



## PRESS RELEASE

from Sifo Group, listed on the O-list of the OM Stockholm Exchange

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### **Acquisition makes Sifo Group the world's largest media and market monitoring company**

#### **Sifo Group acquires family-owned Romeike Group in the UK**

The acquisition of Romeike Group makes Sifo Group, through its Observer Media Intelligence division ("Observer"), the world's largest media and market monitoring company. Romeike Group is at least three times larger than its nearest competitor in the UK market. It has revenue of approximately SEK 350 million and around 500 employees. In recent years Romeike Group has generated organic growth of around 10 percent annually and an operating margin exceeding 30 percent.

#### **Acquisition an important part of Sifo Group's growth strategy**

The acquisition of Romeike Group is a further step in Sifo Group's strategy of growth and internationalization. Observer becomes several times larger than its nearest competitor in Europe. Following the acquisition, slightly over 70 percent of Observer's and more than half the Group's revenue will come from markets other than Sweden.

#### **Increased growth through value-added**

Observer plans to increase growth at Romeike Group by introducing more modern technology, intensifying marketing efforts and offering customers a wider range of value-added services.

#### **Profit per share higher as early as from 2000**

Sifo Group acquires all the shares in Romeike Group for GBP 110 million (approximately SEK 1,515 million) in addition to a possible supplemental purchase price. The acquisition is expected to positively impact Sifo Group's profit per share excluding goodwill amortization as early as 2000. Profit per share after goodwill amortization is expected to rise beginning in 2002. The acquisition is also expected to have an immediate positive effect on cash flow.

#### **Rights issue for Sifo Group shareholders**

The acquisition will be financed through

- a rights issue to existing Sifo Group shareholders;
- a directed share issue to shareholders of Romeike Group; and
- an increase in interest-bearing liabilities.

The rights issue is expected to take place in January, 2000.

#### **"Europe's most important market"**

*"The acquisition establishes us as the market leader in Europe's most important market," says Robert Lundberg, President and CEO of Sifo Group. "Sifo Group adds a highly profitable company that fits in well with Observer's business. By utilizing Observer's value-added services, we expect to raise Romeike's growth rate and achieve considerable economies of scale."*



## **Background to and reasons for the acquisition of Romeike Group**

### *Sifo Group*

The basis of Sifo Group's operations are the rapid changes occurring in society – market changes that impact the positions and businesses of companies and other organizations. Continued globalization and deregulation of markets and greater access to new technology such as the Internet are radically changing the way individuals and organizations act. At the same time, the range of available media is becoming more international and fragmented, and media use is becoming more complex. The flow of news and new information has increased over time to the point where society today is exposed to a continuous flow of news round the clock. As a result, there is a constantly growing need to quickly obtain accurate information and be able to understand causes and connections.

Sifo Group's mission is to improve its clients' competitiveness and profitability by identifying the driving forces behind changes in society, in markets, and within companies and organizations by offering media and market monitoring, surveys and consulting services.

Sifo Group's overall objective is to achieve profitable growth in expanding markets and to further develop operations in order to attain a leading position in select markets in Europe. Expansion will come about through both organic growth and acquisitions.

Sifo Group's operations are conducted by three divisions – *Observer Media Intelligence*, *Sifo Research & Consulting* and *SMG Consulting*.

### *Observer Media Intelligence*

Even before the acquisition of Romeike Group, Observer was Europe's largest company in media and market monitoring and at least twice the size of its closest competitor in each of its markets: Sweden, Norway, Denmark, Finland, the Baltic states and Germany. Its operations are based on comprehensive monitoring of the press, news agencies, radio and TV, in addition to searches in databases and on the Internet. Observer has laid the foundation for a continued expansion in Europe through significant investments in value-added services such as summaries and analyses. Moreover, Observer has remained in the forefront in the application of modern information technology. One of the cornerstones in Observer's strategy is to quickly utilize its well-established concept by being a *prime mover* internationally and to drive market development and growth in countries where it has established operations.

