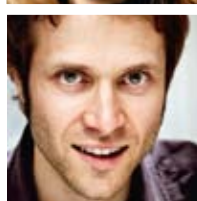
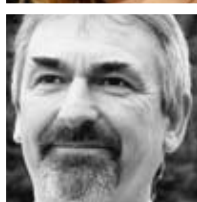


semcon

Annual Report 2009



Jenny Algélid Bengtsson, Validation engineer



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This is a translation of the Swedish version of the Annual Report. When in doubt, the Swedish wording prevails.

Year in brief

2009 was a year where **the recession badly affected the company**, resulting in a **dramatic drop in business volumes**, low utilization ratio and increased pricing pressure, affecting the Group's income and results. Income amounted to SEK 2,281 million (3,299 m) and the operating loss was SEK 241 million (+150 m). **Measures taken** (redundancies, goodwill write-down and participations in associated companies, plus reserves for bad debts and write-down of equipment), **affected the operating loss** by SEK 171 million (66 m) over the year. The operating loss excluding one-off items was SEK 70 million (216 m). The Group showed **a weak operating profit before one-off items in Q4** and the Group's **cash flow remained positive** as a result of lower tied up working capital. The Group's **equity/assets ratio was in line with the financial objectives**. Orders are expected to gradually increase in 2010 with **extra activity on the market** due to more offers being requested in the automotive, energy and industry sectors.

Key indicators	2005	2006	2007	2008	2009
Sales, SEK m	1,501	1,361	2,497	3,299	2,281
Operating profit/loss, SEK m	96	52	-11	150	-241
Operating margin, %	6.4	3.8	-0.4	4.5	-10.6
Operating profit/loss excluding one-off items, SEK m	96	83	150	216	-70
Operating margin excluding one-off items, %	6.4	6.1	6.0	6.6	-3.1
Equity/assets ratio, %	29.7	40.0	23.5	33.6	30.5
Earnings per share after dilution, SEK	3.84	2.59	12.82	5.14	-11.52
Average number of employees	1,636	1,509	2,672	3,631	2,791
Sales per employee	917	902	935	909	817

CEO interview

Kjell Nilsson, president and CEO, gives his view of the past year and the challenges ahead.

■ Can you give us a brief description of the past year?

It's been one of the worst years ever in modern international industrial history. The crisis has hit the automotive industry hard and many of the industries we work with have also been hit. The Swedish automotive industry was hit hardest due to the major drop in sales. Swedish car manufacturers were also affected by insecurity in their ownership structure. In all, global events resulted in redundancies, including in that part of the organization with assignments aimed at Swedish automotive manufacturers.

I am however pleased that the Group's equity/assets ratio is in line with the financial objectives and that we had a positive cash flow despite the tough year. Semcon is also more active in life science and energy sectors, where the offshore industry is showing major potential alongside nuclear, hydroelectric and wind power. We have also shown positive results in the Informatic business area despite the current situation.

We have made progress on the international automotive market, as it hasn't been affected as negatively as the Swedish market. A number of our units are doing well despite all the negative figures and redundancies. We are among the leading players in Germany, which is the biggest market for design and technology development in the world.

■ What trends do you see for the future?

We'll see profitability return as demand grows again, as we saw during the rationalization carried out after the last crisis at the start of the 1990s.

Crises push development of the industry. There will be more demand for expert engineers and project-based supplies in the future. More customers will be looking for deliveries that cover the entire chain, from idea to finished product, rather than hourly-based supplies. This is working method seen in the pharmaceutical industry for a long time and it leads to greater efficiency. Even German automotive manufacturers to a great extent work this way. Working with overall concepts in project form rather than with hourly-based consultancy services means that customers can cut part of their costs. Because our input comes early in a product's lifecycle, this kind of saving has a positive impact on investment calculations. We should also remember that the average product lifecycle has more than halved in recent years; this means that more resources must be set aside for product development. That's when our ability of making things more effective is welcome.

■ How well is Semcon suited to meet these trends?

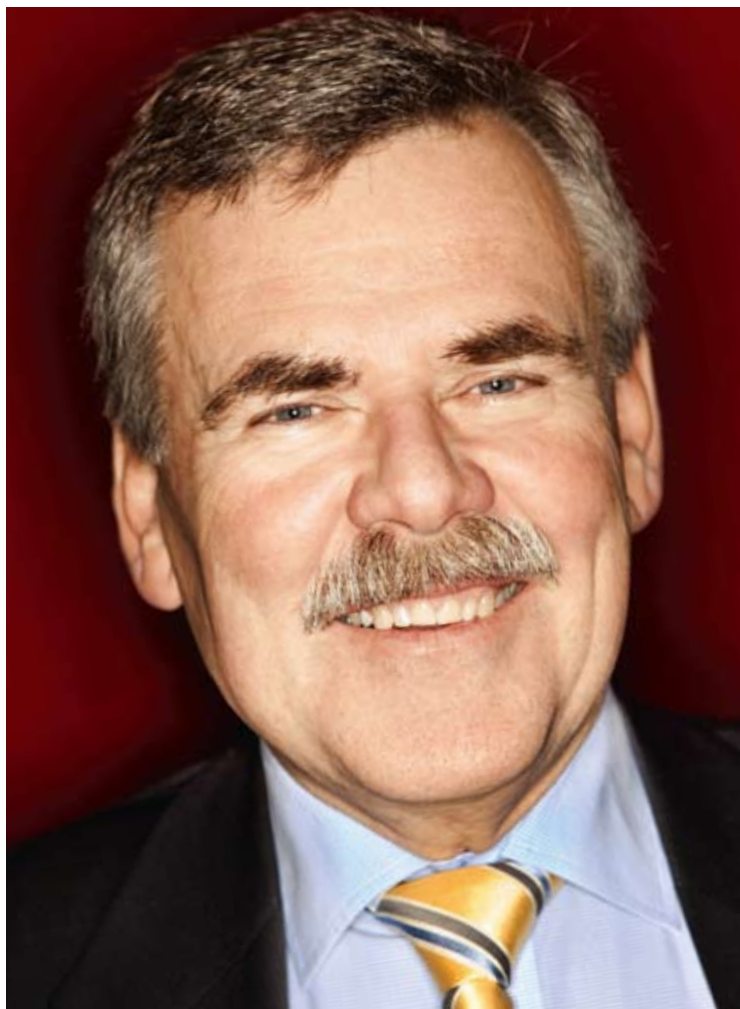
A growing number of project-based supplies mean delaying risks from purchaser to supplier.

These risks are dealt with in three ways. We have a high degree of expert engineering skills in leading industrial sectors – something that will be in demand in the future. Semcon also has structural capital in the form of fully-functional processes and methods, plus the infrastructure and company management that lead to highly effective safety and quality in projects. We also have the size and financial strength required to safeguard that expertise, technology and company management keeps to internationally leading standards in the future. Our customer base, size and structural capital help us effectively create synergy effects and be able to quickly mobilize the right skills from our various specialized areas around the world.

■ What are the main differences between Semcon five years ago and now?

Semcon has always had a good reputation in terms of engineering expertise and innovation. The company was however considered more diversified five years ago and the business concentrated on the Swedish market.

The business now focuses on engineering services and product information. Semcon's share of sales outside Sweden have gone from 11 per cent in foreign invoicing to 47 per cent since



“Positive cash flow despite the tough year

2005 and our customer base is broader – including in the automotive industry, energy and environment sectors. Our customers consider us a top-flight company and our business management has become more effective.

We will have increased international activities further in five years time and boosted sales in Sweden. The biggest growth has taken place in Germany, Asia, South America and Russia. We have developed our offer and broadened the customer base. We have assignments in various sectors among our biggest customers, which also spreads risk. In five years time Semcon will also have a greater number of complete project-based offers where we

hand pick specialists from our offices around the world, who carry out most of the work, while we have a “front office” that deals with all customer contact. This type of resource management in our experience leads to considerably improved efficiency.

■ What are you prioritizing in 2010?

To be profitable and retain a good financial position, meaning that we need to be both aggressive and restrained. For income our determined efforts will be aimed at markets, customers and projects with the highest long-term potential for profitable growth. It is very important to utilize the current market position to strengthen our positions on

key markets like Sweden and Germany. Brazil, Russia, India and China are markets where Semcon will continue with its determined efforts.

The starting point is organic growth, but we're not discounting strategic acquisitions.

We will also prioritize the transition from hourly-based consultancy to a greater share of complete processes and packaged offers – such as developing more attractive offers for the energy sector, including offshore activities, and industries where environmentally smart engineering is in demand.

We will be restrictive in terms of costs thus helping to create a structure that helps towards good profit development in line with increased revenues. We will also continue committing as little working capital as possible thus safeguarding good cash flow.

It's important for us to be an attractive employer. Activities that promote this, both for current and future employees, will be prioritized as it's essential to our business.

I can say that we're seeing the first signs of greater activity on the market, which include more offer enquiries in the automotive, energy and industry sectors.

In summary we're seeing an increasing need to develop new products, models and versions more quickly, which benefits Semcon. There's expertise and energy here that creates a winning team, which gives me a positive outlook for the future.

Semcon is a global company active in the areas of engineering services and product information.

Semcon's 2,600 employees develop products, plants and product information solutions throughout the entire product development chain and also provide a number of services in quality, training and methodology development.



Malin Sanner, Industrial designer

Vision, business concept, objectives and strategies

Semcon's vision is to be a global partner in engineering services and product information.

Semcon's business concept is, as a close partner to industry, to provide expertise that creates added value.

The business objectives describe what Semcon wants to achieve and permeates Semcon in its day-to-day business. The business objectives create long-term value for shareholders, customers and employees. Semcon will:

- be a professional business partner for current and potential customers in the engineering services and product information sectors
- be the natural first choice as an employer
- constantly develop its offers in its core business
- continue to expand by following its customers to new markets
- intensify efforts towards more complete assignments

1

Financial objectives

- An operating margin of no less than 8 per cent over a business cycle

Outcome Dramatically lower business volumes with low utilization ratio, price pressure and costs for measures taken had a negative impact on results. The operating margin in 2009 was -10.6 per cent (4.5).

- The equity/assets ratio will exceed 30 per cent

Outcome The equity/assets ratio exceeded its objective despite goodwill write-down, participations in associated companies and redundancy costs. At year-end 2009 the equity/assets ratio was 30.5 per cent (33.6).

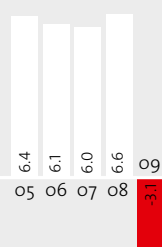
- Dividends to shareholders will be around one third of the profit after tax

Outcome Semcon's dividend policy states that the company's financial position and capital requirements for continued expansion must be taken into consideration. Due to the loss made in 2009 the Board proposes that no dividend be paid for the 2009 financial year.

Operating margin, % *

Target 8%

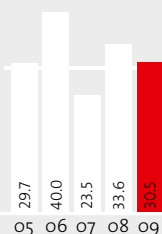
* Excluding one-off items



The operating margin amounted to -3.1 per cent (6.6). The operating margin for the respective business areas were: Automotive R&D -7.8 per cent (3.1), Informatic 7.7 per cent (13.0) and Design & Development 0.6 per cent (11.9).

Equity/assets ratio, %

Target 30%



The equity/assets ratio for 2009 exceeds the Group's objective of 30 per cent.

2

Principal strategies

- Focus on areas where Semcon has, or will achieve, a strong market position
- Create a strong presence on prioritized geographic markets
- Continually create value by adding and developing expertise for customers' future needs
- Utilize Semcon's international size and expertise to carry out major projects with a high degree of technical complexity
- Combine Semcon's various global resources in joint projects and assignments
- Strengthen Semcon's brand as employer to attract and keep employees

3

Strategic priorities 2009

- Benefit from the Group's size, infrastructure and customer base in all prioritized industries for increased sales
Outcome Due to the global financial crisis Semcon has been forced to adapt its activities according to current demand. This has meant that set objectives were not achieved, even if the Group boosted sales towards customers in the life science, energy and environment industries.
- Develop Semcon's total range of services in the automotive industry globally
Outcome 70 per cent of the Automotive R&D business area's invoicing is outside Sweden, an increase of 16 per cent compared to 2008. The business in Germany is becoming increasingly important as the potential for continued business is considered major towards the German automotive customers. Semcon also benefits from the Group's infrastructure and divides projects between various geographic markets.
- Continue focusing on growth opportunities in BRIC countries
Outcome Investments have been made in India over the year, including new management and move to new premises in Bangalore, all in order to allow for future growth. Russia was hit hard by the recession meaning we were restrictive with covering this market.
- Invest in extra growth in the energy, offshore and environmental sectors
Outcome Business in the energy sector has increased among existing and new customers in the hydroelectric, wind-power

and nuclear power sectors. 15 new employees with specialist expertise in the offshore industries joined the company over the year, meaning a new office in Lidköping was opened. There is increased demand for environmental expertise for many different industries. Semcon took part in a pre-study for the automotive industry for example to develop a German concept car with very strict requirement specifications concerning fuel consumption and collaborated with Volvo Cars, Vattenfall, ETC and the Swedish Energy Agency for developing plug-in hybrids.

- Continued realignment from hourly-based consultancy invoicing to an increased number of projects and complete assignments and solution packages
Outcome The lower business volumes have delayed the realignment from hourly-based consultancy invoicing to other business models in 2009. The advantage is expected to advance gradually in 2010 as we see increased activity on the market through more offer enquiries from the automotive, energy and industry sectors, which will facilitate realignment to increasing the number of projects and packaged solutions.
- Focus on safeguarding and retaining Semcon's good financial position
Outcome The financial crisis has hit the company very hard, resulting in dramatically reduced business volumes, a low utilization ratio and increased price pressure. Cash flow was positive however as a result of less tied-up working capital and the Group's equity/assets ratio being in line with the financial objectives.

Strategic priorities 2010

Financial

- Focus on customers, costs and cash flow
 In order to:
- Safeguard positive results and cash flow
- Prioritize organic growth but also consider strategic acquisitions

Market

- Expand in BRIC countries
- Benefit from the Group's size, infrastructure and customer base to create growth in all prioritized industries

Offer

- Continue the realignment from hourly-based consultancy invoicing to an increased number of projects, complete assignments and package solutions
- Develop an attractive range of services for the energy, offshore and environmental services industries

Employees

- Strengthen Semcon as an employer to attract and retain employees by focusing on leadership, communication and strategy

Markets and trends

Semcon is active in ten countries on the global market for engineering services and product information solutions. The recession has negatively affected the market. Initial signs of a recovery were however seen at the end of 2009, and over the long-term the overall industrial trends point towards good growth.

In recent years Semcon has placed a great deal of emphasis on boosting the level of internationalization, and the company's sales outside Sweden rose from 11 to 47 per cent between 2005 and 2009.

All geographic markets Semcon is active on have been negatively affected by the recession. Sweden is the company's biggest individual market with sales of SEK 43 billion for services linked to product development and technical documentation in 2008 according to the industrial organization, Svenska Teknik&Design (STD). Demand for consultancy services saw a dramatic decline in 2009. Incentive measures curbed the downturn to a certain degree in the infrastructure sector and

projects related to energy facilities and environmental measures rose.

In December, STD forecasted industry sales in Sweden for 2009 at slightly less than SEK 40 billion. The downturn in demand has helped turn up pricing pressure, which has affected industry profits.

Initial signs of recovery began showing in Q4 2009.

Comprehensive trends on the global market

Semcon concentrates on customers active on a global market. There are a number of comprehensive, long-term trends that affect their need for service providers in product development and information solutions.

- Consumers' demand for innovation and increasing international competition has forced companies to launch more products. Product lifecycles are becoming increasingly shorter.
- Consumers' needs mean that products are becoming more complex and require significant documentation.
- Demands are being set for more rapid development processes. This is both to reach the market quickly and cut development costs through more effective work methods.
- To make the development process more effective, more product development is being subcontracted to service providers for product development and product information.

The competition

Competitor	Country	Website	No. of employees	Annual sales, SEK m ¹⁾
Bertrandt	Germany	bertrandt.com	5,431	3,927 ²⁾
Edag	Germany	edag.de	5,626	7,816 ³⁾
Epsilon	Sweden	epsilon.nu	1,108	1,158 ³⁾
Etteplan	Finland	etteplan.com	1,544	1,013
Formel D	Germany	formeld.com	1,300	1,018 ³⁾
Italdesign ⁴⁾	Italy	italdesign.com	Not accounted	Not accounted
Pininfarina	Italy	pininfarina.it	2,287 ³⁾	1,910
Rejlers	Sweden	rejlers.se	961	777
Rücker	Germany	ruecker.de	2,130	1,347
Semcon	Sweden	semcon.se	2,602	2,281
Sigma	Sweden	sigma.se	1,073	1,131
Sörman				
Information AB	Sweden	sorman.com	244	207 ³⁾
Valley Forge ⁵⁾	USA	vftis.com	600	Not accounted
ÅF	Sweden	af.se	4,448	4,692

The table records some of Semcon's major competitors. Common to these is that most operate on Semcon's main markets in Germany and Sweden.

1) When converting from EUR to SEK the exchange rate on the balance sheet date has been used.

2) Concerns October 2008–September 2009.

3) Concerns 2008.

4) A network of companies.

5) Part of SPX Corporation (www.spx.com) and belongs to the Test and Measurement business area.

- Customers want fewer, bigger suppliers with an international presence, to boost the effectiveness of their projects.
- There will be a shortage of engineers due to many people retiring, which will involve both challenges and opportunities for Semcon, and its competitors, in the future.

Semcon's industries and customers

Semcon has undertaken new, strategically important international assignments over the year, including on the German automotive market. The 10 biggest customers at year-end 2009 accounted for 61 (59) per cent of sales.

Semcon delivers services that provide competitive benefits for customers. A large percentage of projects are kept a secret by customers for business reasons. Few end users therefore know that Semcon has helped with parts of the customer-experienced benefits. For the same reason Semcon cannot publish all the new, major projects the company is working on in its annual report.

The company's customers are found in the following development-intensive industries:

Automotive: Manufacturers of cars and commercial vehicles. The downturn in demand in 2008–2009 in the automotive sector is the biggest in modern times. The German market, where Semcon is strongly positioned, managed better than the Swedish market

where car manufacturers were hit very hard by falling sales. A certain degree of increased activity was recorded towards the end of 2009 on the German market.

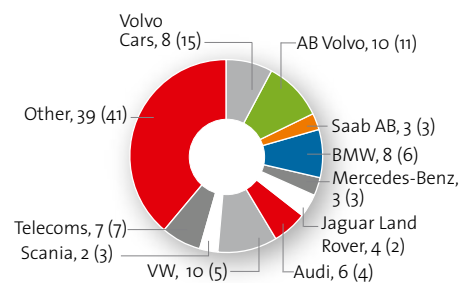
Energy: Energy producers and distributors. There's an increasing need for energy as a consequence of the general growth in society. The political ambition is to boost the amount of renewable energy and cut emissions of fossil fuels, contributing to an increased need for development. There are also cost and environmental needs for energy-saving development.

Industry: Companies in the engineering, manufacturing and process industries. The recession has hit industry hard and forced it to implement sweeping cost-cutting measures. The market stabilized however at year-end 2009 with initial signs of a recovery. There's a huge need for development of products, information solutions, plant and production processes.

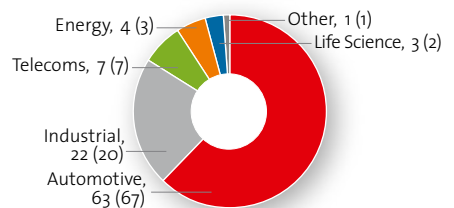
Life Science: Mainly pharmaceutical and med-tech companies. The need for cost-effective healthcare is increasing, partly as a consequence of the ageing population in the west.

Telecom: Companies providing products, networks and other infrastructure for telecommunication. The industry is characterized by high historic growth. There is a great deal of competition in many segments on the telecom market, meaning a high level of product launches.

The biggest customers, %



Sales per industry, %



Read more about the industries Semcon works with on pages 14–23.

Alexandra Teterin,
Industrial designer and high-pressure expert



Global engineering

Together with its customers, who are both among the world's leading and local companies, Semcon develops future technologies, products and information solutions for creating new business opportunities.

Customers' demands for expertise, innovation, ability to supply and market adaptation, encourages Semcon to constantly be at the cutting edge in terms of technology, engineering services and product information solutions. Semcon's customers are active in many different development-intensive industries, which provide extensive industrial expertise that benefits all customers.

Engineering services

Semcon helps companies in different industries to develop products that boost sales and enhance their competitive strength. This takes place both in individual assignments and projects where specialist teams create innovative solutions for the entire product development chain, from requirement studies to finished product.

Semcon constantly works with in-house processes to improve quality, keep costs down, minimize risks and create the conditions to quickly develop smarter, safer, more functional and more eco-friendly products.

Product information

Modern products are becoming more technically complicated. This also means that greater demands are being placed on the information surrounding them, irrespective of whether they are aimed at sales divisions to boost sales,

workshops to facilitate maintenance and repair, or to end-users to make the product easier to use.

Semcon has developed a range of services for producing information that is correct, effective, usable and bolsters the customers' attitude towards the brand and the product. Semcon manages the entire product information development chain, from development of information strategies, information design and information development to production, distribution and evaluation. The information production process develops constantly to become faster, simpler and more cost-effective.

Global presence

An important part of Semcon's business concept is to be active where its customers are active and be able to provide resources and services from a global perspective. Development-intensive industries are spreading rapidly across the world and new markets are constantly evolving. Production capacity is currently at more sites than ever before, which places greater demands on a global presence for companies like Semcon. In recent years Semcon has further increased its global presence by establishing sites and via corporate acquisitions. The company can quickly provide specialist expertise for various assignments by utilizing the expertise from a

number of different spheres of technology and from the company's different markets depending on what customers ask for.

Semcon's geographic spread opens up for major opportunities for projects/assignments including specialists and resources. This means that customers can benefit from Semcon's entire range of services even if these specific services are not available from the office closest/near the customer. Front office is responsible for project coordination and customer interaction and the back-office provides the services. Semcon's offer also includes working in satellite offices, where the service is carried out in the customer's IT environment at Semcon's office.

Industries

Semcon is active in a number of sectors such as the pharmaceutical and med-tech industries, power and energy sector, telecoms, offshore, automotive industry, aviation, processing and packaging industry and other development-intensive engineering industries. This provides the company with extensive expertise and invaluable experience to take to future projects. Read more about Semcon's range and opportunities in various industries on the following pages.

Expertise where customers need it

Semcon has gathered all the expertise required for the various phases of development and the range of services can be weaved into the customers' process.

Design

The design process brings together the entire product and regard is taken to the market conditions, aesthetics, ergonomics, function, environment, production demands and product specifications are created. Clay models and models from other materials are produced plus the construction of products.

Product information

We handle the entire product information development chain from information strategy, design, product and production solutions and all kinds of information solutions. We evaluate customers' product information for constant improvements.

Model and prototype production

Prototype production using free-form technique, vacuum moulding and form moulding plastics and fibreglass. We also make prototypes from steel and a combination of different materials and functions and also perform small-scale production.

Product strategy

Strategic partnership for long-term product development.

Requirements & concept

Management of requirements studies that provide the conditions for the concept process where potential solutions are provided from many different aspects.

Product strategy and planning

Pilot study/concept

Product development

Quality assurance and project management

Traceability & validation

Expertise in validation, analysis methods, traceability, configuration and documentation management (CM/DM), advice, risk management and quality assurance.

Project management

Thorough project management expertise allows us to carry out customer development, focusing on profits and profitability. We also develop our customers' project culture through consultancy assignments and training.

Type approval/Homologation

Responsible for the entire type approval process prior to production, sales and use. Safeguards that products, processes type classification are formed according to the applicable regulations and authority demands for helping customers achieve approval and maximise results and quality.

Methodology development

Methodology development, implementation of PLM solutions and training is provided to ensure long-term quality. By helping customers choose the best tool the best product development processes can be achieved and product lifecycle work is made more effective.

Concept development

Development and evaluation of concepts based on requirements, pre-studies and concept solutions. Concepts are visualized through images, drawings and 3D animations to ensure laws and customer requirements are met. Early design alternatives are tried out providing information about costs and production aspects.

Marketing

We create marketing and communications strategies, concepts and solutions where interactive and mobile media are a large part of the brand experience.

Simulation

Calculation and simulation allows for products to be verified before hardware is available. The quality of customers' products improves while development times and costs are cut. We simulate everything from concept and evaluation of design, durability, flow simulations, deformation behaviour and attributes.

Function control & testing

Complete solutions for developing and testing products' properties. The company's expertise is used in all phases of product development, setting objectives and verifying optimum quality and performance to strengthen the product.

