

## January-June 2004 (H1) report for the Cybercom Group

### Strong growth in telecom

#### H1 (January-June)

- Sales rose to SEK 201.8 million (159.7), a 26% increase compared to H1 2003.
- Profit after tax reached SEK 2.3 million (-4.6).
- Profit per share stood at SEK 0.23 (-0.50).
- Operating income (EBITA) was SEK 6.1 million (4.2) and EBIT was SEK 2.9 (-4.2).
- The company had profitable growth and improved order volumes with customers that have frame agreements.

#### Q2 (April-June)

- Sales reached SEK 98.6 million (79.1), a 25% increase compared to Q2 2003.
- Profit after tax rose to SEK 1.7 million (-3.3).
- Operating income (EBITA) was SEK 2.6 million (0.7) and EBIT was SEK 1.1 million (-3.4).

Cybercom is an IT consulting company that focuses on developing and strengthening its customers' operations by delivering IT solutions that generate more business for its customers. The company offers expertise primarily in telecom and finance. Cybercom was launched in 1995; since 1999, it has been quoted on the Stockholm stock exchange's O list (*Stockholmsbörsen*). The company is financially sound; it currently employs about 370 people (an average of 13 years' consulting experience), who in a creative, stimulating milieu, add value in the form of professionalism, experience, customer relations, and the results that they deliver. Cybercom has operations in 10 countries and offices in Denmark, Norway, Sweden, and the UK. Find out more at [www.cybercomgroup.com](http://www.cybercomgroup.com)

## THE MARKET

Continued increases in activity characterise the IT consulting market. Cybercom received many queries from customers. And careful optimism typifies the industry.

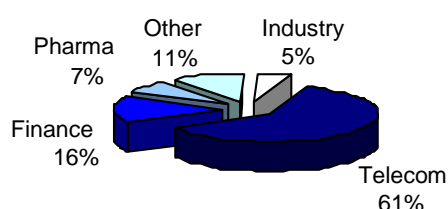
Demand for consulting services in southern Sweden is still strong. Increased demand for consulting services is being demonstrated in other regions, particularly among customers in Stockholm.

Investments in services within telecom were noticeable. As before, demand mainly targets mobile telephony and mobile networks. Banking, finance, and insurance are moving along, but sales cycles are extensive, and decisions still take time.

Pricing pressure eased, and pricing levels stabilised somewhat, compared to Q1 2004.

The market's big investors increasingly purchase from suppliers with whom they have frame agreements and from selected partners. This benefits Cybercom. Many of these purchases consist of services such as outsourcing, strategy consulting, and projects.

*Cybercom primarily serves telecom, which accounts for 61% of sales. H1 sales by segment:*



AFA, ASSA ABLOY, Apoteket, Ericsson, Reuters, Sony Ericsson and TeliaSonera are Cybercom's largest customers.

## THE GROUP

### Sales and profit

H1 sales rose to SEK 201.8 million (159.7), a 26% increase, compared to H1 2003.<sup>1</sup>

Telecom growth in Denmark and Sweden, and acquisition of Consafe Infotech's operation, account for the sales increase.

*Business area (BA) sales in SEK million and percentage of total sales.<sup>2</sup>*

BA	H1 2004	H1 2004	H1 2003	H1 2003
Telecom & Services	130.5	61%	92.8	53%
Financial Services	47.4	22%	53.1	30%
International	35.4	17%	30.9	17%

Operating profit before goodwill amortisation reached SEK 6.1 million (4.7), which yields a 3.0% margin (2.9%). Net financial items (income/expense) stood at SEK 0.0 (1.0 million). Profit after net financial items reached SEK 2.9 million (-3.2), which yields a positive 1.4% net margin (-2.0%).

All business areas booked profit.

### The Group's second quarter (Q2)

Sales reached SEK 98.6 million (79.1), a 25% increase compared to Q2 2003. Operating profit before goodwill amortisation was SEK 2.6 million (0.7), yielding a 2.6% margin (0.9%).

Net financial items stood at SEK 0.6 million (0.2). Profit after net financial items is much improved compared to Q2 2003, i.e., SEK 1.7 million (-3.2), which yields a 1.7% net margin (-4.0%).

