

**A new product is launched
every half-hour – all day,
every day, throughout the year.**

Can it get more exciting?



Hello!

Over the past 25 years Semcon has had the advantage of being involved in lots of exciting development projects worldwide. We have helped companies and people to grow and achieve unique results. These results have helped these companies to be world leaders. We develop innovative products, smart processes, solve challenging technical problems, test and verify qualities and explain complicated technology every day, with our customers.

What does the future hold? The tempo is increasing, there are more competitors and the fight for customers is getting harder. New players arrive, new markets with new opportunities and new consumers appear. For instance, here in Asia they are currently launching more products and brands than anywhere else on the planet.

A planet cannot sustain the consumption of resources we have today, and the stresses increase as more and more join the market economy. We all know about the problem, but few are doing anything about it. It feels good to know then that Semcon's days are filled with projects where we are designing and developing new innovative solutions for improved recycling, reduced emissions and less energy consumption.

Greater global competition, smarter technical solutions and tougher environmental problems are the realities that your company is facing. It is then comforting to have a partner that knows how to create attractive products that sell, solutions that make your, mine and everybody else's life better simpler and more fun. At Semcon we are driven by this vision.

I am currently in Asia as I mentioned earlier, or to be more precise, our office in Malaysia. It's 1 a.m. here in Kuala Lumpur and outside my window commerce is in full swing. There is no lack of new business opportunities. Can it get more exciting?



Hans Johansson
CEO, Semcon AB

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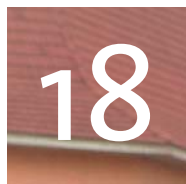
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What does Semcon do?



What are we thinking about?



What industries?



2004 in brief.



CEO's comments.



Product development.



Five-year summary.



The Board.



Michael Brusberg, Semcon's global analyst, checks out Jalan Petaling, Kuala Lumpur, 21/11/04.



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What is Semcon?

We are 1,500 curious and energetic people that enthusiastically design, construct and develop products, processes and technical information. We have annual sales of SEK 1.3 billion, which makes us 1 of the 10 largest companies in our industry.

We are driven by a desire to develop ideas and products that give you, me and everybody else a better, simpler life. This stimulus means that we look forward to working every morning, irrespective of whether we work in Karlstad or Kuala Lumpur.

The word 'together' is important to us. Running projects together with our customers and our ability to grow organically are some of the secrets behind our extensive customer relationships. We don't see customers in every person, but a person in every customer.

We focus on four industries where design, product development, technical information and IT infrastructure are decisive in the fight for market shares: Vehicle, Telecom, Medical & LifeScience and Industry.

Our strategy has given us more assignments at an international level. We are therefore currently represented in 14 countries on three continents. Tomorrow it will be more. We have our own offices in Sweden, Norway, Denmark, the UK, China, Malaysia and Australia. We have partnership agreements with local partners in Belgium, Greece, the Philippines, France, the Netherlands, Portugal and Spain.

SEMCO

We help the world's largest companies quickly develop ideas into commercially successful products – every day, throughout the year.

You will therefore find us in 14 countries, on three continents.





Semcon's business offer:

Eight steps that quickly turn your conc

1. Pre-study – a really good start

You're wondering about launching a product. We help you by mapping out what's on the market today. Which products are successful? Why are they best-sellers? What special points do they have? How do they feel when you hold them in your hand? How do they sound, etc? We will also talk to users about what they actually want. What are they lacking today? In brief, what will it take to make your product a success?

8. Service, guarantee and after market.

We give your service organisation has rapid access to know-how about how service and possible repairs are performed best. Thanks to our work method there is also a unique opportunity for guarantee issues. What was tested for wear and tear? What parts broke more often? How can we include this experience in the next product generation?

7. Testing and verification.

Will it withstand the heat of the desert?

It's now time to test and verify that the product meets the quality and demands we have set. We simulate real life and can often cut the development process by months. How does your product respond to extreme temperature variations?

We test and verify qualities such as durability, but also more value-related qualities such as "sporty". Or if the noise of the washing machine door being closed sounds like "good workmanship".

