

## Sigma AB (publ)

### Interim report January – September 2004

## Sigma back in growth – rise in earnings and margins

- Sales amounted to SEK 592 M (538) for the first nine months of 2004 and SEK 200 M (153) for the third quarter.
- Earnings (EBITA) for the nine-month period were SEK 26.6 M (loss: 11.5), corresponding to a margin of 4.5% (neg: 2.1). Third-quarter earnings amounted to SEK 9.4 M (loss: 9.3), with a margin of 4.7% (neg: 6.1).
- The loss after financial items amounted to SEK 1.3 M (loss: 50.1) and after tax, to SEK 13.6 M (loss: 47.7). Earnings per share amount to a loss of SEK 0.18 (loss: 1.36). Supplementary information: In accordance with accounting rules applicable as of 2005, earnings after financial items amounted to SEK 23.2 M and per share to SEK 0.15.
- Cash flow from operations amounted to SEK 27.4 M (neg: 9.7). Cash flow in the third quarter was also positive at SEK 5.0 M (neg: 18.3), despite vacation pay.
- The integration with RKS is progressing according to plan.
- Strategic cooperation initiated with Wipro India with the aim of offering low-cost production.
- Previous forecast: Earnings (EBITA) exceeding SEK 40 M remains.

### Comment on trends

The positive start to the year has continued and order bookings are favorable. Earnings in the third quarter match the company's internal expectations. The third quarter is always highly fragmented, with lower earnings in July due to the holiday period, a recovery in August and a strong close to the quarter in September.

Sigma reported a positive cash flow. The Group's financial year is characterized by a third quarter burdened by large sums paid out as vacation pay and lower invoicing due to the holiday period. As a result, available liquid funds are at their lowest at the end of the quarter in September. It is worth noting that cash flow was positive also in the third quarter.

Consolidated earnings (EBITA) for the first three quarters of 2004 amount to SEK 26.6 M (loss: 11.5). Earnings were charged with a capital loss of SEK 1.9 M and operating losses of SEK 9.2 M in discontinued and divested companies.

The proportion of functional sourcing assignments continues to rise, as do invoiced sales to Sigma's major customers with which the company has signed framework agreements. The number of sub-consultants used by Sigma has also risen. In many cases, this is linked to customers' demands to work with established suppliers with which they have framework agreements, but whereby they also require assignment-specific expertise provided by a smaller niche supplier. Our objective is for assignments that use sub-consultants to have the same operating margin as our own assignments. Some deviations exist, however.

### Integration of RKS

Following the acquisition of RKS on June 30, 2004, Sigma now owns 97.2% of the capital and 97.6% of the votes in the company. Integration work took place during the third quarter, involving a merging of operations and organizational adaptations within both Sigma and RKS. The organizational integration of the companies progressed well and is now completed.

A compulsory redemption process has been initiated for the remaining shares. It is estimated that this process will be complete in approximately a year's time.

### Trends by business area

	Sales	Earnings EBITA **)	Margin EBITA %	Employees at closing date
Business Solutions	187.8 (220.8)	7.2 (3.0)	3.8 (1.4)	187 (260)
IT Solutions	299.9 (229.4)	15.2 (-10.7)	5.1 (-4.7)	469 (325)
Information Solutions	108.9 (93.1)	15.9 (7.4)	14.6 (8.0)	174 (144)
Other activities *)	15.3 (16.9)	-11.7 (-11.2)		5 (6)
Eliminations	-19.5 (-37.2)			
<b>TOTAL</b>	<b>592.4 (538.5)</b>	<b>26.6 (-11.5)</b>	<b>4.5 (-2.1)</b>	<b>834 (735)</b>

\*) Pertains to divested and terminated operations, including parent company expenses of SEK 7.5 M (5.5). The capital loss of SEK 1.9 M that arose on the sale of companies is included in this earnings figure

\*\*\*) Earnings/EBITA refers to earnings before goodwill amortization and items affecting comparability. Amortization of intangible assets is included in EBITA.

