

Sigma continues its major focus on Wireless - acquires Teleca in the U.K. with a workforce of 130 employees

- **Teleca is a quality-oriented consulting company focusing on software development for wireless systems. Customers include Psion, Siemens, Sony, Hewlett-Packard, One2One, Vodafone, Racal and others.**
- **As a result of the acquisition, Sigma has strengthened its European platform in Wireless, that is, consulting operations in wireless technology such as Bluetooth, WAP, GPRS, EDGE and UMTS. The objective is to be a leading service supplier in Europe in this area. The operational target has been raised from 300 to 600 Wireless consultants within two years.**
- **During the past three years, Teleca reported average organic growth of about 80% annually. Revenue in 1999 amounted to SEK 82 M. Profit before tax was SEK 28 M. The forecast for 2000 indicates revenues of about SEK 150 M, with profit before tax amounting to about SEK 50 M.**
- **Substantial contributions for Sigma in terms of future growth and earnings. Earnings per share after full tax is expected to increase by SEK 0.50 per share in 2000.**

Strategy

Sigmas Embedded Solutions business area develops software for products and production systems. The business areas 800 consultants command a leading position in Scandinavia in terms of quality and volume.

Wireless communication - wirelessunlimitedT- is a strategic venture by Sigma AB and has a natural base in the Embedded Solutions business area. About 100 consultants are currently engaged in wireless - one of the fastest growing areas in modern communications. Many industry analysts expect sales of products and services to rise sharply in the near future.

Teleca Ltd contributes significantly to strengthening Sigmas European wireless venture. About two thirds of Telecas consultants are active in this segment. Sigmas and Telecas joint customer base currently encompasses Ericsson, Siemens, Sony, Nokia, Psion, Hewlett-Packard, Telia, Symbian, Telenor, Vodafone, One2One and others. The acquisition of Teleca assists Sigma in raising the pace of development in its wireless operations. As a direct result, Sigma has increased its target from 300 to 600 wireless consultants within two years.

Teleca Ltd

Teleca was established in 1992. The company now has a workforce of some 130 employees, with offices in Manchester and Winchester in the U.K. Teleca develops software for the Wireless and mobile Internet areas, with the focus on advanced technological know-how in the development of software. Most of Telecas consultants are honours graduate or equivalent.

Like Sigma, Teleca sees potential in an aggressive European expansion in Wireless. The know-how focus at Teleca corresponds well with the direction of equivalent Sigma units. In customer operations, Teleca and Sigma complement each other.

In the immediate future, Teleca is expected to increase its revenues organically by some 50% to 100% annually, with a profit margin before tax of about 30%.

Effects of the acquisition

The most important effect of the acquisition is that Sigma strengthens its position in the wireless area. This permits larger volume commissions among the most development-intensive European customers, and improves the conditions for further acquisitions as well as a more widespread corporate presence within the framework of Sigmas Entrepreneur Package. The acquisition also offers Sigmas consultants greater potential to work on international assignments.

In financial terms, the acquisition entails the following: Sigma is to pay an initial purchase price of about 750,000 Series B shares, plus debt instruments of SEK 95 M carrying an interest rate of about 4.5%. The new share issue is subject to the approval of the Annual General Meeting of April 25 in this respect. The exact number of shares depends on the share price on the issue date and the exchange rate, as determined during May 2000. The share issue corresponds to a dilution of about 2.1%. In addition, a supplementary purchase price will be made in 2003, depending on the earnings trend. In brief, this means that if the earnings trend is such that profit before taxes increases successively to SEK 55 - 125 M, a supplementary purchase payment of SEK 90 - 220 M will be made. In the event of lower profits than SEK 55 M, no additional purchase sum will be paid. In the event of higher profits than SEK 125 M, the additional purchase payment will be SEK 220 M.

The acquisition means that Sigma is expected to gain a steady rise before taxes. For 2000, this is forecast to amount to about SEK 33 M. Expressed in earnings per share after full tax, the effect in 2000 is anticipated to be a positive contribution of about SEK 0.50 per share. Goodwill amortization is expected to be applied at a rate of 5% annually and is included in the above figures.

The effects on the pro forma balance sheet*, for December 1999, of the Teleca-acquisition are expected to be as follows: Shareholders equity rises from SEK 653 M to SEK 815 M. The Groups goodwill item increases from SEK 533 M to SEK 786 M. The equity/assets ratio advances from 57% to 59 %.

*) Incl. Måldata but before the acquisition of Teleca, Sigma has 34.75 million shares.

Sigma is a leading supplier of consulting services in the e-solutions, embedded solutions and engineering solutions business areas. The Group, which has some 2,500 employees in seven countries, focuses on solutions for interaction, innovation and integration. Sigmas mission is to strengthen its customers competitiveness and brands.

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