

January–September 2004 report, Cybercom Group Europe AB

Telecom activities improve profit

January–September 2004 report

- Sales rose to SEK 291.4 million (225.7), a 29% increase compared to the same period in 2003.
- Profit after tax reached SEK 1.7 million (-104.2).
- Profit per share stood at SEK 0.17 (-11.15).
- Operating income (EBITA) was SEK 8.7 million (5.7) and EBIT was SEK 3.7 million (-103.5).
- New assignment with Ericsson Mobile Platforms.
- New frame agreement with Skandinaviska Enskilda Banken.

Q3 2004 (July–September)

- Sales reached SEK 89.7 million (66.0), a 36% increase compared to Q3 2003.
- Loss after tax stood at SEK 0.7 million (-99.5).
- Operating income (EBITA) was SEK 2.6 million (1.5), and EBIT was SEK 0.8 million (-99.2).

Cybercom is an IT consulting company that focuses on developing and strengthening its customers' operations by delivering IT solutions that generate more business for its customers. The company offers expertise primarily in telecom and finance. Cybercom was launched in 1995; since 1999, it has been quoted on the Stockholm stock exchange's O list (*Stockholmsbörsen*). The company is financially sound; it currently employs about 370 people (an average of 13 years' consulting experience), who in a creative, stimulating milieu, add value in the form of professionalism, experience, customer relations, and the results that they deliver. Cybercom has operations in 10 countries and offices in Denmark, Norway, Sweden, and the UK. Find out more at www.cybercomgroup.com

THE MARKET

Market trends remain positive. Cybercom saw increased demand in telecom – particularly for mobile terminals and mobile equipment. Operators' investments increased for new business-area and services development.

Demand for Cybercom's services is heaviest in southern Sweden and Denmark (Öresund region), while the Stockholm and Linköping regions demonstrated rising demand.

Investment appetite within banking, finance, and insurance is on the upswing.

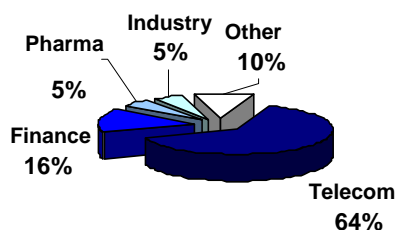
Customers' preferences for fewer suppliers haven't changed. Swedish, Danish, Norwegian, and UK market participants value size, niche, and international presence. Demand is high for consultants who have operations expertise and for consultants who have extensive technical skills.

Cybercom's effort to focus on specific industries, in combination with its leading-edge competence in those industries, is successful.

Consulting-service pricing stabilised.

Cybercom's main focus on telecom led to a 5 percentage points hike in telecom sales since Q1 2004. During the January-September period, telecom sales accounted for 64% of total turnover.

Sales by industry for the first nine months of 2004:



Ericsson, Sony Ericsson, TeliaSonera, Nokia, Reuters, AFA, and ASSA ABLOY are Cybercom's largest customers.

THE GROUP

Sales and profit

Sales for the first nine months rose to SEK 291.4 million (225.7), a 29% increase, compared to January-September 2003.¹

Business area (BA) sales in SEK million and percentage of total sales²

BA	Jan-Sept 2004	Jan-Sept 2004	Jan-Sept 2003	Jan-Sept 2003
Telecom & Services	195.1	63%	134.2	54%
Financial Services	64.1	21%	71.0	28%
International	51.7	16%	44.0	18%

Operating profit before goodwill amortisation reached SEK 8.7 million (5.7), which yields a 3.0% margin (2.5%). Net financial items (income/expense) stood at SEK 1.0 million (2.1). Profit after net financial items reached SEK 4.7 million (-101.4), which yields a positive 1.6% net margin (-44.9%).

Q3 2004

Q3 sales for the Group reached SEK 89.7 million (66.0), a 36% increase compared to Q3 2003. Operating profit before goodwill amortisation reached SEK 2.6 million (1.5), yielding a 2.9% margin (2.2%).

Net financial items stood at SEK 1.0 million (1.0). Profit after net financial items reached SEK 1.8 million (-98.2), which yields a 2.0% net margin (-148.7%) for Q3 2004. During Q3 2003, the company did a one-time goodwill write-down of SEK 96.1 million, which explains the big improvement.

Holidays (vacations) affected sales and profit during Q3 2004.

Telecom & Services business area (BA)

This BA continued to demonstrate profitability with a stronger margin. Sales increased 45% compared to the same period in 2003 because of the Consafe Infotech acquisition at year-end 2003 and because of greater demand during 2004.

