

Sigma AB (publ)

Interim report, January – June 2003

Rolling 12-month earnings boosted steadily by efficiency enhancement – new issue strengthens Sigma's capital base

- **EBITA for the first half of the year amounted to a loss of SEK 2.2 M (loss: 11.4), including costs of approximately SEK 10 M (6) for efficiency-enhancement measures.**
- **EBITA for the twelve months ended June 30, 2003 amounted to profit of SEK 9.9 M (loss 33.0).**
- **After financial items, a loss of SEK 22.5 M (loss: 55.5) was reported.**
- **Positive cash flow of SEK 8.6 M (neg: 3.2) from operations.**
- **Indecisive demand pattern ahead of Sweden's EMU referendum.**
- **The forecast for the full year is retained: significantly better EBITA than in 2002 (SEK 0.7 M).**

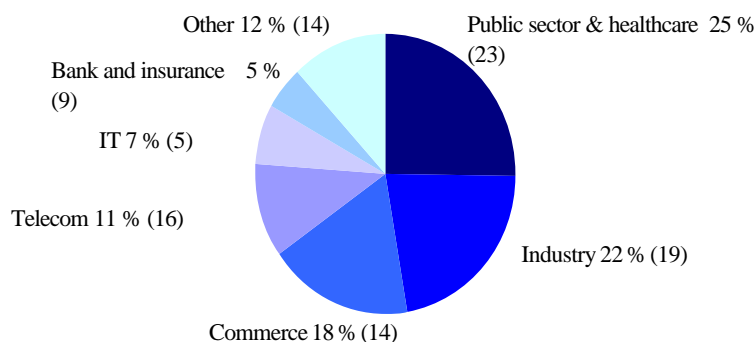
Comments on market trends

Demand patterns in the segments and regions served by Sigma remain highly uneven. The trend is still buoyant in the business systems segment. Demand for general IT services was somewhat more sluggish than expected in the end of the second quarter. In Sigma's opinion, the reason is that client companies are awaiting the outcome of Sweden's imminent EU referendum before initiating new projects. The market in northern Sweden, which includes several public authorities and administrations, has recovered following a protracted slump. Market conditions in other segments remained unchanged.

A small-scale action program was initiated during the period. The program will affect about 30 employees and will reduce the cost base further.

The market situation during the early part of the third quarter is expected to be in line with the second quarter. However, increased demand is expected towards the end of the quarter, followed by better demand in the fourth quarter. Earnings are expected to rise steadily during the year as efficiency-enhancement costs ceases during the year.

Net sales per market segment



Sigma's business focus and areas of operations

Sigma's operations are conducted in three business areas.

Sigma's concept for project undertakings is called Functional Sourcing. Sigma currently enjoys customers' confidence to develop and administrate one or several functions in some of the most well-known companies in the Nordic countries.

Business Solutions' is active in three areas of operations – Business systems, which provides both consulting services and complete business systems and e-commerce solutions; Strategy & Communications, which is active in both strategy consulting in Sweden and Denmark and in communications services in brand profiling and financial information; and Business Systems for municipalities and county councils delivers various business-supporting systems for journal management, mobile systems for the healthcare sector, and e-prescriptions.

IT Solutions' is active primarily system administration of various applications and systems. The services include everything from preliminary studies, project management, development and administration of various IT systems or different types of system integration.

The area also includes Sigma's voice-enabling application "Say IT." The companies in the business area operate in very close proximity to the customer, in long-term relationships in local markets in Sweden, Denmark and Switzerland.

Information Solutions' main operations are Information Design, which that focuses on qualified services to structure and develop user documentation, and to develop information solutions for complex products and systems. The business area also includes Sigma's proprietary document handling system, *advantum*®, and various types of e learning and other training programs.

Sigma group in brief

Sigma supplies solutions and consulting services in the IT sector that ensure the customer's competitiveness. Operations are conducted by entrepreneurial niche companies that develop products and services in close cooperation with customers. Sigma's offering is organized in the Business Solutions, IT Solutions and Information Solutions business areas. The Group has about 750 employees with subsidiaries in Sweden, Denmark, Finland and Switzerland. Sigma is listed on the O list of the Stockholm Stock Exchange. www.sigma.se

Net sales and earnings in January-June – comments on trends

Net sales amounted to SEK 385.6 M (632.6). The result before goodwill amortization (EBITA) was a loss of SEK 2.2 M (loss: 11.4). Net sales are significantly lower this year due to the disposal of companies and the termination of operations during the second half of 2002. The sales generated by divested operations derived largely from hardware, which resulted in considerable revenues but a narrower margin. Excluding sold and terminated units, sales during the first half of 2002 amounted to SEK 385.2 M. Accordingly, the sales reported by the units remaining during January-June 2003 were unchanged compared with the year-earlier period.

