

## Sigma AB (publ)

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 (negative: 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*<sup>®</sup>, 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 somewhat 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). 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 548.3 M. The sold units' sales largely comprised high-selling but low-margin hardware products.

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 related to strategy operations. In 2002, items affecting comparability were posted totaling an expense of SEK 81.5 M, attributable to company 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 previous forecast stated, "earnings (EBITA) for 2003 are expected to significantly exceed the 2002 figure (SEK 0.7 M)". This has been adjusted to:

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

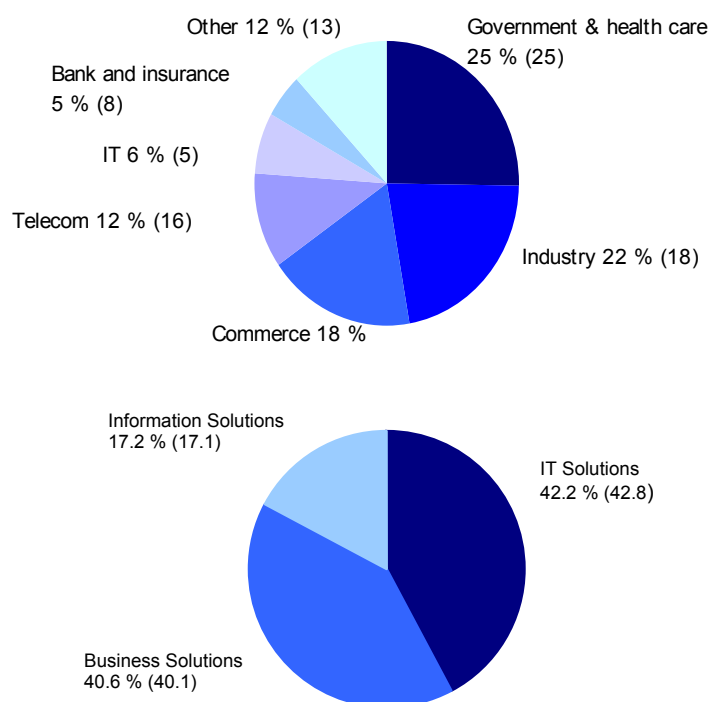
## Sigma in brief

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 750 employees with subsidiaries in Sweden, Denmark, Finland and Switzerland. Sigma is listed on Stockholmsbörsen's O List. [www.sigma.se](http://www.sigma.se)

Companies operating in Sweden conduct most of Sigma's sales, 92 percent. Danish companies generate 6 percent of sales and Swiss companies 2 percent, while Finnish operations generate less than 1 percent of invoicing.

Approximately 5 percent of Sigma's sales take place in countries other than that in which the company concerned operates. Approximately 14 percent of invoicing comprises fixed-price assignments. The Group's single largest customer represents approximately 8 percent of sales. Framework-agreement customers represent about 35 percent of total invoicing.

Sigma's invoicing is distributed as follows:



**Business Solutions** is active in the following three 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. Business Systems for Municipalities and County Councils, which delivers various systems, such as for journal management, e-prescriptions and solutions that improve the quality and efficiency of the healthcare sector.

**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 business 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 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.

## Examples of assignments during the third quarter

<b>Alm. Brand</b>	Project management in IP-telecommunications development
<b>Helsingborgshem</b>	Production of interim report with sound, images and text, <a href="http://www.helsingborgshem.se">www.helsingborgshem.se</a>
<b>HTH Kökkener A/S</b>	Integration of systems between HTH and white-goods manufacturers
<b>Swedish National Prison and Probation Administration</b>	Framework agreement on IT-consultancy services. Agreement comprises all of the 20 areas of expertise sought and applies for a period of two years.
<b>Omni</b>	Development of advanced diagnostic tool for troubleshooting of buses
<b>Swedish National Social Insurance Board</b>	Development of pensions portal, allowing the public to gain access to information about total personal pension
<b>SAAB Training System</b>	Extension of six different component projects
<b>SP Swedish Testing and Research Institute</b>	Continued development of intranet
<b>Stellent</b>	Agreement making Sigma prioritized partner in Sweden
<b>Swedish Agency for Administrative Development</b>	Extension by a further 15 months of framework agreement in operational development and strategy, systems development, project management, customer support and hardware operation and maintenance
<b>Lund University Hospital</b>	Development of documentation system in .net for throat surgery
<b>Volvo Cars</b>	Extension of functional undertaking for development of standard times for repairs and troubleshooting. Assignment has run for four years and has been extended to include 2004.

