

Interim report January – June, 1999

- ❑ Turnover up by 23 percent to SEK 420.9 million (341.5)
- ❑ Operating profits amounted to SEK 32.9 million (37.4)
- ❑ Profit after financial items amounted to SEK 32.9 million (40.8)
- ❑ Earnings per share amounted to SEK 1.37 (1.65)
- ❑ Strong salesgrowth within the business areas Industrial IT and Competence and Process Development

Important events during the period

- ❑ Investment carried out in the Öresund region with a new electronics section opened in Lund and increased sales in Copenhagen
- ❑ Further development of the business in Norway
- ❑ Long-term agreements concluded with Ericsson and Astra
- ❑ *SCO Authorised Education Center*, approval granted within Training concerned with UNIX

Important events after the end of the period

- ❑ Acquisition of a specialist company within technological cleanliness

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Business activity

Consolidated turnover amounted to SEK 420.9 million (341.5), an increase of 23 percent over the same period last year. Operating profits amounted to SEK 32.9 million (37.4), and profit after financial items amounted to SEK 32.9 million (40.8). The profit was affected by higher costs and lower utilisation rate compared to the same period 1998. The 1998 year's figures included furthermore a one-off income of SEK 3.5 million from the option scheme. Major long-term investment was carried out during the period, which affected profits by approximately SEK 7 million. The rate of growth in all business areas was positive, despite a weaker market than over the same period last year. Efforts in Norway began to bear fruit and an order from the offshore sector was achieved during the period and also from TH!NK Nordic, a subsidiary of Ford, concerned with the development of electric cars. The establishment in Denmark developed well with orders both within the training and the consulting business. Semcon was appointed Active Preferred Supplier to the Ericsson companies in Western Sweden. The agreement will form the basis of an increased long-term partnership within electronics and IT.

Business area (SEKm)	Turnover		Profit after depreciation		Share of turnover
	30/6/99	30/6/98	30/6/99	30/6/98	%
Product and production development	222.2	212.3	17.0	23.3	53 (62)
Industrial information technology	111.5	75.7	9.3	7.8	26 (22)
Competence and process development	87.2	53.5	6.6	6.3	21 (16)
TOTAL	420.9	341.5	32.9	37.4	100 (100)

Product and Production Development

Turnover rose to SEK 222.2 million (212.3), an increase of five percent. Operating profit amounted to SEK 17 million (23.3). Vigorous investment was carried out in the new venture in Norway and within design activity in Gothenburg. Activities to build up the electronics area continued including the start-up of new departments in Stockholm and Lund. Investment was also carried out in Norrland (Northern Sweden) especially in Wood pulp and Paper. Finally, major internal programmes was carried out in training within Project Management and CAD tools such as Pro/Engineer, Unigraphics and Catia to meet customers' increased demands. The utilisation rate were somewhat down on last year however. The drop in orders was due to structural changes on the part of our customers leading to postponement of decision making. The tide has mainly changed here.

Industrial Information Technology

Turnover increased by 47 percent to SEK 111.5 million (75.7). Operating profit rose by 19 percent to SEK 9.3 million (7.8). There was increased collaboration with Volvo Cars as regards the development of interactive driver information and also the sale of further IT products to Saab Automobile increased during the period. New customers acquired during the period were Atlas Copco, Telia Telecom and AGA Cryo. A general agreement was signed with Ericsson Data and Astra Arcus, and long-term support agreements were concluded with several clinics world-wide for the further development of casebook handling systems, which is in accord with our investment in the pharmaceuticals industry. Semcon Informatics AB started during the period and the business developed well and resulted in recruitment of new employees.

Competence and Process Development

Turnover in this area increased by 63 percent to SEK 87.2 million (53.5). Operating profit rose by five percent and amounted to SEK 6.6 million (6.3). Semcon Education was approved as an SCO AEC (Authorised Education Center), which means that we can provide training and certification within Unix together with the American SCO, which is one of the world's largest suppliers of

UNIX server operating systems. Efforts were put on the development of various training concepts and new departments were set up in Sundsvall, Kristianstad, Visby, Trollhättan and Göteborg with the aim of achieving closer relationship the customers and becoming a springboard for further expansion. There was increased involvement with Saab Automobile, Kværner and Hydro Raufoss in management and IT training.

Within Management Consultancy, Semcon acquired Garnbratt consulting AB, a specialist Company within technological cleanliness. The company has developed the G-method™ (Garnbratt method), which forms the basis for the new Swedish cleanliness standard SS2687 (cleanliness in systems). Cleanliness is today one of the decisive design criteria in order to achieve the working life desirable in control systems, transmission systems, hydraulic systems and motors. This has resulted in Bosch USA becoming a strategic customer of Semcon Industrial Management. Other new customers include EHPT and DHL.

The parent company

Semcon AB is the parent company of the Group and is responsible for matters applying throughout the Group as a whole such as strategy, information and marketing. Turnover amounted to SEK 9.8 million (6.4). Profits after depreciation amounted to SEK 0.5 million (0.9). Parent company liquidity amounted SEK 0.5 million (4.2). Company investment amounted to SEK 0.3 million (0).