Observer has developed an acquisition concept with uniform business solutions, products, services and work models that can be quickly implemented into the businesses it acquires. This concept has been successfully applied in the Nordic region and Germany and led to an increased percentage of value-added services and higher profit. Observer's continued international expansion will therefore be achieved through acquisitions, where more traditional media monitoring firms and their client bases serve as a solid base for reaching new markets. To achieve the desired economies of scale, Observer has as its objective to be at least twice as large as its nearest competitor in each geographic market.

Observer's establishment in Germany in 1997 through the acquisition of a traditional media monitoring bureau in print media and a complementary acquisition in broadcast media in 1998 illustrate this. At the time of the acquisition Observer was about 80 percent the size of the



market's largest company. After strong organic growth and a complementary acquisition, Observer is already now more than twice the size of its largest German competitor. Delivering services on the cutting edge of technology and with a significant knowledge content is costly, but in return yields economies of scale and, as a result, competitive advantages. The size of the client base is decisive to profitability, since the costs of traditional media monitoring are largely fixed and depend on the number of media monitored, while additional clients and added sales contribute significantly to profits.

#### *Romeike Group*

Romeike Group has revenue of approximately SEK 350 million, operating profit corresponding to SEK 128 million and around 500 employees. In recent years the Group has achieved average annual organic growth of approximately 10 percent and an operating margin over 30 percent. Through the acquisition of Romeike Group in the UK, one of the most important markets in Europe, Observer further consolidates its position as by far Europe's largest media and market monitoring company. Sifo Group increases its attractiveness as a partner to international clients while at the same time improving opportunities for economies of scale. With aggregate revenue of approximately SEK 920 million, Observer also becomes the world's largest company in the field, followed most closely by Burrelle's, which is active exclusively in the U.S. Since Romeike Group only to a limited extent offers value-added services, there is considerable potential to raise its revenue by introducing Observer's services.

#### *The market for media and market monitoring*

At present the market for media and market monitoring is relatively small in most countries. In Sweden, the market generates around SEK 350 million annually. From an international perspective, the Swedish market is highly sophisticated, with a large, growing share of value-added services. Furthermore, a high percentage of businesses and organizations buy media and market monitoring services from outside vendors rather than have their own staff handle monitoring. The other Nordic countries follow the same development pattern but are some years behind the Swedish market, where outsourcing has quickly gained ground.

The German market has significant growth potential, since companies' and organizations' dependence on media increases constantly while at the same time much of their media monitoring is still handled in-house. The same applies to many other European countries outside the Nordic region, where a growing number of companies and other organizations are seeking out external partners for media and market monitoring. This trend is being driven by a rising, intensifying news flow, globalization, media fragmentation and a faster pace of change in business and society as a whole.

The size of the external market for media monitoring in some major European countries is shown in the following table, which is the result of several years of research and analysis by Sifo Group. The table also shows that the market as a percentage to GNP is significantly larger in Sweden than other countries, which is an indication that the Swedish market is relatively advanced, with a high proportion of value-added services. The lower share in markets outside Sweden is an indication of their growth potential.

**Market size media monitoring 1998**

SEK million Country	Market size	Market size/GNP, ‰
Sweden	350	0.19
Rest of Nordic region	300	0.08
UK	650	0.06
France	450	0.04
Germany	450	0.03
Italy	150	0.02

Source: Sifo Group.

Client demands with regard to media and market monitoring are constantly changing. Information is requested for general market monitoring, decision-making, industry and competition monitoring, and follow-ups and analysis of PR and communications work. Large companies, interest groups and government authorities are increasingly demanding value-added services in the form of electronic news and summaries as well as analysis services, which serve as tools in their strategic and operative communication work. Thanks to its size and market-leading position in media and market monitoring, Observer is well-positioned to capitalize on the potential offered by the growing market for value-added services. In order to provide high-quality, value-added services a firm such as Observer must have comprehensive media monitoring as its core business. The division is driving developments in the industry by continuously creating services that incorporate leading-edge technology. The rapid acceptance of value-added services is illustrated by the fact that during the first nine months of the year editorial and analytical services accounted for 24 percent of the division's revenue, compared with approximately 14 percent in 1997. In the Swedish operations, value-added services account for 34 percent of revenue at present. Within this fast-growing market segment Observer's main competitors are mainly analysis and consulting firms rather than traditional media monitoring firms. At the same time, the former are often important clients of media monitoring firms, for example, by buying media information for their analyses.