Integration of Consafe Infotech has continued according to plan and has generate considerable business synergies. During 2004, Cybercom and the acquired operation has won several joint deals, which they could not have achieved separately. In many cases, projects were staffed with consultants from both operations.

¹ Figures for the same period in the previous year are in brackets (parentheses).

² Consolidation of internal invoicing and parent company sales is not reported here.

During Q3, Cybercom's telecom market share increased – thanks to the company's ability to deliver total-project and application-management services, which the market demands. At the end of Q3, Cybercom employed 250 consultants for the telecom market, including subcontractors.

In competition with several other international players, Cybercom won contracts with existing customers – primarily in these areas: portals, billing systems, and product development. Product development projects within device management also increased.

Accomplishments during the period include a:

- Contract that involves testing and verifying mobile telephone platforms for Ericsson Mobile Platforms.
- Three-year frame agreement with Teracom.
- Selected partner in a research project for the EU Commission. The project's purpose is to investigate, analyse, promote, and support small and medium-size enterprises in mobile services and applications – before full, 3G rollout. The project will run until June 2006.

Cybercom also won deals with new customers such as Xpeedio and Generic Mobile in Sweden and Cellon in France.

The BA's largest customers are Ericsson, Nokia, Sony Ericsson, and TeliaSonera; Cybercom also serves Suntel and Teracom among others.

Financial Services BA

Compared to the same period in 2003, the bottom line improved despite fewer sales – primarily because of savings and also improved utilisation.

This BA sharpened its focus on key customers and created a stronger offering within financial transaction services and portals.

The operation is gathered into one unit, which makes sales efforts more efficient.

During the period, Cybercom signed a new larger frame agreement with Skandinaviska Enskilda Banken.

The BA's customers include AFA, AMF Pension, ASSA ABLOY, FöreningsSparbanken, Länsförsäkringar, SEB, and SPP, among others.

International BA

Cybercom's international operation is stable, and the BA reported profit. Sales increased compared with 3Q 2003 – thanks to the new Norwegian operation and positive trends in Denmark.

The Danish operation reported strong growth with good profitability. In August, a new managing director was appointed in Norway, and sales efforts have increased. The UK market trend is subtly positive. Price squeezing characterised the UK consulting services market. Among others, the BA's larger customers include BRF Kredit, Danske Bank,

Nordea, and Telia in Denmark; Clear Channel and Nera in Norway; and Reuters in the UK.

EVENTS AFTER PERIOD'S END

- Cybercom strengthened its Group executive team to better reflect its focus on telecom and to implement its international growth strategy. The executive team is presented at www.cybercomgroup.com.
- The company set a supplementary purchase price of SEK 18 million for acquisition of Consafe Infotech; SEK 16.3 million will be paid via a new share issue, and the remaining SEK 1.7 million will be paid in cash. The amount is based on sales and profit during the 1 July 2003–30 June 2004 period.
- Licenses for CyberMate PreHospital were sold to Väster Norrland's country council. The product is Cybercom's electronic document management system, which was developed for emergency care in Europe. CyberMate is sold through a partnership with Medtronic.

EMPLOYEES

On average, Cybercom's employees have 13 years of industry experience. During the year, the average number of Group employees was 322 (256).³ At the period's end, the Group had 371 (256) employees.

Anneli Lindblom was appointed CFO and is thus part of the Group's executive management team. Earlier, she was Group controller.

INVESTMENTS

For 2004, investments in tangible fixed assets totalled SEK 4.0 million (2.1). During the period, investments in intangible fixed assets totalled SEK 6.4 million (19.4).

In Q1 2004, executives in Cyber Com Consulting A/S exercised their rights to buy 3.3% of the shares in the Danish subsidiary. In Q2, the Group bought back these shares for SEK 2.3 million, which resulted in goodwill that totalled SEK 2.2 million.

LIQUIDITY

On 30 September 2004, the Group's liquid assets stood at SEK 35.3 million (SEK 82.7 million on 30 September 2003).

During January-September 2004, cash flow from running operations was SEK -12.5 million (-4.6) because:

- Working capital increased because of 2004 volume increases.
- Payment was made for expenses incurred during the 2003 acquisition of Consafe Infotech, which

³Ave. no. employees = average number of employees based on monthly measures adjusted for proportion of part-time employees and employees on leave.

lowered operating liabilities and thus negatively affected cash flow from running operations.

