

Annual Report 2010

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Income and operating profit/loss per quarter

	2009				2010			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Income, SEK m	662.6	602.3	477.7	538.5	520.7	515.9	471.5	582.8
Operating profit/loss, SEK m	-41.8	-63.3	-45.1	-91.0	-4.5	-24.7	-2.7	34.9
Operating profit/loss*, SEK m	-32.2	-24.0	-24.3	10.1	-4.5	-16.6	0.1	38.9

*Excluding one-off items

Katalin Tisoczki, technical writer and coordinator, Semcon Hungary.

Semcon 2010

After a weak start to the year the Group saw a clear improvement in the market situation in the second half of the year and **once again reported growth and positive results in Q4.**

The operating income was SEK 2,091 million (2,281), of which 47 per cent (47) was from sales outside Sweden. Organic growth was -5 per cent. The fall in sales is mainly due to the units active in the automotive sector. Sales in Q4 amounted to SEK 583 million (539) and organic growth was 13 per cent.

The operating profit was SEK 3 million (-241), giving an operating margin of 0.1 per cent (-10.6). The total cost of carrying out the cost-cutting scheme affected results for the year by SEK 15 million. Last year results were affected by one-off items of SEK 171 million, of which write-down of goodwill and shares in associated companies amounted to SEK 78 million. The operating profit, excluding these items was SEK 18 million (-70) with an operating margin of 0.9 per cent (-3.1).

The operating profit in Q4 saw an improvement of SEK 126 million, amounting to SEK 35 million, giving an operating margin of 6.0 per cent (-16.9). The Group's equity/assets ratio was 33.0 per cent (30.5).

New business and more enquiries from all Semcon's sectors mean that the Group has a **major recruitment requirement.** The company has a positive outlook for 2011 and expects to continue seeing improved results.

Key figures	2006	2007	2008	2009	2010
Income, SEK m	1,361	2,497	3,299	2,281	2,091
Operating profit/loss, SEK m	52	-11	150	-241	3
Operating margin, %	3.8	-0.4	4.5	-10.6	0.1
Operating profit/loss excl. one-off items, SEK m	83	150	216	-70	18
Operating margin excl. one-off items, SEK m	6.1	6.0	6.6	-3.1	0.9
Equity/assets ratio, %	40.0	23.5	33.6	30.5	33.0
EPS after dilution, SEK	2.59	12.82	5.14	-11.52	-0.29
No. of employees 31/12	1,522	3,648	3,310	2,631	2,703

This is Semcon

Semcon is a global company active in the areas of engineering services and product information with around 2,700 employees. Our focus industries include the automotive industry, life science, telecoms, energy and other development intensive industries.

Vision and business concept

Read more on page 6

Strategies and objectives

Read more on page 6

Employees

Read more on page 37

Markets and trends

Read more on page 12

Global engineering

Semcon develops technologies, products, plants and information solutions along the entire development chain and also provides many services and products including quality control, training and methodology development. Semcon boosts customers' sales and competitive strength by providing them with innovative solutions, design and solid engineering solutions. The Group has sales of SEK 2.1 billion and activities at more than 40 sites in Sweden, Germany, UK, Brazil, Hungary, India, China, Spain and Russia.

Semcon is organized into three business areas: Automotive R&D, Design & Development and Informatic.

Automotive

Semcon is one of a few independent technology companies with the expertise and capacity to develop complete vehicles – a process that covers everything from pilot study and design to construction of vehicles and production systems.

Read more on page 26



Life Science

Semcon has over 20 years' experience of system solutions and project management from companies in the pharmaceutical industry, bio-tech and med-tech industry. More effective production, quality assurance and shorter lead times are just some of the benefits we provide.

Read more on page 14



Industry

Semcon provides complete solutions for products, production systems, plants and product information. Mechanical development in the engineering industry is a major area of technology where Semcon has extensive experience.

Read more on page 30



Our services

Semcon's offer is divided into two categories: engineering services and product information.

Semcon's **engineering services** help customers develop products, systems and plants that strengthen their competitive strength by using innovative solutions throughout the entire development chain, from requirements studies to finished product.

Semcon's **product information** business provides complete information solutions for aftermarket, information management and online marketing to support customers' products throughout the products' entire lifecycle.

Read more on page 10

How we do business

Specialist services – Semcon provides specialists for many different areas, who work in customers' own organizations to provide unique expertise and bolstering capacity.

Projects – Semcon takes overall responsibility for entire projects and provides customers with the desired result.

Partnership – Semcon takes on overall responsibility for a defined function designed to provide products and services and takes over customers' entire processes.

Value-enhancing factors:

In assignments where Semcon provides specialist services, it is mainly the number of contracted specialists, fee and utilization that's crucial for the development of the company's income and profits. In assignments where Semcon provides project and partnership-based solutions it is the ability to achieve a high degree of efficiency, quality and assurance in a projects and delivery that are crucial for creating value over the short and long terms.

Energy

Semcon has extensive experience of assignments for the distribution of energy and energy production, including nuclear, hydroelectric and wind power, but also for development of energy-smart products.

Read more on page 18



Telecoms

Semcon is strongly positioned as a supplier of product information solutions for the telecoms industry. Our services help make customers' offers and products easier to understand and use throughout the products' lifecycle. We also carry out project methodology projects and training throughout the world.

Read more on page 22



CEO's comments

Demand for Semcon's services saw a significant improvement during the autumn after a weak first six months. The year ended strongly with a high utilization rate and growth in all business areas, meaning we were able to report a healthy operating profit for 2010. The Informatic and Design & Development business areas both reported positive results for the year and the Automotive R&D business area, which has been hit by problems in the automotive industry in recent years, once again reported a profit in Q4.

Strategic measures providing healthy results

The strategic measures taken in recent years have begun to pay off. This not only applies to the decision to develop project business, where we provide effective solutions rather than charging per consultancy hour, but also to measures to develop our customer offers. We have also strengthened internal management, something that leads to more cost-effectiveness in line with business volumes increasing.

A global partner

It's been three years since our vision to be a global partner for engineering services and product information was established and I can now say that we have developed into a global company. We're growing with our customers internationally with major focus on constantly supplying added value. Over the year we've continued focusing on streamlining our processes for becoming a professional partner.

More frequent technology shifts need efficiency

The major lack of engineers in Europe and more frequent technology shifts, requires a high degree of efficiency. End-users' demands for solutions push developments even faster. Products, plants and systems are becoming increasingly complex, which is requiring significant development and documentation. Semcon's experience from the development-intensive automotive industry has made us used to rapid changes and being flexible. We benefit from this when we meet demands for increased efficiency for our customers in other industries.

The financial crisis has clearly shown how important it is to be represented on many markets and in many industries. Semcon is now a global company and we're using the Group's global infrastructure to continue growing and developing our business on more markets. Our joint expertise is utilized through an effective networking supply structure at our offices around the world where we use our skill centres in countries like India, China and Hungary.

We're carrying out more project assignments and partnership business where we're creating cost-effective solutions and profits, both for our customer and for ourselves.

Financial stability

Efforts for cutting costs, being profitable and safeguarding good financial stability have paid off. Proof of this is that we reported a considerably better operating profit in Q4 2010 compared to the year before and previous quarters in 2010. The equity/assets ratio also increased, while net borrowings fell. The positive income and profit development are expected to continue in 2011.

Focusing on utilization and profitability

The automotive industry is still Semcon's largest industry area, with Germany as its largest market. Although the year started poorly we've seen a positive second half of the year with growth on all our markets and an increased utilization.

The energy sector is one of the Group's focus areas and for 2011 we see huge potential in the UK's investment in the area of wind power. We're continuing to expand in Norway in the energy and offshore sectors. Apart from new projects we have a new sales organization to further benefit from the opportunities that we're seeing on the Norwegian market.

We're also seeing growth potential in the industry segment by following our existing local customers even in their international activities.

Our life science and telecoms activities are continuing to grow and develop, in terms of range, volume and profitability.

Sweden and Germany are our largest markets and we're seeing major potential of growing in areas where demand is high. On the German market the automotive sector is the largest area, but there's also major potential for growth in the energy, industry and railway sectors. One example of this is that in autumn 2010 we established an activity that's cultivating the industrial sector.

There is major growth potential in Sweden in areas such as energy, environment and life science.

China is a clear catalyst of the global economy and Informatic activities have been present on this market since 2005. In 2010 activities there saw major growth, which is expected to continue

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Our outlook for 2011 is positive and we expect to see continued profit improvements.

in 2011. We also carried out a number of smaller projects for the Chinese automotive industry over the year and we see major potential for continued expansion.

Brazil, Hungary and India are continuing to grow and the range in these countries has spread into other industries than just the automotive and telecoms industries.

Assignments from the expanding Russian market are expected to increase with the potential of becoming an extremely expansive market for Semcon with work initially being run by our German organization.

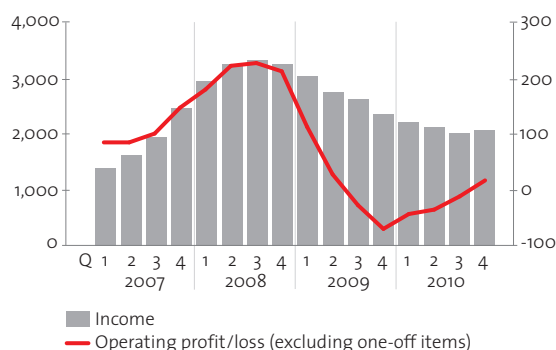
Outlook for 2011

Employees are the most important asset of any service company and for us at Semcon to develop our market position it's important that we are an attractive employer. One of our biggest challenges is that employees develop and are proud of Semcon. We also need to attract new, qualified employees to achieve growth. This is at a time when demand for qualified engineers is very high on all our markets. Our opportunities for providing interesting projects/ assignments in a global environment together with a developmental and strong internal culture are a few of the important parameters for this to succeed.

I'm proud of what Semcon has supplied to its customers over the 30 years we've been in business. Our outlook for 2011 is positive and we expect to see continued profit improvements.



Income and operating profit/loss, SEK m*



* The result of each quarter is for four consecutive quarters

Kjell Nilsson, President and CEO
18 March 2011

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 technical partner, to provide expertise that creates added value.

The business objectives describe what Semcon wants to achieve and permeates 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
- constantly develop its offers in its core business
- continue to expand in new technology areas by following its customers to new markets
- develop business towards more complete assignments
- be the natural first choice as an employer

1 Financial objectives

- **An operating margin of no less than 8% over a business cycle**

Outcome The operating profit gradually improved following a weak start to the year. The operating margin for 2010 was 0.1% (-10.6) and excluding one-off items was 0.9% (-3.1). The operating margin for Q4 was 6.0% (-16.9). The improvement is mainly attributable to the improved market situation and the effects of the implemented cost-cutting scheme.

- **The equity/assets ratio will exceed 30%**

Outcome The company is continuing to report an equity/assets ratio in excess of that predicted. The improvement is due to the lower balance sheet total compared with 2009 and amounted to 33.0% (30.5).

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

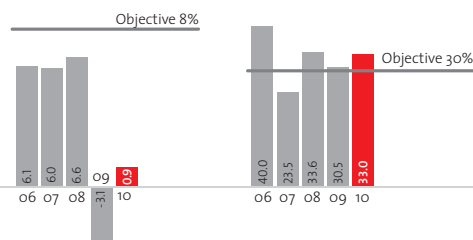
Outcome Semcon's dividend policy states that the company's financial position and capital requirements for continued expansion must be taken into consideration. Due to the loss made in 2010 the Board proposes that no dividend be paid for the 2010 financial year (-).

2 Principal strategies

- Strengthen Semcon's brand as employer to attract and retain employees
- 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 future needs
- Utilize Semcon's international size and expertise to carry out major assignments with a high degree of technical content
- Combine Semcon's various global resources in joint projects and assignments

Operating margin, % *

Equity/assets ratio, %



The operating margin* amounted to 0.9% (-3.1) and for Q4 it was 6.7% (1.9). The operating margin* for the respective business areas were: Automotive R&D -3.2% (-7.8), Design & Development 3.5% (0.6) and Informatic 8.9% (7.7).

* Operating margin excluding one-off items

The equity/assets improved and amounted to 33.0% (30.5).

3 Strategic priorities 2010

- Prioritize organic growth but also consider strategic acquisitions

Outcome After a weak start to 2010 we saw improved growth in the second half of the year. The organic growth in 2010 was -5% (13% in Q4). No acquisitions were carried out in 2010.

- Focus on customers, costs and cash flow in order to safeguard positive results and maintain cash flow

Outcome Intensive efforts have been carried out to once again report positive results. In addition to extra sales initiatives costs have been adjusted to the current market situation. The operating profit for 2010 was SEK 3 million (-241). Growth in Q4 meant we tied up more operating capital, which negatively affected cash flow. Cash flow for current activities amounted to SEK -55 million (104).

- Continued expansion in BRIC countries

Outcome The Group employed a further 100 individuals in Brazil, India and China over the year, equivalent to a 60% growth. Growth in Brazil was 43%, in India 94% and in China 105%, in terms of employee numbers. We chose not to expand in Russia over the year.

- Benefit from the Group's size, infrastructure and customer base in all prioritized industries

Outcome Our good customer relations have added business at our offices around the world. We also benefit from specific knowledge from various industries when developing solutions.

- Continued realignment from hourly-based consultancy invoicing to an increased number of projects and complete assignments and solution packages

Outcome The realignment towards an increased share of complete projects, complete undertakings and packaged solutions is continuing even if the number of hourly-based invoicing is still the most common. During the year Semcon was chosen as a development partner for producing a new car model in Germany and chosen as partner for developing product information for a med-tech company in Sweden.

- Develop attractive offers to the energy, offshore and environment sectors

Outcome A number of new projects were agreed on during the year in the energy and offshore sectors, both domestic and international. Proof that Semcon is an attractive partner in this area is that the company was chosen as a Class A supplier for technical consultancy services by Vattenfall for the period 2011–2013 with the option of extending the contract by one more year.

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

Outcome Strengthening Semcon as an employer is an ongoing initiative. Work is underway, from the results of the employee survey, which has already resulted in new introduction training for new employees and strengthening of the Group's internal communication. A strategy initiative started in 2010 that defined our core values through an employee survey. Leadership focus has been on boosting skills levels in communication, methodology and verbal communication and in carrying out training in areas such as business law, business acumen and sales.

4 Strategic priorities 2011

Financial

- Focus on improved profitability and cash flow
- Prioritize organic growth but also carry out strategic acquisitions that strengthen the offer and/or market presence

Market

- Strengthen our established sites and continue the global expansion on all prioritized markets
- Follow customers to new markets by benefitting from the existing infrastructure for creating new business

Offer

- Increase the number of projects, complete undertakings and packaged solutions
- Continue efforts towards the energy, environment and life science sectors

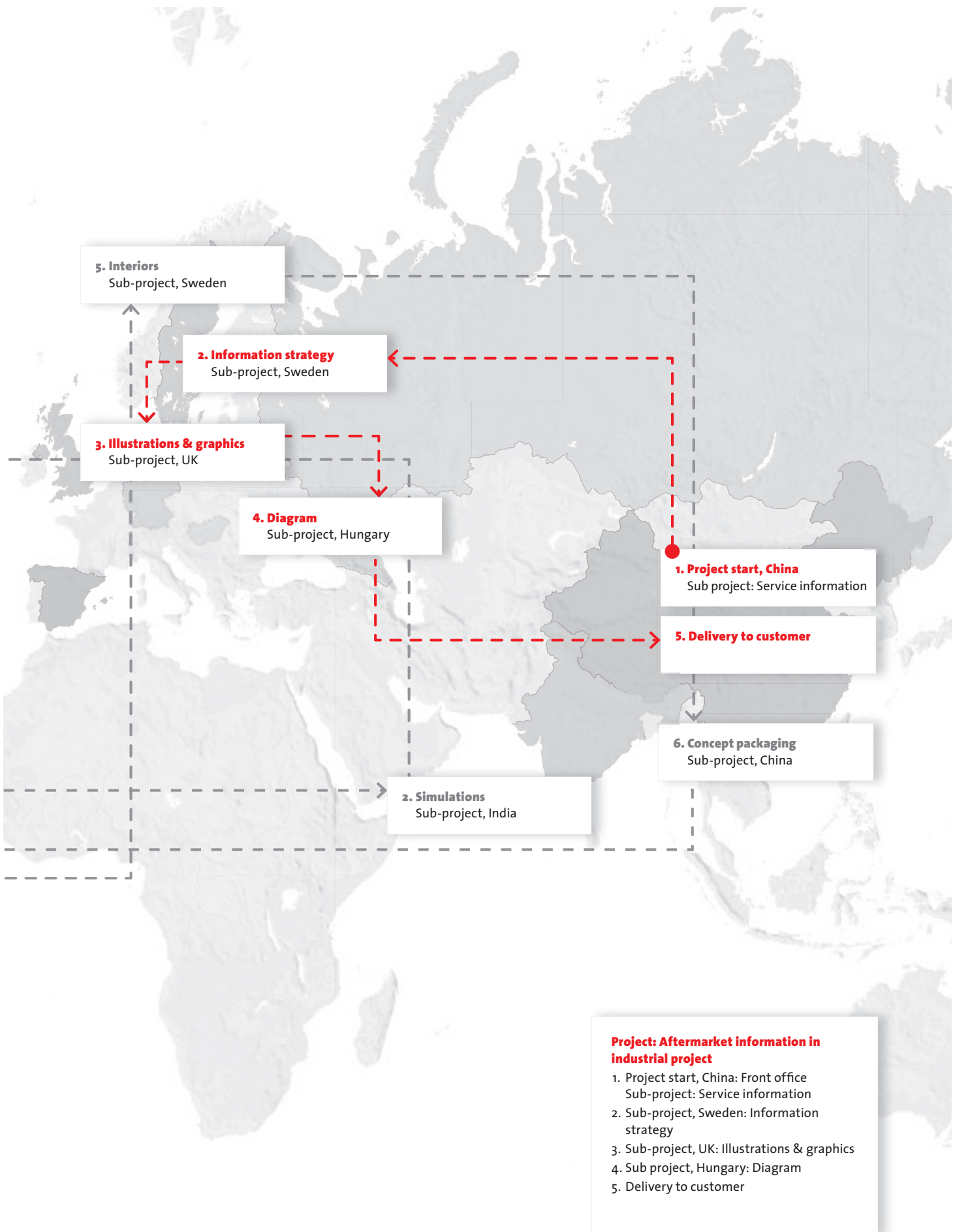
Employees

- Strengthen Semcon as an attractive employer

Semcon carries out development projects with the teams best suited, irrespective of where they're located. In this way we always ensure access to expertise, cut lead times and work highly cost-efficiently. Here are two examples of projects – from the start of the projects at our front offices where customer contact is made, to effective production at our various offices and skill centres around the world.

Effective project management through global infrastructure





Semcon helps companies develop products, systems, plants, design and information solutions that enhance their competitive strength. We come up with innovative solutions for the entire development chain, from requirements studies to finished product and aftermarket.

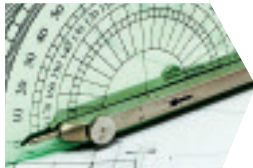
Services for the entire development chain



Examples of engineering services

Design

Semcon provides a number of design services aimed at most industries, giving customers access to our extensive expertise and experience. The design process covers every aspect of the product, taking into account market conditions, aesthetics, ergonomics, function, environment, production demands and product specifications.



Product and system development

Semcon's engineers carry out assignments of all sizes, from constructing individual solutions to designing complete products and systems while supporting customers in their work. The Group provides everything from advanced mechanics, electronics, embedded systems, simulations and acoustics to quality control and Product Lifecycle Management (PLM). Semcon can run and provide complete assignments in a range of different industries.



