A close-up portrait of a man with short dark hair, light blue eyes, and a light beard, smiling slightly. He is wearing a dark shirt. The background is a solid red color.

SEMCONS INTERIM REPORT JAN–JUNE

04

Mattias Flodin  
Multimedia Manager Semcon Infomedia

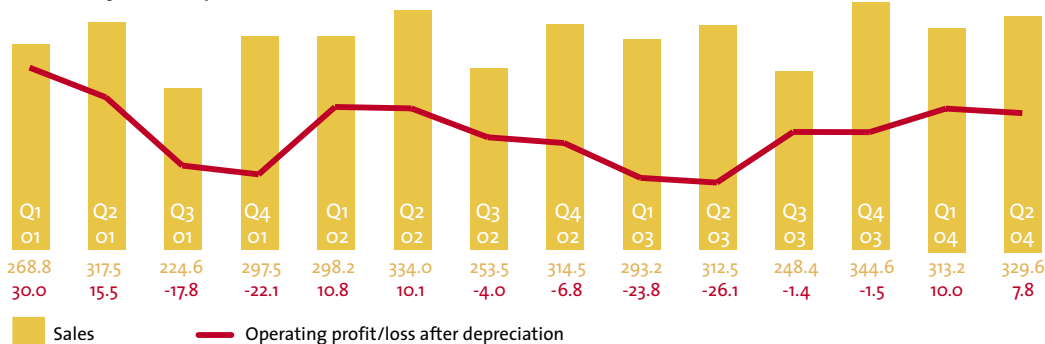
**semcon**

## INTERIM REPORT JAN–JUNI 2004

Operating profit climbed SEK 68 m continued stable trend

- Sales climbed by 6% to SEK 642.8 m (605.7) during the January–June period
- Profit after tax rose to SEK 8.6 m (-47.0)
- Earnings per share stood at SEK 0.50 (-2.70)
- Operating profit after depreciation was SEK 17.8 m (-49.9)

Quarterly development (SEK m)



### COMMENTS BY CEO HANS JOHANSSON

As a whole the market is wary, though we notice certain improvements month by month. I am pleased that we have increased our sales by more than SEK 37 million, 6% compared to 2003. This improvement is primarily due to the partnerships we signed in 2003 with Ericsson and General Motors Europe. Sales per employee rose by 11%. Our current growth confirms that our strategy to increase our share of overall incentives and partnerships was correct. Our conscientious effort to implement the restructuring scheme Fast2Profit has, in combination with the more stable market situation, boosted our operating profit by SEK 68 million compared to the same period in 2003. We are now focusing efforts on testing and verification of product and system features.

We started a new company, Zound by Semcon during Q2 that complements our total range with its detailed expertise in sound and acoustics. To further strengthen our position within the automotive industry we have also acquired ComTest in Helsingborg and its 20 employees. ComTest's solutions and software are leaders on the Nordic market, consisting of a flexible system for computer-monitored measuring, testing and functionality testing. With 125 specialists and several test laboratories these measures underpin Semcon's market-leading position in Europe within "Functional Performance".

Our strategy includes accompanying our customers on international markets. To this end we have signed a partnership agreement with France's leading design and R&D company Assystem Etudes. Having an equally strong partner on the French market is a natural step in complying with customers' needs.

Semcon UK's growth has exceeded our expectations, making us today one of the leading consultant companies in concept and

design for the automotive industry in Europe. Preparations are complete for the construction of a unique design studio concept.

During the period we were awarded the Q1 supplier quality award by Ford Motor Company and Volvo Car Corporation, marking the first time in history that the prestigious award is given to service suppliers. The award is recognition of our consultants' high level of competence and our stable processes. Ford Motor Company's policy is to firstly select Q1 award-winning suppliers. This means even greater opportunities for us and strengthens our position as preferred supplier.

Business activities in Denmark have not progressed satisfactorily so far. A customer loss after the bankruptcy in Mayflower has had a negative effect on profits, coupled with various cutbacks.





## MARKETS & TRENDS

The market is stabilising month by month, gradual improvements occur slowly and are characterised by a wary and cautious attitude. There are considerable differences between various geographical regions and industries. Despite stable improvements, the range of products and intense competition results in continued price cuts. The past years' recession has also meant major structural changes for our customers. Consolidation characterises our industry, resulting in fewer and larger players.

