

Sign On i Stockholm AB (publ)

Interim report

1 January – 30 June 2002

Financial information January – June

- Net sales rose by 30 percent and amounted to SEK 12.3 million (9.5).
- Profit/loss improved by 8 percent and amounted to SEK -13.9 million (-15.1).
- Liquid assets and current receivables amounted to SEK 25.7 million (13.0).
- Sign On was listed on Stockholm Stock Exchange O-List on 27 June.
- Sign On implemented a new share issue, which brought the company SEK 22 million after issue expenses.

Summary of second quarter

- Net sales rose by 19 percent and amounted to SEK 5.2 million (4.4).
- Increased sales resources and deferred investment decisions among customers resulted in a 22 percent decrease in profit/loss, which amounted to SEK -8.9 million (-7.3).
- FormPipe pilot projects with Nordea and the National Land Survey of Sweden. Forms Hotel in four new municipalities, Östersund, Halmstad, Norrköping and Mönsterås.

Events after the end of period/Future prospects

- Sign On has obtained a Swedish patent for the FormPipe software. The fact that we have a Swedish patent and the City of Stockholm as one of our reference customers makes it easier for other companies and authorities to select FormPipe to receive information over the Internet.

Sign On has also applied for a European patent and patents in the USA and Canada.

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About Sign On

Sign On is a software company, which offers a total solution, allowing everyone quick and cost-effective access to electronic forms and documents and enabling them to send information over the Internet with or without an electronic signature. Sign On operations are divided into three business units, FormPipe, Sign On Forms Archive and Sign On Forms Hotel/Forms Construction. The head office is situated in Danderyd with 66 employees and the sales office is in Helsingborg.

FormPipe

FormPipe is in-house developed software enabling companies, municipalities and authorities to securely receive information over the Internet. With FormPipe, a citizen can fill in a form or application with an electronic signature and send it directly via the Internet to the municipality, which is able to automatically receive the content and save the application electronically.

Sign On Forms Archive

Sign On Forms Archive is an Internet service to which companies can subscribe on an annual basis. The archive holds over 4,500 agreement templates and forms etc. for the office. Instead of a company producing its own internal templates, everything can be accessed over the Internet – constantly updated – around the clock.

Sign On Forms Hotel and Forms Construction

Sign On Forms Hotel is a service enabling companies, municipalities and authorities to publish their own forms for internal use and also to provide forms for their customers, citizens and inhabitants. Sign On constructs the forms, offers support and ensures that they are accessible over the Internet around the clock.

Summary of important events during the quarter

During the first two quarters the market was characterised by a cautious attitude to new projects and investments among our customers. This was particularly evident in the FormPipe business unit, which saw projects postponed. Despite this, Sign On's net sales increased by 19% in the second quarter compared with the same period the previous year.

- On 27 June Sign On was listed on the Stockholm Stock Exchange O-List, which will enable us to reach new shareholders and make it easier to carry out more extensive business deals in Sweden and Europe. The Sign On share has been quoted on the new Market list since June 2000.
- In May Sign On implemented a new share issue, which brought the company an additional SEK 22 million after issue expenses. The purpose of the share issue was to finance further development and sales of Sign On's services and products in Sweden and internationally.
- During the second quarter, Statskontoret (the Swedish Agency for Public Management) handpicked a number of suppliers that will be invited to offer solutions to authorities and municipalities during autumn. The purchasing will include e-forms and e-registry (a perfect application of FormPipe for receiving and registering information).
- An EU directive will result in changes to the law among the individual member states. The new law, which comes into force on 1 January 2004, is aimed at increasing security during the processing of electronic invoices. At the present time, PKI (Public Key Infrastructure) is the only way to securely identify oneself and sign information on the Internet. The new law will pave the way for Sign On to develop new FormPipe solutions for sending and receiving signed electronic invoices.
- Continued increase in the sales of forms hotel to municipalities and county councils. Sign On now supplies forms hotel to just over 40 municipalities and 7 county councils. New Forms Hotel customers include Östersund, Halmstad, Norrköping and Mönsterås.

Financial and other information

Sign On's net sales during the second quarter of 2002 amounted to SEK 5,186 thousand (4,360), which is an increase of 19% compared with the same period the previous year. Net sales for the first half-year amounted to SEK 12,341 thousand (9,486), which is an increase of 30% compared with the same period the previous year.

Profit/loss after net financial income/expense for the period was SEK -8,941 thousand (-7,295). The total profit/loss for the first half-year after net financial income/expense is SEK -13,979 thousand (-15,133), which is an improvement of 8 percent.