Production and process development

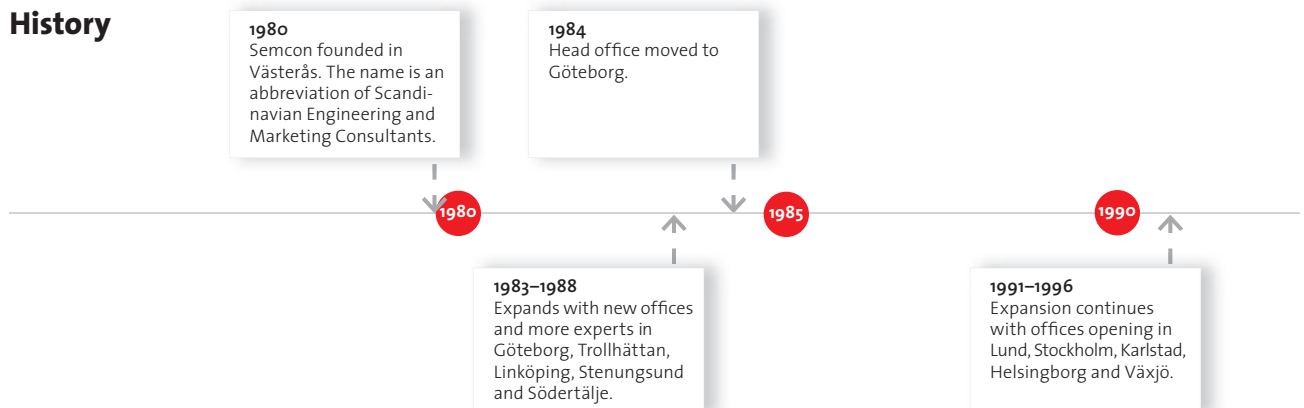
Semcon has extensive expertise in order to streamline customers' businesses through the entire value flow chain. This means we can help customers with analyses as well as implementing proposed measures. An important ingredient for succeeding with entire development processes is to use methods and tools to support change.



Project management

As project management consultants, project auditors, mentors and process developers Semcon works with project management's nine areas of expertise on hard and soft issues and always in cooperation with our customers. We also have extensive experience of validation, method development and training in many different areas.

History



Examples of product information services

Information strategy

We provide complete information solutions for aftermarket, information management and online marketing – solutions that boost brand value, making the products more attractive and simple to understand and use.

Aftermarket solutions

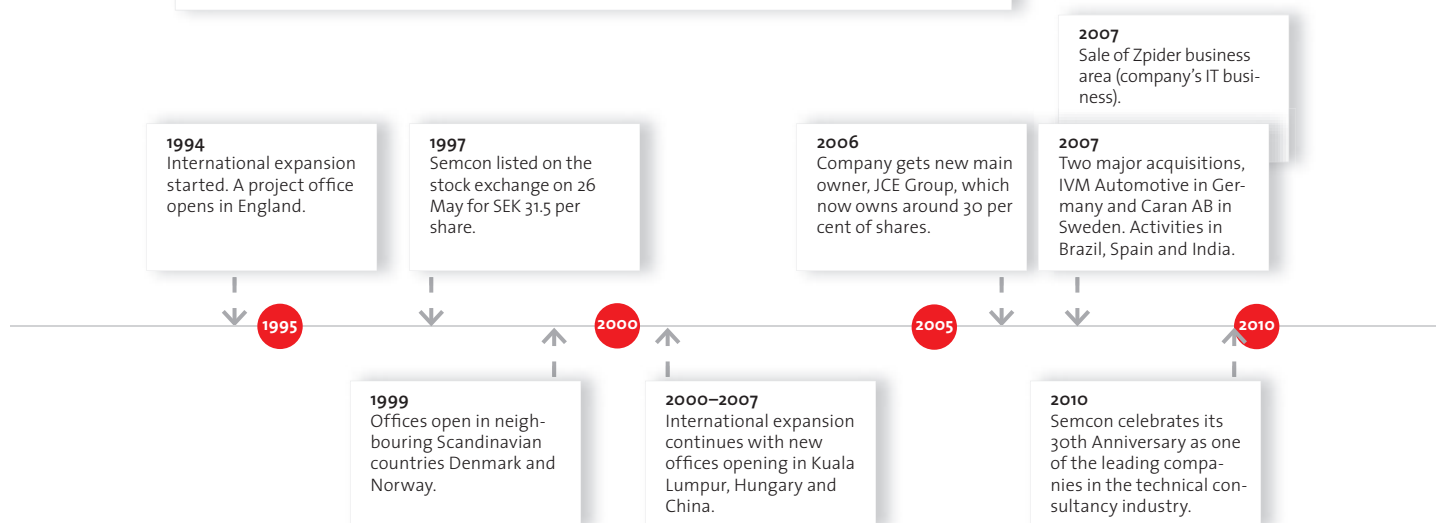
We provide aftermarket solutions covering the entire range of information products and information services, linking manufacturers and end-users. We help our customers throughout the entire information value chain – from information strategy and design through methodology development, information production and delivery to end-users to result evaluation.

Information management

We help customers with a wide range of services during a project, from developing configuration and document management plans, supporting how customers handle changes, follow-ups and analyses to final documentation.

Marketing and online communication

The combination of online marketing and aftermarket expertise allows us to provide information solutions for products' entire lifecycle, including highly technical and strategic solutions plus an extensive range of other media.



Semcon is active on the global market for engineering services and product information. Demand was weak during the first half of 2010 and gradually strengthened during the second half of the year resulting in lots of new business and enquiries from all customer sectors.

Markets and trends

According to a report from NASSCOM-Booz & Company in 2010 overall global engineering-related investments amounted to SEK 7.3 trillion in 2009, meaning a 12 per cent increase compared with 2008. In an estimation of the market's size investments are largely linked to IT, med-tech equipment, energy production, distribution and infrastructure. It is the needs in these areas that are the driving force behind market growth.

According to NASSCOM-Booz & Company the market value is expected to be SEK 9.3 trillion by 2020.

Consultancy companies are expected to grow

The amount of global engineering-related investments carried out by technology consultancy companies is difficult to estimate. It is therefore also difficult to estimate different players' market shares. There are however reports showing developments in individual key sectors.

The market for engineering-related services with external suppliers like Semcon in the automotive industry in Europe, US, China and India, was estimated to be worth almost SEK 70 billion in 2009 and expected to grow dramatically by 2020.

Growth markets like India and China have shown dramatic growth in engineering services in recent years – a trend that's expected to continue. The fact is that India has taken the lead in terms of global outsourcing of technology-related services and reported

growth of more than 40 per cent between 2007 and 2009, worth in excess of SEK 50 billion, according to NASSCOM-Booz & Company. The same source says that the Indian market is expected to be worth in excess of SEK 260 billion by 2020.

Semcon's largest markets

Semcon has seen dramatic growth internationally in recent years. The company's sales outside Sweden rose from 9 to 47 per cent between 2006 and 2010.

Sweden is the company's largest individual market with sales of SEK 41.5 billion for services linked to engineering services and product information services in 2009 according to the industry organization, Svenska Teknik & Design (STD).

The 300 largest companies in the industry account for 85 per cent of total sales. According to STD's estimates Semcon is second among the largest groups in industrial technology in Sweden. Semcon's sales in 2010 amounted to SEK 2.1 billion, of which around half was for sales outside Sweden. Semcon's share of the Swedish market for architecture and technical consultancy services is around 3 per cent according to these estimates.

Demand for consultancy services saw a dramatic decline at the end of 2008 and in 2009, contributing towards increased price pressure and weaker profits in the industry. The recovery, which started in the second half of 2010, and which is expected to continue

slowly for the next 2-3 years, was the result of improved business cycles and the positive effects from state-run incentive schemes.

Germany, Semcon's second largest market, was badly affected by the financial downturn at the end of 2008 and in 2009. This had a noticeable effect on technology consultancy companies, which according to analysts Lünendonk reported a drop in sales of 12 per cent to SEK 560 billion in 2009. The forecast for 2010 points towards a recovery and the largest companies in the industry are expected to report growth of around 5 per cent.

The outlook for the coming years is for demand to increase for external engineering services. Lünendonk's latest forecast points towards an average annual growth of 7.7 per cent between 2010 and 2015. Semcon's share of the German market is around 1 per cent.

Long-term trends and driving forces

Semcon concentrates on customers active on the global market. There are a number of comprehensive trends and driving forces that lead to an increased need for services from within Semcon's business areas.

- End-users' demands for innovation and increasing international competition have forced companies to launch more products and models. Product lifecycles are becoming increasingly shorter.
- Consumers' needs mean that products are becoming more complex and require significant documentation.

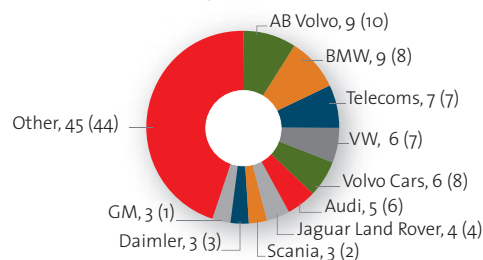
The trend is towards an increased use of electronic products and systems, including the automated manufacturing industry where there is a major need for technology for managing and communicating between different machines.

- 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 development processes more effective, more development is being subcontracted to service providers.
- 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 challenges and opportunities for Semcon, its customers and competitors in the future.

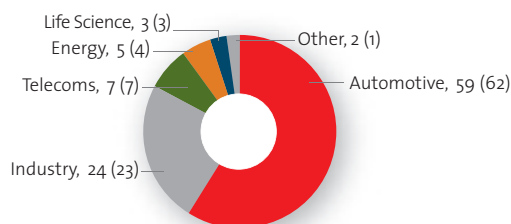
Semcon's industries and customers

Semcon signed agreements for a number of strategically important assignments in 2010 in all industries the company is active in. The 10 largest customers at year-end 2010 accounted for 55 (56) per cent of sales. Semcon delivers services that provide competitive benefits for customers. A large percentage of projects are kept confidential for business reasons. Few end users therefore know that Semcon has contributed 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 largest customers, %



Sales per industry, %



The competition

Competitor	Country	Website	No. of employees	Annual sales, SEK m ¹⁾
Bertrandt	Germany	bertrandt.com	6,523	4,091
Edag	Germany	edag.de	5,541	5,427 ²⁾
Epsilon	Sweden	epsilon.nu	1,190	998 ²⁾
Etteplan	Finland	etteplan.com	1,569	1,000
Formel D	Germany	formeld.com	1,750	1,065 ²⁾
MB Group	Germany	mbtech-group.com	2,500	2,635 ²⁾
Pininfarina	Italy	pininfarina.it	1,798	1,776
Rejlers	Sweden	rejlers.se	1,147	839
Rücker	Germany	ruecker.de	2,130	1,253 ²⁾
Semcon	Sweden	semcon.se	2,703	2,091
Sigma	Sweden	sigma.se	1,288	1,169
Sörman Information AB	Sweden	sorman.com	192	158 ²⁾
Valley Forge ³⁾	USA	vftis.com	600	approx. 500
ÅF	Sweden	af.se	4,475	4,334

The table shows some of Semcon's major competitors. Common to these is that most operate on Semcon's main markets in Germany and Sweden. Number of employees and annual sales are for the whole company and not just those parts in direct competition with Semcon.

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

2) Concerns 2009.

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

Life science is an expanding sector characterized by innovative, high-tech companies in the pharmaceutical, bio-tech and med-tech industries. Developments are quick and companies are meeting greater competition and tougher demands from authorities and consumers, meaning complete suppliers like Semcon are in high demand.

Life Science

Overall description of the industry

Many life science companies today face major challenges with strict demands on efficiency, short lead times and cost-effective processes in accordance with authorities' demands and recommendations. Competition is increasing as old patents elapse and regulations concerning pricing are tightened.

The market for engineering services in the life science sector is difficult to set on a global level. The underlying market does however indicate significant potential. Growth markets like China and Brazil have seen healthcare fees double in the past five years, according to Carlyle & Conlan.

According to AstraZeneca sales in life science's biggest sub market, pharmaceuticals, amounted to SEK 5,375 billion in 2009. The European Commission's "Pharmaceutical Sector Inquiry" report states that pharmaceutical companies throughout the world spent an average of 17 per cent of sales from prescription drugs on R&D between 2000 and 2007, an area where players like Semcon can contribute.

Semcon's offer

Semcon has more than 20 years' experience of integrated system solutions and project management in the pharmaceutical, bio-tech and med-tech industries,

where the company helps customers meet the regulatory demands placed on them, while cutting project times and streamlining production.

Semcon provides pharmaceutical development expertise to help customers provide innovative projects through pre-clinical and clinical development. The expertise covers the entire pharmaceutical development process – the company's experience and expertise allows it to run and complete major projects, such as project managing entire parts of pharmaceutical manufacturing processes.

Semcon provides med-tech companies with services that include product and production development, quality management systems, verification and validation. Semcon has extensive experience of providing product information solutions to leading companies whose businesses concentrate on med-tech equipment. The offer includes a wide range of solutions for service manuals, technical training and labelling solutions.

Challenges and possibilities

There is a huge need for new, effective treatment methods internationally. Meanwhile, developing new products is costly and risky. More pharmaceutical companies therefore choose to buy in complete development projects from

small and mid-sized research companies, ensuring access to commercially viable pharmaceuticals. Semcon's offer has major benefits for research companies from an expertise, capacity and efficiency perspective, meaning good future business prospects in this area.

Major changes have been made by major manufacturing companies in the life science sector with the sale of entire, or parts of companies. These changes create both challenges and opportunities for Semcon, which also has major opportunities for creating a strong offer towards med-tech companies, which can include a number of Semcon's areas of expertise. A way of strengthening the offer is to become ISO 13485 certified, giving the company the right to sell medical equipment itself. This certification is planned for 2011.

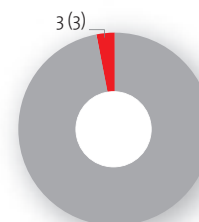
Semcon's ability to put together work groups in networking supply structures is a significant strength and opportunity. An example of this is the agreement the company signed with Gambro over the year, where supplies are carried out by a work group consisting of employees in Hungary and Sweden.

A photograph of laboratory glassware, including two Erlenmeyer flasks and several test tubes, all containing a bright red liquid. The glassware is supported by metal stands. In the foreground, several red and white capsules are scattered on a white surface. The background is a light gray grid.

Key events in 2010

- Developing services for pharmaceutical development and launching in the Nordic region.
- Quality and Cost Management methodology implemented in life science offer, increasing the possibility of reaching more customers.
- Partner to Gambro for developing product information. The agreement will run for three years and cover work in Hungary and Sweden.

Share of Semcon's sales, %



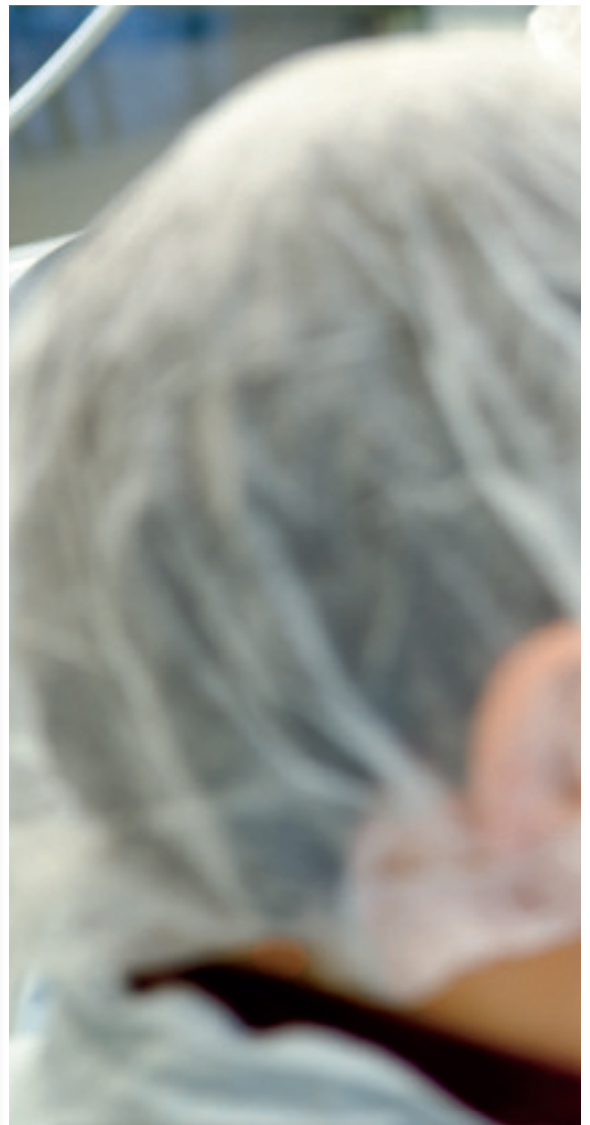
Functional and user-friendly design

Semcon's know-how of life science and user-friendly product development paved the way for a successful project together with Swedish bio-tech company Denator.

The challenge Denator gave Semcon the task of designing and constructing its patented solution for preserving tissue samples before they're analyzed.

The solution Key components of tissue samples quickly deteriorate as soon as they leave the body and oxygen and energy is no longer being supplied naturally. The time factor is therefore crucial for preventing the sample deteriorating before it can be analyzed. The solution was a functional, user-friendly system where design and construction supports the user through a display with a simple interface and centring of key functions. Semcon also helped with blueprints for optimizing the manufacturing process.

The result Denator's unique Stabilizor T1 solution has been sold to many prominent international research institutes. Stabilizor T1 received the international iF Design Award 2010 in Hannover.



100 per cent traceability

Pharmaceutical manufacturer Recipharm faced the challenge of constructing a production line so they contacted Semcon.

The challenge Contract manufacturer Recipharm received an assignment from a pharmaceutical company, whose end-customer was in Japan, to construct a production line for a new product. A product from a pilot project was being put into production and the entire production chain from raw materials to packaged product needed documenting and quality assuring. The project also involved coming up with completely new



From left: Patrik Cedermar, Semcon, Martin Roos, Recipharm Stockholm, Anders Ekblad, Recipharm Stockholm.

packaging, known as strip packaging, which is a technology that Recipharm in Stockholm hadn't worked with before. The assignment needed a validation coordinator with experience of every aspect of pharmaceutical manufacturing, not least of machinery and packaging. The company had validation expertise but because of the scope of the project Recipharm looked for an experienced expert outside the company to take responsibility for the entire project. They chose Semcon.

The solution The major challenge of the project was to safeguard everything, to set demands, procure, install and validate the process, with lots of new materials and technologies, before or as the product was being packaged for launch. To help Semcon's validation engineers had a traceability matrix where they input all mechanical demands, such as how fast they need to work etc. As each stage is completed you return to check that all demands are met. Traceability was the main thread throughout the process and in the future we should be able to quickly pick out a single assign-

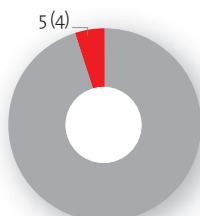
ment, such as during an inspection. The traceability matrix Semcon uses can be used down to machinery level if correctly calibrated and if the operator is correctly trained.

The result The project was completed according to plan and all machines are now supplied and tested.

Key events in 2010

- A number of important agreements were signed, including a long-term framework agreement with Vattenfall, which regards Semcon as one of its class A suppliers.
- A more extensive offer for energy technology, both in terms of product development and plant design.
- Semcon is taking part in Chalmers' wind-power group. The group runs the only university wind-power research in Sweden.
- A major agreement for developing the mechanical aspects of a completely new Swedish range of small and mid-sized wind turbines.
- Further orders from Forsmark nuclear power station for measuring systems for reactor 1 and 2, in the form of the computerized ComTest® measuring system.
- Increased cultivation of the nuclear power industry, which needs quality assurance expertise and where Semcon has extensive experience from regulatory sectors.
- Launch of new XLPM project methodology, with 5,000 licences sold very quickly. Training development for program and project portfolio management.