### TRENDS IN SEMCON'S FOCUS SEGMENTS

- We note positive growth in the automotive industry (Vehicle). Our customers' investments to more quickly develop new models and versions naturally benefit our design and R&D business.
- Medical and LifeScience maintain a stable situation with major investments.
- Companies in the Industry segment, characterised in the past years by weak growth and restructuring, are showing a somewhat growing demand.
- Telecom is gradually showing rapid improvements and more intense business activity, though stemming from a low level.

### AIMS

Semcon's aims in 2004 are to improve profitability, improve our equity/assets ratio and continue gaining market shares. We achieved these targets in Q1. To guarantee continued positive growth, we will increase our sales activities and continue to adapt our costs to comply with market conditions.

## OUTLOOK

Our Fast2Profit restructuring scheme resulted in stable growth the first two quarters 2004. Market fluctuations are significant and difficult to assess but we judge the situation will gradually stabilise and improve. Semcon's growth is expected to be fastest in the Vehicle segment, followed by Medical / LifeScience, Telecom and, finally, Industry. Our forecast for profits and improved equity/assets ratio in 2004 stands firm.

### FORCES DRIVING GROWTH

Semcon expects the design and development market to carry on growing strongly. The illustration on the right summarizes the key growth factors.

#### Global trends

- Greater global competition
- Rapid IT and technical development
- Growing environmental focus

#### Effect on the market

- Focus on design and product development
- Huge pressure on prices
- Global platforms and production capacity
- Stringent laws and consumer demand

#### Consequences for product development

- Partnerships and long-term relationships much more important
- More total solutions and greater responsibility
- Division into primary and secondary suppliers
- More focus on Time-to-Market
- Increased demand for specialist skills

**Greater demand and opportunities for international development consultants**

## BUSINESS ACTIVITIES

### SALE ANALYSIS

The Group continued to grow in the first two quarters of 2004. In total, sales reached SEK 642.8 m (605.7), a rise of 6.1%. Sales per employee for the period reached SEK 437.9 (393.1), an increase of 11.4%. 12.5% (11.5%) of Semcon's sales derived from outside Sweden. The biggest share of Semcon's total sales still stems from the vehicle industry. Sales reached SEK 329.6 m (312.5) in Q2 2004, a climb of 5.5%.

Sales in the Design & Development business area were SEK 397.9 m (399.6). Despite cutbacks made in 2003, sales remain at basically the same level. The Informatic business area had sales of SEK 159.6 m (114.0), a hike of 39.9%. This increase is primarily due to the partnerships signed with Ericsson and General Motors Europe (Saab Automobile) in 2003. The Innovation business area had sales of SEK 85.3 m (92.1).

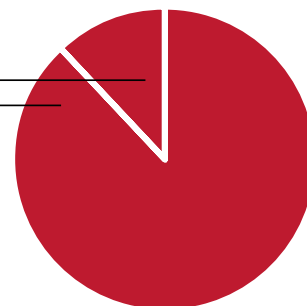
### EARNINGS ANALYSES

The recovering market situation and effects of Fast2Profit schemes implemented in 2003 have resulted in a positive earnings trend. The operating profit after depreciation (EBIT) was SEK 17.8 m (-49.9), generating a 2.8% operating margin. Net financial items totalled SEK -2.1 m (-0.9), generating SEK 15.7 m (-50.8) in profits after net financial items. The Group's profit after tax was SEK 8.6 m (-47.0), while earnings per share stood at SEK 0.50 (-2.7). The operating profit for Q2 was SEK 7.8 m (-26.1), generating a 2.4% (-8.3) operating margin.

The operating profit after depreciation for the Design & Development business area was SEK 6.5 m (-45.9), an improvement of SEK 52.3 m. The operating profit after depreciation for Informatic was SEK 8.0 m (0.0), while the equivalent figures for Innovation were SEK 3.4 m (-4.0).

