

# **Sign On i Stockholm AB (publ)**

## **Interim report**

### **1 January – 30 September 2002**

#### Financial information January – September

- Net sales rose by 26 percent and amounted to SEK 17.7 million (14.0).
- Profit/loss was unchanged compared with the previous year SEK -22.6 million (-22.4).
- Liquid assets amounted to SEK 6.5 million (5.1)

#### Summary of third quarter

- Net sales rose by 17 percent and amounted to SEK 5.3 million (4.6).
- Profit/loss for the period amounted to SEK -8.7 million (-7.3).
- Measures have been begun to strengthen the company's liquidity.
- Sign On has obtained patents in Sweden and the UK for the FormPipe software.
- The municipality of Glostrup in Denmark has decided to use FormPipe.
- Low sales in the summer months have affected the results, but since mid-August the company has had full order books in the Forms Hotel/Forms Archive departments.
- Focus on selling FormPipe to authorities, municipalities and county councils in Sweden.
- Considerable interest in using FormPipe for eInvoicing from large companies

#### Events after the end of period

- Sign On acquires source code and rights to SignForm.
- Sign On acquires shares in SignForm Danmark A/S and SignForm Norge AS.
- A cost-cutting action programme has been initiated for the fourth quarter.
- Board member Franco Fedeli has been elected new Chairman by the Sign On Board. Göran Garvner remains on the Board and will specialise in sales and financing.

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### About Sign On

Sign On is a software company, which offers a total solution, giving 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 65 employees and there are sales office is in Helsingborg and Gothenburg.

### FormPipe

FormPipe is an in-house developed software enabling companies, municipalities or 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 a service on the Internet 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 third quarter**

Sign On concentrated on eGovernment and eInvoicing in the third quarter. Sign On has packaged electronic forms and FormPipe to enable an authority to receive electronically signed information. Together with leading consulting and IT companies we have offered this solution to Statskontoret [the Swedish Agency for Public Management] which is currently making a large-scale purchase “Information provision 2002”. At the same time, Sign On has implemented a number of pilot schemes with authorities in the Nordic region to lay the foundation for more increased income in 2003. The authorities include the City of Stockholm, the ESF and the municipality of Oslo in Norway. The municipality of Glostrup in Denmark has decided to use FormPipe.

In the third quarter, the summer months had a negative impact on income, more so than in the previous year. In September business was back in full swing and Forms Archive and Forms Hotel reported monthly net sales totalling more than SEK 2.5 million. Our new customers include Amica, Betongindustri, Swebus, Broströms, Svenskt Vatten, UPS, Svenska Spel, Bilja and Civil-ekonomernas Riksförbund [the Swedish Association of Business Administration Graduates].

In the third quarter Sign On invested in the creation of a complete offer for human resources departments including everything a company might need, from employment templates, testimonials, to environmental and equal employment opportunities policies. This offer is included in Forms Archive and will also be adapted to existing Forms Hotels.

## **Financial and other information**

Sign On's net sales during the third quarter of 2002 amounted to SEK 5,321 thousand (4,551), which is an increase of 17% compared with the same period the previous year. Net sales for the first nine months amounted to SEK 17,662 thousand (14,037), which is an increase of 26% compared with the same period the previous year.

Profit/loss after net financial income/expense for the period was SEK -8,666 thousand (-7,279). Total profit/loss after net financial income/expense for the nine months was SEK -22,645 thousand (-22,412). In the fourth quarter Sign On has embarked upon an action programme that will take effect in the first and second quarters of 2003. The action programme, which will not affect the company's business operations in the short term, is aimed at reducing the company's costs until FormPipe generates income.

Since September, the level of income for Forms Archive and Forms Hotel has represented a positive result. In the summer months of July and part of August the results were burdened with fixed costs and lower income.

### **FormPipe**

- Net sales during the third quarter amounted to SEK 0.2 million  
Net sales for the nine months amounted to SEK 1.4 million  
Income relates to a number of pilot schemes that are now due to be expanded
- Profit/loss after net financial income/expense during the third quarter amounted to SEK -5.9 million  
Profit/loss after net financial income/expense for the nine months amounted to SEK -15.0 million
- There were no capitalised development expenses during the period.