Share of Semcon's sales, %



The general growth rate leads to extra demand for effective energy production and products that help save energy. Semcon has many years' experience of technical energy assignments from many different areas of technology and expertise.

Energy

Overall description of the industry

Forecasts point towards continued increased energy use by society. Meanwhile, an increasing number of consumers are demanding energy-efficient products. This overall leads to a major need of engineering expertise for optimizing energy production and energy transfer, plus construction and development efforts for saving energy.

Global energy production statistics show that coal is still the primary energy source in many countries, followed by nuclear power and hydro-electric power. Other renewable sources, including wind and solar power, account for a smaller share. The global capacity for wind power is expected to increase dramatically in the coming years, according to Plunkett Research. Growth from renewable resources is also contributing towards major development initiatives, an area where suppliers like Semcon can help by providing the expertise.

According to the International Energy Agency, state investments in energy-related R&D amounted to SEK 153 billion in 2009 alone. The study covered the organization's 28 member states. Semcon's customers are found in energy distribution and energy production, including nuclear, hydro-electric and wind power. The company also carries out assignments for companies that run product development of

energy-smart products, information solutions, quality assurance/validation and heavy energy-intensive industries. Another example is our gearbox technology expertise gained from the automotive industry that's in demand from the wind power industry.

Semcon's offer

Semcon's experience of technical energy assignments includes many different technologies and areas of expertise. This gives the company the opportunity of mixing tried and tested solutions with new methodology, which is sometimes borrowed from other industries. One example of this is life science, where quality demands are extremely high. This is where Semcon's quality methodology for nuclear power technology came from.

Semcon provides services in a range of specialist areas such as transmission and distribution, inspection and energy evaluations. The company also provides expertise in project management and project methodology, configuration and documentation management, plus validation and quality assurance for power plants for example. Semcon renovates and upgrades hydroelectric power stations, a rapidly growing market, and runs energy-related product development. Furthermore, Semcon provides test, control and simulation systems for optimized efficiency in products or systems. Semcon's energy technology

plant services mainly include services for creating networks and energy production, where offshore wind power accounts for the dramatically increased demand.

Challenges and possibilities

An increasing number of offshore wind farms are being constructed, requiring bigger, specially adapted wind turbines. This creates excellent opportunities for Semcon, which has both expertise and resources in this area.

Towards the end of 2010 demand increased from offshore oil and gas platforms, a trend that is expected to continue and lead to a capacity shortage as early as 2011. Semcon has plant development expertise and in supplying turnkey platforms.

Legislative change concerning Swedish nuclear power stations for replacing worn-out reactors for new technologies is creating excellent opportunities for Semcon, which has specialist expertise suitable for nuclear power stations and their subcontractors. Semcon is also very popular on the lecture circuit at colleges and universities and holds courses on the subject.

The number of enquiries for renovating and upgrading hydroelectric power stations has dramatically increased, which is creating room for growth. The challenge is in identifying and recruiting further expertise.

Simplified work for Vattenfall with XLPM

Vattenfall were helped by Semcon to increase efficiency in its project activities. The solution – XLPM.

The challenge Vattenfall recognized a need to improve its project activities and increase efficiency of projects completed. The solution needed to be easy to use and suit different types of projects.

The solution Semcon supplied a new project methodology, XLPM - Excellence in Project Management, which is based on the tried and tested PROPS methodology. XLPM has simplified functionality, new user interface and is compatible with current standards and methodologies for managing portfolios, programs and projects.

The result The customer's work was made easier and with the possibility of adapting the methodology to their individual needs. Vattenfall already uses XLPM and thinks that it's more user-friendly and easier to work with because you start off on a general level that makes it easier to understand.

XLPM has also bolstered areas like Portfolio Management and added Program Management.

These are areas that thousands of users at Vattenfall, because of its major projects, will benefit from.



Increased reliability with upgraded measuring system

The challenge The Forsmark nuclear power station has used Semcon's ComTest® measuring system since 1992 for monitoring the condition of the control rods' control device, reactor containment vessels' isolation valves and the many flow valves for the turbines. An upgrade was needed to further improve the system's performance and reliability.

The solution Semcon developed a new computer structure, new computer operative system and new processors for all I/O systems in the measuring system and took responsibility for hardware, developing software, testing, documentation and staff training.

The result The measuring system is used to detect changes in the control devices' and valves' behaviour by comparing measurements with stored reference curves. The system is very big with more than 2,000 measuring points per reactor block, which are highly synchronized to measure simultaneously. This new version now means improved performance and reliability.

Demanding rig gets new support

Semcon developed tomorrow's operator chair for use in the offshore industry.

The challenge The Norwegian offshore company Aker MH is one of the world's leading suppliers of complete drilling equipment, especially for the oil industry. When Aker MH, part of Aker Solutions, contacted Semcon at the end of 2008, they were having problems with the ergonomics of an operator chair that they needed help with quickly. The operator spends hours on end in his cab during a shift and Aker MH soon realized that it needed to look to the long-term and come up with the prototype for a futuristic, ergonomic, intelligent operator's chair that'll take the company into the future. Apart from the actual chair the extension of the project dealt with panels, controls, visualization and everything involved in a demanding working environment.

The solution Together with Semcon Aker MH carried out a pilot study where they analyzed the existing chair in an interactive training environment. From this pilot study they decided to develop a

prototype that would initially be used internally to get first-hand feedback from the organization and management, and then from external customers. This was all done to find the very best, most innovative solution for the future. Semcon used recently developed CAD technology to visualize thoughts and ideas in a prototype of tomorrow's operator chair. Suggestions included transparent touch screens with information that is see-through, while still allowing full control of all data, monitoring technology in the backrest so that the operator can hear radio traffic on deck and personal settings for the chair activated with the help of a pass.

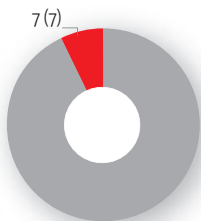
The result A first prototype is ready and is awaiting feedback and further improvements prior to the prototype being put into use as a display model. The prototype will make it possible for Aker MH to test the operator environment with its customers and get feedback concerning the new solutions and technologies.



Key events in 2010

- A number of product information projects where Semcon has provided global support in networking supply structures, including the company's units on different continents.
- Cementing its position even further in information strategy and improvement projects, a core expertise in the Informatic business area.
- Launch of new XLPm project methodology.

Share of Semcon's sales, %



Semcon has a strong range of product information and project management solutions to the telecoms industry – a sector that has seen exceptional growth for many years, with the exception of the slow down in the wake of the recession.

Telecoms

Overall description of the industry

The telecoms industry has seen exceptional growth for many years, with the exception of the slow down in the wake of the global recession in 2008/2009. Growth accelerated once again in 2010 and is expected to be strong for a long time to come, both for networks and other infrastructure like telephony and data transfer.

Global sales on the market amounted to SEK 252 billion in 2009, according to Plunkett Research. It is difficult to estimate how much of this is put into engineering services. Statistics of the size of the share of manufacturers' sales put into R&D indicate however that there is significant potential. Statistics from Ericsson for example show that the company invested the equivalent of 15 per cent of sales in R&D in 2010.

Semcon targets customers that produce communication products, systems and infrastructure for telecommunications solutions.

Semcon's offer

Semcon has a strong range of product information solutions for the telecoms industry. The company's 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.

Semcon handles 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 expertise in product development, not only for infrastructures and industrial design but also for telecommunications 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 experience of is project methodology where the company is developing successful project cultures at telecoms companies throughout the world through training and assignments such as analyzing, advising and implementing project models.

For the telecoms industry Semcon also has experience of supplying services for marketing and communication from the Zooma brand.

Challenges and possibilities

The tough competition in the telecoms industry is making producers emphasize technical developments to be first on

the market with major innovations and to be able to offer an attractive product portfolio.

This creates opportunities for Semcon, but also places demands on its ability to retain and attract experts to run development and provide attractive solutions in areas such as product information.

Competition contributes to continued major price pressure, meaning Semcon must constantly work on making processes and systems more effective and work on transferring larger sections of projects to countries with lower cost structures.

Producers' strict quality demands not only include the actual product or service that Semcon provides, but they are also demanding services that create lots of added value. This means the company must continue being highly flexible, accessible with usability in all product information and project methodology.

Illustrations make things clearer for telecoms engineers

It is said that a picture says more than a thousand words. For technical documents for mobile phone base stations a picture can be more than that.

"In many situations illustrations are clearer than words and easier to understand, especially for product information to customers," says Gu Bo, technical illustrator and graphic designer at Semcon in Beijing. Gu Bo studied industrial design in China and then completed postgraduate studies in product design in the UK. Gu Bo is part of a team of illustrators, writers, methodology engineers and product managers at Semcon in the Chinese capital, which produces product information for a major telecoms company. Careful attention to detail and clarity in Gu Bo's illustrations and the text that accompany them are of extreme importance for the telecoms engineers that install or maintain the base stations that modern society are so highly dependent upon.



Robust telephone with tough demands

When Ascom wanted to develop a DECT telephone for the engineering industry it insisted that it should be robust. Semcon was the chosen industrial design partner.

The challenge Following an analysis phase in a user environment, Semcon developed a design concept with a number of smart solutions. The result was the Ascom d81.

The solution Semcon's conscious design efforts created something that is robust and durable. The flat speaker grille is removable so the user can easily clean away the dirt that inevitably exists in engineering environments. The colour screen is sunk down to protect it against

knocks and scratching. The protective glass is surface-treated and highly resistant and is able to withstand even the toughest environments. The inner frame and the outer shell make the phone really robust and can withstand being dropped from a considerable height.

The result The Ascom d81 has seen major market penetration and is used a great deal in engineering environments, by prison guards and also in healthcare.

The crisis in the automotive industry at the end of 2008 and in 2009 was followed by recovery in 2010. Semcon was well positioned in the sector, where the trend is pointing towards an increased need for the services we provide. Semcon's biggest customers include some of the world's leading manufacturers.

Automotive

Overall description of the industry

The market for engineering services, provided by external suppliers like Semcon to the automotive industry in Europe, US, China and India recorded sales of almost SEK 70 billion in 2009, a figure that's expected to grow dramatically by 2020.

Europe is the world's biggest market in terms of engineering services from external suppliers with an estimated SEK 45 billion bought in 2009. The same year, European automotive manufacturers outsourced close to 20 per cent of the technical development work, a figure that is expected to grow to around 30 per cent by 2020, greatly attributable to the increasing number of models and system solutions.

Semcon's offer

Semcon provides complete vehicle development undertakings and is one of only a few large, independent companies with the expertise and capacity to develop complete vehicles – a process covering everything from pilot studies and design to construction of products, production systems and small-scale production.

Semcon also provides complete product information solutions for both marketing and the aftermarket, from information strategies and design,

development and production to distribution and evaluation. For development and production of aftermarket information Semcon also has its own production systems for processes and can provide partnership agreements to deal with all workshop information for customers, including diagnosis, service, spare parts, accessories and ownership information and training.

Semcon also has significant automotive industry plant expertise, not only for constructing test rigs for analysing engine performance, but also for establishing complete production systems. Product Lifecycle Management (PLM), embedded systems, simulation, acoustics and HMI are other areas of expertise that Semcon provides the automotive industry.

Challenges and possibilities

The number of models per brand in the car industry is continuing to grow. Meanwhile the average sales volume per model in many cases has fallen. Regulatory changes and consumers' demand patterns, linked to the environment and safety is also helping to speed up development.


This is seen very clearly in the commercial vehicle sector, where there is a significant need for reduced emissions and increased fuel-efficiency. Commer-

cial vehicles make up a mere 3 per cent of all vehicles in the world, but account for 25 per cent of all CO₂ emissions. To achieve noticeable change requires considerable development initiatives, not just in the combustion process, but also in electronics and cab construction, which also affect fuel-efficiency. This creates opportunities for Semcon due to its expertise in this area.

The trend for automotive manufacturers buying technology consultancy companies means that their customers are searching for new technology consultants, which has created an opportunity for Semcon. The company also sees an opportunity for strengthening its position in product development in BRIC countries, where the biggest potential is in China.

There is also an increasing need for developing new solutions for implementing new information technology in vehicles, such as internet connections, infotainment, apps, screens and cameras.

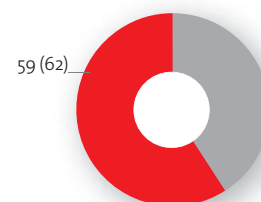
A major challenge over the next few years will be to recruit the right expertise and to further train existing employees so that the company can effectively handle the increased number of enquiries from existing and new customers.



Key events in 2010

- Activities in India have almost doubled and the number of employees in Brazil had risen by 43 per cent as of 31 December. The first product development assignment in China came in 2010.
- A leading German manufacturer chose Semcon to partner its development of a new car model. The project will run for three years and involve a number of Semcon offices.
- Strong offer and product information expertise where Semcon has bolstered supply capacity in Hungary and run a number of international projects where employees come from various parts of the organization and geographic locations.
- A number of new product information agreements, including a major assignment from Jaguar Land Rover in UK for facilitating service workshops' ability to diagnose problems and to rectify them properly.

Share of Semcon's sales, %



Complex solutions for MAN's trucks

Semcon helped German company MAN create a complete electronic structure for the Constellation series of trucks. The solution, come up with under a strict budget, led to increased control and significant savings.

The challenge In 2002 Volkswagen Trucks and Buses, now MAN Latin America, turned to Semcon with an assignment to design, develop and implement a complete electronic architecture for the Constellation series of trucks, consisting of no less than 29 different models.

The solution Semcon's complex solution needed to meet strict budget demands. This consisted of a control unit for providing power in the vehicle that Semcon developed from the ground up, a wiring loom with hundreds of wires measuring almost 1km, and a central control unit that transfers and controls up to 3,000 differ-

ent signals from systems that control everything from the truck's central locking system to the ABS system.

The result The solution mean savings in extra control units, wiring and weight, and permits an existing system from other vehicle platforms and components run in an integrated network. The partnership between the two companies is still going and Semcon's engineers are in the process of modifying the vehicle for specific application areas, and adapting Volkswagen's electronics architecture to comply with Euro 5 emissions legislation, that comes into force in Brazil in 2012.



Safe pre-crash testing and development for active safety systems

The challenge Testing complex active (pre-crash) safety systems like radar, require a huge variety of traffic specific car-on-car scenarios on test tracks and streets. With tests like overtaking at different speeds and angles, sudden lane change of the car ahead with high differential speed etc. the safety systems need to be developed that are failsafe and robust. Since these tests must be performed beyond the limit of the safety systems, severe accidents between the test cars were quite likely. For that reason Semcon was given the task of coming up with a test system that allows maximum flexibility in pre-crash test scenarios without endangering lives or materials.

The solution Semcon developed the "Crashmatic", a boom system mounted on a carrier vehicle with

a car silhouette, either made of rigid materials or pressurized fabric.

The result With the "Crashmatic", various crash scenarios can be executed safely and damage-free in order to develop and assure active vehicle safety systems (e.g. ACC and emergency brake system), with speed differentials of up to 80 kph. The system is now patent-pending for worldwide protection.



The Dust Chamber – an innovative testing procedure

The challenge The level of dust is an important factor to consider in auto-manufacturing because it affects the level of comfort performance. Semcon therefore decided to develop a totally new and innovative testing system for dust-tightness.

The solution A dust chamber with integrated systems for air-blowing creates dusty conditions for optimized testing. The chamber uses the industrial norm DIN dust (Arizona dust) and measures the dust concentration in mg/kbm inside and outside the car, simulating low-pressure inside the chamber comparable with real driving conditions.

The result The system gives evaluated numbers of dust concentration comparable with results from execution of drives, shows visible entrance points (i.e. leaking holes, sealing problems); defines tightness actions and delivers input for development and manufacturing. This resulted in optimal comfort in the finished vehicle.

Reva raises safety standards

With Semcon's help Reva has created a car model that is very safe and that passes the obligatory M1 European safety standard.

The challenge To attract global car buyers ahead of the launch of their new model, NXR, Indian company Reva focused on improving safety. Semcon was assigned to look over the NXR so that it passed the obligatory M1 European safety standards, plus that the finished car could get three stars in the Euro NCAP tests.

The solution Semcon took on a number of safety improvements for the NXR including performance in cases of side, rear and front impact. Pedestrian safety was also improved. The challenge with the plastic bodywork and the batteries proved to be something they could turn to their advantage. Almost all the batteries are mid-chassis. The battery pack, together with the structure of the car gives a high level of resistance and stiff-

ness in the mid-section and therefore does not give the type of deformation you see in fuel-driven vehicles. The plastic panels, combined with an underlying steel frame structure, provide protection for passengers. To minimize head injuries for pedestrians in the event of an accident Semcon redesigned many of the surfaces on the bonnet. The same attention to detail was given to the area around the front bumper to lessen eventual lower leg injury.

The result With a local team on site in Bangalore and access to global experts Semcon carried out the safety improvements that Reva hopes will give it three stars in the Euro NCAP tests. Semcon has also given Reva advice on how it can achieve four stars in the Euro NCAP tests.

Volvo S60 manual on your mobile phone

The challenge Volvo Cars decided to invest in new information routes and needed Semcon's help. Modern cars are rolling computers filled with information. But how can owners access this information? Volvo Cars and Semcon asked themselves that very question.

The solution Together they developed an iPhone/iPad application for the Volvo S60's 350-page owner

manual, to be presented in digital form. Instructions for how the engine heater works, which oil to use or where your nearest tyre fitter is were just a few of the questions that the new application can answer.

The result The application is easily updated with new information and is also easy to use. The application is now available as a free download from iTunes store.



Andreas Jonasson, Volvo PV
and Fredrik Larsson, Semcon.

Innovative information

Semcon's expertise in developing effective information solutions covering entire product lifecycles, from design to after-market, is in demand from an increasing number of companies, not least from within the automotive industry, where user-friendly information is an important tool considering the ever-increasing competition.

The challenge Car manufacturer Jaguar Land Rover (JLR) wanted a more effective, streamlined organization for production and supply of technical information to retailers and owners. Following a procurement process in 2007 Semcon signed an outsourcing contract.

The solution Semcon soon established an office close to its outsourcing partner and took on the task of developing and supplying JLR's aftermarket information, including owner manuals and workshop manuals, plus service and diagnostics information.

The result By putting the information in the hands of specialists and trusting them to deliver JLR can concentrate on its core business and what it does best – develop and make new vehicles. The partnership with Semcon has successfully rationalized production and supply of information and made it more effective. As specialists in its field Semcon has also introduced innovative changes, for example using animation to explain complicated processes to technicians. This not only makes the information easier to understand, but also provides JLR with cost benefits, because the information does not need translating.

Industry saw good recovery in 2010, with Semcon's customers mainly made up of development-intensive companies in the industry sector. Consumers' demands for new products and models have helped towards shorter product lifecycles and an increased need for engineering services.

Industry

Overall description of the industry

Semcon's customers include many of Sweden's biggest 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.

Estimating the total market for engineering services aimed at customers in the global industry sector is complicated because of the number of sub-segments and the lack of reliable data. There are statistics however, though somewhat outdated, for the underlying demand from individual sub-segments and geographic markets. OECD's statistics from 1999–2006 for Germany, showed for example that R&D investments linked to machinery and equipment alone grew from SEK 206 billion to SEK 253 billion, indicating a significant need of engineering services from external suppliers.

Semcon's offer

Semcon provides complete solutions for products, production systems, plant and the development of product information. 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.

The company has the desired expertise for plant construction and provides three types of service: process technology, electrical power technology and offshore technology. The company's offer includes an attractive range to the processing and food industry where there are strict demands for efficiency and safety in production. The organization also has extensive experience of product development, production planning and developing product information for the defence industry, plus PLM, modelling and prototype construction.

Other services and products in the offer to customers in the industry sector include information solutions, installation and maintenance information plus training concepts.

Challenges and possibilities

Consumers' demands for new products, models and increasing competition in the industry sector has helped cut product lifecycles considerably, meaning increased investment in technical development and innovative product development, plus effective product information management. For Semcon this has led to opportunities for more extensive product information assignments because that is a service that companies are outsourcing to a greater degree.