Holidays in Q2 2004 led to fewer invoicing days; this affected Group sales and profit, compared to Q1 2004. But the telecom operation wasn't affected because the proportion of total-management projects is higher, and sales and profit rose.

Integration of Consafe Infotech went according to plan and generated considerable business synergies. During Q2, Cybercom and the acquired operation won several joint deals, which they could not have achieved separately. In many cases, projects were staffed with consultants from both operations.

<sup>1</sup> H1 2003 figures in brackets (parentheses).

<sup>2</sup> Consolidation of internal invoicing and parent company sales is not reported here.

## Telecom & Services BA

Cybercom continues to take market shares within telecom and sees increased demand for portals, billing and product development. In Q2 2004, utilisation rose, and sales and the margin increased, compared to Q1 2004.

Cybercom has a stronger presence and expanded assignments with all large, key customers, i.e., Ericsson, Sony Ericsson, TeliaSonera and Nokia – a sign that large customers increasingly commission prioritised suppliers. Other large customers are Suntel, Teracom and 3.

As a demand supplier within the industry, Cybercom gets better contracts and many strategic, comprehensive projects. Cybercom now employs about 200 consultants within telecom; this figure includes subcontractors.

During Q2, Cybercom delivered key projects that involved IBM's WebSphere Commerce® for B2C and B2B. This is valuable references that increased the company's opportunities to win new deals within e-commerce.

Cybercom also has demand capabilities in device management, in upgrading cell phone software via the Internet or via radio connection. This is growth area that's on a roll, where many telecom market participants are customers.

Also, after the period's end, Ericsson's Mobile Platform unit commissioned Cybercom to perform test and verification of mobile platforms.

## Financial Services BA

This BA reported profit even though Q2 2004 had fewer invoicing days compared to Q1 2004. And the bottom line improved compared to Q2 2003. Utilisation rose and the BA's expenses are lower.

Major customers are AFA, AMF Pension, ASSA ABLOY and Skandinaviska Enskilda Banken.

## International BA

This BA reported higher sales volumes, compared to 1H 2003 – because of the acquired Norwegian operation and organic growth in Denmark. Although two factors affected the bottom line: (1) the pricing pressure in UK and (2) a change in executive management in Cybercom's UK operation during the spring. Also, Cybercom recruited a new managing director in Norway to strengthen its business relations with telecom operators.

The operation in Denmark continues to demonstrate positive growth. Besides higher sales volumes within telecom, Cybercom acquired new customers such as BRF-kredit and Nykredit in the finance sector. Nordea Invest commissioned Cybercom for

an application management project, which involves several applications.

Reuters, which is one of Cybercom's five largest customers, demonstrated a show of faith by extending its frame agreement until May 2006.

## EVENTS AFTER PERIOD'S END

- A larger testing and verification of mobile platforms project from Ericsson's Mobile Platform unit.

## EMPLOYEES

On average, Cybercom's employees have 13 years of industry experience. During H1 2004, the average number of Group employees was 322 (254).<sup>3</sup> Close to the end of H1, the number of Group employees on parent leave increased. At the end of H1, the number of employees in the Group was 366 (294).

Cybercom's CFO left the company, and recruitment for his replacement has started.

## INVESTMENTS DURING H1 2004

Investments in tangible fixed assets totalled SEK 3.5 million (1.0). Investments in intangible fixed assets totalled SEK 4.9 million (17.9).

In Q1 2004, executives in Cyber Com Consulting A/S exercised their rights to buy 3.3% of the shares in the Danish subsidiary. The Group bought back these shares for SEK 2.3 million, which resulted in goodwill that totalled SEK 2.2 million.

## LIQUIDITY

On 30 June 2004, the Group's liquid assets stood at SEK 44.9 million (SEK 88.3 million on 30 June 2003).

During H1, cash flow from running operations stood at SEK -20.2 million (-2.5) because:

- Working capital increased because of Q1 2004 volume increases.
- Payment was made for expenses incurred during the 2003 acquisition of Consafe Infotech, which lowered operating liabilities and thus negatively affected cash flow from running operations.