### **Sign On Forms Archive**

- Net sales during the third quarter amounted to SEK 3.4 million  
Net sales were low in the summer months of July and August  
Net sales for September amounted to SEK 1.7 million  
Net sales for the nine months amounted to SEK 10.2 million
- Profit/loss after net financial income/expense during the third quarter amounted to SEK -0.8 million  
Profit/loss after net financial income/expense for the nine months amounted to SEK -2.6 million

### **Sign On Forms Hotel/Forms Construction**

- Net sales during the third quarter amounted to SEK 1.7 million  
Net sales were low in the summer months and amounted to SEK 1.0 million in September.  
Net sales for the nine months amounted to SEK 6.0 million
- Profit/loss after net financial income/expense during the third quarter amounted to SEK -2.0 million  
Profit/loss after net financial income/expense for the nine months amounted to SEK -5.0 million

## **Financial position**

The company's liquid assets amounted to SEK 6.5 million (5.1) at 30-09-2002. The equity/assets ratio was 65.4 percent (61.0). Equity was SEK 12.5 million (10.8), which corresponds to an equity per share of SEK 1.51 (1.49). The number of shares was 8,266,618 (at 30-09-2002). Sign On has initiated a number of activities to guarantee the company's liquidity.

**Investments**

New investments in tangible fixed assets amounted to SEK 0.7 million (1.8) for the period. The investments related mainly to the acquisition of computer equipment for new employees. Depreciation on equipment amounted to SEK 2.0 million (1.9).

**Research and Development expenses**

During the period January – September 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.

**Events after the end of period**

After the end of the period Sign On acquired the source code and all rights to the SignForm software from SignForm International B.V. Sign On has used this software since 1996 and has also been involved in its development. In 1998/1999 Sign On acquired rights for the Swedish market.

After the end of the period Sign On purchased 16.6 of the shares in SignForm Danmark A/S and 38 percent in SignForm Norge AS from SignForm International B.V. The companies in Denmark and Norway have invested in marketing FormPipe in their respective countries and the ownership will enable us to influence future development.

Sign On purchased the above-mentioned rights and shares to enable it to influence long-term development of Forms Hotel/Archive and facilitate any future structural business.

**Future prospects**

Authorities in Europe are conducting projects that include both electronic forms and electronic signature. Sweden is way ahead in this field and Sign On has been focusing on municipalities, authorities and county councils for many years. Sign On will continue to offer authorities and companies form solutions that can be used immediately to increase access and service levels in relation to their customers and users.

References in Sweden, the patented FormPipe software and the rights to SignForm enable us to offer equivalent concepts and solutions in Europe via partners. In the third quarter Sign On adapted FormPipe to Entrust and VeriSign, which are the two leading security software companies in Europe.

A new law, aimed at preventing VAT fraud, is likely to come into force in Europe at the start of 2004, stipulating that electronic invoices have to be signed to guarantee origin and sender. An electronic invoice can be directly compared with an electronic document, which is another area of application for FormPipe.

**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**

Financial statements

20 February 2003

Danderyd, 31 October 2002

Bosse Falgard  
Chief Executive Officer

## Summary of profit and loss account

SEK thousands	July - Sept 2002	July - Sept 2001	Jan - Sept 2002	Jan - Sept 2001	Whole year 2001
Net sales	5 321	4 551	17 662	14 037	22 445
<b>Total net sales</b>	<b>5 321</b>	<b>4 551</b>	<b>17 662</b>	<b>14 037</b>	<b>22 445</b>
Sales expenses, external	-116	-241	-296	-2 382	-2 363
Other expenses	-4 528	-2 716	-11 472	-11 441	-14 208
Personnel expenses	-8 558	-7 040	-26 456	-19 949	-27 853
Depreciation	-808	-629	-2 044	-1 894	-3 053
<b>Total expenses</b>	<b>-14 010</b>	<b>-10 626</b>	<b>-40 268</b>	<b>-35 666</b>	<b>-47 477</b>
<b>Operating profit/loss</b>	<b>-8 689</b>	<b>-6 075</b>	<b>-22 606</b>	<b>-21 629</b>	<b>-25 032</b>
Profit/loss from sale of participation in associated companies	0	-1 200	0	-1 200	-1 200
Net financial income/expense	23	-4	-39	417	613
<b>Profit/loss</b>	<b>-8 666</b>	<b>-7 279</b>	<b>-22 645</b>	<b>-22 412</b>	<b>-25 619</b>
Tax on profit/loss for the period	0	0	0	0	0
<b>Profit/loss for the year</b>	<b>-8 666</b>	<b>-7 279</b>	<b>-22 645</b>	<b>-22 412</b>	<b>-25 619</b>
Earnings per share, SEK	-1.05	-1.03	-2.92	-3.16	-3.60
Earnings per share in full dilution, SEK	-1.05	-1.03	-2.92	-3.16	-3.60