The main sales to customers in the industry are currently towards Swedish companies marketing their goods internationally and where Semcon currently works with global groups' companies in Sweden, providing opportunities for boosting business that include this expertise on other markets. Semcon sees good opportunities of boosting the number of foreign customers as the company expands geographically. This will initially be by benefitting from the Group's existing infrastructure in Germany.

The effective use of profit potential in the aftermarket is becoming increasingly important, which is, to a greater degree, demanding global organizations with complete service and aftermarket offers, which is benefitting major complete service suppliers like Semcon.

A challenge is to continue strengthening the project organization of the plant activities.

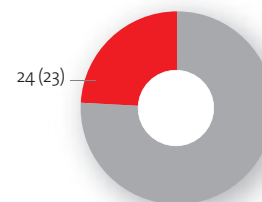
Semcon also sees good potential in training services in connection with the new XLPM project methodology. Meanwhile, it is a challenge to clarify that we have improved the effectiveness of our training, thereby creating added value for less cost. The major shortage of engineers in Europe will also be a significant challenge for recruiting in the future.



Key events in 2010

- Continued investment in plant technology by developing the service portfolio and expertise, mainly in the process industry.
- Many agreements signed, including a two-year agreement with EuroMaint Rail and further assignments from FMV.
- Development of new concepts for information solutions supplied to a number of industry customers. The concept includes documentation management throughout the entire development and supply chain.
- Developed program portfolio for product life-cycle management, PLM, and become retailer of CGTech's Vericut CNC software.

Share of Semcon's sales, %



Increased operational safety and production capacity

Semcon's engineering expertise helps boost customers' competitive strength and is of great public benefit – such as in the form of increased safety. One example of this is the partnership with C.M. Hammar for their release mechanism for marine liferafts.



The challenge C.M. Hammar had a half-finished new production line for its main product, H2o, a hydrostatic release mechanism for marine liferafts, which allows the liferafts to release from the vessel without any problems. The mechanism manufacturers first had problems in meeting C.M. Hammar's demands and then went bankrupt before the job was finished. The customer's demands were clear: a safer product with extra capacity and operational safety during production.

The solution C.M. Hammar employed the services of one of Semcon's automation engineers with experience of maintenance of packing machines and pro-

gramming control systems. Together with C.M. Hammar's own production technician they examined the machine step-by-step, making changes and improvements and documenting functions and construction to facilitate service and maintenance.

The result C.M. Hammar has had an extra production line for six months for its main product. The machine is operationally safe, has improved capacity and is easier to maintain. Thanks to creativity and excellent cooperation, C.M. Hammar has also safeguarded that production faults are detected early in the process. The result is a safer product and lower costs for rejected parts.

Models of future households

This year's theme in the Electrolux Designlab design competition was "compact living". Semcon contributed with communication material and physical models of the competition entries.

The challenge Electrolux invited industrial design students from around the world to the Designlab competition to compete with their interpretation of what the household appliances of the future will look like. Semcon's team at Model & Prototype provided know-how by rebuilding the students' CAD drawings to create eight finished models.

The solution Construction required the use of CNC milling machines and Rapid Prototyping. The materials used included Cibatol foam composite and various plastics such as epoxy, polyesters and pylonide. It took an average of two to four weeks to build each model. In addition to helping with the physical models, Semcon also provided

animations, images, CGI material, a film about the competition and marketing and exhibition material.

The result So far Semcon's communication about the competition and Electrolux's future vision has already reached 190 million people in printed media alone.



The challenge: A warm, human wheelchair



The catchwords were warm and human when Semcon helped Etac develop a completely new type of wheelchair for the international market.

The challenge Semcon was brought in to design manufacturing data for the new wheelchair for the over 70s.

The solution Semcon's designers and design engineers developed a product with fewer article numbers and more multifunctional details. The wheelchair has lots of press-formed aluminium parts, making the frame lighter and a more energy and cost-effective manufacturing process. The design work focus was mainly eliminating the technical element of the wheelchair and instead highlighting the warmth and human factor. Semcon therefore actively worked with rounded corners, soft lines and an inviting seat. The cushioning in the seat is adapted to give the most comfortable seating position, a rounded backrest provides ergonomic support for the whole back, providing a softer product experience. A new range of colours where the user can choose between ivory, antelope and dark grey also add to the softer experience.

The result Etac 100 was introduced at a trade fair in Germany after eight months' hard work and the response was overwhelming. The collaboration on the Etac 100 has led to more joint projects between Semcon and Etac.

Exact free-hand measuring

Elos Fixturlaser AB develops, manufactures and markets laser-based measuring instruments for lots of different industries and sectors. They contacted Semcon when they needed help with advanced product development.

The challenge Semcon was assigned to come up with a concept, design, manage and carry out construction of a new, ergonomic, hand-held computerized unit designed for service and maintenance in industries including the wind power industry. The unit is part of an axle alignment system where, using laser technology, axles are aligned to reduce friction and energy loss in linkages.

The solution Semcon designed the UPAD XA measuring instrument, which is touch-screen technology based and created for use in demanding environments. The unit is watertight and robust. The software manages geometric measurements as well as advanced axle alignment applications. By using colour-coded symbols the user is guided through the measurement and alignment process. Semcon led product development from the initial concept phase to delivery of production data to the manufacturer.

The result Since its launch back in the autumn UPAD XA has been shown and praised at a number of trade fairs around the world. The media, competition and customers were all curious and impressed by the end product.



Optimized design and electronics engineering in galley development

The challenge Aircraft galley manufacturer Sell needed design engineering services for four cupboards to be integrated into one of Asian Airlines' aircraft.

The solution A team of 10 people from Semcon worked on the project from the concept phase, detailing and drawings, to assembly support on-site with the customer. The design of the cupboards also included electrics/electronics and realization in 3D in Catia V5 EHI as well as implementation of SAP volume.

The result The project was carried out optimally and effectively with all the necessary expertise available at one site during the development of the cupboards' structure and corresponding electrical system. Normally these services are given to different service providers, but fewer interfaces in the project coordination/cooperation of both areas considerably optimized proceedings.

Business areas

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

Automotive R&D

Business The business area's 1,600 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 is a complete service provider and the services provided 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.

Development 2010 After a very weak start to the year the business area saw a gradual improvement in the second half of the year. In Q4 the business area once again reported growth and positive results. All markets are showing organic growth, which totalled 20 per cent. The organic growth for the year was -8 per cent. The business has been adapted over the year and the rationalization scheme carried out negatively affected the business area's loss by SEK 7 million (-147) for the year. Around 70 per cent of the business is outside Sweden, of which the German market accounts for 60 per cent. The business area as a whole not only sees major opportunities for increased sales on all existing markets, but also on the important Chinese automotive market. This therefore means a major need to recruit new employees, mainly for the environment and hybrid technology areas, plus electronics, simulations and concept development services.

Design & Development

Business The area has around 750 employees working with industrial design, product development, plant design and production development. The business area provides expertise and experience for achieving quicker, improved product development. The services include requirement and concept studies, design, construction, embedded systems, testing, prototyping, validation, project management and production development and lean production expertise.

Development 2010 The workload has improved at Design & Development and the business situation has gradually strengthened, meaning profits were up by over SEK 30 million on 2009, even if the sales volume dropped by 3 per cent. The business adapted over the year and the rationalization scheme carried out negatively affected the business area's profits by SEK 8 million (-20) for the year. Business opportunities in the engineering, life science, energy and offshore sectors have steadily increased. The improvements on the market in the second half of 2010 mean that the business area is positive towards increasing business volumes in 2011.

Informatic

Business Informatic's 400 or so employees provide complete information solutions for the aftermarket and interactive market communication. The business area supports customers' products throughout the entire product lifecycle, from sales and marketing to installation, maintenance, training and repair.

Development 2010 The business area is reporting sales growth and improved operating profit compared with last year, even if the Swedish market mainly reported a weak start to the year. Organic growth was 7 per cent. The business area gained new business over the year from both new and existing customers. The international part of the business is continuing its positive trend. The business area has around one third of its business outside Sweden.

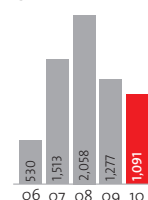
Demand for the business area's services remains strong, meaning continued opportunities for growth on all markets where the business area is currently active.

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

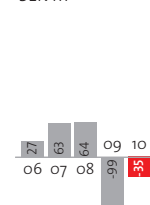


Stefan Ohlsson
President of business
area Automotive

Income
SEK m



**Operating
profit/loss***
SEK m

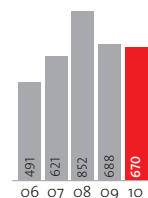


Customers The business area has offices in Sweden and Germany but has projects throughout the world. Activities are mainly focused on sectors such as industry, energy, telecoms and life science. Customers include ABB, Alstom, AstraZeneca, Bombardier, Fortum, General Electric, Husqvarna, Pfizer, Saab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

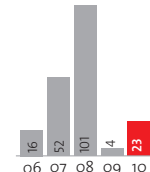


Mats Körner
President of business area
Design & Development

Income
SEK m



**Operating
profit/loss***
SEK m

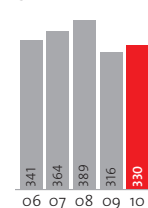


Customers Informatic currently has offices in Sweden, UK, Hungary and China. Customers are mainly found in the automotive, telecoms and manufacturing industries. Customers include ABB, AB Volvo, Atlet, Bombardier, Jaguar Land Rover, Rolls-Royce Marine, Saab Automobile and Volvo Cars.

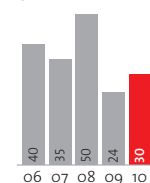


Johan Ekener
President of business
area Informatic

Income
SEK m



**Operating
profit/loss***
SEK m



* Excluding one-off items

Semcon's long-term strategy of repositioning the Group from being an assignment-controlled service provider to a global technical partner with a strong brand remains unchanged. We create added value and build relationships based on responsibility and confidence with employees, customers, shareholders and other interested parties around us. To achieve this requires sustainable business with profitability, environmental consideration, social commitment and a strong corporate culture where employees enjoy working and develop.

Long-term sustainable business

Our sustainability initiatives are integrated into all of the Group's activities. Carrying out business sustainably helps differentiate our services, affecting results positively. As the Group grows and establishes itself on new markets these issues become more important.

Long-term profitability

Sound business acumen is really important for Semcon for safeguarding long-term profitability, which is why a number of training initiatives were carried out during the year. Repositioning the Group from charging an hourly rate for its consultancy to project business in the areas under heavy competitive pressure provides Semcon with more opportunities of securing sound profits. The Group's infrastructure is built up by following our customers around the world and clear processes allow effective supply close to the customer.

Social responsibility

Semcon's best contribution to social and financial development is by running the company professionally and profitably in terms of our code of conduct, making it possible to create jobs by providing value-adding expertise as a close technical partner to industry.

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

Our code of conduct involves all employees acting with social responsibility and within the framework of international law in all countries where the Group is represented.

Reduced climate impact

As a service company Semcon's largest contribution is reducing climate impact by being environmentally aware in all customer projects. By providing customers with energy-efficient solutions and services 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. To cut the company's own carbon footprint Semcon is cutting back on the number of journeys its employees make and by using eco-neutral company cars. The Group is ISO 14001 certified.

Quality initiative for more efficiency

Focusing on its customers Semcon continuously develops its internal quality initiative in order to achieve the highest degree of efficiency. We have close relationships with our customers and close dialogue. To ensure the highest quality and minimize risks in projects Semcon has developed XLPM project methodology, based on the renowned PROPS methodology for managing and controlling projects. Process development initiatives continued in 2010 and a clear framework is now in place. Semcon is ISO 9001 certified.

A strong employer

It is extremely important that Semcon succeeds in attracting and retaining employees. That new, well-educated, motivated individuals look to Semcon is crucial for our competitive strength and continued development. The major lack of engineers in Europe is putting demands on clear positioning and communication, permeated by developing tomorrow's products and solutions and being proud of the innovative assignments our employees undertake for our customers around the world.

Having a strong brand and being a well known supplier for development-intensive industries is a priority and Semcon's communication and marketing will provide support until Semcon is the natural choice for engineering services, design, plant design and information solutions.

Prioritized measures in 2010 included the launch of the new website www.semcon.com with the ambition of visualizing the Group's broad offer and with customer focus build up a presence in social media in order to take part in dialogue where and when it takes place. The Future by Semcon customer magazine, of which plus 10,000 copies are printed, was also developed for the iPad. Marketing channels will be further developed in 2011 with the brand, core values and visual identity made clearer.

The employees – the heart of Semcon

Challenging projects in a global environment

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. The projects/assignments the company works with, everything from simple to large complex projects, give employees the chance of developing by being part of, and influencing, tomorrow's products, services and information solutions from a number of different industries. The global presence coupled with the projects/assignments the company runs with some of the world's largest industrial companies, means that employees have the opportunity of working internationally. Semcon's work method with an effective networking supply structure in a front office/back office model

and satellite offices where some of the customers' IT environment is made available at Semcon's offices, allow employees to provide engineering services to customers around the world from their local office.

One Semcon

The Group aims at having a significant position on the market for engineering services and product information. We work for a united Semcon, both internally and externally on all markets in order to strengthen our brand and provide a true image of the company. All employees must know Semcon's overall strategies, objectives and range and share the same views on customer benefit.

Semcon works to create an innovative corporate culture where creativity, reliability, job satisfaction, taking responsibility and employee performance all influence change in order to

achieve the Group's various strategic objectives. We defined our new core values in 2010 through an employee survey. These efforts will continue in 2011 through talks and establishing the core values, brand and attitude in work groups at all Semcon offices around the world.

A success factor for implementing improvements and development is a common understanding of where we come from, where we stand today, and most importantly where we are heading and what is required of us to get there. Employees' views of Semcon are important and we regularly carry out employee surveys throughout the Group, where the values in the employee index and management index are produced and followed up. The objective is to create an image of what areas we could improve upon in order to be more effective as an organization and more attractive as an employer. The objective is to carry out

Key indicators	2006**	2007**	2008	2009	2010
Total number of employees 31 Dec	1,522	3,648	3,310	2,631	2,703
Average number of employees	1,509	2,672	3,631	2,791	2,474
Sales per employee, SEK 000	902	935	909	817	845
Value added per employee, SEK 000*	602	555	592	524	595
Profit/loss before tax per employee, SEK 000*	33.1	-13.3	35.1	-92.0	-2.5
Average age	38	36	36	38	38
Sick leave, %	2.4	2.4	2.2	2.1	2.1
Staff turnover, %	12	19	30	32	23
Staff turnover excl. redundant employees, %	12	19	20	15	22

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

** The results for 2006 and 2007 have been reported for remaining businesses following the sale of the Zpider business area.

the Group's strategy and thereby create a good workplace for current and future employees.

Employee activities take place on an ongoing basis to strengthen personal bonds, develop our culture and create a joint image of Semcon. Introduction training days are held for new employees to quickly provide a clear image of the entire Group, how we work and how together we drive Semcon forward.

Market-governed skills development

Employees are trained regularly based on their own needs and level of expertise Semcon believes that customers will want in future. One of the most important reasons why customers choose Semcon is for the extensive expertise and experience of its employees.

Employees and the company have equal responsibility for individuals' development and careers at Semcon and internal improvement between the Group's work sites around the world and between various business areas is encouraged in order to raise levels of

expertise and create new ideas. The most important tool for boosting internal movement is the Group's situations vacant portal available on the company's intranet and external website.

Career assessment talks are an important part of Semcon's development. These are structured talks between employees and their immediate managers, where clear objectives are set and followed up, creating positive results for the business. The career assessment talks' structure helps us work towards common goals and increase motivation by creating a corporate culture characterized by regular feedback. We developed a new structure for the career assessment talks in 2010 and work to implement it throughout the Group will continue in 2011.

As our managers are a crucial factor for our employees and the company's development we invested in developing management skills in 2010 in communication, methodology and talks, and carried out training initiatives in contract law, business acumen and sales.

Fitness and health

Fitness activities and a good working environment are important to give all Semcon's employees the opportunity of a healthier lifestyle. A number of activities are carried out on our markets to encourage various keep-fit activities. Semcon works with corporate health-care to prevent work-related illnesses. Sick leave throughout the group remains low.

Diversity and equality

As the company has activities in many countries around the world diversity occurs naturally, which creates a solid foundation from which to form teams that meet customers' expectations.

The engineering industry is still male-dominated, which is also reflected at Semcon. According to STD Swedish industry consists of 28 per cent (27) women and the corresponding figure at Semcon is 24 per cent (23).

Sick leave, %	2006*	2007*	2008	2009	2010
Total sick leave	2.4	2.4	2.2	2.1	2.1
Of which long-term leave	0.9	0.7	0.5	0.5	0.5
Sick leave, women	3.3	3.2	3.0	2.8	2.8
Sick leave, men	2.2	2.1	2.0	1.8	1.8
Employees under 29	1.9	1.9	1.5	2.2	1.8
Employees aged 30–49	2.4	2.4	2.2	2.1	2.0
Employees over 50	3.4	3.0	3.2	2.0	2.4

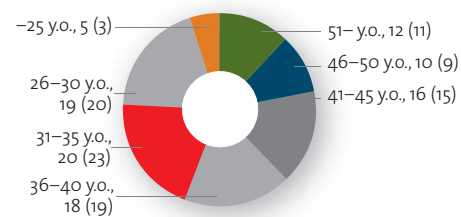
Sick leave only applies to the Swedish activities.

* The results for 2006 and 2007 have been reported for remaining businesses following the sale of the Zpider business area.

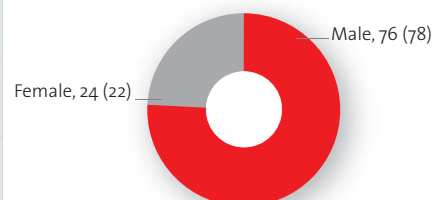


Robert Nagy, Acoustician,
Semcon Göteborg

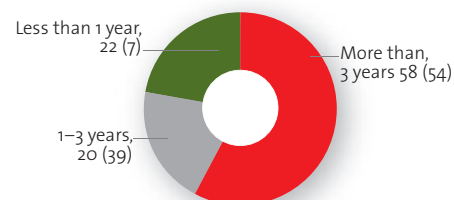
Age of employees, % *



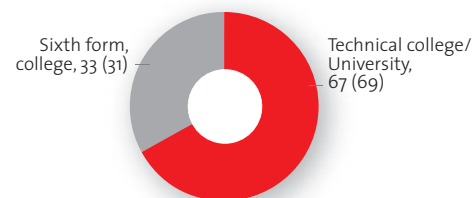
Gender division, % *



Average employment duration, % *



Level of education, % *



* as of 31 December 2010

Risks in the Group's business

Semcon is exposed to a number of risks that could affect the Group's results. 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 are handled on an ongoing basis by the organization and through strategic planning.

Market-related risks

Structural changes

Risk factors

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 is not seen to meet the requirements set regarding size and global presence.

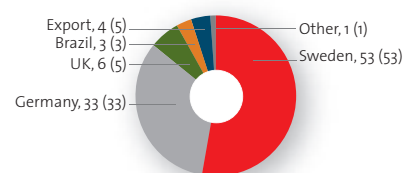
Management

- Semcon actively works towards a greater degree of internationalization in order to follow customers' developments.
- The company has established offices at many locations outside Sweden and has also carried out complete, international assignments for Groups such as Audi, BMW, Daimler, 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.

Exposure

Semcon is a global company with activities in Sweden, Germany, Brazil, UK, Hungary, India, China and Russia. The share of sales from customers outside Sweden amounts to 47 per cent (47).

Share of sales by country, %



Business cycle-dependent customers

Semcon's customers are affected to varying degrees by receding business cycles, where demand for Semcon's services can fall.

