2005, with the exception for those relating to the classification and measurement of financial instruments, have also been applied to all comparative periods presented in the report. Opening balances and all quarters of 2004 have been restated in accordance with IFRS. In transitioning to IFRS, Observer has chosen to apply the following optional exemptions from retroactive application of IFRS in accordance with IFRS 1 First-time adoption of IFRS:

- No retroactive restatement of financial instruments
- No restatement of previous business acquisitions
- All cumulative translation differences have been set to zero for all subsidiaries
- No restatement of equity instruments granted before November 7, 2002 but which were not vested by the later of transition date, January 1, 2005

Changes in the income statement, balance sheet and shareholders' equity for the second quarter of 2004 attributable to the transition to IFRS are reported below.

IFRS - EFFECT ON INCOME STATEMENT				
Isolated second quarter 2005	2004			IFRS 2004
Amounts in SEK million	Apr-Jun	IFRS 3	IFRS 2	Apr-Jun
Operating revenue	400.9			400.9
Operating expenses	-346.4		-0.4	-346.8
Depreciation/amortization, other	-14.3			-14.3
Operating profit before goodwill amortization	40.2	0.0	-0.4	39.8
Amortization of goodwill	-41.2	41.2		0.0
Operating profit	-1.0	41.2	-0.4	39.8
Net financial income and expenses	-11.4			-11.4
Profit before tax	-12.4	41.2	-0.4	28.4
Tax	-6.6			-6.6
Net profit for the period	-19.0	41.2	-0.4	21.8

Cont.

Cumulative second quarter 2005	2004		IFRS 2004	
Amounts in SEK million	Jan -Jun	IFRS 3	IFRS 2	Jan -Jun
Operating revenue	811.4			811.4
Operating expenses	-679.8		-0.8	-680.6
Depreciation/amortization, other	-31.3			-31.3
Operating profit before goodwill amortization	100.3	0.0	-0.8	99.5
Amortization of goodwill	-81.4	81.4		0.0
Operating profit	18.9	81.4	-0.8	99.5
Net financial income and expenses	-22.5			-22.5
Profit before tax	-3.6	81.4	-0.8	77.0
Tax	-18.3			-18.3
Net profit for the period	-21.9	81.4	-0.8	58.7

IFRS - EFFECT ON SHAREHOLDERS' EQUITY	2004	IFRS 2004
SEK in millions	Jun 30	Jun 30
Shareholders' equity according to Swed GAAP	1,791.3	1,791.3
Introduction of IAS 39	-	-
Adjustment of opening balance	1,791.3	1,791.3
Business combinations (IFRS 3)		81.4
Business combinations, translation differences (IFRS 3)		1.4
Share-based payment (IFRS 2)		-
Shareholders' equity according to IFRS	1,791.3	1,874.1

IFRS - EFFECT ON BALANCE SHEET	2004		2004 IFRS	
Amounts in SEK million	Jun 30	IFRS 3	IFRS 2	Jun 30
OPERATING ASSETS				
Intangible assets				
Goodwill	2,416.0	82.8		2,498.8
Other intangible assets	55.7			55.7
Tangible fixed assets	154.6			154.6
Other fixed assets	36.0			36.0
Current receivables	357.4			357.4
Operating assets, total	3,019.7	82.8	0.0	3,102.5
FINANCIAL ASSETS				
Financial fixed assets	8.7			8.7
Current receivables	12.9			12.9
Cash and bank balances and short-term investments	165.6			165.6
Financial assets, total	187.2			187.2
Assets	3,206.9	82.8	0.0	3,289.7

IFRS - EFFECT ON BALANCE SHEET cont.	2004			2004 IFRS
Amounts in SEK million	Jun 30	IFRS 3	IFRS 2	Jun 30
SHAREHOLDERS' EQUITY				
Shareholders' equity	1,791.3	82.8	0.0	1,874.1
OPERATING LIABILITIES				
Provisions for taxes	52.3			52.3
Long-term liabilities	14.1			14.1
Current liabilities	395.1			395.1
Operating liabilities, total	461.5	0.0	0.0	461.5
FINANCIAL LIABILITIES				
Provisions for pensions and similar commitments	1.1			1.1
Long-term liabilities	908.7			908.7
Current liabilities	44.3			44.3
Financial liabilities, total	954.1			954.1
Shareholders' equity and liabilities	3,206.9	82.8	0.0	3,289.7

The effects on shareholders' equity from the transition to IFRS and how the difference between previously applied accounting principles and IFRS have impacted Observer's profit and financial position in 2004 are described below. The effects on shareholders' equity as of January 1, 2005 in connection with the application of IAS 39 are also described below.