### Business Solutions

The Business Systems sector continues to report strong earnings (EBITA). The newly acquired companies are showing a favorable development. Business systems comprise a strategic growth area for Sigma.

Swedish demand for Strategy & Communications services has varied over time between different periods. Overall, however, the operations are profitable. In Denmark, operations are developing according to plan, with a considerable improvement in earnings compared with the year-earlier period.

Sigma Kommun & Landsting was sold on June 30 and is not included in the accounts for the third quarter of 2004.

### IT Solutions

The business area showed a very stable trend, with a profit margin exceeding 5%, both for the nine-month period and the third quarter. Last year, the business area reported a loss. The earnings recovery is attributable primarily to the effects of implemented measures but also to a more stable market situation with a high level of demand. The operation in Örnköldsvik was sold in the third quarter.

Most of RKS's operations have been incorporated into this business area, thus considerably expanding the scope of its operations.

### Information Solutions

The business area almost doubled its earnings compared with the preceding year, both in terms of SEK and margins. Recruitment is ongoing within the business area, with a net addition of 16 persons during the third quarter alone. The operations are characterized by long-term assignments, often involving total functional sourcing, which lend stability to the operations.

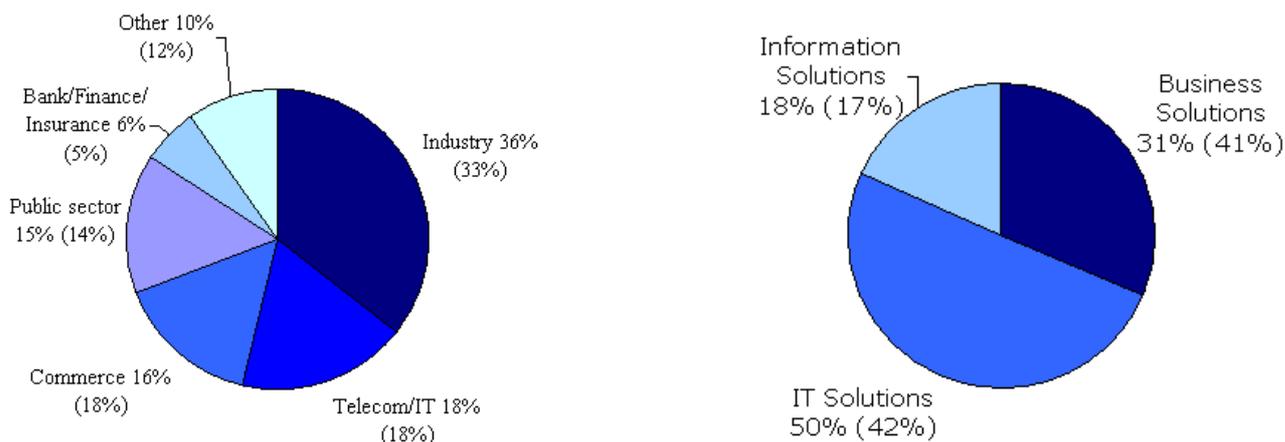
Sigma's internally developed *advantum*<sup>®</sup> product is developing favorably with improved earnings compared with prior years.

### Sales breakdown

Companies operating in Sweden account for most of Sigma's sales, 92%. Denmark had sales amounting to 7% and Switzerland to slightly less than 1%. As of the third quarter, operations are only conducted in Sweden and Denmark.

Approximately 3% of Sigma's sales are to other countries than the country in which the particular company is active. Fixed-price assignments account for approximately 10% of invoicing. The single largest customer the Group has accounts for approximately 10% of the Group's invoicing. Customers with framework agreements account for approximately 44% of total invoicing.

The distribution of sales between different sectors is shown below. Note that the sectors have been reclassified compared with previous reports.



## Market trend

There has been a significant rise in demand over the past 12 months, especially from large industrial groups. The restructuring that has taken place among IT consultancies has led to a more balanced market. The nature of projects has also changed over the past year, with increased demand for revenue-generating projects such as the development of new services and products as opposed to the efficiency-enhancing projects that dominated the market for several years.