- Semcon constantly works towards broadening its customer base in order to cut its dependency on individual customers' sensitivity to business cycles.

Semcon's customer base mainly consists of leading European companies in the automotive industry and Nordic industrial companies in various industries.

Industry dependency

Semcon's business is affected to varying degrees by developments and its dependency on individual industries.

- To minimize its dependency on the automotive industry Semcon is prioritizing growth in other industries such as life science, energy/offshore and environment.

Exposure towards the automotive industry has continued to fall since last year and amounted to 59 per cent (62) of the Group's total sales.

Business-related risks

The main business-related risks are customer-dependency and key employees. There is also always a risk of losing business or a customer. A more in-depth description of business-related risks can be found in Note 3 on page 58.

Employees

Risk factors

There is always a risk that key employees or a large number of employees choose to leave the company.

Management

- Semcon prioritizes its efforts to be an attractive employer and thereby improve employees' job satisfaction.
- Resources are set aside for training, recruitment and induction activities.
- 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.

Exposure

The increased demand for engineering expertise following a recession causes increased activity on the labour market. In 2010 this meant an increase in the staff turnover rate.

Individual customer dependency

Risk factors

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 cannot immediately be transferred to other assignments.

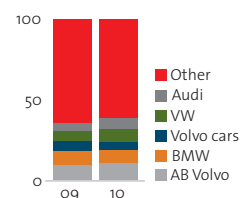
Management

- Semcon constantly works to grow its customer base in order to minimize dependency on individual customers' business-cycle dependency.

Exposure

The Group's aim is that no individual customer should represent more than 10 per cent of overall sales.

* Largest customers' share of sales, %



Pricing pressure

The risk of pricing pressure is especially great in development-intensive industries.

- Semcon offers competitive prices on all markets, but also offers customers the opportunity to utilize the Group's network of local and international offices.
- The company is increasing its share of projects and complete solutions.

Pricing pressure remains high with variations in different areas. Every increase or decrease of 1 percentage point of the total annual fee affects the end result 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.

- 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 is continuing with its 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.

- The Group has taken out insurance according to industry practice.

A review of the insurance cover was carried out in 2010 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 58.

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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 2010 financial year.

Business activities

Semcon is a global technology development company with engineering services and product information activities at more than 40 sites in Sweden, Germany, UK, Brazil, Hungary, India, China, Spain, Malaysia (office closed on 30 Nov 2010) and Russia.

Semcon's business areas

Semcon is organized into three business areas – Automotive R&D, Design & Development and Informatic. Automotive R&D and Design & Development work with design, product development, plant and production development. The Informatic business area develops information solutions for the entire product lifecycle.

Events during the year

- Semcon has signed a two-year contract with EuroMaint Rail for supplying construction services, meaning Semcon taking over EuroMaint Rail's construction department in Örebro.
- Westinghouse appointed Semcon as a preferred supplier, enhancing cooperation in engineering services.
- Semcon appointed Henry Kohlstruck as the new country manager for the German business from 1 March. He joined Semcon from the German development company Edag, where he was most recently vice president for the product/production division.
- Semcon signed an order with an auto manufacturer in Germany for safety simulations for a future car platform. Semcon's Indian and German simulation specialists will carry out the assignment.
- Semcon was chosen by a German auto manufacturer as its development partner for developing a new car model. The project will run over three years and is worth SEK 150 million.
- Semcon was chosen as a partner for developing product information for a med-tech company in Sweden. Both parties have initially signed a three-year contract.

- Semcon received an order for upgrading the ComTest® measuring system at nuclear power plant Forsmark 1 & 2. The system is used for monitoring the condition of drive gear, isolation valves and flow valves.
- Semcon has been appointed as a class A supplier for technical engineering services by Vattenfall between 2011-2013 with the option of one extra year. The contract is for nuclear power, wind power and hydroelectric power services to be carried out by specialists from all Semcon's business areas.

The work of the Board of Directors

The work of the Board of Directors is described in the section headed "Corporate Governance" on pages 78-82.

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 Group 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 remuneration shall be reasonable, competitive and in line with market conditions. The fixed salary is set every calendar year. In addition to following current collective agreements etc. senior executives have the right to individually arrange a pension, upon which salary or bonus sacrifices can be carried out to boost pension provisions given it does not affect costs

for the company over time. All pension solutions agreed upon henceforth will be premium-based. Remuneration guidelines included the individuals, who during the time the guidelines applied, were part of the Group 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 62.

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 41,171 shares have been matched for people made redundant, after which 288,829 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 the end of 2010 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 288,829 of the company's shares. These shares will be used for matching in the share savings scheme.

Company acquisitions and disposals

No company acquisitions or disposals were carried out during the year.

Sales and results

The operating income over the year was SEK 2,091 million (2,281) with an organic growth of -5 per cent after adjustment for currency effects. The fall in sales was due to the poor start during the first half of the year, especially for the units active in the automotive sector. The market situation improved in the second half of the year in all industries and the company reported organic growth in Q4 of 13 per cent.

The operating profit was SEK 3 million (-241), giving an operating margin of 0.1 per cent (-10.6). The poor result is due to the weak start to the year. The operating margin in Q4 was 6.0 per cent (-16.9). Costs in recent years have been adapted to the prevailing market situation, which has negatively affected profits in the form of one-off costs. The total cost of the cost-cutting scheme over the year amounted to SEK 15 million. Last year's results were affected by one-off costs of SEK 171 million. The operating profit excluding these items amounted to SEK 18 million (-70) with an operating margin of 0.9 per cent (-3.1).

Net financial items amounted to SEK -9 million (-16), giving a loss before tax of SEK 6 million (-257). The loss after tax was SEK 5 million (-209) and the EPS was SEK -0.29 (-11.52).

For the Automotive R&D business area sales amounted to SEK 1,091 million (1,277). The business area's share of the Group's total sales was 52 per cent (56). The operating loss was SEK 42 million (-245), giving an operating margin of -3.8 per cent (-19.2). Excluding one-off costs the operating loss for the busi-

ness area was SEK 35 million (99) and the operating margin was -3.2 per cent (7.8). For the Design & Development business area sales amounted to SEK 670 million (688). The business area's share of the Group's total sales amounted to 32 per cent (30) and the operating profit was SEK 15 million (-16), giving an operating margin of 2.3 per cent (-2.3). Excluding one-off costs the operating profit for the business area was SEK 23 million (4) and the operating margin was 3.5 per cent (0.6). The Informatic business area's sales amounted to SEK 330 million (316). The business area's share of the Group's total sales amounted to 16 per cent (14). The operating profit was SEK 30 million (20), giving an operating margin of 8.9 per cent (6.3). Excluding one-off costs the operating profit for the business area was SEK 30 million (24), giving an operating margin of 8.9 per cent (7.7).

Cash flow and financial position

The operating cash flow from current activities was SEK -55 million (104). The drop is due to increased operating capital tied up. The Group's liquid assets stood at SEK 42 million (68). In addition, unutilized credit guarantees amounted to SEK 100 million as of 31 December 2010. A new credit agreement was signed at the beginning of Q3. The credit agreement consists of a bank overdraft facility of SEK 100 million (100) and a revolving credit facility of EUR 32.8 million (42.8) that runs until July 2011. The company has the option to restructure the credit to a three-year loan prior to the due date. Shareholders' equity amounted to SEK 373 million (385) with an equity/assets ratio of 32.7 per cent (30.5). The Group's net borrowing was SEK 305 million (316) with a debt/equity ratio of 0.8 times (0.8).

Investments

Investments in hardware, licences and office equipment amounted to SEK 14 million (19).

Employees

There were 2,703 (2,631) employees on 31 December 2010, of which 1,432 (1,523) in Sweden and 1,271 (1,108) abroad. There were 2,558 (2,467) employees in active service. There were an average of 2,474 (2,791) employees, of which 1,326

in Sweden, 815 in Germany, 135 in Brazil, 69 in UK, and 129 in other countries. Employee training is carried out regularly with the aim of meeting employees' needs and Semcon's need for the expertise that Semcon's customers' need. As of 31 December, 67 per cent of employees had a university or technical college education, 58 per cent had worked for the Semcon Group for more than 3 years, 20 per cent between 1 and 3 years and 22 per cent less than 1 year. 24 per cent of Semcon's employees are women. The number of employees for each business area as of 31 December was: Automotive R&D 1,565 (1,497), Design & Development 753 (784) and Informatic 385 (350).

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 a number of market-related risks that may affect Semcon's results including:

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

For further information about market-related risks, see page 40.

Business-related risks

The main business-related risks are utilization level and employees. There is always a risk of losing business or a customer. For more information about business-related risks see page 40 and Note 3 on page 58.

Financial risks

The company has identified a number of financial risks that could affect earnings including:

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

For further information about financial risks, see Note 3 on page 58.

Sensitivity analysis

A change in the following variables would affect sales and results 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
Interest	+/- 1 %	–	SEK 3 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. Each working day represents around SEK 10 million in revenue.

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
Number of working days 2012	64	58	65	62	249

Accounting policies

Semcon applies the IFRS standards and their interpretations (IFRIC) as adopted by the EU. From 2010 onwards, a number of new standards and IFRIC statements have been adopted from 1 January 2010. None of these have affected the consolidated accounts for 2010. See Note 2, page 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 negative results reported by the company the Board proposes that no dividend be paid for 2010 (o).

Outlook

Products, production facilities and systems are becoming more complex, which requires considerable development and documentation. Meanwhile, demands are being made for faster development processes and lower development costs, which are partially being met by using more effective working methods. In all, these trends mean extra business opportunities for the Group.

The market situation improved in the second half of 2010. New business and more enquiries in all our industries mean a major recruitment requirement. Semcon's outlook for 2011 is positive and we expect to see results continuing to improve.

Parent company

Income amounted to SEK 22 million (25) and the loss after depreciation was SEK 24 million (-19).

For additional results of the Group and parent company and their financial positions, we refer to the following income statements, balance sheets, statements of comprehensive income changes in shareholders' equity and cash flow statement 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	263,266,846
Profit for the year according to the income statement	13,831,143
Group contribution	-25,812,086
Total	251,285,903

The Board proposes that the profits be disposed of as follows:

Carried forward	251,285,903
Total	251,285,903

Consolidated Income statement

SEK m	Note	2010	2009
Operating income			
Net sales	5, 6	2,090.9	2,281.1
Operating expenses			
Purchase of goods and services		-338.5	-377.9
Other external expenses	7, 12	-252.5	-321.3
Staff costs	8, 12	-1,470.2	-1,704.7
Amortization of intangible assets	14	-7.5	-10.6
Impairment of intangible assets	12, 14	–	-72.0
Amortization of tangible fixed assets	15	-22.1	-25.5
Impairment of tangible fixed assets	15	-0.3	-4.1
Results from shares in associated companies	17	3.2	-6.2
Operating profit/loss		3.0	-241.2
Financial items			
Interest income and similar items	9	2.0	8.2
Interest expenses and similar items	10	-11.1	-23.7
Profit/loss before tax		-6.1	-256.7
Tax	11	0.8	48.1
Profit/loss for the year		-5.3	-208.6
Of which attributable to parent company's shareholders		-5.3	-208.6
Of which attributable to minority interests		–	–
EPS before dilution, SEK	13	-0.29	-11.52
EPS after dilution, SEK	13	-0.29	-11.52
Number of shares at year-end (ooo)	13	18,113	18,113
Average number of shares (ooo)	13	18,113	18,113

Consolidated statement of comprehensive income

SEK m	Note	2010	2009
Profit/loss for the year		-5.3	-208.6
Other comprehensive income			
Translation differences for the year		-50.2	-22.6
Hedging of net investments		57.5	27.4
Tax relating to hedging of net investments		-15.1	-7.5
Total other comprehensive income		-7.8	-2.7
Total comprehensive income for the year		-13.1	-211.3
Of which attributable to parent company's shareholders		-13.1	-211.3
Of which attributable to minority interests		–	–

Consolidated Balance sheet

SEK m	Note	31 Dec 2010	31 Dec 2009
ASSETS			
Fixed assets			
Intangible assets			
Goodwill	14	437.2	475.2
Other intangible assets		24.7	28.5
Tangible fixed assets			
Plant and machinery	15	18.1	20.3
Inventory, computers and equipment		24.9	40.3
Financial assets			
Shares in associate companies and joint ventures	17	18.2	15.0
Deferred tax recoverable	11	69.9	89.0
Other financial assets		–	2.2
Total fixed assets		593.0	670.5
Current assets			
Accounts receivable	18	323.8	324.2
Current tax receivable		11.1	12.8
Receivables in associate companies and joint ventures	19	–	3.2
Other receivables		11.5	36.4
Accrued non-invoiced income	20	133.9	108.2
Prepaid expenses and accrued income	21	14.8	41.3
Cash and bank balances		42.5	67.7
Cash and bank balances		537.6	593.8
Total assets		1,130.6	1,264.3
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	22	18.1	18.1
Other shareholders' contribution		34.5	34.5
Statutory reserve		-1.6	6.2
Profit brought forward including profit for the year		321.6	326.6
Total shareholders' equity		372.6	385.4
<i>Of which minority share</i>		–	–
Long-term liabilities			
Pension obligations	23	48.4	73.0
Deferred tax	11	–	–
Borrowings	24	270.1	310.6
Total long-term liabilities		318.5	383.6
Current liabilities			
Overdraft facilities	24, 25	29.2	0.4
Accounts payable		69.9	77.2
Current tax liability		3.9	–
Other liabilities		74.9	59.3
Non-accrued invoiced income	20	44.6	74.8
Accrued expenses and prepaid income	26	217.0	283.6
Total current liabilities		439.5	495.3
Total shareholders' equity and liabilities		1,130.6	1,264.3
Pledged assets	27	3.2	6.3
Contingent liabilities	28	3.5	3.3

Consolidated Changes in shareholders' equity

SEK m	Share capital	Other capital contributions	Reserves*	Profit brought forward	Total	Minority share	Total shareholders' equity
Opening balance on 1 January 2009	18.1	34.5	8.9	534.7	596.2	–	596.2
Comprehensive income							
Profit/loss for the year	–	–	–	-208.6	-208.6	–	-208.6
Other comprehensive income							
Exchange rate differences for the year	–	–	-22.6	–	-22.6	–	-22.6
Hedging of net investments	–	–	27.4	–	27.4	–	27.4
Tax relating to hedging of net investments	–	–	-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
Opening balance on 1 January 2010	18.1	34.5	6.2	326.6	385.4	–	385.4
Comprehensive income							
Profit/loss for the year	–	–	–	-5.3	-5.3	–	-5.3
Other comprehensive income							
Exchange rate differences for the year	–	–	-50.2	–	-50.2	–	-50.2
Hedging of net investments	–	–	57.5	–	57.5	–	57.5
Tax relating to hedging of net investments	–	–	-15.1	–	-15.1	–	-15.1
Total other comprehensive income	–	–	-7.8	–	-7.8	–	-7.8
Total comprehensive income	–	–	-7.8	-5.3	-13.1	–	-13.1
Transactions with company owners							
Total transactions with company owners	–	–	–	0.3	0.3	–	0.3
Closing balance on 31 December 2010	–	–	–	0.3	0.3	–	0.3
Closing balance on December 2010	18.1	34.5	-1.6	321.6	372.6	–	372.6

* Reserves refer to the whole translation reserve applicable to net investments.

As of 31 December 2010, 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 statement

SEK m	Note	2010	2009
Current activities			
Operating profit/loss after depreciation/impairment		3.0	-241.2
Depreciation/impairment	14, 15	29.9	118.4
Profit/loss from machinery sold		0.1	0.2
Shares in associated companies		-3.2	–
Other items not affecting cash flow		0.6	0.5
Prepaid pensions and paying in to pension plans	23	-18.9	-3.1
Interest received and similar items		1.2	9.9
Interest paid and similar items		-7.6	-19.8
Income tax paid		-10.9	-20.0
Cash flow from current activities before changes in working capital		-5.8	-155.1
Changes in working capital			
Increase/decrease in work in progress		-27.1	26.0
Increase/decrease in current receivables		46.4	321.8
Increase/decrease in current liabilities		-68.6	-88.6
Total change in working capital		-49.3	259.2
Cash flow from current activities		-55.1	104.1
Investment activities			
Investments in intangible assets	14	-4.0	-9.4
Investments in tangible fixed assets	15	-10.5	-9.1
Acquisition of associated companies/businesses	29	–	-1.4
Payment from sales of fixed assets		3.5	0.6
Cash flow from investment activities		-11.0	-19.3
Financing activities			
Changes to overdraft facilities		28.8	-2.1
Repayment of loans	24	18.4	-131.2
Cash flow from financing activities		47.2	-133.3
Cash flow for the year		-18.9	-48.5
Cash and bank balances at the start of the year		67.7	117.6
Translation difference		-6.3	-1.4
Cash and bank balances at year-end		42.5	67.7

Parent company's Income statement

SEK m	Note	2010	2009
Operating income			
Net sales	6	22.2	25.4
Operating expenses			
Other external expenses	7	-19.1	-21.0
Staff costs	8	-27.2	-23.0
Depreciation of tangible fixed assets	15	-0.4	-0.1
Operating loss		-24.5	-18.7
Financial items			
Interest income and similar items	9	37.7	19.6
Impairment of shares in subsidiaries		–	-103.0
Group contribution received		17.0	6.3
Interest expenses and similar items	10	-10.7	-52.1
Profit/loss after financial items		19.5	-147.9
Appropriations			
Change in tax allocation reserve		–	44.1
Changes in additional amortization		0.2	-0.3
Profit/loss before tax		19.7	-104.1
Tax	11	-5.9	-0.4
Profit/loss for the year		13.8	-104.5

Parent company's statement of comprehensive income

SEK m	Note	2010	2009
Profit/loss for the year		13.8	-104.5
Other comprehensive income			
Group contribution paid		-35.0	-85.6
Tax on Group contribution		9.2	22.5
Total other comprehensive income		-25.8	-63.1
Total comprehensive income for the year		-12.0	-167.6

Parent company's Balance sheets

SEK m	Note	31 Dec 2010	31 Dec 2009
ASSETS			
Fixed assets			
Intangible assets			
Other intangible assets	14	–	–
Tangible fixed assets			
Equipment, computers and inventory	15	1.2	1.6
Financial assets			
Shares in Group companies	16	84.1	80.1
Deferred tax receivable		25.4	22.1
Receivables in Group companies		420.0	342.3
Total fixed assets		530.7	446.1
Current assets			
Receivables in Group companies		144.5	345.3
Current tax receivables		0.9	1.2
Prepaid expenses and accrued income		4.5	3.1
Cash and bank balances		–	14.6
Total current assets		149.9	364.2
Total assets		680.6	810.3
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		224.6	354.9
Profit/loss for the year		13.8	-104.5
Total shareholders' equity		294.5	306.5
Untaxed reserves			
Tax allocation reserves		0.2	0.4
Total untaxed reserves		0.2	0.4
Long-term liabilities			
Borrowings	24	283.7	286.4
Total long-term liabilities		283.7	286.4
Current liabilities			
Overdraft facilities	25	26.6	–
Accounts payable		0.9	3.3
Liabilities to Group companies		69.6	207.3
Other liabilities		0.6	0.5
Accrued expenses and prepaid income	26	4.5	5.9
Total current liabilities		102.2	217.0
Total shareholders' equity and liabilities		680.6	810.3
Pledged assets			
Pledged assets		None	None
Contingent liabilities	28	0.7	0.8

Parent company's Changes 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 on 1 January 2009	18.1	25.1	12.9	418.0	474.1
Comprehensive income					
Profit/loss for the year	-	-	-	-104.5	-104.5
Other comprehensive income					
Group contribution paid	-	-	-	-85.6	-85.6
Tax on Group contribution	-	-	-	22.5	22.5
Total other comprehensive income	-	-	-	-63.1	-63.1
Total comprehensive income	-	-	-	-167.6	-167.6
Opening balance on 1 January 2010	18.1	25.1	12.9	250.4	306.5
Comprehensive income					
Profit/loss for the year	-	-	-	13.8	13.8
Other comprehensive income					
Group contribution paid	-	-	-	-35.0	-35.0
Tax on Group contribution	-	-	-	9.2	9.2
Total other comprehensive income	-	-	-	-25.8	-25.8
Total comprehensive income	-	-	-	-12.0	-12.0
Closing balance on 31 December 2010	18.1	25.1	12.9	238.4	294.5

As of 31 December 2010, the registered share capital consisted of 18,112,534 shares at a nominal and quotient value of SEK 1. For further information, see Note 22, Share Capital.

