

Annual Report 1999

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Information on the Internet

Interim reports are available on Sigma's website:
www.sigma.se

The reports are also distributed to the press and other media.

The annual report and announcement of the Annual General Meeting are distributed to all shareholders in Sigma.

The interim reports for the second and fourth quarters are published in Sigma's Addenda magazine, which is distributed to all shareholders.

Our role

Is to strengthen our customers' market positions and their ability to deliver successfully.

Our mission

Is to create solutions that add value to our customers' business processes, products and services.

Cover photo, Jenny Hu, a consultant in Stockholm in the e-solutions business area.

This annual report has been produced in cooperation with ID, design och kommunikation ab.
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The year in brief, 1999

Growth

- + Sales increased by 65 percent to SEK 1,481.5 M (899.1).
- + The number of employees at year-end amounted to 2,185 (1,673).

Profit

- + Group profit before goodwill amortization increased by 52 percent to SEK 140.5 M (92.7).
- + Profit after financial items rose by 44 percent to SEK 116.2 M (80.6).
- + Earnings per share after full tax increased by 28 percent to SEK 2.24 (1.75). Earnings per share after standard tax rose by 33 percent to SEK 2.58 (1.94).
- + The Board of Directors proposes that a dividend of SEK 0.90 (0.75) per share be paid to shareholders.

Significant events during 1999

- + Effective the third quarter of 1999, Sigma channels its services via three new business areas: e-solutions, embedded solutions and engineering solutions. The aim is to focus on a holistic approach and Group-wide solutions.
- + During the fourth quarter, Sigma launched a major initiative in the wireless communications sector, with the aim of becoming one of the leading consulting companies in Europe in this field. Sigma's investment in wirelessunlimited™ marks a focus on one of the fastest-growing segments of state-of-the-art communications. Wireless will be followed by market initiatives in the e-business, broadband, automotive and medical sectors.
- + Sigma acquired ID, design och kommunikation ab (70 percent) and JiiComp AB in order to strengthen e-solutions' position in the Internet sector. Sigma also acquired the Internet consultant ReklamKompaniet No 1 AB after the end of the year.
- + Operations were established in Switzerland and Italy within the framework of Sigma's Entrepreneur Package.
- + The purchase of Cadato Intressenter AB, which is involved in product and production development, primarily in the automotive industry, represents a further strategic acquisition. In all, 11 companies and consulting units were acquired during the year, with a total of 311 employees at the dates of acquisition.
- + During 1999, Sigma signed new strategic contracts with Ericsson and Telia, among other customers.



Forecast for the year 2000

- + The Board of Directors' forecast for 2000 is for continued strong sales growth and significantly improved earnings.

A European player is emerging

A new millennium has commenced, and the paradigm shift that developed during the 1990s is now more tangible than ever, particularly in business transactions and communications between people.

The Internet is creating a global marketplace in which information, knowledge and entertainment are reaching a growing number of people. Companies can sell in a larger market, and customers have access to a wider range at lower prices. When industry and the business world start to exploit the Internet fully in their daily contacts with

employees, suppliers, dealers and customers, growth will accelerate even more rapidly.

Globalization, digitalization and deregulation in various sectors are the driving forces in this process. If properly used, information technology is efficient, rapid and results in satisfied customers. We can already see this in

the B2B area, where inter-company e-commerce is leading to new business, higher operating margins, lower inventories and improved customer service.

New wireless technologies are also developing dramatically, offering greater flexibility in working methods and communications.

Sigma at the leading edge

Sigma is a frontrunner in this process of change. This enables us to give our customers new ideas, experiences and systems to boost their competitiveness, brands and trademarks. Sigma employs a holistic approach to the brand-building process, partly because we now offer market-communication and branding services, and partly because we contribute to our customers' success in delivering to their customers.



In a network economy, every customer and every supplier is a link to many more customers and suppliers. Kevin Kelly, the author and editor of the respected American *Wired* magazine, considers that this generally results in enormous leverage, and I agree with him.

Sigma's experience of IT applications in a wide range of industries is another advantage, since this creates an awareness of our customers' business practices. In a market with a considerable number of consulting companies, customers tend to select large operations with solid resources – consulting companies that can develop the technology and will still be in operation next year.

The global economy also imposes major new demands on Sigma, such as changes in the service range, know-how development and market initiatives.

Or, to put it in the terms used by Troed Troedson, the "paradigm broker," at a seminar arranged by one of Sigma's subsidiaries to discuss future trends: "It is not enough to be better at what you are already good at. You have to continually acquire new expertise, because the customers have already moved on."



To ensure that Sigma keeps up with the fast pace of future development, we now channel our range of services via our three business areas: e-solutions, embedded solutions and engineering solutions. This enables us to clarify our wide range of services and forms the structure required for combining the niche expertise of various subsidiaries with Group-wide solutions.

A successful 1999

The past year was a successful one for Sigma. We strengthened our positions with several strategic customers, such as Ericsson, Telia, Volvo and Vattenfall. We strongly developed our e-commerce expertise, both organically and through strategic acquisitions. We sharpened and demonstrated our skills in wireless communication and embarked on a highly aggressive growth strategy with the object of becoming one of the leading consulting companies in Europe in this area. Last, but not least, Sigma continued to achieve both strong growth and improved earnings.

Highly committed employees and professional managers are building our development and driving it forward,

Sweden has established a position as a frontrunner in the IT sector, based on leading-edge expertise in such fields as mobile telephony, wireless technologies and embedded systems

and I would like to sincerely thank everyone concerned for their solid contributions. Sigma is the grand total of these contributions, as reflected in our name. Maintaining and developing an entrepreneurial spirit in a decentralized Group structure will continue to be a fundamental factor in Sigma's development.

Future opportunities

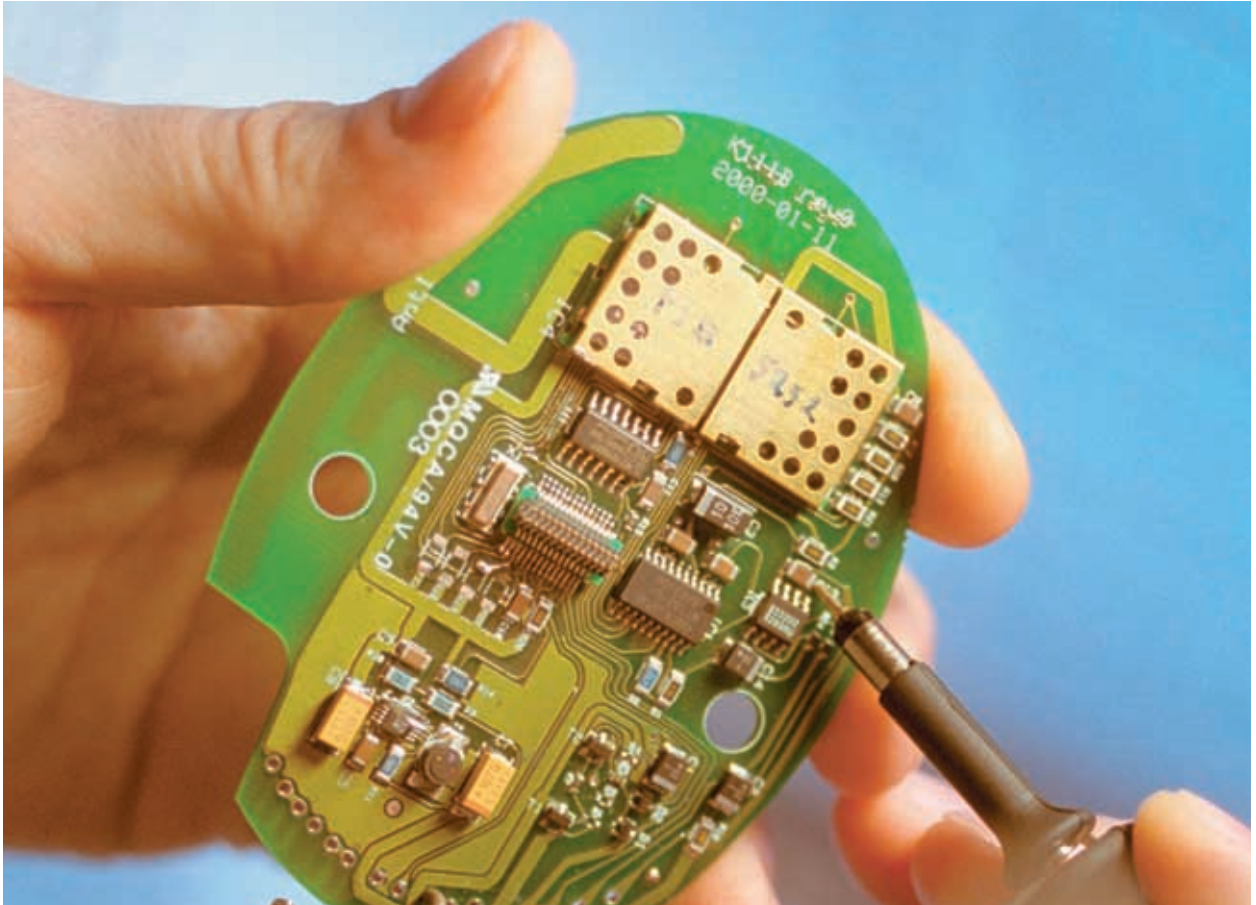
As we look to the future, our assessment is that the year 2000 will be even better than 1999. In financial terms, this means continued sharp growth in sales and a significant improvement in earnings.

We will face many challenges and many opportunities. Sweden has established a position as a frontrunner in the IT sector, based on leading-edge expertise in such fields as mobile telephony, wireless technologies and embedded systems. Sigma's strong position, and our ambition to supply competitive turnkey solutions in, for example, the wireless, medical, automotive applications, broadband and e-business market sectors, makes a highly attractive combination, both within Sweden and in other countries. Sigma currently has operations in seven European countries and is endeavoring to become a European player.

We aim to provide added value for our customers, employees and shareholders, through a focus on expanding market sectors, hard work and a high degree of commitment.

Malmö, March 2000
Dan Olofsson, President

A consulting company that focuses on turnkey solutions

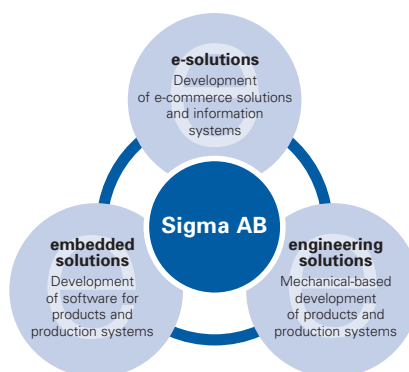


Business concept

Sigma's business concept is to offer development-intensive companies highly skilled consulting services in the e-solutions, embedded solutions and engineering solutions business areas. By focusing on solutions for interaction, innovation and integration, Sigma strengthens its customers' competitiveness and brands.

Objectives

By being regarded as a leading, well-reputed player in its three business areas, Sigma aims to be the natural choice among customers seeking advanced IT consulting services. To satisfy this objective, Sigma strives to achieve growth exceeding the industry average and an operating margin of 10% before goodwill amortization, viewed over an economic cycle.



Strategy

Sigma strives to expand in its business areas. e-solutions and embedded solutions, in which e-business, wireless communications and broadband are high-priority segments, are expected to account for most of the growth.

The general emphasis will be on providing quality and leading-edge solutions, which requires ongoing

integration of the technologies and solutions that best serve the development of client customers.

Operating structure

Sigma's operations are decentralized in nearly 50 subsidiaries, each of which focuses on a specific niche or local market. The average number of employees in a subsidiary is approximately 50.

The head of each subsidiary is responsible for directing operations towards quality, profit and growth targets. The subsidiaries are coordinated and controlled by business unit managers who, together with the president of the Parent Company, are responsible for the general development of operations.

Entrepreneurial spirit

The entrepreneurial spirit within Sigma is an asset that will be upheld through a Group organization that is decentralized and facilitates the development of dynamic entrepreneurs. The niche expertise of the subsidiaries is combined with market-oriented solutions that exploit the breadth of the Group's know-how.

The entrepreneurial spirit is also stimulated by offering employees varied duties and regular skills-development opportunities.

Development-intensive customers

Sigma's services are designed primarily for development-intensive export companies in Scandinavia, where the Group's principal market is Sweden. In 1999, assignments outside Sweden accounted for approximately 7 per cent (7) of Sigma's sales.

Three routes to growth

As in the past, expansion will be achieved via three routes, namely organic growth, Sigma's Entrepreneur Packages

and acquisitions. The Entrepreneur Package system entails creating a company around one or more people who are to serve as the driving force, while receiving full operational and financial support from Sigma.

The greatest growth is expected to be generated in Scandinavia, where Sigma is exposed to the least risk. This does not mean that the Group, which has subsidiaries in a total of seven European countries, will not expand via larger volumes in other countries, including strategic alliances. The telecom, automotive and banking/finance sectors have been given priority in this respect, since these are areas where strategic investments are being made in e-business, wireless communications and broadband.

Focus on market segments

Sigma is investing in several large market segments. The first of these is wirelessunlimited™, a major wireless communications initiative, which will be followed by e-business, broadband, automotive and medical.

Strong brands

Sigma adopts a holistic approach to customer brands. This means that the Group offers consulting services in the branding field, while also providing services that help client companies make successful deliveries to their own customers.

Business area	e-solutions	embedded solutions	engineering solutions
Operation	Development of e-business solutions and information systems	Development of software for products and production systems	Mechanical-based development of products and production systems
Service range	Business strategy, brand-building, e-business, business administration systems, information systems, broadband	Telecommunications and data communications, real-time systems, web technology, production-aligned IT solutions and industrial-control systems, regulation & control, analyses and simulation	Strategic new development, analyses and calculations, product and production development, and production logistics
Key words	Web design, branding, e-business, Supply Chain Management, information design, Knowledge Management, ERP systems, datacom, broadband	Wireless, mobility, WAP, Bluetooth, electronics, User Interface, Manufacturing Executive Systems (MES), Distributed Control Systems (DCS)	Research-aligned product development, production simulation, outsourcing/partnership, advanced CAD and calculation programs, cost-cutting production solutions
Competitors	Connecta, Framfab, WM-data, Mandator	HiQ, AU-system, Enea, Prevas	Semcon, WM-data Caran, ÅF
Sales in 1999, SEK M*	479.1	569.9	468.5

* Including intra-Group sales between business areas.

Sigma College trains the IT consultants of tomorrow

Since access to skilled employees is of vital importance to the progress made by a consulting company like Sigma, the focus is on knowledge capital. This consists of human and structural capital.

Sigma College is the name of a major IT initiative aimed at enhancing Sigma's image and facilitating future recruitment activities. This is the first training program of its kind in Sweden and the target group consists of natural science students at senior high school. The program, which is being conducted in cooperation with the City of Malmö's education administration, will be launched in Malmö during autumn 2000. Subsequently, Sigma plans to introduce the concept in additional cities.

E-learning

To a large extent, the training will be provided in accordance with Sigma's model for e-learning, which is based on self-instruction and requires a minimum of teacher input. E-learning is also suitable for a considerable amount of Sigma's company-adapted training.

At full capacity, several hundred students are expected to participate in Sigma College in Malmö. The college will also provide IT programs for students seeking leading-edge expertise in such fields as programming. Some of the training will be held at Sigma's new Head Office and other parts at Malmö University.

In terms of financing, the City of Malmö will purchase the training services from Sigma, although Sigma will make sponsorship contributions.

IQ and EQ

Well-educated, skilled employees with the necessary IQ and EQ in the form of technical and social competence are a prerequisite for efforts to keep up with the high pace of development within Sigma and to satisfy customer demands. To highlight this, all Sigma subsidiaries use the same symbol in their recruitment campaigns.

The methods applied to recruit new employees include direct contact, advertising and participation in the labor market days arranged by colleges and universities.

In its dialog with prospective employees, Sigma often involves three or four people with various backgrounds to enable as complete an evaluation as possible.

Quality is assigned precedence over growth. Sigma believes that it is better to dampen the growth rate than to take risks when recruiting future employees.

Personal and professional development

Sigma's managers have key roles in the development of human capital. The challenge is to establish a corporate culture in which the Company's objectives coincide with those of individual employees.

Demanding development assignments sharpen people's senses and provide personal development. Similarly, Sigma's operating structure facilitates a high degree of personnel commitment. The structure is characterized by openness and short decision routes, which is a hallmark of small companies, combined with the technological resources and financial strength of a large group.

Sigma applies a conscious strategy in its skills development and recruitment activities. It offers attractive development projects, diversified high-technology assignments and unbureaucratic work methods. Other important elements in the Group's personnel policy are in-house training, business intelligence programs and social activities.

Employee profile

The average age of Sigma's employees is 33 years. Approximately 50% are university/college graduates.

Most of the consultants in the e-solutions and embedded solutions business areas are engineering graduates who majored in computer science, electronics or physics. In these business areas, the percentage of system specialists with college or university degrees and employees focusing on web design and market communications is increasing steadily.

The consultants in the engineering solutions business area are generally mechanical engineering graduates from colleges, universities or technical institutes.

Sigma's Entrepreneur Package

The Entrepreneur Package is a program in which Sigma and one or more dynamic persons jointly form and develop a company. Sigma provides financial and operational support and the entrepreneurs have access to Sigma's brand, marketing channels and management experience. During the initial years, the entrepreneurs have a minority interest in the company. Subsequently, they are entitled to sell this interest in accordance with an agreed valuation model. To date, 14 companies, which currently have approximately 400 employees, have been formed within the framework of Sigma's Entrepreneur Package program.

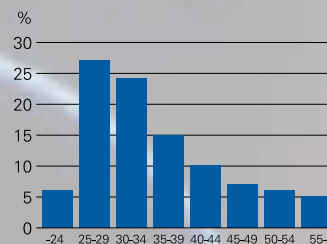
Bonus system

As a supplement to fixed competitive salaries, Sigma also applies a system of bonus payments keyed to the performances of the individual subsidiaries.

Ömur Balsever, aged 16, wants to work in the IT sector and has applied to Sigma College. He spends his spare time building websites and surfing the Internet.