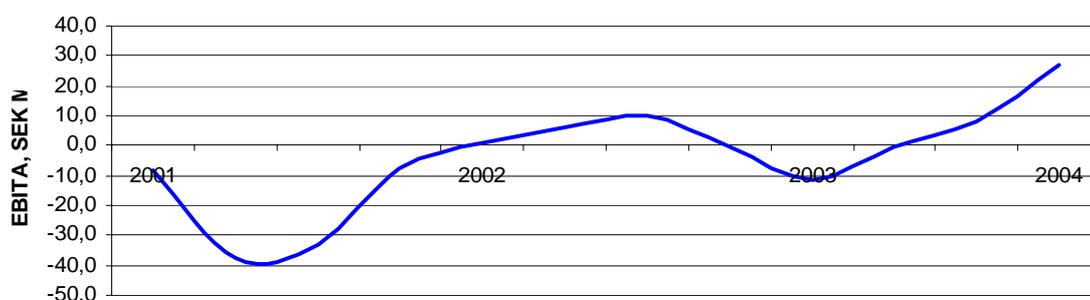
The rise in demand allows for price increases when signing new contracts or extending existing assignments and contracts.

Sigma's largest customers are displaying a clear trend toward larger assignments, both in the form of undertakings and sourcing. This trend is largely due to the fact that customers are focusing on fewer suppliers and demanding that suppliers have knowledge about the customer's operations and organization. To meet this altered demand, Sigma has established Sigma Service Centers for several of its major customers. These Service Centers coordinate all deliveries to a particular customer, and Sigma trains all consultants in the customer's operations in preparation for assignments. With the above trend in mind, framework agreements are essential. A growing number of large companies and authorities only accept offers from companies with which they have signed a framework agreement. An example of this is the Swedish Defense Materiel Administration (FMV), where a large number of authorities have joined together in a common agreement, which has been signed with seven suppliers, including Sigma.

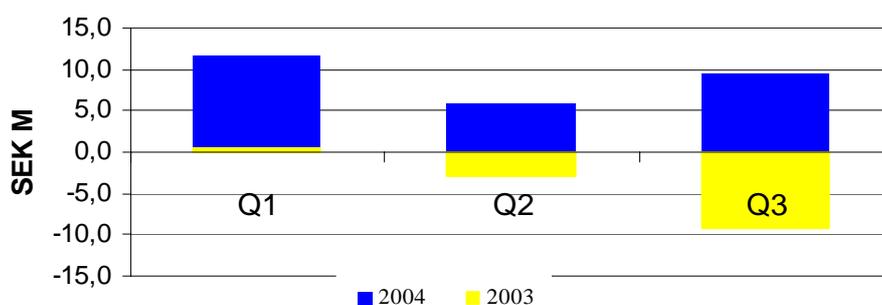
Another trend in the market concerns direct and indirect competition from low-cost countries, both in Europe and Asia. Competition arises directly when foreign suppliers establish operations in Sweden, and indirectly through partnerships with other Swedish IT companies. Sigma has monitored this trend closely and signed an agreement with the large Indian IT company, Wipro. Under the agreement, Sigma will become Wipro's partner in Scandinavia and Wipro will be a sub-supplier to Sigma in large international projects. This increases the potential for creating new business relationships with existing customers in new segments. The first delivery under the scope of this agreement has been initiated, with several following offers. Most of the cooperation is expected to take place within the framework of the Sigma Service Centers.

The major changes implemented by Sigma in recent years are yielding results. Now, Sigma is once again in an organic growth phase and in addition two companies – RKS and IPM – were acquired during the year. The changes made have also resulted in the Sigma of today being more of a pure consulting company without any large-scale internal activities related to software development and hardware sales. However, some internally developed applications that Sigma will continue to develop as before are *advantum*<sup>®</sup> Bison and Guda.