Parent company's Cash flow statement

SEK m	Note	2010	2009
Current activities			
Operating profit/loss after impairment		-24.5	-18.7
Impairment	15	0.4	0.1
Interest received and similar items		36.9	18.6
Interest paid and similar items		-10.4	-18.0
Income tax received/paid		0.3	-9.0
Cash flow from current activities before changes in working capital		2.7	-27.0
Changes in working capital		139.4	185.3
Increase/decrease in current receivables		-180.6	-40.1
Increase/decrease in current liabilities		-41.2	145.2
Total change in working capital		-38.5	118.2
Cash flow from current activities			
Investment activities	15	–	-1.7
Investments in tangible fixed assets		–	-1.7
Cash flow from investment activities			
Financing activities		26.6	–
Change in overdraft facilities	24	-2.7	-147.7
Repayment of loans		23.9	-147.7
Cash flow from financing activities		-14.6	-31.2
Cash flow for the year		14.6	45.8
Cash and bank balances at the start of the year		–	14.6

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 Göteborg, Sweden. The company is listed on the

NASDAQ OMX Stockholm Small Cap list under the SEMC ticker.

The Group's main business is providing product development services and product information, which are described in the Directors' Report in

this Annual Report. The Consolidated Accounts for the financial year ending 31 December 2010 were approved by the Board on 18 March 2011 and will be presented to the AGM on 27 April 2011 for final approval.

Note

2

Accounting policies

The most important accounting policies applied when these Consolidated Accounts were prepared are stated below. These policies have been applied consistently for each year represented, unless otherwise stated.

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, IFRIC interpretations, the Swedish Annual Accounts Act and recommendation RFR 1.3 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 recommendation 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.

Preparing reports in accordance with IFRS requires using a number of important estimates for accounting purposes. It is also necessary for senior management to make a number of estimates when applying the Group's accounting policies. The areas that require a high degree of assessment, which are complex or are such areas where assumptions and estimates are of considerable significance for the Consolidated Accounts appear in Note 4.

Changes to the accounting policies and disclosures

New and amended standard applied by the Group

The following new and amended standards are compulsory for the first time

for the financial year beginning 1 January 2010.

- IFRS 3 (revised), "Business combinations", and thereof the following changes to IAS 27, "Consolidated and Separate Financial Statements", IAS 28, "Investments in Associates", and IAS 31 "Interests in Joint Ventures", will be forwardly applied for business combinations where the acquisition date falls in the first financial year beginning 1 July 2009 or later. The revised standard continues to specify that the acquisition method applies for business combinations but with a number of significant changes. One example is that all payments for acquiring a business must be reported at their actual value on the acquisition date, including conditional purchase price classified as a liability and which is thereafter re-valued via the statement of comprehensive income. Interests without significant influence in the acquired business can, for each acquisition, either be valued at the actual value or as a proportional share of the acquired business' net assets. All acquisition-related costs are written off. No business combinations were reported in 2010.
- IAS 27 (revised), requires that the effects of all transactions with parties without significant influence are reported in shareholders' equity, as long as a controlling influence remains, and these transactions no longer give rise to goodwill, profits or losses. The standard also states that when a parent company loses the controlling influence any remaining share is re-valued at the actual value and any profit or loss is reported in the income statement. IAS 27 (revised) has not affected the present period as the Group did not have any ownership without controlling influence.
- IFRIC 16 (amendment), "Hedging of a Net Investment in a Foreign Operation" (applies for the financial year 1 July 2009 or later). The addition states

that when hedging a net investment in a foreign operation, instruments that meet the conditions for hedge accounting can be held by any of the companies in the Group, including the foreign operation, conditional to the requirements for identification, documentation and effectiveness of IAS 39 for the hedging of net investments being met. The Group's hedging strategy should be clearly documented due to the possibility of different identification at different levels in the Group.

- IAS 36 (amendment), "Impairment of Assets" applies for the financial year beginning 1 January 2010 or later. The amendment clearly states that the biggest cash generating unit (group or units) for which goodwill is split in order to prove a write-down requirement, is an operating segment as defined in item 5 in IFRS 8, "Operating Segments" (i.e. before the merger of segments with similar financial characteristics).
- IFRS 5 (amendment), "Non-current Assets Held for Sale and Discontinued Operations". The amendment clearly states that IFRS 5 specifies the disclosure requirements for fixed assets (or disposed groups) classified as fixed assets held for sale or disposal or discontinued operations. It also clearly states that the general requirement in IAS 1 still applies, especially item 15 (to provide a true and fair view) and item 125 (sources of uncertainty in estimates) in IAS 1.

Other amendments and interpretations that came into force had no impact on the consolidated financial statements.

New standards, amendments and interpretations of existing standards that have not yet entered into force and that have not been applied in advance by the Group.

- IFRS 9, "Financial Instruments" (published in November 2009). This standard is the first step of the process to replace IAS 39, "Financial Instruments: Recognition and Measurement". IFRS 9 introduces two new demands for

recognizing and measuring financial assets. The new standard is not expected to affect the Group's reporting of financial assets. The standard will not be applied until the financial year beginning 1 January 2013, but is available for advanced application. The standard has yet to be adopted by the EU.

- IAS 24 (revised), "Related party disclosures", issued November 2009. This replaces IAS 24, "Related party disclosures", issued 2003. IAS 24 (revised) will be applied for the financial year beginning 1 January 2011 or later. Advanced application of parts of, or the entire standard, is permitted. The revised standard clarifies and simplifies the definition of related parties. The Group will apply the revised standard from 1 January 2011. When the revised standard has been applied, the Group will need to issue more disclosures concerning transactions between Group companies and the Group's associated companies.

Other amendments and interpretations that have not yet entered into force are not expected to have any impact 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 method 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 reported in other comprehensive income.

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:

- 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.

One-off items do not appear in the income statement so are specified in Note 12 page 65.

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 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 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 possible 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 counterparty 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 consisted 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.

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 accord-

ance 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 bonus 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.

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 de-fined-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 measurement 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

Cont. note 2

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 2010 and the year of comparison, 2009. The differences between the Group and parent company's accounting policies appear below.

Group companies

Participations in Group companies 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 Group companies.

Financial guarantees

The parent company applies the exception rule in RFR 2.1 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. The greatest risk in a know-how intensive company is that the employees quit, or the right employees are not recruited. 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.

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 concerning market and business-related risks see pages 40–41.

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 more expensive. Credit agreements consist of an overdraft facility of SEK 104 million (104) and a loan agreement of EUR 32.8 million (42.8). The loan falls due for payment on 22 July 2011 with a unilateral 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 ratio, debt/equity ratio and operating profit/loss before amortization.

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 2010 the short-term 7-day interest rate was considerably lower than the longer-term interest rates. An alteration in market rates of +/- 1 per cent would affect future profit by around SEK 3 million based on the borrowings as of 31 December.

Liquidity risks

Liquidity risks are the risks associated with not having access to liquid assets or unutilized credits to fulfil payment commitments. The Group's liquid assets at year-end amounted to SEK 42 million (68). In addition, the Group has an unused overdraft facility of SEK 100

million (237). 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

The Group, SEK m	Up to 3 months	3–12 months	Over 12 months
Liabilities to credit institutions	–	29.2	270.1
Accounts payable	69.9	–	–

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 per cent would affect profits before tax by around SEK 3–5 million and the profit after tax 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.

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 2010, the equity/assets ratio was 33.0 per cent (30.5). 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".

Estimating the fair value

For accounts receivable, accounts payable and other non interest-bearing receivables and liabilities, reported at the accrued acquisition value with deductions for possible impairment, the fair value is judged to correspond to the reported value.

The Group's borrowing is mainly carried out with short-term fixed interest rates. The fair value is therefore judged to correspond with the reported value.

The Group's currency forward agreements used for hedging have been valued at the fair value based on prices from external banks. The fair value of these contracts amounts to SEK 0.8 million (-0.6).

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 on page 54 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 on page 65 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 437.2 million.

Assessment of loss carry-forwards

The reported deferred tax assets in the Group concerning loss carry-forwards amounted to SEK 97,6 million on 31 December 2010. 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. Increased orders and positive results in Q4 mean that 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 profit might result in differences in valuing deferred tax assets. If the future taxable profit in Germany deviates by 10 per cent from management's estimate then the Group would be forced to cut its deferred tax asset by SEK 6.9 million.

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 2010 the Group's pension allocations amounted to SEK 48.4 million.

If the discount rate changed by 0.25 per cent then the current value of the pension obligations would need to be adjusted by SEK 1.8 million. Actuarial assumptions appear in Note 23 on page 70.

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 impact on the Group's results and position. There are currently no disputes however where the outcome would involve a significant negative impact on results.

Segment reporting

The Group's three business areas, Automotive R&D, Design & Development and Informatic make up the Group's reportable operating segments. Automotive R&D provides services aimed at concept, design, calculation, construction, prototyping, testing, simulation and production for customers mainly in the global automotive industry. Design & Development works mainly with industrial design, product development, plant design and production development. Informatic provides complete information solutions for interactive market communication and after-market. These three segments are 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 engineering services for designing, developing products and production, while Informatic mainly receives its revenues by developing product information 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 follow up the segments' earnings based on the operating profit. 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 segments' accounting policies follow the same policies as when compiling the consolidated accounts, which appear in Note 2 on page 54.

SEK m	Automotive R&D		Design & Development		Informatic		Elimination/ non-allocated items		The Group total	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Income	1,091.0	1,276.9	670.2	688.1	329.7	316.1	–	–	2,090.9	2,281.1
Operating profit/loss excl. one-off items	-35.0	-99.0	23.4	4.4	29.5	24.2	–	–	17.9	-70.4
One-off items	-6.8	-146.5	-8.1	-20.0	–	-4.3	–	–	-14.9	-170.8
Operating profit/loss	-41.8	-245.5	15.3	-15.6	29.5	19.9	–	–	3.0	-241.2
Net financial items	–	–	–	–	–	–	-9.1	-15.5	-9.1	-15.1
Profit/loss before tax	-41.8	-245.5	15.3	-15.6	29.5	19.9	-9.1	-15.5	-6.1	-256.7

Other disclosures

Non interest-bearing assets	518.4	706.1	352.1	332.7	84.3	117.2	133.3	40.6	1,088.1	1,196.6
Cash and bank balances	–	–	–	–	–	–	42.5	67.7	42.5	67.7
Total assets	518.4	706.1	352.1	332.7	84.3	117.2	175.8	108.3	1,130.6	1,264.3
Non interest-bearing liabilities	141.7	239.3	107.6	127.7	63.9	105.1	97.1	22.8	410.3	494.9
Interest-bearing liabilities	48.4	73.4	–	–	–	–	299.3	310.6	347.7	384.0
Total liabilities	190.1	312.7	107.6	127.7	63.9	105.1	396.4	333.4	758.0	878.9
Investments	11.9	6.4	0.9	1.8	0.8	0.1	0.9	10.2	14.5	18.5
Depreciation	18.3	25.4	3.4	4.8	1.4	1.4	6.5	4.5	29.6	36.1
Impairment	–	76.1	–	6.2	–	–	0.3	–	0.3	82.3

Geographic area	Sales		Assets		Investments	
	2010	2009	2010	2009	2010	2009
Sweden	1,101.5	1,198.0	587.3	671.8	1.8	12.4
Germany	673.2	748.6	431.2	496.4	6.2	4.4
Other	316.2	334.5	112.1	96.1	6.5	1.7
Total	2,090.9	2,281.1	1,130.6	1,264.3	14.5	18.5

There were no individual customers during the year from which the income exceeded 10 per cent of the Group's sales. Last year there was one customer from which the income was SEK 230.5 million, which was 10.1 per cent of sales. This income related to all operating segments.

Note

6

Net sales

Of net sales, income from services accounts for 92.0 per cent (92.1). Other sales comprise licenses, sales of computers, assignment computers, training, sales of materials and goods in projects. The parent company's sales attributable to Group companies amounted to SEK 22.3 million (25.3) and purchases amounted to SEK 0.1 million (0.0).

Note

7

Remuneration to auditors

SEK m	The Group		Parent company	
	2010	2009	2010	2009
Deloitte				
Auditing assignments	2.1	2.2	0.2	0.2
Services in addition to auditing assignments	0.2	0.5	0.2	0.5
Tax consultancy	–	–	–	–
Other services	–	–	–	–
Total	2.3	2.7	0.4	0.7
Other auditors				
Auditing assignments	0.1	0.3	–	–
Total	0.1	0.3	–	–
Total remuneration to auditors	2.4	3.0	0.4	0.7

Note

8

Employees

Average number of employees	2010		2009	
	Average no. of employees	of whom female, %	Average no. of employees	of whom female, %
The Group				
Sweden	1,326	24	1,625	25
Germany	815	19	827	19
Brazil	135	20	183	21
UK	69	13	64	14
India	52	13	29	7
Hungary	30	77	31	26
China	27	59	19	47
Spain	14	–	6	–
Malaysia	6	50	7	57
The Group total	2,474	23	2,791	22
Parent company	Average no. of employees	of whom female, %	Average no. of employees	of whom female, %
Sweden	14	36	13	38
Parent company total	14	36	13	38

Salaries, remuneration and payroll overheads

	2010			2009		
	Total salaries and other remuneration	Social security expenses	Of which pension expenses	Total salaries and other remuneration	Social security expenses	Of which pension expenses
SEK m						
Parent company	16.5	10.7	4.4	13.3	8.6	3.3
Subsidiaries	1,057.2	360.6	70.0	1,238.9	411.4	72.1
The Group total	1,073.7	371.3	74.4	1,252.2	420.0	75.4

Of which remuneration to senior executives

	2010			2009		
	Total salaries and other remuneration	Of which, bonus	Pension expense	Total salaries and other remuneration	Of which, bonus	Pension expenses
SEK m						
CEO of parent company	3.4	–	1.6	3.4	–	1.2
CEOs at subsidiaries	11.3	0.9	2.4	12.2	0.3	1.7
The Board	1.2	–	–	1.2	–	–
Other senior executives	12.5	0.4	4.0	10.2	–	2.8

*Details about salaries and remuneration to other senior executives includes parts of the sums that are also included in salaries and remuneration to the CEOs of the subsidiaries in the above table. The amounts are for those CEOs 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, severance pay will be paid for 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 2010. 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. A salary sacrifice of SEK 0.3 million for the pension was carried out in 2010.

The Board. Of fees to the Board in 2010 the Chairman of the Board received remuneration amounting to SEK 400,000. Other external members received SEK 200,000. Board fees totalled SEK 1.2 million.

Other senior executives. Other senior executives, 11 individuals (10), refers to Semcon's senior management besides 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. The period of notice given to other senior executives is a maximum 12 months. The pension agreements for senior executives are paid in accordance with the ITP plan, except for one executive whose monthly premium 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 the Group management team.

Cont. note 8

Gender of senior executives. Two of Semcon's six Board members are women. In 2010 the Group management team consisted of twelve people, of which one 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 0(0) for the CEO and SEK 661,000 (556,000) for other senior executives.

Sick leave in the parent company. Total sick leave in the parent company for 2010 was 0.3 per cent (0.5) of which long-term sick leave was 0 per cent (0). Other information about sick leave is shown on page 38.

Note

9

Interest income and similar items

The Group, SEK m	2010	2009
Interest income	1.1	3.7
Exchange rate differences	0.9	4.5
Total	2.0	8.2
Parent company, SEK m	2010	2009
Interest income	8.2	1.0
Exchange rate differences, forward cover	25.3	18.6
Other exchange rate differences	4.2	–
Total	37.7	19.6

Note

10

Interest expenses and similar items

The Group, SEK m	2010	2009
Interest expenses	-10.4	-23.3
Other financial expenses	-0.7	-0.4
Total	-11.1	-23.7
Parent company, SEK m	2010	2009
Interest expenses	-10.5	-17.7
Exchange rate difference, borrowings amortization	–	-33.6
Other exchange rate differences	–	-0.5
Other financial expenses	-0.2	-0.3
Total	-10.7	-52.1

Note

11

Tax

The Group, SEK m	2010	2009
Current tax	0.3	6.4
Tax concerning previous tax years	2.1	-2.9
Deferred tax expense attributable to temporary differences	4.4	2.8
Deferred tax income attributable to temporary differences	-7.6	-54.4
Total	-0.8	-48.1
Parent company, SEK m	2010	2009
Deferred tax income attributable to temporary differences	-3.3	-22.1
Tax on Group contributions paid	9.2	22.5
Total	5.9	0.4

Cont. note 11

Differences between Group's reported tax and tax expense based on current tax rate, SEK m	2010	2009
Reported profit/loss before tax	-6.1	-256.7
Tax according to current tax rate, 26.3%	-1.6	-67.5
Tax effect of:		
Non-deductible expenses	2.1	2.3
Non-taxable income	-0.6	-1.0
Adjustments for previous years' tax	-2.1	-2.9
Loss carry-forwards not valued in accounts	1.6	1.5
Goodwill impairment	–	18.9
Impairment of participations in associated companies	–	1.6
Effects of other tax rates abroad	0.4	-1.1
Other	-0.6	0.1
Tax for the year	-0.8	-48.1

Differences between parent company's reported tax and tax expense based on current tax rate, SEK m	2010	2009
Reported profit/loss before tax	19.8	-104.1
Tax according to current tax rate 26.3%	5.2	-27.4
Tax effect of:		
Non-deductible expenses	0.7	0.5
Standard interest on tax allocation reserve	–	0.2
Impairment of shares in Group companies	–	27.1
Tax for the year	5.9	0.4

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

	2010	2009
Deferred tax assets		
Loss carry-forwards	97.6	103.6
Equity hedge loan	–	6.4
Temporary differences, inventories	0.1	–
Temporary differences, accounts receivable	0.3	0.7
Temporary differences pension obligations	4.0	4.8
Other	1.3	5.0
Netting against deferred tax liabilities	-33.4	-31.5
Total	69.9	89.0
Deferred tax liabilities		
Untaxed reserves	2.1	2.5
Accrued income reported in the Group	22.0	19.9
Equity hedge loan	3.6	–
Goodwill	4.7	3.7
Other	1.0	5.4
Netting against deferred tax assets	-33.4	-31.5
Total	–	–

The taxable loss carry-forward is SEK 515.0 million (552.7). Of this SEK 1.1 million (2.2) falls due within 5 years, SEK 1.8 million (2.6) after five years and for the remaining SEK 509.1 million (547.9) there is no maturity date. For SEK 187.6 million (195.7) of the taxable loss carry-forward no deferred taxes recoverable have been reported because of uncertainty when sufficient taxable surplus is reported in the future. Deferred income taxes recoverable concerning losses have been reported at SEK 97.7 million (103.6) as it is judged likely, due to increased orders and positive results in Q4 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	2010	2009
Structural changes, Sweden	-11.3	-82.2
Structural changes outside Sweden	-3.6	-5.0
Reserves for bad debts/work in progress	–	-5.4
Goodwill impairment	–	-72.0
Impairment of shares in associate companies	–	-6.2
Total	-14.9	-170.8
Specifications of items in the income statement		
Other external expenses	-2.3	-10.6
Staff expenses	-12.6	-82.0
Goodwill impairment	–	-72.0
Impairment of shares in associate companies	–	-6.2
Total	-14.9	-170.8

Note

13 Earnings per share

The Group	2010		2009	
	Before dilution	After dilution	Before dilution	After dilution
Earnings attributable to parent company's shareholders, SEK m	-5.3	-5.3	-208.6	-208.6
Weighted average no. of shares during the year, thousands	18,113	18,113	18,113	18,113
Earnings per share, SEK	-0.29	-0.29	-11.52	-11.52

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 buy-back shares held as own shares by the parent company, see Note 22 on page 69. Since the results have been negative, all outstanding shares are used in the assessment for 2010 and 2009.