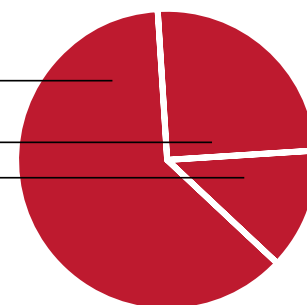
#### Share of earnings

International	12 %	(11 %)
Sweden	88 %	(89 %)



#### Sales per industry

Design & Development	62 %	(66 %)
Informatic	25 %	(19 %)
Innovation	13 %	(15 %)



BUSINESS AREAS	Sales (SEK m)		Growth (%)	Share of sales (%)	Operating profit/loss (SEK m)		Operating margin (%)	
	30/06/2004	30/06/2003			30/06/2004	30/06/2003	30/06/2004	30/06/2003
Design & Development	397.9	399.6	-0.4	61.9	6.5	-45.9	1.6	-11.5
Informatic	159.6	114.0	39.9	24.8	8.0	0.0	5.0	0.0
Innovation	85.3	92.1	-7.4	13.3	3.3	-4.0	3.9	-4.4
<b>Total</b>	<b>642.8</b>	<b>605.7</b>	<b>6.1</b>	<b>100.0</b>	<b>17.8</b>	<b>-49.9</b>	<b>2.8</b>	<b>-8.2</b>

## SEMCON AB-CONSOLIDATED FINANCIAL SUMMARY

INCOME STATEMENTS (SEK 000s)	2004 April-June	2003 April-June	2004 Jan-June	2003 Jan-June	Current 12 months	2003 Full year
Operating income	329 557	312 547	642 779	605 736	1 235 762	1 198 719
Staff costs	-215 654	-227 312	-423 987	-449 548	-806 927	-832 489
Other operating expenses	-99 642	-94 312	-188 154	-180 765	-380 826	-373 437
<b>Operating profit/loss before depreciation</b>	<b>14 261</b>	<b>-9 077</b>	<b>30 639</b>	<b>-24 577</b>	<b>48 009</b>	<b>-7 207</b>
Depreciation of tangible assets	-4 411	-5 238	-8 674	-10 922	-19 830	-22 078
Depreciation of intangible assets *	-2 078	-11 772	-4 155	-14 383	-13 285	-23 513
<b>Operating profit/loss after depreciation</b>	<b>7 772</b>	<b>-26 087</b>	<b>17 809</b>	<b>-49 882</b>	<b>14 893</b>	<b>-52 798</b>
Net financial items	-892	-492	-2 136	-876	-3 632	-2 372
<b>Profit/loss after net financial items</b>	<b>6 879</b>	<b>-26 579</b>	<b>15 674</b>	<b>-50 758</b>	<b>11 261</b>	<b>-55 170</b>
Tax	-3 414	2 811	-7 032	3 729	-12 642	-2 398
Minority interest in profit/loss	9	18	2	18	-15	1
<b>Profit/loss for the period</b>	<b>3 475</b>	<b>-29 372</b>	<b>8 643</b>	<b>-47 011</b>	<b>-1 397</b>	<b>-58 568</b>
Average number of shares	17 391 021	17 391 021	17 391 021	17 391 021	17 391 021	17 391 021
Number of options	217 900	217 900	217 900	217 900	217 900	217 900
EPS after tax, SEK	0.20	-1.69	0.50	-2.70	-0.08	-3.31
EPS including options, SEK	0.20	-1.69	0.49	-2.70	-0.08	-3.31
Note * Of which depreciation of goodwill		8 431		8 431	3 200	11 631

### BALANCE SHEETS

(SEK 000s)	30/06/2004	30/06/2003	2003 Full year
<b>Assets</b>			
Intangible fixed assets*	48 052	68 532	53 089
Tangible fixed assets	33 797	45 796	38 749
Financial fixed assets	7 678	11 852	7 055
Other long-term receivables	9 435	13 074	9 435
Current assets	365 893	423 703	364 794
<b>Total assets</b>	<b>464 855</b>	<b>562 957</b>	<b>473 122</b>
<b>Shareholders' equity and liabilities</b>			
Shareholders' equity	102 181	99 878	90 406
Provisions	39 784	60 580	41 228
Minority shares	16	0	17
Long-term liabilities	1 372	83 582	4 497
Current liabilities	321 502	318 917	336 973
<b>Total shareholders' equity and liabilities</b>	<b>464 855</b>	<b>562 957</b>	<b>473 122</b>
Note * Of which goodwill	44 983	64 191	49 139

### CHANGE IN SHAREHOLDERS' EQUITY

(SEK 000s)	30/06/2004	30/06/2003	2003 Full year
<b>Shareholders' equity at period's start</b>	<b>90 406</b>	<b>147 594</b>	<b>147 594</b>
Exchange rate difference	87	-186	-211
Risk of loss in initial SWAP agreement	3 045	-519	590
Profit/loss for the period	8 643	-47 011	-57 568
<b>Shareholders' equity at period's end</b>	<b>102 181</b>	<b>99 878</b>	<b>90 406</b>