FINANCIAL POSITION

On 30 September 2004, shareholders' equity stood at SEK 155.7 million (128.1), which yields a good 69.5% equity/assets ratio (63.3%). Shareholders' equity per share stood at SEK 14.59 (13.56).

THE PARENT COMPANY

The parent company primarily manages Group-wide staff functions, such as administration, communications and marketing, finance, HR, and IS/IT. At period's end, the parent company employed 25 (22) persons of which 6 are on leave. The average number of employees during the period was 17 (17).

Sales for the first nine months reached SEK 22.1 million (20.4). Operating loss stood at SEK 4.1 million (-1.9). Loss after financial items was SEK 2.7 million (-134.2).

On 30 September 2004, the parent company's liquid assets totalled SEK 42.4 million (75.5). Investments in computers and other equipment totalled SEK 0.4 million (0.2).

OUTLOOK

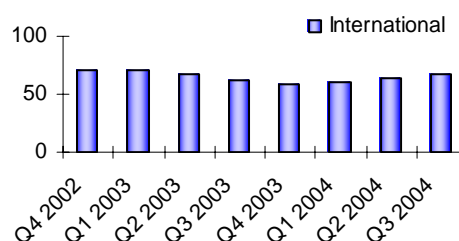
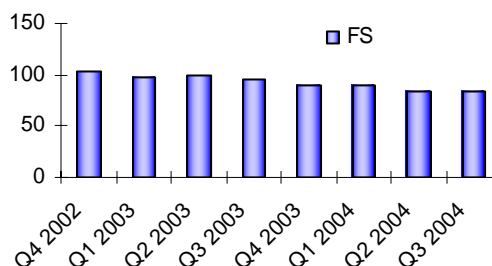
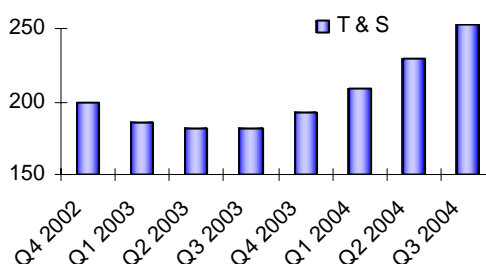
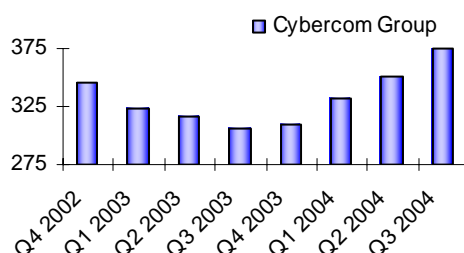
Market outlooks for IT consulting services are particularly positive within telecom. Cybercom intends to continue its growth – organically and through acquisitions – and to strengthen its international presence.

The company's outlook regarding profitability and success in 2004 has not changed – nor has its financial goal for year-end 2006, namely, to turn over SEK 750 million with an 8% operating margin; 25% of the sales will be made outside Sweden.

ACCOUNTING PRINCIPLES

Starting in 2004, Cybercom applies RR 29, an accounting recommendation regarding compensation to employees. This recommendation means that there are no changes to previously applied accounting principles. In general, for 2004, the company applies the same accounting principles as in 2003. Right now, Cybercom is preparing to switchover to *international accounting standards* (IAS) and *international financial reporting standards* (IFRS).

Sales, rolling, 12 months⁴



⁴ Each bar represents 12 months.

THE GROUP

In SEK million	Jan-Sept 2004	Jan-Sept 2003	Q3 2004	Q3 2003	Q2 2004	Q1 2004	Oct 2003 Sept 2004	Jan-Dec 2003
Sales	291.4	225.7	89.7	66.0	98.6	103.2	357.5	309.7
Operating profit/loss (EBITA)	8.7	5.7	2.6	1.5	2.6	3.6	18.0	-2.2
Margin %	3.0%	2.5%	2.9%	2.2%	2.6%	3.5%	5.0%	-0.7%
Operating profit/loss, i.e., earnings before interest and taxes (EBIT)	3,7	-103,5	0,8	-99,3	1,0	1,9	-95,6	-111,9
Operating margin, %	0,9%	-45,9%	0,9%	-150,5%	1,0%	1,8%	-26,7%	-36,1%
Employees at period's end	371	286	371	286	366	359	371	375