Personnel expenses increased by 30 percent compared with the previous year. This is due to the fact that the number of employees increased by 15. Most of the new appointments were in sales.

FormPipe

- Net sales during the second quarter amounted to SEK 0.6 million
Net sales for the first half-year amounted to SEK 1.2 million
- Profit/loss after net financial income/expense during the second quarter amounted to SEK -5.2 million
Profit/loss after net financial income/expense for the first half-year amounted to SEK -9.1 million
- There were no capitalised development expenses during the period

Sign On Forms Archive

- Net sales during the second quarter amounted to SEK 2.6 million
Net sales for the first half-year amounted to SEK 6.8 million
- Profit/loss after net financial income/expense during the second quarter amounted to SEK -2.0 million
Profit/loss after net financial income/expense for the first half-year amounted to SEK -1.8 million
- Sign On recruited replacement salespersons during the first half-year
- Sign On has invested in large-scale new development of legal templates

Sign On Forms Hotel/Forms Construction

- Net sales during the second quarter amounted to SEK 2.0 million
Net sales for the first half-year amounted to SEK 4.3 million
- Profit/loss after net financial income/expense during the second quarter amounted to SEK -1.8 million
Profit/loss after net financial income/expense for the first half-year amounted to SEK -3.1 million
- A number of customers opted to postpone their projects until the third quarter

Financial position

The Company's liquid assets and current receivables amounted to SEK 25.7 million (13.0) at 30 June 2002. The equity/assets ratio was 72.8 percent (65.6). Equity was SEK 21.2 million (13.3), which corresponds to an equity per share of SEK 2.56 (1.87). During the second quarter 2002 the company implemented a new share issue of 857,618 shares, which brought an additional SEK 21.9 million after issue expenses. Following this new share issue, the number of shares amounted to 8,266,618 (30.06.2002).

Investments

New investments in tangible fixed assets amounted to SEK 0.6 million (1.7) for the half-year. The investments related mainly to the acquisition of computer equipment for new employees. Depreciation on equipment amounted to SEK 1.2 million (1.3).

Research and Development expenses

During the first and second quarters the Company did not capitalise any development expenses.

Tax

Deferred tax assets in the form of deficit deductions are only reported insofar as these will result in lower tax payments in the future.

Future prospects

At the start of the third quarter Sign On obtained a Swedish patent for the in-house developed FormPipe software. This decision came at an opportune time, as Statskontoret is now purchasing systems for Swedish authorities. An important reference in the City of Stockholm and a Swedish patent make companies and authorities more likely to choose FormPipe to receive information over the Internet with or without an electronic signature.

During the year Sign On has implemented a large-scale new development of legal templates and initiated a development project for helping human resources departments in companies. Sign On will invest just over 1,000 hours before the end of the third quarter. This will make it easier for Sign On's salespersons to renew existing subscriptions and hotels, and also to sell to new customers, large and small. All companies need templates, forms and checklists for personnel and employment business.

Sign On has a finished concept to offer companies and authorities, from individual forms to an advanced piece of software for the receipt of large quantities of information. During the first half-year Sign On has employed and trained a number of salespersons, in order to increase sales in the second half of the year.

Accounting principles

This interim report has been prepared in accordance with the Annual Accounts Act and the Swedish Accounting Standards council's recommendations. From 2002 several new recommendations from the Swedish Accounting Standards Council will come into force. Where these have been applied, there have been no changes from the principles used in the most recent annual accounts.

As the Swedish Accounting Standards Council's new recommendation RR 15, Intangible Fixed Assets, came into force, Sign On examined whether the Company's development expenses represent an item that can be capitalised as an intangible fixed asset in accordance with the above recommendation. It was established that development expenses that can be capitalised may arise in the Company during performance-enhancing development of the software program, FormPipe. These development expenses may be internal expenses, mainly salary expenses, and also consulting expenses.