**Acquisition of Romeike Group**

Sifo Group acquires all the shares in Romeike Group for GBP 110 million (approximately SEK 1,515 million) plus a possible supplemental purchase price of not more than GBP 17.5 million. The full supplemental purchase price will apply if Romeike Group's operating profit for the period October 1, 1999 – December 31, 2000 is approximately 30 percent higher than the operating profit for the period October 1, 1998 – December 31, 1999. The supplemental purchase price, if any, will be paid no later than April 30, 2001. Romeike Group's shareholders have been offered the opportunity to tender their shares in Romeike Group for cash, interest-bearing debentures and/or Series B shares in Sifo Group. Day of taking possession of Romeike Group is today, December 6, 1999.

*Financing*

The acquisition proceeds will be financed through a rights issue to Sifo Group's existing shareholders, a directed share issue to Romeike Group's shareholders and an increase in interest-bearing liabilities. It is assumed that the acquisition is financed 50 percent through new share issues and 50 percent through an increase in interest-bearing liabilities.

For the purpose of the directed new share issue, the Board of Directors of Sifo Group AB has, acting on the authorization granted by the Annual General Meeting of Sifo Group held on April 26, 1999, decided on a new issue of not more than 1,500,000 Series B shares with rights



for Romeike Group shareholders to subscribe for those shares. Romeike Group shareholders have subscribed for 454,399 Series B shares in this directed new issue. As a result, the share capital of Sifo Group increases by SEK 681,599 to SEK 52,041,041. Through the directed new share issue, the number of Series B Sifo Group shares increases from 34,239,628 to a maximum of 34,694,027.

Both short and long-term debt financing of the acquisition is secured through an agreement with MeritaNordbanken. Sifo Group's principal shareholder, Investment AB Bure ("Bure"), with 50.1 percent of the shares and 64.1 percent of the votes, is positive to the acquisition and has announced its intention to subscribe for its allotment of shares in the rights issue. Bure has also announced its intention to vote at Sifo Group's Extra General Meeting in accordance with the Board of Directors' proposal for a rights issue.

The rights issue will increase significantly the number of outstanding shares in Sifo Group. As a result, conditions are expected to improve for more consistent, liquid trading in the Sifo Group shares on the OM Stockholm Exchange.

#### **Forecast for 1999 and financial effects of the acquisition**

The previous forecast for 1999 of continued good revenue growth and higher profit than 1998 remains unchanged. The acquisition of Romeike Group is expected to positively impact profit per share excluding goodwill amortization as early as 2000. The acquisition is expected to positively contribute to profit per share as from 2002 after taking into account the amortization of goodwill attributable to the acquisition. In terms of cash flow, the acquisition should have a significant positive effect and this cash flow contribution will be applied primarily to the amortization of interest-bearing debt attributable to the financing of the acquisition.

#### **Shareholders**

Sifo Group has around 9,800 shareholders. Sifo Group's Series A and Series B shares are listed on the OM Stockholm Exchange.

#### **Preliminary timetable**

Around December 13, 1999 the Board of Directors plans to decide on a rights issue to Sifo Group shareholders, subject to approval by an Extra General Meeting, scheduled to be held around December 28, 1999. The rights issue is expected to take place in January, 2000.

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This press release is also accessible online at <http://www.sifogroup.com>.



## **Pro forma accounts**

### *Acquisition and new share issues*

The following pro forma accounts have been prepared in order to illustrate the financial effects of Sifo Group's acquisition of Romeike Group and the new share issues. In preparing the pro forma income statement for the period October 1, 1998–September 30, 1999 the acquisition of Romeike Group is assumed to have been completed as of September 30, 1998. In the pro forma balance sheet the acquisition of Romeike Group is assumed to have taken place as of September 30, 1999. In both the pro forma income statement and balance sheet it is assumed that the acquisition of Romeike Group is financed 50 percent through new share issues and 50 percent through an increase in interest-bearing liabilities. In the pro forma income statement it is assumed that the share issues were completed as of September 30, 1998. In the pro forma balance sheet it is assumed that the share issues were completed as of September 30, 1999.