Mechanics

Mechanical components can include everything from a plastic detail of a consumer product to entire facilities in the power industry. We have the breadth and leading-edge skills in the area and our mechanical product development services cover everything from industrial design to production.

Electrical, electronic & embedded systems

Expertise from controlling access to energy to design and systems. The company also develops electronic systems such as control units, system architecture, test benches and test systems. We implement intelligent systems and quality-assure software and hardware and modern methods for developing software is integrated into customers' product development.

Semcon's business models

Direct services

Semcon provides specialists for many areas, who work in customers' own organizations to provide unique expertise or to bolster capacity.

Project services

Semcon takes overall responsibility for entire projects in areas such as product design or information production, and responsibility for providing the desired result. The work is led by Semcon and the project form is adapted to the customers' conditions.

Managed services

Semcon takes overall responsibility for a defined function designed to provide products and services. Customers' entire processes are taken over including staff and development resources, creating value for the customer. Semcon's global presence also means the company can handle assignments from customers active internationally.

Production

Production and process development

Development, streamlining and automation of products, production equipment, facilities and production processes from manual to highly automated production. We have extensive experience of lean production, production analyses, work measurement, specialist machines and control systems.

Production planning

Safeguard production, profitably, effectively and at the right quality.

Market/aftermarket

Aftermarket solutions

Information methods, tools and product information solutions for configuring, diagnosing, installing, maintaining and repairing products in production.

Market communication

Marketing and communication productions such as campaigns, online presence, e-business, offsite presence, email marketing and productions for boosting interest and sales.

Life Science

The Life Science market consists of companies developing and manufacturing pharmaceuticals, bio-tech and med-tech equipment.

Developing new pharmaceuticals is expensive, mainly due to the rigorous quality procedures a product must pass before being approved. Only 10 per cent of the pharmaceutical candidates that progress to the approval process are ever tested on people to become profitable products. The pharmaceutical development process is also characterized by long lead times. It usually takes 10–15 years from idea to launch. As patents run out, generic companies can launch the same product at a much lower cost. There is therefore a need to cut development times and increase the time for selling under patent protection, and to cut the cost of development. The need for effective product development is also widespread in the med-tech industry, as there is also significant competition in this sector.

Semcon's offer

Semcon has over 20 years' experience in helping manufacturers meet the regulatory demands placed on them. The company also provides measures that lead to shorter project times and faster launches. For the pharmaceutical industry Semcon provides complete offers, including business, production and

project development. Semcon has expertise for streamlining production processes at pharmaceutical companies. Project management, quality management and validation are examples of other parts of Semcon's comprehensive range. Semcon launched a new offer in 2009 for pharmaceutical development. This is aimed at small and mid-sized companies that develop pharmaceuticals and that don't possess all the relevant expertise in-house. This is where Semcon provides services like project management, project planning and expertise in a number of other disciplines. Semcon's expertise in plant is also in demand in this industry. In recent years the company has built complete, validated production facilities for established pharmaceutical companies. For med-tech companies Semcon also provides project management, product development, production streamlining, quality management and traceability services. Semcon has, for example, supplied product and production development to a world-leading med-tech company. Semcon has also helped here with analysis to create effective product information solutions.

Future possibilities

Healthcare costs in developed countries are increasing as populations get older. We're meanwhile seeing greater population growth and improved prosperity in other parts of the world. In all this contributes to a greater need for more cost-effective methods of diagnosing and treating patients. This is where the development ability in the pharmaceutical and med-tech industries is significant. The need for new-effective vaccines is an example of an expanding market. Sales are increasing by 20–30 per cent a year, primarily as an effect of viral diseases spreading rapidly around the world. An increasing number of pharmaceutical companies are buying in packaged development projects from small and mid-sized research companies in order to safeguard access to commercial pharmaceuticals. Semcon's offer involves major benefits for research companies from an expertise, capacity and efficiency perspective, which mean excellent business potential in the area.

Better technology cut costs

At Astra Zeneca in Södertälje Semcon has managed to get rid of the bottlenecks, making production more cost-effective.

The pharmaceutical industry is also aiming at working according to the lean tool that streamlines production processes by eliminating time-consuming and resource-draining activities that slow the business down. Over the year Semcon has led the daily activities at Astra Zeneca to get the production lines to work better from a technical perspective. The pharmaceutical plant manufactures and packs local anaesthetic for the health-care sector.

Through a constant presence in production urgent problems were identified and averted. Daily meetings were held with the technology team to set out the work – and then everyone could follow development via visual planning boards.

Major bottlenecks, such as poorly maintained machinery or staff without the requisite training, were bigger challenges that were solved together with Astra Zeneca and suppliers. Considerable cost savings were made after one of the plant's labelling machines was given a technical update. The machine had previously needed extra manning in the form of ten people to check final production. The process was then completely removed after the update.

The work at Astra Zeneca has resulted in a three-year plan to streamline packaging production. The plan means that the plant can go from two production lines to one and from five shifts to three.





Powerful transfer from the sea

The world's most isolated marine-based wind farm was propelled forward thanks to Semcon's system and management.

ABB's Power Systems HVDC unit provides power transfer for high voltage direct current between the world's most isolated marine-based wind farm, BARD Offshore 1 and the mainland. BARD Offshore 1 consists of 80 wind turbines each producing 5 MW of energy situated 125 km off the German coast. The major challenge is transferring the energy from the wind farm to the German national grid 75 km away on the mainland.

Semcon was brought in to construct the control, steering and assistance systems and installation management on site for the land station. The supply was based on ABB's HVDC concept and consists of a converter station that converts AC-DC on a platform at sea, cable and a land-based converter station. The project was run under extreme time constraints as many new technical challenges arose due to specific demands linked to the offshore industry and wind farms.

On 6 June 2009, the 3,300 tonne top section containing the converter station was lifted to its feet. Following intense work throughout the summer the land-based section of the plant was electrified in August and commissioning could start.

Energy

Semcon targets customers in the energy distribution and production sectors, such as nuclear, hydroelectric and wind power. Semcon has a wide range on the market with expertise in plant design, engineering services and product information solutions.

The need for energy is increasing due to general growth around the world. Seen from a global perspective the need is increasing most in growth markets like Asia, Russia and South America.

The extra demand is leading to prices going up, which in turn is attracting new players to the market. In recent years a number of new companies have been established to produce renewable energy, where there is a lot of engineering expertise in optimizing energy production and transfer. There is also a growing market for systems and products that has led to a drop in the access to energy and energy recovery, resulting in major construction and development initiatives. This development is in line with the global political ambitions.

Semcon's offer

Demand for plant design, engineering services and information solutions is increasing in the energy sector. Semcon provides complete solutions to distributors and producers of energy plus complete energy evaluations consisting of remedial measures for major energy

consumers. The company also has a strong offer in validation and quality assurance of nuclear power plants, one example being the configuration and documentation management (CM/DM) of project and plant documentation.

The company's expertise is also in demand in product development, where energy-smart products are supplied to various industries. The company offers development services for turbines, gearboxes and guidance electronics, providing enormous benefit with expertise from the company's employees with experience from the automotive industry.

Semcon's strength in plant design is really significant to energy customers, in particular when renovating and upgrading hydroelectric power stations. There are around 2,000 small hydroelectric power stations in Sweden that are used to boost supply and cut back on price hikes when demand increases.

For the offshore sector Semcon provides services such as project management, environmental and working environment management, construction of

accommodation platforms and specialist modules for the power industry.

Semcon can also offer expertise in applied engineering, project management, inspection, operational optimization and electrical safety.

Future possibilities

There are clear political intentions for the energy sector. Environmentally-smart business, companies and projects are encouraged with special support. Business areas that have a negative impact on the environment need to develop energy-smart solutions or risk being hit by penalty taxes or changes to legislation that negatively affect business opportunities.

There is therefore a significant need for construction and development initiatives for power production, power distribution and transfer plus for optimizing energy consumption. This is an area where Semcon has a strong market range.

Telecoms

The market is made up of companies that make products, systems and infrastructure for telecommunications solutions.

There has been strong growth in the telecoms industry for many years. Though 2009 was tougher than 2008, with fewer investments, growth is expected to continue strongly for networks and other infrastructure such as telephony and data transfer.

The industry's focus will spread from linking places and people to linking applications and equipment. This includes manufacturers of industrial automated production systems and manufacturers in the defence, aero and automotive industries, where the inclusion of embedded communication solutions is becoming an increasingly important part of end products' and systems' functionality and effective capacity.

The number of mobile phone subscriptions is expected to swell by 3 billion by 2014, for example, and that growth will bring with it the need for new, upgraded communications infrastructure. The number of manufacturers of mobile phones and the number of models has risen in recent years, which is leading to increased competition. There are also clear examples of how players, with the help of customer-oriented innovation, can quickly take market shares with good profit margins. A case in point is Apple's success with the iPhone and Google's increasingly broad range.

Semcon's offer

Semcon is strongly positioned as a supplier of product information solutions for the telecoms industry throughout the world. Our services help make customers' offers and products easier to understand and use throughout the products' lifecycle: from sales and marketing to aftermarket solutions – irrespective of whether the product is aimed at professional end users or consumers. We handle the entire development chain for product information, from information strategies, design and development to distribution and evaluation. The work is integrated in product development from the start.

Semcon also has extensive expertise in product development, both for infrastructures and telecommunication products. The company offers services such as development of embedded systems that have a positive impact on end products' functionality, reliability and quality.

Another area that Semcon has extensive experience of is project methods where we're developing successful project cultures at telecoms companies throughout the world through training and assignments such as analyzing, advising and implementing project models.

Future possibilities

Increased functionality, integrated services and new communication methods lead to new development needs in infrastructure, industrial applied telecommunication, mobile telephony and data transfer. Similarly, the increased competition and products' shorter lifecycle lead to an increased need for product development. The need for more effective information management is also expected to benefit Semcon, which has extensive expertise in information strategies and solutions.

The biggest increase in demand in telecoms is expected in Asia. This is also where the biggest growth in production of telecom-related products is expected in the future. Semcon is established in India, China and Malaysia, making the company well-equipped for this development.

A woman with dark hair and bangs, wearing glasses and a grey sweater, is smiling and looking up. She is holding a small, white electronic device (possibly a camera or a small screen) in her right hand, which is raised towards the top left of the frame. The background is a soft, out-of-focus green. The overall mood is positive and professional.

Safe transfer of information production

Moving information production can lead to quality and efficiency disappearing along the way. Semcon has mapped how to navigate around these problems.

It's becoming increasingly common for companies to move their development activities to other countries in order to maintain cost-effective development and production. Moving an entire business but retaining high quality product information is a difficult task with major challenges. Semcon has extensive experience of working with customers' overall perspective concerning processes and tools for facilitating a fast start and effective information production, as well as reuse of information. Semcon in Hungary carried out a number of successful moves for customers in the telecoms industry and has extensive understanding and experience of the challenges customers face.

Caroline Bramklev,
Configuration manager

Automotive

The automotive market consists of manufacturers of cars and commercial vehicles like trucks, buses and plant machinery including forestry machinery, dumper trucks and excavators.

The global automotive industry is characterized by strict pricing pressure and cost-effectiveness, coupled with an increased demand for product development and innovation in design, comfort, safety and performance. In recent years the demand for energy-efficiency and environmentally-related development has increased dramatically. Car manufacturers have also become more efficient at utilizing individual platforms for more models and in some cases even for numerous vehicle brands.

The dramatic fall in demand for cars and commercial vehicles in the second half of 2008 and 2009, has led to constraint in negotiating for development services, which affected everyone in the sector. In the short-term there are however signs indicating a gradual recovery of sales volumes of cars and commercial vehicles and that enquiries for new development projects are rising among automotive suppliers.

The main sales growth for cars is expected in Asia if we look over a longer-term perspective. Eastern Europe is also responsible for significant growth potential for commercial vehicles.

The outlook for the year ahead seems to suggest increased investment in development projects. According to an analysis from management consultant Oliver Wyman, the vehicle-related tech-

nology and design services market in Europe is expected to grow by an average of 3.8 per cent annually until year-end 2014.

Semcon's offer

Semcon provides complete undertakings in advanced engineering, covering everything from pilot study and design to construction of products and production systems. Semcon also provides complete information systems for both marketing and the aftermarket, from information strategies, design and development to distribution and evaluation. For the aftermarket Semcon has for example signed a partnership agreement to deal with all service information for a customer including diagnosis, service, parts, ownership information and training.

Semcon has significant automotive industry plant expertise, not only for constructing test rigs for analysing engine performance, but also for establishing complete production systems. The company also has expertise and experience of embedded systems and architecture for electronic and communication technology in vehicles – something that's become increasingly important as demands for energy-efficiency, performance and functionality increase.

The company is a technology development company with the expertise and resources to develop a completely new vehicle, platform, production planning, prototype production and an effective information concept.

Future possibilities

Automotive manufacturers invest significantly in R&D. Although investments in product development fell in 2009, the established automotive manufacturers' development plans for the next five years are fixed. The number of models per brand in the car industry has grown considerably over the past 15 years. Meanwhile the average sales volume per model in many cases has fallen dramatically. This trend is expected to continue, not least because of the increased competition and consumers' strict demands for new products.

Regulatory changes linked to the environment and safety is also helping to speed up development, something that's leading to heavier investment in development, which is benefitting Semcon.

Unique feeling in a new classic

The new BMW Z4 has been called the rebirth of the roadster.

Semcon's assignment for the German automotive manufacturer was mainly to develop and design the car's bodywork, known as body-in-white, but also to lead the series development team. The car would, unlike its predecessor, have a foldable hard-top cabriolet roof. Despite that, keeping the classic roadster profile was one of the biggest challenges for the team. The solution chosen was a split lightweight aluminium shell that opens and closes in 20 seconds. 60 individuals from Semcon were involved in the project that involved challenges including a schedule cut short, production changes and a global financial crisis. The project team's way of overcoming the unexpected challenges has become the norm at BMW.



Stefan von Czarnecki, Semcon and Gerhard Schmidmayer, BMW



Stable assignment in a shaky environment

Semcon's first assignment for the measurement company Bergsäker resulted in a usable platform that made the company more cost-effective.

Bergsäker is a Swedish company that develops and sells automated measurement systems and instruments for complicated environments. The company turned to Semcon when it needed to develop a new generation of advanced systems for measuring vibrations when detonating explosives. This was a complex assignment: to come up with a standardized instrument that could be customized for all kinds of sensors and for different markets and that would also be electricity-saving, easy to update and be remote controlled. The development work required consultants with specialist knowledge in many areas. The work was very successful and the partnership extended to new projects after the introduction of the instrument.

Industry

Customers are mainly development-intensive companies in engineering industries. We have also chosen to include companies from the marine and aviation-related industries.

The financial crisis has, just like in the automotive industry, helped boost competition and bolster price pressure. This has meant a wait-and-see attitude towards investments. Meanwhile the competition has helped shorten product lifecycles dramatically. This leads to a significant underlying need to invest in technological development.

Semcon's offer

Semcon provides complete solutions for product, production systems and technical information development for customers in the industrial sector.

Customers include many of Sweden's biggest industrial companies from the engineering, manufacturing, process, marine and aviation industries, but also a number of consumer product manufacturers and other consumer-oriented industries where design elements are really important.

Mechanical development in the engineering industry is a major area of technology where Semcon has extensive experience.

Elements of computerized solutions in products and production systems have grown considerably in recent

years. This is where Semcon has an advantage thanks to expertise in embedded systems that creates increased functionality and efficiency.

Semcon has an attractive range for the process industry with expertise from plant construction in demand. Likewise, the company has customers in the food industry where there are strict demands for efficiency and safety in production.

The defence industry is another important customer group. Here Semcon has experience of extensive product development, production planning and product information technology. The company's offer includes every element of defence. In 2009 the company developed, tested and documented multifunctional composite containers for FMV. The company has also carried out assignments for the marine and aviation industries. Semcon also helps with product development for the shipping industry.

Besides product development, Semcon also offers product information solutions, installation and user manuals, but also training. Work is carried out in the form of individual projects and managed services.

Future possibilities

Competition in the industry sector is expected to progress further globally over the long term. This will mean an increasing need for innovative product development and effective product information management.

The main sales to industry are currently towards global manufacturers based in Sweden. Semcon sees good opportunities of boosting the number of foreign customers as the company expands geographically. The company's range can for example be offered to more customers on the German market, where Semcon is strongly positioned in the automotive industry.

Versatile cleaning solution



A cleaning gun with blowing and suction functions was the result of Semcon's assignment at Luna, the industrial suppliers.

The first challenge was to find a solution for using compressed air for both sucking up and blowing away dust and rubbish around a workplace. The product needed to be easy to make and assemble and also have an ergonomic grip. Semcon worked in parallel to come up with the technical solution and the new design. Thanks to its own prototype workshop and toolmakers, the design and function were approved quickly. 2,000 complete guns were finally produced. The end product was called the Luna Cleaner Gun and is unique to the world market.

Specialist expertise for plug-in hybrid

The task was to develop three demo versions of plug-in hybrid cars. Semcon's experience in R&D from various industries proved to be valuable.

Semcon has taken part in partnership projects with Volvo Cars, Vattenfall, ETC and the Swedish Energy Agency for developing three demo versions of plug-in hybrid cars.

Semcon provided specialist expertise in powertrain, electronics, project management and calculations and converted a vehicle with a conventional combustion engine to a plug-in. This was done by

adapting and installing electrical motors and batteries and adapting the transmission and designing and constructing cabling, logger and control units.

By benefiting from the developments from the various industries Semcon is active in customers can be provided with cost-effective, innovative technical developments. A close working relationship with companies from various industries is a prerequisite for this kind of project.





Long-lasting partnership pays off

Hydroelectric power stations life expectancy extended with the help of Semcon's development of steering and control systems.

Society's need for electrical energy is increasing steadily while the options for building new power stations in Sweden is very limited. Some of the electrical company Fortum's hydroelectric power stations are built on minor waterways and provide little effect. Semcon, in association with Fortum has worked at installing a new steering and control system at the power station in Fensbol in Värmland, Sweden. Better control options mean that more energy can be extracted. The power station in Fensbol is used today more effectively and has been given a longer life expectancy. The partnership with Fortum began around ten years ago. Semcon in Karlstad now works with ten or so people on electrical installations for control systems. The group has an established concept that means the solution doesn't need to be constructed from scratch.

Land Rover technicians trained by Semcon

When Land Rover launched its new 10 MY Freelander, Semcon was given the task of designing training for the car's innovative ECO system.

The system incorporates an intelligent stop/start technology that stops the engine when it's not in use and cuts fuel consumption and CO₂ emissions. There was a risk that the intelligent system might be considered unpredictable for customers and eventually considered as a fault. The company's many technicians, and to some extent its sales teams, needed to gain in depth knowledge in order to explain the system and the correct behaviour to the customer, in a way that inspired confidence and in so doing allow the vehicle to be used more efficiently.

Land Rover technicians around the world needed to complete the training. The course was translated into many languages and a basic program for e-learning was developed for use on the global market. The challenge was to get the course to suit the technicians, irrespective of prior knowledge. The course started at the beginning of 2009 and feedback from participants was very positive.



Ian Luckett, Jaguar Land Rover and Ian Grigg, Semcon

Effective development

of front office/back office solutions

Offshoring R&D has gone up in recent years in industry. But there are a number of challenges to consider. Semcon knows what they are and how to best manage them.

Industry is facing increasingly stricter demands on its environmental and safety initiatives along with increasingly stricter demands from customers and tougher pressure on prices. In order to develop new, improved products more quickly and also meet the pricing pressure, many producers in recent years have started moving parts of their R&D activities to other countries such as India (known as offshoring). Working with different cultures and in different time zones is however a major challenge. The principle is for the work to be carried out where we have the best expertise and the available resources.

Semcon set up in India in 2006 to meet these changes and now has extensive knowledge of how offshore projects are run most effectively. The business, including its specialist services, mainly in construction, electrical installations and simulation, is managed from Bangalore where it is completely integrated with the European offices. Semcon chooses to run the projects according to the "front office/back office" model, where front office takes responsibility for project coordination and customer interaction to minimize the risk of complications from communication and cultural differences. The back office in India carries out most of the work and transfers data via an effective, seamless process to the front office in Europe, as well as to local customers in India.

Flexible document handling

Bombardier wanted complete documentation to modernize rolling stock. Semcon's flexible solutions meant both improved quality and lower costs.

Bombardier Transportation Services renovated and upgraded 40 of Green Cargo's Rc2 and Rc3 engines. This was major renovation work, which meant a thorough improvement to the engine's driver's environment, cutting energy consumption, updating braking and compressed air systems. The engine was also provided with a computerized control and communication system. This modern engine, called Rd, would be provided with complete documentation to give to the end customer. Clear demands for production was that documenta-

tion needed to fit into GreenCargo's existing system and be flexible for changing conditions in the project. Semcon was assigned to lead documentation work and produce all documentation for the engine. This also included negotiating with the end customer about the scope of document supplies, structure, format and content. A procurement specification was also produced so that Bombardier could buy the information that is the basis for the documentation from its subcontractors. This work focused on collaborating with the customer, end customer and all subcontractors, giving Bombardier a flexible documentation solution. Semcon's experience of technical information gave the customer a completely customized, flexible solution, which in turn led to cost cuts and improved quality.



© Bombardier

Underwater engineering

The Rolls-Royce brand not only includes luxury cars, but also the world's leading marine propulsion systems. Semcon helped in development.

Semcon's job at Rolls Royce Marine is to run customer order projects and ensure that the product is provided at the right quality, cost and on time. Semcon's consultants take on the technical and commercial responsibility internally and commercially. 20 engineers worked over the year at Rolls Royce Marine, on projects including an order from one of the world's biggest shipyards in South Korea, for one of the world's largest propellers measuring 8.3 m in diameter for propelling a 300 m long ship. The challenge was to get the design to correlate with the vessel's size, but mainly required rigorous planning for freighting the enormous propeller.



Unique simulator for the aviation industry

Thales' flight simulator needed to be lighter, cheaper and quicker to assemble. Semcon took on the challenge.

The result was RealitySeven, a simulator that cut production costs and lead times. The industry standard was previously a simulator dedicated to a specific type of aircraft. RealitySeven comes in modules and can be customized according to customer requirements. For example, the simulator can be set up as a Boeing 787 and the next month as an Airbus A320. This is a revolutionary development for the crisis-hit aviation industry. Semcon's assignment was to be responsible for the exterior and interior design, 3D models, surfacing, structural analysis and tool design with the aim of completion in 18 months. Semcon succeeded, with the help of experience from the automotive industry, to cut the number of parts in the upper section of the simulator by about 80 per cent. This, coupled with a modular construction meant freight costs could be cut. The aviation industry's response to RealitySeven has been very positive with a dozen orders already received.



More effective projects at Sveriges Radio

Sveriges Radio needed more effective throughput of projects – the solution is PROPS.

Sveriges Radio saw a need to improve its project initiatives and get a more effective throughput of projects. Semcon Project Management was brought in to help introduce the PROPS project model at Sveriges Radio and provide expert knowledge of how to get a more effective project. Semcon supplied an online version of PROPS plus training and coaching of project managers and other manager. With a new work method and increased focus on project initiatives Sveriges Radio expects the total throughput of projects to increase significantly and thereby achieve the desired results of their efforts quicker.

 Sveriges Radio




AstraTech minimizing validation costs

AstraTech needed to ensure correct cost levels for its validation work. A partnership with Semcon paved the way for the right method.

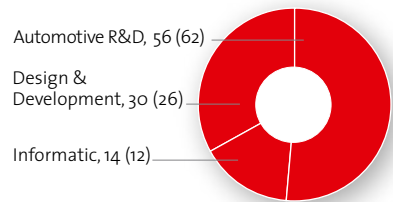
As a med-tech company, AstraTech has strict validation demands for its process development. As the demands and scope of the project increased, AstraTech needed a more predictable and distinct perception of the costs for validation work of the various projects. To make validation work more cost-effective, a partnership was created. The common intention is to achieve function solutions where the total validation costs are minimized, partly by adapting resources according to actual needs. Important parts of this work included everyone having clear areas of responsibility and that the rest of the organization develops in the validation work to speed up processes. AstraTech is focusing on achieving streamlined and value-adding validation as a natural element of establishing processes. Thanks to the partnership between AstraTech and Semcon method development becomes a natural element for challenging the working method and improving performance.

Business areas

Semcon is divided into three business areas that concentrate on a number of different industries.