## CASH FLOW STATEMENT

(SEK 000s)	30/06/2004	30/06/2003	2003 Full year
Current activities	16 229	-8 572	-12 052
Change in working capital	36 455	5 765	54 755
Investment activities	-4 416	-15 458	-28 693
Financing activities	-3 125	-3 209	-6 334
<b>Change in liquid funds</b>	<b>45 143</b>	<b>-21 474</b>	<b>7 676</b>

## KEY FIGURES

	Note	31/03/2004	31/03/2003	2003 Full year
Growth/Decline in sales, (%)		6.1	-4.2	-0.1
Operating margin, (%)	1	2.8	-8.2	-4.4
Return on average shareholders' equity, (%)	2	8.6	-35.6	-48.4
Return on average capital employed, (%)	3	12.7	-23.8	-34.3
Equity assets ratio, (%)	4	22.0	17.7	19.1
Debt/equity ratio, (multiple)	5	0.01	0.84	0.05
Interest coverage ratio, (multiple)	6	7.2	-40.8	-12.4
Earnings per share, (SEK)	7	0.50	-2.70	-3.31
Earnings per share including options, (SEK)	8	0.49	-2.70	-3.31
Shareholders' equity per share, (SEK)	9	5.88	5.74	5.20
Average number of employees	10	1 468	1 541	1 504
Value added per employee, (SEK 000s)	11	301.0	255.0	522.8
Profit/loss after financial items per employee, (SEK 000s)	12	10.7	-32.9	-36.7
Investments in machinery, equipment and licenses, (SEK 000s)		4 436	17 989	22 370
Investments in subsidiaries' and associate companies' shares, (SEK 000s)		0	169	169
Number of shares at period's end at a nom. 1 SEK		17 391 021	17 391 021	17 391 021
Average number of shares		17 391 021	17 391 021	17 391 021
Number of options		217 900	217 900	217 900

## REFERENCE

- Earnings after depreciation as % of operating earnings.
- Profit/loss for the period as % of average shareholders' equity.
- Profit/loss after financial items plus financial expenses as % of average capital employed.
- Shareholders' equity as % of balance sheet total.
- Interest-bearing debt divided by shareholders' equity
- Profit/loss after financial items plus financial expenses, divided by financial expenses.
- Profit/loss for the period divided by the average number of shares.
- Shareholders' equity divided by the total number of shares at the end of the period.
- Shareholders' equity divided by the total number of shares including options.
- Average number of employees.
- Profit/loss after depreciation plus salary expenses and social fees divided by the average number of salaried employees.
- Profit/loss after financial items divided by the average number of salaried employees.

## OTHER EXPLANATIONS

Net profit for the year	Profit for the year after tax.
Capital employed	Shareholders' equity plus interest bearing liabilities
P/E ratio.	Pris per aktie dividerat med vinst per aktie.
P/S ratio.	Pris per aktie dividerat med omsättning per aktie.
Price per share/equity.	Price per share divided by shareholders' equity per share.

