

Sigma AB (publ)

Year-end report, January – December 2003

Sigma Sweden's best IT consultant in 2003 and 2004

- Sales during the year amounted to SEK 737.3 M (1,115.7). Sales for the year-earlier period, excluding divested units, amounted to SEK 775.6 M.
- Loss after taxes amounted to SEK 62.4 M (loss: 120.9), corresponding to a loss of SEK 1.36 per share (loss: 6.39). Write-downs and amortization of goodwill amounting to SEK 38.5 M (36.8) are included.
- The loss (EBITA) for the year was SEK 11.4 M (loss: 0.7). This includes costs for implemented savings measures of slightly more than SEK 20 M.
- Cash flow in operations amounted to SEK 4.9 M (negative: 2.0).
- Forecast 2004: Significantly better result EBITA than in 2003

Sigma named Sweden's best IT consultant in 2003 and 2004 in the Veckans Affärer business weekly

A year ago Sigma was recognized as Sweden's best IT consultant 2003 based on a survey conducted by the Veckans Affärer business weekly among Sweden's 250 largest companies. Now Sigma again has been named Sweden's best IT consultant. This is the first time a company has received this recognition in two consecutive years. There is no better rating than recognition from the decision makers in client companies since many quality aspects are included in the evaluation..

Comment on trends during 2003

The beginning of the year was favorable. Demand declined successively later in the spring and few new enquiries were received prior to the summer. An action program was implemented during the summer that involved slightly more than 30 persons. The cost for this downsizing was successively charged against earnings. Demand was also weak directly after the vacation period. A recovery first occurred in October. The company's assessment is that client companies delayed new projects pending the EMU referendum in order to prioritize correctly among alternative projects. The market recovered during the latter part of the year. A decision was made during the year to discontinue the Swedish operations involving company strategies. Combined with Sigma's decision to accept the costs for efficiency enhancement purposes, this resulted in lower earnings during the autumn but improved possibilities for 2004.

During the fourth quarter it can primarily be noted that IT solutions posted a profit of SEK 1.8 M and that the business systems as well as the communication and strategy business units reported positive earnings of SEK 4.1 M. A generally more positive trend during the fourth quarter was affected adversely in terms of earnings, by nonrecurring expenses and lower license sales to public authorities as a result of which earnings (EBITA) for the quarter were only SEK 0.1 M.

Trends by business area

	Sales	Earnings EBITA **)	Margin EBITA %	Employees at closing date
Business Solutions	297.1 (335.0)	3.6 (18.8)	1.2 (5.6)	244 (277)
IT Solutions	322.3 (337.7)	-8.9 (9.6)	-2.8 (2.8)	297 (346)
Information Solutions	124.6 (135.6)	7.8 (15.0)	6.2 (11.1)	143 (151)
Other activities *)	22.4 (355.7)	-13.9 (-42.7)	-62.0 (12.0)	7 (27)
Eliminations	-29.1 (-48.3)			
TOTAL	737.3 (1 115.7)	-11.4 (0.7)	-1.5 (0.1)	691 (802)

*) Pertains to divested and terminated operations, including parent company expenses of SEK 6.8 M (7.4).

**) EBITA pertains to profit/loss before goodwill amortization and items affecting comparability. The EBITA result includes amortisation on other immaterial assets.

Business Solutions

Earnings within business systems are favorable, with margin at the 10% level. Most of the assignments are integration and adaptation of existing systems as well as process analyses linked to different business systems.

Strategy & Communication was affected by discontinuation costs during the second half of 2003. However, the comparable operations in Denmark posted favorable development during the year. Communication had a somewhat less favorable development than a year earlier, but with satisfactory margins in the prevailing market situation.

Operating systems to municipalities and counties reported a significantly lower result compared with a year earlier due to postponed investment in licenses in the public administrations. The normally strong last quarter of the year with many installations was, in principle, totally inactive. The future looks brighter for the area of operations, with signed, but as yet not delivered license agreements, and the large latent investment need facing primarily in the healthcare sector according to several consensus analyses. The operating area's earnings include costs for discontinuations and other nonrecurring expenses of slightly more than SEK 9 M. At the end of the year Sigma Kommun & Landsting received a breakthrough order involving a new journal and documentation system for Region Skåne. Installation begins in spring 2004.

IT Solutions

After an uneven demand during the second and third quarters, the market recovered during the latter part of the year. At the same time, total costs were reduced significantly and operations reported a surplus of nearly SEK 2 M during the fourth quarter.