The acquisition will be reported according to the purchase accounting method, whereby goodwill in the range of GBP 112 million is expected to arise. This goodwill is intended to be amortized over 20 years and thus give rise to annual goodwill amortization of approximately GBP 5.6 million. Interest-bearing debt increases by approximately GBP 60 million. As a consequence, profit after financial items is charged with approximately GBP 3.9 million attributable to the portion of the purchase price that is debt financed. The average interest rate is assumed to be 6.5 percent.

### *Romeike Group pro forma*

In Romeike Group's pro forma income statement for the period October 1, 1998–September 30, 1999, non-recurring costs totaling SEK 85 million have been added back. These consist of costs related to the sale and have been charged to Romeike Group's profit by the sellers. As a result, tax expense has been increased by SEK 26 million.

In connection with the sale of the shares in Romeike Group, a dividend has been issued to the former owners. To create a true picture of net financial items of Romeike Group, net financial items have been adjusted for the return on the funds that have left the Group through this dividend. Net financial items have been reduced by SEK 25 million. As a consequence, the tax expense has been reduced by almost SEK 8 million. The balance sheet of Romeike Group has been adjusted through the reduction of liquid assets, shareholders' equity and current liabilities by an amount corresponding to the dividend.

In connection with the acquisition, GBP 6.5 million has been allocated to a restructuring reserve in Sifo Group, reported in provisions and current liabilities (attributable to deferred tax liability) based on a tax rate of 30 percent.



### Pro forma income statement<sup>1</sup>

October 1, 1998–September 30, 1999

<i>Amounts in SEK million</i>	<i>Sifo Group</i>	<i>Romeike Group pro forma</i>	<i>Acquisition and new share issues</i>	<i>Sifo Group pro forma</i>
Operating revenue	997	348	-	1,345
Operating expenses	-860	-211	-	1,071
Depreciation	-29	-9	-	-38
<b>Profit before goodwill amortization and noncomparable items</b>	<b>108</b>	<b>128</b>	<b>-</b>	<b>236</b>
Amortization of goodwill <sup>2</sup>	-14	-	-75	-89
Noncomparable items	2	-	-	2
<b>Operating profit</b>	<b>96</b>	<b>128</b>	<b>-75</b>	<b>149</b>
Net financial income and expenses	-8	2	-52	-58
<b>Profit after financial items</b>	<b>88</b>	<b>130</b>	<b>-127</b>	<b>91</b>
Tax	-30	-42	16	-56
Minority interest	-5	-	-	-5
<b>Net profit for the period</b>	<b>53</b>	<b>88</b>	<b>-111</b>	<b>30</b>
<i>Operating margin before goodwill amortization, %</i>	<i>10.9</i>	<i>36.6</i>		<i>17.5</i>

<sup>1</sup> The figures are unaudited. Romeike Group's income statement has been translated to SEK at a SEK/GBP exchange rate of 13.31.

<sup>2</sup> According to the Swedish Accounting Standards Council's recommendation no. 8, Group goodwill in foreign currency is to be translated into SEK at the closing day exchange rate. As a consequence, translation differences may in the future result in material changes in reported goodwill.

### Pro forma balance sheet<sup>3</sup>

September 30, 1999

<i>Amounts in SEK million</i>	<i>Sifo Group</i>	<i>Romeike Group pro forma</i>	<i>Acquisition and new share issues<sup>4</sup></i>	<i>Eliminations<sup>4, 5</sup></i>	<i>Sifo Group pro forma</i>
Goodwill	220	-	-	1,545	1,765
Other fixed assets	103	81	1,635	-1,635	184
Current receivables	208	70	-	-	278
Financial assets	93	9	89	-	191
<b>Total assets</b>	<b>624</b>	<b>160</b>	<b>1,724</b>	<b>-90</b>	<b>2,418</b>
Shareholders' equity	205	88	815	-90	1,018
Minority share	8	-	-	-	8
Provisions	14	-	61	-	75
Current liabilities	239	72	28	-	339
Financial liabilities	158	-	820	-	978
<b>Total shareholders' equity and liabilities</b>	<b>624</b>	<b>160</b>	<b>1,724</b>	<b>-90</b>	<b>2,418</b>
<i>Operating capital</i>	<i>278</i>	<i>79</i>			<i>1,813</i>
<i>Operating capital excluding goodwill</i>	<i>58</i>	<i>79</i>			<i>48</i>
<i>Net interest-bearing debt</i>	<i>66</i>	<i>-9</i>			<i>787</i>
<i>Investments, net</i>	<i>76</i>	<i>38</i>			<i>114</i>

<sup>3</sup> The figures are unaudited. Romeike Group's balance sheet has been translated to SEK at a SEK/GBP exchange rate of 13.48.