Business areas

Telecom & Services In SEK million	Jan-Sept 2004	Jan-Sept 2003	Q3 2004	Q3 2003	Q2 2004	Q1 2004	Oct 2003 Sept 2004	Jan-Dec 2003
Sales	195.1	134.2	64.6	41.4	65.6	64.9	229.6	191.8
Operating profit/loss (EBITA)	12.6	8.0	5.3	2.4	4.0	3.3	11.7	10.2
Margin %	6.5%	6.0%	8.2%	5.8%	6.0%	5.2%	5.1%	5.3%
Operating profit/loss, i.e., earnings before interest and taxes (EBIT)	8,7	-0,6	4,0	-0,6	2,6	2,1	10,3	1,0
Operating margin, %	4,5%	-0,4%	6,2%	-1,4%	4,0%	3,2%	4,5%	0,5%
Employees at period's end	209	132	209	132	193	188	209	213

Financial Services In SEK million	Jan-Sept 2004	Jan-Sept 2003	Q3 2004	Q3 2003	Q2 2004	Q1 2004	Oct 2003 Sept 2004	Jan-Dec 2003
Sales	64.1	71.0	16.7	17.9	21.6	25.9	84.0	89.7
Operating profit/loss (EBITA)	-0.5	-6.0	-1.0	-1.7	0.1	0.4	-10.0	-14.8
Margin %	-0.8%	-8.5%	-6.0%	-9.5%	0.4%	1.5%	-11.9%	-16.5%
Operating profit/loss, i.e., earnings before interest and taxes (EBIT)	-1,4	-6,3	-1,3	-1,8	-0,2	0,1	-10,3	0,5
Operating margin, %	-2,2%	-8,9%	-7,8%	-1,0%	-0,9%	0,4%	-12,3%	5,6%
Employees at period's end	70	92	70	92	81	79	70	82

International In SEK million	Jan-Sept 2004	Jan-Sept 2003	Q3 2004	Q3 2003	Q2 2004	Q1 2004	Oct 2003 Sept 2004	Jan-Dec 2003
Sales	51.7	44.0	16.3	13.1	17.7	17.7	63.9	59.4
Operating profit/loss (EBITA)	1.0	5.4	0.2	1.2	-0.1	0.9	2.8	6.2
Margin %	1.9%	12.3%	1.2%	9.2%	-0.8%	5.1%	4.4%	10.4%
Operating profit/loss, i.e., earnings before interest and taxes (EBIT)	0,8	1,4	0,0	-0,1	0,1	0,7	1,6	2,2
Operating margin, %	1,5%	3,2%	0,0%	-0,7%	0,6%	4,0%	2,5%	3,7%
Employees at period's end	62	40	62	40	62	55	62	56

INCOME STATEMENT SUMMARY

In SEK million	Jan-Sept 2004	Jan-Sept 2003	Q3 2004	Q3 2003	Q2 2004	Q1 2004	Oct 2003 Sept 2004	Jan-Dec 2003
Sales	291.4	225.7	89.7	66.0	98.6	103.2	357.5	309.7
Operating expense								
Other external expenses	-88.7	-64.0	-29.2	-18.3	-28.6	-30.8	-104.0	-89.7
HR expenses	-188.0	-151.1	-56.0	-44.4	-65.3	-66.8	-235.4	-215.2
Write-downs, write-offs, amortisation–tangible and intangible fixed assets*)	-11.0	-114.1	-3.7	-102.5	-3.6	-3.7	-113.6	-116.7
Operating profit/loss, EBIT	3.7	-103.5	0.8	-99.2	1.1	1.9	-95.6	-111.9
Financial items								
Loss from other securities	-	-	-	-	-	-	-	-0.2
Interest income and similar items	3.4	2.6	0.5	1.1	1.6	1.3	4.5	2.7
Interest expense and similar items	-2.4	-0.5	0.5	-0.1	-1.0	-1.9	-2.4	-0.8
Profit/loss after financial items	4.7	-101.4	1.8	-98.2	1.7	1.3	-93.5	-110.2
Tax **)	-3.0	-2.8	-2.5	-1.3	0.0	-0.7	-4.4	-0.5
Profit/loss for the period	1.7	-104.2	-0.7	-99.5	1.7	0.6	-97.9	-110.7
*)Includes								
Write-offs tangible	-6.0	-4.9	-1.9	-1.8	-2.1	-2.0	-7.9	-7.0
Write-offs intangible	-5.0	-12.9	-1.8	-4.4	-1.5	-1.7	-9.4	-13.6
Goodwill amortisation	-	-96.3	-	-96.3	-	-	-96.3	-96.1
**) current tax								
	-0.3	-2.0	-0.3	-0.9	0.0	0.0	-1.3	-1.8
deferred tax	-2.7	-0.8	-2.2	-0.4	0.1	-0.7	-3.1	1.3