No items affecting comparability are reported; instead the costs for the measures being implemented are charged against operations as they arise. Such costs amounted to approximately SEK 10 M (6), of which SEK 6 M (6) was charged against the second quarter. Excluding these charges, EBITA for the first half of the year would have amounted to a profit of SEK 6 M (loss: 5).

The second quarter had four fewer working days than the first quarter, which had an adverse impact of approximately SEK 10 M less earnings compared with the first quarter.

Earnings by business area, January-June

Business area	Percentage of consolidated Sales	Sales	Employees at closing date	Profit EBITA **)	Margin EBITA%
Business Solutions	41 %	157.6 (163.2)	271 (291)	3.4 (6.7)	2.2 (4.1)
IT Solutions	42 %	163.7 (180.1)	337 (363)	-2.1 (10.3)	-1.3 (5.7)
Information Solutions	17 %	67.4 (70.1)	144 (152)	5.4 (7.6)	8.1 (10.8)
Other operations *)	3 %	11.8 (247.4)	8 (285)	-8.9 (-36.0)	-76.3 (-14.5)
Eliminations	-3 %	-15.1 (-28.2)			
SUMMA	100 %	385.4 (632.6)	760 (1 091)	-2.2 (-11.4)	-0.6 (-1.8)

*) Pertains to divested and terminated operations, including intra-Group expenses and parent company of SEK 4.8 M (5.4).

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

The *Business Solutions* business area's EBITA was SEK 3.3 M lower than in the year-earlier period, largely because of the first-quarter loss of SEK 4.0 M reported by the Municipalities & County Councils segment, which mainly resulted from costs for efficiency-enhancing measures. Demand in this unit increased during the second quarter, while demand in the Business Solutions segment remained buoyant. Other business segments developed as planned.

The EBITA reported by the *IT Solutions* business area was lower than in the year-earlier period. Earnings during the current period were charged with SEK 3.2 M for implemented savings measures, most of which arose during the second quarter. In this segment, many customers are awaiting the outcome of Sweden's imminent EU referendum before initiating new projects, to ensure that they make the right priorities in terms of planned IT projects. Although Functional Sourcing assignments increased, this did not offset all of the decrease in short-term demand.

The *Information Solutions* business area's EBITA margin remained healthy at 8.1% (10.8). The reason for the lower margin was that a small-scale action program was implemented during the second quarter. This business area has a high proportion of Functional Sourcing assignments. During the second quarter, the aviation industry placed an order for *advantum*[®], the proprietarily developed document-handling system.

Companies active in the Swedish market account for most, or 92%, of Sigma's sales. Denmark accounts for sales of 6% and Switzerland and Finland for 2% and 0%, respectively. About 5% of Sigma's sales are delivered to countries other than those in which the particular company operates.

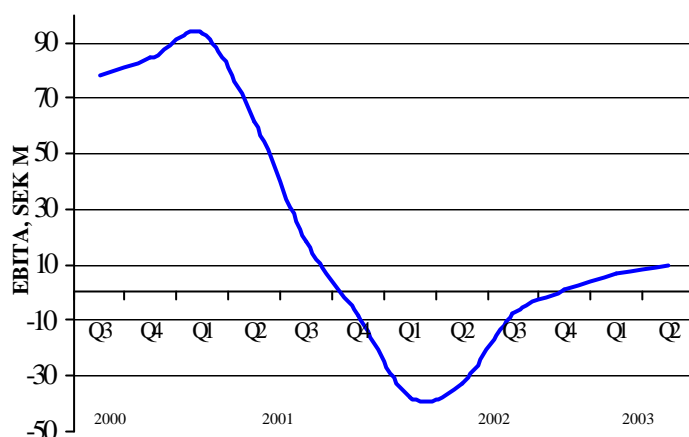
Quarterly earnings trend, 2000–2003

The market situation changed considerably during 2001. For the first time since operations commenced in 1996, a loss was reported in Q1 2001. Action programs were immediately initiated and during the second half of 2001, an extensive cost-cutting program was conducted and a number of minor operations were divested. During the first half of 2002, these measures were supplemented by Sigma terminating operations in both Norway and Germany as well as in certain segments in Denmark. The Network & Wireless Solutions business area was phased out completely during the second half of 2002. Additional actions to align operations to market conditions have also been taken during 2003.