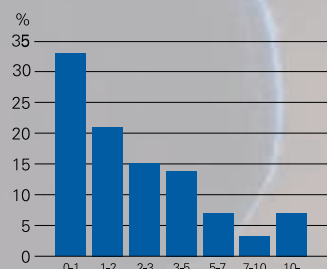


Age structure

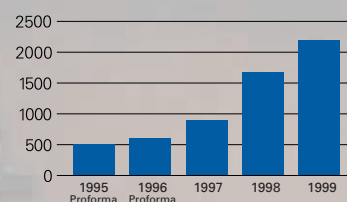


The average age of a Sigma employee is 33 years.

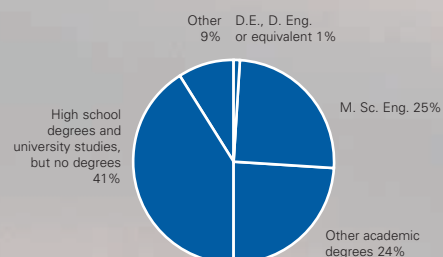
Length of employment, years



Number of employees at year-end



Education



Net increases in number of employees

	1995 proforma	1996 proforma	1997	1998	1999
Number of employees, January 1	411	501	586	798	1,673
Net increase in number of employees during the year, after acquisitions/divestm.	—	—	60	710	311
Adjusted January 1 figure	411	501	646	1,508	1,984
Number of new employees	181	150	265	398	559
Number of employees who resigned	91	65	113	233	358
Net increase, org. growth	90	85	152	165	201
Number of employees, December 31	501	586	798	1,673	2,185
Personnel turnover, %	22	13	17	15	18

Two factors should be noted with respect to employee turnover. Firstly, Sigma made a large number of acquisitions during the year that resulted in rationalization measures. Secondly, the low average age of employees affects turnover. The rate of turnover among Sigma's key personnel and senior executives is very low. Due to the restructuring of BFE, IKG and Cadato, the number of employees was reduced by approximately 90, which corresponds to 5% of personnel turnover.

Sigma Academy helps enhance quality and profitability

Sigma Academy's role is to provide skills-development programs that safeguard the quality of customer projects and lead to increased profitability within Sigma. In other words, Sigma Academy is of key importance to the development of the Group's internal structural capital.

Competence development

Although Sigma Academy's main target group comprises Group employees, it also provides custom-tailored training programs. The Academy's activities are virtual, in that all information about competence-development courses and tools, for example, is available on the Group's Intranet. The training programs are held in various locations, but can also take the form of self-instruction with the help of CDs/DVDs or videotapes, for example.

New employees receive an introduction to Sigma's organization, work methods and values, in order to provide them with rapid insight into the Group's corporate culture. New and experienced project leaders within Sigma are given development opportunities. Sigma Academy focuses on four areas in which the employees' formal skills can be enhanced, namely, project know-how, market and sales, management and operational development.

Special attention is paid to personal technical development, which ranges extensively from CE marking to Java programming. Sigma Academy's activities are followed up continuously.

The Academy helps to create a business culture characterized by a transfer of knowledge and personal development. By ensuring that new knowledge rapidly becomes an integral part of Sigma's internal culture, the departure of one or two individual employees becomes less noticeable.

SIP – project model for quality assurance

Sigma companies continuously use working models that are either developed in-house or are internationally well-reputed. SIP, Sigma's own project model, was developed in-house. Its function is to optimize consulting input and secure quality in connection with both large and small projects. The model divides a project into subprojects and stimulates close cooperation between the customer and Sigma's project leader. Each subdelivery is evaluated, to enable early discovery of any deviations from aims and to resolve any ambiguities. The project model is supported by a web-based toolbox containing process descriptions, templates, checklists and methods that facilitate daily project work.

The SIP project model is a feature of the project leader training program arranged at Sigma Academy and program participants can receive SIP certification. Sigma's customers are also showing considerable interest in both SIP and the toolbox.



Pia Dunegård, an experienced Sigma consultant, has completed a project leader program at Sigma Academy and product developer at one of the Group's subsidiaries.

Inside Sigma

Inside is the name of Sigma's Intranet and information database, to which all employees have access. Inside's contents and layout were upgraded during the year in order to boost working efficiency. The Intranet facilitates a living corporate culture and a spirit of dialog between management and employees. Inside's features include news about services, technology and markets, as well as operational policies, guidelines and goals. Inside provides a platform for the creation of virtual knowledge groups and the transfer of knowledge between Group companies. The Intranet service also facilitates the introduction of new employees. Inside is a major component of the Group's internal structural capital.



my. Today, she has a part-time position as a project leader

New image

In order to meet increased demand for leading-edge expertise and Group-level solutions, Sigma has concentrated its know-how and resources in three new business areas – e-solutions, embedded solutions and engineering solutions – and is investing in several high-growth market segments, such as wireless. This work was initiated in 1999 and has contributed to a strengthening of Sigma's external structural capital; that is, the Group's relationships with customers and suppliers and its image – the way it is perceived by others.

The new image, combined with Sigma's listing on the Stockholm Stock Exchange, the large customer portfolio and the Group's documented ability to generate profits and

growth, are some of the reasons underlying the strength of the Sigma brand. External confidence in the Group, combined with its strong human capital, form a foundation for Sigma's future stability and revenue flows.

Investments in technology

Sigma made substantial investments in proprietary development environments during 1999. Purchases of hardware and software amounting to SEK 30.5 M were expensed during the year. In addition, SEK 19.8 M was invested in machinery and equipment used in continuing operations.

Apart from hardware and software, Sigma's development environments also include development models, customized premises, training programs and quality-assurance systems. Employees have access to advanced development tools that are compatible with those used by customers.

During 1999, nearly half of Sigma's assignments were handled in Group offices, and the other half in customer locations.

Quality certification

An additional five subsidiaries, with 255 employees, received ISO 9001 quality certification during the year. In total, 13 Sigma subsidiaries are ISO 9001 certified and a further six are expected to receive certification during 2000.

Each Group subsidiary is responsible for implementing, developing and documenting a quality-assurance system that at least fulfills ISO 9001 requirements. A special facility is available for coordinating Group-wide programs.

Group companies are also adapting to other international standards, such as: Capability Maturity Model (CMM) and TickIT, for ensuring faultless software; QS 9000, which is applied in the automotive industry; the ISO 14000 environmental standard; and the rules issued by the US Food and Drug Administration (FDA) governing production of pharmaceuticals and foods.

Commitment and reliability

Sigma's objective is to establish a corporate culture characterized by commitment and reliability. The challenge is to be able to grow without losing quality or profitability. That is why the Group has a decentralized organization with independent and objective-oriented subsidiaries. Each company is able to create its own niche, based on its own conditions and the Group's basic strategy. Companies apply working methods that satisfy customer needs and encourage a sense of responsibility on the part of employees.

Continued growth in the IT market

Since 1994, the IT market in Sweden and other Nordic countries has been characterized by strong growth, not least for consulting services. There are many indications that this will be a sustained trend. The industrial and commercial sector is exposed to considerable external changes, which are being driven by the following factors:

- the e-revolution (Internet, wirelessness, integration)
- globalization
- partnerships (turnkey solutions, fewer partners, partners with strong resources, outsourcing)
- focus on brands
- time-to-market

These trends are boosting demand from Sigma customers for a combination of leading-edge and market-oriented solutions.

EITO report confirms expansion expectations

Growth in the Swedish IT market will remain considerable during 2000 and 2001 according to a current report from EITO (European Technology Industry Association) in co-operation with the EU Commission and OECD.

The Swedish IT market was worth ECU 16.3 billion in 1999. IT services was the segment that showed the strongest growth. In 2000, Sweden's IT market is expected to grow by 10.6%.

According to the EITO report, the reason underlying the growth is that economic development in Europe is more stable than in the past. The report also shows that Sweden is ranked second, after the US, in terms of per capita PC penetration and first, ahead of the US, in terms of IT investments in relation to GDP. With respect to mobile phone subscriptions, Sweden is third, after Finland and Norway.

Nordic countries lead the IT market

Sweden has overtaken the US to become the world's leading IT country. Finland, Norway, Denmark occupy positions three to five. These positions are based on an index compiled by IDC (World Times Information Society Index). The IDC index covers 55 countries and is based on several variables, such as computer infrastructure, social infrastructure, Internet and education levels. Sweden's aggregate index rating was 5.06, compared with 5.04 for the US.

Internet and e-commerce

Increased demand for Internet and e-commerce solutions is boosting the market for professional suppliers, such as

Sigma. The demand covers both business-to-business and business-to-consumer services.

Sigma's expertise and resources enable it to offer services that combine IT with branding solutions. The current trend is towards communications solutions featuring increased flexibility and wirelessness, which is in line with Sigma's investments in the wireless segment.

Embedded systems

The use of embedded systems in new products (cars, industrial robots, medical-technology equipment, mobile phones and cameras) is increasing. Investments related to this area account for an increasing proportion of producer budgets.

Since the fast pace of technological development necessitates a continuous upgrading of IT skills, customers are choosing large, resource-intensive partners. As a result of partnerships in the form of outsourcing, customers are provided with a flexible organization and they are able to concentrate on their core business.

The technology being used in the general IT sector is now also being applied in industrial environments. Embedded intelligence in processes enhances operational reliability and maintenance efficiency.

Increased internationalization

Sigma is currently established in seven European countries. The customer base is the result of new wireless applications and the liberalization of telecom markets. Sigma's strategy includes close cooperation with client customers that are active in several markets, such as Ericsson, AstraZeneca and Alcatel.

New operations are mainly established via acquisitions of small companies or within the framework of Sigma's Entrepreneurial Package program, primarily in the e-solutions and embedded solutions business areas. The aim for subsidiaries outside Sweden is that they will grow into strong units in their own domestic markets and will also participate in international projects in cooperation with other Sigma companies. The increasing globalization of markets is resulting in greater interaction between Group companies, for example between several companies in the embedded solutions business area.

The e-revolution and EMU are changing the working procedures of many large client companies. As the importance of national borders diminishes, work within these companies is increasingly encompassing several countries. Sigma is following this trend with the aim of becoming a European player.





Time to market

In a global market, the need to invest in new world-class products and systems is a matter of survival for customers. Demands for faster product development, more efficient logistics, order-controlled production and quality assurance are increasing. In addition, products are becoming more complex and product lifecycles are becoming shorter, which necessitates speed and precision in information flows. In turn, this results in a need for increased IT investments and production processes capable of short set-up times.

Since customers are active in technological and commercial surroundings that are becoming progressively integrated, they usually commission external suppliers of IT services. One reason for this is difficulties in developing and retaining competent in-house IT personnel.

According to several market analysts, IT is, and will remain, one of the principal ways of boosting competitiveness and reducing costs.

Long-term relationships

A prerequisite for offering customers complete solutions is in-depth knowledge of the customers' business and products. Accordingly, the market is now characterized by long-term relationships between consulting companies and clients. Close proximity between consulting companies and the customer is also important.

In the past, technical consultants were retained mainly to strengthen resources available for projects managed by customers. Nowadays, companies increasingly seek co-operation with partners who can take on major projects extending over a long period. Instead of selling man-hours, consulting firms now sell complete concepts that could comprise the idea stage, development, design, start-up of operations and follow-up activities.

IT services in Sweden, 1997-2003

SEK M	1997	1998	1999	2000	2001	2002	2003	Annual growth 1998-2003
System maintenance	7,748	8,208	8,680	9,134	9,646	10,263	11,014	6%
IT consulting	4,293	4,797	5,664	6,665	7,785	9,153	10,831	18%
Training	1,698	2,101	2,504	2,968	3,478	4,099	4,858	18%
System development and integration	15,130	18,864	21,223	23,483	27,834	33,322	40,290	16%
Operations maintenance	8,183	9,717	11,188	12,920	14,964	17,492	20,628	16%
	37,052	43,687	49,259	55,170	63,707	74,329	87,621	15%

The table illustrates the historical and anticipated growth of consulting services in Sweden. Source: Dataquest, October 1999.

“E-commerce is becoming an increasingly larger and more important complement to traditional sales channels. Accessibility, stability and speed are key concepts for companies that aim to create winning e-commerce solutions. Elektroskandia’s customers have access to our inventory system 24 hours a day, 365 days a year. Our product range for the building products sector alone consists of more than 80,000 articles.”

KJELL ROMAN

kjell roman

Vice President – Marketing, Elektroskandia AB

Elektroskandia's e-business system is one of Sweden's most comprehensive and advanced solutions for business-to-business commerce.

Customers want partners who will be around tomorrow

Sigma's formula for success in the e-solutions business area hinges largely upon the ability to develop leading-edge skills and combine them into a functional entity, according to Alf Dahl and Sune Nilsson, the two business unit managers. The range of services provided by e-solutions includes business strategy, network technology and broadband, branding, e-business, business support and information systems.



Alf Dahl (left) and Sune Nilsson, the heads of the two business units within the e-solutions business area.

The realignment of Sigma during the final quarter of 1999 resulted in three new business areas, including e-solutions. What is the reason for this new focus?

Sune Nilsson: If the market is to gain an accurate impression of us, we must focus attention on the contents of the business area. The e-solutions name emphasizes the quality initiatives being undertaken by Sigma and is a better reflection of our operations than the old name, Information Technology. Virtually all companies currently have electronic solutions on their agenda, in such areas as e-business, systems development or broadband, or other programs covered by the e-solutions concept.

Alf Dahl: The aim of Sigma's consulting input is to create solutions that enhance our customers' competitiveness and brands. That's why the executive management level of client companies is the main target of our efforts. It is essential that we speak the companies' own language and gain their confidence.

Sune Nilsson: The infrastructure of companies usually consists of systems developed in-house that are combined with newly installed systems. To ensure that that systems function together and in communications with customers and suppliers, companies require an IT partner with the necessary technical know-how and with insight into their operations.

Several IT consultants and Internet consultants claim that they have the best competence in the field of electronic solutions. Can you point to any differences between Sigma and other players?

Alf Dahl: Without boasting, I would first like to emphasize that Sigma maintains a high and uniform quality in the disciplines we pursue. We have subsidiaries with leading-edge skills in a broad spectrum of areas that can be united into a functional whole. This applies to all three business areas. Based on solid engineering know-how, and currently also well-documented marketing expertise, we can apply a holistic approach that encompasses product development, production, markets and sales. Sigma's depth and its wide-ranging competence, as a result of having many Group companies that are active in different niches, can be used to create unified solutions. This structure results in benefits that, essentially, only Sigma can offer.

Sune Nilsson: Sigma's tradition is also of great value in the new economy. In contrast to many start-up companies, we have experience of IT applications in many different industrial sectors. This means we can understand our customers' operations. It is also worth noting that Sigma has consistently maintained its quality and profitability, in parallel with high growth. In the final analysis, customers want to develop a relationship with suppliers who will still be around tomorrow.

▶ Three consultants within the e-solutions business area: (from left) Emma Malmsten, Helene Brandt and Lars Pettersson.





What do you regard as the major forces that will drive development?

Sune Nilsson: The deregulation of former monopolies in, for example, the telecom, banking/finance, postal services and transport sectors, has been and continues to be of major importance. To a large extent, developments in these areas are technology driven. Another key factor is major interest in new payment flows. New technological solutions generate demand for Sigma's consulting services. More functions are added to our solutions, thus forming a foundation for an increased level of service. For example, when the college or university graduates of today are embarking upon a professional career, what type of bank do they look for? The one with the best Internet services, of course.

Alf Dahl: I agree entirely. Educational levels are increasing generally, and the use of new technology has become a matter of course. Globalization is another driving force that is resulting in continuous changes. Naturally, this mainly applies to multinational companies, such as Ericsson and Nokia, although there are also plenty of examples at a local level. A friend of mine drives a British car make and uses a repair-shop in Ystad, southern Sweden. The repair-shop orders spare parts via the Internet from several different parts of the world. In other words, sellers reach a bigger market and consumers benefit from better prices and a wider range.

We have probably only seen the beginning

Sune Nilsson: Since customers operate in environments that are becoming increasingly complex in terms of business processes and tools, they naturally seek large and resource-intensive partners, in the IT field, for example. I'm reluctant to call this an outsourcing trend; I prefer the term internal subcontracting. This is not solely a matter of making cutbacks. With Sigma as a partner, the customer receives added value.

The focus on brands and the importance of time to market are other noticeable driving forces. Any comments?

Alf Dahl: It's essential to understand the importance of strong brands, not just in connection with communications. Sigma's technology companies contribute to the branding process when they develop products and production processes that enhance the customer's development.

Sune Nilsson: Strong brands go hand in hand with the globalization trend. Sigma's focus on brands enhances our understanding of the customers' situation. Our organization already possesses considerable communications competence and we can also cooperate with the customers' other communications partners.

Alf Dahl: With respect to time to market, the aim of our consulting services is to reduce the time from the idea to the launch of new products or services, and to lengthen their lifecycle. We have probably only seen the beginning of a process involving the use of e-business and information dissemination via the Internet.

Sune Nilsson: You could also draw a parallel with the automotive industry, which has a long history. In the 1960s, it was sufficient to change the windscreen wipers or the rear lights of a car in order to call it a new model. Today's expectations are completely different.

How do you foresee the future for Sigma?

Sune Nilsson: All the current indications suggest that we will follow our customers out into Europe. New technologies such as the mobile Internet will promote the development of Sigma and our customers. Databases and CRM (Customer Relationship Management) are others areas of expansion. The character of our assignments will probably not change, although the proportion of major project undertakings will probably increase. To be successful, we must continue to be at the leading edge of development. New technologies are being introduced continuously and not even Microsoft is safe any more. We will obtain some state-of-the-art skills through acquisitions, while others are best developed via a further niche-orientation of our subsidiaries.

Alf Dahl: Sigma's organization and our customers' organizations are becoming even more knowledge and information intensive. Employees want to know the direction their company is taking and to receive information regularly. A prerequisite for this is that management is open to a dialog with employees and is willing to invest in skills development that adds both depth and breadth, thus strengthening the entire organization. This type of thinking is a Sigma hallmark. The transfer of knowledge and information within the Group is largely undertaken via web-based systems. These are the key to the future.

What is being done to ensure that Sigma will continue to be regarded as an attractive employer?

Sune Nilsson: We devote time to this issue on a daily basis. Sigma's structure, with a lot of small subsidiaries, is positive from the viewpoint of both recruitment and skills development. Employees feel part of a team. Our acquisition of Måldata will make Sigma more visible in Stockholm, which will probably facilitate recruitment in other metropolitan regions.