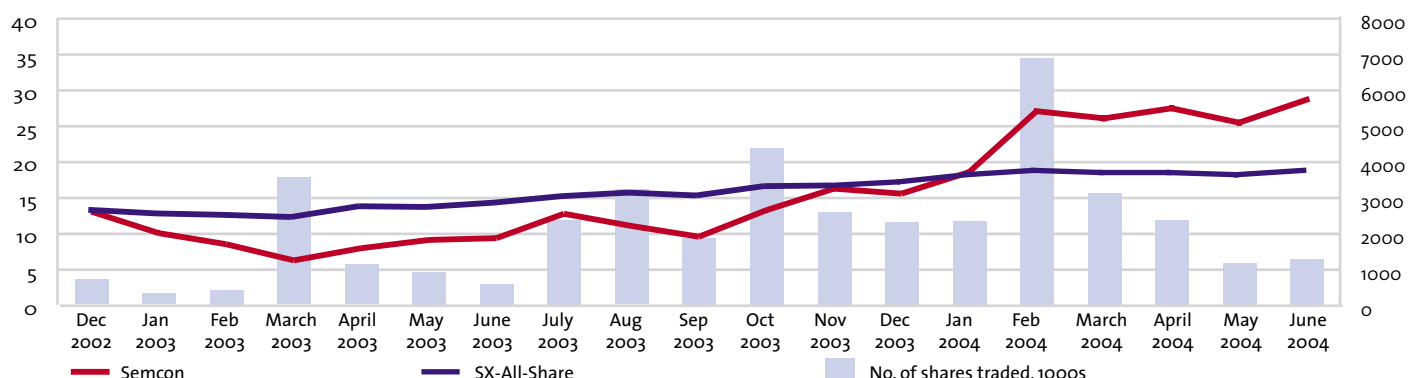
## QUARTERLY CHANGES PER BUSINESS AREA

Sales (SEK m)	2004 Q 1	2003 Q 1	2004 Q 2	2003 Q 2
Design & Development	192.6	203.7	205.3	200.0
Informatic	81.4	50.3	78.2	61.5
Innovation	39.2	39.2	46.1	51.1
<b>Total</b>	<b>313.2</b>	<b>293.2</b>	<b>329.6</b>	<b>312.5</b>
<b>Operating profit after depreciation (SEK m)</b>				
Design & Development	3.0	-21.0	3.5	-27.3
Informatic	5.5	-1.5	2.5	2.9
Innovation	1.6	-1.3	1.8	-1.7
<b>Total</b>	<b>10.0</b>	<b>-23.8</b>	<b>7.8</b>	<b>-26.1</b>
<b>Operating margin (%)</b>				
Design & Development	1.6	-10.3	1.7	-13.7
Informatic	6.7	-3.1	3.2	4.8
Innovation	4.0	-3.2	3.9	-3.3
<b>Total</b>	<b>3.2</b>	<b>-8.1</b>	<b>2.4</b>	<b>-8.3</b>
<b>Number of employees</b>				
Design & Development	1 034	1 221	1 062	1 081
Informatic	282	200	274	235
Innovation	141	142	157	138
<b>Total</b>	<b>1 457</b>	<b>1 563</b>	<b>1 493</b>	<b>1 454</b>

## KEY FIGURES PER SHARE 30 JUNE 2004

	30/06/2004	2003	2002	2001	2000
Earnings per share after tax (SEK)	0.50	-3.31	0.05	0.08	1.99
Earnings per share including options (SEK)	0.49	-3.31	0.05	0.08	1.89
Equity per share before dividend (SEK)	5.88	5.20	8.49	8.56	8.57
Equity per share including options (SEK)	5.80	5.13	8.30	8.48	8.14
Price per share/equity per share (multiple)	4.83	3.00	1.50	4.60	14.60
Dividend	0.00	0.00	0.00	0.00	0.50
P/E ratio	57.15	neg	238.70	504.40	62.80
P/S ratio	0.77	0.23	0.19	0.61	2.15
Share price 30/6, other year 31/12 (SEK)	28.40	15.50	13.00	39.50	125.00
Market value 30/6, other year 31/12 (SEK m)	494	270	226	687	2 167
Number of shares at period's end (thousands)	17 391	17 391	17 391	17 391	17 339
Average number of shares (thousands)	17 391	17 391	17 391	17 356	17 339
Number of options (thousands)	218	218	382	164	928

## PRICE TREND



## SHARE PERFORMANCE

The diagram *Price trend* shows Semcon's share price performance compared to the SX-All-Share index and the amount of shares traded. The share price rose over the quarter from SEK 15.50 on December 31 to SEK 28.4 on 30 June, an increase of 83.2%. The SX-All-Share climbed 9.7% over the same period.

## PARENT COMPANY

As the Group's parent company, Semcon AB is responsible for corporate issues such as strategy, information and marketing. Sales amounted to SEK 13.3 m (4.2), and the profit after depreciation was SEK 0.2 m (-4.4). The parent company's liquidity was SEK 37.2 m (32.9). The company's investment in stock totalled SEK 0 m (0).