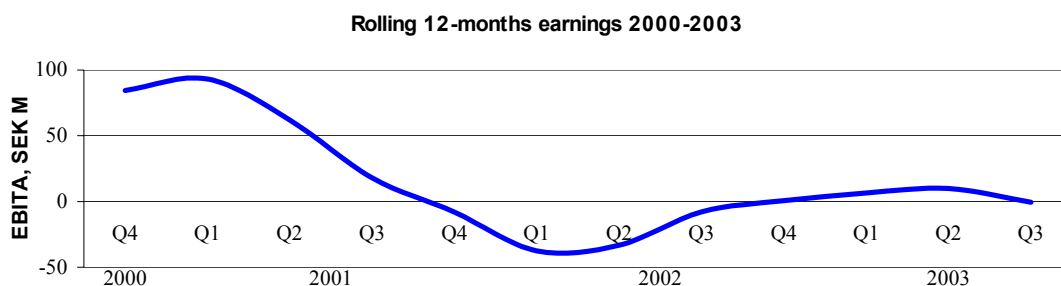
*Several of Sigma's customers have requested that their assignments not be mentioned. Most of these customer relations have extended over several years and have continually involved new assignments.*

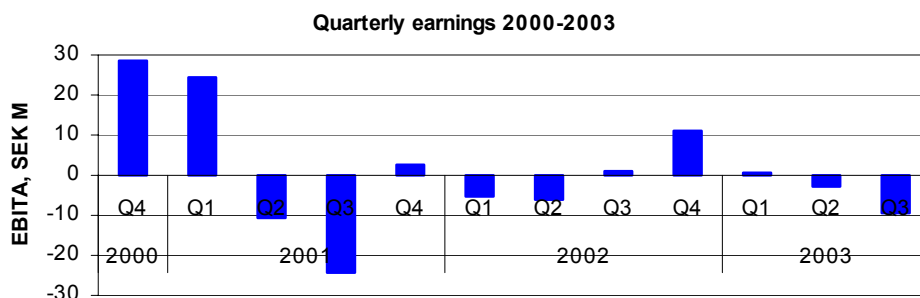
## Earnings and operational trends, 2000-2003

The market situation shifted considerably during 2001. In the second quarter of 2001, a loss was posted for the first time since operations commenced in 1996. Measures were immediately initiated and during the second half of 2001 an extensive savings program was conducted and several smaller operations phased out. During the first half of 2002, these measures were complemented with Sigma phasing out operations in Norway and Germany, as well as certain segments in Denmark. The Network & Wireless Solution business area was sold during the second half of 2002. Further minor adjustments in operations have also been conducted in all business areas during 2003.

In total, Sigma has rigorously adjusted its organization in pace with the changing market and has reduced its number of employees by more than 500 through divestments and closures. Naturally, these closures have reduced earnings in the periods concerned.

As can be seen in the rolling 12-month diagram below, the earnings trend has largely been positive since the summer of 2002. At their worst, rolling 12-month earnings were a loss of slightly more than SEK 40 M, as compared with today's break-even.





## Liquid funds and financial position

At the end of the quarter, available liquid funds amounted to approximately SEK 44 M (18) including unused credits.

Interest-bearing net debt amounted to SEK 105.7 M (155.2). At year-end, net debt amounted to SEK 163.5 M. During the year, payments of SEK 57.5 M were made from the previously posted provision for supplemental purchase payments. During the next 27 months, it is expected that supplemental purchase payments of slightly more than SEK 30 M will be paid. These are included in the balance sheet at non-interest bearing liabilities. It is expected that the purchase sums will be paid both in cash and in shares, the greater part in cash. A further SEK 0.5 M is expected to be paid during 2003.

Operating cash flow during the period was negative in an amount of SEK 9.7 M (negative: 26.9). During the third quarter, most accrued vacation was paid, affecting cash flow negatively.