EBITA rolling 12 months



Result Q1-Q3 2003/2004



## Sales and earnings January - September

Sales increased by 10% to SEK 592.4 M (538.5). Acquired companies generated sales of SEK 39.4 M during the year and divested operations have reduced sales by SEK 11.7 M compared with the year-earlier period. Organic growth, measured in terms of invoicing by the company's own consultants, was 3.5% during the first nine months of the year. Invoicing per employee amounted to SEK 771,000 (707,000) for January-September.

During the first nine months of the year, earnings before goodwill amortization (EBITA) amounted to SEK 26.6 M (loss: 11.5), corresponding to a margin of 4.5% (neg: 2.1). Five Sigma operations have ceased – for example, through divestment. Combined, these operations generated operating losses of SEK 9.2 M, excluding sales proceeds. The remaining operations, including the Parent Company, generated EBITA of SEK 35.9 M, corresponding to a margin of 6.5%.

Earnings (EBITA) for the third quarter amounted to SEK 9.3 M.

Profit before financial items for the first nine months of the year amounted to SEK 1.3 M (loss: 42.5) including SEK 24.5 M (22.8) pertaining to the cost of goodwill amortization, which did not affect cash flow. Net financial items improved over the preceding year due to a lower net debt and lower interest rates.

The reported tax expense corresponds to the year's deferred tax expense of SEK 9.0 M and adjustment from 2003 of SEK 2.0 M, also pertaining to deferred tax. Sigma has loss carry forwards of about SEK 130 M and, accordingly, taxes will not be paid during this year and the following year.

New accounting principles (IFRS) will be applied from 2005, which will affect Sigma's accounts in that goodwill amortization will be abolished. If these rules were applicable already at this time, it would have affected earnings after tax for the first nine months of the year positively by about SEK 24.5 M, corresponding to SEK 0.33 per share.

## Liquid funds and financial position

Available liquid funds at September 30, 2004 amounted to SEK 31 M (44). The interest-bearing net debt was SEK 65.3 M (105.7), and at year-end, SEK 95.3 M. SEK 26.5 M of the net debt pertains to interest-bearing receivables arising on the sale of Sigma Kommun & Landsting. During the first nine months of the year, SEK 24.4 M was paid in previously reserved supplemental purchase amounts. During the next 12 months, it is expected that slightly less than SEK 14 M in additional purchase charges will be paid. These are included in the balance sheet as non-interest-bearing liabilities.

Cash flow from operations during the period was positive in an amount of SEK 27.4 M (neg: 9.7). SEK 5.0 M pertained to the third quarter, despite vacation pay and lower invoiced sales in July and August.

The reported short-term interest-bearing loan debt refers primarily to overdraft facilities. The structure of this credit implies that it must be reported as short-term debt although it is intended to be long term.

Goodwill and other intangible assets amounted at the end of the quarter to SEK 224.7 M (204.1), of which goodwill accounted for SEK 217.1 M (171.8). A goodwill item of SEK 48 M in addition to the goodwill reported in RKS's own accounts arose from the acquisition of RKS. This has increased since June 30 through a supplementary acquisition during the extended acceptance period and a minor adjustment of the acquisition analysis prepared earlier. Assets such as goodwill are valued on a current basis in accordance with recommendation RR17 of the Swedish Financial Accounting Standards Council.

Consolidated shareholders' equity was SEK 232.9 M (173.3). Total assets amounted to SEK 530.1 M (449.5). The equity/assets ratio on September 30 amounted to 44.9% (39.3) and the net debt/equity ratio was 28.0% (61.0).

## Investments

Total investments in the first nine months of the year amounted to SEK 65.8 M (23.2) including investments in goodwill from the acquisition of RKS and IPM, which in total amounted to SEK 55 M. Within ongoing operations, SEK 2.6 M (2.9) was invested in tangible assets and SEK 7.9 M (11.8) in intangible assets, primarily capitalized development expenditure. Most investment in development expenditure ceased with the sale of Sigma Kommun & Landsting on June 30, 2004.