6. Rapid manufacture with quality assurance.

While working on design we're also considering production. Will you manufacture it yourself? In China? Or subcontract it to a company in Sweden? Is robotic manufacture and automation best? Or will there be such small production lines that it will be more profitable to employ 15 people to make the first 500 products? Can we guarantee quality assurance if we subcontract manufacturing abroad? You ask, we answer.



ept into brilliant business

2. Ideas, innovations and clever processes.

Here we will design potential new solutions together. The more angles of approach and ideas in this phase will mean fewer problems and shortfalls in the future at the prototype phase.

3. Overall view of design, form and construction.

Really good design accentuates the technical refinements and functions of the product and strengthens the feeling that the brand should be loaded with. Should your product be twice as expensive as your competitors'? What should it look like and how should it be experienced? Material, form, colour? What does it feel like in your hand?

We weigh up aesthetics, ergonomics, environmental demands, manufacturing opportunities and market demands to help find the optimal solution.



Silva L1, the world's most powerful headlamps.

4. Technical pre-studies.

Virtual testing and animated prototypes can help us visualise the product so that the work with sales and the launch can begin. This is where we fine-tune various technical solutions. How do we get different interfaces to work best together? Is wireless technology the best alternative? Do we know all the advantages and disadvantages in production, service and maintenance?

5. Construction.

Does the product need to be screwed together, riveted or is heat welding the best alternative? How is the construction affected by the product's use in humid environments? Is plastic better than steel? We also perform comprehensive virtual pre-tests to produce the best possible construction.



Our customers include: ABB, AB Volvo, Akzo-Nobel, Assa-Abloy, AstraZeneca, Ericsson, Ford Motor Company, General Motors, Nokia,

Since the company started 25 years ago
we've worked with around 133,000 different
development projects around the world.



**Novo Nordisk, Saab Automobile, Scania, Volvo Car Corporation etc. Read
more about what we have done for our customers at: www.semcon.se.**

“A few years ago we helped to develop a mobile phone with a customer that included a copy of the Koran and GPS. The GPS function shows the user Qibla, the direction of Mecca, and the phone fetches a copy of the Salaat, the daily prayer. This company is now the most successful on this market.”





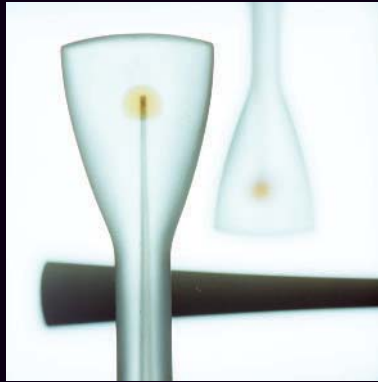
2004

OM!

ous sports car got the perfect



Linear



Telia



Autograf



Stoneridge Electronics



Rescue Runner



Asko



Tour & Andersson



Stoneridge Electronics



Doro



Iherborn



Otre



Volvo Car Corporation



Doro



Past Audio



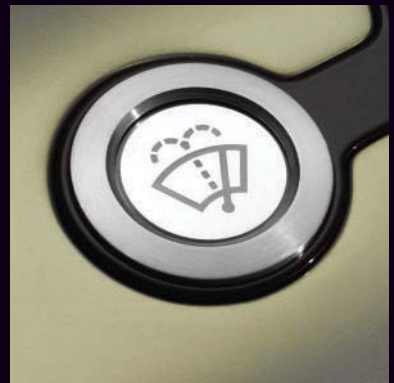
Kuna



Nilfisk-Advance



Carmel Pharma



Volvo Car Corporation



ABB

We design products and interfaces that seduce the user using more than just good looks. We give them that something extra that makes them commercially successful.

Our view of industrial design is built on our knowledge of global markets, the brand and advanced product development. So, no matter which target group you have, we can help you to achieve a stronger brand image and increase your sales.



Trimble



IKEA



POC

購物中心

How will we protect the environment when a billion Chinese and several hundred million Indians drive to work? This is the kind of thing we think about.





Three things that will make your brand succeed in the future:

**Better product development.
Better product development.
Better product development.**

More competition, price pressure and an excess of products with ever-shorter life-spans. How can a brand in the premium segment justify a higher price on such a tough market? We are convinced that you do it through more attractive design, better technical refinements and by launching new models quicker.

And to do that you need to focus on design, time-to-market with retained quality and on incorporating the latest technology into the product. And while solutions become more complex and contain many different technical systems, they must work perfectly together.