Business area	Business area manager	Business
Automotive R&D	 Stefan Ohlsson	The business area's 1,500 or so employees provide services to customers in the global automotive industry. Its offer includes focusing on concepts, design, calculation, construction, prototyping, testing, simulations and production. Semcon's services complement the automotive manufacturers' own resources. Implementation and delivery are adapted according to customers' requirements, from participation in customers' teams to in-house development projects.
Design & Development	 Mats Körner	The business area has around 800 employees working with industrial design, product development, plant design, production development and training. The business area provides expertise and experience to achieve quicker, improved product development. The services include requirement and concept studies, design, construction, embedded systems, testing, prototyping, verification, project management, quality assurance, production development and lean production expertise.
Informatic	 Johan Ekener	The business area's 350 or so employees provide complete information solutions for the after-market and interactive market communication. The business area supports customers' products throughout the entire product lifecycle, from sales and marketing to installation, maintenance, repair and training information.

Share of the Group's sales, %



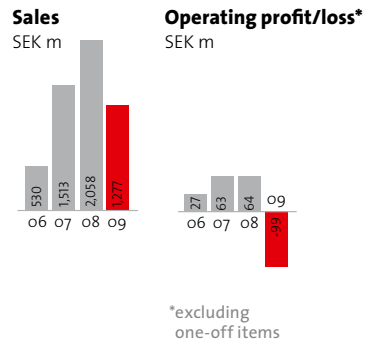
Development 2009

The global recession and its dramatic drop in demand in the automotive sector resulted in extreme pricing pressure and reduced business volumes with low utilization ratio. This has had a major effect on the business area's income and operating profit. The operating profit was impacted by one-off items of SEK 147 million. Of these costs SEK 65 million was for redundancies, SEK 72 million for goodwill write-down for the Swedish business and SEK 10 million for reservations for bad debts and write-down of inventories. Despite the tough year the business area still has good customer relationships and a strong position as a business partner, with product development still a priority area for automotive manufacturers. 70 per cent of the business is outside Sweden.

Customers

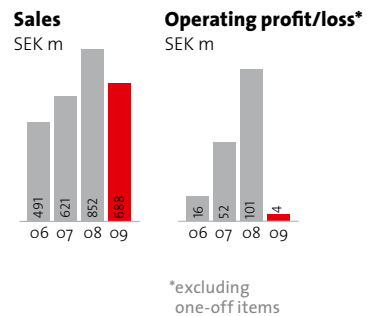
Activities are run in Germany, Sweden, Brazil, the UK, India, Spain and Russia. Customers include a number of the world's biggest automotive manufacturers such as Audi, BMW, Daimler, Opel, Porsche, Saab Automobile, Scania, Volvo Truck, Volvo Cars and VW.

Sales / Operating profit/loss



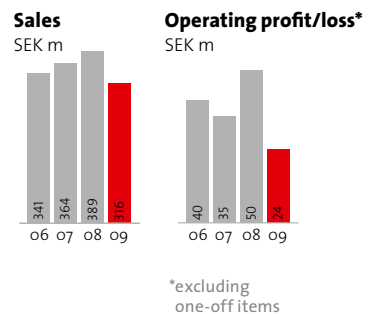
Many companies' lower sales volumes have meant delays in project starts and fewer investments in product development. This has meant lower business volumes, pricing pressure and a weak operating profit. As a result, redundancies were necessary and affected the operating profit by SEK 14 million. Write-downs were also necessary for participations in associated companies of SEK 6 million. Excluding these costs the business area has shown an operating profit. The business opportunities in Life Science, energy and the off-shore sector are constantly improving. The amount of business outside Sweden is expected to continue rising and was 9 per cent for the year.

The business area has projects throughout the world with offices in Sweden, Germany and Malaysia. Activities are mainly focused on sectors such as industry, energy, telecoms, and life science. Customers include ABB, AB Volvo, Alstom, Astra-Zeneca, Bombardier, Fortum, General Electric, Husqvarna, Pfizer, Saab AB and companies in the telecoms industry.



The need for product information services is continuing to rise and the international share of the business is continuing with its positive trend. The international share of business' revenues rose by 10 per cent to 39 per cent. The business area remains affected by low business volumes and pricing pressure in Sweden, mainly from customers in the automotive industry. Other customer segments were also characterized by general caution throughout the year. The lower volumes meant redundancies in the first half of the year, which impacted the operating profit by SEK 4 million.

Informatic currently has offices in Sweden, the UK, Hungary and China. Customers are mainly found in the automotive, telecoms and manufacturing industries. Customers include ABB, AB Volvo, Bombardier, Jaguar Land Rover, Saab Automobile and Volvo Cars.



Sustainable business

Semcon is a global service company where employees' commitment and expertise is of the utmost importance for the company's success and profitability. Semcon strives towards running the business environmentally and socially sustainably.

Employees – the heart of Semcon

Semcon currently has around 2,600 employees globally. One of the cornerstones of the company's corporate culture is entrepreneurial spirit and the importance of seeing every employee as an individual. Individual employees grow and develop by being inspired by one another and the projects run by the company. Semcon aims to constantly develop its employees by letting them work in various projects day-to-day, taking responsibility, collaborating with colleagues and by transferring knowledge through various training courses. This is based on employees' needs and on the expertise Semcon believes customers will demand in future. One of the main reasons customers use Semcon is its wide range of competencies and experience of its employees.

Semcon actively develops management skills such as communication, methods and career development talks, and also trains in contract law, business acumen and sales programmes available at different levels within the company. This applies both to new managers and for those who've worked for the company longer.

Semcon's code of conduct is an important part of internal employee training. The code of conduct summarizes the collective rules that everyone at Semcon must work towards to ensure the best possible relationships with one

another, to the company's business partners, customers, shareholders and those around us.

Keep-fit activities and a good working environment are important to give Semcon's employees the opportunity of a healthier lifestyle.

One example is the recreational allowance that's offered to encourage various keep-fit activities. Semcon also works actively with corporate healthcare to protect against work-related illnesses. Sick leave throughout the Group remains low.

Strategic objective to be an attractive employer

It's extremely important that Semcon succeeds in attracting and retaining employees. It's significant for our competitive strength and continued development that new, well-educated, motivated people apply to work at Semcon. The company takes part in exhibitions and other activities at universities and colleges to let people know about the business and attract new employees. Important target groups include professionals of all ages as well as students. Strategic initiatives are underway concerning how we want Semcon to be perceived as employer in the future.

As important as attracting new employees with the right profile is to keep and motivate existing employees by providing them with attractive train-

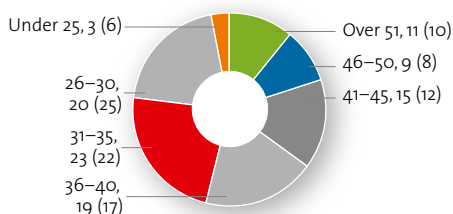
ing opportunities and building Semcon from the inside out. Employee activities take place on an ongoing basis throughout the year at business area and departmental level in order to strengthen solidarity, develop our culture and create a common image of the Semcon brand. Talks between employee and manager will be prioritized and in 2009 a Group-wide employee survey was carried out to support this initiative in the future.

Semcon is currently active at 40 locations in Sweden, Germany, the UK, Brazil, Hungary, India, China, Spain, Malaysia and Russia. The global presence, coupled with the projects the company runs with some of the world's largest industrial companies, means that employees have the opportunity of working internationally. Semcon's front office/back office model and satellite offices where some of the customer's IT environment is made available at Semcon's offices, allow employees to provide engineering services to customers around the world from their home office. The complex projects that the company works with also give employees the chance to develop by being part of, and influencing, tomorrow's products from a number of different industries. All employees can apply for positions in other business areas and different markets, in order to fully utilize the internal expertise.

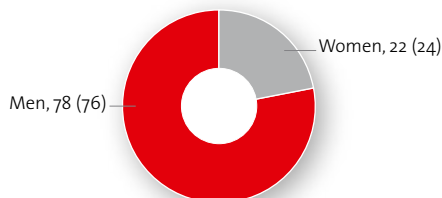
Tim Clay, Illustrator, Stephen Price – Technical writer,
Steve Mellin – Manager, Alex Macklow – Technical writer and
Clive Roberts – Illustrator.



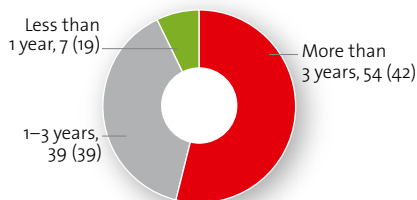
Age of employees, %



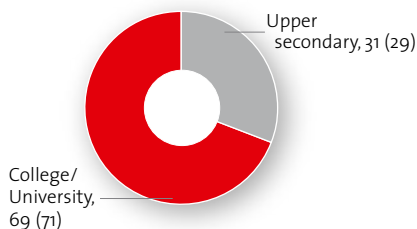
Gender division, %



Average employment duration, %



Level of education, %



Ethics and social issues

Semcon's objective is to create added value and build relationships based on respect, responsibility and confidence with employees, customers, shareholders, other interested parties and those around us. This takes place in a social, environmental and responsible manner. To achieve this requires long-term profitability, consideration for the environment and social commitment. Because Semcon is a global company it is responsible for ethical and social issues around the world. These issues are becoming more important as the Group grows and establishes on new markets.

Semcon's code of conduct means, among other things, that all employees must act with social responsibility and within the framework of domestic legislation in all countries where the Group is represented. The Group actively works to avoid child labour and forced labour, treats everyone equally and is vehemently opposed to corruption. Semcon's best contribution to social and financial development is by running the company professionally and profitably, making it possible to create jobs and support its customers. Semcon is also committed to contributing to sustainable development. Semcon's code of conduct is published at www.semcon.com

Semcon regularly donates to charities such as the Swedish organization BRIS (Children's rights in society), MSF (Médecins Sans Frontières) and the Swedish Cancer Society. Semcon's commitment to the STCC helps the Min Stora Dag (My Big Day) foundation fulfil the dreams of sick children to travel in a racing car.

The Semcon brand

We work for a united Semcon, both internally and externally on all markets. All employees must know Semcon's overall strategies, objectives and range and actively work for cooperation. All communication, whether internal or external must support the whole and give a true image of Semcon. A number of prioritized measures in 2010 include launching a new website to clarify the company's range, implement a clear visual identity and constantly develop the external Future by Semcon publication, of which 10,000 copies are now published.

Diversity and equality

Semcon works to increase diversity and equality in the Group. This occurs naturally because the company has business activities in many countries around the world. Increased diversity in terms of gender, age and cultural background creates a solid foundation from which to form teams that meet customers' expectations. Major redundancies, mainly in Sweden, affected the age and gender distribution in 2009. The LAS regulations here meant that the investments made in the past few years to employ more women and younger people were affected because of the last in first out principle. In Sweden Semcon is the lead sponsor of Tarantella, which is the Chalmers University of Technology's network for female technology students and several female engineers at Semcon are mentors.

Environment and quality

Semcon's environmental initiatives are integrated into everyday activities. The Group is ISO 14001:2004 certified. The number of central policies are in place to reduce the company's environmental impact, such as travel and company car policies, where the company is working to cut CO₂ emissions as much as possible.

As Semcon is a service company its environmental impact is relatively low, which is why the company emphasizes what can be done for customers in this area. By helping customers find energy-efficient solutions and products that have little environmental impact Semcon can help towards reducing the carbon footprint by developing wind power, process methods, hybrid and electric car development, fuel consumption etc.

Semcon is also ISO 9001:2000 certified and quality assurance initiatives permeate the entire business. Surveys such as the Satisfied Customer index are carried out regularly and the results show that customers are satisfied or very satisfied with Semcon as supplier and with the quality of the work carried out.

To ensure and minimize risks in projects Semcon has developed a project methodology, which is based on the renowned PROPS methodology for managing and controlling projects where customers don't require us to use their project methodologies.

Sick leave, %	2005	2006**	2007**	2008	2009
Total sick leave	2.8	2.4	2.4	2.2	2.1
Of which long-term leave	1.2	0.9	0.7	0.5	0.5
Sick leave, women	5.1	3.3	3.2	3.0	2.8
Sick leave, men	2.1	2.2	2.1	2.0	1.8
Employees under 29	1.8	1.9	1.9	1.5	2.2
Employees aged 30–49	2.8	2.4	2.4	2.2	2.1
Employees over 50	4.1	3.4	3.0	3.2	2.0

Sick leave only applies to the Swedish market.

Key indicators	2005	2006**	2007**	2008	2009
Total number of employees 31 Dec	1,672	1,522	3,648	3,310	2,602
Average number of employees	1,636	1,509	2,672	3,631	2,791
Sales per employee, SEK 000	917	902	935	909	817
Value added per employee, SEK 000	625	602	555	592	524
Profit/loss after financial items per employee, SEK 000*	59.8	33.1	-13.3	35.1	-92.0
Average age	38	38	36	36	38
Sick leave, %	2.8	2.4	2.4	2.2	2.1
Staff turnover, %	10	12	19	30	32
Staff turnover excl. redundant employees, %	10	12	19	20	15

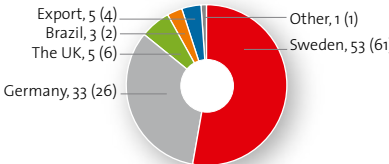
* Operating profit/loss per employee hit by one-off items, SEK 000

** The results for 2006 and 2007 have been reported for remaining business.

Risks in the Group's business

Semcon is exposed to a number of risks that could affect the Group's results and financial position. Semcon has chosen to divide the risks the company is exposed to into market-related, business-related and financial risks. Semcon performs risk evaluations and identified significant risks is handled on an ongoing basis by the organization and through strategic planning.

Market-related risks

Risk factors	Management	Exposure														
Structural changes <p>There is a trend among international Groups to employ the services of fewer but larger suppliers with a global presence. There is a risk that Semcon isn't seen to meet the requirements set regarding size and global presence.</p>	<ul style="list-style-type: none">Semcon actively works towards a greater degree of internationalization in order to follow customers' developments.In recent years the company has established offices at many locations outside Sweden and has been rewarded with large, complete, international assignments from Groups such as Audi, BMW, Daimler, Ford, GM, Porsche and VW.The structural changes also allow the opportunity of working in major projects or in partnership to take over responsibility for complete functions with a customer.	<p>Semcon is a global company with activities in Sweden, Germany, Brazil, the UK, Hungary, India, Malaysia, China and Russia. The share of sales from customers outside Sweden is increasing and amounts to 47 per cent (39).</p> <p>Share of sales by country, %</p>  <table><thead><tr><th>Country</th><th>Share (%)</th></tr></thead><tbody><tr><td>Sweden</td><td>61</td></tr><tr><td>Germany</td><td>26</td></tr><tr><td>The UK</td><td>6</td></tr><tr><td>Export</td><td>4</td></tr><tr><td>Brazil</td><td>2</td></tr><tr><td>Other</td><td>1</td></tr></tbody></table>	Country	Share (%)	Sweden	61	Germany	26	The UK	6	Export	4	Brazil	2	Other	1
Country	Share (%)															
Sweden	61															
Germany	26															
The UK	6															
Export	4															
Brazil	2															
Other	1															
Business cycle-dependent customers <p>Semcon's customers are affected to varying degrees by business cycles, where demands for Semcon's services can fall.</p>	<ul style="list-style-type: none">Semcon constantly works towards broadening its customer base in order to cut its dependency on individual customers' sensitivity to business cycles.	<p>Semcon's customer base mainly consists of Nordic industrial companies in various industries and the German automotive industry.</p>														
Industry dependency <p>Semcon's business is largely dependent on developments in the automotive industry.</p>	<ul style="list-style-type: none">Semcon is expanding in industries outside the automotive industry, such as life science, energy/offshore and environment.	<p>Exposure towards the automotive industry has fallen by 5 per cent to 62 per cent (67) of the total sales of the Group since last year.</p>														

Business-related risks

The main business-related risks are customer-dependency and key employees. There is always a risk of losing business or a customer. Read more about business-related risks in Note 3 on page 54.

Risk factors	Management	Exposure
Employees <p>There is a risk that key employees or a large number of employees choose to leave the company.</p>	<ul style="list-style-type: none"> Semcon actively works to improve employees' job satisfaction. Resources are set aside for training, recruitment and induction activities even though levels were lower in 2009. The competition for skilled employees means that salaries can go up by more than the agreed contract states, both for entire groups of employees and individual key employees. 	<p>The recession during the year has meant that demand for the Group's services have dropped, meaning the Group was forced to make people redundant in different areas where business volumes were low. Excluding employee redundancies the employee turnover rate has remained steady.</p>

Risk factors	Management	Exposure
Redundancies There is a risk that the redundancies carried out will affect the company's future business potential.	<ul style="list-style-type: none"> Semcon follows current regulations but have, during negotiations with the union representatives, agreed that in certain cases to deviate from the last in first out principle in order to safeguard the Group's future competitive strength. A survey of expertise is carried out during the annual career development talks. Where possible the Group has offered employees made redundant a position in another town/market and in another business area. 	The drop in business volumes over the year have forced the company to cut employee numbers by 520, which has negatively impacted results by SEK 82 million.
Individual customer dependency Customers can sometimes cancel assignments/projects at short notice, or gradually reduce business volumes. This might risk Semcon not being guaranteed full cost remuneration, especially for employees who can't immediately be transferred to other assignments.	<ul style="list-style-type: none"> This risk is being monitored especially closely as Semcon grows and takes on bigger assignments/projects for individual customers. 	Problems over the year, mainly for the Swedish automotive industry, have meant a drop in business volumes for the Group. The Swedish automotive suppliers account for a total of 22 per cent of the Group's overall sales, which is a drop of 15 per cent or SEK 710 million, compared to 2008. A consequence of this change is that the share of sales towards other customers and markets is increasing, meaning that exposure towards individual customers is falling.*
Pricing pressure The risk of pricing pressure increases during recessions.	<ul style="list-style-type: none"> Apart from competitive prices on the local market Semcon also provides distance solutions in Hungary, India and China. The company is increasing its share of projects and complete solutions. 	Pricing pressure from customers during the recession in 2009 increased in almost all industries and markets. Every percentage point of the total annual fee affects the results by SEK 20 million.
Fixed price Fixed price projects put the company under pressure if the project cannot be completed within the given cost ceiling and/or timeframe.	<ul style="list-style-type: none"> All projects are planned, budgeted and carried out according to joint, fixed working methods. Semcon actively works with project management and is ISO 9001 and ISO 14001 certified. 	Semcon follows fixed plans in going from hourly-based business to increasing the share of project business and fixed price assignments. This increases risks but also provides opportunities to improve profits.
Responsibility There is a risk that improperly carried out assignments can affect earnings.	<ul style="list-style-type: none"> With the Group has taken out insurance according to industry practice that in certain circumstances cut the financial risks pertaining to services and products. 	A review of the insurance protection was carried out in 2009 on all the Group's markets. In the past Semcon has only ever used this insurance on a few occasions. The conditions of the contract have been reviewed to minimize risks.

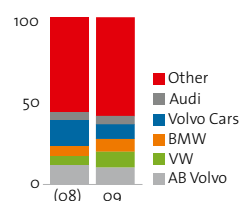
Financial risks

The company has identified five financial risks that could affect earnings.

- Financing risks
- Interest rate risks
- Liquidity risks
- Currency risks
- Credit risks

Read more about the financial risks in Note 3 on page 54–55.

* Biggest customers' share of sales, %



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Directors' report

The Board and CEO of Semcon AB (publ) co. reg. no. 556539-9549 herewith present the annual report and consolidated accounts for the 2009 financial year.

Business activities

Semcon is a global technology development company with activities at more than 40 sites in Sweden, Germany, the UK, Brazil, Hungary, India, China, Spain, Malaysia and Russia. Semcon is organized into three business areas – Automotive R&D, Design & Development and Informatic. Semcon develops products, production facilities and production information solutions throughout the entire product development chain and also provides a number of services in areas such as quality, training and methodology development. Semcon has business activities at the following locations: Gothenburg (HQ), Antas, Bad Friedrichshall, Bangalore, Berlin, Beijing, Budapest, Böblingen, Dunton, Eskilstuna, Gislaved, Grantham, Helsingborg, Ingolstadt, Jönköping, Karlskrona, Karlstad, Kineton, Kista, Kristianstad, Kuala Lumpur, Linköping, London, Ludvika, Lund, Moscow, Munich, Olofström, Oskarshamn, Resende, Rhein-Main, Rickmansworth, Sao Paulo, Shanghai, Stenungsund, Stockholm, Stuttgart, Södertälje, Trollhättan, Uppsala, Västerås, Växjö, Wolfsburg, Waterlooville and Örebro.

Semcon's business areas

The Automotive R&D and Design & Development business areas work with design, product development and production development. The Informatic business area develops information solutions for the entire product lifecycle.

Events during the year

- Semcon streamlined the business and made 440 employees redundant in Sweden, 10 in Germany and 70 in Brazil.
- Semcon Project Management acquired a small German company in the spring of 2009 and strengthened its range of project management services in Europe.
- JCE Group announced on 5 March 2009 that following the acquisition of 115,583

shares in Semcon, it now has a share capital in Semcon equivalent to 30.0 per cent and that the limit for the Mandatory Bid Rule had been passed. JCE was willing to pay SEK 14 in cash for each of the Semcon shares. A total of 92,510 shares were acquired under the offer and JCE now owns 30.5 per cent of the shares in Semcon.

- Semcon is investing in the offshore industry and opened a new office in Lidköping. Fifteen specialists have been employed with extensive experience of international offshore projects and expertise in developing accommodation modules on oilrigs.
- Semcon has signed an order worth SEK 50 million for a German concept car with extreme requirements.
- Semcon is working closely with Volvo Cars, Vattenfall, ETC and the Swedish Energy agency to develop plug-in hybrids.

The work of the Board of Directors

The work of the Board of Directors is described in the section headed "Corporate Governance" on pages 76–78.

Remuneration to the Board and senior executives

Remuneration to the Board is decided by the AGM following proposals from the nominations committee. Remuneration to the Board remains unchanged compared to last year and amounted to SEK 400,000 for the Chairman and SEK 200,000 for other Board members not employed by the company. The Board decides remuneration to the CEO. Semcon has decided that the Board in its entirety will carry out the remuneration committee's assignments. Board members who are also part of the senior management team do not take part in this work. All senior executives in the senior management team are entitled to a fixed salary

and a flexible salary of no more than six months' salary based on how well they meet their respective targets. No flexible remuneration was paid to the senior management team in 2009. The remuneration shall be reasonable, competitive and in line with market conditions. The fixed salary is set every calendar year. Remuneration guidelines included the individuals, who during the time the guidelines applied, were part of the senior management team. The Board has the right to deviate from the guidelines if there is just cause to do so in special circumstances. Senior executives' remuneration and bonuses are reported in Note 8 on page 58.

Incentive scheme

Semcon AB's EGM on 7 February 2008 voted to introduce a long-term share savings scheme. The share savings scheme is open to all employees of the Swedish and German companies. Around 600 people signed up for the scheme. The share savings scheme in brief means that employees who participate in the scheme, over a 12-month period, pay part of their salaries to buy shares (savings shares) in the company. Each savings share allows the employee, after a period of three years, provided he/she is still employed in the Semcon Group, to receive a matching share. The share savings scheme will be for no more than 330,000 shares, of which 250,000 will be matching shares and 80,000 to mainly cover social security contributions. Employees who are given notice of redundancy will receive matching shares in advance. A total of 31,430 shares have been matched for people made redundant, after which 298,570 shares remain to be used for future matching.

Research and development

The majority of Semcon's development costs concern development within the framework of customer projects. Other development costs are registered directly in the accounts. These amounts are not large. Exceptions are made for costs for development of specific programs or technical platforms, which are activated in accordance with IAS 38.

Class of shares

At year-end 2009 Semcon's share capital was SEK 18.1 million, or 18,112,534 shares all with a quotient value of SEK 1. All shares carry the right to one vote and are of the same class. Every share entitles the holder to equal shares in the company's assets and profits. There are no limits to the shares transfer. Semcon owns 298,570 of the company's shares. These shares will be used for matching in the share savings scheme.

Company acquisitions and sales

Semcon Project Management acquired the assets and liabilities of the German company Triple-Constraint in Q1 to strengthen its range of services for project management in Europe. The Group did not acquire or sell any operating companies in 2009.

Sales and results

The operating income over the year was SEK 2,281 million (3,299 m) with organic growth of -33 per cent. The fall in sales was due to a reduction in business volumes as a result of the recession. Revenues from the Swedish automotive customers have fallen by SEK 710 million. Compared with 2008 the headcount has fallen by 708, which negatively affected costs by around SEK 400 million annually.