Alf Dahl: Sigma College is an excellent initiative for the long-term supply of skilled IT employees to Sigma and other companies. Sigma Academy plays an important role in strengthening the Group's internal human and structural capital. It gives employees more opportunities for development, in the form of project leader programs, for example. We are also focusing on softer factors, such as stress management. The ultimate aim is that our employees will find the right balance and thus increase their satisfaction, both at work and elsewhere.

BRIEF FACTS ABOUT e-solutions

Operations

Development of e-business solutions and information systems.

Range of services

Business strategy, brand-building, e-business, business administration systems, information systems, broadband.

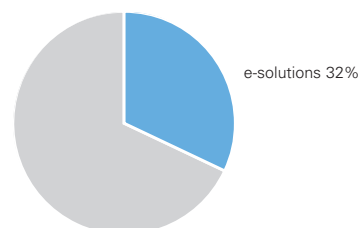
Key concepts

Web design, branding, e-business, Supply Chain Management, information design, Knowledge Management, ERP systems, datacom, broadband.

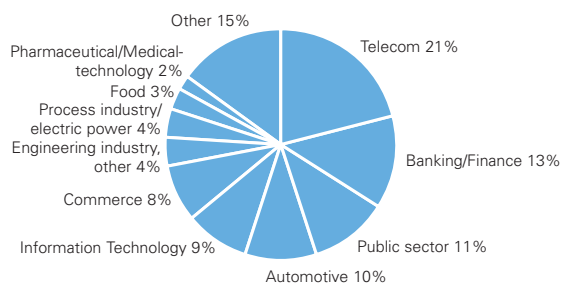
Competitors

Connecta, Framfab, WM-data, Mandator.

Percentage of Group sales in 1999



1999 sales, by market segment



Five-year summary

SEK M	1995 proforma	1996 proforma	1997	1998	1999
Sales	49.1	72.4	179.9	333.1	479.1
Growth, %	18.6	47.4	148.5	85.2	43.8
Profit after depreciation	5.6	10.5	25.0	37.7	60.2
Operating margin, %	11.4	14.5	13.9	11.3	12.6
Average no. employees	69	86	208	348	474

“Telia has entered a phase involving strategic efforts to adapt our IT systems to customer and market requirements. The process encompasses projects aimed at both short-term and long-term changes. In the past, we conducted all development work in-house. Today, however, we’re increasingly commissioning external suppliers and partners. This is where Sigma, which has a solid insight into our operations and adapts its consulting teams to the needs of our different business areas, enters the scene. This contributes to the development of Telia’s services, which is of benefit to our customers.”

KENNETH K SVENSSON



kenneth k svensson

Responsible for contracts within the Telia AB Corporate IT unit and Chairman of ETIS, European Telecommunication Infomatic Services.

The Corporate IT unit is responsible for the Telia Group's IT architecture and infrastructure.

Focus on turnkey solutions in the interest of customer development

Consulting services in the embedded solutions business area span a wide spectrum, from the development of embedded solutions in mobile phones and cars to computerized automation within industry. To an ever greater extent, the common denominator is the need to create turnkey solutions that help to develop our customer's operations, emphasize business unit managers Thomas Pantzar and Tore Helgeson.



The business unit managers within the embedded solutions business area: Thomas Pantzar (left) and Tore Helgeson. Thomas is responsible for technical systems development and Tore for industrial automation.

The embedded solutions business area is responsible for the development of software for products and production systems – that is, built-in intelligence. In what shape?

Thomas Pantzar: The development of software for products involves the development of technical software systems and electronics that are subject to rigorous demands for performance and reliability. New technologies are enabling a focus on intelligent products and services. Our largest business areas are telecommunications, the automotive industry and medical technology, and we co-operate closely with such companies as Ericsson, Telia, Gambro and Volvo. Advances in the field of data communications and telecommunications are resulting in new services in which wirelessness and mobility are important features. We connect mobile phones, homes or cars to the outside world and have access to services that have never previously existed. In the automotive sector, electronics are helping to boost comfort and safety and are thus becoming as important to sales as car design. Within medical technology, Sigma develops solutions for dialysis machines, pacemakers and measurement systems, for example.

Tore Helgeson: The development of software for production systems focuses on IT solutions and industrial automation. Today, automation entails much more than just the efficient control of production processes. In a modern industrial plant, what is needed is comprehensive informa-

tion systems that all employees can use. The technology used in the general IT field is now also being applied in industrial environments subject to rigorous demands in terms of availability and reliability. Embedded systems make operations more reliable and maintenance more efficient. Our customers are active in all types of industrial sectors, although the main ones are process and energy – that is, such sectors as nuclear power, paper and pulp and iron and steel. With respect to the hardware for industrial automation, standardized solutions can generally be used today. The customized features arise in the software area. Mobility and wirelessness are also making increasing inroads into our business area.

The provision of turnkey solutions is a recurring theme in discussions with Sigma's business unit managers. What are Sigma's main strengths in this respect?

Thomas Pantzar: The ability to deliver turnkey solutions does not arise by chance. It's the result of long-term work to build up skills and resources. We have participated in many large and complex projects, which have truly tested the caliber of our consultants. The more demanding the assignment, the greater the potential for the development of individual consultants. We established our first contacts with Ericsson in 1986, which gradually led to more and larger assignments. Today, we have a corporate framework agreement with the whole of Ericsson that covers Ericsson's development sector and IS/IT (information

Sigma's goal is to become one of the leading consulting companies in Europe in wireless communications – that is, operations in the area of wireless technologies such as Bluetooth, WAP, GPRS, EDGE and UMTS. With the wirelessunlimited™ marketing campaign, Sigma is focusing on one of the fastest growing areas of modern communications. Many analysts expect sales of products and services in this area to increase substantially during the next few years.

The wirelessunlimited™ campaign is being conducted by Sigma AB and cuts across the normal boundaries separating business areas and subsidiaries. About 75 consultants are currently involved in wireless. In two years, Sigma expects to have over 300 wireless consultants. Group subsidiaries outside Sweden are also involved in wirelessunlimited™.

No strings attached

Sigma in the front line with wirelessunlimited™ marketing campaign

Strategic partner of Ericsson

Two Ericsson companies – Ericsson Mobile Communications AB and Ericsson Microelectronics AB – have chosen Sigma to be their strategic partner in Bluetooth development. Sigma is to participate in the companies' ongoing work on this technology, and implement Bluetooth-based solutions for Ericsson customers.

Partnerships and alliances with the leading players in the industry are part of Sigma's strategy in the wireless area. Bluetooth is considered a key component of embedded systems in many products. The technology can be used, for example, for wireless communications involving cell-phones, computers and printers.

Industrial Bluetooth application

In cooperation with Peltor AB, market-leading in hearing protection and communications in noisy environments, Sigma has developed one of the first industrial Bluetooth applications. The solution is called Peltor Wireless Solutions – a communications headset equipped with a Bluetooth chip and a voice recognition function. The chip communicates with Ericsson's T28 mobile phone, for example, and enables the user to make and receive calls in noisy environments by speaking directly into the headset microphone.



Tomas Eliasson is in charge of Sigma wirelessunlimited™.

Internet portal

The Internet portal www.wirelessunlimited.org is a part of Sigma's wireless campaign. Sigma is the host of the portal, which is intended to serve as a common forum for professional users. The portal monitors development, public debate, industry standards, etc., and also sends news in WAP format.

Industry organizations

Sigma is a full member of the WAP Forum, and a member of both the Bluetooth Special Interest Group (SIG) and the GPRS Applications Alliance (GAA).

Applications and standards

For Sigma, the wireless concept covers a large number of wireless applications and standards:

- WAP: a protocol for Internet-based communication via mobile telephone
- GPRS: a protocol for mobile high-speed communication
- Bluetooth: a technology for wireless transmission of data across short distances – for example, between a cellphone and a computer
- UMTS: third-generation mobile telephony
- EDGE: a protocol for extremely rapid communications
- IP: a protocol for data communications that is now also beginning to be used for telephone traffic over data networks



systems/information technology) programs. Sigma wirelessunlimited™ has developed a similarly positive partnership with Ericsson. Sigma also has a framework agreement with Telia. Consulting is a matter of earning the trust of customers.

Tore Helgeson: To gain such trust, a consulting company must have skilled employees and work with a long-term approach. Another important feature is Sigma's ability to operate holistically; that is, to offer a service that covers the entire chain from feasibility studies and simulations to a finished facility, including communications with the customer's own computer system. Our solid relationship with SSAB, a steel company in northern Sweden, is a good example of how Sigma uses high-quality consulting input and turnkey solutions to gain the confidence of a customer. We're currently working on SSAB's Blast Furnace No. 3. We've been the frontrunning consulting company in the nuclear power sector for many years and have had a long-term partnership agreement with Vattenfall's Ringhals plant since 1997. The agreement covers the supply of advanced engineering resources to Ringhals in connection with its upgrading project. We've also signed partnership agreements with major international suppliers to the nuclear power industry during 2000.

Being positioned close to customers is part of Sigma's strategy. How does this work in cases where customers move all or parts of their operations outside Sweden?

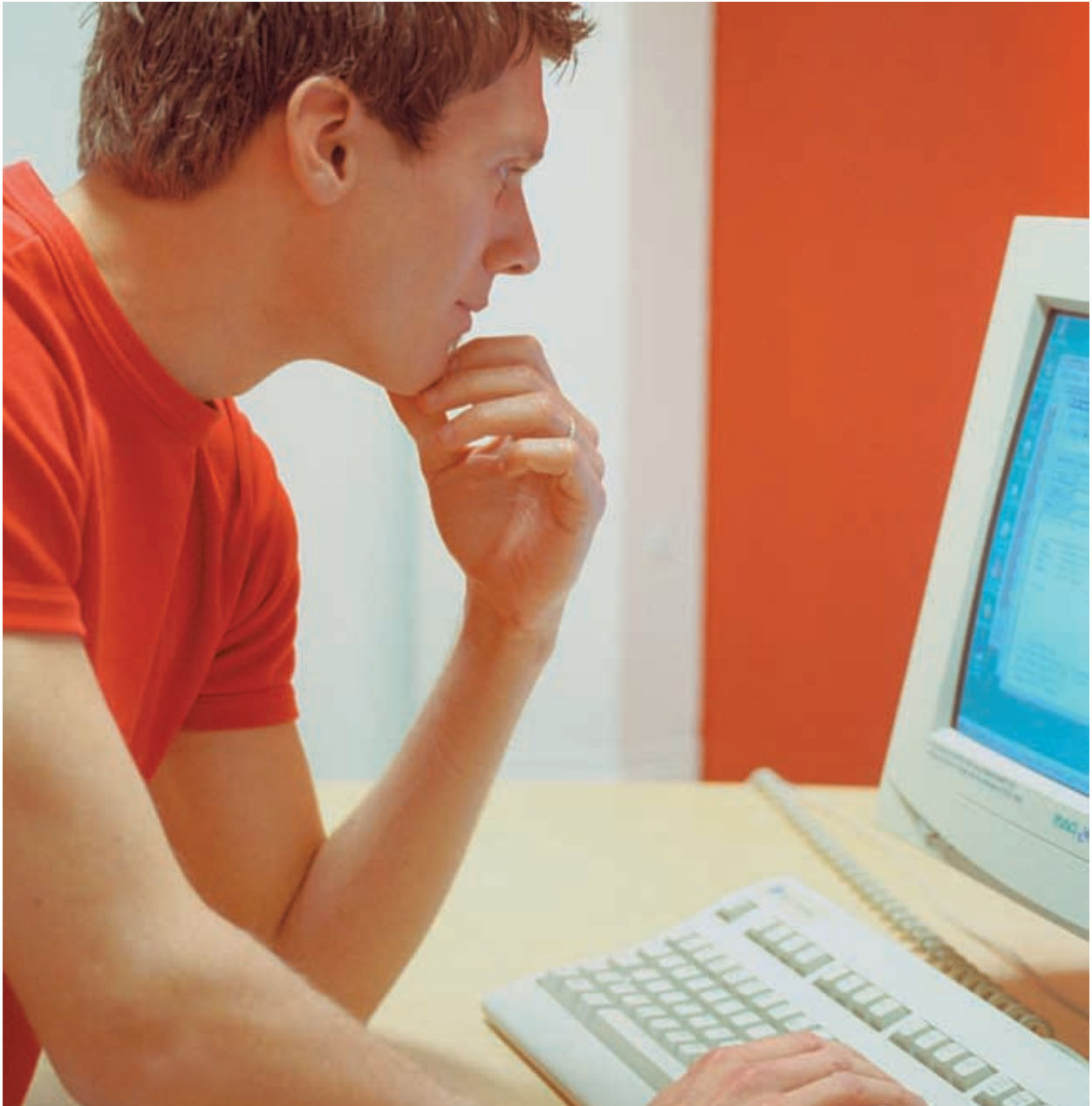
Thomas Pantzar: This is hastening the internal internationalization process within Sigma. We will probably establish operations in more European countries. Sigma currently has technical systems development subsidiaries in Denmark, Norway, Ireland, Poland and Italy. These companies cooperate closely with each other and allocate assignments in a manner that is beneficial to customers. Large companies, such as Ericsson and Volvo, want to have a few partners who are resource-intensive. By having a local presence in several markets, Sigma also broadens its customer base. Scandinavian IT companies have a good reputation in Europe, which is a strength we can build on.

Tore Helgeson: The fact that Sigma's subsidiaries cooperate across national borders means that we can increase the cost-effectiveness of certain assignments. Our aim is to expand both in and outside Sweden. Having a local presence is of major significance to us, since the after-market for our services is important to both Sigma and our customers. When a technology becomes cheaper and is miniaturized, doors are opened to new customer segments. Growth opportunities are also created when we cooperate with large, well-reputed suppliers, such as ABB. Our Swedish network, with offices at 26 locations, will be complemented by the opening of additional offices in other countries. We've already established operations in Norway and Denmark.

Another important feature is Sigma's ability to operate holistically; that is, to offer a service that covers the entire chain from feasibility studies and simulations to a finished facility

▶ Helen Milovac, whose work involves accounting and administration.





Peter Palván, a consultant in the embedded systems business area.

The ability to identify technological trends and other movements that drive development is important in the IT sector. How do you discover such trends early enough?

Thomas Pantzar: By making profits and earmarking resources for business intelligence. In other words, we're always prepared to grasp an opportunity that could give us a head-start over our competitors. Another prerequisite is to cooperate with the most development-intensive customers in various sectors, as Sigma does. Our success in snapping up the wireless trend at an early stage was largely the result of our long-term and in-depth relations with Ericsson. This is an area in which we're definitely one of the market's frontrunners in terms of skills and reputation.

It also results in positive spin-offs, such as augmenting Sigma's brand and making it easier to recruit highly skilled employees. In the field of technical systems development, most of our employees are university graduates in civil engineering. These are people who are stimulated by demanding assignments. By itself, having high capacity utilization is not enough. You also have to focus on the right things. Being the first company to offer a new service also arouses customer interest. This is natural, since our customers are very much market driven and their eyes are firmly set on time to market aspects. In most cases, Sigma works directly with the development departments of such customers.

Tore Helgeson: Having the will and the ability to operate long term is also important in this context. It sometimes takes several years for a new technology to break through and before customers are willing to invest in it. Field busses – a kind of computer network for minimizing the use of cable within an industrial operation – are an example of this. Like Thomas, I must emphasize the importance of profitability. New technologies replace others and a less successful venture must not be allowed to jeopardize a consulting company's existence. In order to remain successful and gain increased recognition, Sigma conducts several development lines on a parallel basis. Although time to market is not a key concept in the automation segment, we are affected by the fact that lead-times are being reduced continuously, in terms of both faster technological development and tighter deadlines. The slimming trend among the organizations of industrial companies has resulted in demand for larger volumes of consulting services.

Methods, structures and quality certification are concepts associated with technology-intensive operations. But they do not generate so much publicity. Why is that?

Thomas Pantzar: That's true. But at the same time, they are services that customers demand. Within technical systems development, for example, all of our subsidiaries, with the exception of newly started foreign companies, have received ISO 9001 certification. In addition, some form of methodology is a prerequisite for being able to efficiently manage a development project.

Tore Helgeson: Sigma Benima has been ISO 9001 certified since the beginning of 1997. We've now initiated a new round of certification, an obligation that arose following the demerger of the company into four legal entities. The reason for dividing the company into smaller units was to facilitate development of the organization's inherent creativity and dynamism. The aims for our quality system are to promote favorable development and to serve as a powerful tool, without resulting in the build-up of unnecessary bureaucracy.

BRIEF FACTS ABOUT

embedded solutions

Operations

Development of software for product and production systems.

Range of services

Telecommunications and data communications, real-time systems, web technology, production-aligned IT solutions and industrial control systems, regulation & control analyses and simulation.

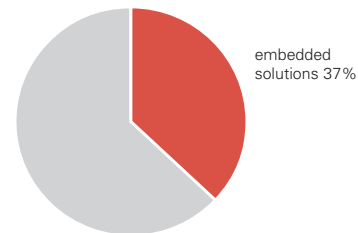
Key concepts

Wireless, mobility, WAP, Bluetooth, electronics, User Interface, Manufacturing Executive Systems (MES), Distributed Control Systems (DCS).

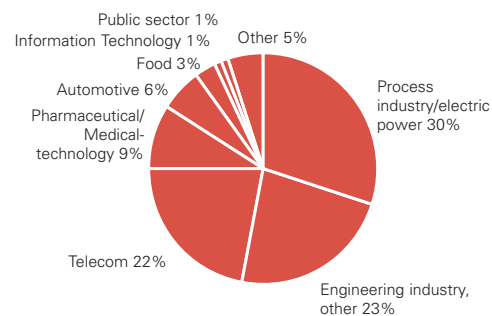
Competitors

HiQ, AU-system, Enea, Prevas.

Percentage of Group sales in 1999



1999 sales, by market segment



Five year summary

SEK M	1995 proforma	1996 proforma	1997	1998	1999
Sales	157.5	175.7	199.5	263.0	569.9
Growth, %	43.7	11.6	13.5	31.8	116.7
Profit after depreciation	18.6	19.6	18.9	38.1	44.1
Operating margin, %	11.8	11.2	9.5	14.5	7.7
Av. no. of employees	130	148	171	272	727

“The development work we conduct within Tetra Pak R&D is characterized by such features as a sharp focus on platform thinking. We outsource several of our projects on a turnkey basis to selected suppliers of consulting services and hardware. It’s essential that we choose partners that can truly handle new technologies and can help us reduce the lead-times in our technology activities. We also consciously look for stable partners with the capabilities required for a long-term relationship.”