## Net sales per business unit

SEK thousands	Jan - Sept 2002	Q3 2002	Q2 2002	Q1 2002
Forms Archive	10 244	3 427	2 610	4 207
Forms Hotel/Forms Construction	5 999	1 664	1 997	2 338
FormPipe (Electronic signature)	1 419	230	579	610
<b>Total</b>	<b>17 662</b>	<b>5 321</b>	<b>5 186</b>	<b>7 155</b>

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

SEK thousands	Jan - Sept 2002	Q3 2002	Q2 2002	Q1 2002
Forms Archive	-2 631	-846	-1 963	178
Forms Hotel/Forms Construction	-5 039	-1 958	-1 797	-1 284
FormPipe	-14 975	-5 862	-5 181	-3 932
<b>Total</b>	<b>-22 645</b>	<b>-8 666</b>	<b>-8 941</b>	<b>-5 038</b>

## Summary of balance sheet

SEK thousands	30-09-2002	30-09-2001	31-12-2001
Intangible fixed assets	671	1 813	1 315
Tangible fixed assets	1 937	3 160	2 458
Financial assets	200	200	200
Current receivables	9 780	7 375	8 637
Liquid assets	6 491	5 138	3 197
<b>TOTAL ASSETS</b>	<b>19 079</b>	<b>17 686</b>	<b>15 807</b>
Equity <sup>1)</sup>	12 485	10 791	7 624
Provisions	307	218	228
Long-term liabilities <sup>2)</sup>	0	0	1 021
Current liabilities <sup>2)</sup>	6 287	6 677	6 934
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>19 079</b>	<b>17 686</b>	<b>15 807</b>
<sup>1)</sup> Nominal amount per share is SEK 0.20			
<sup>2)</sup> of which interest-bearing liabilities	0	0	1 022

## Summary of cash flow analysis

SEK thousands	Jan - Sept 2002	Jan - Sept 2001	Whole year 2 001
Current operations			
Operating profit/loss after financial items	-22 645	-22 412	-25 619
Adjustments for items not included in the cash flow	2 164	1 135	4 154
Cash flow from current operations before changes in working capital	-20 481	-21 277	-21 465
Changes in working capital	-2 006	2 594	1 116
Investment activities	-704	-236	-1 572
Financing activities	26 485	4 800	5 861
<b>Change in liquid assets</b>	<b>3 294</b>	<b>-14 119</b>	<b>-16 060</b>
<b>Liquid assets at beginning of period</b>	<b>3 197</b>	<b>19 257</b>	<b>19 257</b>
<b>Liquid assets at end of period</b>	<b>6 491</b>	<b>5 138</b>	<b>3 197</b>

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

### Changes in equity

	<b>Jan - Sept 2002</b>	Jan - Sept 2001	Whole year 2001
SEK thousands			
Opening equity at beginning of year	<b>7 624</b>	28 403	28 403
New share issue and options	<b>27 506</b>	4 800	4 840
Profit/loss for the period	<b>-22 645</b>	-22 412	-25 619
Equity at end of period	<b>12 485</b>	10 791	7 624

### Key ratios

	<b>Jan - Sept 2002</b>	Jan - Sept 2001	Whole year 2001
Net sales, SEK thousands	<b>17 662</b>	14 037	22 445
Profit/loss after financial items, SEK thousands	<b>-22 645</b>	-22 412	-25 619
Equity per share	<b>1.51</b>	1.49	1.05
Return on equity, % <sup>1)</sup>	<b>-130.0</b>	-130.5	-142.2
Return on total capital, % <sup>1)</sup>	<b>-81.8</b>	-102.5	-98.5
Operating margin	<b>-128.0</b>	-154.1	-111.5
Equity/assets ratio %	<b>65.4%</b>	61.0%	48.2%
No. of employees, mean annual figure	<b>65</b>	52	54

<sup>1)</sup> 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.