The operating loss was SEK 241 million (+150 m), giving an operating margin of -10.6 per cent (4.5). Around 520 people have been made redundant, of which 440 in Sweden, 10 in Germany and 70 in Brazil, which had a negative affect of SEK 82 million on earnings. The operating loss was also negatively affected by SEK 11 million for the reserve for bad debts and the depreciation of inventories, by SEK 72 million for the write-down of goodwill and by SEK 6 million for the write-down of participations in associated companies.

The operating loss, excluding one-off items, was SEK 70 million (+216 m), giving an operating margin of -3.1 per cent (6.6).

Net financial items amounted to SEK -16 million (-22 m). The loss before tax was SEK 257 million (+128 m). The tax revenue for the year was SEK 48 million (-36 m), equivalent to 19 per cent of the loss before tax. Non-deductible write-downs of goodwill and participations in associated companies of SEK 787 million affected the effective tax rate. The loss after tax was SEK 209 million (+92 m) and the EPS was SEK -11.52 (5.14).

For the Automotive R&D business area sales amounted to SEK 1,277 million (2,058 m). The sales represent 56 per cent (62) of the Group's total sales. The operating loss was SEK 245 million (-21 m), giving an operating margin of -19.2 per cent (-1.0). Excluding one-off items the operating loss for the business area was SEK 99 million (+64 m) and the operating margin was -7.8 per cent (3.1). For the Design & Development business area sales amounted to SEK 688 million (852 m). The business area's share of the Group's total sales amounted to 30 per cent (26) and the operating loss was SEK 16 million (+114 m), giving an operating margin of -2.3 per cent (13.4). Excluding one-off items the operating profit for the business area was SEK 4 million (101 m) and the operating margin was 0.6 per cent (11.9). The Informatic business area's sales amounted to SEK 316 million (389 m). The business area's share of the Group's total sales amounted to 14 per cent (12). The operating profit was SEK 20 million (56 m), representing an operating margin of 6.3 per cent (14.5). Excluding one-off items the operating profit of the business area was SEK 24 million (50 m) with an operating margin of 7.7 per cent (13.0).

Cash flow and financial position

The operating cash flow from current activities was SEK 107 million (138 m). From Q1, receivables from one of the company's largest customers are being sold, which reduced tied up capital by around SEK 50 million as of 31 December 2009. The Group's liquid assets stood at SEK 68 million (118 m). In addition, unutilized credit guarantees amounted to SEK 237 million. The Group's goodwill was written down by SEK 72 million and participations in associated companies by SEK 6 million

on 31 December. Shareholders' equity was SEK 385 million (596 m), the equity/assets ratio was 0.8 times (0.7) and net borrowing fell by SEK 112 million to SEK 316 million (428 m). The bank credit agreement was extended in Q2. Credit guarantees comprise a bank overdraft facility of SEK 104 million and a loan agreement worth EUR 42.8 million that runs until June 2010. The company has an option to restructure the credit to a three-year loan prior to the due date.

Investments

Investments in hardware, licences and office equipment in 2009 amounted to SEK 19 million (40 m).

Employees

There were 2,602 (3,310) employees at year-end, of which 1,523 (2,050) in Sweden and 1,079 (1,260) abroad. There were 2,441 (3,113) employees in active service. There were an average of 2,791 (3,631) employees. The average number of employees for each business area at year-end was: Automotive R&D 1,468 (2,025), Design & Development 784 (869) and Informatic 350 (416).

Risk and sensitivity analysis

Semcon is exposed to a series of risks that may affect the Group's results. Semcon has chosen to divide the risks the company faces into market-related, business-related and financial risks. Semcon evaluates and identifies significant risks continually at the organization and in strategic planning.

Market-related risks

The company has identified three market-related risks that may affect Semcon's results:

- Structural changes
- Business cycle-dependent customers
- Industry dependent

For a full description of market-related risks, see page 36.

Business-related risks

The main business-related risks are customer-dependency and key employees. There is always a risk of losing business or a customer. Read more about business-related risks on pages 36-37 and in Note 3 on page 54.

Sensitivity analysis

A change in the following variables of 1 per cent would affect the profit before tax as follows

Variable	Change	Sales	Affect on profit before tax
Utilization level	+/- 1%	SEK 20 m	SEK 20 m
Fees	+/- 1%	SEK 20 m	SEK 20 m
Staff costs	+/- 1%	–	SEK 15 m
Indirect costs	+/- 1%	–	SEK 5 m
Volume/employees	+/- 50 consultants	SEK 40 m	SEK 12 m

The number of working days per quarter vary year on year, which is an important factor to consider when analyzing the revenues for the various quarters.

Seasonal variations, Sweden	Q1	Q2	Q3	Q4	Total
Number of working days 2006	64	58	65	63	250
Number of working days 2007	64	58	65	62	249
Number of working days 2008	61	61	67	62	251
Number of working days 2009	62	59	66	63	250
Number of working days 2010	62	59	66	64	251
Number of working days 2011	63	59	66	64	252

Financial risks

The company has identified five financial risks that could affect earnings:

- Financing risks
- Interest rate risks
- Liquidity risks
- Currency risks
- Credit risks

A full description of financial risks is available in Note 3 on page 54.

Accounting policies

Semcon applies the IFRS standards and their interpretations (IFRIC) as adopted by the EU. From 2009 Semcon applies IFRS 8, Operating Segments when reporting its business activities. This has not affected the number of segments presented or how they performed. IAS 1, Amendment Presentation of Financial Statements, is also applied from 1 January 2009, requiring comprehensive income to be reported. In general the same accounting policies and calculation methods have been used as in the latest annual report. See Note 2 on pages 50–54 for more information.

Financial objectives

The objectives aim at creating long-term shareholder value. Semcon governs the business towards the following financial objectives:

- an operating margin of at least 8 per cent over a business cycle
- an equity/assets ratio of at least 30 per cent
- that dividends to shareholders over the long-term will be around a third of the profit after tax.

Events after the end of the financial year

No significant events have occurred to affect the value of the company up to the time this annual report was published.

Proposed dividend

In accordance with Semcon's dividend policy, consideration is given to the company's financial position and capital requirements for continued expansion. Due to the loss reported by the company the Board proposes that no dividend be paid for 2009 (o).

Outlook

The long-term trend where the market's demand for companies to develop more products, models and versions is continuing, meaning extra business opportunities for the Group. Orders are expected to increase gradually in 2010 as we see increased activity on the market, through more enquiries from the automotive, energy and industry sectors.

Parent company

Operating income amounted to SEK 25 million (33 m). The loss after depreciation was SEK 19 million (-14 m).

For additional results of the Group and parent company and their financial positions, we refer to the following income statements, balance sheets, changes in shareholders' equity and cash flow statements along with the accompanying accounting policies and notes.

Proposed allocation of profits, SEK

The AGM has the following profit at its disposal in the parent company:

Profit brought forward and other shareholders' contribution	430,849,768
Profit/Loss for the year according to income statement	-104,501,386
Group contribution	-63,081,536
Total	263,266,846

The Board proposes that the profits be disposed as follows:

Carried forward	263,266,846
Total	263,266,846

Consolidated

Income statements

SEK m	Note	2009	2008
Operating income			
Net sales	5, 6	2,281.1	3,298.8
Operating expenses			
Purchase of goods and services		-377.9	-717.2
Other external expenses	7, 12	-321.3	-365.5
Staff costs	8, 12	-1,704.7	-2,030.7
Amortization of intangible assets	14	-10.6	-7.5
Impairment of intangible assets	12, 14	-72.0	–
Amortization of tangible assets	15	-25.5	-28.1
Impairment of tangible assets	15	-4.1	–
Impairment of shares in associated companies	17	-6.2	–
Operating profit/loss		-241.2	149.9
Financial items			
Interest income and similar items	9	8.2	6.9
Interest expenses and similar items	10	-23.7	-28.9
Profit/loss before tax		-256.7	127.9
Tax	11	48.1	-35.7
Profit/loss for the year		-208.6	92.2
Of which attributable to parent company's shareholders		-208.6	92.2
Of which attributable to minority interests		–	–
EPS before dilution, SEK	13	-11.72	5.18
EPS after dilution, SEK	13	-11.52	5.14
Number of shares at year-end (ooo)	13	18,113	18,113
Average number of shares (ooo)	13	18,113	17,948

Statement of comprehensive income

Profit/loss for the year	-208.6	92.2
Other comprehensive income		
Translation differences for the year	-22.6	58.2
Hedging of net investments	27.4	-67.0
Tax relating to hedging effects	-7.5	18.2
Total other comprehensive income	-2.7	9.4
Total comprehensive income	-211.3	101.6
Of which relating to parent company shareholders	-211.3	101.6
Of which relating to minority interestss	–	–

Consolidated

Balance sheets

SEK m	Note	31 Dec 2009	31 Dec 2008
ASSETS			
Fixed assets			
Intangible assets			
	14		
Goodwill		475.2	564.3
Other intangible assets		28.5	30.0
Tangible fixed assets			
	15		
Plant and machinery		20.3	22.9
Inventories, computers and equipment		40.3	59.3
Financial assets			
Shares in associate companies and joint ventures	17	15.0	21.2
Deferred tax recoverable	11	89.0	87.2
Other financial assets		2.2	1.8
Total fixed assets		670.5	786.7
Current assets			
Accounts receivable	18	324.2	658.1
Current tax receivable		12.8	–
Receivables in associate companies and joint ventures	19	3.2	0.9
Other receivables		36.4	41.9
Accrued non-invoiced income	20	108.2	134.5
Prepaid expenses and accrued income	21	41.3	36.5
Cash and bank balances		67.7	117.6
Total current assets		593.8	989.5
Total assets		1,264.3	1,776.2
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	22	18.1	18.1
Other shareholders' contribution		34.5	34.5
Statutory reserve		6.2	8.9
Profit brought forward including profit for the year		326.6	534.7
Total shareholders' equity		385.4	596.2
<i>Of which minority share</i>		–	–
Long-term liabilities			
Pension obligations	24	73.0	75.4
Deferred tax	11	–	45.6
Borrowings	25	310.6	468.2
Total long-term liabilities		383.6	589.2
Current liabilities			
Overdraft facilities	25, 26	0.4	2.5
Accounts payable		77.2	93.9
Current tax liability		–	9.1
Other liabilities		59.3	75.8
Non-accrued invoiced income	20	74.8	53.3
Accrued expenses and prepaid income	27	283.6	356.2
Total current liabilities		495.3	590.8
Total shareholders equity and liabilities		1,264.3	1,776.2
Pledged assets	28	6.3	–
Contingent liabilities	29	3.3	3.3

Consolidated

Change in shareholders' equity

SEK m	Share capital	Other capital contributions	Reserves*	Profit brought forward	Total	Minority share	Total shareholders' equity
Opening balance as on 1 January 2008	17.8	34.9	-0.5	441.8	494.0	–	494.0
Comprehensive income							
Profit for the year	–	–	–	92.2	92.2	–	92.2
Other comprehensive income							
Exchange rate differences for the year	–	–	58.2	–	58.2	–	58.2
Hedging of net investments	–	–	-67.0	–	-67.0	–	-67.0
Tax relating to hedging effects	–	–	18.2	–	18.2	–	18.2
Total other comprehensive income	–	–	9.4	–	9.4	–	9.4
Total comprehensive income	–	–	9.4	92.2	101.6	–	101.6
Transactions with company owners							
New share issue	0.3	-0.4	–	–	-0.1	–	-0.1
Share savings scheme	–	–	–	0.7	0.7	–	0.7
Total transactions with company owners	0.3	-0.4	–	0.7	0.6	–	0.6
Opening balance 1 January 2009	18.1	34.5	8.9	534.7	596.2	–	596.2
Comprehensive income							
Loss for the year	–	–	–	-208.6	-208.6	–	-208.6
Other comprehensive income							
Exchange rate difference for the year	–	–	-22.6	–	-22.6	–	-22.6
Hedging of net investments	–	–	27.4	–	27.4	–	27.4
Tax relating to hedging effects	–	–	-7.5	–	-7.5	–	-7.5
Total other comprehensive income	–	–	-2.7	–	-2.7	–	-2.7
Total comprehensive income	–	–	-2.7	-208.6	-211.3	–	-211.3
Transactions with company owners							
Share savings scheme	–	–	–	0.5	0.5	–	0.5
Total transactions with company owners	–	–	–	0.5	0.5	–	0.5
Closing balance on 31 December 2009	18.1	34.5	6.2	326.6	385.4	–	385.4

* Reserves refer entirely to translation differences.

As of 31 December 2009 the registered share capital consisted of 18,112,534 shares with a nominal and quotient value of SEK 1. For further information, see Note 22, Share Capital.

Consolidated

Cash flow statements

SEK m	Note	2009	2008
Current activities			
Operating profit/loss after depreciation/impairment		-241.2	149.9
Depreciation/impairment	14, 15, 17	118.4	35.6
Profit/loss from machinery sold		0.2	-2.4
Other items not affecting cash flow		0.5	0.7
Interest received and similar items		9.9	6.9
Interest paid and similar items		-19.8	-28.9
Income tax paid		-20.0	-27.0
Cash flow from current activities before changes in working capital		-152.0	134.8
Change in allocations			
Increase/decrease in work in progress		26.0	58.1
Increase/decrease in current receivables		321.8	49.0
Increase/decrease in current liabilities		-88.6	-104.1
Total change in working capital		259.2	-3.0
Cash flow from current activities		107.2	137.8
Investment activities			
Investments in intangible assets	14	-9.4	-14.7
Investments in tangible fixed assets	15	-9.1	-25.0
Acquisition of Group companies/associated companies	30	-1.4	–
Payment from sales of Group companies/associated companies	30	–	311.0
Payment from sales of fixed assets		0.6	11.4
Cash flow from investment activities		-19.3	282.7
Financing activities			
Changes to overdraft facilities		-2.1	-151.2
Borrowings/Repayment of loans	25	-131.2	-271.2
Repayment pension liabilities		-3.1	-2.8
Cash flow from financing activities		-136.4	-425.2
Cash flow for the year		-48.5	-4.7
Cash and bank balances at the start of the year		117.6	117.1
Translation difference		-1.4	5.2
Cash and bank balances at the end of the year		67.7	117.6

Parent company's

Income statements

SEKm	Note	2009	2008
Operating income			
Net sales	6	25.4	32.6
Operating expenses			
Other external expenses	7	-21.0	-26.2
Staff costs	8	-23.0	-20.1
Amortization of tangible assets		-0.1	–
Operating loss		-18.7	-13.7
Financial items			
Interest income and similar items	9	19.6	1.6
Impairment of shares in subsidiaries		-103.0	–
Group contribution received		6.3	175.8
Dividend		–	6.1
Interest expenses and similar items	10	-52.1	-31.1
Profit/loss after financial items		-147.9	138.7
Appropriations			
Change in tax allocation reserve	23	44.1	-31.0
Changes in additional amortization		-0.3	–
Profit/loss before tax		-104.1	107.7
Tax	11	-0.4	-29.2
Profit/loss for the year		-104.5	78.5

Parent company's

Balance sheets

SEK m	Note	31 Dec 2009	31 Dec 2008
ASSETS			
Fixed assets			
Intangible assets	14		
Other intangible assets		–	–
Tangible fixed assets	15		
Equipment, computers and inventory		1.6	–
Financial assets			
Shares in Group companies	16	80.1	75.1
Deferred tax receivable		22.1	–
Receivables in Group companies		342.3	342.3
Total fixed assets		446.1	417.4
Current assets			
Receivables in Group companies		345.3	517.0
Current tax receivables		1.2	–
Other receivables		–	0.1
Prepaid expenses and accrued income		3.1	2.5
Cash and bank balances		14.6	45.8
Total current assets		364.2	565.4
Total assets		810.3	982.8
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
<i>Restricted shareholders' equity</i>			
Share capital	22	18.1	18.1
Statutory reserve		25.1	25.1
<i>Unrestricted shareholders' equity</i>			
Share premium reserve		12.9	12.9
Profit brought forward		354.9	339.5
Profit/loss for the year		-104.5	78.5
Total shareholders' equity		306.5	474.1
Untaxed reserves			
Tax allocation reserves	23	–	44.1
Additional depreciation		0.4	–
Total untaxed reserves		0.4	44.1
Long-term liabilities			
Borrowings	25	286.4	400.4
Total long-term liabilities		286.4	400.4
Current liabilities			
Accounts payable		3.3	1.6
Liabilities to Group companies		207.3	38.2
Current tax liability		–	7.8
Other liabilities		0.5	2.1
Accrued expenses and prepaid income	27	5.9	14.5
Total current liabilities		217.0	64.2
Total shareholders' equity and liabilities		810.3	982.8
Pledged assets			
Pledged assets		None	None
Contingent liabilities	29	0.8	0.9

Parent company's

Change in shareholders' equity

SEK m	Share capital	Statutory reserve	Share premium reserve	Profit brought forward incl. profit/loss for the year	Total shareholders' equity
Opening balance 2008	17.8	25.1	13.2	347.3	403.4
Group contribution paid	–	–	–	-10.8	-10.8
Tax on Group contribution	–	–	–	3.0	3.0
New share issue	0.3	–	-0.3	–	–
Profit/loss for the year	–	–	–	78.5	78.5
Opening balance 2009	18.1	25.1	12.9	418.0	474.1
Group contribution paid	–	–	–	-85.6	-85.6
Tax on Group contribution	–	–	–	22.5	22.5
Profit/loss for the year	–	–	–	-104.5	-104.5
Closing balance 2009	18.1	25.1	12.9	250.4	306.5

As of 31 December 2009 the registered share capital consisted of 18,112,534 shares at a quotient value of SEK 1. For further information, see Note 22, Share Capital.

Parent company's

Cash flow statements

SEK m	Note	2009	2008
Current activities			
Operating profit/loss after impairment		-18.7	-13.7
Impairment	15	-0.1	–
Interest received and similar items		18.6	1.4
Interest paid and similar items		-17.8	-29.8
Income tax paid		-9.0	-4.9
Cash flow from current activities before changes in working capital		-27.0	-47.0
Changes in working capital			
Increase/decrease in current receivables		185.3	576.1
Increase/decrease in current liabilities		-40.1	-111.1
Total change in working capital		145.2	465.0
Cash flow from current activities		118.2	418.0
Investment activities			
Investments in tangible fixed assets	15	-1.7	–
Dividend		–	6.1
Cash flow from investment activities		-1.7	6.1
Financing activities			
Change in overdraft facilities		–	-128.3
Repayment of loans	25	-147.7	-250.0
Cash flow from financing activities		-147.7	-378.3
Cash flow for the year		-31.2	45.8
Cash and bank balances at the start of the year		45.8	–
Cash and bank balances at year-end		14.6	45.8

Notes

NOTE 1 General information

Semcon AB (publ.) is a Swedish listed public company registered with the Swedish Companies Registration Office with Company Registration No. 556539-9549. The company is based in Gothenburg, Sweden. The company is listed on the NASDAQ

OMX Stockholm, Small Cap list, under the SEMC ticker.

The Group's main business is providing engineering services and product information solutions, which are described in the Directors' Report in this Annual Report.

The Consolidated Accounts for the financial year ending 31 December 2009 were approved by the Board on 22 March 2010 and will be presented to the AGM on 29 April 2010 for final approval.

NOTE 2 Accounting policies

Basis for preparing the reports

The Consolidated Accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU, the Swedish Annual Accounts Act and recommendation RFR 1.2 of the Swedish Financial Accounting Standards Council (Additional consolidated accounting regulations). Recommendations that come into effect after the closing day will not have any significant effect on either the results or the financial position of the company. The parent company's annual accounts have been prepared in accordance with the Swedish Annual Accounts Act and RFR 2.2 (Accounting for legal entities). The parent company's functional currency is SEK, which is also the Group's reporting currency. All sums in the financial report are given in SEK millions, unless otherwise stated. The Consolidated Accounts have been prepared in accordance with the acquisition method.

Changes to the accounting policies and disclosures

The Group has applied the following new and amended IFRS standards from 1 January 2009:

IAS 1 (Revised), "Presentation of financial statements" (applicable from 1 January 2009). The revised standard requires that changes to shareholders' equity only concern transactions with the owners. All changes to shareholders' equity that do not apply to the owners must instead be submitted in one statement of comprehensive income. Since this change in accounting policy only affects the presentation, it has no effect on earnings per share.

IAS 23 (Amendment) "Borrowing Costs" (applicable from 1 January 2009). The change requires that a company activates its borrowing costs directly applicable to the purchase, construction or production of an asset, which it takes significant time to complete for use or sale, as a part of the acquisition value of the asset. The

alternative of immediately cost accounting these borrowing costs has been removed. The Group has applied IAS 23 (Amendment) from 1 January 2009 but it is not currently relevant to the Group as there are no assets for which borrowing costs can be activated.

IFRS 2 (Amendment) "Share-based payment" The new standard deals with vesting conditions and cancellations. It clarifies that vesting conditions are only service conditions and performance conditions. The Group has applied IFRS 2 (amendment) from 1 January 2009, but it does not have an effect on the consolidated financial statements.

IFRS 7 (Amendment) "Financial Instruments - Disclosures" - applicable from 1 January 2009. The amendment requires increased fact-finding of the fair value and liquidity risk. Because this amendment merely creates further disclosures, it has no effect on the earnings per share.

IFRS 8 "Operating Segments" replaces IAS 14 "Segment Reporting". The new standard requires segment information to be presented based on management's perspective, which means that it is presented as used in internal reporting. In Semcon's case this has not resulted in any change since the previous segment was consistent with internal reporting. Since this change only adds further information, it has no effect on the earnings per share.

Standards, amendments and interpretations to existing standards where the change has not yet come into force and has not been applied in advance by the Group.

The following standards and interpretations to existing standards have been published and are mandatory for the Group's accounting for financial years beginning on 1 January 2010 or later, but have not been applied in advance.

IAS 27 (Amendment), "Consolidated and Separate Financial Statements" (applicable from 1 July 2009). The revised standard requires the effects of all transactions with owners who do not have a controlling influence (current term:

minority interests) are recorded in equity if they do not entail any change in the controlling influence, and these transactions will no longer give rise to goodwill or gains and losses. The standard also specifies that when a parent company loses the controlling influence, any remaining shares are revalued at fair value and any gain or loss recognized in profits. The Group will apply IAS 27 (Amendment) prospectively to transactions with owners who do not have a controlling influence from 1 January 2010.

IAS 38 (Amendment), "Intangible Assets". The change is part of the IASB's annual improvement project that was published in April 2009 and the Group will apply IAS 38 (amendment) from the same time as IFRS 3 (revised) applies. The amendment provides clarification of the true value of an intangible asset acquired in a business combination. According to the amendment, intangible assets are grouped and treated as an asset if the assets have similar useful lives. The amendment will not have any effect on the consolidated financial statements.

IFRS 3 (revised), "Business Combinations" (effective from 1 July 2009). The revised standard means that the purchase method continues to apply for a business combination but with some significant changes. For example, all payment is accounted for to purchase a business at its true value on the acquisition date, while the subsequent contingent payments classified as liabilities are subsequently revalued through the income statement. Ownership without a controlling influence in the acquired operation may be optional for each acquisition are valued at fair value or the proportionate share of the acquired operation's net assets, that are held by the owners without a controlling influence. All transaction costs relating to acquisitions are carried as an expense. The Group will apply IFRS 3 (revised) prospectively for all business combinations from 1 January 2010.

IFRS 5 (Amendment), "Non-current assets held for sale and discontinued operations". The change is part of the

IASB's annual improvement project that was published in April 2009. The amendment clarifies that IFRS 5 specifies the information requirements are for fixed assets (or disposal groups) classified as assets held for sale or discontinued operations. It also clarifies that the general requirement in IAS 1 is still valid, in particular paragraph 15 (to give a true and fair view) and section 125 (sources of uncertainty in the estimates). The Group will apply IFRS 5 (Amendment) from 1 January 2010. The amendment will not have any effect on the consolidated financial statements.

Other amendments and interpretations that have not yet come into force are not expected to have any effect on the consolidated financial statements.

Consolidated accounting

In addition to the parent company, the Group consists of all subsidiaries where the Group owns shares and directly or indirectly has the majority of voting rights, or through agreements has a controlling influence. Acquired companies are included in the consolidated accounts from the acquisition date. These consolidated accounts have been prepared in accordance with the purchase method, which means that the acquisition value of the shares in Group companies is divided into identifiable assets and liabilities at the time of the acquisition at the fair value. The difference between the purchase price and the calculated value of equity at the time of the acquisition is reported as consolidated goodwill. All transaction costs relating to acquisitions are expensed. An allowance is made in the acquisition analysis for deferred tax on acquired untaxed reserves. In addition, deferred tax is seen as the difference between the fair values of assets and liabilities and taxable residual value. Untaxed reserves accumulated after acquisition are divided into deferred tax liability and the remaining part, which is reported under profit brought forward. The consolidated shareholders' equity includes the parent company's equity and the part of the subsidiaries' equity accumulated after the date of acquisition. The current method was used for calculating the income statement and balance sheets.