TROND OHLGREN



trond ohlgren

Responsible for purchasing at Tetra Pak Research & Development AB.

The company is part of the Carton Division, one of three Tetra Pak divisions.

Increased investments in product and development production, changes in the purchasing procedures of customers

The operations of the engineering solutions business area are also affected by the e-revolution. Business area consultants are increasingly involved in the entire process from, for example, research-oriented idea and development work concerning a product to producing a prototype, launching a product and sales activities via the Internet. The assignments have the character of turnkey solutions, emphasizes business unit manager, Staffan Andersson, in this interview. To a large extent, the business area delivers complete solutions directly to end customers or cooperates with manufacturers who, for example, deliver the solutions to end customers.



Staffan Andersson business unit manager at engineering solutions.

The Industrial Technology business area was renamed engineering solutions during 1999 What signals is the new name intended to emit?

Engineering solutions is a name that signals that we're increasingly focusing on turnkey solutions. And that's exactly what is happening. Certainly, our consultants are still contracted as a temporary resource reinforcement, and these are welcome assignments, but the shift toward larger project undertakings is clear. This is often an advantage for the customer and, naturally, also more stimulating for our employees. When the IT content in the assignment increases, we speak about e-engineering.

What is included in the term turnkey?

The overall approach for the business area is that we work with mechanical-based development of products and production systems. Within product development, turnkey solutions involve all stages from an embryonic idea to a finished product. Sigma applies a working method in which project managers with documented expertise interact with many different specialists in a network. We adopt a holistic approach in order to test the strength of new ideas. Basically, we conduct research-oriented innovation and development work with the aim of moving the boundaries that define what a product can achieve, or what it is possible to accomplish using a specific process or in a

specified industrial segment. This work often gives rise to innovations that enhance our customers' positions and brands. Notable examples of such innovations include new technology for printers, new computer screen technology for advertising and information purposes and bar-code scanners that can be connected to mobile phones for ordering products and information. The research that Sigma conducts at the Ideon research park in Lund, the Chalmers Institute of Technology in Gothenburg and Videum in Växjö is of considerable use in the field of product development.

A turnkey solution in the product development field includes changing and enhancing the efficiency of the customer's product line. In such cases, we're responsible for development, design, manufacture and assembly in cooperation with partners and subsuppliers carefully selected from our own network. A testing rig for gearboxes that Sigma and a network partner jointly delivered to Volvo Trucks in Gothenburg is an example of such an assignment. The rig is used for lifecycle testing of gearbox prototypes and was designed in accordance with a comprehensive specification of requirements formulated by Volvo. Sigma was responsible for the technological concept and for design and project management. Our network partner, Process-Verktøy AB, cooperates with us in turnkey deliveries of production equipment.

► Four of Sigma engineering solutions' consultants: (from left) Hanna Johansson, Per Wirstam, Peter Jönsson and Allan Erlandsson.





Hanna Johansson and Peter Jönsson studying a technical solution.

Production logistics, analyses and calculations are other disciplines within engineering solutions. Any comments?

Our logistics consultants sharpen our customers' competitiveness by delivering complete solutions for increasing the efficiency of their core and support operations throughout the Supply Chain Management area. This means that Sigma implements processes of change involving management and IT support and also delivers solutions for production and logistics. Raufoss United AS of Norway is one of our customers in this area. Following an initial analysis of the company, Sigma produced the basis for decisions and was responsible for project management in connection with the implementation of the Movex business-support system at Raufoss. Movex is an integrated business-support system that replaces all previous systems for EDI, MPS, accounting and internal financial reporting and product reports. Sigma's order also included training 500 Raufoss employees.

Industrial demand for consultants for analyses and calculations is increasing, and such services are a prerequisite for efficient development work. The high pace of this work also necessitates the use of calculating and simulation technologies at an early stage of the process, in order to shorten the development period, improve product quality

and limit physical testing work.

The business area has several strong competitors. What are Sigma's competitive strengths when a company is looking for a consulting partner?

In addition to our 830 employees with in-depth and broad competence, I usually emphasize Sigma's decentralized structure. This makes us flexible and we can quickly form project groups that match a customer's requirements. Our network of subsuppliers is another strength. Briefly speaking, we have a lot to offer our customers, who are dependent on fast and expert partners to enable them to meet their time-to-market needs.

Outsourcing and partnerships are factors assigned importance when industrial companies concentrate on their core operations. How clear-cut is this trend?

Extremely clear-cut and highly tangible. Outsourcing means that a company defines parts of its operations that are not considered to be core business, such as a design department, and subcontracts, or outsources, the non-core portions to a consulting company. The outsourcing contract guarantees supply of the required services for a certain period, normally a couple of years. As a result of this solution, the customer gains a more flexible organization and access to various leading-edge skills, when these are

required. Sigma's outsourcing model facilitates participation by newly recruited employees. In a new external environment with access to new technology, these employees frequently raise their ability a few notches and seek new approaches. Sigma's definition of a partnership is an agreement whereby we deliver services and turnkey solutions, sometimes on an exclusive basis, for functions closely connected to the customer's core business. Companies that can focus on the services that they are best at usually become successful.

The engineering solutions business area is represented throughout Sweden. Is internationalization the next step?

Increased internationalization is part of our plans. This will largely take the form of initiatives in the automotive and medical markets. Europe has several prominent automotive companies and we hope to establish closer ties with them following Ford's and General Motors' entrance into the Swedish automotive industry. Sigma's expertise in the automotive industry mainly comprises electronics and computer technology, mechanics, analyses, simulation and information design, including technical information. Our programs in the medical sector will involve a focusing and concentration of our expertise in the pharmaceuticals and medical technology fields. This will increase our potential to offer turnkey solutions that span several areas of technology.

We're already being commissioned by many multinational companies and we intend to expand this customer base by moving outside Sweden. Being active in several sectors and several markets makes us less sensitive to cyclical

fluctuations. In terms of profitability, 1999 was a relatively good year for the business area and 2000 has begun really well. Now that the millennium problem is out of the way, it appears that industries have pent-up demand for product and production development. Our subsidiaries are operating at high capacity utilization. Several major projects are in progress in western Sweden on behalf of Volvo and Saab, for example, and in southern Sweden, we're working with many packaging companies, the principal one being Tetra Pak. The packaging assignments mainly involve development and design of machines and handling equipment. We're now also seeing evidence in northern Sweden that Sigma is a strong brand. We appear to be a natural choice when it comes to major assignments.

How is the business area helping to strengthen Sigma's human and structural capital?

We're building networks between our subsidiaries and working actively to increase the transfer of knowledge. When it comes to recruiting new employees, we have long-standing experience and no obvious weaknesses in our efforts to attract skilled engineers.

BRIEF FACTS ABOUT engineering solutions

Operations

Mechanical-based development of products and production systems.

Range of services

Strategic new development, analyses and calculations, product and production development, and production logistics.

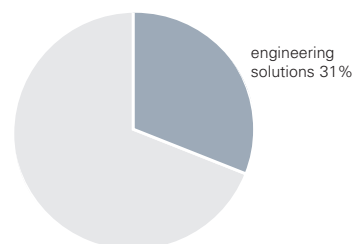
Key concepts

Research-oriented product development, production simulation, outsourcing/partnership, advanced CAD and calculation programs, cost-cutting production solutions.

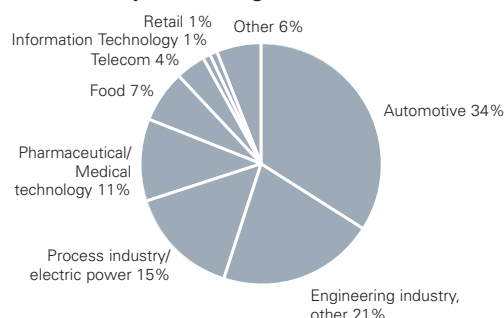
Competitors

Semcon, WM-data Caran, ÅF.

Percentage of Group sales in 1999



1999 sales, by market segment



Five-year summary

SEK M	1995 proforma	1996 proforma	1997	1998	1999
Sales	178.3	199.2	221.4	321.5	468.5
Growth, %	17.4	11.7	11.1	45.2	45.7
Profit after depreciation	20.0	18.8	21.2	25.0	35.5
Operating margin, %	11.2	9.4	9.6	7.8	7.6
Av. no. of employees	277	282	304	466	654

Financial review

History

During 1986, Sapia AB commissioned Dan Olofsson to form a new operation based on technical consulting services. This resulted in the establishment of Sapia Teknik AB in 1994, which was renamed Sigma Teknik AB and then Sigma AB in 1996.

Growth has been achieved via organic development, through Sigma's Entrepreneur Packages, and acquisitions. The largest individual acquisitions have been ProjektGruppen in 1987 and BFE in 1998.

In 1993, Dan Olofsson acquired Sigma, which was initially an autonomous subgroup within Sapia (currently Mandator).

Operations in the Information Technology business area have expanded progressively over the years, and Exallon Group and nBIT were acquired in 1996 as part of efforts to strengthen this business area. In connection with these acquisitions, a new organization was introduced with the aim of sharpening the Group's focus on information technology and industrial technology. The resulting streamlining process included a divestment of Sigma's construction-oriented civil engineering operations.

The Sigma share has been listed on the OM Stockholm Stock Exchange's O List since February 21, 1997. In 1998, with the aim of enhancing the Group's leading position in the market for technical IT services, Sigma acquired BFE, a company with 550 employees that was also quoted on the O List. During the same year, Sigma acquired an additional nine small companies, with a combined total of 160 employees.

In 1999, Sigma acquired 11 small companies or consulting units (excluding the offer for Måldata) with a total of 311 employees. Within the framework of Sigma's Entrepreneur Packages, operations in Switzerland and Italy were established during the same year.

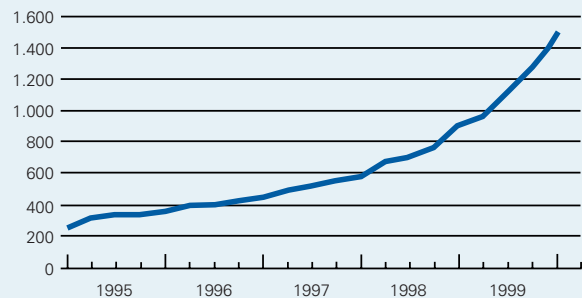
As a result of the increased activity within the Internet segment and the increased focus on the wirelessunlimited™ market concept for wireless communications, the Sigma Group was reorganized during late 1999 from two business areas (Information Technology and Industrial Technology) to three business areas: e-solutions, embedded solutions and engineering solutions.

Between Sigma's IPO (Initial Public Offering) on the OM Stockholm Stock Exchange in 1997 and the end of 1999, the number of employees rose from approximately

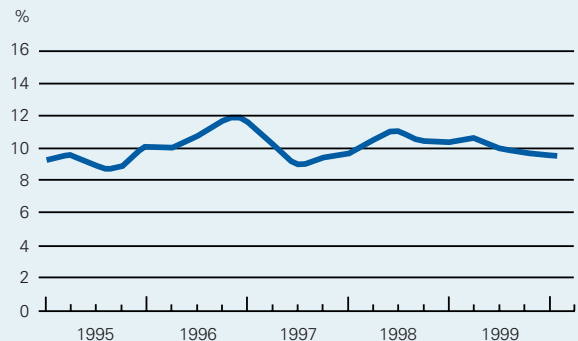
600 employees to about 2,200.

Average reported sales growth during the past 12 years has been 29%, which has been generated via both organic development and acquisitions.

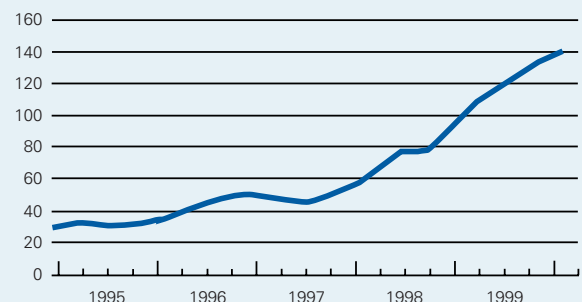
Rolling sales
SEK M



Rolling operating margin before amortization of goodwill



Rolling profit before amortization of goodwill
SEK M



Calculations for the period up to and including 1996 are pro forma.

Income Statements SEK M	1995 pro forma	1996 pro forma	1997	1998	1999
Sales	369.8	430.7	590.4	899.1	1,481.6
Operating expenses	-327.1	-375.0	-525.3	-797.0	-1,325.5
Profit before depreciation	42.7	55.7	65.1	102.1	156.1
Depreciation, excl. goodwill	-4.5	-5.0	-7.0	-9.4	-15.6
Profit before goodwill amortization (EBITA)	38.2	50.7	58.1	92.7	140.5
Sales growth, %	29	16	37	52	65
Operating margin before goodwill amortization, %	10.3	11.8	9.8	10.3	9.5
No. of employees, average	483	544	701	1,096	1,874

Operating revenues

The Sigma Group's annual pro forma sales growth over the past five years has averaged 39%. Since the public listing of Sigma shares in the beginning of 1997, which strengthened the company's capital base, Sigma has been able to increase its growth rate. Average growth in the past three years has been 51%, with a growth rate of 65% noted in 1999.

During 1998 and 1999, a particularly large proportion of total growth was generated from acquisitions. Organic growth accounted for 25 percentage points of total growth of 52% in 1998, with acquisitions accounting for the remainder. Of the total growth of 65% noted in 1999, 23 percentage points derived from organic growth and the remainder from acquisitions.

Of total sales in 1999, the e-solutions business area accounted for 32%, embedded systems for 37% and engineering solutions for 31%.

Revenues of SEK 1,481.6 M in 1999 were distributed as follows:

Revenues by type	SEK M	%
Consulting fees	1,313.5	88.6
Sales of hardware and software (order related)	112.2	7.6
Other revenues	55.9	3.8
Total	1,481.6	100.0

Of total Group revenues, contracts conducted on a current account basis accounted for 90% and fixed-price contracts for the remainder. Fees for in-house consulting services also include revenues from customer utilization of Sigma's computer center. Other revenues include debited costs of sub-consultants in connection with contract assignments, such as travel expenses and daily allowance charges.

Operating expenses

DEPRECIATION AND LEASING COSTS

Machinery and equipment are generally depreciated over five years and ten years, respectively, while acquired goodwill is amortized over five to 20 years. Individual appraisals of computer equipment are made at the time of purchase, with most equipment treated as directly expensed short-term equipment. Other computer equipment is depreciated over a period of three years. Due to the changes in accounting principles pertaining to computer equipment that were introduced in May 1996, Sigma's earnings in 1996, 1997 and 1998 were charged with depreciation of investments made in 1994-96 and with costs of leasing agreements, in addition to directly expensed costs for most new computer purchases. Temporary effects of the change in accounting principles resulted in additional charges of a few million Swedish kronor per year against earnings during the period concerned. Sigma concluded new leasing agreements in 1999. With the exception of certain computer equipment, these leases pertain exclusively to company cars. The residual value of Sigma's leasing commitments at year-end 1999 was SEK 23.1 M (18.6), of which SEK 10.8 M was attributable to leasing agreements signed during 1999. New leasing agreements will be limited in amount and pertain mainly to company cars.

GOODWILL

Goodwill attributable to the acquisition of subsidiaries and operations is reported as a fixed asset and amortized according to plan over the estimated economic life of the asset. The estimated economic life is based on individual assessment. Acquired goodwill in the Sigma Group is amortized over periods of five to 20 years.

The goodwill in the Sigma Group is positioned at two levels: consolidated goodwill and goodwill in subsidiaries, the latter being deductible for tax purposes. At December 31, 1999, the residual value of consolidated goodwill, before the acquisition of Måldata, was SEK 349.8 M. Earnings in 1999 were charged with SEK 24.7 M for amortization of consolidated goodwill. At December 31, 1999, goodwill in subsidiaries amounted to SEK 30.6 M.

BFE

At the beginning of 1999, the Sigma Group had reserves of SEK 11.9 M for the restructuring of the BFE group. All of this restructuring reserve was reversed during 1999.

Sigma currently owns approximately 99% of the shares in Benima Ferator Engineering BFE AB. Compulsory redemption of the remaining shares has been requested and the customary redemption procedure regarding these shares is under way.

EARNINGS

Sigma has shown strong earnings growth over the past five years, mainly as a result of the Group's sharp growth through organic development, the establishment of new operations within the framework of Sigma's Entrepreneur Packages and acquisitions.

Profits reported by consultant companies are mainly determined by capacity utilization, price trends and costs. During the past five years, average capacity utilization has been 74–76%.

SENSITIVITY ANALYSIS

	Change	Effect on earnings, SEK M
Capacity utilization	+/- 1 percentage point	+/- 16
Hourly rate	+/- SEK 10 (approx. 1.9%)	+/- 23
Payroll costs	+/- 1%	+/- 9

REFUND OF ITP PENSION CONTRIBUTIONS

Companies in the Sigma Group have been allocated slightly more than SEK 70 M from SPP's surplus funds. The date and method to be applied for the repayment of these funds have yet to be decided. SPP is expected to clarify the matter during 2000.

Cash flow

Cash flow before net financial items and tax SEK M	1995 pro forma	1996 pro forma	1997	1998	1999
Sales	369.8	430.7	590.4	899.1	1,481.6
Operating expenses	-327.1	-375.0	-525.3	-797.0	-1,325.5
Profit before depreciation	42.7	55.7	65.1	102.1	156.1
Current receivables, inventories	85.3	99.0	132.5	300.1	427.1
Current non-interest-bearing liabilities	-75.1	-86.0	-122.1	-242.2	-330.7
Net working capital	10.2	13.0	10.4	57.9	96.4
Change in working capital	-9.2	-2.8	2.6	-47.5	-38.5
Cash flow from operating activities	33.5	52.9	67.7	54.6	117.6
Net investments in fixed assets, excl. goodwill	-8.3	-6.0	-13.8	-30.1	-23.6
Cash flow before net investments in goodwill, net financial items and tax	25.2	46.9	53.9	24.5	94.0
Net investments in goodwill	n.a	-43.9	-18.3	-232.6	-129.8
Cash flow before net financial items and tax	n.a	3.0	35.6	-208.1	-35.8

n.a.= not applicable

Tax situation

Since the Sigma Group's invoicing is denominated primarily in Swedish kronor (SEK) and earnings are mainly generated through operations in Sweden, the average standard tax on profits is 28%. Since goodwill is not deductible for tax purposes, full tax on Group earnings is normally estimated, currently at 34%. However, Swedish corporate tax regu-

Seasonal variations

Because of the correlation between the number of available hours and invoicing, both sales revenues and earnings are affected strongly by vacations and holidays.