You don't get a second chance to make a first impression. A stressed and irritable consumer would rather choose someone else's product if your brand doesn't deliver what it promises.

Finally, your production methods need to take into account the tougher environmental legislation and stricter consumer demands in areas such as recycling. No matter whether the economy is up or down.

Meanwhile, competition is so tough that you must concentrate on your core business. Then it's good to have a partner who thinks that design, innovation and product development are the most exciting things in the world.







We get airbags to talk, the deaf to hear and bowling alleys to fly.

Read more about our design and development assignments at: www.semcon.se.





If you want to be the best mountain climber you need to find the highest mountain.

For the same reason we focus on the toughest industries.

We have chosen to concentrate on four industries - Vehicle, Telecom, Medical & LifeScience and Industry. We chose them because we deliberately wanted to be in the thick of things. This is where the competition is toughest and the most products are launched. Trends break here first, and companies need excellence to adapt to future requirements. These are the businesses and people at the forefront of development. Of course, they also have the greatest need of first-class help in design and product development.

We believe these are the areas where you will find the most interesting design and product development projects. This is where Semcon feels most at home.

Every day in the eye of the storm is where we can learn the most. We attract the best talent with the greatest ambition. The skill, experience and attitudes that you need to win the war for market shares so you can swiftly turn a great idea into a very successful product.





**Yesterday it took 10 years to develop
a new model. Tomorrow it will take
18 months.**

It's great having 25 years of experience.

Our customers include:
Ford Motor Company, Volvo Car Corporation,
Landrover, Jaguar, GM, Saab Automobile,
Vauxhall, Hyundai, Kia, Nissan, Honda,
Volvo Trucks, Volvo Buses and Scania.



Corporate culture – The magic ingredient that makes us feel at home at Semcon. Whether we are employees or customers.

At Semcon we control our business through strong values instead of building up hierarchical organisations. We believe that real growth can only be achieved together. Perhaps that's why we succeed in retaining long-standing relationships with both customers and employees. When things go right the shared joy is twice as enjoyable. When we face tough challenges we pool our strengths and find solutions together.

At Semcon we also believe that people want to give their all, as long as they are given the freedom to work in an environment where they can vent their enthusiasm. The right environment makes us more strongly motivated. It also makes our customers happier because we save time as decisions are made in projects by people who have the best overview.

Working with the most interesting projects and companies means that we attract the most motivated



talent. People who are dedicated, give 120 per cent and who we as a company have extra responsibility for. We therefore create an environment where you can train during lunchtime, take your laundry to work, or where you can borrow a building for a weekend if the need arises. A few weeks ago we had a christening at Semcon Technology Center. Small things in themselves, but together with other staff benefits and opportunities for development they mean a great deal.

Being able to share other people's experiences and sharing your skills with customers and colleagues are the kind of things that develop us as individuals, and which we consider very important.

We have always enjoyed doing business and creating relationships. We are convinced that a business relationship with clear elements of heart and brain works better than a quotation supplied in a reserved, distant manner.

Each day, throughout the year, w for many of the world's most su

Five reasons for choosing us:

Access to one of the world's leading design and development departments.

We are 1,500 people that think and live innovation, design and product development every day. We have experience from the toughest industries where development is fastest and new trends and technologies appear first. You will also have access to our network of partners with around 5,000 different specialists.

Methods and processes based on 133,000 projects.

Over the years we have gathered skills, created our own tools and routines, developed technical platforms and work processes. Our aim has always been to create tomorrow's products faster, safer and better than others - and with greater precision.

we design and develop products for successful companies.

Inspiration and experience from other industries.

Trends in the auto industry sooner or later also appear in other manufacturing industries. Working in different industries can therefore be very useful. We can address your problem from a different angle. For example, we have used aeronautical technology to construct radar for ships. We have developed better office environments with experience from the auto industry and designed a dispensing device for medicine using the same technology used in laser printers.

Available in 14 countries and on three continents.

Globalisation has meant more international assignments for us. That's why we've grown and followed our customers on a global scale. We currently have offices and business activities in Sweden, Norway, Denmark, the UK, Malaysia, China and Australia and partners in a further seven countries around the world.

Culture and interesting projects that attract talent.