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<sup>3</sup> Ave. no. employees = average number of employees based on monthly measures adjusted for proportion of part-time employees and employees on leave.

## FINANCIAL POSITION

On 30 June 2004, shareholders' equity stood at SEK 157.2 million (228.6), which yields a good 61.0% equity/assets ratio (72.6%). Shareholders' equity per share stood at SEK 14.73 (24.18).

## THE PARENT COMPANY

The parent company primarily manages Group-wide staff functions, such as administration, communications and marketing, finance, HR, and IS/IT. At period's end, the parent company employed 25 (22) persons of which 6 are on leave. The average number of employees during the period was 17 (16).

H1 2004 sales reached SEK 15.4 million (13.7). Operating loss stood at SEK 3.1 million (-1.6). Loss after financial items was SEK 2.1 million (-0.2).

On 30 June 2004, the parent company's liquid assets totalled SEK 37.0 million (69.6). Investments in computers and other equipment totalled SEK 0.2 million (0.2).

## OUTLOOK

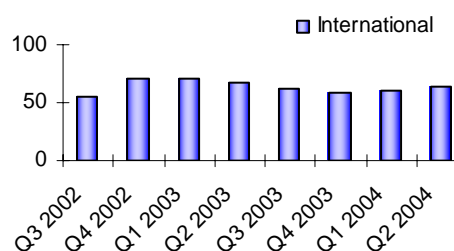
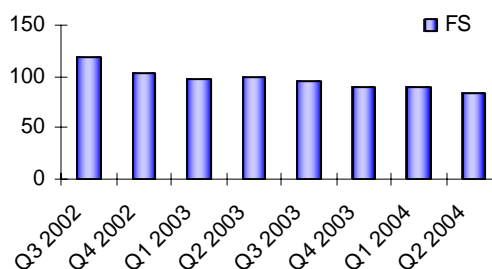
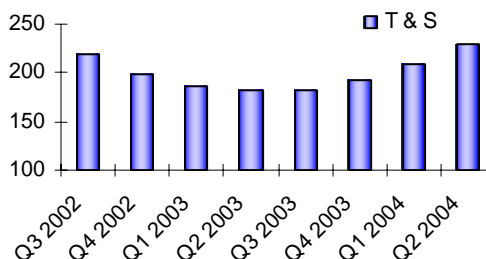
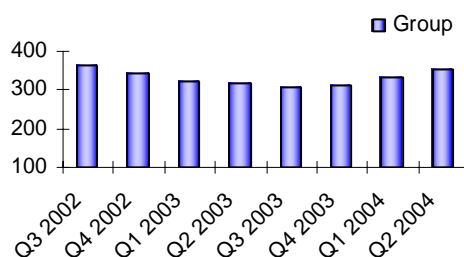
Cybercom expects the positive market trend to continue: H2 2004 looks promising. The company expects to grow organically and to continue to participate in the industry's current transformation.

Cybercom's forecast for a profitable, successful 2004 remains – as well as its financial goal at year-end 2006, i.e., an 8% operating margin and sales worth SEK 750 million, of which 25% are made outside Sweden.

## ACCOUNTING PRINCIPLES

Starting in 2004, Cybercom applies RR 29, an accounting recommendation regarding compensation to employees. This recommendation means that there are no changes to previously applied accounting principles. In general, the company applies the same accounting principles as for 2003.

Sales, rolling, 12 months <sup>4</sup>



<sup>4</sup> Each bar represents 12 months.

## BUSINESS AREAS

<b>Telecom &amp; Services In SEK million</b>	<b>H1 2004</b>	<b>H1 2003</b>	<b>Q2 2004</b>	<b>Q2 2003</b>	<b>Q1 2004</b>	<b>July 2003 June 2004</b>	<b>Jan-Dec 2003</b>
Sales	130.5	92.8	65.6	44.8	64.9	229.6	191.8
Operating profit (EBITA)	7.3	5.6	4.0	2.4	3.3	11.7	10.2
Margin %	5.6%	6.0%	6.0%	5.3%	5.2%	5.1%	5.3%
Employees at period's end	193	128	193	128	188	193	213