The strong dependence on available hours can also give rise to differences in results booked during the same quarter in different years, depending on whether Easter falls in the first or second quarter, for example. In some cases, therefore, quarterly comparisons may be misleading since revenues may vary in relation to available billing days, while costs per month are basically constant. Although the average working month is 20.8 working days, individual working months may fluctuate between 17 and 23 days. The effect of an increase or decrease by one working day on Sigma's monthly earnings, based on operations including BFE, was SEK 3 M in 1998 and SEK 5 M in 1999 and will be slightly more than SEK 7 M in 2000. The table below shows changes in the number of working days per quarter during 1998 to 2000.

Seasonal variations	Q1	Q2	Q3	Q4	Total
No. of available working days in 1998	62.0	59.0	66.0	63.0	250.0
No. of available working days in 1999	61.5	59.5	66.0	63.5	250.5
No. of available working days in 2000	63.5	59.0	65.0	63.0	250.5

lations provide scope for allocations to tax allocation reserve, which it is estimated will reduce Sigma's tax payments during the next few years to about 27%, based on an unchanged profit level. At present, no tax loss carry-forwards are available within the Group.

Market – forecast

As a result of general trends, such as

- the e-revolution (Internet, wirelessness, integration)
- globalization
- partnerships (turnkey solutions, fewer partners, partners with strong resources, outsourcing)
- focus on brands
- time-to-market

combined with favorable macroeconomic forecasts, future market growth is expected to be satisfactory. In addition, Sigma assigns priority to growth within its e-solutions and embedded solutions business areas, specifically in the e-business wireless and broadband segments, for example.

Moreover, Sigma can utilize three active paths to achieve growth, namely organic growth, the establishment of new operations through Sigma's Entrepreneur Packages and acquisitions.

Sigma enters 2000 with a workforce that is 31% larger than at the beginning of 1999. Måldata, which is expected to become consolidated as of March 2000, will add a further 12%. Due to this increase in capacity, combined with

the above-mentioned favorable trends, Sigma's focus on growth segments and its three routes to growth, 2000 is expected to be another successful year. This is also supported by the fact that Sigma has reported average annual growth of 51% in the past three years, that is, since its IPO.

The Board of Directors' forecast for 2000 is for continued strong sales growth and significantly improved earnings.

Pro forma accounts – Sigma, incl. Måldata

In a press release dated December 16, 1999, Sigma AB disclosed a public offer for all of the shares in Måldata AB (publ), an OTC-listed company. The pro forma accounts below are based on Sigma's and Måldata's annual reports at December 31, 1999. In accordance with the Financial Accounting Standards Council's recommendation RR 01:91, the pro forma balance sheet and income statement have been prepared in accordance with the purchase method. The reason for providing the pro forma accounts is to present the Group's financial position based on the assumption that the merger had become effective on January 1, 1999.

Condensed income statement, pro forma

Jan 1 – Dec 31, 1999 SEK M	Sigma	Måldata	Acquisition effects	Sigma after the acquisition
Operating revenues	1,481.6	306.2	-	1,787.8
Operating expenses	-1,325.5	-293.0	-	-1,618.5
Depreciation, excl. goodwill amortization	-15.6	-5.4	-	-21.0
Profit before goodwill amortization	140.5	7.8	-	148.3
Goodwill amortization	-28.0	0.0	-7.6	-35.6
Operating profit	112.5	7.8	-7.6	112.7
Net financial items	3.7	0.0	-0.2	3.5
Profit after financial items	116.2	7.8	-7.8	116.2
Taxes	-43.3	-2.3	0.0	-45.6
Minority interest	-0.3	-	-	-0.3
Profit after taxes	72.6	5.5	-7.8	70.3

Condensed balance sheet, pro forma

Dec 31, 1999 SEK M	Sigma	Måldata	Acquisition and share issue	Eliminations	Sigma after the acquisition
Goodwill	380.4	-	-	152.1	532.5
Other fixed assets	54.5	13.2	217.2	- 217.2	67.7
Current operating receivables	427.1	80.3	-	-	507.4
Liquid assets	28.1	21.0	-4.0	-	45.1
Total assets	890.1	114.5	213.2	-65.1	1,152.7
Shareholders' equity	439.5	65.1	213.2	-65.1	652.7
Minority share	1.9	-	-	-	1.9
Provisions	29.7	2.4	-	-	32.1
Long-term liabilities, interest-bearing	47.1	-	-	-	47.1
Long-term liabilities, non-interest-bearing	1.1	-	-	-	1.1
Current liabilities, interest-bearing	40.1	3.3	-	-	43.4
Current liabilities, non-interest-bearing	330.7	43.7	-	-	374.4
Total shareholders' equity and liabilities	890.1	114.5	213.2	- 65.1	1,152.7

COMMENTS ON THE PRO FORMA ACCOUNTS

Preparation of the pro forma accounts is based on the assumption that the public offer to Måldata shareholders is accepted in full. This entails a non-cash issue of 1,647,432 Series B Sigma shares. When calculating the book value of the shares, the Financial Accounting Standards Council's recommendation has been applied, which involves the use of the average closing price per Series B Sigma share during the ten trading days immediately prior to the announcement of the offer. Accordingly, the issue has been booked at a price of SEK 129.40 per share, making a total value of SEK 213.2 M. The cost of the public offer, which is estimated at approximately SEK 4.0 M, has been taken into consideration in the pro forma accounts and is included as a portion of the acquisition cost of the Måldata shares.

After taking into account Måldata's size and stability, the favorable synergism resulting from the merger and its long-term strategic value in terms of market positioning, the economic life of the resulting goodwill has been estimated as 20 years, or resulting in annual goodwill amortization of 5%. Accordingly, acquisition of 100% of the shares in Måldata would give rise to goodwill of SEK 152.1 M and annual goodwill amortization of SEK 7.6 M.

The acquisition is expected to result in restructuring costs. At the time of the publication of this annual report, the extent of these costs had yet to be assessed. Consequently, the pro forma balance sheet does not include a restructuring provision. Such a restructuring provision would increase the goodwill item in the new Group and thus also annual goodwill amortization.

SPP has made a preliminary decision regarding a refund of pension premiums, since the return on its pen-

sion assets have been much higher than estimated. Both Sigma and Måldata will receive such refunds. However, because of uncertainty regarding the size of the refund, when it will be paid and how, the refund has not been included in the pro forma accounts.

Nor have any synergistic benefits resulting from the acquisition been taken into account in the pro forma accounts. However, Sigma estimates preliminarily that synergistic benefits of SEK 10 to 20 M will be generated within two years, in addition to the direct contribution Måldata will make to consolidated profit.

In total, it is estimated that this will boost Sigma's earnings per share after full tax by SEK 0.40 to 0.80 in the next two years. Måldata is expected to become consolidated in the Sigma Group as of March 2000.

CAPITAL STRUCTURE

Pro forma capital employed in the new Group on December 31, 1999 amounted to SEK 748.5 M, of which liquid assets accounted for SEK 45.1 M. Capital employed was financed with interest-bearing liabilities and provisions of SEK 93.9 M, as well as minority interest and shareholders' equity in an amount of SEK 654.6 M. The new Group's pro forma net debt/equity ratio on December 31, 1999 was 7.5 and its equity/assets ratio was 56.6%.

TAX SITUATION

At the end of 1999, taxes paid accounted for 31% of profit after financial items. Since goodwill is not deductible for tax purposes, taxes paid accounted for 33% of Sigma's pro forma profit after the acquisition of Måldata.

Financial objectives

GROWTH

Sigma's objective is to achieve average, long-term sales growth in excess of the market average.

MARGINS

The target level for operating margin before amortization of goodwill is about 10% over a complete business cycle.

EQUITY/ASSETS AND NET DEBT/EQUITY RATIO

Sigma's target level for equity/assets is a minimum of 40%, with a net debt/equity ratio of less than 25%.

Although these target levels may be changed temporarily,

due to future acquisitions, the Board's long-term objective is that they be achieved.

FINANCING POLICY

Sigma's net debt of SEK 62.5 M at year-end 1999 was relatively small. As a result of this factor, combined with the Group's positive cash flows from continuing operations, the Board believes Sigma is well-equipped to self-finance healthy organic growth and minor acquisitions. Management of liquid assets shall be subject to a low risk profile.

Five-year review

Because of the pro forma accounting measures required to prepare historical income statements and balance sheets, and because the Group's historical capital structure is not representative of the present capital structure, key ratios based on parameters affected by the financial struc-

ture are not relevant. Since this applies to the table of key ratios below for the year 1995, the ratios for that year have been excluded to avoid presenting misleading information. All key ratios for 1996 are pro forma, including the proceeds from the new share issue in connection with the 1997 IPO.

Sales and earnings SEK M	1995 pro forma	1996 pro forma	1997	1998	1999
Sales	369.8	430.7	590.4	899.1	1,481.6
Profit before goodwill amortization (EBITA)	38.2	50.7	58.1	92.7	140.5
Profit after depreciation	n.a.	44.7	51.2	79.9	112.5
Profit after net financial items	n.a.	44.7	51.1	80.6	116.2
Sales and earnings (reported), SEK M	1995/96	1996 8 months	1997	1998	1999
Sales	392.4	263.9	590.4	899.1	1,481.6
Profit before goodwill amortization (EBITA)	29.4	27.2	58.1	92.7	140.5
Profit after depreciation	26.4	24.4	51.2	79.9	112.5
Profit after net financial items	26.0	23.5	51.1	80.6	116.2
Capital structure SEK M	1995	1996 pro forma	1997	1998	1999
Fixed assets	n.a.	65.2	84.4	325.1	434.9
Current assets	n.a.	99.0	132.6	300.1	427.1
Liquid funds	n.a.	19.3	43.5	10.3	28.1
Shareholders' equity	n.a.	93.0	127.8	317.2	439.5
Minority interests	n.a.	0.1	0.0	0.6	1.9
Provisions	n.a.	4.2	7.0	29.6	29.7
Long-term liabilities, interest-bearing	n.a.	0.0	0.6	38.8	47.1
Long-term liabilities, non-interest-bearing	n.a.	0.2	3.0	6.6	1.1
Current liabilities, interest-bearing	n.a.	0.0	0.0	0.5	40.1
Current liabilities, non-interest-bearing	n.a.	86.0	122.1	242.2	330.7
Total assets	n.a.	183.5	260.5	635.5	890.1
Equity/assets ratio, %	n.a.	50.8	49.0	49.9	49.4
Net debt/equity ratio, %	n.a.	0.0	0.0	9.1	14.2
Profitability %	1995 pro forma	1996 pro forma	1997	1998	1999
Gross margin	11.6	12.9	11.0	11.4	10.5
Operating margin before goodwill amortization	10.3	11.8	9.8	10.3	9.5
Operating margin after goodwill amortization	n.a.	10.4	8.7	8.9	7.6
Return on capital employed	n.a.	51.9	47.1	34.1	27.1
Return on equity	n.a.	32.8	31.5	23.6	19.3
Employees	1995 pro forma	1996 pro forma	1997	1998	1999
Number of employees, year-end	501	586	798	1,673	2,185
Average number of employees	483	544	701	1,096	1,874
Sales per employee, SEK 000s	766	792	842	820	791
Value added per employee, SEK 000s	506	537	591	604	598
Profit b. goodwill amortization (EBITA), per empl. SEK 000s	79	93	83	85	75
Profit after net financial items, per employee, SEK 000s	n.a.	82	73	74	62
Data per share	1995	1996 pro forma	1997	1998	1999
Profit after standard tax, SEK	n.a.	1.08	1.27	1.94	2.58
Ditto after exercise of warrants	n.a.	-	-	1.92	2.56
Profit after full tax, SEK	n.a.	1.03 ¹	1.20	1.75	2.24
Ditto after exercise of warrants	n.a.	-	-	1.74	2.23
Shareholders' equity, SEK	n.a.	3.13	4.30	9.86	13.30
Ditto after exercise of warrants	n.a.	-	-	10.73	14.11
Cash flow, SEK	n.a.	n.a.	1.90	1.07	2.64
Ditto after exercise of warrants	n.a.	-	-	1.07	2.62
Dividend, SEK	n.a.	-	0.50	0.75	0.90 ²
Market price, December 31, SEK	n.a.	13.25 ³	34.25	67	182
Dividend yield, %	n.a.	-	1.5	1.1	0.5
P/E multiple after standard tax	n.a.	12	27	35	71
P/E multiple after full tax	n.a.	13	29	38	81
Price/equity, %	n.a.	423	797	680	1,368
Average number of shares	n.a.	29,712,144	29,065,832	29,915,477	32,374,577

n.a. = not applicable.

¹ The pro forma average number of shares in 1996 was equal to the total number of shares outstanding, since the issue proceeds of SEK 65.2 M were included in the accounts as per January 1, 1996. ² Proposed dividend. ³ IPO price in February 1997.

Share capital and ownership structure

Sigma's Series B shares have been listed on the OM Stockholm Stock Exchange's O List since February 21, 1997. Series A shares are not listed.

Share capital

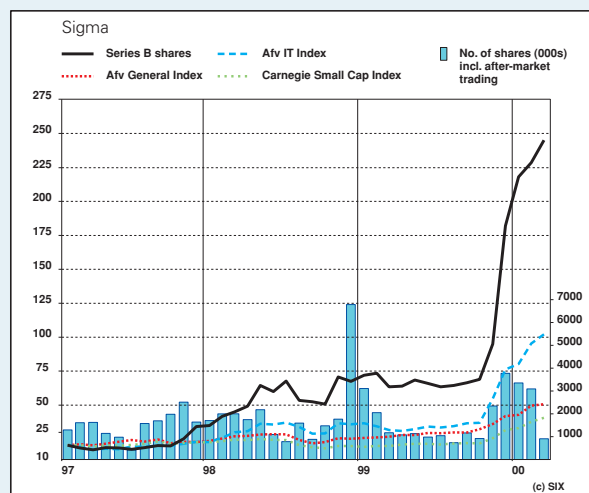
The registered share capital at December 31, 1999 amounted to SEK 65,386,046, represented by 32,693,023 shares with a par value of SEK 2.00 each, of which 4,302,004 are Series A shares and 28,391,019 were Series B shares. Series A shares carry ten voting rights each at a General Meeting of shareholders and Series B shares carry one voting right each. At a General Meeting, each person is entitled to exercise unlimited voting rights on the full number of shares that he or she owns or represents. All shares carry equal entitlement to participation in Sigma's profits and assets.

Authorization

The 1999 Annual General Meeting authorized the Board of Directors to approve one or more new issues of Series B shares without preferential rights for Sigma shareholders during the period preceding the next Annual General Meeting. This may be effected, with or without a decision on a non-cash issue, in a total amount of SEK 2,800,000 by issuing a maximum of 1,400,000 Series B shares. The reason for not applying the preferential rights of shareholders is to make it possible to pay for company acquisitions in full or in part through issues of shares to the sellers.

In connection with the acquisition of companies, the Board issued 889,730 new Series B shares during 1999 based on this authorization, of which 540,879 had been registered at December 31, 1999. In addition, a decision was made in January 2000 to issue a further 93,750 Series B shares.

Pursuant to the public offer to Måldata shareholders, an Extraordinary General Meeting held on February 28, 2000 voted to issue a maximum of 1,647,432 new Series



B shares to Måldata shareholders as payment for the transfer of Måldata shares.

Debenture loan with warrants

During 1998, Sigma issued a debenture loan in a nominal amount of SEK 15,000, with 150,000 detachable warrants carrying rights to subscription of new Series B shares. Each warrant entitled the holder to subscribe for four new shares. The debenture loan was issued to the subsidiary Exallon Group AB which, after detaching the warrants, sold 144,375 warrants to Sigma Group employees.

The warrants may be exercised for subscription of new shares during the period November 1, 2000 – March 30, 2001. The subscription price is SEK 61.50 per share.

Upon full exercise of outstanding warrants, Sigma's share capital will increase by SEK 1,200,000 and the number of Series B shares by 600,000. In all, Sigma will be provided with SEK 36,900,000. The total number of votes will be diluted by approximately 0.8%, and the share capital by approximately 1.8%.

Trend of share capital	Increase in No. of shares	Increase in share capital, SEK	Total share capital, SEK	No. of shares	Par value of shares, SEK
1996			216,000	2,160	100.00
1996 Split 125:1	267,840		216,000	270,000	0.80
1996 Bonus issue, 20:1	5,400,000	4,320,000	4,536,000	5,670,000	0.80
1996 New issue ¹⁾	436,036	348,829	4,884,829	6,106,036	0.80
1996 Bonus issue ²⁾		19,539,315	24,424,144	6,106,036	4.00
1997 New issue ³⁾	1,322,000	5,288,000	29,712,144	7,428,036	4.00
1998 Split 4:1	22,284,108		29,712,144	29,712,144	1.00
1998 Bonus issue ⁴⁾		29,712,144	59,424,288	29,712,144	2.00
1998 New issue ⁵⁾	2,440,000	4,880,000	64,304,288	32,152,144	2.00
1999 New issue ⁶⁾	540,879	1,081,758	65,386,046	32,693,023	2.00
2000 New issue ⁷⁾	348,851	697,702	66,083,748	33,041,874	2.00

1) Settlement issue to owners of Exallon Group AB and nBit Affärssystem AB. The subscription price for the issue was SEK 53 per share.

2) Bonus issue effected through a write-up of the par value of Sigma shares.

3) Issue proceeds that arrived on February 14, 1997. Subscription price: SEK 53 per share.

4) Bonus issue effected through a write-up of the par value of Sigma shares.

5) Private placement of new shares to institutional investors in Sweden and other markets. Subscription price: SEK 62.50 per share.

6) Non-cash issue in connection with the acquisition of Cadato Intressenter AB. Subscription price: SEK 67.73 per share.