Everyone is looking for a goal and meaning in life in both personal and professional lives. A good vision gives us the energy to lift us in our daily work. The vision that drives us at Semcon is the conviction that design and technology can create a better, simpler life for people around the world. This conviction has created a climate where people have the desire to achieve things together, whether as an employee or as a customer. So this is a culture that attracts the best talent, which ultimately means that the customer receives faster and better design and product development.

Please contact us or visit www.semcon.se to find out more.

A young woman with dark hair and a bindi on her forehead is looking down at a magazine she is holding. She is wearing a maroon top with a gold border. The background is a chaotic pile of various magazines and papers, creating a sense of a cluttered environment. The text is overlaid on the upper left portion of the image.

On the following pages you can read about the opportunities we see for the future and how we improved our profits by SEK 105 million in 2004.



GETTING TO KNOW YOUR SEMINAR
TEXT: SUELA PROSSER

AND

DOUBLE ROLES

There are two sides to everything. We looked at what
senior employees do at work – and at play.
BY JONATHAN ROBERTS

Senior employees
The most successful people in the world
are those who can juggle their work and
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2004 in brief.

Increased sales and excellent profit improvement.

An attractive business offer and a wide range of skills have meant sales increased during the year by almost 8 per cent compared to 2003. In the Informatic business area, where we see our greatest growth potential, sales increased by over 21 per cent.

Our objectives for 2004 were achieved

As we look back on 2004 we should be pleased with the very strong profit improvement compared to 2003. The turnaround was largely due to strengthening and developing our customer relations and increasing sales. All the financial objectives we set for 2004 were achieved.

A bright outlook

We estimate that the market situation in 2005 will continue to improve. We expect continued growth with improved profitability.

2004 in brief

- Sales rose and amounted to SEK 1,289 million (1,199).
- Profit after tax was SEK 32.0 million (-57.6).

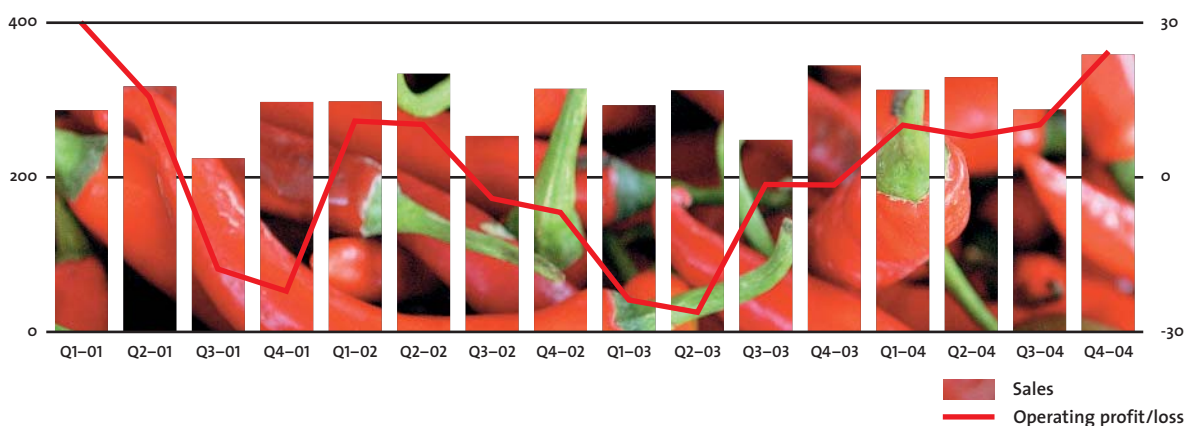
- We expect the improvement seen in the business cycle in 2004 to continue into 2005, though there are a number of global uncertainty factors.
- Staff numbers increased once again and further recruitment will be required in 2005.
- Semcon's business offer in Functional Performance was enhanced when we acquired ComTest during the year and started the sound and vibration company, Zound by Semcon.
- Semcon was one of the first service suppliers to receive the Q1 award from the Ford Motor Company.
- Zipper by Semcon received the IT industry's Sirius award in the "Best Packaged Solution" category for the FastAccess 3.0 security concept.

- An EGM authorized the Board to buy-back shares.

Events at the beginning of 2005

- Semcon opens a new office in Jönköping.
- Semcon acquires the innovative industrial design firm Propeller AB in Stockholm with 15 employees, making the offer within design and product development more complete.
- Propeller receives the IF award in Germany for designing the Hector saddle.
- Semcon strengthens its international offer in aftermarket information by acquiring Pentech International Ltd in Oxford, England, with 20 employees.

