

Sigma AB (publ)

Extract of Interim report, January – September 2003

Sigma accepts costs with aim to strengthen 2004

- Sales during the first nine months of the year amounted to SEK 538.5 M (881.5). Sales for the year-earlier period, excluding divested units, amounted to SEK 548 M.
- Loss after taxes amounted to SEK 47.7 M (loss: 120.1), corresponding to a loss of SEK 1.23 per share (loss: 6.35). Write-downs and amortization of goodwill amounting to SEK 31 M (31) are included.
- The loss (EBITA) for the first nine months was SEK 11.5 M (loss: 10.5). This includes costs for measurements implemented of approximately SEK 18 M (6), of which approximately SEK 8 M are attributable to the third quarter.
- Cash flow in operations was negative in the amount of SEK 9.7 M (neg.: 26.9).
- Full-year forecast adjusted: Weaker profit (EBITA) than in 2002 (SEK 0.7 M).

Comment on trends

Order bookings for the autumn normally start to gather momentum during August. During the current autumn, customers have adopted a more cautious approach to investment decisions, which has had an adverse impact on the earnings trend and on the outlook for the second half of the year. Although the prospects remain favourable, customers have recently indicated that projects are being deferred or, in certain cases, cancelled. This mainly affects the IT Solutions business area and operational systems for municipalities and county councils. As a result of weak demand for strategy services, a decision has been taken to phase out the Group's strategy activities in Sweden. Combined with the costs incurred for measurements, this results in lower earnings during the autumn, with improved prospects for 2004.

However, several of Sigma's operations, such as business systems and information solutions, are experiencing favourable demand.

Trends by business area	Sales	Earnings EBITA **)	Margin EBITA %	Employees at closing date
Business Solutions	220.8 (230.6)	3.0 (12.0)	1.4 (5.2)	260 (288)
IT Solutions	229.4 (245.9)	-10.7 (6.9)	-4.7 (2.8)	325 (339)
Information Solutions	93.1 (98.6)	7.4 (10.0)	8.0 (10.1)	144 (152)
Other activities *)	16.9 (343.6)	-11.2 (-39.4)	-66.3 (-11.5)	6 (94)
Eliminations	-21.7 (-37.2)			
TOTAL	538.5 (881.5)	-11.5 (-10.5)	-2.1 (-1.2)	735 (873)

*) Pertains to divested and terminated operations, including parent company expenses of SEK 5.0 M (6.5).

***) EBITA pertains to profit/loss before goodwill amortization and items affecting comparability.

Business Solutions

Development in Business Systems remains strong. Assignments often involve adapting a system that is already installed. There is also demand related to flow and process analysis linked to various business systems. The market for system integration is also showing stability. The outlook regarding Strategy & Communication is mixed with strategy operations in Sweden reporting, in principle, non-existent demand and operations were discontinued during the year. Business Systems for municipalities and county councils posted weaker earnings compared with a year earlier. Several of these customers have deferred investments in licenses, which has adversely impacted on Sigma's operations in this segment, for which the final months of the year are traditionally strong. In total, the business area reported EBITA earnings of SEK 3.0 M (12.0), with operational systems for municipalities and county councils accounting for most of the decline compared with the year-earlier period.

IT Solutions

The greatest change in the market in this segment took place following the slump in the economy two years ago. During the current year, competition from established consultancy firms has increased while smaller consultancies are finding it increasingly difficult to secure assignments without framework agreements. The proportion of short assignments has increased, which has had an adverse impact on profitability. The termination of a major project within Swiss operations during the third quarter also affected earnings. EBITA for the first nine months of the year was a loss of SEK 10.7 M (profit: 6.9). This business area was affected mostly by the price pressures that have arisen. Earnings for the year include about SEK 8.0 M in restructuring costs.

Information Solutions

The business area continues to report favourable development. The EBITA margin for the first nine months of the year was 8.0 percent (10.1). Operations are characterized by long-term assignments, often involving complete functional undertakings.

Sigma's proprietary product *advantum*[®], developed over a three-year period, is beginning now to generate positive results. Looking ahead, the order situation and prospects for the product also appear favourable. Assessments from external sources indicate that the product has considerable potential, not least internationally. International partners have shown a particularly strong interest in the module for Life Science companies. Such customers include several well-known major multinational companies.

Market trend

Long-term customer relations and a familiarity with the customer's operations are an important factor determining which supplier secures an assignment, since the start-up phase and thus the overall costs can thereby be reduced considerably. A decisive factor for new assignments is often alternative solutions with added value for the customer in addition to the specifically requested service.

Most customers' decision-making processes remain long while there is little forward planning. It is often a matter of days from a decision has been reached to the commencement of a project, with customers assuming that resources are available. Forward planning with regard to specialist expertise is longer.

It is difficult to assess when an overall improvement in the market will occur. Sigma is assuming an unchanged market in the period immediately ahead and is basing operations in 2004 on unchanged volumes and is charging costs against earnings in the autumn. This results in a loss during Q3 and lower profit (EBITA) during Q4 compared with prior forecasts.

Sales and earnings, January - September

Sales amounted to SEK 538.5 M (881.5). Adjusted for sold units, the corresponding sales figure for 2002 was SEK 548.3 M.

The loss before goodwill amortization (EBITA) amounted to SEK 11.5 M (loss: 10.5). EBITA is subject to ongoing charges of SEK 18 M (6) for personnel reductions during the year. These costs will gradually decrease over the coming quarters. The outcome also includes costs for the procurement of computers for development work and other equipment with a lifetime of less than three years amounting to SEK 5.0 M (6.6). Loss before financial items amounts to SEK 42.5 M (loss: 116.8) including expenses for depreciation and goodwill amortization amounting to SEK 31.1 M (expense: 30.6) not affecting cash flow and SEK 8.3 M of which is reported as items affecting comparability. In 2002, items affecting comparability were posted totaling an expense of SEK 81.5 M, attributable to divestments and closures.

During the third quarter, EBITA amounted to a loss of SEK 9.3 M (1.0). The year's earnings include costs of SEK 8.0 M (0) for personnel lay-offs.

Forecast 2003

Full-year forecast is adjusted. The weak start to the autumn will also affect the Group's full-year earnings, which will thus be weaker than the level previously stated. The main reason for the decline is that the traditionally strong end-of-year sales of public-sector licenses are expected to be lower than in prior years, combined with the recent cancellation of projects and the decision to phase out strategic operations in Sweden. Measures implemented, which to date were charged against earnings in an amount of about SEK 18 M, will provide the conditions for a positive earnings trend in 2004.

The full-year forecast for 2003 is that EBITA is expected be lower than the SEK 0.7 M reported for 2002.

Gothenburg, October 29, 2003

Sigma AB (publ), Board of Directors

The full report can be ordered from the Company or downloaded from Sigma's website at www.sigma.se.

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