SHARE INFORMATION

	Jan-Sept 2004	Jan-Sept 2003	Q1-Q4 2003
Before dilution			
Profit/loss per share, SEK	0.17	-11.15	-11.8
Shareholders' equity/share, SEK	14.59	13.56	15.82
No. of shares at period's end	10 672 468	9 451 777	9 451 777
Ave. no. of shares	10 062 123	9 340 666	9 351 777
After dilution			
Profit/loss per share, SEK	0.21	-11.15	-11.7
Shareholders' equity/share, SEK	14.11	13.56	12.96
No. of shares at period's end	11 034 951	9 451 777	11 034 951
Ave. no. of shares	10 243 364	9 340 666	10 243 364

Dilution effects are only accounted for in instances when they have a negative effect on profit per share or on equity.

BALANCE SHEET SUMMARY

In SEK million	30 SEP 2004	30 SEP 2003	31 DEC 2003
<u>Assets</u>			
Intangible fixed assets	69.4	27.2	69.7
Tangible fixed assets	10.5	8.1	10.8
Financial fixed assets	14.3	3.1	14.4
Current assets excl. liquid assets	94.5	81.2	107.3
Liquid assets	35.3	82.7	74.1
Total assets	224.0	202.3	276.3
<u>Shareholders' equity and liabilities</u>			
Shareholders' equity	155.7	128.1	149.5
Provisions	5.0	6.8	14.8
Interest-bearing liabilities	4.5	-	0.3
Non-interest-bearing liabilities	58.8	67.4	111.7
Total shareholders' equity and liabilities	224.0	202.3	276.3
Assets pledged	None	None	None
Contingent liabilities	None	None	None

CASH FLOW SUMMARY

In SEK million	Jan-Sept 2004	Jan-Sept 2003	Q1-Q4 2003
Cash flow from running operations			
Cash flow before change in working capital	8.2	4.0	14.8
Change in working capital	-20.7	-8.6	-9.6
Cash flow from running operations	-12.5	-4.6	5.2
Cash flow from investment operations *)	-10.4	-21.4	-24.4
Cash flow from financing operations	-15.7	-0.4	-16.1
Change in liquid assets	-38.6	-26.4	-35.2
Liquid assets at period's start	74.1	111.5	111.5
Translation differences	-0.2	-2.4	-2.2
Liquid assets at period's end	35.3	82.7	74.1
*) Subsidiary acquisition affected the group's liquid assets by	0.0	-13.6	- 14.1

KEY DATA AND RATIOS

In SEK million	Jan-Sept 2004	Jan-Sept 2003	Q1-Q4 2003
Operating margin before goodwill (EBITA), %	3.0%	2.5%	-0.7%
Operating margin (EBIT), %	1.3%	-45.9%	-36.1%
Net margin, %	1.6%	-44.9%	-35.6%
No. of employees at periods end	371	286	375
Ave. no. of employees	322	256	263
Sales/employee, in thousand SEK	905	885	1177
Return on shareholders' equity, %	1.1%	Neg	Neg
Return on used capital, %	5.6%	Neg	Neg
Equity/assets ratio, %	69.5%	63.3%	54.1%

CHANGE IN SHAREHOLDERS' EQUITY AND OTHER ITEMS

	30 SEP 2004	30 SEP 2003	31 DEC 2003
Amount in SEK million			
Opening shareholders' equity, according to balance sheet	149.5	231.5	231.5
New issue shares	4.0	3.3	31.6
Issue expenses	-	-	0.0
Translation differences	0.5	-2.5	-2.9
Profit/loss for the period	1.7	-104.2	-110.7
Closing shareholders' equity	155.7	128.1	149.5
No of shares at period's start	9 451 777	9 251 777	9 251 777
New issue shares	1 220 691	200 000	200 000
No. of shares at period's end	10 672 468	9 451 777	9 451 777
No. outstanding warrants at period's start	862 483	824 966	824 966
New issue of warrants	-	-	200 000
Warrants not exercised	-500 000	- 162 483	-162 483
Deducted subscription warrants (custodial)	-	- 102 700	-302 700
No. outstanding subscription warrants at period's end	362 483	559 783	559 783

Forthcoming reports

2005

10 February	Final statements (book closing) 2004
21 April	Q1 report
22 April	AGM
17 August	H1 report
20 October	Q3 report

Stockholm, 21 October 2004

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