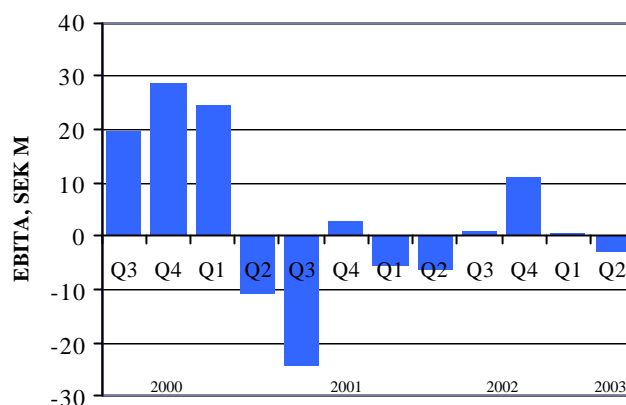
In total, Sigma has forcefully adapted its organization to the changed market conditions and reduced the number of employees by more than 500. For obvious reasons, the action plans had an adverse impact on earnings during the periods concerned.

As shown in the following diagram of 12-month rolling results, the earnings trend since summer 2002 has been positive. In addition, continued earnings improvements are expected, due to the implemented action programs. Second-quarter earnings are normally slightly lower than earnings during the first quarter, because there are fewer working days.

Rolling 12-months 2000-2003



Quarterly earnings 2000-2003



Examples of new assignments during the second quarter

ABB Cewe automation technologies

Structuring, target-group adaptation and production of product information.

Alecta

Agreement covering development assignments in the IT sector.

EAG

IT systems for handling flight information for the European Aeronautical Group, EAG, based on Sigma's document-management system advantum®.

Electrolux

Production of electrolux.com, Electrolux's new global portal for information about the Electrolux group and its products and brands.

Handelsbanken Finance

Functional Sourcing assignments involving customer-card administration, featuring a voice-response telephone service, administration of member bonus systems and logistics connected to bonus-related goods.

MA-system

eTruck, an e-learning program for the interactive training of truck drivers, on behalf of Sweden's largest trainer of truck drivers

Raisio

Implementation of Movex business system for the Swedish market

Rexam

Production of financial data and shareholder information

SCA

Branding and profiling assignments in Sweden and abroad

Central Government Office

Extended framework agreement comprising IT consulting services, involving operational development and strategy, system development, project management, customer support and computer operation and technology.

Teleca Software Solutions

Installation of server solution for development of mobile telephones on customer's behalf

Telecom supplier

Renewed framework agreement comprising technical documentation, IS/IT, research and development.

Personnel

At the end of the quarter, the number of employees was 760 (1,091). Corresponding operations in the year-earlier period had 817 employees after the second quarter. The gender distribution was 71% men and 29% women. The average number of employees during the first half-year was 772 (1,122). Most of the employees are engineers with a Master's degree or the equivalent, and the average age is about 35.

Investments

Total investments during the first half of the year amounted to SEK 20.1 M (12.2) and no operations were acquired during the period.

Capitalized development costs accounted for SEK 8.6 M (0) of total investments. Corresponding investments were made in the year-earlier period but were classified as work in progress in the balance sheet during the first three quarters of 2002, before being reclassified at the end of the year as fixed assets. A total of SEK 9.0 M (8.2) was invested in goodwill, which pertained entirely to the final payment of variable supplemental purchase payments. In current operations, SEK 2.4 M (4.0) was invested in machinery and equipment, mainly attributable to equipment required for the relocation to joint premises conducted by a number of companies during the first quarter.

Investments in computer equipment considered having a shorter life than three years are written off directly. Accordingly, SEK 3.5 M (4.7) was charged against operating profit for such investments.

Liquid funds and financial position

At the end of the first half of the year, the Group's liquid funds amounted to SEK 10.3 M (10.1). At year-end, liquid funds amounted to SEK 16.0 M. At the end of June 2003, the company had access to funds totaling approximately SEK 87 M.

Interest-bearing net debt amounted to SEK 125.3 M (197.8). At year-end, net debt amounted to SEK 163.5 M. During the second quarter, payments of SEK 42.5 M were made from the previously posted provision for supplemental purchase payments.

Operating cash flow during the period was positive in an amount of SEK 8.6 M (negative: 3.1).

On June 30, goodwill and other intangible assets amounted to SEK 220.1 M (290.1), of which goodwill accounted for SEK 190.3 M (289.2). At year-end 2002, goodwill amounted to SEK 196.6 M. Such assets as goodwill are valued on a regular basis in accordance with the Swedish Financial Accounting Standards Council's RR17 recommendation.