Quarterly performance (SEK m)



After several years of weak, fluctuating, quarterly results, we reported a profit throughout 2004.

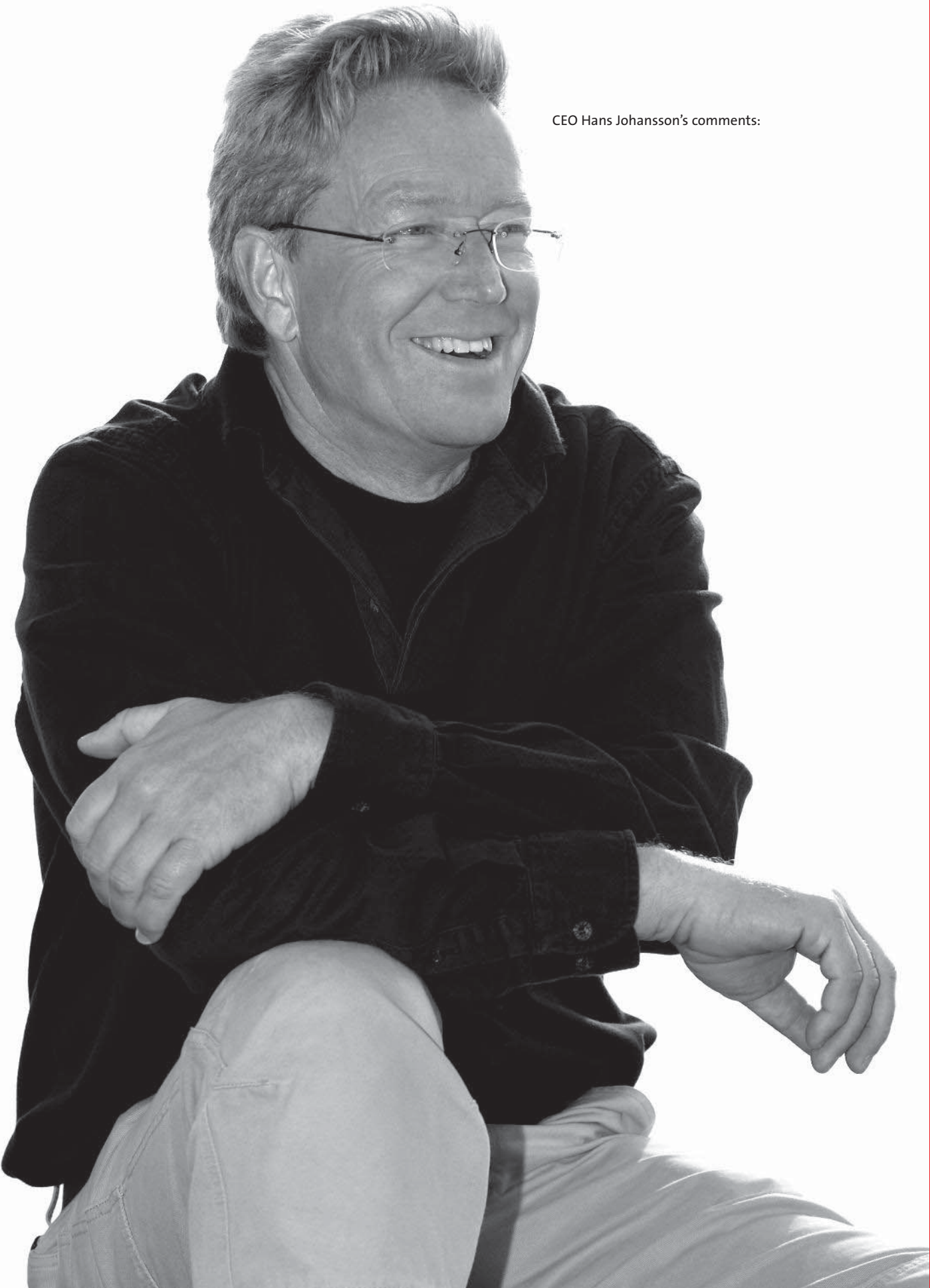
A woman with short dark hair, wearing a patterned shirt, is holding a large bowl filled with bright red chili peppers. The background is a blurred market stall with various vegetables.