IFRS - EFFECT ON INCOME STATEMENT	2004			IFRS 2004
Amounts in SEK million	Jan-Dec	IFRS 3	IFRS 2	Jan-Dec
Operating revenue	1,613.6			1,613.6
Operating expenses	-1,352.2		-1.7	-1,353.9
Depreciation/amortization, other	-65.6	-0.2		-65.8
Operating profit before goodwill amortization	195.8	-0.2	-1.7	193.9
Amortization of goodwill	-163.3	163.3		0.0
Operating profit	32.5	163.1	-1.7	193.9
Net financial income and expenses	-45.1			-45.1
Profit before tax	-12.6	163.1	-1.7	148.8
Tax	-19.1			-19.1
Net profit for the period	-31.7	163.1	-1.7	129.7

IFRS 3

Business acquisitions made before 2004 have not been restated. Under IFRS 1 all previous acquisitions, though not reviewed and restated, must still be reviewed in terms of reporting assets and liabilities as if the acquired company had reported in accordance with IFRS on the acquisition date. Any assets and liabilities that have been added or eliminated would then affect goodwill. A review has been conducted but no such adjustments were considered necessary.

For Observer, the application of IFRS 3 mainly affects the acquisitions in 2004 of Verbatim Inc. and the net assets of Delahaye, whereby intangible assets valued at SEK 4.4 million have been separated from goodwill.

Under IFRS 3 phased business combinations in which the acquirer obtains control over time require the revaluation of all previous investments; discrepancies in valuations are to be reported in shareholders' equity. An acquisition analysis must be prepared for the final investment giving the acquirer a decisive or significant influence as well as for each investment that preceded it. This principle has been applied to the acquisition of Verbatim Inc., and has not had any material effect.

For Observer, IFRS 3 adoption raises 2004 profit by SEK 163.1 million, as no goodwill amortization is permitted from January 1, 2004. On the balance sheet, goodwill is affected by SEK 9.5 million owing to translation differences for the reversal of goodwill amortization.

IFRS 2

For Observer, IFRS 2 adoption entails a SEK 1.7 million charge for 2004. Shareholders' equity is not affected, since an amount corresponding to the cost is reported at the same time as an increase in equity. The value is calculated in accordance with the Black-Scholes model.

During the transition to IFRS, only programs whose allocations were made after November 7, 2002 and which are not fully vested on January 1, 2005 need to be expensed under IFRS 2. The estimated cost relates to an employee stock option program where allocations were made in 2003.

IFRS - EFFECT ON SHAREHOLDERS' EQUITY	2003	2004	2004	2005
Amounts in SEK million	Dec 31	Jan 1	Dec 31	Jan 1
Shareholders' equity according to Swed GAAP	1,774.8	1,774.8	1,644.5	1,798.1
Introduction of IAS 39				0.9
Adjustment of opening balance according to IFRS	1,774.8	1,774.8	1,644.5	1,799.0
Business combinations (IFRS 3)			163.1	
Business combinations, translation differences (IFRS 3)			-9.5	
Share-based payment (IFRS 2)			0,0	
Shareholders' equity according to IFRS	1,774.8	1,774.8	1,798.1	1,799.0

IFRS - EFFECT ON BALANCE SHEET	2004			2004 IFRS
Amounts in SEK million		IFRS 3	IFRS 2	Dec 31
OPERATING ASSETS				
Intangible assets				
Goodwill	2,240.4	149.2		2,389.6
Other intangible assets	56.0	4.4		60.4
Tangible fixed assets	151.8			151.8
Other fixed assets	27.0			27.0
Current receivables	352.2			352.2
Operating assets, total	2,827.4	153.6	0.0	2,981.0
FINANCIAL ASSETS				
Financial fixed assets	0.4			0.4
Current receivables	12.1			12.1
Cash and bank balances and short-term investments	98.3			98.3
Financial assets, total	110.8			110.8
Assets	2,938.2	153.6	0.0	3,091.8
SHAREHOLDERS' EQUITY				
Shareholders' equity	1,644.5	153.6	0.0	1,798.1
OPERATING LIABILITIES				
Provisions for taxes	36.8			36.8
Long-term liabilities	13.5			13.5
Current liabilities	400.9			400.9
Operating liabilities, total	451.2	0.0	0.0	451.2
FINANCIAL LIABILITIES				
Provisions for pensions and similar commitments	1.0			1.0
Long-term liabilities	820.9			820.9
Current liabilities	20.6			20.6
Financial liabilities, total	842.5			842.5
Shareholders' equity and liabilities	2,938.2	153.6	0.0	3,091.8

IAS 39 - TRANSITION EFFECTS					
Balance sheet item. SEK million	Book value Dec 31 2004	Transition effect of change in principle Jan 1 2005	Fair value change Apr-Jun 2005	Fair value change Jan-Jun 2005	Value June 30. 2005
Derivatives, interest caps	0.0	0.9	-0.8	-0.2	0.7



Changed accounting principles

The following accounting principles have changed in connection with the transition to IFRS. The corresponding IFRS/IAS standards, which are consistent with those reported in Observer's annual report 2004, apply to other accounting principles.