7) Payment in connection with the acquisition of 70% of the shares in Berika i Malmö AB and all of the shares in JiiComp AB, as well as a supplementary purchase consideration to the sellers of Cadato Intressenter AB. Subscription price: SEK 108.50 per share relating to 341,014 shares and SEK 159.50 per share relating to 7,837 shares.

Call options

Danir Utveckling AB, which is wholly owned by Dan Olofsson, has issued call options that will entitle the holders to subscribe for 978,759 shares in Sigma. Options corresponding to 120,000 Sigma shares were exercised in December 1999. During January 2000, additional options corresponding to 552,000 Sigma shares were exercised. The remaining options, which are held by members of the Board of Directors and other senior Sigma executives, correspond to 306,759 Sigma shares.

Distribution of shareholdings

Number of shares held	No. of securities	%	No. of shareholders	No. of shareholders, %
1 - 500	1,201,201	3.6	7,100	73.7
501 - 1,000	1,149,504	3.5	1,337	13.9
1,001 - 2,000	1,089,156	3.3	652	6.8
2,001 - 5,000	1,089,831	3.3	325	3.4
5,001 - 10,000	687,240	2.1	91	0.9
10,001 - 20,000	898,225	2.7	57	0.6
20,001 - 50,000	1,371,862	4.2	41	0.4
50,001 - 100,000	584,900	1.8	8	0.1
100,001 - 500,000	2,172,278	6.5	11	0.1
500,001 -	22,797,677	69.0	7	0.1
Total	33,041,874	100.0	9,629	100.0

Share ownership and shareholder structure

Sigma had 9,629 (5,787) shareholders on December 31, 1999. Institutional ownership amounted to 15.0% of the share capital and 6.9% of the voting rights. Foreign ownership amounted to 10.9% of the share capital and 6.9% of the voting rights. Approximately 74% of the number of shareholders own fewer than 500 shares each.

Dividend and dividend policy

The Board of Directors proposes that the Annual General Meeting approve payment of a dividend of SEK 0.90 (0.75) per share for the 1999 fiscal year.

The proposal is in line with Sigma's dividend policy, the objective of which is to distribute 30% to 50% of after-tax profits to the shareholders.

Distribution of ownership, December 31, 1999

Shareholder	No. of A shares	No. of B shares	Total shares	% of share capital	% of votes
Dan Olofsson, via companies	4,148,004	14,639,996	18,788,000	56.9	78.2
State Street Bank and Trust, USA	0	1,425,049	1,425,049	4.3	2.0
AMF Pensionsförsäkringar AB	0	1,318,800	1,318,800	4.0	1.8
Konstantin Caliacmanis	154,000	602,316	756,316	2.3	3.0
Chase Manhattan Bank, USA	0	509,512	509,512	1.5	0.7
Livförsäkringsaktiebolaget Skandia	0	406,220	406,220	1.2	0.6
Föreningen mot Hjärt- och Lungsjukdomar	0	229,000	229,000	0.7	0.3
Svenska Handelsbanken	0	225,164	225,164	0.7	0.3
Nordbankens Tillväxtfond	0	225,000	225,000	0.7	0.3
D. Carnegie AB	0	155,000	155,000	0.5	0.2
SalusAnsvar Öhman fonder	0	135,000	135,000	0.4	0.2
Global Small Cap Fund Inc., USA	0	132,584	132,584	0.4	0.2
Sune Nilsson and family	0	125,559	125,559	0.4	0.2
Merita Bank Ltd., Finland	0	118,600	118,600	0.4	0.2
Federated Funds, USA	0	112,200	112,200	0.3	0.2
Others	0	8,379,870	8,379,870	25.3	11.6
Total	4,302,004	28,739,870	33,041,874	100.0	100.0

Share data	1997	1998	1999
Earnings per share after standard tax, SEK	1.27	1.94	2.58
Ditto after exercise of warrants, SEK	-	1.92	2.56
Earnings per share after full tax, SEK	1.20	1.75	2.24
Ditto after exercise of warrants, SEK	-	1.74	2.23
Equity per share, SEK	4.30	9.86	13.30
Ditto after exercise of warrants, SEK	-	10.73	14.11
Cash flow per share, SEK	1.90	1.07	2.64
Ditto after exercise of warrants, SEK	-	1.07	2.62
Dividend, SEK	0.50	0.75	0.90 ¹
Dividend yield, %	1.5	1.1	0.5
P/E multiple, standard tax	27	35	71
P/E multiple, full tax	29	38	81
Share price/equity, %	797	680	1,368

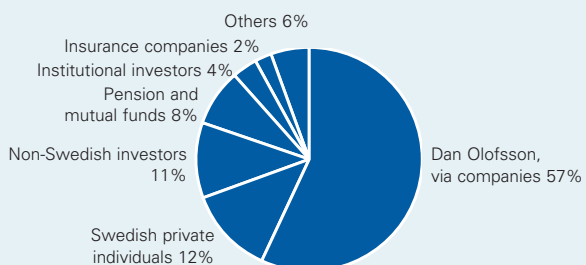
¹ Proposed dividend.

The average number of Sigma shares outstanding in 1999 was 32,374,577.

Total return on Sigma shares	1997	1998	1999
Market price, January 1, SEK	13.25*	34.25	67.0
Market price, December 31, SEK	34.25	67.00	182.0
Increase in share price, SEK	21.00	32.75	115.0
+ Dividend paid, SEK	-	0.50	0.75
= Growth in value, SEK	21.00	33.25	115.75
Growth in value, %	158%	97%	173%

* Subscription price at IPO in February 1997.

Aktieägarfördelning



Board of Directors' Report

The Board of Directors and President of Sigma AB (publ), Organization number 556250-3515, hereby submit the annual report of the Parent Company and the consolidated accounts of the Sigma Group for the 1999 fiscal year.

Sigma AB, whose registered office is in Malmö (Sweden), is the Parent Company of the Sigma Group. Danir Utveckling AB (Organization number 556432-7111, registered office in Malmö, Sweden), owns 57% of the Company and is in turn a wholly owned subsidiary of Danir Förvaltning AB (Organization number 556094-6104, registered office in Malmö, Sweden).

Operations

Sigma is a leading supplier of consulting services within the e-solutions, embedded solutions and engineering solutions business areas. The Group, which has employees in seven countries, focuses on solutions for interaction, innovation and integration. Sigma's guiding objective is to strengthen its customers' competitiveness and brands. Customers are primarily development-intensive companies such as ABB, AstraZeneca, Ericsson, Telia, TetraLaval and Volvo.

Group

In December 1999, Sigma AB made a public offer for all of the shares in Måldata AB (publ), an OTC-listed company with 200 employees. Payment for the shares will take the form of newly issued Sigma shares. Assuming that an Extraordinary General Meeting of Sigma shareholders on February 28, 2000 approves the issue of a maximum of 1,647,432 new Series B shares and 100% acceptance of the offer, the dilution effect will be about 4.8%. The acquisition will strengthen Sigma's e-solutions business area by adding leading-edge expertise in the fields of broadband and data communications, as well as further know-how regarding business administration systems. Another highly significant effect will be a strengthening of Sigma's position in Stockholm. In 1999 (excluding the offer for Måldata), Sigma acquired 11 small companies or consulting units with a total of 311 employees. Three companies for which Sigma paid a combined total of SEK 75 M were acquired via non-cash issues of 889,730 Series B shares, 540,879 of which had been registered by the end of the fiscal year, while the remainder were registered after fiscal year-end. Within the framework of Sigma's Entrepreneur Packages program, operations in Switzerland and Italy were established during 1999. In addition, a decision was made to make a major investment in the wireless segment, with the aim of becoming one of Europe's leading consultants in wireless communication. This segment includes such wireless technologies as WAP, GPRS, Bluetooth and IP. Sigma is already one of the frontrunners in the segment and expects to have increased the number of consultants in the wireless field from 75 to 300 within two years.

Following fiscal year-end, Sigma acquired the Internet company Reklamkompaniet No. 1 AB through a non-cash issue of 93,750 new Series B Sigma shares.

Companies in the Sigma Group have been allocated slightly more than SEK 70 M from SPP's surplus funds. The date and method to be applied for the repayment of these funds have yet to be decided. SPP is expected to clarify the matter during 2000.

Sales and earnings

Sales increased by 65% (52) to SEK 1,481.6M (899.1). Organic growth accounted for 23 percentage points of this growth and acquisitions for the remainder.

Operating profit before depreciation (EBITA) rose by 52% to SEK 140.5 (92.7). The margin based on EBITA was 9.5% (10.3). The change in the operating margin was attributable to such factors as increased growth and higher branding costs during 1999.

Profit after net financial items rose 44% to SEK 116.2 M (80.6). The net margin was 7.8% (9.0). In addition to the above-mentioned 0.8-percentage-point decrease in the operating margin, goodwill amortization during 1999 had an adverse effect of 1.8 percentage points on the net margin, compared with an adverse effect of 1.4 percentage points in 1998. Net financial income resulted in a slight increase in the net margin in 1999, due to slightly higher capital gains on sales of publicly traded securities compared with 1998.

Sigma expenses most of its investments in hardware and software. Compared with depreciation over three years, this has an adverse impact of approximately 0.5 percentage points on the margin during the current period of strong growth. During 1999, SEK 30 M was expensed for Sigma's investments in hardware and software.

At the beginning of 1999, the Sigma Group had reserves of SEK 11.9 M for the restructuring of BFE. All of this consolidated restructuring reserve was reversed during 1999.

E-solutions accounted for 32% of consolidated sales, embedded solutions for 37% and engineering solutions for 31%.

Personnel

The number of employees in 1999 rose by 31% to 2,185 (1,673). Of this number, 210 were added through organic growth and 311 through acquisitions. Organic growth takes into account the fact that about 90 employees have left the Group due to restructuring measures.

The average number of employees during the year rose by 71% to 1,874 (1,096). Also see Note 2.

Liquid assets and financial position

The Group's liquid assets amounted to SEK 28.1 M. Of the Group's overdraft facilities totaling SEK 106.8 M, SEK 44.6 M had been utilized by the end of 1999.

The Group's net debt amounted to SEK 62.5 M (28.7). The net debt/equity ratio was 14.2% (9.1).

Group shareholders' equity amounted to SEK 439.5 M (317.2). Of this amount, SEK 75.1 M was provided through a new issue of shares during the year. The equity/assets ratio was 49% (50%).

Investments

Group investments in 1999 amounted to SEK 158.0 M. As a result of acquisitions, SEK 129.7 M was invested in goodwill, SEK 3.1 M in buildings and land, SEK 0.7 M in participations in associated companies and SEK 2.6 M in machinery and equipment. The remaining SEK 21.9 M was attributable to current operations, with rights of use/licenses accounting SEK 1.7 M, long-term holdings of securities for SEK 0.4 M and machinery and equipment for SEK 19.8 M.

Board of Directors' work in 1999

Sigma's Board of Directors consists of six members elected at the Annual General Meeting, plus two employee representatives. Other members of staff participate in Board meetings as required, to make presentations or in administrative functions. The Board held ten meetings during the year, five of which were scheduled meetings and the other five extraordinary meetings, including four that were per capsulam. One of the regular meetings dealt with the Sigma Group's objectives, vision and strategy during a two-day period. The Company's auditor participated in one of the Board meetings and reported his observations and evaluation of the Company's internal controls. The formal control of the Board's work is based on a "Working Procedures" document that governs the Board's activity in terms of time and focus on particular subjects. The distribution of responsibility between the Chairman and President is also set forth in detail, as is the latter's authority. Subsequently, the President's authority has been clarified in special instructions.

Parent Company

Parent Company sales in 1999 amounted to SEK 36.1 M (16.5). Profit after financial items totaled SEK 79.0 M (62.1), of which SEK 85.7 M (78.4) was attributable to participations in Group companies. Liquid assets amounted to SEK 2.9 M. Investments during the year totaled SEK 162.8 M, of which shares in subsidiaries accounted for SEK 160.0 M and machinery and equipment for SEK 2.8 M.

Market – Forecast

The Board of Directors' forecast for 2000 is for continued strong sales growth and significantly improved earnings.

Other information

For additional information on the profits and financial position of the Group and Parent Company, reference is made to the accompanying income statements, balance sheets and notes to the financial statements, which contain descriptions of the methods and valuation principles employed when preparing the consolidated accounts.

Distribution of earnings

PARENT COMPANY

Available for distribution by the Annual General Meeting:

Carried forward from the preceding year	SEK 56,359,826
Profit for the year	SEK 33,095,270
Total	SEK 89,455,096

The Board of Directors proposes that unappropriated funds available for distribution by the Meeting, be distributed as follows:

Dividend to the shareholders	SEK 31,304,750
To be retained in the business	SEK 58,150,346
Total	SEK 89,455,096

The current issue of new shares to Måldata shareholders has resulted in uncertainty regarding the number of shares that will carry dividend rights. The above figure of SEK 31,304,750 is the maximum amount that may be distributed as dividends.

The Parent Company granted Group contributions of SEK 26,410,000 to subsidiaries. Group contributions received from subsidiaries amounted to SEK 144,199,000.

GROUP

As of December 31, 1999, the Group's unrestricted equity amounted to SEK 70,947,000. In the annual reports of Group companies, it is proposed that SEK 127,000 of the unrestricted equity be transferred to these companies' legal reserves.

Income Statements

SEK 000s		Group		Parent Company	
		1999 12 months	1998 12 months	1999 12 months	1998 12 months
Operating revenues					
Net sales		1,481,592	899,105	36,121	16,509
Operating expenses					
Goods for resale/subconsultants		-158,202	-108,369	-	-
Other external expenses	Note 1	-202,267	-128,427	-32,534	-27,480
Personnel costs	Note 2	-964,968	-560,215	-10,063	-4,851
Depreciation					
Tangible fixed assets	Note 3	-15,202	-9,279	-1,177	-390
Intangible fixed assets, excl. goodwill	Note 4	-402	-165	-	-
Profit before amortization of goodwill, EBITA		140,551	92,650	-7,653	-16,212
Amortization of goodwill	Note 4	-27,996	-12,797	-	-
Total operating expenses		-1.369,037	-819,252	-43,774	-32,721
Operating profit	Note 5	112,555	79,853	-7,653	-16,212
Profit from financial investments					
Profit from participations in associated companies		135	-	-	-
Profit from participations in Group companies	Note 6	-	-	85,711	78,431
Profit from other securities	Note 7	6,423	1,735	1,279	1,735
Other interest income and similar profit/loss items	Note 8	1,721	1,713	6,669	3,809
Interest expense and similar profit/loss items	Note 9	-4,585	-2,679	-6,957	-5,627
Total profit from financial investments		3,694	769	86,702	78,348
Profit after financial items		116,249	80,622	79,049	62,136
Minority interests		-322	-58	-	-
Appropriations	Note 10	-	-	-22,508	-15,075
Tax paid on profit for the year		-35,896	-23,284	-25,079	-16,321
Deferred tax on profit for the year		-7,442	-4,825	-	-
Fictive tax on Group contributions		-	-	1,633	-
Profit for the year		72,589	52,455	33,095	30,740

Balance Sheets

SEK 000s		Group		Parent Company	
Assets		1999-12-31	1998-12-31	1999-12-31	1998-12-31
Fixed assets					
Intangible fixed assets	Note 4				
Patents, licenses and similar rights		1,200	125	-	-
Tenancies and similar rights		545	468	-	-
Goodwill		380,369	278,521	-	-
Total intangible fixed assets		382,114	279,114	-	-
Tangible fixed assets	Note 3				
Buildings and land		3,060	680	-	-
Equipment and office machinery		48,335	45,070	4,504	2,943
Total tangible fixed assets		51,395	45,750	4,504	2,943
Financial fixed assets					
Shares in Group companies	Note 11	-	-	498,987	384,713
Shares in associated companies	Note 12	737	-	-	-
Other securities held as fixed assets	Note 13	411	-	-	-
Other long-term receivables		255	223	-	-
Total financial fixed assets		1,403	223	498,987	384,713
Total fixed assets		434,912	325,087	503,491	387,656
Current assets					
Inventories, etc.					
Finished products and goods for resale		3,985	1,231	184	-
Work on contract	Note 14	20,500	21,208	-	-
Advances to suppliers		30	54	-	-
Total inventories, etc.		24,515	22,493	184	-
Current receivables					
Accounts receivable, trade		258,012	182,349	15	15
Receivables from Group companies		4,883	188	128,150	56,968
Other receivables		10,279	7,051	1,145	1,365
Prepaid costs and accrued income	Note 15	129,393	88,050	5,466	4,298
Total current receivables		402,567	277,638	134,776	62,646
Short-term investments		31	1,358	-	-
Cash and bank balances		28,080	8,944	2,913	2,402
Total current assets		455,193	310,433	137,873	65,048
Total assets		890,105	635,520	641,364	452,704

SEK 000s		Group		Parent Company	
Equity and liabilities		1999-12-31	1998-12-31	1999-12-31	1998-12-31
Shareholders' equity	Note 16				
Restricted equity					
Share capital (32,693,023 shares, par value SEK 2.00 each)		65,386	64,304	65,386	64,304
Unregistered share capital		698	-	698	-
Share premium reserve		250,110	176,820	253,745	180,641
Restricted reserves/Legal reserves		52,394	27,630	3,571	3,571
Total restricted equity		368,588	268,754	323,400	248,516
Unrestricted equity					
Unrestricted reserves/profit brought forward		-1,642	-4,001	56,360	45,535
Profit for the year		72,589	52,455	33,095	30,740
Total unrestricted equity		70,947	48,454	89,455	76,275
Total equity		439,535	317,208	412,855	324,791
Minority interests		1,942	642	-	-
Untaxed reserves					
Difference between book depreciation and depreciation according to plan		-	-	780	663
Tax allocation reserve, 1998		-	-	10,904	10,904
Tax allocation reserve, 1999		-	-	14,592	14,592
Tax allocation reserve, 2000		-	-	22,391	-
Total untaxed reserves		-	-	48,667	26,159
Provisions					
Provision for pensions		3,394	3,676	-	-
Provisions for deferred tax		25,781	13,333	-	-
Provision for restructuring		-	12,103	-	-
Other provisions		486	465	-	-
Total provisions		29,661	29,577	-	-
Of which, interest-bearing		3,391	3,676	-	-
Long-term liabilities					
Owed to credit institutions		2,450	497	-	-
Overdraft facilities	Note 17	44,619	39,194	41,788	38,184
Other liabilities		1,013	5,699	900	5,650
Total long-term liabilities		48,082	45,390	42,688	43,834
Of which, interest-bearing		47,069	38,827	41,788	38,184
Current liabilities					
Owed to credit institutions		40,150	474	40,000	-
Advances from customers		3,235	2,488	-	-
Accounts payable, trade		63,542	49,195	2,605	2,960
Owed to Group companies		-	156	72,600	38,619
Tax liabilities		15,667	9,936	12,706	14,425
Other liabilities		113,364	69,151	7,306	963
Accrued expenses and deferred income	Note 18	134,927	111,303	1,937	953
Total current liabilities		370,885	242,703	137,154	57,920
Of which, interest-bearing		40,150	474	40,000	-
Total equity and liabilities		890,105	635,520	641,364	452,704
Memorandum items					
Pledged assets and contingent liabilities					
Pledged assets	Note 19	8,505	9,823	None	None
Contingent liabilities	Note 19	5,737	2,722	27,108	12,912