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.

Note

14 Intangible assets

The Group, SEK m	2010	2009
Goodwill		
Opening acquisition value	675.4	692.5
Acquisitions	–	1.4
Translation difference for the year	-42.7	-18.5
Closing accumulated acquisition value	632.7	675.4
Opening impairment	-200.2	-128.2
Impairment	–	-72.0
Translation difference for the year	4.7	–
Closing accumulated impairment	-195.5	-200.2
Closing booked value	437.2	475.2
Specification of goodwill		
Goodwill is distributed across the Group's business units as follows:		
Business area, SEK m	2010	2009
Automotive R&D	273.6	311.3
Design & Development	163.6	163.9
Informatic	–	–
Closing booked value	437.2	475.2

Cont. note 14

Testing for impairment losses for goodwill is carried out annually and when there are indications that impairment losses are 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 for the next five years and for the time subsequent a perpetual 2 per cent growth rate has been used in the valuation.

The cash flow has been discounted with a weighted 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 increased by 1 per cent to 8 per cent, it means that the beneficial value is still greater than the reported value. Further sensitivity analyses have been carried out and concluded that if growth dropped by one percent then there would no longer be a need for impairment.

Last year's depreciation is attributable to the Automotive R&D business area, whose income from Swedish automotive customers fell in 2009 and is expected in future to be at a lower level than in 2007 and 2008.

The Group, SEK m	2010	2009
Other intangible assets		
Opening acquisition value	85.9	87.9
Investments	4.0	9.4
Sales/disposals	–	-9.4
Translation difference for the year	-5.8	-2.0
Closing accumulated acquisition value	84.1	85.9
Opening depreciation	-57.4	-57.9
Sales/disposals	–	8.8
Depreciation for the year	-7.5	-10.6
Translation difference for the year	5.5	2.3
Closing accumulated depreciation	-59.4	-57.4
Closing booked value	24.7	28.5

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

Parent company, SEK m	2010	2009
Other intangible assets		
Opening acquisition value	–	3.0
Sales/disposals	–	-3.0
Closing accumulated acquisition value	–	–
Opening depreciation	–	-3.0
Sales/disposals	–	3.0
Closing accumulated depreciation	–	–
Closing booked value	–	–

Note

15

Tangible fixed assets

The Group, SEK m	2010	2009
Plant and machinery		
Opening acquisition value	95.6	100.7
Investments	1.4	3.2
Sales/disposals	-4.0	-5.0
Reclassification	7.7	–
Translation difference for the year	-8.5	-3.3
Closing accumulated acquisition value	92.2	95.6
Opening depreciation	-75.3	-77.8
Sales/disposals	3.4	4.3
Reclassification	-3.5	–
Depreciation for the year	-5.8	-4.9
Translation difference for the year	7.1	3.1
Closing accumulated depreciation	-74.1	-75.3
Closing booked value	18.1	20.3
Inventories, computers and equipment		
Opening acquisition value	245.4	331.4
Investments	9.1	5.9
Sales/disposals	-36.0	-85.2
Reclassification	-7.7	–
Translation difference for the year	-16.4	-6.7
Closing accumulated acquisition value	194.4	245.4
Opening depreciation/impairment	-205.1	-272.1
Sales/disposals	35.1	85.7
Reclassification	3.5	–
Impairment for the year	-0.3	-4.1
Depreciation for the year	-16.3	-20.6
Translation difference for the year	13.6	6.0
Closing accumulated depreciation/impairment	-169.5	-205.1
Closing booked value	24.9	40.3
Parent company, SEK m	2010	2009
Inventories, computers and equipment		
Opening acquisition value	1.7	1.2
Investments	–	1.7
Sales/disposals	–	-1.2
Closing accumulated acquisition value	1.7	1.7
Opening depreciation	-0.1	-1.2
Sales/disposals	–	1.2
Depreciation for the year	-0.4	-0.1
Closing accumulated depreciation	-0.5	-0.1
Closing booked value	1.2	1.6

Note

16

Shares in Group companies

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	9.8	556534-4651	Göteborg
Total				84.1		

The accumulated acquisition value of shares in Group companies amounts to SEK 307.1 million. A statutory specification of company registration number and registered office of all Group companies in the Group can be obtained from Semcon's head office.

Note

17

Shares in associated companies and joint ventures

The Group, SEK m	Associated company	Capital share, %	Voting rights, %	Booked value, SEK m	Co. reg. no.	Registered office
Semcon International AB	Kongsberg Devotek AS	30	30	18.2	883 602 382	Kongsberg, Norway
				18.2		

The joint venture between Semcon and ESG Russelheim JV was terminated during the year.

Shares in associated companies and joint ventures, SEK m	2010	2009
Opening booked value	15.0	21.2
Share of earnings	3.2	–
Impairment, Kongsberg Devotek AS	–	-6.2
Closing booked value	18.2	15.0

The share in associated companies' revenue was SEK 37.1 million, share of assets was SEK 13.3 million and share of liabilities was SEK 9.3 million.

Note

18

Accounts receivable

The Group, SEK m	2010	2009
Accounts receivable, not due for payment	300.9	271.8
Due for payment, 1–30 days	15.2	30.5
Due for payment, 31–60 days	3.2	11.0
Due for payment, over 60 days	28.1	42.6
Total	347.4	355.9
Provisions for bad debts		
Provisions at start of the year	-31.7	-18.8
Reservations for expected losses	-1.7	-19.4
Confirmed losses	1.5	-0.7
Actual payments of reserved receivables	4.6	7.2
Translation difference for the year	3.7	–
Provisions at end of the year	-23.6	-31.7
Closing booked value	323.8	324.2

Note

19

Receivables from associated companies and joint ventures

The Group, SEK m	2010	2009
Receivables at joint ventures	–	3.2
Total	–	3.2

Note

20 Accrued non-invoiced income and invoiced 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 2010 the accrued non-invoiced income stood at SEK 89.3 million (33.4). 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 83.6 million (74.6) on the closing date.

Processed but non-invoiced income, SEK m	2010	2009
Income/assignment expenses	187.8	154.3
Partly invoiced amount	-53.9	-46.1
Total	133.9	108.2
Invoiced/non-processed income, SEK m		
Income/assignment expenses	78.8	59.4
Partly invoiced amount	-123.4	-134.2
Total	-44.6	-74.8

Note

21 Prepaid expenses and accrued income

The Group, SEK m	2010	2009
Accrued income	1.9	13.8
Prepaid expenses	12.9	27.5
Total	14.8	41.3

Note

22 Share capital

Date	Type of issue	No. of shares issued	Share capital after issue, SEK
7 March 1997	Formation of 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 holding of own shares on 31 December was 288,829. These shares will be used for future matches and to cover social security contributions in the share savings scheme.

Note

23

Pension 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 2010 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.

Reconciliation of pension obligations, SEK m	2010	2009	2008	2007	2006
Current value of non-funded obligations	62.1	70.6	73.7	63.8	–
Managed assets	-15.9	–	–	–	–
Total	46.2	70.6	73.7	63.8	–
Non-reported actuarial profit (+) or loss (-)	2.2	2.4	1.7	-0.1	–
Net provisions in the balance sheet	48.4	73.0	75.4	63.7	–

Specification of change in the defined benefit obligation, SEK m	2010	2009
At the start of the year	70.6	73.7
Costs for employment during the current year	0.8	1.4
Interest expenses	3.1	3.4
Payment of pensions	-3.0	-3.1
Non-reported actuarial profit (+) or loss (-)	-0.2	–
Exchange rate differences	-9.2	-4.8
At year-end	62.1	70.6

Specification of changes in managed assets, SEK m	2010	2009
At the start of the year	–	–
Pension plan payments	17.8	–
Return on managed assets	0.5	–
Exchange rate differences	-2.4	–
At year-end	15.9	–

Specification of managed assets, SEK m	2010	2009
Shares	0.9	–
Interest-bearing securities	8.9	–
Cash and bank balances	5.7	–
Other	0.4	–
Total managed assets	15.9	–

Specification of changes in pension provisions, SEK m	2010	2009
At the start of the year	73.0	75.4
Net costs reported in the income statement	3.4	4.8
Pension remuneration paid out	-3.0	-3.1
Pension plan payments	-17.8	–
Reported actuarial profit (+) or loss (-)	-0.2	–
Exchange rate differences	-7.0	-4.1
At year-end	48.4	73.0

Specification of total costs for pension payments reported in the income statement, SEK m	2010	2009
Costs for defined benefit plans:		
Costs for employment during the current year	-0.8	-1.4
Yield on managed assets	0.5	–
Interest expenses	-3.1	-3.4
Costs for defined benefit plans	-3.4	-4.8
Costs for defined contribution plans	-73.6	-74.0
Total costs reported in the income statement	-77.0	-78.8

Of which:

Amounts that negatively affected the operating profit/loss (staff costs)	-74.4	-75.4
Amounts that negatively affected financial costs (interest expense)	-2.6	-3.4
Total costs reported in the income statement	-77.0	-78.8
Significant actuarial assumptions, %	2010	2009
Discount rate	4.8	4.8
Expected salary increase	3.0	3.0
Future pension increase	1.5	1.5

Expenses during the year for pension insurance policies signed with Alecta amounted to SEK 32.8 million (38.9). Alecta's surplus can be allocated to the policyholder and/or the insured. At year-end 2010 Alecta's surplus in the form of the collective consolidation level was 146 per cent (141). 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

24

Borrowings

The Group, SEK m	2010	2009
Long-term		
Liabilities to credit institutions	270.1	310.6
Total long-term	270.1	310.6
Short-term		
Overdraft facilities	29.2	0.4
Total short-term	29.2	0.4
Total borrowing	299.3	311.0

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	2010	2009
Long-term		
Liabilities to credit institutions	283.7	286.4
Total long-term	283.7	286.4
Short-term		
Overdraft facilities	26.6	–
Total long-term	26.6	–
Total borrowing	310.3	286.4

The long-term credit consists of a loan agreement of EUR 32.8 million (42.8) of which EUR 30.0 million (30.0) was utilized as at 31 December. The loan falls due in July 2011 with a unilateral option for the company, prior to the due date, to extend credit to a three-year loan. The loan has been reported as long-term because it is the company's intention to either extend the credit for a further year or extend it to a three-year loan. The loan was taken out for the acquisition of Group companies and reported as translated to the acquisition date's rate in the parent company, according to the method for hedging net investments.

Note

25

Overdraft facilities

Of the Group's permitted overdraft facility of SEK 103.8 million (104.1), SEK 29.2 million (2.5) has been utilized. The credit runs on an annual basis. Of the parent company's permitted overdraft facility of SEK 100.0 million (100.0), SEK 26.6 million (0.0) has been utilized.

Note

26

Accrued expenses and prepaid income

The Group, SEK m	2010	2009
Staff-related costs	162.6	197.3
Other items	54.4	86.3
Total accrued expenses and prepaid income	217.0	283.6
Parent company, SEK m	2010	2009
Staff-related costs	3.8	2.9
Other items	0.7	3.0
Total accrued expenses and prepaid income	4.5	5.9

Note

27

Pledged assets

The Group, SEK m	2010	2009
For own liabilities		
Rental guarantees	3.2	6.3
Total pledged assets	3.2	6.3

Note

28

Contingent liabilities

The Group, SEK m	2010	2009
Conditional loan, Swedish Energy Agency	3.5	3.3
Total contingent liabilities	3.5	3.3
Parent company, SEK m	2010	2009
Guarantees provided	0.7	0.8
Total contingent liabilities	0.7	0.8

Note

29

Information concerning acquisitions and divestment 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, SEK m	2010	2009
Goodwill	–	1.4
Purchase price paid	–	1.4
Liquid assets in acquired company	–	–
Effect on Group's liquid assets	–	1.4

Note

30

Transactions with related parties**The Group**

Purchases between associated companies and joint ventures amounted to SEK 0.0 million (0.2) and sales amounted to SEK 2.1 million (11.9). The JCE Group is Semcon AB's largest shareholder with a shareholding of 30.5 per cent (31 December 2010). Purchases from companies in the JCE Group amounted to SEK 0.0 million (0.0) and sales amounted to SEK 1.1 million (1.0).

Parent company

No transactions have taken place between affiliated companies, joint ventures or shareholders. For purchases/sales between Group companies, see Note 6 on page 61.

Remuneration for the senior executives appears in Note 8 on page 62.

Note

31

Operational leasing

The Group rents offices at around forty sites in Sweden, Brazil, China, Germany, Hungary, India, Spain and 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. These contracts run in line with usual market terms and with a remaining contract term of one to three years.

The Group, SEK m	2010			2009		
	Rent for premises	Other	Total	Rent for premises	Other	Total
Within 1 year	64.8	7.0	71.8	78.4	11.1	89.5
Between 1 and 5 years	132.9	5.8	138.7	139.3	4.4	143.7
More than 5 years	34.6	–	34.6	37.7	–	37.7
Future minimum leasing charges	232.3	12.8	245.1	255.4	15.5	270.9
Minimum leasing charges for the year	80.3	10.1	90.4	93.4	12.4	105.8

Parent company, SEK m	2010			2009		
	Rent for premises	Other	Total	Rent for premises	Other	Total
Within 1 year	–	0.3	0.3	–	0.3	0.3
Between 1 and 5 years	–	0.3	0.3	–	0.2	0.2
More than 5 years	–	–	–	–	–	–
Future minimum leasing charges	–	0.6	0.6	–	0.5	0.5
Minimum leasing charges for the year	–	0.4	0.4	–	0.5	0.5

Note

32

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.

Göteborg, 18 March 2011

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 18 March 2011.
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 2010 financial year. The company's annual report and consolidated accounts comprise pages 43-73 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.

Göteborg, 18 March 2010

Deloitte AB

Peter Gustafsson
Authorized Public Accountant

Hans Warén
Authorized Public Accountant

Definitions

Balance sheet total

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

Shareholders' equity per share after dilution

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

Shareholders' equity per share before dilution

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

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.

Net borrowings

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

P/E ratio

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

EPS 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 of potential shares.

EPS 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.

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. Operating margin Operating profit as a percentage of net sales.

Debt/equity ratio

Net borrowings divided by shareholders' equity including minority interests. Equity/assets ratio Shareholders' equity as a percentage of the balance sheet total.

Capital employed

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

Profit margin

Profit before tax as a percentage of net sales.

Glossary

BRIC countries

Brazil, Russia, India and China.

CAD

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

Catia V5

Application for mechanical construction and 3D design with a broad spectrum of tools for simulations, construction, analyses and design. Semcon is a certified sales and training partner to Dassault Systèmes for its Catia product.

Comtest

Measuring system developed by Semcon.

Front-office/back-office

Semcon's principle for the model front office/back office is that assignments and work should be carried out where we have the best skills and available resources. Back office carries out the main part of the work and the front office is responsible for project coordination and client interaction.

Embedded system

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

Life Science

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

Networking supply structure

Project where several different Semcon offices around the world supply services.

PLM

Product Lifecycle Management. The processes that handle data and information about a product throughout the entire product lifecycle with clear links to customers' business processes, such as costs, environmental impact, qualities, convertibility and service intervals.

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.

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.

Skill centres

Semcon offices with cutting-edge skills in specific areas.

XLPM

Excellence in Project Management Project methodology developed by Semcon based on Ericsson's PROPS methodology.

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

Semcon's shares

Price trend and turnover

Semcon's share price rose in 2010 by 3 per cent from SEK 28.50 to SEK 29.40, equivalent to a market value of SEK 533 million. During the same period the OMX Stockholm PI index rose by 23 per cent. The highest price paid in 2010 was SEK 36.00 (16 April) and the lowest price paid was SEK 23.10 (31 August). A total of 6.7 million Semcon shares were sold on the Stockholm exchange in 2010 totaling SEK 201 million. The turnover rate, calculated as the number of shares sold in relation to the total number of shares in the company amounted to 37 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 69.

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 maximum 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 41,171 shares were matched for these individuals up to 31 December 2010. On 31 December Semcon owned 288,829 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 2010, Semcon had 4,015 shareholders (4,430). The registered amount of foreign ownership at year-end was 10.5 per cent (11.1), of which 3.2 per cent is made up of owners in Finland, 1.8 per cent in Switzerland and 1.6 per cent in US. On 31 December, the ten largest shareholders controlled 66.3 (64.5) per cent of the share capital and voting rights, of which the three largest shareholders controlled 51 per cent (53).

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 2010 (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 Trigarszky peter.trigarzky@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 2010

Size	No. of share- holders	No. of shares	Holding, %	Market value 31 Dec, SEK 000
1–500	2,489	523,305	2.9	15,385
501–1 000	765	636,703	3.5	18,719
1 001–10 000	667	1,990,964	11.0	58,534
10 001–100 000	79	2,234,743	12.3	65,701
100 001–	14	12,437,990	68.7	365,677
Own shares	1	288,829	1.6	8,492
Total	4,015	18,112,534	100.0	532,508

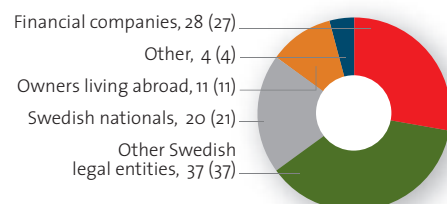
Source: Euroclear Sweden AB shareholder register on 31 December 2010.

Semcon's 10 largest holders on 31 December 2010

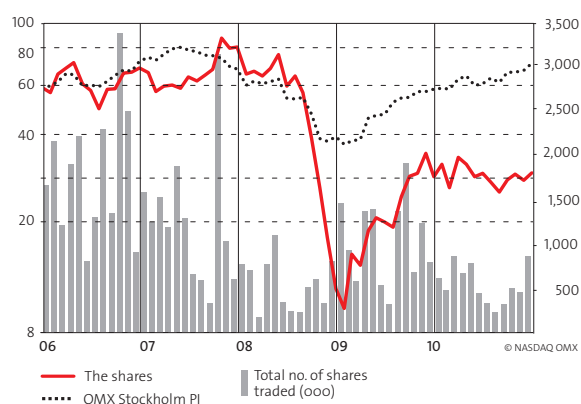
Name	No. of shares	Shareholding, %
JCE group	5,526,271	30.5
Skandia Liv	2,202,540	12.2
Swedbank Robur fonder	1,479,823	8.2
Tanglin	621,858	3.4
Andra AP-fonden	567,594	3.1
Fim bank	474,517	2.6
Avanza Pension	335,094	1.9
Nordnet Pensionsförsäkring	315,936	1.7
SIX SIS AG	269,100	1.5
Mellon Omnibus	209,500	1.2
Total	12,002,233	66.3
Own shares	288,829	1.6
Other	5,821,472	32.1
Totalt	18,112,534	100.0

Source: Euroclear Sweden AB shareholder register on 31 December 2010.

Share structure, %



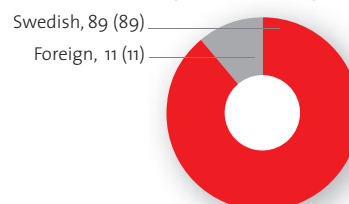
Semcon's shares, 2006–2010



Important events in 2010

- Q1**
- 11/2/2010 Semcon takes over EuroMaint Rail's construction activities in Örebro
 - 23/2/2010 Semcon expands presence in the energy sector
 - 1/3/2010 Semcon appoints new country manager for the German market
- Q2**
- 4/5/2010 Semcon receives order from leading automotive manufacturer in Germany
 - 7/5/2010 Semcon designated as one of the best Porsche suppliers
 - 17/5/2010 Semcon receives SEK 9 million order from Defence Matériel Administration
 - 1/6/2010 Semcon – taking part in research project about future driving environment
- Q3**
- 16/7/2010 Semcon signs order worth SEK 150 million in Germany
- Q4**
- 12/10/2010 Semcon collaborating in new technology "Acoustivision" with Magna
 - 23/11/2010 Semcon upgrades measurement system at Forsmark nuclear power station
 - 22/12/2010 Semcon appointed class A supplier by Vattenfall

Swedish and foreign shareholdings, %



Semcon AB (publ) 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 2010.