This means that the balance sheets are translated at the closing day rate and the income statements are translated at the average rate for the year. Translation differences are carried directly to shareholders' equity.

Pricing between Group companies

Pricing of services between companies in the Group follow market norms.

Affiliated transactions

Affiliated transactions follow market norms.

Associated companies and joint ventures

Associated companies are included where the Group has a significant but not decisive influence over operations and financial control and the company is neither a subsidiary nor a share in a joint venture. A significant influence is considered to exist if the company has a minimum holding of between 20 per cent and 50 per cent of the voting rights, or in any other way has a significant influence, but where there is no parent/subsidiary relationship. Holdings in associate companies are reported in the consolidated income statement and balance sheet according to the equity method from the time that a significant influence is established. The equity method means that shares in a company are reported at the acquisition value at the time of acquisition and then adjusted using the Group's share of the change in the company's net assets. Semcon's share of the associate company's earnings after tax is reported in the consolidated income statement. Unrealized profit on transactions between the Group and associate companies are eliminated in relation to the Group's holding in the associate company. Activities in which Semcon and other owners exert a share interest are classified as joint ventures. When reporting shares in joint ventures, IAS 31 is applied. Shares in joint ventures are reported in the consolidated balance sheet using the equity method as described above.

Segment reporting

The Group's three business areas Automotive R&D, Design & Development and Informatic make up the Group's reportable operating segments. These are the upper levels that both management and the board will follow up on. The highest executive function is the CEO who runs the operation along with the rest of group management.

Cash flow statement

The cash flow statement is produced using the indirect method. Reported cash flow includes only those transactions that have involved payments into or out of the company.

Revenue recognition

Income from sales of services

Work in progress is taken up as revenue in line with work being carried out. Fixed-rate work is taken up as revenue in proportion to the respective assignment's degree of completion (successive revenue recognition) on the closing date after reservation for loss risk. The degree of completion is assessed without accrued assignment expenses for work carried out in relation to the assignment's estimated total costs. On account invoices received are reported net against activated assignment expenses. If the net of the expenses paid on account invoices received is positive then the project is reported as an asset in the balance sheet as "Processed but non-invoiced income". Projects are reported as liabilities for which on account invoices received exceed assignment expenses paid as "Invoiced but non-processed income".

Income from sale of goods

Income from the sale of hardware and software, which is not of significant value, is reported upon delivery, which coincides with the time when risks and benefits accrue to the buyer.

Income and one-off costs

Income and one-off costs refer to transactions whose result effects are more important to draw attention to when the period's results are compared with other periods concerning:

- Pension premium discounts from Alecta
- Capital gains and losses from the sale of businesses
- Closure or significant reduction of businesses
- Restructuring involving measures in order to reform a business
- Significant impairment
- Other significant non-recurring income or costs.

Receivables and liabilities in foreign currencies

Receivables and liabilities in foreign currencies are valued at the closing day rates. Exchange rate differences in current receivables and liabilities are included in the operating profit/loss while the exchange rate differences in financial receivables and liabilities are included under financial items.

Research and development costs

The majority of Semcon's development costs concern development in the framework of customer projects. In other cases the company's development costs are of an ongoing nature and are carried as an expense in the period they occur. These costs are not considered to be significant. Exceptions to this are costs incurred for the development of specific computer programs of technical platforms, which are reported as tangible assets. See below for more information.

Tangible fixed assets

Tangible fixed assets mainly consisting of computers, inventory, property and investments in leased premises have been valued at the purchase price with deductions for accumulated depreciation and impairment losses.

Depreciation principles for tangible fixed assets

Depreciation is based on the acquisition value and is carried out over the expected utilization period. Depreciation according to plan has been based on the expected utilization period as follows:

- Machinery and plant depreciated over 5–10 years
- Computers depreciated over 3–5 years
- Equipment depreciated over 5 years

Intangible assets

Goodwill

Acquired goodwill has an indeterminate utilization period and is valued at its acquisition value with deductions for accumulated impairment. Goodwill acquired before 1 January 2004 has been valued at the acquisition value with deductions made for accumulated depreciation relating to the period before 1 January 2004. Goodwill is distributed among cash-generating units and is tested for impairment annually.

Other intangible assets

Other intangible assets include programs developed internally, acquired licenses and technical platforms. Other acquired intangible assets are valued at acquisition value with deductions made for accumulated depreciation and impairment losses. Acquisition value comprises activated costs that arise from the date when the program or platform is considered to be commercially viable and other criteria according to IAS 38 are fulfilled. Expenses are depreciated over the expected utilization period of 3–8 years. Expenses for internally developed goodwill, trademarks and similar rights are reported as they arise.

Impairment

The company's management continually assesses the value of any impairment requirement. Impairment is made in cases where an asset's reported value exceeds its estimated recoverable value. Recoverable value is the higher of the utilization value of the asset in the business and the net sales value. The utilization value is the current value of all inward and outward payments relating to the asset during the period it is expected to be used in the business, plus the current net sales value at the end of the utilization period. A previous impairment is returned when the assumptions used to establish the asset's recovery value have changed, meaning the impairment is no longer appropriate. Returns of previous impairments are tested individually and are reported in the income statement. Impairment of goodwill is not however returned in successive periods.

Financial instruments

Financial instruments are valued and reported in the Group according to regulations in IAS 39. Financial instruments reported in the balance sheet include among assets other financial fixed assets, accounts receivable, receivables from associate companies and joint ventures and cash and bank balances. Liabilities and shareholders' equity includes accounts payable – trade, borrowings plus convertibles.

Financial instruments are initially reported at their acquisition value equivalent to the instruments' actual value with additional transaction costs for all financial instruments, except concerning those belonging to the financial assets (liabilities) category reported at their actual value in the income statement. Reporting and valuing then takes place according to how the financial instrument has been classified.

Trade date reporting is applied when buying and selling of money market and capital market instruments on the spot market. Other financial assets and liabilities are reported in the balance sheet when the company becomes party to the instruments contracted terms. Accounts receivable are reported in the balance sheet when the invoice has been issued. Liabilities are taken up in the balance sheet when the counter-party has performed its agreed liability to pay, even if the invoice has not yet been received. Accounts payable – trade are reported in the balance sheet when the invoice has been received. A financial asset is removed from the balance sheet when the rights of the agreement have been reached, fall due or the company loses

control over them. The same applies for parts of financial assets.

A financial liability is removed from the balance sheet when the liabilities of the agreement are met or in any other way become extinct. The same applies for parts of a financial liability.

Assessment of fair value of financial instruments

Official market listings on the closing date are used when setting the fair value of financial instruments. If listings are not available, valuation is carried out by using generally accepted methods such as discounting future cash flow at the quoted market price for the respective validity. Translation to SEK is made at the price quoted at the end of the accounting period.

Unless otherwise stated the booked value will be a good approximation of the instrument's actual value due to the asset's or liability's short-term nature or fixed-interest term.

Accrued acquisition value

The accrued acquisition value is calculated using the effective interest method, meaning that any premiums or discounts and directly attributable costs or income is distributed over the term of the contract with the help of the estimated effective interest. The effective interest is the interest that provides the instrument's acquisition value as a result when current value estimating future cash flow.

Net reporting of financial assets and liabilities

Financial assets and liabilities are offset and reported with a net amount in the balance sheet when there is a legal right to offset and when it is intended to regulate the items with a net amount or to realize the asset and regulate the liability.

Other financial fixed assets

Other financial fixed assets consist of shares in owner-occupier associations. They are categorized as "Saleable financial assets" and are valued at the actual value with value changes and reported as equity. Because a reliable current value was not able to be set, these shares are reported at their acquisition value.

Accounts receivable and current receivables

Accounts receivable and current receivables in associated companies and joint ventures are categorized as "Loan receivables and accounts receivable", which means reporting the accrued acquisition value. The account receivable's expected

duration is short, which is why the value is reported at a nominal amount without discounts with deductions for any possible write-down. Unreliable accounts receivable are considered individually and any possible write-down is reported in the company's liabilities.

Liquid assets

Liquid assets are made up of bank balances categorized as "Loan receivables and accounts receivable", whereby reporting takes place at the accrued acquisition value. Because bank balances are payable on demand the accrued acquisition value is equivalent to the nominal amount.

Accounts payable – trade

Accounts payable – trade are categorized as "Other financial liabilities", meaning reporting them at their accrued acquisition value. Accounts payable – trade are expected to have a short duration, which is why the liability is reported at a nominal amount without discounting.

Other liabilities

Liabilities to credit institutions, overdraft facilities and other liabilities are categorized as "Other financial liabilities" and valued at their accrued acquisition values. For liabilities in foreign currencies reported in accordance with the hedging method of net investments, the exchange rate gains and exchange rate losses are reported under equity.

Convertible promissory notes issued

Convertible promissory notes are reported as a compound financial instrument divided into a liability part and a shareholders' equity part. The division of value of these components is made by the liabilities' actual value being calculated and that the residual item is taken to be the value of the shareholders' equity part. The liability part is then reported at its accrued acquisition value. Transaction costs in connection with a share issue of a compound financial instrument is divided as a liability part and shareholders' equity part in proportion to how the issue payment is divided.

Provisions

When a formal or informal commitment exists as a result of an event that has occurred and it is possible that resource will be required to fulfill the commitment and a reliable estimate can be made of the amount required, then such a commitment is reported as a provision if the amount and payment date are uncertain.

Income tax

The Group's tax expense and tax income are reported as current tax, changes in deferred tax as well as tax in changes to untaxed reserves.

Current tax

Current tax is the tax estimated on the taxable results for the period in accordance with the tax regulations in each country. Current tax also includes possible adjustments from previous taxation.

Deferred tax

This tax is calculated on the basis of the taxable and tax-deductible temporary differences respectively between the reported and fiscal value of assets and liabilities. Deferred tax liability of loss carry-forwards have only been taken into account to the extent where it is probable that the loss carry-forwards can be deducted from the taxable surplus in future.

Leasing

The Group does not have any financial leasing contracts. The Group rents offices, cars and some office equipment. Rental agreements in which the risks and benefits associated with ownership remain to a significant extent with the lease provider are reported as operational leasing agreements. The costs are reported directly in the income statement during the rental period.

Employee remuneration

Employees' remuneration is reported as earned and paid wages plus bonuses earned. Full remuneration is paid for various commitments such as non-utilized holiday entitlement and payroll overheads.

Pensions

For pensions Semcon reports remuneration to employees according to IAS 19. According to IFRS, pensions are divided between defined-contribution and defined-benefit pensions. Defined-contribution plans are defined as plans where the company pays a fixed amount to a third party and where the company no longer becomes liable once the payment has been made. Such plans are reported as a cost when the premium is paid. Other plans include defined-benefit plans where the liability remains within the Group. These liabilities and costs concerning work during the current period are estimated as actuarial with application of the "Projected unit credit method". External actuaries are used for these estimates.

The Group's defined-benefit plans are non-funded. Provisions in the balance sheet are made up of the current value of

the defined-benefit obligations adjusted for non-reported actuarial profits and losses. Actuarial profits or losses arise when changes to actuarial assumptions are made and when there's a difference between actuarial assumptions and actual results. The part of the accumulated amount exceeding 10 per cent of the obligation's current value, at the end of the previous year, is reported in the result of the expected average remaining period of service for the employee covered by the plan. For all defined-benefit plans the actuarial costs that burdens the result consists of a cost concerning service in the current period, interest costs and possible amortization of actuarial profits or losses.

Commitments for retirement pensions and family pensions for salaried employees in Sweden are safeguarded via insurance with Alecta. According to a statement from the Swedish Financial Reporting Board, UFR 3, this is a defined-benefit plan that encompasses several employers. As in previous years the company has not had access to information to enable it to report this plan as a defined benefit plan, which means that the ITP pension plans secured via insurance with Alecta are therefore reported as defined contribution plans.

Redundancy pay

Redundancy pay is paid when employment ceases before reaching retirement age, or when an employee terminates employment in return for redundancy pay. The Group reports redundancy pay when it is clear that it is either a case of voluntary redundancy in accordance with the set plan without the possibility of reprisals or that the redundancy offer given was to encourage the voluntary redundancy and accepted by the person who received the offer. Benefits that fall due for payment more than 12 months after the closing date are discounted to the current value, if they are significant.

Bonuses

The Group reports liabilities and costs for bonus payments when they are linked to a contract or when there is an established practice that has created an informal duty.

Share-related remuneration to employees

The Group has a share-related remuneration scheme (share savings scheme) where settlement is made with Semcon shares (matching shares) and where the company receives services from the employees in return for the matching shares. According to IFRS 2, salary costs must be reported that relate to the share savings scheme, made up of a measure-

ment of the value for the company concerning the services from the employee for the duration of the scheme. The accrual conditions presuppose that the employee is still employed at the time of matching. The costs are calculated with reference to the number of shares estimated to be matched at the end of the accrual period, at which point an expected staff turnover has been taken into consideration. The actual value of the shares has been based on the share price at the time the employee invested in the shares. The total amount cost-accounted is reported divided over the accrual period, which is the period over which the stated accrual conditions must be met. The amount corresponding to the share savings scheme's costs is reported in the balance sheets as shareholders' equity. Every balance sheet date the company re-evaluates how many shares it expects to be accrued based on the accrual conditions. Any deviation from the original estimates that re-evaluation gives rise to, are reported in the income statement and corresponding adjustments made to shareholders' equity. When share matching takes place, the social security contributions must be paid for the value of the employee's benefit. This value is generally based on the market value on the matching day. Allocations are made for these estimated social security contributions during the accrual period.

Accounting policies of the parent company

The parent company has drawn up its Annual Report in accordance with the Annual Accounts Act and RFR 2.2 (Accounting for legal entities) of the Swedish Financial Accounting Standards Council. The accounting policies of the parent company have been consistently applied for 2009 and the year of comparison, 2008. The differences between the Group and parent company's accounting policies appear below.

Subsidiaries

Participations in subsidiaries are reported at the acquisition value in the parent company's financial reports. Dividends are reported as income for the part they refer to profits generated after the acquisition. Dividends in excess of these profits are considered as repayment of investments and thereby cut the reported value of participations in the subsidiaries.

Financial guarantees

The parent company applies the exception rule in RFR 2.2 to apply the rules in IAS 39 for financial guarantees concerning Group and associate companies. In these cases rules in IAS 37 are applied meaning that financial guarantee agreements must be reported as an allocation in the balance sheet when Semcon has a legal or

informal commitment as a result of a previous event and it is likely that an outflow of resources will be required to regulate such an action. It must also be possible to carry out a reliable estimate of the value of any such action.

Taxes

In the parent company, untaxed reserves are reported including deferred tax liabilities, as opposed to the consolidated accounts where untaxed reserves are divided into deferred tax liabilities and shareholders' equity.

Group contribution/shareholders' contribution

The company reports Group contributions according to a statement from the Swedish Financial Reporting Board, UFR 2. Group contribution paid in order to minimize the Group's total tax is reported directly against profit brought forward after deductions for its current tax effect. Group contribution that can be classed the same as dividends is reported as a financial income with the recipient. All Group contributions to the parent company can be classed the same as for dividends and therefore can be reported under shareholders' equity. Paid Group contribution is however reported under shareholders' equity.

NOTE 3 Business-related and financial risks

Business-related risks

Semcon has identified a number of business-related factors that can affect profits. Those of greatest significance are those affecting the utilization level and that depend on employees.

Utilization level

Semcon sells services, so sales are mainly based on assignments invoiced by the hour, even though the proportion of project work and fixed price assignments is growing. The summer period, when most employees take holidays, is a weak period for consultancy firms, and even the length of the Christmas holiday can have a decisive effect on results during Q4. The greatest influence on Semcon's development in this area is seen from Automotive R&D and Design & Development. The number of working days varies from year to year. Every working day represents around SEK 10 million in sales. Semcon's desire for project assignments and partnership business cuts this risk, although a significant amount of seasonal dependency will always remain.

Employees

As a service company Semcon is highly dependent on its staff and their expertise. If key employees or a large number of employees choose to leave the company it could negatively affect the company. Semcon therefore works actively to increase employee's job satisfaction. Significant resources are reserved each year for training, recruitment and introduction activities. Meanwhile, competition for skilled staff may mean that wages rise more than stated in the signed agreements, both for groups of employees and individual key employees.

Assignments/projects

A customer can, in certain cases, cancel a project at short notice. This can result in a risk where Semcon is not always guaranteed full cost coverage, especially for those consultants who cannot immediately be transferred to another project. Historically, this risk has proved to be limited. With fixed-rate projects the company exposes itself to the risk that a project cannot be finished within the given cost frame. Poor performance in assignments can also affect earnings.

This risk is minimized however by all assignments following established working methods. The Semcon Group is both ISO 9001 and ISO 14001 certified. As Semcon expands and takes on larger assignments for individual customers there is an increased risk that company will become dependent on them. The dependency on Semcon's previously largest customer, Volvo Car Corporation, has fallen from 28 per cent of total sales in 2006 to 8 per cent in 2009.

IT security

The Semcon Group has a high level of IT security and a clear policy regarding the distribution of information.

Insurance

Semcon has taken out insurance based on normal industry practice.

Disputes

Semcon is involved in few disputes that may eventually be resolved in the courts or via arbitration. In cases where a dispute is likely to involve costs for Semcon these costs have been deducted from earnings and reserved.

Business development risks

Risks associated with business development such as corporate acquisitions are, amongst others, dealt with by Semcon setting out and further developing due diligence routines.

Political risks

Political risks include those risks associated with changes to tax laws in the various countries where Semcon operates.

Other information

For more information about market and business-related risks see pages 36–37.

Financial risks

Financing risks

Financing risks are risks associated with financing the Group's capital needs and refinancing of outstanding loans made more difficult or made more expensive. Credit agreements consist of an overdraft facility of SEK 104 million (150 m) and a loan agreement of EUR 42.8 million (42.8 m). The loan falls due for payment on 25 June 2010 with an option for the company to convert it to a three-year loan before the due date. If the option is utilized the loan will be amortized over three years. The loan is conditional on the customary covenants being fulfilled in the form of equity/assets ratios, interest coverage ratio and net loan liabilities (excl. pension obligations in relation to the operating profit before depreciation).

Interest rate risks

Interest risks are the risks associated with effects on profit and cash flow in case of long-term changes to the market rates. Profit sensitivity can however be limited by selected interest maturity structure. The Group's average fixed interest rate term on loans will not exceed two years. At year-end the fixed interest term was 7 days. During 2009 the short-term 7-day interest rate was considerably lower than the longer-term interest rates. An alteration in market rates of +/- 1 % would affect Semcon's profit by around SEK 3 million and shareholders' equity by around SEK 2 million.

Liquidity risks

Liquidity risks are the risks associated with not having access to liquid assets or unutilized credits to fulfill payment commitments. The Group's liquid assets at year-end amounted to SEK 68 million (118 m). In addition, the Group has an unused overdraft facility of SEK 237 million (SEK 150 m). Liquidity in the Group will be placed in cash pools. Cash pools allow Semcon centralized liquidity management at national levels. These cash pools match the excess and shortfalls in the local subsidiaries for the respective countries and currency. Because the Group is

the net borrower the excess liquidity will be used to amortize external debts.

Maturity analysis for contracted payment

SEK m	Up to 3 months	3–13 months	Over 12 months
Liabilities to credit institutions	0.4	–	310.6*
Accounts payable	77.2	–	–

* The intention is for the loan to be extended for one more year but with the option, described in the financing risk above, to be utilized for the loan to be amortized until 24 June 2013.

Currency risks

Semcon's accounting takes place in Swedish kronor, but the Group has business in a number of countries around the world. This means that the Group is exposed to currency risks.

The majority of the currency risk is made up of translation differences that arise when foreign companies' income statements are translated to SEK. A change in EUR against the SEK of +/- 10% would affect profits by around SEK 3–5 million and shareholders' equity by around SEK 2–4 million.

Transaction exposure

Semcon has export income and expenses in a number of currencies, meaning the Group is therefore exposed to currency fluctuations. This currency risk is currently very limited and known as transaction exposure and affects the Group's operating profit.

Translation exposure (net investments)

The foreign subsidiaries' net assets make up an investment in foreign currency that upon consolidation causes translation difference. To limit the negative effects of the translation differences on the Group's shareholders' equity most of the hedging takes place through loans in the equivalent foreign currency.

Translation exposure (income statement)

Exchange rate changes also affect the Group's profit in connection with translation of the income statements in foreign subsidiaries to Swedish kronor. Expected future profits in foreign subsidiaries are not hedged.

Credit risks

Financial credit risks

Financial risk management causes exposure to credit risks. Exposure arises upon investing surplus liquidity. Cash liquidity will mainly be used to reduce outstanding debts, which limit the volume of outstanding surplus liquidity.

Customer credit risks

Risk assessments are made of the customers' creditworthiness taking into account the customers' financial position, previous experience and other factors. The maximum credit exposure is equivalent to the financial assets' booked value. The due for payment structure for accounts receivable appear in Note 18 on page 69.

Capital risk management

The Group's aim regarding its capital structure is to safeguard the Group's ability to continue its business, so that it can continue to generate dividends for shareholders and benefits to other interested parties, and maintain an optimal capital structure to keep capital costs down. One of Semcon's financial aims is to have an equity/assets ratio of over 30 per cent. This key figure is calculated as shareholders' equity divided by total assets. At the end of 2009, the equity/assets ratio was 30.5 per cent (33.6). To maintain or adjust the capital structure, the Group can change the dividend paid to shareholders, repay capital to shareholders, issue new shares, or sell assets to reduce liabilities. Loans are restricted by financial covenants in the loan agreement with the bank that is more clearly described in the section "Financing risks".

Calculating real values

For accounts receivable, accounts payable – trade and other non interest-bearing receivables and liabilities, reported at their accrued acquisition value with deductions made for any impairment, the real value is judged to correspond to the reported value.

The Group's borrowing is mainly carried out with short fixed interest terms. The real value is therefore judged to correspond to the reported value.

NOTE 4 Critical estimations and assessments

When compiling the annual report in accordance with IFRS and good accounting practices, the Group has made estimations and assessments about the future, which affect the reported values of the assets and liabilities. These estimations and assessments are valued on an ongoing basis and are based on historical experience and other factors considered reasonable under the prevailing conditions. In cases where it is not possible to fix the reported value of assets and liabilities through information from other sources these estimations and assessments are the basis of the valuation. Using other estimations and assessments the result can differ and the actual result will, according to definition, rarely be equivalent to the actual result. The estimations and assessments have the greatest influence over Semcon's results and position as detailed below.

Impairment test for goodwill

Every year the Group tests impairment for goodwill in accordance with Note 2 above concerning accounting policies. The examination requires an estimate of parameters that affect the future cash flow and stipulation of a discount factor. The recoverable amount of the cash-generating units has thereafter been set using an estimate of the value in use. In Note 14 there is an account of the significant estimations carried out upon examining the need for goodwill impairment. As of 31 December the reported value of the consolidated goodwill was SEK 475.2 million.

Assessment of loss carry-forwards

The reported deferred tax assets in the Group concerning loss carry-forwards amounted to SEK 103.6 million on 31 December 2009. The reported value of these tax assets was examined on the balance sheet date and it is judged likely that the tax relief can be used against future tax. The tax assets refer to Germany where loss carry-forwards can be used for an unlimited period. The Group's business in this country is expected to generate a surplus and therefore it is considered that the loss carry-forwards attributable to the tax assets may be used against future taxable surplus.

Changes to estimations about forecasted future taxable income might result in differences in valuing deferred tax assets.

Pension obligations

Reporting of provisions for defined-benefit pension plans and other pension benefits is based on actuarial estimates that use the assessments for discount rates, future wage increased, staff turnover and demographic conditions. The assessments made concerning these estimates affect the value of the total pension obligations and major changes to the estimates would be able to affect the Group's results and position. The same is true of a change to the estimates concerning whether pension insurances in Alecta should be reported as a defined-contribution plan or not. On 31 December 2009 the Group's pension allocations amounted to SEK 73.0 million. See Note 24, Pension obligations on page 67.

Assessment of loss risk in projects

The assessment of loss risks in projects is based on estimates of the results of projects in progress. Some projects stretch over the long-term, which is why it cannot be discounted that the result of the projects in progress can have an effect on the Group's results and position.

Disputes

Reserves for disputes are estimates of the future cash flow required to regulate the obligations. Disputes mainly refer to contractual measures referring to contracts with customers and suppliers, but other kinds of disputes also occur in the normal day-to-day running of the business. The result of complicated disputes can be difficult to predict and disputes can be time-consuming and costly. It can therefore not be discounted that a poor outcome of a dispute can have a negative affect on the Group's results and position.