Consolidated financial statements

The consolidated accounts have been prepared in accordance with IAS 27 and IFRS 3 on consolidated financial statements and use of the purchase accounting method. All intra-group transactions, i.e. revenue, expenses, Receivables, liabilities, unrealized gains and group contributions, have been eliminated and, where necessary, subsidiaries' accounting principles have been adjusted to ensure consistent reporting within the Group. Companies acquired during the year are included in consolidated income statement as of the date of acquisition. Companies divested during the year are excluded as of their date of sale.

Translation of foreign currency

The Parent Company's functional currency and reporting currency is Swedish kronor. Group companies report in their functional currencies, which means the official national currency in the country in which their operations are conducted. For Group companies whose operations comprise financial ownership of operating Group companies, the functional and reporting currency is the operating company's functional currency.

Associated companies

The Group has no shares in associated companies. During the first three quarters of 2004 the Group had shares in one associated company. All shares in this associated company were acquired during the fourth quarter of 2004 and the company was therefore reported as a wholly owned subsidiary. The share in profit of associated companies is included in operating profit for the first three quarters of 2004.

Goodwill

Before the transition to IFRS, goodwill referred to the portion of the purchase price of an acquisition that exceeded the acquired company's net assets. Due to the transition to IFRS, the purchase price is also distributed among identifiable intangible assets such as trademarks, customer relations, technology etc. Observer is a service company that acquires businesses in order to introduce its business model, which can help to increase growth and higher margins and create value through a restructuring and refinement of the acquired business. As a result, the principal effects from acquisitions are attained through synergies, new human capital and the creation of strategic platforms for growth. The large part of the purchase price of business acquisitions is therefore allocated to goodwill.

Goodwill is not amortized. Instead it is tested annually to determine whether a write-down is needed. Impairment tests are conducted for all cash generating units, regardless of whether or not there is any indication that the asset is in need of reevaluation. An established model for impairment testing is used for the entire Group. The model tests goodwill for impairment at the same level for cash generating units as Observer uses for follow-ups, i.e. by country.

Other intangible fixed assets

Other intangible fixed assets are largely acquired assets where a portion of the purchase price has been separated from goodwill and allocated primarily to trademarks, customer relations, IT systems and databases developed in-house.

Other intangible fixed assets are reported on the balance sheet at acquisition value less accumulated amortization. Amortization is made according to plan over three to five years based on each asset's estimated economic life. Amortization of capitalized research and development expenses begins when an asset is put to use. Expenditures to improve an asset's performance beyond its original level increase the reported value of the asset. Expenditures for repairs and maintenance are reported as expenses.



The reported value of other intangible fixed assets is tested for write-downs when events or changes in conditions indicate that the value possibly can be recovered. The same model used for impairment testing of goodwill is also used for impairment testing of other intangible assets.

Share-based payment

Share-based payment, e.g. options on terms that deviate from market-based compensation, which has been granted to employees in the form of incentive programs is reported as a staff cost in the income statement. Shareholders' equity is not affected, since an amount corresponding to the cost is reported at the same time as an increase in equity. The cost is calculated as the fair value on the grant date and is divided over the vesting period. The value is calculated in accordance with the Black-Scholes model.

Financial instruments and directives

The version of IAS 39 adopted by the EU differs from the standard issued by IASB. For Observer, these differences have no effect, because the Group's application of IAS 39 complies with the version adopted by the EU and the pronouncements issued by IASB. In accordance with IAS 39, financial assets and financial liabilities are classified in various categories so that they can then be reported and valued in accordance with the principles that apply to each category.

The majority of the Group's financial assets relate to receivables for services rendered, which are held to maturity. These receivables are reported at acquisition value. Because of the brevity of the maturities involved, the time value until payment does not have to be calculated.

Liquid assets and short-term investments have been classified as assets recognized at fair value, with any change in value reported on the income statement.

Financial liabilities are recognized at accrued acquisition value. This is calculated such that a constant effective rate of interest is obtained over the loan period, provided that the maturity is not short and a rate of interest has not been agreed upon. In that case, accounts payable and similar short-term liabilities are recognized at their nominal amounts.

Financial derivatives are mutually recognized on the balance sheet at acquisition value and then at market value, i.e. fair value on subsequent balance sheet dates. Changes in value are reported in the income statement, provided the derivative is not a hedge for another transaction in accordance with established Group policies. Under Group policy, derivatives may only be held for hedging purposes, with the exception of small, well-defined positions. Those derivatives held by the Group are interest rate derivatives used to hedge changes in interest rates. Although interest-rate derivatives are financially motivated according to the Group's policy, these derivative transactions do not meet the requirements for hedging transactions according to IAS39. Changes in value during the derivative's maturity are therefore reported in the income statement under financial items.