Corporate governance

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.com. 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. The current code is available at: www.bolagsstyrning.se.

Annual General Meeting

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

At AGMs, 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 2010

The 2010 AGM was held on 29 April at Semcon's head office in Göteborg. Representatives of 57 per cent of the share capital were present, of which underly-

ing shares held by the members of the nominations committee represented 52 per cent.

Hans-Erik Andersson was elected to chair the meeting. 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 AGM also gave the Board:

- authorization to carry out a new share issue in the company
 - authorization to acquire ordinary shares and to transfer ordinary shares
- The full minutes of the AGM are available at: www.semcon.se.

Annual General Meeting 2011

The Annual General Meeting for 2011 will be held on 27 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. There were 18,112,534 (18,112,534) ordinary shares at year-end.

Shareholders

On 31 December 2010, the JCE Group owned 30.5% (30.5) of Semcon's shares, Skandia Liv 12.2% (13.1), Swedbank Robur Fonder 8.2% (9.4), Tanglin 3.4% (0.9) and

Andra AP-fonden 3.1% (3.2). Foreign ownership amounted to 10.5% (11.1) and the number of shareholders amounted to 4,015 (4,430).

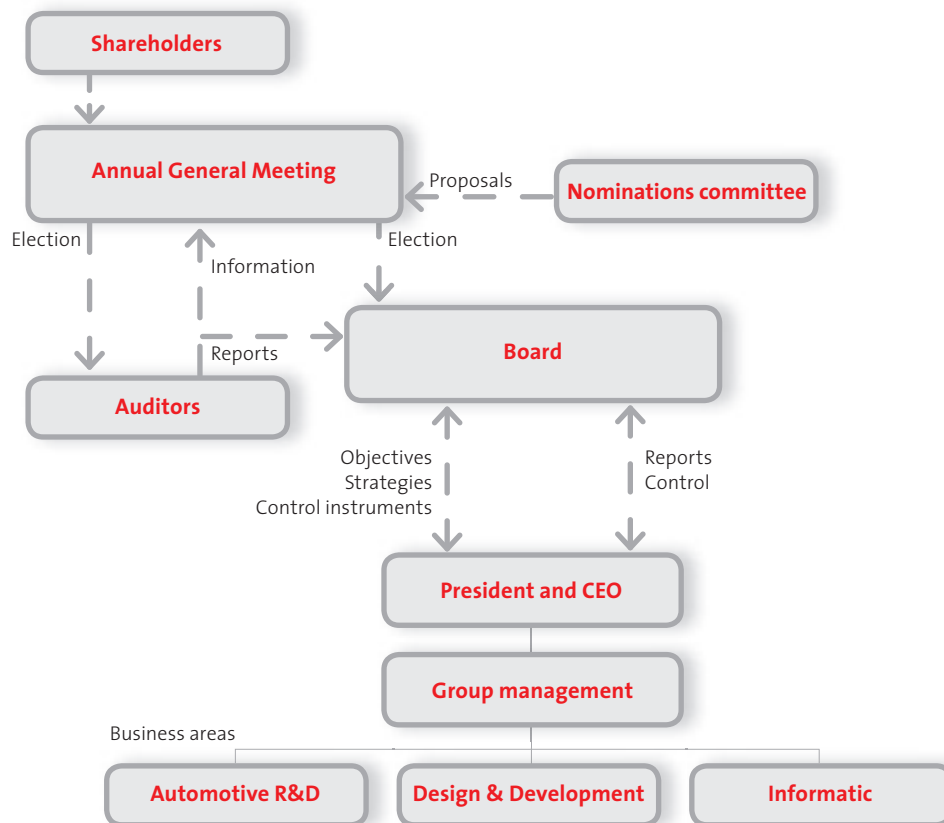
Nominations committee

Based on ownership statistics from Euroclear Sweden AB 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 nominations 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.

The summary below illustrates how responsibility for management and control of Semcon AB is divided between shareholders at the AGM, the Board and the CEO according to external regulations and internal policies.

Summary of corporate governance



Nominations committee 2010/2011

The nominations committee's members in 2010/2011 were Hampus 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 four times and also held individual meetings with directly elected members ahead of the 2011 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 on Semcon's website. Questions to the nominations committee can be submitted to: valberedning@semcon.se

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

The Annual General Meeting elects Board members and their deputies to Semcon AB. The Board must consist of no fewer than three members and no more than eight members with no more

Corporate governance report

than two deputies. Semcon AB's Board consists of six members elected by the AGM without deputies, 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 seven ordinary meetings in 2010. The Board has adopted a number of steering documents and policies. The Board oversees the CEO's work by continuously monitoring the business throughout the year, and is responsible that the organization, management and guidelines for administering the company's affairs are suitably put together and that there is suitable internal control. The Board is furthermore responsible for developing and following-up the company's strategies through plans and objectives, decisions regarding the acquisition and divestment of businesses and major investments. The Board also determines six-monthly and annual accounts. 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 meeting 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 2010

No. 1/2010: Final accounts and financial statement 2010, financial report, remuneration issues, CEO evaluation, debriefing of audit (auditors present)

No. 2/2010: Review of decision proposals and notice to attend ahead of the AGM

No. 3/2010: Q1 report, January–March 2010, financial report

No. 4/2010: Statutory meeting

No. 5/2010: Interim financial statement, January–June, financial report

No. 6/2010: Q3 report, January–September, financial report, insurance issues

No. 7/2010: Business plans for the business areas and setting budgets for 2011, Board evaluation, debriefing of internal control and risk management (auditors present).

All meetings took place in Göteborg, except No. 6, which took place over two days at the company's offices in Bad Friedrichshall, Germany. The Board decided on a written agenda at the statutory Board meeting, close to the AGM. At the statutory Board meeting, the Board set its agenda, 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. 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 and routines for reporting, financial accounting routines, reviewing the interim report for January–September and final balance sheet examination.

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 2010/2011 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 and senior executives

The AGM decides on remuneration principles and other employment guidelines concerning the CEO and senior executives that report to him. Remuneration to the CEO is decided by the Board. The CEO's remuneration and benefits are

Nomination committee before the AGM, 2011

	Representing	No. of voting rights, % 31 December 2010
Hampus Ericsson	JCE-Group	30.5
Erik Sjöström	Skandia Liv	12.2
Kerstin Stenberg	Swedbank Robur fonder	8.2
Hans-Erik Andersson	Semcon AB	0.1
Total		51.0

Further information about corporate governance

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

- The "Summary of Semcon AB's application of the Swedish Code of Corporate Governance" document.
- In-depth information about internal control instruments such as the Articles of Association and Code of Conduct.
- Information from Semcon's AGM from 2004 onwards (notice to attend, minutes etc.).

reported in Note 8 on pages 62-63. No flexible remuneration was paid in 2010. Senior executives' remuneration is proposed by the CEO and decided by the Board. All senior executives in the Group 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 adjusted to conditions on the market and 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. Senior executives' remuneration and bonuses are reported in Note 8 on pages 62-63.

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. An election will be held at the 2011 AGM for the company's auditors.

Peter Gustafsson was born in 1956. In addition to audit work for Semcon Peter Gustafsson carries out audit work for companies like Ekman & Co AB, SAS Scandinavian Airlines Sverige AB, Ledsternan AB, Specialfastigheter Sverige AB, Göteborgs Hamn AB and Göteborgs Kommunala Förvaltnings AB. Hans

Warén was born in 1964. His other assignments include Saab AB-gruppen, Akademiska Hus AB, 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 also provides advice on accounting issues to Semcon. All services provided in addition to the statutory auditing service are checked specially to ensure 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 61.

Group management

At year-end 2010 Group management consisted of the CEO and managers of the business areas and Group staff. See pages 86-87. 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, the Group management are present along with the 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 internal meetings with members of the Group management. The company's internal control unit reviews the respective business areas annually.

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. Semcon and its Swedish subsidiaries are certified and apply quality and environmental management systems according to ISO 9001:2008 and ISO 14001:2004, which are constantly reviewed by external auditors.

Semcon's Board 2010

		Elected/ Appointed	Present	Dependent	Audit committee	Remunerations committee
Hans-Erik Andersson	Chairman	2007	7/7	No	Yes	Yes
Kjell Nilsson	President and CEO	2007	7/7	Yes*	No	No
Gunvor Engström	Member	2007	7/7	No	Yes	Yes
Håkan Larsson	Member	2008	7/7	No	Yes	Yes
Marianne Brismar	Member	2008	7/7	No	Yes	Yes
Jorma Halonen	Member	2008	5/7	No	Yes	Yes
Roland Kristiansson	Employee representative	2004	7/7		Yes	Yes
Stefan Novakovic	Employee representative	2007	6/7		Yes	Yes
Christer Eriksson	Employee representative	2007	7/7		Yes	Yes

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

The presentation of Board members appears on pages 84-85 of the Annual Report.

Internal control for financial reporting

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 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 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, financial statements and annual reports, 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.

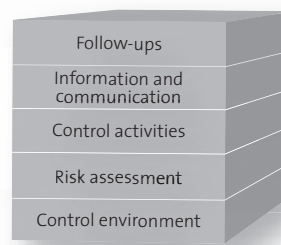
Control environment

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. Implementing business, management and CRM systems, as well as clearer routines and regulations for submitting tenders/bids, conditions of contract and drawing up agreements on all geographic markets, are going 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.



Framework for internal control

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 2010 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 a communication handbook 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 inde-

pendent 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
Göteborg, 18 March 2011

Auditor's report on the corporate governance report

To the Annual General Meeting of Semcon AB, co. reg.no. 556539-9549

The board is responsible for the corporate governance report and that it is prepared in accordance with the Annual Accounts Act. As a basis for our opinion that the corporate governance report has been prepared and is consistent with the annual report and consolidated accounts, we have studied the corporate governance report and verified its legal content based on our knowledge of the company.

We believe that the corporate governance report has been prepared correctly, and that its statutory information is consistent with the annual report and consolidated accounts.

Göteborg, 18 March 2011
Deloitte AB

Peter Gustafsson,
*Authorized Public
Accountant*

Hans Warén,
*Authorized Public
Accountant*

The Board

Hans-Erik Andersson (Chairman)

Board member since 2007,
elected Chairman of the Board in 2008
Born 1950
Qualifications: Financial studies at
Stockholm University
Nationality: Swedish
Other board assignments: Chairman
of Erik Penser Bankaktiebolag, Canvisa
Consulting AB and Implement MP AB.
Board member of Cision AB and
Gjensidige Forsikring ASA
Shareholding in Semcon: 25,000,
of which 12,000 shares in capital
insurance

Marianne Brismar

Board member since 2008
Former CEO of Atlet AB 1995–2007
Born 1961
Qualifications: Pharmacist Graduate
and BA in Economics
Nationality: Swedish
Other board assignments: Ernström-
gruppen AB, Imego AB, Beijer Alma
AB and Concentric AB
Shareholding in Semcon: 5,000

Gunvor 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: Läns-
försäkringar Liv Försäkringsaktie-
bolag (publ), Apoteksgruppen and
Third AP fund
Shareholding in Semcon (own and
family): 30,000

Christer Eriksson

Employee representative since 2007
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

Jorma Halonen

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

Roland Kristiansson

Employee representative since 2004
Employed since 2000
Born 1948
Qualifications: Technical College
Engineer
Nationality: Swedish
Shareholding in Semcon: 1,014

Håkan Larsson

Board member since 2008
Born 1947
Qualifications: Master of Business
Administration (MBA), School of Busi-
ness, Economics and Law, University
of Göteborg.
Nationality: Swedish
Other board assignments: Chairman
of Schenker AB, Valea AB and Inpen-
sion Asset Management AB. Board
member of Bure Equity AB, Chalmers
University of Technology AB, Ernström-
gruppen AB, Handelsbanken Region
Väst, Rederi AB Transatlantic, Stolt-
Nielsen A/S and Wallenius Lines AB
Shareholding in Semcon: 0

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 Göteborg
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

Stefan Novakovic

Employee representative since 2007
Employed since 2000
Born 1967
Qualifications: Technical College
Engineer
Nationality: Swedish
Shareholding in Semcon: 80





From left: Marianne Brismar, Hans-Erik Andersson, Gunvor Engström, Stefan Novakovic, Roland Kristiansson, Christer Eriksson, Håkan Larsson and Kjell Nilsson. Jorma Halonen not in picture.

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 Göteborg

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

Mats Körner

President of business area Design & Development

Born 1964

Qualifications: Mechanical Engineer

Employed since 1995

Shareholding in Semcon: 2,017

Björn Strömberg

CFO

Born 1960

Qualifications: Master of Business Administration (MBA); School of Business, Economics and Law, University of Göteborg

Employed since 2007

Shareholding in Semcon: 10,420

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 Göteborg

Employed since 2004

Shareholding in Semcon: 3,000

Nicole Nieder

HR Manager

Born 1971

Qualifications: Master of Law, Munster University, Germany

Employed since 2009

Shareholding in Semcon: 0

Stefan Ohlsson

President of business area Automotive R&D

Born 1967

Qualifications: Mechanical Engineer, Marketing Economist, IHM Business School

Employed since 2004

Board assignments: FKG, Fordonskomponentgruppen

Shareholding in Semcon: 3,000



Kjell Nilsson



Björn Strömberg



Nicole Nieder



Mats Körner



Johan Ekener



Stefan Ohlsson

Anders Atterling

IR & PR Manager

Born 1960

Qualifications: Bachelor of Science (BSc), Economics, Örebro University

Employed since 1991

Shareholding in Semcon: 16,210

Urban Kihlén

Purchasing Manager

Born 1959

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

Employed since 1998

Board assignments: Lindholmen Science Park

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

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 Göteborg

Employed since 1998

Shareholding in Semcon: 1,129

Markus Granlund

General Counsel

VP Business Development

Born 1975

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

Employed since 2008

Shareholding in Semcon: 0



Anders Atterling



Klas Elmby



Markus Granlund



Urban Kihlén



Anders Löwgren

Five-year summary

SEK m	2010	2009	2008	2007*	2006*
Income statement					
Net sales	2,090.9	2,281.1	3,298.8	2,497.4	1,361.4
Operating expenses**	-2,087.9	-2,522.3	-3,148.9	-2,508.5	-1,309.7
Operating profit/loss	3.0	-241.2	149.9	-11.1	51.7
Financial income	2.0	8.2	6.9	5.0	2.4
Financial expenses	-11.1	-23.7	-28.9	-29.4	-4.3
Profit/loss before tax	-6.1	-256.7	127.9	-35.5	49.8
Taxes	0.8	48.1	-35.7	-20.7	-18.9
Profit/loss after tax, remaining business	-5.3	-208.6	92.2	-56.2	30.9
Profit/loss after tax, sold business	–	–	–	284.2	17.3
Net profit/loss for the year	-5.3	-208.6	92.2	228.0	48.2
** Of which:					
Goodwill impairment and participations in associated companies.	–	-78.2	–	-112.2	-4.4
Other one-off items.	-14.9	-92.6	-66.2	-49.3	-26.4
Balance sheet					
Goodwill	437.2	475.2	564.3	516.6	71.9
Other intangible assets	24.7	28.5	30.0	18.9	6.7
Tangible fixed assets	43.0	60.6	82.2	90.6	32.0
Deferred tax receivables	69.9	89.0	87.2	62.3	19.9
Other financial assets	18.2	17.2	23.0	23.0	4.8
Processed but non-invoiced income	133.9	108.2	134.5	192.0	121.4
Accounts receivable	323.8	324.2	658.1	662.1	342.0
Other current assets	37.4	93.7	79.3	421.2	35.7
Cash and bank balances	42.5	67.7	117.6	117.1	28.9
Total assets	1,130.6	1,264.3	1,776.2	2,103.8	663.3
Shareholders' equity	372.6	385.4	596.2	494.0	265.1
Long-term liabilities and provisions	318.5	383.6	589.2	465.3	40.9
Current liabilities	439.5	495.3	590.8	1,144.5	357.3
Total shareholders' equity and liabilities	1,130.6	1,264.3	1,776.2	2,103.8	663.3
Cash flow statement					
Cash flow from current activities	-55.1	104.1	137.8	23.8	108.9
Cash flow from investment activities	-11.0	-19.3	282.7	-687.5	-28.2
Cash flow from financing activities	47.2	-133.3	-425.2	751.9	-69.7
Cash flow for the year	-18.9	-48.5	-4.7	88.2	11.0
Key figures					
Sales increase, %	-8.3	-30.8	32.1	83.4	4.4
Operating margin before one-off items, %	0.9	-3.1	6.6	6.0	6.1
Operating margin, %	0.1	-10.6	4.5	-0.4	3.8
Profit margin, %	-0.3	-11.3	3.9	-1.4	3.7
Interest cover ratio, (multiple)	0.4	-10.0	5.5	-0.3	12.9
Return on average shareholders' equity, %	-1.4	-42.1	16.9	60.2	19.9
Return on average capital employed, %	0.6	-25.7	14.1	-1.2	21.4
Equity/assets ratio, %	33.0	30.5	33.6	23.5	40.0
Debt/equity ratio, (multiple)	0.8	0.8	0.7	1.6	–
Average number of employees	2,474	2,791	3,631	2,672	1,509
Sales per employee, (SEK 000)	845	817	909	935	902
Value added per employee, (SEK 000)	595	524	592	555	602
Profit/loss before tax per employee, (SEK 000)	-2.5	-92.0	35.1	-13.3	33.1
Investments in other fixed assets, (SEK m)	14.5	18.5	39.7	36.6	25.4

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

Data per share	2010	2009	2008	2007*	2006*
Earnings per share before dilution, (SEK)	-0.29	-11.52	5.18	12.84	2.76
Earnings per share after dilution, (SEK)	-0.29	-11.52	5.14	12.82	2.59
Shareholders' equity per share before dilution, (SEK)	20.57	21.28	33.53	27.78	14.81
Shareholders' equity per share after dilution, (SEK)	20.57	21.28	32.92	27.78	14.85
Share price/equity per share, (multiple)	1.43	1.34	0.35	2.91	4.61
Cash flow from current activities per share, (SEK)	-3.04	5.75	7.68	1.34	6.21
Dividend per share	–	–	–	–	–
P/E ratio	NEG	NEG	2.26	6.29	26.01
P/S ratio	0.25	0.23	0.06	0.57	0.88
Share price at year-end, (SEK)	29.40	28.50	11.60	80.75	68.25
Market value at year-end, (SEK m)	533	516	206	1,436	1,211
Number of shares at year-end, (ooo)	18,113	18,113	18,113	17,783	17,742
Average number of shares, (ooo)	18,113	18,113	17,948	17,762	17,531
No. of own shares at period's end, (ooo)	289	299	330	–	–
Average no. of own shares, (ooo)	291	312	165	–	48
Outstanding convertibles at year-end, (ooo)	–	–	–	–	42
Average number of convertibles, (ooo)	–	–	–	21	253
No. of shareholders	4,015	4,430	3,939	3,411	4,340

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

Shareholder service

Financial information

Q1 report Jan–March	27 April 2011
Annual General Meeting	27 April 2011
Q2 report Jan–June	15 July 2011
Q3 report Jan–Sept	27 Oct 2011

Information about Semcon's business, financial reporting, share information, corporate governance, 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.se or can be ordered by telephone on: +46 (0)31 721 00 00 or by email: ir@semcon.se. 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.

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