Cash flow statements

SEK 000s	Group		Parent Company	
	1999-12-31	1998-12-31	1999-12-31	1998-12-31
Operating activities				
Profit before depreciation	156,155	102,094	-6,476	-15,822
Financial items	3,694	769	86,702	78,348
Taxes paid + fictive tax	-35,896	-23,284	-23,446	-16,321
Cash flow from operating activities before changes in working capital	123,953	79,579	56,780	46,205
Change in working capital				
Current receivables, inventories	-126,951	-167,591	-72,314	-40,364
Current, non-interest-bearing liabilities	88,506	120,140	39,234	42,321
Change in working capital	-38,445	-47,451	-33,080	1,957
Cash flow from operating activities	85,508	32,128	23,700	48,162
Investment operations				
Intangible	-131,402	-232,649	-	-
Tangible	-25,496	-33,220	-2,748	-1,663
Financial	-1,148	-	-160,005	-251,071
Fixed assets sold/written down	4,653	3,089	45,741	90
Cash flow from investing activities	-153,393	-262,780	-117,012	-252,644
Cash flow after investing activities	-67,885	-230,652	-93,312	-204,482
Translation differences	-1,218	-32	-	-
Financing activities				
Change in long-term receivable	-32	-136	-	-
Change in long-term liabilities and current interest-bearing liabilities	42,368	42,295	38,854	23,858
Change in provisions, excluding deferred tax on profit for year	-7,358	17,690	-	-
Group contribution via equity	-	-	4,199	-
Dividend	-24,114	-14,856	-24,114	-14,856
New share issue	75,070	151,829	74,884	155,650
Cash flow from financing activities	85,934	196,822	93,823	164,652
Minority interest	978	637	-	-
Change in liquid assets	17,809	-33,225	511	-39,830
Liquid assets, January 1	10,302	43,527	2,402	42,232
Change in liquid assets	17,809	-33,225	511	-39,830
Liquid assets, December 31	28,111	10,302	2,913	2,402

Accounting principles

Consolidated accounts

The consolidated financial statements include the accounts of Sigma AB and all subsidiaries in Sweden and other countries. Subsidiaries are defined as legal entities in which Sigma owns or controls more than 50% of the voting rights, or owns shares in the legal entity and has exclusive rights to exercise decisive influence over the entity based on agreements or other forms of authority.

The consolidated financial statements have been prepared in accordance with recommendations of the Swedish Financial Accounting Standards Council and by applying the purchase method.

In this method the acquired assets and liabilities of subsidiaries are reported at market value in accordance with an established acquisition analysis. If the acquisition value of shares in subsidiaries is higher than the estimated market value of a company's net assets based on the acquisition analysis, the difference is treated as goodwill amortized over the estimated economic life of the assets. Amortization periods of more than 20 years are not used for goodwill reported in this annual report. Only profits arising after the date of acquisition are included in consolidated shareholders' equity. Profits reported by companies acquired during the year are included in the consolidated financial statements from the date of acquisition. Profits reported by companies divested during the year are included up to and including the date of divestment.

Minority interests in net profit and equity in associated companies are reported separately in calculations of the Group's net profit and equity.

Internal profits and business transactions in the Group are eliminated in the consolidated accounts.

Foreign currencies

RECEIVABLES AND LIABILITIES IN FOREIGN CURRENCIES

Receivables and liabilities denominated in foreign currencies are valued at year-end exchange rates, and unrealized exchange gains and losses are included in profit for the year.

TRANSLATIONS OF ACCOUNTS OF FOREIGN SUBSIDIARIES

The current method is used to translate the financial accounts of foreign subsidiaries to Swedish kronor (SEK).

In accordance with the current method, assets and liabilities are translated at year-end exchange rates, while operating revenues and expenses are translated at average exchange rates for the year. Exchange differences arising from translations of foreign subsidiary accounts at different opening and closing exchange rates are credited/debited directly to shareholders' equity in the balance sheet.

Inventories

Inventories are valued at the lower of acquisition value and market value in accordance with the first-in/first-out (FIFO) principle. Inventories also include associated indirect costs.

Work in progress

Work in progress on current contracts is booked at sales price after individual evaluations of loss risks.

Work in progress conducted at fixed prices, and in cases where there is substantial certainty with respect to the result, is valued at acquisition value plus as much of the estimated profit as possible in relation to the percentage of costs incurred, in relation to total estimated costs, at year-end. In cases that cannot be estimated with substantial certainty, work in progress is valued in accordance with the lowest-value principle.

Tangible fixed assets

Tangible fixed assets comprising primarily machinery, equipment and buildings are reported at acquisition values less accumulated depreciation.

Depreciation according to plan

Depreciation according to plan is based on acquisition values of the assets and their estimated economic life. Planned depreciation is applied with the following percentages:

Equipment	10%
Machinery	20%
Computer equipment	30%
Buildings	2%
Goodwill	5-20%

Most of the Sigma Group's investments in computer equipment are treated as short-term investments, since the estimated economic life is less than three years. Costs of the equipment are accordingly expensed in their entirety at date of purchase.

Goodwill attributable to acquired subsidiaries and business operations is reported as a fixed asset and amortized in according to plan over the estimated economic life of the assets. The economic life is established based on individual evaluations. Economic life in excess of 5 years is justified by long-term strategic values in stable operations with strong growth potentials.

Tax-deductible depreciation is calculated in compliance with the laws and regulations of each country involved. Tax-deductible depreciation in excess of depreciation according to plan is treated as excess depreciation, which comprises an untaxed reserve.

Pensions

All pension obligations have been entered as a liability or have been assumed by insurance companies.

Taxes

The Group's total tax charges comprise taxes paid and deferred tax. Deferred tax consists mainly of estimated tax on changes in untaxed reserves during the year. The Parent Company's accounts include fictive tax, which consists of tax on Group contributions granted/received with the objective of minimizing Group taxes.

In the consolidated income statement, the Group reports taxes as if Group companies were regarded as separate, taxable legal entities in accordance with tax laws for all reported periods.

Tax legislation in Sweden and certain other countries allows appropriations to special reserves and funds that make it possible for companies, within certain limits, to appropriate and retain reported profits in their operations without immediate taxation. Untaxed reserves are not subject to taxation until they are dissolved. However, in the event that a loss is incurred on the operations, the untaxed reserves may be utilized to cover the loss without being subject to taxation.

In the consolidated balance sheet, untaxed reserves in individual Group companies divided into equity and deferred tax liabilities. In the consolidated income statement, tax charges arising from changes in untaxed reserves during the year are reported as deferred tax.

Notes to the financial statements

Note 1 Leasing

Leasing commitments, Group SEK M	1999	1998
Residual value of contract amounts, Jan 1	18.6	7.3
Residual value in acquired companies	0.5	5.6
New agreements	12.0	9.9
Leasing payments during the year (incl. redemption amount)	-8.0	-4.2
Residual value of contract amounts, Dec 31	23.1	18.6

The residual value of the leasing contracts is SEK 23.1 M. The contracts are valid for periods of 1 to 3 years and pertain mainly to company cars. Future payments (excl. interest) fall due as follows:

2000 SEK 9.2 M

2001 SEK 8.1 M

2002 SEK 5.8 M

New leasing agreements will be concluded on a limited basis only and will pertain mainly to company cars.

Note 2 Employees, number of employees

No. of employees	1999 Dec	1999 No. of em- ployees, average	1999 Of whom, men	1998 Dec	1998 No. of em- ployees, average	1998 Of whom, men
Parent Company						
Sweden	11	10	4	8	8	3
Total, Parent Company	11	10	4	8	8	3
Subsidiaries						
Sweden	2,097	1,802	1,534	1,620	1,063	896
Denmark	32	25	22	23	11	9
Norway	25	20	17	13	9	7
Poland	8	8	7	8	5	4
Ireland	10	9	8	1	0	0
Switzerland	1	0	0	-	-	-
Italy	1	0	0	-	-	-
Total, subsidiaries	2,174	1,864	1,588	1,665	1,088	916
Total, Group	2,185	1,874	1,592	1,673	1,096	919

Senior management

As approved by the Annual General Meeting, total fees to the Board of Directors for the period up to the next Annual Meeting amount to SEK 288,000. All of this amount has been paid. Göran Larsson, Chairman of the Board, received a Board fee of SEK 115,000 for the 1999 fiscal year. Gunder Lilius, Göran Sääf and Johan Wiklund received SEK 58,000 each.

The salary and other remuneration, including pension premiums, paid to the President of Sigma AB in 1999 amounted to SEK 612,000. The President must give six months notice and the Company 12 months notice in connection with termination of the President's employment.

Senior executives in the Parent Company and Group are employed on normal market terms and there are no agreements allowing severance payments or job-termination benefits corresponding to more than two years of salary.

Gunder Lilius is engaged on a consultancy basis and receives remuneration on current account based on normal market terms.

Closely associated transactions

Sigma rents premises in Hässleholm from a subsidiary of Danir Utveckling AB at market rent. Several members of the Board of Directors are occasionally contracted to work on various projects on a consultancy basis. Remuneration is paid on current account based on normal market terms. There are no agreements entitling members of the Board of Directors to fees in excess of Board fees approved by the Annual General Meeting.

In December 1999, Sigma acquired 70% of the shares in Berika i Malmö AB, including the subsidiary ID, design och kommunikation ab. During the first half of 1999, Sigma's President, Dan Olofsson, and Board member Gunder Lilius sold, via companies, a combined total of approximately 50% of the shares in Berika i Malmö AB, which constituted their total holding in the company, to Bengt Lundahl, the company's principal owner. Sigma holds an option to acquire the remaining 30% of the shares. The reason for the acquisition, which was undertaken on normal market terms, was to sharpen Sigma's design and communication expertise in the Internet field.

Fees to auditing firms SEK 000s	Group 1999	Group 1998	Parent Company 1999	Parent Company 1998
Arthur Andersen				
Audit fees	1,297	1,158	130	160
Other fees	566	655	373	425
Other auditing firms				
Audit fees	45	71	-	-
Other fees	21	54	-	-
Total	1,929	1,938	503	585

Note 2 Personnel, salaries and other remunerations

Salaries and other remunerations, Board of Directors and President SEK 000s	1999 Board of Directors and President 1)	1999 Of which, bonuses and similar remunerations 2)	1999 Other employees	1998 Board of Directors and President 1)	1998 Of which, bonuses and similar remunerations 2)	1998 Other employees
Parent Company						
Sweden	919	-	4,611	839	-	2,206
Total, Parent Company	919	-	4,611	839	-	2,206
Subsidiaries in Sweden	26,470	1,446	574,519	19,974	999	325,784
Subsidiaries abroad						
Denmark	900	-	11,545	1,131	-	6,003
Norway	1,086	-	6,637	474	-	2,943
Poland	219	-	830	116	-	284
Ireland	361	-	660	178	-	-
Switzerland	302	-	-	-	-	-
Italy	49	-	92	-	-	-
Total, subsidiaries	29,387	1,446	594,283	21,873	999	335,014
Total, Group	30,306	1,446	598,894	22,712	999	337,220

1) Includes current and past Board members and their deputies as well as the current President and former President and Executive Vice President.

2) Relates to Group only, as defined under 1) above.

Salaries and other remuneration, all employees, incl. Board of Directors SEK 000s	1999 Salaries and other remuneration	1999 Social security costs	1999 Of which, pension costs	1998 Salaries and other remuneration	1998 Social security costs	1998 Of which, pension costs
Parent Company	5,530	2,537	523	3,045	1,322	214
Subsidiaries	623,670	259,585	46,584	356,887	145,505	26,677
Group Total	629,200	262,122	47,107	359,932	146,827	26,891

Of total Parent Company pension costs, SEK 0 (0) pertains to the Group's Board and President. The Parent Company has no outstanding pension obligations for these persons.

Of total Group pension costs, SEK 5,243,000 (3,360,000) pertains to the Group's Board and President. The Group's outstanding pension obligations for these persons amounts to SEK 0 (0).

Note 3 Tangible fixed assets, Group

Group SEK 000s	Buildings and land	Equipment, office machinery	Total
Acquisition value, Jan 1	773	108,234	109,007
Purchased through acquisitions of subsidiaries	3,090	7,317	10,407
Purchases	-	19,818	19,818
Sales/obsolescence	-773	-13,909	-14,682
Accumulated acquisition value, Dec 31	3,090	121,460	124,550
Depreciation, Jan 1	-93	-63,164	-63,257
Depreciation, Jan 1 through acquisitions of subsidiaries	-	-4,729	-4,729
Sales/obsolescence	97	9,936	10,033
Depreciation for the year	-34	-15,168	-15,202
Accumulated depreciation, Dec 31	-30	-73,125	-73,155
Planned residual value, Dec 31	3,060	48,335	51,395

Tax assessment values of buildings used in Group operations in Sweden	2,840	-	-
Corresponding book values	3,060	-	-

Reported depreciation in the preceding fiscal year amounted to SEK 9,279,000.

Tangible fixed assets, Parent Company

Parent Company SEK 000s	Equipment, office machinery
Acquisition value, Jan 1	3,595
Purchases	2,748
Sales/obsolescence	-77
Accumulated acquisition value, Dec 31	6,266
Depreciation, Jan 1	-652
Sales/obsolescence	67
Depreciation for the year	-1,177
Accumulated depreciation, Dec 31	-1,762
Planned residual value, Dec 31	4,504
Accumulated excess depreciation	-780
Book value	3,724

Reported depreciation in the preceding fiscal year amounted to SEK 390,000.

Note 4 Intangible fixed assets

Group SEK 000s	Patents, licenses and similar rights	Tenancies and similar rights	Goodwill	Total
Acquisition value, Jan 1	450	610	316,855	317,915
Purchased through acquisitions of subsidiaries	-	-	2,246	2,246
Purchases	1,500	179	127,964	129,643
Sales/translation differences	-250	-	121	-129
Accumulated acquisition value, Dec 31	1,700	789	447,186	449,675
Depreciation, Jan 1	-325	-142	-38,334	-38,801
Depreciation, Jan 1 through acquisitions of subsidiaries	-	-	-487	-487
Depreciation for the year	-300	-102	-27,996	-28,398
Sales	125	-	-	125
Accumulated depreciation, Dec 31	-500	-244	-66,817	-67,561
Planned residual value, Dec 31	1,200	545	380,369	382,114

Reported depreciation amounted to SEK 12,962,000 in the preceding fiscal year. Amortization of acquired goodwill at a rate of 5% per year is applied only to Benima Ferator Engineering BFE AB (publ). This is warranted by the company's long history, its size and its strategic value in terms of positioning Sigma within technical IT. The company was listed on the Stockholm Stock Exchange when Sigma made a cash takeover offer in 1998.

Note 5 Intra-group purchases and sales

Of total Group operating expenses and sales revenues, 0% (0) of expenses and 0% (0) of sales were attributable to the other companies in the Group that owns Sigma (Danir Förvaltning AB and its subsidiaries).

Of total Parent Company (Sigma AB) operating expenses and sales revenues, 35% (36%) of expenses and 100% (100%) of sales were attributable to other companies in the Group.

Note 6 Profit from shares in subsidiaries

SEK 000s	Group		Parent Company	
	1999	1998	1999	1998
Anticipated dividends	-	-	39,640	21,670
Group contributions received	-	-	111,957	89,166
Shareholder contributions granted ¹	-	-	-28,397	-15,505
Write-downs ²	-	-	-37,489	-16,900
Total	-	-	85,711	78,431

¹To provide an accurate picture, granted shareholder contributions are reported as a financial expense, since they bear a direct relationship with the Group contributions received.

²Shares in subsidiaries were written down due to dividend payments taken from acquired shareholders' equity.

Group contributions that are equated with dividends have been reported under financial investments as participations in Group companies. Group contributions granted/received in order to minimize Group taxes have been reported as a decrease/increase in unrestricted shareholders' equity.