Consolidation of investments in acquired companies added a total of SEK 20.4 M to the book value of fixed assets and divested companies reduced the same by SEK 43.6 M.

Investments in equipment expected to have an economic life shorter than three years are expensed, SEK 4.8 M (5.0) to date.

## Personnel

Sigma had 834 (735) employees at the end of the third quarter. In 2004, the Sigma Group obtained 238 new employees through acquisitions and lost 60 through divestments. A total of 32 employees – mostly administrators – were made redundant through the coordination of Sigma and RKS, and 28 people left the company as a result of company closures.

The Group has recruited employees steadily during the year in several areas, with 30 new recruitments in the third quarter alone. This is the first time during three years of efficiency-enhancement measures that Sigma is again increasing its workforce. The average number of employees during the first nine months of the year amounted to 768 (762).

Most of the employees are graduate engineers and economists or system engineers, and the average age is approximately 37. The gender distribution was 73% men and 27% women.

## Parent Company

Sales, most of which took place within the Group, amounted during the year to SEK 11.8 M (14.0). Earnings before net financial items amounted to a loss of SEK 7.5 M (loss: 26.8). Liquid funds amounted to SEK 5.0 M (5.0 M).

During the year, the Parent Company invested SEK 0.0 M (0.4) in tangible assets. The number of employees of the Parent Company was 5 (9), and at the end of the preceding year, 6.

## Forecast 2004

The favorable trend for Sigma will continue. Order bookings are strong and employment ratio increases.

The previously issued forecast of earnings (EBITA) exceeding SEK 40 M remains valid.

Gothenburg, October 27 2004

**Sigma AB (publ)**  
(Corporate Reg. No. 556347-5440)

*Board of Directors*

The company's auditors have not audited this interim report.

The report can be ordered from the Company or downloaded from Sigma's website at [www.sigma.se](http://www.sigma.se).

For further information, contact:

Sune Nilsson, Chief Executive Officer, Sigma AB (publ), Tel. +46-31-335 67 15; Mobile: +46-703-79 15 28;  
e-mail [sune.nilsson@sigma.se](mailto:sune.nilsson@sigma.se)

or Lars Sundqvist, Chief Financial Officer, Sigma AB (publ), Tel. +46-31-335 67 16; Mobile: +46-703-79 22 02;  
e-mail [lars.sundqvist@sigma.se](mailto:lars.sundqvist@sigma.se)

Sigma AB (publ)  
Lindholmospiren 9  
417 56 Göteborg  
[info@sigma.se](mailto:info@sigma.se)  
Tel 031-335 67 00  
Fax 031- 40 32 20

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.

## Sigma in brief

Sigma supplies IT solutions and consulting services to development-intensive customers. Operations are conducted in entrepreneurial niche companies organized in the Business Solutions, IT Solutions and Information Solutions business areas. The Group has about 850 employees with subsidiaries in Sweden, Denmark, Finland and Switzerland. Sigma is listed on Stockholmsbörsen's O List. [www.sigma.se](http://www.sigma.se)

**Business Solutions** is active in the following two areas of operations. Business systems provides consulting services and complete business systems, as well as e-commerce solutions. Strategy & Communications is active in strategy consulting in Sweden and Denmark, communications services in brand profiling and financial information.

**IT Solutions** is active primarily in the system administration of various applications and systems. The business area's services cover a wide spectrum and include preliminary studies, project management, the development and administration of various IT systems and different types of system integration. The area also includes Sigma's service for business-oriented systems management. The companies in the business area operate in very close proximity to the customer, in long-term relationships in local markets in Sweden, Denmark.

**Information Solutions'** main operations are Information Design, which focuses on advanced services used to structure and develop user documentation, and the development of information solutions for complex products and systems. Operations are characterized by long-term functional undertakings. The business area also includes the *advantum*® document-handling system. Customers with *advantum*® operating within the pharmaceutical and defense industries, which impose highly stringent requirements on document handling processes, as well as within more traditional operations, such as other areas of industry and municipalities.