NOTE 5 Segment reporting

The Group's three business areas, Automotive R&D, Design & Development and Informatic make up the Group's reportable operating segments. This is the highest level at which management and the Board carries out follow-ups. The highest executive position in the Group is CEO, who together with the rest of the senior executives runs the business. The two first operating segments receive revenues mainly from designing, developing products and production, while Informatic mainly receives its revenues by developing information solutions for entire product lifecycles.

The Group reports sales between the segments at current market prices. These sales between the segments are meanwhile relatively small and have been eliminated directly in each segment, i.e. sales that are reported are for sales to external customers.

The senior executives make decisions on the segments' earnings (EBIT). Financial items are not divided by segment because they are affected by measures taken by the central financial manager. Taxes aren't divided by segment either. The segments' assets and liabilities include directly attributable items together with such items that can reliably be allocated to the respective segment. The Group's long-term borrowing is not considered as a liability by the segments and instead refers to the financial manager. The assets and liabilities reported to the senior executives is valued the same as in the Annual Report.

SEK m	Automotive R&D		Design & Development		Informatic		Elimination/ non-allocated items		Group total	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Income	1,276.9	2,058.3	688.1	851.7	316.1	388.8	–	–	2,281.1	3,298.8
Operating profit/loss excl. one-off items	-99.0	64.2	4.4	101.5	24.2	50.4	–	–	-70.4	216.1
One-off items	-146.5	-85.0	-20.0	12.9	-4.3	5.9	–	–	-170.8	-66.2
Operating profit/loss	-245.5	-20.8	-15.6	114.4	19.9	56.3	–	–	-241.2	149.9
Other disclosures										
Non interest-bearing assets	706.1	1,067.6	332.7	413.2	117.2	108.3	40.6	69.5	1,196.6	1,658.6
Cash and bank balances	–	–	–	–	–	–	67.7	117.6	67.7	117.6
Total assets	706.1	1,067.6	332.7	413.2	117.2	108.3	108.3	187.1	1,264.3	1,776.2
Non interest-bearing liabilities	239.3	354.9	127.7	102.1	105.1	78.0	22.8	98.9	494.9	633.9
Interest-bearing liabilities	73.4	75.4	–	–	–	–	310.6	470.7	384.0	546.1
Total liabilities	312.7	430.3	127.7	102.1	105.1	78.0	333.4	569.6	878.9	1,180.0
Investment	6.4	22.2	1.8	1.6	0.1	0.2	10.2	15.7	18.5	39.7
Depreciation/impairments	25.4	27.1	4.8	2.7	1.4	1.9	4.5	3.9	36.1	35.6
Impairment	76.1	–	6.2	–	–	–	–	–	82.3	–

Geographic areas	Sales		Assets		Investments	
	2009	2008	2009	2008	2009	2008
Sweden	1,198.0	2,007.4	571.8	1,012.2	12.4	19.7
Germany	748.6	885.0	596.4	676.1	4.4	15.9
Other	334.5	406.4	96.1	87.9	1.7	4.1
Total	2,281.1	3,298.8	1,264.3	1,776.2	18.5	39.7

The Group has a single external customer whose revenues exceed 10 per cent of the Group's sales. Revenues from this customer amounted to SEK 230.5 million (377.7 m), making 10.1 per cent (11.4) of sales. These revenues apply to all operating segments.

NOTE 6 Net sales

Of net sales, income from services accounts for 92.1 per cent (94.1). Other sales comprise licenses, sales of computers, training, materials and goods in projects. The parent company's sales attributable to Group companies amounted to SEK 25.3 million (32.6 m) and purchases amounted to SEK – million (–).

NOTE 7 Remuneration to the auditors

SEK m	The Group		Parent company	
	2009	2008	2009	2008
For auditing and advice, plus other contributions resulting from observations made during auditing work:				
Deloitte	2.4	2.7	0.4	0.5
Other auditors	0.3	0.3	–	–
For independent advice given by:				
Deloitte	0.3	0.2	0.3	0.2
Other auditors	–	–	–	–
Total	3.0	3.2	0.7	0.7

NOTE 8 Employees

Average no. of employees	2009		2008	
	Average no. of employees	of whom female, %	Average no. of employees	of whom female, %
The Group				
Sweden	1,625	25	2,421	26
Germany	827	19	877	18
Brazil	183	21	185	26
Spain	6	–	14	–
UK	64	14	56	14
Hungary	31	26	33	24
China	19	47	18	50
India	29	7	20	15
Malaysia	7	57	7	57
Group total	2,791	22	3,631	24
Parent company	Average no. of employees	of whom female, %	Average no. of employees	of whom female, %
Sweden	13	38	12	44
Parent company total	13	38	12	44

Salaries, remuneration and payroll overheads

SEK m	2009			2008		
	Total salaries and other remuneration	Social security expenses	of which, pensions	Total salaries and other remuneration	Social security expenses	of which, pensions
Parent company	13.3	8.6	3.3	12.9	6.7	3.1
Subsidiaries	1,238.9	411.4	72.1	1,557.4	434.0	78.0
Group total	1,252.2	420.0	75.4	1,570.3	440.7	81.1

Of which remuneration to senior executives

SEK m	2009			2008		
	Total salaries and other remuneration	of which, bonus	Pension costs	Total salaries and other remuneration	of which, bonus	Pension costs
CEO of parent company*	3.4	–	1.2	3.0	–	1.1
Of which acting CEO	–	–	–	0.1	–	–
CEO of subsidiaries	12.2	0.3	1.7	13.7	0.6	3.0
The Board	1.2	–	–	1.2	–	–
Other senior executives*	10.2	–	2.8	10.3	0.2	1.7

* Last year's wages and pension costs were for eleven months.

**Details about salaries and remuneration to other senior executives includes parts of the sums that are also included in salaries and remuneration to the CEO's of the subsidiaries in the above table. The amounts are for those CEO's of subsidiaries who are part of the senior executive team.

Remuneration to the CEO. According to the terms of the CEO's employment contract, upon notice of dismissal from Semcon, for the period of notice is 12 months. If the CEO resigns, notice time is 6 months. A bonus may also be paid in accordance with the rules established by the Board and at a maximum of 6 times the fixed monthly salary. No bonus was paid for 2009. The contract also includes a non-competition clause, which limits the CEO from running a competitive business for 24 months from the time of termination of employment. The CEO is entitled to a retirement benefit in the form of a pension scheme. The monthly premium for this pension scheme is 35 per cent of the fixed monthly salary.

The Board. Of fees to the Board in 2009, the Chairman of the Board received remuneration amounting to SEK 400,000. Other external members received SEK 200,000. Board fees totaled SEK 1.2 million.

Other senior executives. Other senior executives refers to Semcon's senior management aside from the company's CEO. Other senior executives are entitled to bonuses based on how well they meet their respective business targets. Bonuses paid will be a maximum six times the fixed monthly salary. No bonus was paid for 2009. The period of notice for other senior executives is a maximum of 12 months. The pension agreements for senior executives are paid in accordance with the ITP plan where for a senior executive the monthly premium for this pension scheme is 35 per cent of salary. The amounts included in salaries and remuneration for senior executives refer solely to the periods when the employee was part of Group management.

Gender of senior executives. Two of Semcon's six Board members are women. One of the twelve members of the senior management team is a woman.

Other. The company has not nominated a remunerations committee. Remuneration to the Board is decided by the AGM after proposals by the nominations committee. Remuneration to the CEO and other senior executives is decided by the Board in its entirety. Benefits concerning company cars amounted to SEK – (–) for the CEO and SEK 556,000 (515,000) for other senior executives.

Sick leave parent company. Total sick leave for 2009 was 0.5 per cent (0) of which long-term sick leave was 0 per cent (0). Other information about sick leave is shown on page 35.

NOTE 9 Interest income and similar items

The Group, SEK m	2009	2008
Interest income	3.7	6.3
Exchange rate difference	4.5	0.6
Total	8.2	6.9
Parent company, SEK m	2009	2008
Interest income	1.0	1.6
Exchange rate difference, forward cover	18.6	–
Total	19.6	1.6

NOTE 10 Interest expenses and similar items

The Group, SEK m	2009	2008
Interest expenses	-23.3	-28.2
Other financial expenses	-0.4	-0.7
Total	-23.7	-28.9
Parent company, SEK m	2009	2008
Interest expenses	-17.7	-22.8
Exchange rate difference, amortization borrowings	-33.6	–
Exchange rate difference, forward cover	–	-6.2
Other exchange rate differences	-0.5	-0.2
Other interest expenses	-0.3	-1.9
Total	-52.1	-31.1

NOTE 11 Tax

The Group, SEK m	2009	2008
Current tax	6.4	34.4
Tax concerning previous tax years	-2.9	-1.7
Deferred tax cost attributable to temporary differences	2.8	7.6
Deferred tax income attributable to temporary differences	-54.4	-1.8
Effect of changed tax rate	–	-2.8
Total	-48.1	35.7
Parent company, SEK m	2009	2008
Current tax	–	26.2
Deferred tax income attributable to temporary differences	-22.1	–
Tax on Group contribution paid	22.5	3.0
Total	0.4	29.2

Difference between Group's reported tax and tax expense based on current tax rate, SEK m	2009	2008
Reported profit/loss before tax	-256.7	127.9
Tax according to current tax rate 26.3% (28%)	-67.5	35.8
Tax effect of:		
Non-deductible costs	2.3	3.5
Non-taxable income	-1.0	-0.9
Adjustments for previous years' tax	-2.9	-1.7
Loss carry-forwards not given value in accounts	1.5	0.6
Goodwill impairment	18.9	–
Impairment of participation in associated companies	1.6	–
Effects of other tax rates abroad	-1.1	-0.6
Effects of changed tax rate	–	-2.8
Other	0.1	1.8
Tax for the year	-48.1	35.7

Difference between parent company's reported tax and tax expense based on current tax rate, SEK m	2009	2008
Reported profit/loss before tax	-104.1	107.7
Tax according to current tax rate 26.3% (28.0%)	-27.4	30.2
Tax effect of:		
Non-deductible costs	0.5	0.8
Non-taxable income	–	-1.9
Interest on tax allocation reserve	0.2	0.1
Impairment of shares in Group companies	27.1	–
Tax for the year	0.4	29.2

Temporary differences apply in cases where assets or liabilities reported and taxable values are different.

The Group's temporary differences have resulted in deferred tax assets and deferred tax liabilities for the following items, SEK m	2009	2008
Deferred tax assets		
Loss carry-forwards	103.6	78.2
Equity hedge loan	6.4	17.8
Temporary differences, inventories	–	0.4
Temporary differences, accounts receivable	0.7	–
Temporary differences, pension obligations	4.8	5.1
Other	5.0	2.5
Netting against deferred tax liabilities	-31.5	-16.8
Total	89.0	87.2
Deferred tax liabilities		
Untaxed reserves	2.5	21.6
Accrued income reported in the Group	19.9	29.6
Temporary differences in accounts receivable	–	1.9
Goodwill	3.7	3.3
Other	5.4	6.0
Netting against deferred tax assets	-31.5	-16.8
Total	0.0	45.6

The taxable loss carry-forward is SEK 552.7 million (490.8 m). Of this SEK 2.2 million (–) falls due within 5 years and for the remaining SEK 547.9 million (490.8 m) there is no maturity date. For SEK 195.7 million (228.6 m) of the taxable loss carry-forward no deferred income taxes recoverable have been reported. Deferred income taxes recoverable concerning losses have been reported at SEK 103.6 million (78.2 m) as it is judged likely that the taxable surplus will be available in future, against which this deficit can be offset.

NOTE 12 One-off items

The Group, SEK m	2009	2008
Discounted Alecta premiums	–	34.0
Structural changes, Sweden	-82.2	-39.7
Structural changes outside Sweden	-5.0	-40.1
Reserves for bad debts/work in progress	-5.4	-20.4
Goodwill impairment	-72.0	–
Impairment of shares in associate companies	-6.2	–
Total	-170.8	-66.2
Specifications of items in the income statement		
Other external costs	-10.6	-44.3
Staff costs	-82.0	-21.9
Goodwill impairment	-72.0	–
Impairment of shares in associate companies	-6.2	–
Total	-170.8	-66.2

NOTE 13 Earnings per share

The Group	2009		2008	
	Before dilution	After dilution	Before dilution	After dilution
Earnings attributable to parent company's shareholders, SEK m	-208.6	-208.6	92.2	92.2
Weighted average number of outstanding ordinary shares	17,801	18,113	17,783	17,948
Earnings per share, SEK	-11.72	-11.52	5.18	5.14

Before dilution. Earnings per share before dilution are calculated by dividing earnings attributable to parent company shareholders by a weighted average number of outstanding ordinary shares during the period excluding bought back shares held as shareholders' equity by the parent company, see Note 22, Share capital.

After dilution. When calculating earnings per share after dilution the weighted number of outstanding ordinary shares is adjusted for the dilution effect of all potential ordinary shares. A new share issue was carried out on 18 June 2008 for 330,000 of the company's class C shares. These class C shares were converted to ordinary shares on 12 January 2009.

NOTE 14 Intangible assets

The Group, SEK m	2009	2008
Goodwill		
Opening acquisition value	692.5	644.8
Acquisitions	1.4	–
Translation difference	-18.5	47.7
Closing accumulated acquisition value	675.4	692.5
Opening impairment	-128.2	-128.2
Impairment/write-down	-72.0	–
Closing accumulated impairment	-200.2	-128.2
Closing impairment	475.2	564.3

Specification of goodwill

Goodwill is distributed across the Group's business units as follows:

Business area, SEK m	2009	2008
Automotive R&D	311.3	402.1
Design & Development	163.9	162.2
Informatic	–	–
Booked value	475.2	564.3

Testing for impairment of goodwill is carried out annually and when there are indications that impairment is required. Recoverable amounts for each business area (cash-generating units) have been set according to a calculated usable value. These calculations use the estimated future cash flow. A first analysis calculates a value using the budgeted cash flow for 2010. If this analysis indicated an impairment requirement then the estimated cash flow for the next five years has been used, and for the time subsequent a perpetual 2 per cent growth rate has been used in the valuation.

Cash flow has been discounted with a weighed capital cost equivalent of 9 per cent before tax and 7 per cent after tax. This is calculated using the Group's targeted capital structure, current risk-free long-term interest rate and a risk premium for shareholders' equity of 5 per cent and a margin for borrowed capital of 1 per cent. If the discount rate after tax rises by 1 per cent to 8 per cent then it would still mean that the utilization value would exceed the reported value.

Impairment for the year is attributable to the Automotive R&D business area, whose revenues from Swedish automotive customers fell over the year and in future are expected to be in line with previous years' levels.

The Group, SEK m	2009	2008
Other intangible assets		
Opening acquisition value	87.9	71.0
Investments	9.4	17.2
Sales/disposals	-9.4	-1.7
Translation difference for the year	-2.0	1.4
Closing accumulated acquisition value	85.9	87.9
Opening depreciation	-57.9	-52.1
Sales/disposals	8.8	1.7
Depreciation for the year	-10.6	-7.5
Translation difference for the year	2.3	–
Closing accumulated depreciation	-57.4	-57.9
Closing booked value	28.5	30.0

Other intangible assets in the Group consist of licences and computer software. Depreciation occurs linearly over the period of use.

Parent company, SEK m	2009	2008
Other intangible assets		
Opening acquisition value	3.0	3.0
Sales/disposals	-3.0	–
Closing accumulated acquisition value	–	3.0
Opening depreciation	-3.0	-3.0
Sales/disposals	3.0	–
Closing accumulated depreciation	–	-3.0
Closing booked value	–	–

NOTE 15 Tangible fixed assets

The Group, SEK m	2009	2008
Property/buildings		
Opening acquisition value	–	9.5
Sales/disposals	–	-9.3
Translation difference for the year	–	-0.2
Closing accumulated acquisition value	–	–
Opening depreciation	–	-2.0
Sales/disposals	–	2.1
Depreciation for the year	–	-0.1
Closing accumulated depreciation	–	–
Closing residual value according to plan	–	–
Opening impairment	–	-1.0
Sales/disposals	–	1.0
Closing accumulated impairment	–	–
Closing booked value	–	–
Land		
Opening and closing acquisition value	–	3.4
Sales/disposals	–	-3.4
Closing accumulated acquisition value	–	–
Machinery and equipment		
Opening acquisition value	100.7	98.8
Investments	3.2	0.1
Sales/disposals	-5.0	-0.2
Translation difference for the year	-3.3	2.0
Closing accumulated acquisition value	95.6	100.7
Opening depreciation	-77.8	-72.7
Sales/disposals	4.3	0.2
Depreciation for the year	-4.9	-5.3
Translation difference for the year	3.1	–
Closing accumulated depreciation	-75.3	-77.8
Closing booked value	20.3	22.9
Inventories, computers and equipment		
Opening acquisition value	331.4	331.3
Investments	5.9	22.4
Sales/disposals	-85.2	-27.2
Translation difference for the year	-6.7	4.9
Closing accumulated acquisition value	245.4	331.4
Opening depreciation/impairment	-272.1	-276.7
Sales/disposals	85.7	27.3
Impairment for the year	-4.1	–
Depreciation for the year	-20.6	-22.7
Translation difference for the year	6.0	–
Closing accumulated depreciation/impairment	-205.1	-272.1
Closing booked value	40.3	59.3

Parent company, SEK m	2009	2008
Inventories, computers and equipment		
Opening acquisition value	1.2	1.2
Investments	1.7	–
Sales/disposals	-1.2	–
Closing accumulated acquisition value	1.7	1.2
Opening depreciation	-1.2	-1.2
Sales/disposals	1.2	–
Depreciation for the year	-0.1	–
Closing accumulated depreciation	-0.1	-1.2
Closing booked value	1.6	–

NOTE 16 Financial assets

Parent company	Group company	Capital share, %	Voting rights, %	Booked value, SEK m	Co. reg. no	Registered office
Semcon AB	Semcon Förvaltnings AB	100	100	58.8	556530-6403	Göteborg
	Semcon Informatic AB	100	100	15.5	556606-0363	Göteborg
	Semcon International AB	100	100	5.8	556534-4651	Göteborg
Total				80.1		

The accumulated acquisition value of shares in Group companies amounts to SEK 303.1 million. A statutory specification of company registration number and registered office of all Group companies in the Group can be obtained from Semcon AB's office in Göteborg.

NOTE 17 Share in associated companies and joint ventures

The Group, SEK m	Associated companies/ joint ventures	Capital share, %	Voting rights, %	Booked value, SEK m	Co. reg. no	Registered office
Semcon International AB	Kongsberg Devotek AS	30	30	15.0	883,602,382	Kongsberg, Norway
Semcon GmbH	Semcon-ESG Russelsheim JV Gesellschaft burgerlichen Rechts	50	50	–	–	Raunheim, Germany
				15.0		
Shares in associated companies and joint ventures, SEK m				2009		2008
Opening booked value				21.2		21.2
Impairment, Kongsberg Devotek AS				-6.2		–
Closing booked value				15.0		21.2

Share in associated companies' assets was SEK 10.1 million and share in liabilities was SEK 8.3 million.

NOTE 18 Accounts receivable

The Group, SEK m	2009	2008
Accounts receivable, not due for payment	271.8	485.5
Due for payment, 1–30 days	30.5	119.3
Due for payment, 31–60 days	11.0	28.0
Due for payment, over 60 days	42.6	44.1
Total	355.9	676.9
Provisions for bad debts		
Provisions at start of year	-18.8	-3.7
Reservations for expected losses	-19.4	-15.0
Confirmed losses	-0.7	-0.9
Actual payments of reserved receivables	7.2	0.8
Provisions at end of year	-31.7	-18.8
Closing booked value	324.2	658.1

NOTE 19 Receivables from associated companies and joint ventures

The Group, SEK m	2009	2008
Receivables from associated companies	–	0.6
Receivables from joint ventures	3.2	0.3
Total	3.2	0.9

NOTE 20 Accrued non-invoiced income and invoiced income but non-processed income

Accrued non-invoiced income is reported in the consolidated accounts by project at the net value of the invoice in line with processing minus invoiced sub-amounts and deductions for possible losses. In 2009 the accrued non-invoiced income stood at SEK 33.4 million (81.2 m).

Receivables from customers are reported in the balance sheet for the projects for which the total of the assignment expense until the closing day exceeds the partly invoiced amount including deductions for possible losses. Customer liabilities are reported for projects for which partly invoiced amounts exceed the total of the assignment expense.

No value is shown in the subsidiaries for work in progress, but the amount is accounted for at the time of invoicing, amounting to SEK 74.6 million (100.6 m) on the closing date.

Processed but non-invoiced income, SEK m	2009	2008
Income/assignment expenses	154.3	208.7
Partly invoiced amount	-46.1	-74.2
Total	108.2	134.5
Partly invoiced amount	2009	2008
Income/assignment expenses	59.4	102.3
Partly invoiced amount	-134.2	-155.6
Total	-74.8	-53.3

NOTE 21 Prepaid expenses and accrued income

The Group, SEK m	2009	2008
Accrued income	13.8	5.9
Prepaid expenses	27.5	30.6
Total	41.3	36.5

NOTE 22 Share capital

Date	Type of issue	No. of shares issued	Share capital after issue, SEK
7 March 1997	Formation of the company	500,000	500,000
14 April 1997	Cash issue	4,003,700	4,503,700
14 April 1997	Non-cash issue	496,300	5 000,000
25 April 1997	Cash issue	12,338,521	17,338,521
31 August 2001	Cash issue	52,500	17,391,021
1 June–31 December 2006	Conversion of promissory note	351,245	17,742,266
1 January–31 May 2007	Conversion of promissory note	40,268	17,782,534
18 June 2008	New issue	330,000	18,112,534

The parent company's shareholding of its own shares on 31 December was 298,570. These shares will be used for future matching and to cover social security expenses attributable to the share savings scheme.

NOTE 23 Tax allocation reserve

Parent company, SEK m	2009	2008
Tax allocation reserve tax -04	–	7.0
Tax allocation reserve tax -08	–	6.0
Tax allocation reserve tax -09	–	31.1
Total	–	44.1

NOTE 24 Pensions obligations

Commitments for retirement pensions and family pensions for salaried employees in Sweden are safeguarded via insurance with Alecta. According to a statement from the Swedish Financial Accounting Standards Council, UFR 3, this is a defined-benefit plan that encompasses several employers. The Group does not have access to such information that makes it possible to report this plan as a defined benefit plan for the 2009 financial year. Therefore the ITP pension plans secured via insurance with Alecta are reported as defined contribution plans.

The plans reported as defined-benefit plans below are in Germany. The company's costs and the value of the outstanding obligations have been calculated with the help of actuarial calculation that aims to set the current value of the obligations.

Significant actuarial assumptions, %	2009	2008
Discount rate	4.8	4.8
Expected salary increase rate	3.0	3.0
Future pension increase	1.5	1.5
Reconciliation of pension obligations	2009	2008
Current value of non-funded obligations	70.6	73.7
Non-reported actuarial profit (+) and loss (-)	2.4	1.7
Net provisions in the balance sheet	73.0	75.4
Specification of change in the defined benefit obligation	2009	2008
At the start of the year	75.4	63.7
Costs for employment during the current year	1.4	1.0
Interest on obligations	3.4	3.1
Payment of pensions	-3.1	-2.8
Currency exchange rate differences	-4.1	10.4
At year-end	73.0	75.4
Specification of total costs for pension payments reported in the income statement	2009	2008
Costs for defined benefit plans:		
Costs for employment during the current year	-1.4	-1.0
Interest on obligations	-3.4	-3.1
Costs for defined benefit plans	-4.8	-4.1
Costs for defined contribution plans	-74.0	-80.1
Total costs reported in the income statement	-78.8	-84.2
Of which:		
Amounts that negatively impacted the operating profit/loss (staff costs)	-75.4	-81.1
Amounts that negatively impacted the financial costs (interest costs)	-3.4	-3.1
Total costs reported in the income statement	-78.8	-84.2

Expenses during the year for pension insurance policies signed with Alecta amounted to SEK 38.9 million (30.5 m). Alecta's surplus can be allocated to the policyholder and/or the insured. At year-end 2009 Alecta's surplus in the form of the collective consolidation level was 141 per cent (112). The collective consolidation level is the market value of Alecta's assets as a percentage of the insurance commitment calculated according to Alecta's actuarial assumptions, which do not comply with IAS 19.