<b>Financial Services In SEK million</b>	<b>H1 2004</b>	<b>H1 2003</b>	<b>Q2 2004</b>	<b>Q2 2003</b>	<b>Q1 2004</b>	<b>July 2003 June 2004</b>	<b>Jan-Dec 2003</b>
Sales	47.4	53.1	21.6	27.5	25.9	84.0	89.7
Operating profit (EBITA)	0.5	-4.2	0.1	-3.0	0.4	-10.0	-14.8
Margin %	1.0%	-7.9	0.4%	-10.9%	1.5%	-11.9%	-16.5%
Employees at period's end	81	96	81	96	79	81	82

<b>International In SEK million</b>	<b>H1 2004</b>	<b>H1 2003</b>	<b>Q2 2004</b>	<b>Q2 2003</b>	<b>Q1 2004</b>	<b>July 2003 June 2004</b>	<b>Jan-Dec 2003</b>
Sales	35.4	30.9	17.7	14.3	17.7	63.9	59.4
Operating profit (EBITA)	0.8	4.2	-0.1	1.9	0.9	2.8	6.2
Margin %	2.3%	13.6%	-0.8%	13.3%	5.1%	4.4%	10.4%
Employees at period's end	62	40	62	40	55	62	56

## INCOME STATEMENT SUMMARY

<b>Amount in SEK million</b>	<b>H1 2004</b>	<b>H1 2003</b>	<b>Q2 2004</b>	<b>Q2 2003</b>	<b>Q1 2004</b>	<b>July 2003 June 2004</b>	<b>Jan-Dec 2003</b>
Sales	201.8	159.7	98.6	79.1	103.2	351.7	309.7
Operating expense							
Other external expenses	-59.4	-45.7	-28.6	-22.1	-30.8	-103.5	-89.7
HR expenses	-132.1	-106.7	-65.3	-54.8	-66.8	-241.0	-215.2
<b>Operating income before depreciation; EBITA</b>	<b>10.3</b>	<b>7.3</b>	<b>4.7</b>	<b>2.2</b>	<b>5.6</b>	<b>7.2</b>	<b>4.8</b>
Depreciation on fixed assets excl. goodwill	-4.2	-3.1	-2.1	-1.5	-2.0	-8.0	-7.0
<b>Operating profit/loss before goodwill and items affecting comparability; EBITA</b>	<b>6.1</b>	<b>4.2</b>	<b>2.6</b>	<b>0.7</b>	<b>3.6</b>	<b>-0.8</b>	<b>-2.2</b>
Goodwill amortization	-3.2	-8.4	-1.5	-4.1	-1.7	-8.4	-13.6
Goodwill write-down				-	-	-96.1	-96.1
<b>Operating profit/loss; EBIT</b>	<b>2.9</b>	<b>-4.2</b>	<b>1.1</b>	<b>-3.4</b>	<b>1.9</b>	<b>-105.3</b>	<b>-111.9</b>
Net interest income/expenses	0.0	1.0	0.6	0.2	-0.6	0.7	1.7
<b>Profit/loss after financial items</b>	<b>2.9</b>	<b>-3.2</b>	<b>1.7</b>	<b>-3.2</b>	<b>1.3</b>	<b>-104.6</b>	<b>-110.2</b>
Tax	-0.6	-1.4	0.0	-0.1	-0.7	0.2	-0.5
<b>Profit/loss for the period</b>	<b>2.3</b>	<b>-4.6</b>	<b>1.7</b>	<b>-3.3</b>	<b>0.6</b>	<b>-104.4</b>	<b>-110.7</b>

## SHARE INFORMATION

	H1 2004	H1 2003	Q1-Q4 2003
<b>Before dilution</b>			
Profit/loss per share, SEK	0.23	-0.50	-11.8
Shareholders' equity/share, SEK	14.73	24.18	15.82
No. of shares at period's end	10 672 468	9 451 777	9 451 777
Ave. no. of shares	10 062 123	9 285 110	9 351 777
<b>After dilution</b>			
Profit/loss per share, SEK	0.23	-0.50	-11.7
Shareholders' equity/share, SEK	14.23	24.18	12.96
No. of shares at period's end	11 034 951	9 451 777	11 034 951
Ave. no. of shares	10 243 364	9 285 110	10 243 364

Dilution effects are only accounted for in instances when they have a negative effect on profit per share or equity.