## Condensed consolidated income statement, SEK M

	Jan- Sep 2004	Jan-Sep 2003	Jul-Sep 2004	Jul-Sep 2003	Jan-Dec 2003
Net sales	592.4	538.5	199.8	152.9	737.3
Operating expenses	-554.2	-540.5	-187.7	-158.6	-735.5
Depreciation, excl. goodwill amortization	-11.5	-9.4	-2.7	-3.5	-13.2
Amortization, goodwill	-24.5	-22.8	-8.8	-7.8	-30.1
Items affecting comparability *)	-	-8.3	-	-8.3	-11.6
<b>Operating profit/loss</b>	<b>2.1</b>	<b>-42.5</b>	<b>0.5</b>	<b>-25.4</b>	<b>-53.1</b>
Operating margin, %	0.4	-7.9	0.2	-16.6	-7.2
Loss from financial investments	-3.4	-7.5	-1.0	-2.2	-9.2
<b>Loss after net financial items</b>	<b>-1.3</b>	<b>-50.1</b>	<b>-0.5</b>	<b>-27.6</b>	<b>-62.3</b>
Profit margin, %	-0.2	-9.3	-0.3	-0	-8.4
Minority share	-1.2	-0.4	0.0	0.0	-2.3
Tax	-11.0	2.8	-4.1	0.4	2.2
<b>Net loss for the period</b>	<b>-13.6</b>	<b>-47.7</b>	<b>-4.6</b>	<b>-25.8</b>	<b>-62.4</b>
Average number of shares	74,338,468	38,904 376	84,174,486	60,048,485	45,819,223
Earnings per share after full tax, SEK	-0.18	-1.23	-0.06	-0.43	-1.36
Earnings per share after full tax, excl goodwill amortizations, SEK	0.15	-0.64	0.05	-0.30	-0.70
Operating profit/loss before goodwill amortization and items affecting comparability (EBITA), SEK M	26.6	-11.5	9.3	-9.3	-11.4
Margin (EBITA) %	4.5	-2.1	4.7	-6.1	-1.5

\*) In the year-earlier period items affecting comparability during the current year pertain to the write-down of goodwill and provisions for discontinuation of the Swedish strategy operations and liquidations of subsidiaries.

## Condensed consolidated balance sheet, SEK M

	Sep 30 2004 *)	Sep 30 2003	Dec 31 2003
<b>Assets</b>			
Intangible fixed assets	224.7	204.1	215.3
Tangible fixed assets	15.5	21.2	19.3
Financial fixed assets, non interest-bearing	40.5	24.0	24.9
Financial fixed assets, interest-bearing	21.0	-	-
Current assets	218.6	191.7	184.9
Liquid funds (cash and bank balances)	9.8	8.5	14.9
<b>Total assets</b>	<b>530.1</b>	<b>449.5</b>	<b>459.3</b>
<b>Shareholders' equity and liabilities</b>			
Shareholders' equity	232.9	173.3	159.5
Minority share in shareholders' equity	5.4	3.4	4.2
Provisions	28.1	8.8	8.5
Long-term liabilities, interest-bearing	0.0	0.0	0.0
Long-term liabilities, non interest-bearing	6.2	-	6.4
Current liabilities, interest-bearing	101.5	114.5	110.1
Current liabilities, non interest-bearing	156.0	149.5	170.6
<b>Assets</b>	<b>530.1</b>	<b>449.5</b>	<b>459.3</b>

\* Current assets include interest bearing receivables with SEK 218 M.