## PERSONNEL & ORGANISATION

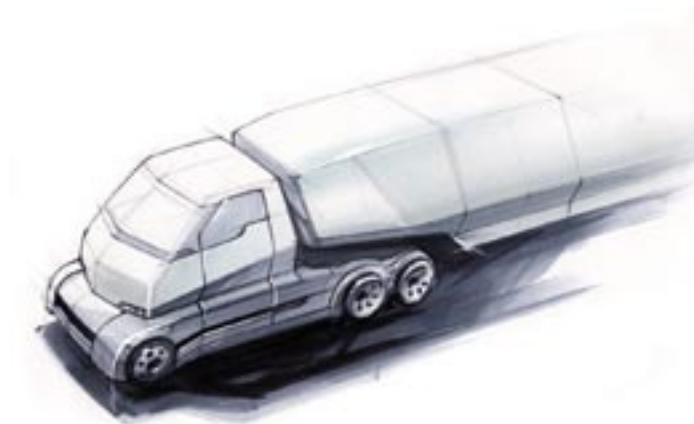
We have seen an increase in new recruits in 2004 and the total headcount at the end of the period was 1,493 (1,454), a growth of 51 since the turn of the year. The average headcount was 1,467 (1,541). The headcount in each business area at the end of the period was as follows: Design & Development 1,062 (1,110) Informatic 274 (235) and Innovation 157 (138).

## FINANCIAL ITEMS & INVESTMENTS

Cash flow significantly improved compared to 2003 and amounted to SEK 45.1 m (-21.5). The Group's total investments in hardware, licenses and office equipment totalled SEK 4.4 m (18.0). The equity/assets ratio at the end of the period was 22.0% (17.7), liquid assets were SEK 82.8 m (11.6) and bank overdraft facilities were SEK 3.1 m (100), of which SEK 3.1 m (75.9) had been utilised. In connection with the AGM of 27 April, an invitation to subscribe for convertibles in Semcon AB was issued. SEK 13.7 million of the maximum SEK 21 million offer has been subscribed for, i.e. 65%.

## KEY EVENTS DURING THE QUARTER

- Semcon signed a partnership agreement with Assystem Etudes in France.
- Semcon agreed to acquire the company Comtest in Helsingborg.
- Semcon started a new sound and acoustics company, Zound by Semcon.
- Semcon received the Q1 quality award from Ford/Volvo Car Corporation. Semcon is one of the first service suppliers to win the award.
- Semcon signed a framework agreement with Astra Zeneca for IT services.
- Zipper by Semcon signed a framework agreement with Sapa Profiler.
- Zipper by Semcon signed a five-year framework agreement with SCA to deliver the FastTrack concept to all SCA's units globally.



## ACCOUNTING PRINCIPLES

This quarterly report has been produced in accordance with the Swedish Financial Accounting Standards Council's recommendation on Interim Reporting (RR 20) and the Swedish Financial Accounting Standards Council's recommendation RR 29. Remuneration to employees has been applied from 1 January 2004. The application of this principle has had no significant effect on the company's profit/loss and financial position, as defined benefit pension schemes financed through Alecta have been posted as defined contribution pension schemes due to lack of relevant data. Otherwise, the accounting principles are unchanged from the previous financial year.

## OTHER INFORMATION

The Q3 report will be published on 21 October. For further information, please contact CEO Hans Johansson tel. +46 31-721 03 05, mobile +46 70 591 43 34, or CFO Bengt Nilsson, tel. +46 31-721 03 11, mobile +46 70 447 28 68.

Göteborg den 26 Augusti 2004

Hans Johansson

### SEMCON AB (PUBL)

corporate identity code 556539-9549

## REVIEW REPORT

We have reviewed this interim report in accordance with the recommendation issued by the Swedish Institute of Authorised Public Accountants. A review is considerably limited in scope compared with an audit. Nothing has come to our attention that causes us to believe that the interim report does not comply with the requirements of the Annual Accounts Act.

Göteborg den 25 augusti 2004

Göran Ekström - Björn Grundvall

Authorized Public Accountants, Ernst & Young AB

### FINANCIAL REPORTS 2004

Interim report January - September

21 October

All financial information can be found on Semcon's web site at: [www.semcon.com](http://www.semcon.com)



**Semcon** is one of the leading design and development companies in the Nordic region, with around 1,500 employees and sales in 2003 of SEK 1.2 billion. Semcon's consultants develop products, processes and people at the leading industrial businesses in the Nordic region.

The combination of good growth over 20 years and well-established relationships with leading industrial groups provides a strong base for continued success. Semcon AB (publ) is listed on the O-list of Stockholmsbörsen and is currently active in Sweden, Norway, Denmark, the UK and Malaysia, and, via partners, in Spain and China