On September 30, goodwill and other intangible assets amounted to SEK 204.1 M (196.7), of which goodwill accounted for SEK 171.8 M (196.6). 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 173.3 M (83.2), of which SEK 139.5 M was added through new share issues. On December 31, 2002, shareholders' equity amounted to SEK 82.2 M. Total assets amounted to SEK 449.5 M (569.3). The equity/assets ratio was 39.3% (14.7), compared with 16.4% at year-end.

## Investments

Total investments during the first nine months amounted to SEK 23.2 M (10.2). No operations were acquired.

Capitalized development costs accounted for SEK 9.9 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 7.5 M (5.3) was invested in goodwill, which pertained entirely to the final payment of variable supplemental purchase payments. In current operations, SEK 2.9 M (4.7) 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 year. SEK 1.9 M (0) was invested in intangible rights during the year.

Investments in computer equipment considered having a shorter life than three years are written off directly. Accordingly, SEK 5.0 M (6.6) was charged against operating profit for such investments.

## Personnel

At the end of the quarter, the number of employees was 735 (873). The gender distribution was 71% men and 29% women. The average number of employees during the first six months was 762 (1,084). Most of the employees are engineers with a Master's degree or the equivalent, and the average age is about 35.

## Private placement further strengthens capital structure

During the third quarter, the private placement approved by the Annual General Meeting was conducted with the purpose of resolving the debt to Teleca that arose in connection with the division of the former Sigma Group in 2001. The issue increased the number of shares by 9,772,917 at a price of SEK 4.40 per share, resulting in an increase in net shareholders' equity of SEK 42.3 M after issue costs. Institutional investors in Sweden and abroad subscribed the issue. The issue resulted in a dilution of existing shareholders by approximately 15 percent. Sigma's equity/assets ratio increased by 9.4 percent units and interest-bearing liabilities decreased by SEK 43 M with the repayment of the loan to Teleca.

## **Parent Company**

Parent Company sales, which were largely of an intra-Group nature, amounted to SEK 14.0 M (19.0) during the year. The Parent Company's net financial items amounted to an expense of SEK 5.4 M (expense: 6.4). The Parent Company reported a loss of SEK 32.2 M (loss: 109.0) after net financial items, of which write-downs for shares in subsidiaries correspond to and expense of SEK 21.8 M (96.1). Liquid funds amounted to SEK 5.0 M (0).

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.

## Condensed consolidated income statement, SEK M

	Jan-Sep 2003	Jan-Sep 2002	Jul-Sep 2003	Jul-Sep 2002	Jan-Dec 2002
Net sales	538.5	881.5	152.9	249.0	1 115.7
Operating expenses	-540.5	-878.9	-158.6	-243.9	-1 098.7
Depreciation, excl. goodwill amortization	-9.4	-13.1	-3.5	-4.1	-16.4
Amortization, goodwill	-22.8	-24.8	-7.8	-8.2	-30.9
Items affecting comparability <sup>*)</sup>	-8.3	-81.5	-8.3	-61.2	-83.9
<b>Operating profit/loss</b>	<b>-42.5</b>	<b>-116.8</b>	<b>-25.4</b>	<b>-68.4</b>	<b>-114.2</b>
Operating margin, %	-7.9	-13.2	-16.6	-27.5	-10.2
Loss from financial investments	-7.5	-10.5	-2.2	-3.3	-14.4
<b>Loss after net financial items</b>	<b>-50.1</b>	<b>-127.3</b>	<b>-27.6</b>	<b>-71.7</b>	<b>-128.6</b>
Profit margin, %	-9.3	-14.4	-0	-28.8	-11.5
Minority share	-0.4	3.4	0.0	2.7	1.7
Tax	2.8	3.7	0.4	-0.6	6.0
<b>Net loss for the period</b>	<b>-47.7</b>	<b>-120.1</b>	<b>-25.8</b>	<b>-69.6</b>	<b>-120.9</b>
Average number of shares	38,904,376	18,930,282	60,048,485	18,930,282	18,930,282
Earnings per share	-1.23	-6.35	-0.43	-3.68	-6.38

Operating profit/loss before goodwill amortization and items affecting comparability (EBITA), SEK M

-11.5      -10.5      -9.3      1.0      0.7

Margin (EBITA) %

-2.1      -1.4      -6.1      0.4      0.1

*\*) Items affecting comparability during the current year pertain entirely to the write-down of goodwill. In the year-earlier period, the divestment or phase-out of companies accounted for most of the items affecting comparability.*