Shareholders' equity in the Group amounted to SEK 157.4 M (153.4), of which SEK 97.2 M was added through the recently implemented rights issue. On December 31, 2002, shareholders' equity amounted to SEK 82.2 M. Total assets amounted to SEK 478.5 M (734.6). The equity/assets ratio was 33.4% (21.3), compared with 16.4% at year-end.

During the first six months, SEK 56 M was paid out in supplemental purchase payments. In the next 33 months, Sigma will pay supplemental purchase payments totaling about SEK 30 M. The corresponding liability is entered among non-interest bearing liabilities in the balance sheet. It is estimated that these payments will be made in either cash or through shares issues, although mainly in cash. Approximately SEK 1 M is expected to be paid during the remaining quarters of 2003.

New share issue oversubscribed

A rights issue implemented during the second quarter increased the number of shares by 37,860,564. The shares were issued at a price of SEK 2.70 each and, as a result, the Group's equity was increased by slightly more than SEK 97 M, net after issue expenses. Accordingly, the company's financial position has improved significantly in terms of both net interest-bearing liabilities and the equity/assets ratio. The share issue approved by the Annual General Meeting in order to repay Sigma's interest-bearing debt of about SEK 43 M to Teleca will be implemented during the autumn. This will improve Sigma's key figures additionally.

Parent company

Parent Company sales, which were largely of an intra-Group nature, amounted to SEK 9.3 M (12.9) during the period. The Parent Company's net financial items amounted to an expense of SEK 4.1 M (expense: 4.2). The Parent Company reported a loss of SEK 8.5 M (loss: 32.0) after net financial items. Liquid funds amounted to SEK 5.0 M (0). The Parent Company's earnings are expected to reach break-even as of year-end 2003, mainly as a result of a reduction in overhead expenses.

During the year, the Parent Company invested SEK 0.4 M (0.1) in tangible fixed assets. The Parent Company had 6 (9) employees at the close of the period.

Forecast for 2003

Within the IT-Solutions business area, demand declined slightly during the second quarter. The assessment is that this was largely due to uncertainty regarding the outcome of Sweden's EU referendum in September. In other respects, the market remains relatively unchanged compared with the past, with a slight indication of a recovery among public authorities. Efficiency-enhancement programs have been completed in the Group, which are expected to lead to steadily improved earnings.

The previously issued forecast stating that earnings (EBITA) for 2003 are expected to significantly exceed the 2002 figure (SEK 0.7 M) stands firm.

Condensed consolidated income statement, SEK M

	Jan-June 2003	Jan-June 2002	April-June 2003	April-June 2002	Jan-Dec 2002
Net sales	385.6	632.6	191.8	316.5	1 115.7
Operating expenses	-381.9	-635.0	-191.8	-318.5	-1 098.7
Depreciation, excl. goodwill amortization	-5.9	-9.0	-2.9	-4.4	-16.4
Amortization, goodwill	-15.0	-16.6	-7.7	-8.4	-30.9
Items affecting comparability ^{*)}	-	-20.3	-	-20.3	-83.9
Operating profit/loss	-17.2	-48.3	-10.6	-35.1	-114.2
<i>Operating margin, %</i>	<i>-4.5</i>	<i>-7.6</i>	<i>-5.5</i>	<i>-11.1</i>	<i>-10.2</i>
Loss from financial investments	-5.3	-7.2	-2.0	-3.6	-14.4
Loss after net financial items	-22.5	-55.5	-12.6	-38.7	-128.6
<i>Profit margin, %</i>	<i>-5.8</i>	<i>-8.8</i>	<i>-6.5</i>	<i>-12.3</i>	<i>-11.5</i>
Minority share	-0.4	0.7	0.1	0.5	1.7
Tax	1.1	4.3	0.4	1.3	6.0
Net loss for the period	-21.9	-50.5	-12.1	-36.9	-120.9

Average number of shares	28,332,322	18,930 282	37,734,362	18,930,282	18,930,282
Earnings per share	-0.77	-2.66	-0.32	-1.95	-6.38

Operating profit/loss before goodwill amortization and items affecting comparability (EBITA), SEK M	-2.2	-11.4	-2.8	-6.4	0.7
<i>Margin (EBITA) %</i>	<i>-0.6</i>	<i>-1.8</i>	<i>-1.5</i>	<i>-2.1</i>	<i>0.1</i>

Condensed consolidated balance sheet, SEK M

	June 30, 2003	June 30, 2002	Dec 31, 2002
Assets			
Intangible fixed assets	220.1	290.1	220.4
Tangible fixed assets	22.9	44.5	24.2
Financial fixed assets	21.7	18.2	20.6
Current assets	203.5	371.7	231.6
Liquid funds (cash and bank balances)	10.3	10.1	16.0
Total assets	478.5	734.6	514.0