## Condensed consolidated cash flow statement, SEK M

	Jan- Sep 2004	Jan-Sep 2003	Jan-Dec 2003
Cash flow from operations	30.6	-10.2	-6.0
Changes in working capital	-3.2	0.4	10.9
<b>Cash flow from current operations</b>	<b>27.4</b>	<b>-9.7</b>	<b>4.9</b>
Investment operations	-99.5	-19.3	-44.8
Financial operations	67.0	21.6	38.7
<b>Change in liquid funds</b>	<b>-5.1</b>	<b>-7.5</b>	<b>-1.1</b>

## Consolidated change in shareholders' equity, SEK M

	Jan- Sep 2004	Jan-Sep 2003	Jan-Dec 2003
Amount at the beginning of the year	159.5	82.2	82.2
New share issue	86.7	139.5	139.5
Translation differences	0.1	-0.7	0.2
Loss for the period	-13.6	-47.7	-62.4
<b>Amount at the end of period</b>	<b>232.9</b>	<b>173.3</b>	<b>159.5</b>

## Key ratios Sigma Group

	Sep 30 2004*)	Sep 30 2003	Dec 31 2003
Number of employees, end of period	834	735	691
Average number of employees	768	762	744
Net sales per employee, SEK 000s *)	771	707	992
Added value per employee	525	481	665
Return on operating capital, %	0.7	-15.9	-20.8
Return on capital employed, %	1.3	-15.4	-19.8
Return on shareholders' equity, %	-6.3	-37.0	-49.7
Interest-bearing net debt	65.3	105.7	95.3
Net debt/equity ratio, %	28.0	61.0	59.7
Acid test ratio, times, overdraft check classified as long term	1.46	1.34	1.2
Equity/assets ratio, %	44.9	39.3	35.7
Gross margin, %	6.4	-0.4	0.3
EBITA% (before items affecting comparability)	4.5	-2.1	-1.5
Operating margin, %	0.4	-2.1	-7.2
Profit margin, %	-0.2	-9.3	-8.4
Number of shares, end of period	83,704,885	66,563,573	66,563,573
Average number of shares	74,338,468	38,904,376	45,819,223
Earnings per share after full tax, SEK	-0.18	-1.23	-1.36
Earnings per share after full tax, excl goodwill amortizations, SEK	0.15	-0.64	-0.70
Shareholders' equity per share, SEK	2.78	2.60	2.40

## Quarterly trend

	2001				2002				2003				2004			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Net sales, SEK M	375	346	294	390	316	316	249	234	194	192	153	199	192	200	200	
Profit/loss EBITA*, SEK	24.4	-10.7	-24.3	2.6	-4.9	-6.4	1.0	11.1	0.6	-2.8	-9.3	0.1	11.5	5.8	9.3	
No. of working days, approximate	6.5	-3.1	-8.3	0.1	-1.6	-2.0	0.4	4.7	0.3	-1.5	-6.1	0.1	6.0	2.9	4.5	
No. of employees at end of period	63.5	59.0	65.0	62.0	62.0	60.0	66.0	61.0	63.0	59.0	66.0	62.0	63.0	60.0	66.0	64.0
Net sales, SEK M	1288	1308	1302	1236	1141	1091	873	802	780	760	735	691	671	858	834	

\* Profit/loss before amortization of goodwill and items affecting comparability

\*\* Each working day affects earnings with above SEK 3 M per day.

## Accounting principles

The same accounting principles and methods of calculation were used in this interim report as in the latest annual report, with the additions described below. This interim report was prepared in accordance with the recommendations and statements issued by the Swedish Financial Accounting Standards Council.

No new principles have been applied this year.

The new accounting principles that will be applied from 2005 in accordance with IFRS (International Financial Reporting Standards) mean that comparative figures for 2004 will be restated. The new accounting principles will affect Sigma's accounts in that goodwill amortization will be abolished, which will have a significantly favourable effect on net earnings for the year. Earnings may also be affected by the changed principle regarding pension commitments. This change cannot be currently valued since our insurer, Alecta, is unable to disclose information at the present time, although information will be available at the end of the year.

## Forthcoming report dates

- Year-end report, 12 months (Q4) 2004	February 11, 2005
- Three-month interim report (Q1) 2005	April 26, 2005
- Six-month interim report (Q2) 2005	July 20, 2005
- Nine-month interim report (Q3) 2004	October 27, 2005
- Year-end report, 12 months (Q4) 2004	February 10, 2005