## Condensed consolidated balance sheet, SEK M

	Sep 30, 2003	Sep 30, 2002	Dec 31, 2002
<b>Assets</b>			
Intangible fixed assets	204.1	197.0	220.4
Tangible fixed assets	21.2	28.4	24.2
Financial fixed assets	24.0	17.6	20.6
Current assets	191.7	320.6	231.6
Liquid funds (cash and bank balances)	8.5	5.6	16.0
<b>Total assets</b>	<b>449.5</b>	<b>569.2</b>	<b>514.0</b>
<b>Shareholders' equity and liabilities</b>			
Shareholders' equity	173.3	83.2	82.2
Minority share in shareholders' equity	3.4	0.6	2.0
Provisions	8.8	15.0	11.4
Long-term liabilities, interest-bearing	0.0	0.0	0.1
Long-term liabilities, non interest-bearing	-	4.8	-
Current liabilities, interest-bearing	114.5	231.4	179.9
Current liabilities, non interest-bearing	149.5	234.2	238.4
<b>Total liabilities and shareholders' equity</b>	<b>449.5</b>	<b>569.2</b>	<b>514.0</b>

\* Available liquid funds, including unused credits, totalled to SEK M 44 at the end of the third quarter (18).

## Condensed consolidated cash flow statement, SEK M

	Jan-Sep 2003	Jan-Sep 2002	Jan-Sep 2002
Cash flow from operations	-10.2	-38.5	-3.6
Changes in working capital	0.4	11.6	69.1
<b>Cash flow from current operations</b>	<b>-9.7</b>	<b>-26.9</b>	<b>65.5</b>
Investment operations	-19.3	48.5	12.7
Financial operations <sup>1)</sup>	21.6	-58.1	-104.7
<b>Change in liquid funds</b>	<b>-7.5</b>	<b>-36.5</b>	<b>-26.5</b>

<sup>1)</sup> A new issue of SEK 140 M reduced interest-bearing liabilities in a corresponding amount, while at the same time supplemental purchase payments were made totalling SEK 57 M.



## Consolidated change in shareholders' equity, SEK M

	Jan-Sep 2003	Jan-Sep 2002	Jan-Sep 2002
Amount at the beginning of the year	82.2	203.4	203.4
New share issue	139.5	-	-
Translation differences	-0.7	0.5	-0.3
Loss for the period	-47.7	-120.7	-120.9
<b>Amount at the end of period</b>	<b>173.3</b>	<b>83.2</b>	<b>82.2</b>

## Key ratios Sigma Group

	Sep 30, 2003	Sep 30, 2002	Dec 31, 2002
Number of employees, end of period	735	873	802
Average number of employees	762	1 084	1 028
Net sales per employee, SEK 000s *)	707	813	1 085
Added value per employee	481	482	650
Return on operating capital, %	-15.9	-23.2	-30.1
Return on capital employed, %	-15.4	-14.5	-27.3
Return on shareholders' equity, %	-37.0	-306	-92.9
Net debt/equity ratio, %	61.0	186.6	198.8
Equity/assets ratio, %	39.3	14.7	16.4
Gross margin, %	-0.4	-0.3	1.5
EBITA% (before items affecting comparability)	-2.1	-1.2	0.1
Operating margin, %	-2.1	-13.2	-10.4
Profit margin, %	-9.3	-14.4	-11.5
Number of shares, end of period	66,563,573	18,930,282	18,930,282
Average number of shares	38,904,376	18,930,282	18,930,282
Earnings per share after full tax, SEK	-1.23	-6.35	-6.38
Shareholders' equity per share, SEK	2.60	4.39	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 etc., sales per employee amounted to SEK 544,000 (541,000).

## Quarterly trend

	2000				2001				2002				2003			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Net sales, SEK M	183	241	228	346	375	346	294	390	316	316	249	234	194	192	153	
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	-9.3	
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	735	

\* 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 year, the Group's overdraft facilities are reported as a current liability. The comparative data has 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 a division based on business areas and the secondary segmentation is a division based on operating countries.

## Forthcoming report dates

- Year-end report, 12 months (Q4) 2003

February 13, 2004

Gothenburg, October 29, 2003

**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).

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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