NOTE 25 Borrowings

The Group, SEK m	2009	2008
Long-term		
Liabilities to credit institutions	310.6	468.2
Total long-term	310.6	468.2
Short-term		
Overdraft facilities	0.4	2.5
Total short-term	0.4	2.5
Total borrowings	311.0	470.7

The Group's long-term borrowings are carried out mainly within credit frameworks with long-term credit, but tied up over the short-term, which is why they are considered to have an actual value equivalent to the reported value.

Parent company, SEK m	2009	2008
Long-term		
Liabilities to credit institutions	286.4	400.4
Total long-term	286.4	400.4
Total borrowings	286.4	400.4

The long-term credit consists of a loan agreement of EUR 42.8 million (42.8 m) of which EUR 30.0 million (42.8 m) was utilized as at 31 December. The loan falls due on 25 June 2010 with an option for the company, prior to the due date, to extend credit to a three-year loan. The loan was taken out for the acquisition of Group companies and reported according to the method for hedging net investments in the parent company.

NOTE 26 Overdraft facilities

Of the Group's permitted overdraft facility of SEK 104.1 million, SEK 0.4 million (2.5 m) has been utilized. The credit runs on an annual basis.

NOTE 27 Accrued expenses and prepaid income

The Group, SEK m	2009	2008
Staff-related costs	197.3	309.9
Other items	86.3	46.3
Total accrued expenses and prepaid income	283.6	356.2
Parent company, SEK m	2009	2008
Staff-related costs	2.9	3.7
Other items	3.0	10.8
Total accrued expenses and prepaid income	5.9	14.5

NOTE 28 Pledged assets

The Group, SEK m	2009	2008
For own liabilities		
Rental guarantees	6.3	–
Total pledged assets	6.3	–

NOTE 29 Contingent liabilities

The Group, SEK m	2009	2008
Conditional loan, Swedish Energy Agency	3.3	3.3
Total contingent liabilities	3.3	3.3
 Parent company, SEK m	 2009	 2008
Guarantees provided	0.8	0.9

NOTE 30 Information concerning acquisitions and divestments of companies

Acquisition of business. In 2009, Semcon Project Management carried out a small net assets acquisition in Germany to strengthen its offer of project management services in Europe.

Acquisitions	2009	2008
Goodwill	1.4	–
Purchase price paid	1.4	–
Liquid assets in acquired company	–	–
Effect on Group's liquid assets	1.4	–

Sale of subsidiaries. Zipper Aktiebolag, Zsystems Solutions by Semcon AB, Zingle by Semcon, Zuite AB and Semcon Innovation AB were sold on 31 December 2007. The sale price of SEK 311.0 million was received in early 2008.

NOTE 31 Transactions with related parties

Purchases/sales between Group companies amounted to SEK 182.9 million (302.5 m) and refer mainly to services. Purchases between associated companies and joint ventures amounted to SEK 0.2 million (1.8 m) and sales amounted to SEK 11.9 million (23.6 m). The JCE Group is Semcon AB's largest shareholder with a shareholding of 30.51 per cent (31 December 2009). Purchases from companies in the JCE Group amounted to SEK 0.0 m (0.0 m) and sales amounted to SEK 1.0 m (0.0 m). A consultancy fee of SEK 0.3 million has been paid to Rannebergsgården i Dalsland AB, which is owned by CEO Kjell Nilsson. The fee was paid to Kjell Nilsson when he was the active Chairman of the Board of Semcon AB. Remuneration for the senior executive team appears in Note 8.

NOTE 32 Operational leasing

The Group rents offices at twenty or so sites in Sweden, Brazil, China, Germany, Hungary, India, Malaysia, Spain and the UK. All rental contracts have been signed according to usual market rates and with normal duration periods. Besides the rental agreements the Group has a number of leasing contracts mainly for company cars. Existing contracts run in line with usual market terms and with a remaining contract term of one to three years.

2009			
The Group, SEK m	Rent for premises	Other	Total
Within 1 year	78.4	11.1	89.5
Between 1 and 5 years	139.3	4.4	143.7
More than 5 years	37.7	–	37.7
Future minimum leasing charges	255.4	15.5	270.9
Minimum leasing charges for the year	93.4	12.4	105.8

2009			
Parent company, SEK m	Rent for premises	Other	Total
Within 1 year	–	0.3	0.3
Between 1 and 5 years	–	0.2	0.2
More than 5 years	–	–	–
Future minimum leasing charges	–	0.5	0.5
Minimum leasing charges for the year	–	0.5	0.5

NOTE 33 Events after the balance sheet date

No events of a significant nature have occurred during the period from the end of the financial year to the publication of the Annual Report.

The Board and CEO give assurance that the consolidated accounts have been drawn up in accordance with the International Financial Reporting Standards as adopted by the EU and give a true account of the Group's position and results. The Annual Report has been drawn up in accordance with generally accepted accounting policies and gives a true account of the parent company's position and results. The Directors' Report for the Group and parent company give a fair overview of the development of the Group's and parent company's business, position and results and describe significant risks and uncertainty factors that the parent company and the Group companies face.

Gothenburg, 22 March 2010

Hans-Erik Andersson
Chairman of the Board

Marianne Brismar

Jorma Halonen

Gunvor Engström

Kjell Nilsson
CEO

Håkan Larsson

Roland Kristiansson

Christer Eriksson

Stefan Novakovic

Our audit was issued on 22 March 2010.
Deloitte AB

Peter Gustafsson
Authorized Public Accountant

Hans Warén
Authorized Public Accountant

Auditors' report

To the annual general meeting of Semcon AB (publ)
company reg. no. 556539-9549

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the Board of Directors and the CEO of Semcon AB (publ) for the 2009 financial year. The company's annual report and consolidated accounts comprise pages 38–70 of this report. These accounts and the administration of the Company are the responsibility of the Board of Directors and CEO for applying the Swedish Annual Accounts Act when drawing up the annual report and to apply IFRS, as approved by the EU, when establishing the consolidated accounts. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts, and the administration, based on our audit.

We conducted our audit in accordance with Generally Accepted Accounting policies in Sweden. Those principles require that we plan and perform the audit to obtain a high level, but not absolute assurance, that the annual accounts and 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 policies used and their application by the Board of Directors and the CEO as well as evaluating the overall presentation of information in the annual accounts and consolidated accounts. We examined significant decisions, actions taken and circumstances of the Company in order to be able to determine the liability, if any, to the Company by any Board Member or the CEO, or whether they have in any other way acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts have been prepared in accordance with the Swedish Annual Accounts Act and give a true and fair view of the company's financial position and results of operations, in accordance with Generally Accepted Accounting policies in Sweden. The consolidated accounts have been drawn up in accordance with IFRS, as approved by the EU and the Swedish Annual Accounts Act and give a true and fair view of the Group's financial position and results of operations. This auditors' report is consistent with the annual report and consolidated accounts' other parts.

We recommend to the general meeting of shareholders that the income statements and balance sheets 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 directors' report and that the members of the Board of Directors and the CEO be discharged from liability for the financial year.

Gothenburg, 22 March 2010

Deloitte AB

Peter Gustafsson
Authorized Public Accountant

Hans Warén
Authorized Public Accountant

Five-year summary

SEK m	2009	2008	2007**	2006**	2005
Income statement					
Net sales	2,281.1	3,298.8	2,497.4	1,361.4	1,500.5
Operating expenses*	-2,522.3	-3,148.9	-2,508.5	-1,309.7	-1,404.8
Operating profit/loss	-241.2	149.9	-11.1	51.7	95.7
Financial income	8.2	6.9	5.0	2.4	6.9
Financial expenses	-23.7	-28.9	-29.4	-4.3	-4.7
Profit/loss before tax	-256.7	127.9	-35.5	49.8	97.9
Taxes	48.1	-35.7	-20.7	-18.9	-29.9
Profit/loss after tax, remaining business	-208.6	92.2	-56.2	30.9	68.0
Profit/loss after tax, sold business	–	–	284.2	17.3	–
Net profit for the year	-208.6	92.2	228.0	48.2	68.0
* Of which:					
Goodwill impairment and participations in associated companies	-78.2	–	-112.2	-4.4	–
Other one-off items	-92.6	-66.2	-49.3	-26.4	–
Balance sheet					
Goodwill	475.2	564.3	516.6	71.9	69.5
Other intangible assets	28.5	30.0	18.9	6.7	9.0
Tangible fixed assets	60.6	82.2	90.6	32	36.2
Deferred tax receivables	89.0	87.2	62.3	19.9	3.7
Other financial assets	17.2	23.0	23.0	4.8	–
Processed but non-invoiced income	108.2	134.5	192.0	121.4	114.7
Accounts receivable	324.2	658.1	662.1	342.0	376.9
Other current assets	93.7	79.3	421.2	35.7	41.5
Cash and bank balances	67.7	117.6	117.1	28.9	17.9
Total assets	1,264.3	1,776.2	2,103.8	663.3	669.4
Shareholders' equity	385.4	596.2	494.0	265.1	198.9
Long-term liabilities and provisions	383.6	589.2	465.3	40.9	61.3
Current liabilities	495.3	590.8	1,144.5	357.3	409.2
Total shareholders' equity and liabilities	1,264.3	1,776.2	2,103.8	663.3	669.4
Cash flow statement					
Cash flow from current activities	107.2	137.8	23.8	108.9	40.4
Cash flow from investment activities	-19.3	282.7	-687.5	-28.2	-23.4
Cash flow from financing activities	-136.4	-425.2	751.9	-69.7	-3.4
Cash flow for the year	-48.5	-4.7	88.2	11.0	13.6
Key figures					
Sales increase, %	-30.8	32.1	83.4	4.4	16.4
Operating margin before one-off items, %	-3.1	6.6	6.0	6.1	6.4
Operating margin, %	-10.6	4.5	-0.4	3.8	6.4
Profit margin, %	-11.3	3.9	-1.4	3.7	6.5
Interest cover ratio, (multiple)	-3.9	5.5	-0.3	12.9	21.8
Return on average shareholders' equity, %	-42.5	16.9	60.2	19.9	40.9
Return on average capital employed, %	-21.3	14.1	-1.2	21.4	44.2
Equity/assets ratio, %	30.5	33.6	23.5	40.0	29.7
Debt/equity ratio, (multiple)	0.8	0.7	1.6	–	0.6
Average number of employees	2,791	3,631	2,672	1,509	1,636
Sales per employee, (SEK 000)	817	909	935	902	917
Value added per employee, (SEK 000)	524	592	555	602	625
Profit/loss before tax per employee, (SEK 000)	-92.0	35.1	-13.3	33.1	59.8
Investments in other fixed assets, (SEK m)	18.5	39.7	36.6	25.4	19.6

** Results for 2007 and 2006 have been reported for the remaining business.

Data per share	2009	2008	2007*	2006*	2005
Earnings per share before dilution (SEK)	-11.72	5.18	12.84	2.76	3.93
Earnings per share after dilution, (SEK)	-11.52	5.14	12.82	2.59	3.84
Shareholders' equity per share before dilution, (SEK)	21.63	33.53	27.78	14.81	11.50
Shareholders' equity per share after dilution, (SEK)	21.28	32.92	27.78	14.85	11.94
Share price/equity per share, (multiple)	1.34	0.35	2.91	4.61	5.09
Cash flow from current activities per share, (SEK)	5.92	7.68	1.34	6.21	2.32
Dividend per share	–	–	–	–	–
P/E ratio	-2.47	2.26	6.29	26.01	14.89
P/S ratio	0.23	0.06	0.57	0.88	0.68
Share price at year-end, (SEK)	28.50	11.60	80.75	68.25	58.25
Market value at year-end, (SEK m)	516	206	1,436	1,211	1,013
Number of shares at year-end, (ooo)	18,113	18,113	17,783	17,742	17,391
Average number of shares, (ooo)	18,113	17,948	17,762	17,531	17,391
No. of own shares at period's end, (ooo)	299	330	–	–	97
Average no. of own shares, (ooo)	312	165	–	48	97
Outstanding convertibles at year-end	–	–	–	42	394
Average number of convertibles	–	–	21	253	394

* Results for 2007 and 2006 have been reported for remaining business.

Definitions

Balance sheet total

The value of all assets such as equipment, accounts receivable and bank balances.

Capital employed

The balance sheet total less non interest-bearing provisions and liabilities.

Equity/assets ratio

Shareholders' equity as a percentage of the balance sheet total.

Shareholders' equity per share before dilution

Shareholders' equity divided by the number of shares at year-end, excluding bought back shares held as own shares by the parent company.

Shareholders' equity per share after dilution

Shareholders' equity divided by the number of shares at year-end adjusted for the dilution effect of potential shares.

Value added

Operating profit plus salary costs including payroll overheads.

Value added per employee

Value added divided by the average number of employees.

Cash flow per share

Cash flow for the year divided by the weighted average number of outstanding shares over the year adjusted for the dilution effect on potential shares.

P/E ratio

Price per share at year-end divided by the earnings per share after dilution.

P/S ratio

Price per share divided by net sales per share.

Profit before tax per employee

Profit before tax divided by the average number of employees for the year.

Earnings per share before dilution

Profit/loss after tax attributable to the parent company's owners divided by the average number of outstanding ordinary shares excluding bought back shares held as own shares by the parent company.

Earnings per share after dilution

Profit/loss after tax attributable to the parent company's owners divided by the average number of outstanding shares adjusted for the dilution effect on potential shares.

Return on average shareholders' equity

Profit for the year after tax divided by the average shareholders' equity.

Return on average capital employed

Profit before tax plus financial costs divided by the average capital employed.

Interest cover ratio

Profit before tax plus interest costs divided by interest costs.

Debt/equity ratio

Net borrowings divided by shareholders' equity including minority interests.

Operating margin

Operating profit as a percentage of net sales.

Profit margin

Profit before tax as a percentage of net sales.

Net borrowings

Interest-bearing provisions and liabilities with deductions for liquid assets and interest-bearing receivables.

Semcon's shares

Semcon's shares have been quoted on the NASDAQ OMX Stockholm since 1997 for small companies in the Industry sector under the SEMC ticker.

Price trend and turnover

Semcon's share price rose in 2009 by 146 per cent from SEK 11.60 to SEK 28.50. During the same period the OMX Stockholm PI index rose by 47 per cent. The highest price paid was SEK 37.50 (27 November) and the lowest price paid was SEK 9.50 (22 January). A total of 12.7 million Semcon shares were sold on the Stockholm exchange in 2009. The turnover rate, calculated as the number of shares sold in relation to the total number of shares in the company amounted to 70 per cent.

Share capital and number of shares

Semcon's share capital on the closing day was SEK 18.1 million, divided between 18,112,534 ordinary shares all with a nominal value of SEK 1. Each ordinary share entitles the shareholder to one voting right and an equal right to a share of the company's assets and profits. Changes to the share capital and number of shares over time appear in Note 22 on page 66.

Long-term incentive scheme

At an EGM in February 2008 it was decided to introduce a long-term incentive scheme for Group employees. The share savings scheme includes a maxi-

mum of 330,000 shares, of which 250,000 shares are matching shares and 80,000 shares are mainly to cover social security contributions. Participants of the share savings scheme have acquired the maximum number of shares possible. Each savings share entitles people still employed by the company between August 2011 and March 2012 to a matching share. People who have participated in the share savings scheme but who were made redundant are entitled to a matching share in advance for each share owned. A total of 31,430 shares were matched for these individuals up to 31 December 2009. On 31 December Semcon owned 298,570 of its own shares to be used for future matching and to cover social security expenses as part of the share savings scheme.

Shareholders

On 31 December 2009 Semcon had 4,430 shareholders, an increase of 9.7 per cent compared to 2008. The registered amount of foreign ownership at year-end was 11.1 per cent (20.0), of which 3.6 per cent is made up of owners in Finland, 1.9 per cent in Switzerland and 1.1 per cent in

Ireland. On 31 December the ten largest shareholders controlled 64.5 (64.8) per cent of the share capital and voting rights, of which the three largest shareholders controlled 53.0 per cent (51.4).

Share dividends

One of Semcon's financial objectives is that dividends to shareholders over the long-term will be equivalent to at least one third of the profit after tax. In accordance with Semcon's dividend policy, consideration is given to the company's financial position and capital requirements for continued expansion. Because the company made a loss the board proposes that no dividend be paid for 2009 (0).

Contacts with the equity market

Equity market contacts are mainly carried out through quarterly financial reports, press releases and company presentations by Semcon. Semcon actively informs the market about the company in order to facilitate accurate valuations of the company's shares. The contacts for this include the company's CEO, CFO and IR manager. Enquiries can be made by contacting: ir@semcon.com

Analysts regularly monitor Semcon's financial development and at year-end these included:

Company	Analyst
Danske Bank	Peter Trigarzsky peter.trigarzsky@danskebank.se
Enskilda Securities	Johanna Ahlqvist johanna.ahlqvist@enskilda.se
Handelsbanken	Stefan Wård stwao6@handelsbanken.se
Ålandsbanken	Mikael Laséen mikael.laseen@alandsbanken.se
Öhmans Fondkommission	David Jacobsson david.jacobsson@ohman.se

Share structure, 31 December 2009

Size	No. of share-holders	No. of shares	Holding, %	Market value 31 Dec, SEK 000
1–500	2,749	573,352	3.2	16,341
501–1,000	854	709,027	3.9	20,207
1,001–10,000	736	2,158,187	11.9	61,508
10,001–100,000	72	1,963,017	10.8	55,946
100,001–	18	12,410,381	68.6	353,696
Own shares	1	298,570	1.6	8,509
Total	4,430	18,112,534	100.0	516,207

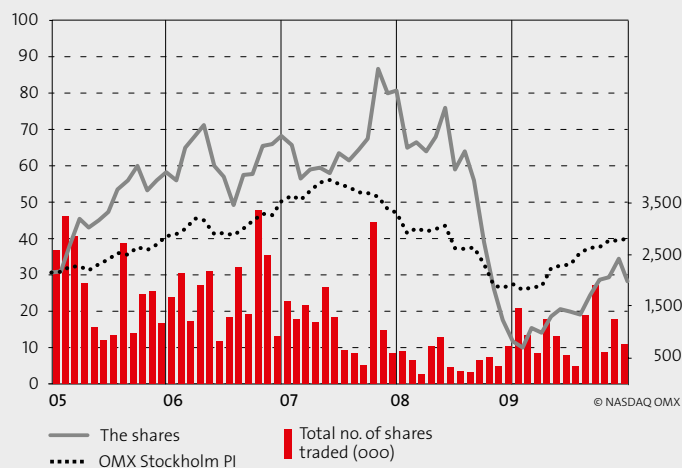
Source: Euroclear Sweden AB (VPC) shareholder register on 31 December 2009.

Semcon's 10 largest holdings on 31 December 2009

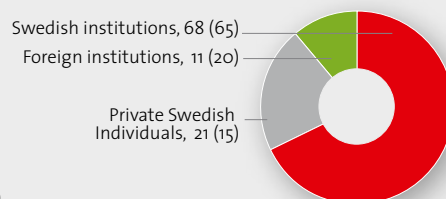
Name	No. of shares	Share holding, %
JCE Group	5,526,271	30.5
Skandia liv	2,377,748	13.1
Swedbank Robur fonder	1,696,420	9.4
Andra AP-fonden	571,103	3.2
FIM Bank	455,860	2.5
Six sis AG	284,100	1.6
Avanza pension	248,832	1.4
Nordnet pensionsförsäkring	198,904	1.1
SEB private bank	164,765	0.9
Tanglin	154,966	0.9
Total	11,678,969	64.5
Own shares	298,570	1.6
Other	6,134,995	33.9
Total	18,112,534	100.0

Source: Euroclear Sweden AB (VPC) shareholder register on 31 December 2009.

Semcon's shares, 2005–2009



Shareholder distribution, %



Corporate governance

Semcon AB (publ) ("Semcon") is a Swedish company active on a global market. The company's shares are quoted on the NASDAQ OMX Stockholm. Semcon applies the Swedish Code of Corporate Governance and hereby submits the corporate governance report for 2009.

Semcon is governed in accordance with Swedish corporate law. Semcon's Articles of Association regulates the alignment of the business, share capital and how and when the notice to attend the AGM takes place. The entire Articles of Association are available on Semcon's website at: www.semcon.se. Semcon also complies with other applicable Swedish and foreign laws and regulations.

Application

Semcon applies the Swedish Code of Corporate Governance and has no deviations to report.

Annual General Meeting

The notice to attend the Annual General Meeting appears in the Articles of Association. The notice to attend must be published in the Swedish Official Gazette and Dagens Industri newspaper.

At Annual General Meetings shareholders get the opportunity to place their voting rights and, in accordance with Swedish corporate law and Semcon's Articles of Association, to take decisions concerning the composition of the Board and other central issues. Shareholders or proxies can vote for the number of shares he/she owns or represents at the meeting.

Annual General Meeting 2009

The 2009 Annual General Meeting (AGM) was held on 29 April at Semcon's head office in Göteborg. Representatives of 55 per cent of the share capital were present, of which underlying shares held by the member of the nominations committee represented 54 per cent.

Hans-Erik Andersson was elected to chair the meeting. The meeting approved the Board's proposal for the appropriation of profits. The meeting decided that the Board should consist of six directly elected members. The meeting also approved the nominations committee's proposals for Board members, remuneration to the Board and its chairman. The meeting re-elected Hans-Erik Andersson (Chairman of the Board), Gunvor Engström, Kjell Nilsson, Marianne Brismar, Jorma Halonen and Håkan Larsson. The full minutes of the AGM are available at: www.semcon.com.

Annual General Meeting 2010

The Annual General Meeting for 2010 will be held on 29 April at Semcon's head office in Göteborg. More information is available on Semcon's website at: www.semcon.com.

Share structure and voting rights

Semcon's share class, ordinary shares, have a quotient value of SEK 1 and entitle the owner to one voting right.

Nominations committee

Based on ownership statistics from Euroclear Sweden AB (VPC) on 31 August for each respective year, the Chairman of the Board must convene the three largest shareholders in the company, who together shall appoint members of the nominations committee. If any of them decline then the right to nominate transfers to the next shareholder in terms of size, who doesn't already have the right to nominate members to the nominations committee. The member nominated by the largest shareholder will be the nominations committee's chairman. The job of the nominations committee is to prepare and present proposals to the Board, Chairman of the Board and in certain cases auditors and remuneration to the Board and auditors.

The nominations committee will also submit proposals to the AGM concerning principles for the structure of the nomi-

nations committee and proposals to the chairman at the meeting. The nominations committee's members will be announced no later than six months before the AGM. Information about the nominations committee's members and how proposals can be submitted are available at: www.semcon.com and in the Q3 report.

Nominations committee 2009/2010

The nominations committee's members in 2009/2010 were Christer Ericsson, JCE Group AB (nominations committee's chairman), Erik Sjöström, Skandia Liv, Kerstin Stenberg, Swedbank Roburs fonder and Hans-Erik Andersson (Chairman of the Board). No remuneration was paid to the members. The nominations committee met 4 times and also held individual meetings with directly elected members ahead of the 2010 AGM. The basis of the nominations committee's work has mainly been the company's strategies and priorities and an evaluation of the Board and its size and structure. The nominations committee's proposal for election of chairman of the meeting, Board members, Chairman of the Board and auditors is given in the notice to attend the AGM and also published in Semcon's website. Questions to the nominations committee can be submitted to: valberedning@semcon.se

Nominations committee ahead of the Annual General Meeting 2010

Representing		No. of voting rights, % 31 December 2009
Christer Eriksson	JCE-Group	30.5
Erik Sjöström	Skandia Liv	13.1
Kerstin Stenberg	Swedbank Robur fonder	9.4
Hans-Erik Andersson	Semcon AB	0.1
Total		53.1

Further information about corporate governance

The following information is available at www.semcon.se:

- In-depth information about internal control instruments such as Articles of Association and Code of Conduct.
- Information from Semcon's AGMs from 2004 onwards (notice to attend, minutes etc.).

Board

The work of the Board is regulated by the Companies' Act, the Articles of Association and the procedures adopted annually by the Board.

Board structure

Semcon AB's Board consists of six members elected by the AGM, of which two are female, and three members with their deputies elected by employees. Of the nine Board members, eight are Swedish Citizens and one is Finnish. The Board's structure meets the requirements for being independent set by the Swedish Code for Corporate Governance and in association with the NASDAQ OMX Stockholm.

Work of the Board

The Board held eight ordinary meetings and one extraordinary meeting in 2009. The work of the Board follows an agenda with fixed points for Board members. The Chairman leads and delegates Board work and ensures that urgent matters in addition to the fixed points on the agenda are dealt with. Attendance at the Board meetings is given in the table below. Other salaried employees in the company take part in Board meetings as co-opted members, speakers and secretary.