"In the past 10 years Semcon has grown by an average of 15.5 per cent a year."

Key figures:

	2000	2001	2002	2003	2004
Sales (SEK m)	1 007	1 127	1 200	1 199	1 289
Equity/assets ratio (%)	34.1	28.9	27.9	19.1	23.1
Earnings per share (SEK)	1.99	0.08	0.05	-3.31	1.84
Average number of employees	1 504	1 585	1 581	1 504	1 444
Sales per employee (SEK 000)	670	711	759	797	876

CEO Hans Johansson's comments:



**“Vision without action is just a dream,
action without vision is a nightmare.
But action with vision can improve the world.”**

People who work at Semcon are convinced that thanks to design, technology and product development we can improve and make people's lives easier. With this strong belief as a platform it is clear that we want to be part of improving the lives of as many people as possible.

This is one of the reasons why our vision is to be a leading international design and development company. A vision that we live with every day. That's why we have strengthened our range in testing functions and qualities of products and brands with the start of Zound by Semcon and the acquisition of ComTest. That's why we bought the award-winning industrial design firm Propeller in Stockholm. This deal makes us the world's third largest design firm. That's also why we acquired the Pentech illustration studio in Oxford in the heart of the UK's auto industry, and thereby strengthened our Informatic business. We are also looking for more acquisitions that can make our entire range more attractive, in time for our 25th anniversary in 2005.

The future is no longer what it used to be. It looks more exciting and challenging than for a long time! And at Semcon we will do what we've always done: be in the vanguard, be where the action is and grow and develop together with our customers.

"We are challenging the world's leading design firms with Propeller"

2004 – a strong turnaround!

As we look back at 2004 we should be pleased with the very strong profit improvement compared to 2003. That we succeeded with this turnaround is largely due to our strengthening and developing customer relations and greater sales. The deep, significant, involvement of our employees, the Fast2Profit scheme and successfully developing our partnerships, has also helped improve profits. I would like to take this opportunity to thank all the employees for this. A contributory factor has also been the more favourable business climate. With this profit underpinning us it feels a great deal better to take on the challenges that lie ahead.

All the objectives set out for 2004 were achieved, which makes us pleased, but not satisfied.

We can proudly state that all the targets set for 2004 were reached—we're profitable once more, we've improved the equity/assets ratio and we're continuing to take market shares. It's Semcon's 25th anniversary this year and it's great to see the positive attitude and belief in the future that continues to flow through the company.

We are where the customers are. In 14 countries, on three continents

2004 was also the year when we seriously became an international player. To meet the demands globalisation places on us and our customers we are now in 14 countries on 3 continents. We have our own offices in Sweden, Norway, Denmark, the UK, China, Malaysia and Australia. We have partnership agreements with local partners in Belgium, Greece, the Philippines, France, the Netherlands, Portugal and Spain.

Sales have risen by an average of 15.5 per cent annually over the past 10 years

Over the past 10 years sales have risen by an incredible average of 15.5 per cent annually. Over the past 5 years, taking into account the recession, the sales increase has seen an average 6.4 per cent. Our attractive range and high level of skills has meant that sales in 2004 were up 7.6 per cent on the previous year. Sales per employee rose in 2004 by 12 per cent compared to 2003.

SEK 82 million improvement for Design & Development and Informatic is up by around 21 per cent

The Design & Development business area represents 60 per cent of Semcon's entire sales and showed improved profits in 2004 of over 21 per cent – and this is also where we see our biggest growth potential. Our new business model helps us to achieve our long-term objectives for the operating margin.

Our IT business – from zero to SEK 135 million in five years

The Innovation business area includes Semcon's IT business, which concentrates on producing specific solutions for general IT problems. Zipper by Semcon, Zystems by Semcon, along with IT-Solutions, are part of this business area and have all shown rapid, profitable sales growth.

Zipper started five years ago and concentrates simply and cost-effectively on providing customers with fully-functional IT structures. By creating good order, offloading IT departments and delegating more to users in an organisation, Zipper's customers can save time and money. The company currently

has sales of around SEK 100 million and has the whole of Europe in its sphere of activity.

Zystems by Semcon was initially a part of Zipper, but in 2003 became an independent company. Zystems provides companies with solutions that allow them to rapidly integrate all the IT systems in a company to a single system. Zystem's solutions can effectively merge and integrate two separate companies' networks in just six weeks. This usually takes six months. Zystems' sales amounted to SEK 35 million in 2004.