## BALANCE SHEET SUMMARY

Amount in SEK million	30 June 2004	30 June 2003	31 Dec 2003
<b>Assets</b>			
Intangible fixed assets	70.1	127.0	69.7
Tangible fixed assets	11.4	8.3	10.8
Financial fixed assets	13.8	3.3	14.4
Current assets excl. liquid assets	117.6	87.8	107.3
Liquid assets	44.9	88.3	74.1
<b>Total assets</b>	<b>257.8</b>	<b>314.7</b>	<b>276.3</b>
<b>Shareholders' equity and liabilities</b>			
Shareholders' equity	157.2	228.6	149.5
Provisions	5.0	6.7	14.8
Interest-bearing liabilities	0.3	-	0.3
Non-interest-bearing liabilities	95.3	79.4	111.7
<b>Total shareholders' equity and liabilities</b>	<b>257.8</b>	<b>314.7</b>	<b>276.3</b>
Assets pledged	None	None	None
Contingent liabilities	None	None	None

## CASH FLOW STATEMENT SUMMARY

In SEK million	H1 2004	H1 2003	Q1-Q4 2003
<b>Cash flow from running operations</b>			
Cash flow before change in working capital	2.3	0.4	14.8
Change in working capital	-22.5	-2.9	-9.6
Cash flow from running operations	-20.2	-2.5	5.2
Cash flow from investment operations *)	-8.4	-18.8	-24.4
Cash flow from financing operations	0.0	-0.4	-16.1
<b>Change in liquid assets</b>	<b>-28.6</b>	<b>-21.7</b>	<b>-35.2</b>
Liquid assets at period's start	74.1	111.5	111.5
Translation differences	-0.6	-1.6	-2.2
Liquid assets at period's end	44.9	88.3	74.1
*) Subsidiary acquisition affected the group's liquid assets by	0.0	-13.6	- 14.1

## KEY DATA AND RATIOS

Amount in SEK million	H1 2004	H1 2003	Q1-Q4 2003
Operating margin before goodwill (EBITA), %	3.0%	2.6%	-0.7%
Operating margin (EBIT), %	1.4%	-2.6%	-36.1%
Net margin, %	1.1%	-2.0%	-35.6%
No. of employees at periods end	366	294	375
Ave. no. of employees	317	254	263
Sales/employee, in thousand SEK	627	629	1177
Return on shareholders' equity, %	3.1%	Neg	Neg
Return on used capital, %	6.6%	Neg	Neg
Equity/assets ratio, %	61.0%	72.6%	54.1%

## CHANGE IN SHAREHOLDERS' EQUITY AND OTHER ITEMS

Amount in SEK million	30 June 2004	30 June 2003	12 Dec 2003
Opening shareholders' equity, according to balance sheet	149.5	231.5	231.5
New issue shares	4.0	3.3	31.6
Issue expenses	-	-	0.0
Translation differences	1.4	-1.6	-2.9
Profit/loss for the period	2.3	-4.6	-110.7
<b>Closing shareholders' equity</b>	<b>157.2</b>	<b>228.6</b>	<b>149.5</b>
No of shares at period's start	9 451 777	9 251 777	9 251 777
New issue shares	1 220 691	200 000	200 000
<b>No. of shares at period's end</b>	<b>10 672 468</b>	<b>9 451 777</b>	<b>9 451 777</b>
No. outstanding warrants at period's start	862 483	824 966	824 966
New issue of warrants	-	-	200 000
Warrants not exercised	-500 000	-	-162 483
Deducted subscription warrants (custodial)	-	- 102 700	-302 700
<b>No. outstanding subscription warrants at period's end</b>	<b>362 483</b>	<b>722 266</b>	<b>559 783</b>

## FORTHCOMING REPORTS

- 21 October 2004: Q3 and nine-month report for January to September
- February 2005: 2004 year-end final report

Stockholm, 18 August 2004

*The board and CEO of the Cybercom Group Europe AB (publ)*

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