Board meetings 2009

No. 1/2009: Financial statement and Annual Report 2009, financial report, remuneration issues, CEO evaluation, debriefing of audit (auditors present)

No. 2/2009: Dealing with issues concerning the JCE Group's mandatory offer for Semcon*

No. 3/2009: Review of decision proposals and notice to attend ahead of the AGM

No. 4/2009: Q1 report January–March 2009, financial report

No. 5/2009: Statutory meeting

No. 6/2009: Strategy meeting, financing issues

No. 7/2009: Interim financial statement January–June, financial report

No. 8/2009: Q3 report January–September, financial report, insurance issues and risk management, debriefing of audit (auditors present)

No. 9/2009: Business plans for the business areas and setting budgets for 2010, board evaluation

At the statutory Board meeting the Board set procedures, instructions for the CEO, subsidiary instructions, financial reporting instructions, certification procedures and financial policy.

Audit committee

Semcon has decided the entire Board will carry out the audit committee's tasks. This audit committee structure meets the code's independence and expertise criteria. The entire Board aims at keeping in close contact with the company's auditors so that it can satisfactorily follow significant issues concerning the company's accounts, reporting routines, management of company assets and internal control. These kinds of issues are therefore dealt with by the Board as a whole. To make sure that the Board's need for information is reached, the company's auditors report to the Board at least twice a year. Peter Gustafsson and Hans Warén, the responsible authorized public accountants at Deloitte, have reported their views over the past year about the Group's internal control, reporting, financial accounting routines and balance sheet examination.

Group management

At year-end 2009 Group management consisted of the CEO and managers of the business areas and Group staff. See pages 82–83. Group management holds regular meetings led by the CEO. The meetings follow an agenda and are minuted. In addition to these meetings, a number of meetings are held where all, or parts of,

Semcon's Board 2009

		Elected	Present	Dependent/ independent	Audit committee	Remunerations committee
Hans-Erik Andersson	Chairman	2007	9/9	No	Yes	Yes
Kjell Nilsson	President and CEO	2007	8/9*	Yes**	No	No
Gunvor Engström	Member	2007	8/9	No	Yes	Yes
Håkan Larsson	Member	2008	8/9*	Yes***	Yes	Yes
Marianne Brismar	Member	2008	9/9	No	Yes	Yes
Jorma Halonen	Member	2008	8/9	No	Yes	Yes
Roland Kristiansson	Employee representative		8/9			
Stefan Novakovic	Employee representative		8/9			
Christer Eriksson	Employee representative		9/9			
Stefan Hedberg	Deputy member		1/9			

* Kjell Nilsson and Håkan Larsson were not present when the JCE Group's bid for Semcon was dealt with.

** Kjell Nilsson is dependent to the company and the company's major owners.

*** Håkan Larsson is dependent to the company's major owners.

The presentation of Board members appears on pages 80–81 of the Annual Report.

the Group management are present along with other employees from the Group. Group management works towards close contact with every business area in order to support and provide help and the tools to make the business more effective, marketing, business development and internal exchange of knowledge.

Business areas

Semcon's business activities are organized into three business areas. Semcon's organization is characterized by far-reaching decentralization, where every unit is highly independent with lots of authorization. Group management's control of the business areas takes place, in addition to continual contacts, mainly through monthly internal debriefings by business area managers and controllers and by quarterly review meetings with some of the Group management.

The Group has certification and decision-making that clearly regulates authorization at every level in the company, from individual employees to Semcon's management. The areas regulated include contract levels, handling quotes/tenders, investment, rental and leasing contracts, insurances, expenses and guarantees.

The organization for an assignment/project varies according to the assignment/project's size, location and complexity. Each assignment/project is run by an assignment manager/project manager. Semcon and its Swedish subsidiaries are certified and apply quality and environmental management systems according to ISO 9001:2000 and 14001:2004, which are constantly reviewed by external auditors.

Remuneration issues

Remuneration committee

Semcon has decided that the entire Board will carry out the remuneration committee's tasks. Members of company management will not participate in this work.

Remuneration to the Board

Remuneration to the Board is decided by the AGM following proposals from the nominations committee. The AGM decided that remuneration to the Board in 2009/2010 should be the same as the previous financial year, i.e. remuneration to the Board of SEK 400,000 for the Chairman and SEK 200,000 for other Board members not employed by the company. Remuneration to the CEO is decided by the Board. The same remuneration was paid to the CEO in 2009 as in 2008. No flexible remuneration was paid in 2009.

Remuneration to senior executives

All senior executives in the senior management team are entitled to a fixed salary and a flexible salary of no more than six months' salary based on how well they meet their respective targets. The fixed salary is set every calendar year. Remuneration guidelines include the individuals, who during the time the guidelines applied, were part of the senior management team. The Board has the right to deviate from the guidelines if there is just cause to do so in special circumstances. The same fixed remuneration to the CEO and other senior executives applied to

2009 as for 2008 with no flexible remuneration paid. Senior executives' remuneration and bonuses are reported in Note 8 on page 58.

Auditors

Deloitte AB was elected as the company's auditor for a four-year period at the AGM in 2007. The company's auditors are the authorized public accountants Peter Gustafsson and Hans Warén.

Peter Gustafsson was born in 1956. In addition to audit work for Semcon Peter Gustafsson carries out audit work for companies like SAS Scandinavian Airlines Sverige AB, Saab Automobile AB, Ledstjernan AB, Akademiska Hus AB, Specialfastigheter Sverige AB, Göteborgs Hamn AB and Göteborgs Kommunala Förvaltnings AB. Hans Warén was born in 1964. His other assignments include Saab AB Group, Ekman & Co AB, Göteborg Energi AB, Liseberg AB,

Parker Hannifin AB, SPX Johnson Pump Marine AB and the Bodycote Group. The auditors' interaction with the Board is described above. In addition to auditing, Deloitte AB will also provide advice on accounting issues to Semcon. All services provided in addition to the statutory auditing service are checked specially to ensure that there is no conflict of interest or disqualification issue. No senior executive at Semcon has held any position at Deloitte AB. Semcon's remuneration to auditors and purchase of services in addition to auditing, appear in Note 7 on page 57.

This report is not part of the formal annual report documents and has not been subject to scrutiny by the company's auditors.

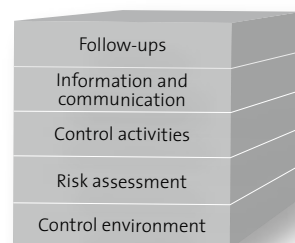
Board's report on internal control

The Swedish Companies Act regulates the Board and CEO's responsibility concerning internal control. The Board's responsibility is also regulated by the Swedish Code of Corporate Governance, which also includes demands for annual external information flow concerning how the internal control for financial reporting is organized.

Internal control

Semcon has defined internal control as a process designed to provide reasonable assurance that Semcon's objectives are achieved in terms of an appropriate, effective business, reliable reporting and how to follow applicable rules and regulations. The internal control is influenced by the Board, CEO, Group management and other employees and is based on a control environment that creates the basis for the

other four components in the process – risk assessment, control activities, information, communication and follow-ups. The process bases itself on the framework for internal control issued by the Committee of the Sponsoring Organizations of the Treadway Commission (COSO). The control environment includes the values and ethics that the Board, CEO and Group management communicate and use and that are documented in Semcon's Code of



Framework for internal control

Conduct and the Group's organizational structure, management, decision-making, authorization, responsibility and expertise of the employees. Semcon's vision, business concept, objectives and strategies are the basis of day-to-day work. Semcon is characterized by a decentralized organization driven from target-steered management with clear objectives.

Internal control concerning financial reporting

Internal control concerning financial reporting aims to give reasonable assurance concerning reliability of the external financial reporting in the form of quarterly reports, annual reports and financial statements and that the external financial reports are drawn up in accordance with laws, applicable accounting standards and other demands made on listed companies. The following description has been drawn up in accordance with the Swedish Code of Corporate Governance and the current application instructions and make up the Board's report for internal control concerning the financial reporting. This internal control report for the financial reporting has not been subject to review by the company's auditors.

Control environment

The Board has overall responsibility for the internal control of financial reporting. The Board has set out written standing orders that clarify the Board's responsibilities and that regulate the work of the Board. The Board will ensure that set principles for financial reporting and internal control are observed and that applicable relationships with the company's auditors are maintained. The Board has drawn up instructions for the CEO and for financial reporting. Responsibility for ensuring effective control environments is delegated to the CEO. The Group's Internal Control is a support function for the internal control of financial reporting in the Group's companies and business areas. Internal control instruments for financial reporting are made up of the Group's finance policy, information policy, investment rules, authorization rules and the Group's accounting and reporting rules. Semcon's ethical values are documented in the Group's Code of Conduct and staff policies complement other rules and instructions for employees. New business management and CRM systems were implemented during the year for the Swedish business. New, clearer routines and rules implemented in 2009 for submitting tenders/bids, conditions of contract and drawing up agreements on all geographic markets have gone according to plan. To make sure these routines are adhered to a number of training initiatives were completed over the year.

Risk assessment

Semcon's risk assessment covering financial reporting, i.e. identification and evaluation of the most significant risks in the Group's companies, business areas and processes regarding financial reporting, consist of a foundation for how they are managed. They are managed by the risks being accepted, reduced or eliminated, with demands on controls and control levels within the frameworks set by the Board, CEO and Group management. Risk assessment has taken place during the year in the respective business area's management groups and with Group staff function managers and controllers. Financial reporting risk assessments will be updated annually under the management of the Internal Control function and the results reported to the Board and Group management.

Control activities

The significant risks identified for financial reporting are managed through various control activities and processes in the Group's companies, business areas and that aim to safeguard that the basic demands on external financial reporting are met. The control activities build on the Group's minimum requirements for internal control for financial reporting and consist of comprehensive, detailed controls that can be preventative and exploratory in nature. The respective business areas are responsible for the Group's control instruments being implemented and observed and that any possible deviation is reported. In 2008 all Group companies and business areas completed an Internal Control questionnaire in order to evaluate the internal controls.

Information and Communication

Information and communication about internal control instruments for financial reporting is published on Semcon's intranet, which is accessible to every employee. External communication consists, for example, of external financial reporting such as quarterly reports and the annual report. There is an information policy to support the information procedures in the Group. This clearly states who is allowed to communicate what type of information and that the information must be correct, coordinated, consistent, fast and able to be monitored, both internally and externally. The results of the internal control of financial reporting procedures are reported by the Group's function for Internal Control to the Board and Group management.

Follow-ups

Follow-ups for ensuring effective internal control for financial reporting are carried out by the Board, CEO, Group management, the Internal Control function and by the Group's companies and business areas. Follow-ups are carried out informally and formally and comprise follow-ups of monthly financial reports against budgets and objectives such as quarterly reports, which in certain cases are complemented with independent examinations by external auditors. Semcon has introduced a Group-wide reporting system for working on the internal control of financial reporting, which includes self-evaluation of all the Group's companies and business areas that provides a picture of how the Group's subsidiaries live up to the minimum requirements of internal control for financial reporting for significant risks identified and also provides information concerning the status of subsidiaries' work. Every company and business area is responsible for drawing up action plans for divergence that is then followed-up by the respective internal Board in each business area. In addition, the Group's Internal Control function has tested the self-evaluations and reported divergences in the audit reports to the affected parties. In view of the results of the tests, the company has so far found no reason to introduce a special internal audit function.

The Board
Gothenburg, 22 March 2010



From left: Gunvor Engström, Håkan Larsson, Stefan Hedberg, Kjell Nilsson, Christer Eriksson, Marianne Brismar, Stefan Novakovic, Jorma Halonen and Hans-Erik Andersson.

The Board

Hans-Erik Andersson (Chairman)

Board member since 2007 and elected Chairman of the Board in 2008.
Born 1950
Qualifications: Financial studies, Stockholm University.
Nationality: Swedish
Other board assignments: Chairman of Erik Penser Bankaktiebolag and Canvisa Consulting AB. Board member of Cision AB and Gjensidige Forsikring BA.
Shareholding in Semcon: 20,000

Gunnor Engström

Board member since 2007.
County Governess of the County of Blekinge.
Born 1950
Qualifications: Master of Business Administration (MBA), Stockholm School of Economics.
Nationality: Swedish
Other board assignments: Länsförsäkrings Liv Försäkringsaktiebolag (publ), Apotekets restructuring company and Third AP fund.
Shareholding in Semcon (own and family): 30,000

Jorma Halonen

Board member since 2008.
Born 1948
Qualifications: Master of Business Administration (MBA), from the Swedish School of Economics in Helsinki.
Nationality: Finnish
Other board assignments: Chairman of Niscayah Group AB (former Securitas Systems), CPS Color and TMD Friction. Board member of Assa Abloy AB, NICDP (Advisory Board to the Saudi Arabian Government). Board member of Permira Nordic Advisory Board and Elektrobit.
Shareholding in Semcon: 650

Marianne Brismar

Board member since 2008.
Born 1961
Qualifications: Pharmacist Graduate and BA in economics.
Nationality: Swedish
Other board assignments: Eco-Boråstapeter AB, Ernströmgruppen AB, Eton Systems AB, Imego AB and Beijer Alma AB. Chairman of Teknikcollegerådet Region Väst.
Shareholding in Semcon: 5,000

Håkan Larsson

Board member since 2007.
Born 1947
Qualifications: Master of Business Administration (MBA), School of Business, Economics and Law, University of Gothenburg.
Nationality: Swedish
Other board assignments: Chairman of Consafe Logistics Holding AB, Schenker AB and Inpension Asset Management. Board member of Bure Equity AB, Chalmers University of Technology, Ernströmgruppen AB, Handelsbanken Region Väst, Rederi AB Transatlantic, Stolt-Nielsen A/S and Wallenius Lines AB.
Shareholding in Semcon: –

Kjell Nilsson (President and CEO)

Board member since 2007.
Born 1948
Qualifications: Economics and Business Studies Graduate from the School of Business, Economics and Law, University of Gothenburg.
Nationality: Swedish
Other board assignments: Chairman of Bruks Holding AB and Symbrio AB. Board member of Choice Hotels AS, Home Properties AB and Home Invest AS.
Shareholding in Semcon: 125,544

Roland Kristiansson (not in picture)

Employee representative.
Employed since 2000
Born 1948
Qualifications: Technical College Engineer.
Nationality: Swedish
Shareholding in Semcon: 1,014

Stefan Novakovic

Employee representative.
Employed since 2000
Born 1969
Qualifications: Technical College Engineer.
Nationality: Swedish
Shareholding in Semcon: 80

Christer Eriksson

Employee representative.
Employed since 2000
Born 1969
Qualifications: Master of Engineering (M.E.) in Mechanical Engineering, Materials and Machining Technology, Luleå University of Technology.
Nationality: Swedish
Shareholding in Semcon: 746

Stefan Hedberg

Deputy member
Employed since 1999
Born 1971
Qualifications: Market engineer, Karlstad University.
Nationality: Swedish
Shareholding in Semcon: 324

Group Management

Kjell Nilsson

President and CEO

Born 1948

Qualifications: Economics and Business Studies Graduate from the School of Business, Economics and Law, University of Gothenburg.

Employed since 2008

Board assignments: Chairman of Bruks Holding AB and Symbrio AB. Board member of Choice Hotels AS, Home Properties AB and Home Invest AS. Shareholding in Semcon: 125,544

Björn Strömberg

CFO

Born 1960

Qualifications: Master of Business Administration (MBA), School of Business, Economics and Law, University of Gothenburg.

Employed since 2007

Shareholding in Semcon: 10,420

Urban Kihlén

Purchasing Manager

Born 1959

Qualifications: Master of Business Administration (MBA), School of Business, Economics and Law, University of Gothenburg.

Employed since 1998

Board assignments: Lindholmen Science Park.

Shareholding in Semcon (own and family): 4,200

Markus Granlund

General Counsel

Born 1975

Qualifications: Master of Law from Lund University, Master of International Trade Law in Australia.

Employed since 2008

Shareholding in Semcon: –

Anders Atterling

IR & PR Manager

Born 1960

Qualifications: Bachelor of Science (BSc), Economics, Örebro University. Employed since 1991

Shareholding in Semcon: 16,210

Nicole Nieder

HR Manager

Born 1971

Qualifications: Bachelor of Law, Munster University, Germany.

Employed since 2009

Shareholding in Semcon: –

Klas Elmby

IT Manager

Born 1969

Qualifications: Technical College Engineer, courses taken at HTU and Chalmers University of Technology.

Employed since 1990

Shareholding in Semcon: 20,000

Anders Löwgren

Group Financial Controller

Born 1965

Qualifications: Master of Business Administration (MBA), School of Business, Economics and Law, University of Gothenburg.

Employed since 1998

Shareholding in Semcon: 1,129

Thomas Andrén

Group Business Controller

Born 1973

Qualifications: Master of Business Administration (MBA), School of Business, Economics and Law, University of Gothenburg.

Employed since 2000

Shareholding in Semcon: 5,210

Mats Körner

President of business area Design & Development

Born 1964

Qualifications: Mechanical Engineer.

Board assignments: Prototol

Industrier AB

Employed since 1995

Shareholding in Semcon: 2,017

Johan Ekener

President of business area Informatic

Born 1964

Qualifications: Master of Science (MSc), Chalmers University of Technology, Master of Business Administration (MBA), School of Business, Economics and Law, University of Gothenburg.

Employed since 2004

Shareholding in Semcon: 1,000

Stefan Ohlsson

President of business area

Automotive R&D

Born 1967

Qualifications: Mechanical Engineer, Marketing Economist, IHM Business School.

Employed since 2004

Board assignments: Golan Plastic Products AB, A&B Ohlssons smidesverkstad AB and FKG.

Shareholding in Semcon: 3,000



From left back row:
Mats Körner, Klas Elmby, Anders Atterling, Anders Löwgren,
Johan Ekener, Stefan Ohlsson, Björn Strömberg,
Nicole Nieder, Kjell Nilsson, Thomas Andrén,
Urban Kihlén and Markus Granlund.

Shareholder service

Financial information

Financial agenda

Q1 report Jan–March
Annual General Meeting
Q2 report Jan–June
Q3 report Jan–Sept

29 April 2010
29 April 2010
16 July 2010
22 Oct 2010

Information about Semcon's business, financial reporting, activities and press releases etc. can be found on Semcon's website at: www.semcon.com where you can also subscribe and order financial information via email.

Previous years' Annual Reports and quarterly reports are available at: www.semcon.com or can be ordered by telephone on: +46 (0)31 721 00 00 or by email: ir@semcon.com. For environmental and cost reasons Semcon has chosen to only send the Annual Report to shareholders who have specifically requested it. Before the Annual Report is published each year, new shareholders are sent an order form giving them the opportunity of subscribing for the coming printed version of the Annual Report.

Contacts

Anders Atterling, Investor Relations Manager
Email: anders.atterling@semcon.com

Björn Strömberg, CFO
Email: bjorn.stromberg@semcon.com

Glossary

BRIC countries

Brazil, Russia, India and China.

CAD

Computer Aided Design. Computer-based construction using 3D models and producing plans.

CAE

Computer Aided Engineering. Computer-based simulation and calculation of models in order to evaluate how a component will be affected by mechanical stresses etc.

CM (Configuration Management)

This involves checking and controlling different supplies, always being able to recreate a product for every given occasion and tracing a change from the time the idea is hatched to it being introduced, tested and realized.

DM (Document Management)

Document Management.

Driveline

Joint name for engine, gearbox and transmission.

Front office/back office

Semcon's principle for the front office/back office model is for assignments and work to be carried out where we have the best expertise and available resources. Back offices carry out most of the work and front offices are responsible for project coordination and customer relations.

Homologation

Typological classification when typological approving.

HVDC

High Voltage Direct Current. Technology used for transporting electrical energy with the help of high voltage direct current in order to reduce losses compared to traditional alternating current voltage.

Embedded system

Computer-dedicated to perform one or more functions, usually integrated in a larger unit together with other components.

Lean production

How we handle resources in order to identify and eliminate every factor of a production process that doesn't create value for end customers.

Life Science

Collective name for the pharmaceutical, med-tech and bio-tech industries.

NVH

Noise, Vibration, Harshness. The generic name for everything to do with noise and vibration from a comfort perspective.

PLM

Product Lifecycle Management. Processes that handle data and information about a product throughout the entire product lifecycle with clear links to customers' business processes. Examples of this information include costs, environmental impact, qualities, management and serviceability.

Satellite offices

An office that is physically situated far from the home environment, but network connections and software make it possible to work in a home environment computer system as if on site.

Co-efficiency ratio

A quantity measuring the quotient between recovered usable energy and supplied energy in a car engine for example.

Production development

Development of equipment, tools and processes in order to produce a product.

Product lifecycle

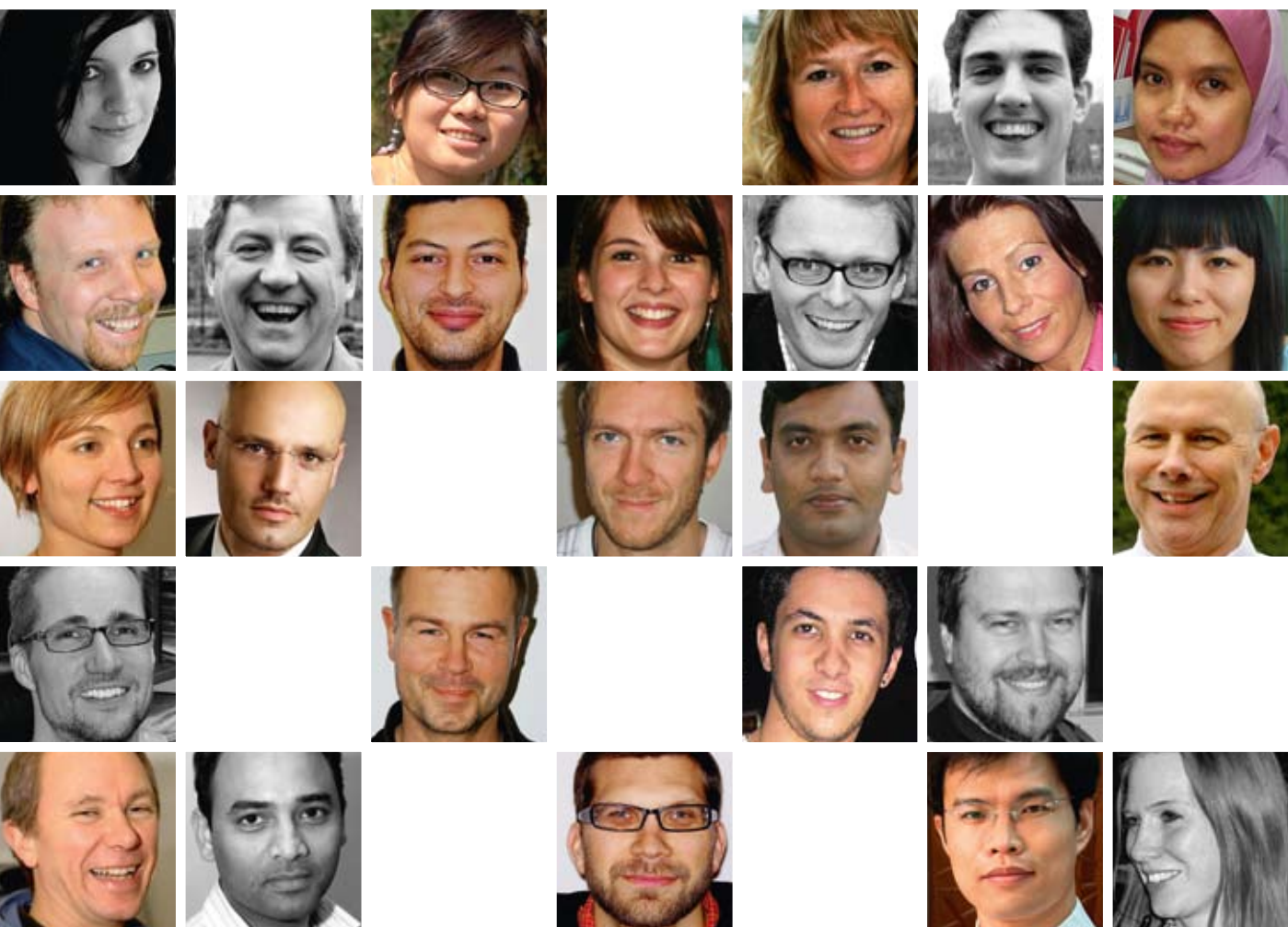
A product's lifecycle on the market, i.e. from sale to scrapping.

Product development cycle

The cycle from idea to end product.

Read Semcon's own magazine about product development and technical information. You'll find it at semcon.com or subscribe to the magazine via future@semcon.com





semcon