4 The acquisition and its financing have been translated to SEK at a SEK/GBP exchange rate of 13.76.

5 The difference between the acquisition and eliminated shareholders' equity is attributable to difference between SEK/GBP exchange rates used.

### Pro forma data per share<sup>6</sup>

October 1, 1998–September 30, 1999 Amounts in SEK	Sifo Group	Sifo Group after acquisition
Number of shares at year-end	34,239,628	46,741,048
Average number of shares	34,239,628	46,741,048
Operating revenue	29.15	28.80
Profit after full tax	1.55	0.65
Excl. goodwill amortization	1.95	2.55
Profit after full tax and full dilution	1.50	0.65
Excl. goodwill amortization and	1.90	2.50
Shareholders' equity	5.95	21.80

6 In calculating the data per share it is assumed that the rights issue has been completed at the last price paid for Sifo Group's Series B share on December 1, 1999, i.e. SEK 66. After setting the issue price when taking into account the issue discount, the number of newly issued shares may differ significantly from the figure stated above.

### Observer after acquisition of Romeike Group

Romeike Group will be merged with Observer, which will thereby strengthen its position as Europe's leader in media and market monitoring. Following the acquisition operations will be conducted in Sweden, Norway, Denmark, Finland, the Baltic states, Germany and the UK. The acquisition raises the number of employees in the division by around 500 to a total of more than 1,300.

### Pro forma income statement for Observer

October 1, 1998–September 30, 1999 Amounts in SEK million	Observer	Romeike Group	Observer after acquisition
Operating revenue	571	348	919
Profit before goodwill amortization and noncomparable items	109	128	237
Operating margin before goodwill amortization and noncomparable items, %	19,0	36,6	25,7





### **Facts about Sifo Group**

Sifo Group, which is listed on the OM Stockholm Exchange, has three divisions:

*Observer Media Intelligence* is Europe's largest company in media and market monitoring. Its operations are based on comprehensive monitoring of the press, news agencies, radio and TV, in addition to searches in databases and on the Internet. Information is custom-tailored to clients' needs either in raw form or compiled as summaries and analyses. The division generates revenue of approximately SEK 570 million and has around 800 employees.

*Sifo Research & Consulting* is the Scandinavian leader in surveys. Operations are divided into five areas: change programs based on a company's hidden assets, such as human and market capital; the development of brand strategies and product and concept tests; the development of market strategies and market planning; media surveys; and public opinion polls. The division generates revenue of approximately SEK 420 million and has around 350 employees.

*SMG Consulting* is active in three areas: Market Analysis, Strategy and Development, and Implementation. SMG Consulting works in all these areas with the development of value-adding systems for clients' strategic change programs. The division generates revenue of approximately SEK 40 million and has around 35 employees.

On a moving 12-month basis Sifo Group has revenue of approximately SEK 1 billion and employs around 1,200 people before the acquisition of Romeike Group. Operations are carried out in Sweden, Norway, Denmark, Finland, the Baltic states and Germany.

### **Facts about Romeike Group**

Romeike Group is a family-owned group with three operating areas: *Romeike & Curtice* (approximately 62 percent of revenue) is the UK market leader in traditional media monitoring with operations at least three times the size of its nearest competitor and also offers value-added media monitoring services through the firm *Media Works*; *Media Information* (28 percent), the UK leader in media information and distribution of information, and *Hollis Directories* (10 percent), which provides information products based on a comprehensive media database primarily to clients in the PR industry.

Romeike Group has revenue corresponding to approximately SEK 350 million and employs some 500 people. Operations are conducted in the UK.