Several important framework agreements were signed and extended prior to 2004. Restructuring was implemented in the business area during 2003 and the number of employees was 49 fewer than in the year-earlier period. The loss for the year of SEK 8.9 M includes restructuring expenses of nearly SEK 11 M.

Information Solutions

As previously, the business area reported the highest margin. During the prevailing recession, the margin has never been less than 6%. Operations were characterized by lengthy assignments, often with full functional undertaking that provides stability in operations. The development of *advantum®* continues and several new contracts were signed in 2003. The potential for favorable development for the product in Sweden as well as abroad is considered highly favorable, particularly within the life science segment. Training operations changed during 2002 and the positive effects became apparent during the year, although operations did not achieve the expected return.

Market trend

The market was characterized by caution and maturity. Many customers choose to utilize investments already made and enhance the efficiency of IT operations. Accordingly, this increased the demand for integration solutions and improvements in existing business systems. A decisive factor to receive assignments is the possibility of offering alternative solutions that create added value for the customer.

The prevailing market situation also favors suppliers that have longstanding relations with customers and are highly familiar with the customer's operations, which reduces the start time as well as total costs for the project. Customers are selecting fewer but larger suppliers in long-term relationships. Sigma established relations with many new large customers during the year.

As with many other IT companies, Sigma noted the competition from low-price countries such as India and the Baltic States with regard to traditional IT services. The price pressure that impacted the IT market is beginning to stabilize and prices are expected to remain at the same level during 2004.

Sigma's main market is the Nordic region. The Nordic markets are expected to increase in 2004. External analysts project growth in computers, servers, software, telecom equipment and IT consulting services of slightly more than 5% in Sweden and Norway, somewhat lower in Finland and Denmark. The largest market is expected among small and midsize companies. Other surveys also predict increased IT investments. The investments that are anticipated include customer care, integration and logistics. However, Sigma is assuming an unchanged market during the next few years and is basing operations in 2004 on unchanged volumes.

Sales and earnings, January - December

Sales amounted to SEK 737.3 M (1,115.7). Sales during 2002 included the Network & Wireless Solution business area up to the third quarter. Adjusted for sold units, the corresponding sales figure for 2002 was SEK 776.6 M. The sold units' sales largely comprised high-selling but lower-margin hardware products.

The loss before goodwill amortization (EBITA) amounted to SEK 11.4 M (loss: 0.7), which was in line with the forecast presented in the preceding interim report. EBITA is subject to ongoing charges of SEK 20 M for personnel reductions during the year. There are no remaining costs for redundancies to be charged in 2004. 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 7.1 M (8.8). Loss before financial items amounts to SEK 53.1 M (loss: 114.2) including expenses for depreciation and goodwill amortization amounting to SEK 38.5 M (36.8) not affecting cash flow. Items affecting comparability are reported at SEK 11.6 M (83.9) and pertain to write downs of goodwill related to the Swedish strategy operations of SEK 8.3 M and SEK 4.3 M attributable to discontinuation of the strategy operations and liquidation of companies and reduction of a guarantee provision from prior company divestments of SEK 1 M.

During the fourth quarter, EBITA amounted to a profit of SEK 0.1 M (11.1). The earnings for the quarter include costs of SEK 4.7 M (0) for personnel lay-offs.

Forecast 2004

As a result of the measures taken in 2003 with the allocated cost provisions, the amount of costs for 2004 will be reduced significantly which also means that with unchanged market conditions a considerable earnings improvement occurs next year. It is also the Board's opinion that the downward trends of prices and demand during the past three years have been broken.

The Board's forecast for 2004 is significantly better result EBITA than in 2003.

Dividend policy

The Board's dividend policy is that about 30% of earnings for the year after tax should be distributed to the shareholders. The Board proposes that no dividend be paid for fiscal year 2003.

Annual General Meeting

Sigma will hold its Annual General Meeting on April 27 at 5:00 p.m. in the Malmö Börshus (Exchange Building) in Malmö. A notice will be included in the Annual Report, posted on the Company's website and published in Dagens Industri, Sydsvenska Dagbladet and Post & Inrikes Tidningar (Swedish Official Gazette) at the end of March.

The Annual Report will be sent at the end of March to shareholders who have so requested using the form distributed, and will be available on the Company's website, www.sigma.se.

Gothenburg, February 13, 2003

Sigma AB (publ)
(Corporate reg. No. 556347-5440)

Board of Directors

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

This document is essentially a translation of the Swedish Interim Report. In the event of any differences between this translation and the original Swedish document, the Swedish document shall prevail.

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