Note 7 Profit from other securities

SEK 000s	Group		Parent Company	
	1999	1998	1999	1998
Dividend	150	-	-	-
Capital gain	6,273	1,735	1,279	1,735
Total	6,423	1,735	1,279	1,735

Note 8 Other interest income and similar profit/loss items

SEK 000s	Group		Parent Company	
	1999	1998	1999	1998
Interest, Group companies	-	-	6,411	2,996
Interest, external	1,497	1,713	258	813
Exchange-rate gains	224	-	-	-
Total	1,721	1,713	6,669	3,809

Note 9 Interest expense and similar profit/loss items

SEK 000s	Group		Parent Company	
	1999	1998	1999	1998
Interest, Group companies	346	-	4,078	3,757
Interest, external, including bank expenses	3,868	2,534	2,879	1,870
Exchange-rate losses	371	145	-	-
Total	4,585	2,679	6,957	5,627

Note 10 Appropriations

SEK 000s	Group		Parent Company	
	1999	1998	1999	1998
Change in depreciation in excess of plan	-	-	-117	-483
Change in tax deferral reserve	-	-	-22,391	-14,592
Total	-	-	-22,508	-15,075

Note 11 Shares in subsidiaries

SEK 000s					
	Org. No.	Registered Office	No. of shares	Holding as % of share capital	Book value of holding
Sigma Innovation AB	556224-2882	Lund	1,000	100	1,500
Sigma Teknik i Malmö AB	556203-2465	Malmö	2,500	100	12,460
Sigma Teknik Industrikonstruktioner AB	556196-4601	Hässleholm	2,500	100	11,280
Sigma Teknik i Ronneby AB	556055-4858	Ronneby	1,000	100	2,995
Sigma Industrial Project AB	556139-0252	Kalmar	1,000	100	492
Sigma Teknik i Helsingborg AB	556262-2489	Helsingborg	1,000	100	4,500
Sigma Techsoft AB	556219-4471	Malmö	1,500	100	180
Sigma Design & Development AB	556285-6269	Solna	500	100	13,385
Sigma CadSupport AB	556348-5621	Malmö	2,500	100	7,610
Sigma Power Software AB	556252-5443	Linköping	1,925	100	3,711
Sigma Design AB	556314-1380	Gothenburg	1,000	100	746
Sigma nBiT AB	556451-9345	Gothenburg	1,000	100	26,024
Sigma Integra AB	556318-5700	Malmö	2,500	100	10,948
Sigma Exallon Systems AB	556477-9592	Malmö	3,000	100	33,156
Sigma Exallon Information AB	556477-9667	Malmö	3,000	100	13,000
Sigma Teknik Öst AB	556508-1956	Linköping	1,000	100	4,173
Exallon Group AB	556436-8677	Malmö	5,000	100	3,300
Sigma Affärssystem Syd AB	556335-1773	Malmö	1,000	100	100
Sigma Infomation Design AB	556348-3634	Gothenburg	1,000	100	3,500
Sigma Systems AB	556262-4691	Gothenburg	1,000	100	5,300
Sigma Product Development AB	556457-7996	Gothenburg	1,000	100	13,960
Sigma Benima Mellan AB	556366-5156	Solna	1,000	100	100
Sigma Corporate Communications AB	556542-4214	Sollentuna	1,000	100	781
Sigma Teknik Norr AB	556123-2793	Luleå	50,000	100	11,214
Sigma Kommun & Landsting AB	556549-2807	Malmö	940	94	1,388
Sigma System Partner AB	556549-2815	Malmö	940	94	798
Sigma Poland Sp.z.o.o.	012840937	Poland	2,000	100	460
Sigma IT Norge AS	979641656	Norway	200	100	216
Sigma Education AB	556550-9766	Malmö	940	94	150
Sigma Benima Norr AB	556223-5621	Piteå	8,250	100	1,500
Sigma Benima Sydväst AB	556224-8012	Mölnadal	2,000	100	900
Sigma Engineering Partner AB	556545-3460	Trollhättan	1,000	100	6,113
Sigma Teknik Mellansverige AB	556554-4227	Västerås	1,000	100	9,191
Sigma Benima Sydost AB	556443-6722	Kalmar	1,050	100	424
Sigma Industriell Teknologi AB	556421-6884	Malmö	1,000	100	214
Sigma Produktionslogistik AB	556547-1348	Malmö	1,000	100	806
Sigma Management Partners AB	556503-7776	Malmö	1,000	100	949
Sigma ProVentus AS	964433054	Norway	68	100	10,858
Sigma nBiT Mälardalen AB	556534-4628	Västerås	1,020	100	5,500
Sigma Softlabs Ltd.	293435	Ireland	100	100	111
Petraea Data AB	556347-5440	Svängsta	10,500	100	800
Benima Ferator Engineering BFE AB	556083-4011	Solna	5,725,666	99	33,200
Sigma Engineering Design AB	556563-3640	Södertälje	1,000	100	100
Sigma Applications AB	556520-6116	Stockholm	910	91	95
Sigma nBiT Öst AB	556566-5964	Linköping	1,000	100	100
Sigma Automation AB	556142-3871	Hässleholm	9,000	100	2,108
Sigma Benima AB	556212-3728	Mölnadal	30,000	100	149,582
Sigma Ferator AB	556260-0915	Solna	300,000	100	5,406
Sigma Lundalogistik AB¹	556367-4844	Lund	1,000	100	511
Norac AB¹	556325-9372	Skellefteå	1,000	100	790
Master Consult A.S¹	944327525	Norway	50	100	154
Sigma Systems Spa¹	930354	Italy	19,000	95	852
Sigma IT Solutions A.G¹	CH-280.3.002.799-7	Switzerland	910	91	550
Emanon Teknik AB¹	556321-8956	Täby	1,200	100	1,235
Sigma Danmark Holding A/S¹	261729	Denmark	500	100	5,555
Sigma Infosoft AB¹	556575-5336	Malmö	910	91	139
Cadato Intressenter AB¹	556567-7688	Gothenburg	10,461	100	38,025
Sten Harty's Informatics AB¹	556579-3683	Malmö	910	91	100
Berika i Malmö AB¹	556230-8964	Malmö	1,400	70	14,024
Sigma JiiComp AB¹	556440-8556	Alingsås	3,000	100	21,668
Total					498,987

The book values of shares in subsidiaries have been recomputed in accordance with RR1:96 in cases where the operations were transferred from one subsidiary to another at a value other than actual value. The Parent Company's book values of shares in subsidiaries has been adjusted in the amount corresponding to the transferred operations.

¹ Newly added Group companies.

Note 12 Shares in associated companies

SEK 000s					
	Org. No.	Registered Office	No. of shares	Holding as % of share capital	Book value of holding
Arconova AS	936097367	Norway	38,912	40	737

Note 13 Other long-term holdings of securities

SEK 000s	Holding as a % of share capital	Book value of holding
IC Net A/S, Danmark	33	0
Mutual fund	0	411
Total		411

Note 15 Prepaid expenses and accrued income

SEK 000s	Group		Parent Company	
	1999	1998	1999	1998
Deferred invoicing	100,993	68,103	410	-
Prepaid rents	6,682	7,154	137	138
Other items	21,718	12,793	4,919	4,160
Total	129,393	88,050	5,466	4,298

Note 14 Work on contract

SEK 000s	Group		Parent Company	
	1999	1998	1999	1998
Costs incurred	94,713	45,669	-	-
Invoiced partial amounts	-74,213	-24,461	-	-
Total	20,500	21,208	-	-

Note 16 Change in shareholders' equity

Group SEK 000s	Share capital	Unregistered share capital	Share premium reserve	Restricted reserves	Unrestricted reserves
Jan 1	64,304	-	176,820	27,630	48,454
New issue*	1,082	698	73,290	-	-
Translation difference	-	-	-	-1,030	-188
Transfers between restricted and unrestricted reserves	-	-	-	25,794	-25,794
Dividend	-	-	-	-	-24,114
Profit for the year	-	-	-	-	72,589
Dec 31	65,386	698	250,110	52,394	70,947
Parent Company SEK 000s	Share capital	Unregistered share capital	Share premium reserve	Restricted reserves	Unrestricted reserves
Jan 1	64,304	-	180,641	3,571	76,275
New issue	1,082	698	73,104	-	-
Dividend	-	-	-	-	-24,114
Group contribution granted	-	-	-	-	-26,410
Group contribution received	-	-	-	-	32,242
Fictive tax	-	-	-	-	-1,633
Profit for the year	-	-	-	-	33,095
Dec 31	65,386	698	253,745	3,571	89,455

* Issue costs of SEK 3,530,000 have reduced the amount of equity provided to the Group. In addition, an amount of SEK 105,000 in the Group has been eliminated due to the existence of undivested warrants. Group contributions that are equated with dividends have been reported under financial investments as participations in Group companies. Group contributions granted/received in order to minimize Group taxes have been reported as a decrease/increase in unrestricted shareholders' equity.

During 1998 Sigma issued a debenture loan with a nominal value of SEK 15,000 with 150,000 detachable warrants carrying rights to subscribe for new Series B shares. Each warrant entitles the holder to subscribe for four new shares during the period beginning November 1, 2000 through March 30, 2001 at a subscription price of SEK 61.50 per share.

The debenture loan, which fell due for payment August 31, 1998, was issued to the subsidiary Exallon Group AB. The total subscription amount was SEK 3,165,000. After detaching the warrants, Exallon Group AB sold 144,375 warrants to Sigma Group employees.

Note 17 Overdraft facilities

Group SEK 000s	1999 Utilized credit	1998 Utilized credit	1999 Credit granted	1998 Credit granted
Overdraft facilities	44,619	39,194	106,756	61,200
Total	44,619	39,194	106,756	61,200
Parent Company SEK 000s	1999 Utilized credit	1998 Utilized credit	1999 Credit granted	1998 Credit granted
Overdraft facilities	41,788	38,184	100,000	60,000
Total	41,788	38,184	100,000	60,000

Note 18 Accrued expenses and deferred income

SEK 000s	Group		Parent Company	
	1999	1998	1999	1998
Accrued salaries	28,218	19,883	114	17
Vacation pay liability	50,598	38,286	623	358
Social security costs	36,491	29,160	371	140
Unpaid invoicing	6,370	5,482	712	316
Other items	13,250	18,492	117	122
Total	134,927	111,303	1,937	953

Note 19 Pledged assets and contingent liabilities

SEK 000s	Group		Parent Company	
Pledged assets	1999	1998	1999	1998
Real estate mortgages	-	584	-	-
Chattel mortgages	8,505	9,093	-	-
Liquid assets	-	146	-	-
Total	8,505	9,823	-	-
Contingent liabilities				
Guarantees	5,082	1,972	360	-
Sureties	500	595	500	500
Sureties assumed on behalf of subsidiaries	-	-	26,093	12,257
Conditional shareholder contribution	155	155	155	155
Total	5,737	2,722	27,108	12,912

Malmö, February 10, 2000

Göran Larsson, Board Chairman

Konstantin Caliacmanis Gunder Lilius Göran Sääf

Simo Vallenback Johan Wiklund Lars Nyhlén

Dan Olofsson, President

The audit report was submitted on February 11, 2000

Hans Pihl, Authorized Public Accountant

Auditors' report

To the general meeting of the shareholders of Sigma AB (publ).
Corporate registration number 556250-3515.

I have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the Board of Directors and the Managing Director of Sigma AB (publ) for the financial year 1 January 1999 – 31 December 1999. These accounts and the administration of the Company are the responsibility of the Board of Directors and the Managing Director. My responsibility is to express an opinion on the financial statements and the administration based on my audit.

I conducted my audit in accordance with Generally Accepted Auditing Standards in Sweden. Those standards require that I plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. I examined significant decisions, actions taken and circumstances of the Company in order to be able to determine the liability, if any, to the Company of any Board Member or the Managing Director. I also examined whether any board member or the managing director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. I believe that my audit provides a reasonable basis for my opinion set out below.

The annual accounts and the consolidated accounts have been prepared in accordance with the Annual Accounts Act and, thereby, give a true and fair view of the company's financial position and results of operations in accordance with generally accepted accounting principles in Sweden.

I recommend to the general meeting of shareholders that the income statement and balance sheet of the parent company and the group be adopted, that the profit of the parent company be dealt with in accordance with the proposal in the administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Malmö, February 11, 2000

Hans Pihl
Authorized public accountant
ARTHUR ANDERSEN AB.

Board of Directors

GÖRAN LARSSON

M.Sc.Pol.Sci.
Malmö.
Born 1944.
Executive Vice President,
Östgöta Enskilda Bank,
Den Danske Bank in Sweden.
Chairman since 1997.
Board member since 1993.
OTHER ASSIGNMENTS:
Board member of Student-
litteratur AB; Chairman of Hestra
Handsken AB, SIA Glass AB and
Lumia Plast AB.
HOLDING IN SIGMA:
8,000 Series B shares and
16,260 call options.



GUNDER LILIUS

M.Sc.
Malmö.
Born 1942.
Board member since 1992.
OTHER ASSIGNMENTS:
Chairman of Vidar Systems
Corporation.
HOLDING IN SIGMA:
8,000 Series B shares and
16,260 call options.



JOHAN WIKLUND

LL.B.,M.SC.
Helsingborg.
Born 1951.
Attorney-at-Law, Advokatbolaget
Wiklund Gustavii AB.
Board member since 1993.
OTHER ASSIGNMENTS:
Board member of AON Sverige
AB and Obducat AB. Board
Chairman, Saven Affärssystem
AB, among other companies.
HOLDING IN SIGMA:
8,000 Series B shares and
8,132 call options.



SIMO VALLENBACK

M.Sc.Mech.Eng.
Vellinge.
Born 1948.
Employee representative.
Board member since 1994.
HOLDING IN SIGMA:
800 Series B shares and
1,200 warrants.



KONSTANTIN CALIACMANIS

M.Sc.Eng.
Athens, Greece.
Born 1955.
Board member since 1996.
HOLDING IN SIGMA:
154,000 Series A and
602,316 Series B shares.



GÖRAN SÄÄF

M.Sc.Eng.
Born 1943.
Sääf Management AB.
Board member since 1993.
HOLDING IN SIGMA:
10,000 Series B shares and
8,132 call options.



DAN OLOFSSON

M.Sc.Eng.
Malmö.
Born 1950.
President of Sigma AB.
Board member since 1987.
OTHER ASSIGNMENTS:
Board member, Malmöhus
Invest AB.
HOLDING IN SIGMA:
4,148,004 Series A shares and
14,639,996 Series B shares.



LARS NYHLÉN

University studies, industrial
work environment.
Gothenburg.
Born 1967.
Employee representative.
Board member since 1999.
HOLDING IN SIGMA:
1,200 warrants.

Senior Management and Auditors

DAN OLOFSSON

M.Sc.Eng.
Malmö.
Born 1950.
President of Sigma AB.
Joined the company in 1986.
HOLDING IN SIGMA:
4,148,004 Series A shares and
14,639,996 Series B shares.



ANDERS JOHNNSSON

M.Sc.Econ.
Bjärred.
Born 1957.
Vice President, Finance and
Administration.
Joined the company in 1994.
HOLDING IN SIGMA:
37,600 Series B shares,
42,000 warrants.



TORÉ HELGESON

M.Sc.Eng.
Skärhamn.
Born 1953.
Business Unit Vice President,
embedded solutions.
Joined the company in 2000.
HOLDING IN SIGMA:
500 Series B shares,
13,000 warrants.



GUUNDER LILIUS

M.Sc.
Malmö.
Born 1942.
Analysis and evaluation.
HOLDING IN SIGMA:
8,000 Series B shares,
16,260 call options.

ALF DAHL

MBA.
Staffanstorp.
Born 1944.
Business Unit Vice President, e-solutions.
Joined the company in 1997.
HOLDING IN SIGMA:
19,200 call options, 12,000 warrants.



SUNE NILSSON

A.S.Econ.
Hovås.
Born 1953.
Business Unit Vice President, e-solutions.
Joined the company in 1996.
HOLDING IN SIGMA:
122,276 Series B shares, 8,400 warrants,
10,000 call options.

STAFFAN ANDERSSON

M.Sc.Eng.,
Helsingborg.
Born 1950.
Business Unit Vice President,
engineering solutions.
Joined the company in 1986.
HOLDING IN SIGMA: 0



THOMAS PANTZAR

M.Sc.Eng.
Gothenburg.
Born 1962.
Business Unit Vice President,
embedded solutions.
Joined the company in 1989.
HOLDING IN SIGMA:
15,200 Series B shares,
12,000 warrants.



BJÖRN ÅKERMAN

M.Sc.Eng.
Dalby.
Born 1947.
Structural Capital operations.
Joined the company in 1998.
HOLDING IN SIGMA:
200 warrants.



Auditors

HANS PIHL

Malmö.
Born 1951.
Authorized Public Accountant,
Arthur Andersen AB.
Auditor of Sigma since 1993.

PER-ARNE PETTERSSON

Bjärred.
Born 1959.
Authorized Public Accountant,
Arthur Andersen AB.
Deputy Auditor of Sigma since 1998.
(Not present in photograph)

Holdings of warrants and call options have been converted to the number of shares to which the holdings carry entitlement.

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The address listings show where Sigma's subsidiaries have their head offices. In many cases the companies also have a number of branch offices. For a complete address list, visit Sigma's website (www.sigma.se) or call or fax the subsidiary in question.

Definitions

Pro forma

The adjustment of accounting records to provide a historic description of business development under the Group's current structure. In Sigma's case, this entails historic elimination of divested operations in the Installations business area and addition of the acquired companies Exallon, Integra and nBiT.

The accounts presented under the heading "The Sigma Group – incl. Måldata" in the Financial review section, refer to the Sigma Group including Måldata as at December 31, 1999. (Also see page 37). The background to this is that Sigma made a public offer in December 1999 for all of the shares in Måldata AB (publ), an OTC-listed company.

Capacity utilization

Billable time as a percentage of total available time. Total available time includes both overtime hours and time for administrative personnel.

Gross margin

Profit before depreciation as a percentage of sales.

Operating margin before amortization of goodwill

Profit after total depreciation, but before amortization of goodwill, as a percentage of sales.

Operating margin after amortization of goodwill

Profit after total depreciation as a percentage of sales.

Net margin

Profit after net financial items as a percentage of sales.

EBITA

Earnings after total depreciation, but before amortization of goodwill.

Capital employed

Total assets less noninterest-bearing liabilities. Average capital employed is calculated as the opening balance plus closing balance divided by two. Average capital employed in 1996 consists exclusively of the closing balance.

Equity

Shareholders' equity, including 72% of untaxed reserves. Average equity is calculated as the opening equity plus closing equity divided by two. Average equity in 1996 consists exclusively of the closing balance.

Equity/assets ratio

Shareholders' equity plus minority interest as a percentage of total assets.

Return on capital employed

Profit after net financial items, plus financial expenses, as a percentage of average capital employed.

Return on equity

Profit after full tax (taxes paid plus 28% of appropriations), less minority interests, as a percentage of average equity.

Net debt/equity ratio

Interest-bearing net debt divided by equity.

Value added per employee

Profit before depreciation and personnel-related costs, divided by the number of employees. Personnel-related costs include wages and payroll overhead, training expenses, personnel benefits and overtime pay, etc.

Personnel turnover

Number of employees who left the company during the year, divided by total number of employees in the beginning of the year, including net personnel changes during the year through acquisitions/divestment.

Number of shares

Average number of shares outstanding during the year. Because of pro forma accounting, the number of shares in 1996 shows the year-end total.

Equity per share

Shareholders' equity at year-end, divided by the number of shares at year-end.

Earnings per share after standard tax

Profit after net financial items, less 28% tax, divided by the average number of shares.

Earnings per share after full tax

Profit for the year divided by average number of shares.

Cash flow per share

Cash flow from current operations divided by the average number of shares.

P/E ratio

Market price divided by earnings per share.

Share price/equity

Market price divided by equity per share.