Forthcoming reports/AGM

Interim report, January – September 2002	31 October	2002
Financial statements	20 February	2003

Danderyd, 28 August 2002

Bosse Falgard
Chief Executive Officer

Summary of profit and loss account

(SEK thousands)	April - June 2002	April - June 2001	Jan - June 2002	Jan - June 2001	Whole year 2001
Net sales	5 186	4 360	12 341	9 486	22 445
Total net sales	5 186	4 360	12 341	9 486	22 445
Sales expenses, external	-128	-851	-180	-2 141	-2 363
Other expenses	-3 872	-4 061	-6 944	-8 725	-14 208
Personnel expenses	-9 469	-6 500	-17 898	-12 909	-27 853
Depreciation	-624	-663	-1 236	-1 265	-3 053
Total expenses	-14 093	-12 075	-26 258	-25 040	-47 477
Operating profit/loss	-8 907	-7 715	-13 917	-15 554	-25 032
Profit/loss from sale of participation in associated companies	0	0	0	0	-1 200
Net financial income/expense	-34	420	-62	421	613
Profit/loss	-8 941	-7 295	-13 979	-15 133	-25 619
Tax on profit/loss for the period	0	0	0	0	0
Profit/loss for the year	-8 941	-7 295	-13 979	-15 133	-25 619
Earnings per share, SEK	-1.08	-1.03	-0.68	1.11	-3.60
Earnings per share in full dilution, SEK	-1.08	-1.03	-0.68	1.11	-3.60

Net sales per business unit

	Jan - June 2002	Q 2 2002	Q 1 2002
SEK thousands			
Forms Archive	6 817	2 610	4 207
Forms Hotel/Forms Construction	4 335	1 997	2 338
FormPipe (Electronic signature)	1 189	579	610
Total	12 341	5 186	7 155

Profit/loss after net financial income/expense per business unit

	Jan - June 2002	Q 2 2002	Q 1 2002
SEK thousands			
Forms Archive	-1 785	-1 963	178
Forms Hotel/Forms Construction	-3 081	-1 797	-1 284
FormPipe	-9 113	-5 181	-3 932
Total	-13 979	-8 941	-5 038

Summary of balance sheet

SEK thousands	30-06-2002	30-06-2001	31-12-2001
Intangible fixed assets	975	2 126	1 315
Tangible fixed assets	2 154	3 579	2 458
Financial assets	200	1 516	200
Current receivables	9 059	7 735	8 637
Liquid assets	16 682	5 280	3 197
TOTAL ASSETS	29 070	20 236	15 807
Equity ¹⁾	21 151	13 270	7 624
Provisions	266	208	228
Long-term liabilities ²⁾	0	0	1 021
Current liabilities ²⁾	7 653	6 758	6 934
TOTAL EQUITY AND LIABILITIES	29 070	20 236	15 807
¹⁾ Nominal amount per share is SEK 0.20			
²⁾ of which interest-bearing liabilities	0	0	1 022

Summary of cash flow analysis

SEK thousands	Jan - June 2002	Jan - June 2001	Whole year 2 001
Current operations			
Operating profit/loss after financial items	-13 979	-15 133	-25 619
Adjustments for items not included in the cash flow	1 491	1 277	4 154
Cash flow from current operations before changes in working capital	-12 488	-13 856	-21 465
Changes in working capital	-69	1 510	1 116
Investment activities	-593	-1 631	-1 572
Financing activities	26 635	0	5 861
Change in liquid assets	13 485	-13 977	-16 060
Liquid assets at beginning of period	3 197	19 257	19 257
Liquid assets at end of period	16 682	5 280	3 197

No. of shares	Jan - June 2002	Jan - June 2001	Whole year 2001
<i>Before dilution</i>			
Opening no. of shares	7 239 000	7 089 000	7 089 000
Increase in no. of shares through new share issue	1 027 618	0	150 000
Closing no. of shares	8 266 618	7 089 000	7 239 000
<i>After full dilution</i>			
Closing no. of shares	8 266 618	7 089 000	7 239 000
Warrants issued	494 500	494 500	494 500
Closing no. of shares after dilution	8 761 118	7 583 500	7 733 500

Changes in equity

	Jan - June 2002	Jan - June 2001	Whole year 2001
SEK thousands			
Opening equity at beginning of year	7 624	28 403	28 403
New share issue and options	27 506	0	4 840
Profit/loss for the period	-13 979	-15 133	-25 619
Equity at end of period	21 151	13 270	7 624

Key ratios

	Jan - June 2002	Jan - June 2001	Whole year 2001
Net sales, SEK thousands	12 341	9 486	22 445
Profit/loss after financial items, SEK thousands	-8 941	-7 295	-25 619
Equity per share	2.56	1.87	1.05
Return on equity, % ¹⁾	-70.9	-115.9	-142.2
Return on total capital, % ¹⁾	-74.5	-95.5	-98.5
Operating margin	-72.1	-164.0	-111.5
Equity/assets ratio %	72.8	65.6	48.2
No. of employees, mean annual figure	66	50	54

¹⁾ When calculating the size of return, the results cover a rolling 12-month-period
Definitions, see Annual report 2001

This interim report has not been examined by Sign On AB's auditors.