Shareholders' equity and liabilities			
Shareholders' equity	157.4	153.4	82.2
Minority share in shareholders' equity	2.4	3.4	2.0
Provisions	8.8	8.2	11.4
Long-term liabilities, interest-bearing	0.0	1.6	0.1
Long-term liabilities, non interest-bearing	-	3.5	-
Current liabilities, interest-bearing	135.9	206.4	179.9
Current liabilities, non interest-bearing	174.0	358.1	238.4
Total liabilities and shareholders' equity	478.5	734.6	514.0

Condensed consolidated cash flow statement, SEK M

	Jan-June 2003	Jan-June 2002	Jan-Dec 2002
Cash flow from operations	-1,5	-25,6	-3,6
Changes in working capital	10,1	22,5	69,1
Cash flow from current operations	8,6	-3,2	65,5
Investment operations	-17,4	1,4	12,7
Financial operations	3,0	-27,3	-104,7
Change in liquid funds	-5,8	-31,9	-26,5

¹⁾ A new issue of SEK 97 M reduced interest-bearing liabilities in a corresponding amount, while at the same time supplemental purchase payments were made totaling SEK 56 M.

Key ratios Sigma Group

	June 30, 2003	June 30, 2002	Dec 31, 2002
Number of employees, end of period	760	1 091	802
Average number of employees	772	1 122	1 028
Net sales per employee, SEK 000s *)	499	564	1 085
Added value per employee	346	338	650
Return on operating capital, %	-6.4	-8.6	-30.1
Return on capital employed, %	-6.0	-6.2	-27.3
Return on shareholders' equity, %	-17.9	-13.9	-92.9
Net debt/equity ratio, %	79.6	128.9	198.8
Equity/assets ratio, %	33.4	21.3	16.4
Gross margin, %	0.9	-0.4	1.5
EBITA% (before items affecting comparability)	-0.6	-1.8	0.1
Operating margin, %	-4.5	-6.8	-10.4
Profit margin, %	-5.8	-8.8	-11.5
Number of shares, end of period	56,790,846	18,930,282	18,930,282
Average number of shares	28,332,322	18,930,282	18,930,282
Earnings per share after full tax, SEK	-0.77	-2.67	-6.38
Shareholders' equity per share, SEK	2.77	8.10	4.34

*) Net sales per employee include sales of hardware, which were significantly higher in 2002 when the Network & Wireless Solutions business area was still in operation. Adjusted for hardware operations, sales per employee amounted to SEK 473,000 (457,000).

Consolidated change in shareholders' equity, SEK M

	Jan-June 2003	Jan-June 2002	Jan-Dec 2002
Amount at the beginning of the year	82.2	203.4	203.4
New share issue	97.2	-	-
Translation differences	-0.1	0.5	-0.3
Loss for the period	-21.9	-50.5	-120.9
Amount at the end of period	157.4	153.4	82.2

Quarterly trend

	2000				2001				2002				2003			
	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>
Net sales, SEK M	183	241	228	346	375	346	294	390	316	316	249	234	194	192		
Profit/loss EBITA*, SEK	15.6	20.5	19.6	28.6	24.4	10.7	24.3	2.6	-4.9	-6.4	1.0	11.1	0.6	-2.8		
No. of working days, approximate	63.5	59.0	65.0	63.0	63.5	59.0	65.0	62.0	62.0	60.0	66.0	61.0	63.0	59.0	66.0	62.0
No. of employees at end of period	857	899	922	1059	1288	1308	1302	1236	1141	1091	873	802	780	760		

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

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.

During the year, the Swedish Financial Accounting Standards Council issued a number of new recommendations. As regards this interim report, the Group is affected by recommendation RR22, dealing with the reporting of overdraft facilities. This means that, as of this interim report, the Group's overdraft facilities are reported as a current liability. The comparative data have been duly adjusted. However, the aim of the overdraft facility is long-term. Also, recommendation RR25, regarding segment accounting, has been applied. Sigma's primary segmentation is the division on the basis of business areas and the secondary segmentation in line with operating countries.

Forthcoming reporting dates

- Nine-month interim report (Q3) 2003 October 29, 2003
- Year-end report, 12 months (Q4) 2003 February 13, 2004

Göteborg August 21, 2003

Sigma AB (publ)

(Corporate reg. no. 556347-5440)

Board of Directors

This interim report has not been examined specifically by the company's auditors..

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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