Staff and organisation

Semcon chose to adapt the rate of recruitment due to a weak market. The tide turned at the end of the period however and thanks to strong demand expected for the rest of the year, the rate of growth has increased. The total number of employees amounted to 1183 (1024), which represents an increase of 15.5 percent over the previous year. The organisation was strengthened by the recruitment of Knut Simonsson, who was previously marketing manager at Volvo Car Corporation AB and responsible for *Global Marketing*. He has been appointed Deputy Managing Director of Semcon AB and will start on the 1 September this year. He will be working principally in marketing, strategic planning and building up the trademark.

Financial items and investment

Investment in machinery and equipment, mainly hard- and software, amounted to SEK 11.5 million (23.4). The equity ratio amounted to 34.8 percent (35.6) at the end of the period. Liquid assets at the end of the period amounted to SEK -12.8 million (7.2). Total overdraft facility amount to SEK 45 million. Shareholders' equity amounted to SEK 100.8 million (70.2). Due to significant delays in the implementation of a new business system, the invoicing has been delayed during the end of the period. This has in its turn affected the cash flow negatively. Measures have been taken and improvements are expected during the coming period.

Future prospects

The first six months of the year were marked by a weak market with much major restructuring amongst our customers. The recruitment rate was thus deliberately lower than during the same period for 1998. Demand for Semcon's services has now increased and major activities has been carried out to increase growth. The trend towards outsourcing has grown stronger and is expected to increase the number of partnerships with Semcon's customers. Prospects for the whole year are therefore positive and the Board's expectations is for a continued positive growth in turnover and a profit which is expected to be on a level with last years profit.

Other information

The next quarterly report for the period January - September will be published on the 27 October, 1999. For further information please contact: Hans Johansson, Group Executive, Tel: +46-31-721 08 66; Mobile: +46-70-591 43 34 or Bengt Nilsson, Financial Executive, Tel: +46-31-721 08 68; Mobile: +46-70-582 82 96.

Gothenburg, 16 August, 1999

SEMCON AB (publ)

The Board of Directors

Detailed review report

We have made a review of this Interim Report in accordance with recommendations by the Swedish Institute of Authorised Public Accountants. A review is substantially limited in relation to an audit. Based on our review, nothing came to our attention that indicates that this Interim Report fails to comply with the Swedish Companies Act and Stock Exchange Rules.

Gothenburg, the 16 august, 1999

Björn Grundvall
Chartered accountant
Ernst & Young AB

Göran Ekström
Chartered accountant
Ernst & Young AB

Semcon AB Group accounts, summary

Profit and loss accounts (SEK thousand)	1999 Jan-June	1998 Jan-June	1998 Full-year
Net sales	420,888	341,538	708,908
Costs and expenses	- 377,603	- 296,699	- 610,405
Operating profit after depreciation	43,285	44,839	98,503
Depreciation of machinery and equipment	-10,375	- 7,403	-16,611
Operating profit after depreciation	32,910	37,436	81,892
Net interest profit	-24	- 200	- 574
Income from option scheme	-	3,522	3,522
Profit after financial items	32,886	40,758	84,840
Taxes	- 9,208	- 12,227	- 25,111
Net profit	23,678	28,531	59,729

Balance sheets (SEK thousand)	30/6/99	30/6/98	31/12/98
Assets			
Fixed assets	40,782	36,318	39,340
Current assets	248,929	160,981	218,274
Total	289,711	197,299	257,614
Shareholders' equity and liabilities			
Shareholders' equity	100,762	70,158	101,358
Provisions	25,510	17,710	25,510
Long-term liabilities	-	5,355	-
Current liabilities	163,439	104,076	130,746
Total shareholders' equity and liabilities	289,711	197,299	257,614

Statement of changes in financial position (SEK thousand)	1999 Jan-June	1998 Jan-June	1998 Full-year
Funds internally provided	- 1,008	36,687	59,837
Investing activities	- 11,536	-23,380	-35,487
Financing activities	- 24,274	-10,403	-10,403
Changes in cash and cash equivalents	-36,818	2,904	13,947

Key ratios	Note	1999-06-30	1998-06-30	1998 Full-year
Operating margin, (%)	1	7.8	11.0	11.6
Return on average shareholders' equity, (%)	2	34.2	54.9	75.5
Equity ratio, (%)	3	34.8	35.6	39.3
Risk capital ratio, (%)	4	43.6	44.5	49.6
Earnings per share after tax, (SEK)	5	1.37	1.65	3.44
Earnings per share incl. 764 300 options, (SEK)	6	1.31	1.58	3.30
Shareholders' equity per share, (SEK)	7	5.81	4.05	5.85
Shareholders' equity per share incl. 764 300 options, (SEK)	8	5.57	3.88	5.60
Average number of employees	9	1124	884	955
Value added per employee, (SEK thousand)	10	256	271	505
Profit after financial items per employee, (SEK thousand)	11	29.3	46.1	88.8
Investments, (SEK thousand)		11,536	23,380	35,891
Number of shares, (thousand)		17,338	17,338	17 338

Notes:

1. Operating profit as a percentage of net sales
2. Net profit as a percentage of average shareholders' equity
3. Shareholders' equity as a percentage of total assets
4. Shareholders' equity plus deferred tax liabilities divided by total assets
5. Net profit divided by the number of shares issued
6. Net profit divided by the number of shares issued plus options
7. Shareholders' equity divided by the number of shares issued
8. Shareholders' equity divided by the number of shares issued plus options
9. Average number of permanent employees
10. Operating profit plus salary expenses and national insurance divided by the average number of permanent employees
11. Profit after financial items divided by the average number of permanent employees

Other definitions:

Net profit Net profit after tax.