Shorter development times increase the need for testing and verification

Our customers place greater amounts of resources in developing products more rapidly with more attractive functions and qualities. As development times are cut the need to verify and test the products' qualities and functions becomes key. Semcon currently has a unique range of both virtual and physical tests for every stage of the product development process, a range that was added to when we acquired ComTest during the year and also started the sound and vibration company Zound by Semcon. The single-minded investment in this area, called Functional Performance, was well received by our customers and has made us European market leaders.

Semcon received an award from Ford

When responsibility and size of projects grow it's not enough to only have skilled, experienced employees, you need effective routines and processes too. During the year Semcon invested to become a leading project company. Proof that we succeeded with this is that we received the Ford Motor Company's Q1 award in 2004. Ford Motor Company's policy is to prioritize Q1

accredited suppliers, which further underpins our position as a prioritized supplier.

We can now challenge the world's major design companies with Propeller in our family

In January 2005 we carried out an exciting acquisition that strengthens our range in the design of commercially successful products. The innovative design company Propeller became part of Semcon. Propeller's creativity and clear understanding of advanced product development and insight into global markets, has enabled the company to create a good reputation for itself as a design firm. With this skill base in the Group we can now challenge the world's major design companies. It means that we now have over 80 specialists in the area of innovative industrial design and form.

It makes us the world's No.3 in this attractive field.

The Pentech acquisition places us at the heart of the UK's auto industry

We acquired the successful illust-

ration studio Pentech International Ltd. at the end of February 2005. This opens the door to more major international partnerships in the Informatic business area.

The deal places Semcon in the heart of Oxford in the Midlands, where much of the traditional auto industry is located.

Over the past 15 years Pentech has been the key supplier of technical illustrations to customers such as Jaguar, Land Rover, Saab Automobile, MG Rover, Scania and Nissan Motor Manufacturing (UK). The acquisition means that Semcon will gain a further 20 specialists in the aftermarket information sector. The company already has around 60 employees in the UK alone. The Pentech acquisition is a natural part of our internationalisation and a step towards meeting our customers' demands for fewer but larger suppliers.

We look forward to 25 more new, exciting, years serving industry

Developed customer ranges, impressive customer references,

exciting strategic acquisitions of Propeller and Pentech, international presence, a greater partner network and better financial climate, make the future look very exciting. The objective is to take market shares, both in the Nordic region and internationally, and take the next step towards achieving our long-term financial objectives. To become better and meet the increased demand we will employ a further 150-200 talented employees over the year. We estimate that half of these will work internationally. We also have very advanced plans for setting up new exciting deals and thereby taking a further step towards our vision of becoming a leading, international, design and development company.

The iron will and joy I see among all Semconites and the enthusiasm of our customers are just a few of the factors that will make the coming 25 years just as fun, exciting and developmental as the past 25 years.



Viji Abishegam, responsible for Semcon in Malaysia talks about the future and business opportunities with Semcon's CEO Hans Johansson.

Semcon's hard facts:

A twenty-five year-old

SEK m

1 400

1 200

1 000

800

600

400

200

0

1980 Semcon starts in Västerås.
First assignment for ABB (Asea).

1984 First assignment with
Volvo Cars and Saab Automobile.

1985 Autoliv and Astra (later AstraZeneca)
become customers. Establish in Trollhättan
to be closer to Saab Automobile.

1987 Scania and
Electrolux become
customers.

1989 We pass the 300 employee
mark and SEK 100 million in sales.
New office in Lund opens.

1983 We open in Göteborg.
Work begins with Ericsson
and Volvo.

1986 We open an office in
Linköping and increase our
cooperation with Saab.

1988 We open in Stenungsund and Malmö
to strengthen cooperation with customers
in the petrochemicals industry. We start new
quality control activities.

d that's still growing.



Aims and strategies

How Semcon will become one of the leading international design and development companies.

Our mission – why does Semcon exist?

We are driven by a passion for technology and design's possibilities to make people's lives easier.

Our vision – in what direction are we heading?

Semcon will be a leading international design and development company.

Our business concept – how do we create revenue?

As a close partner to industry Semcon provides human and technical competence that improves its customers' results.

LONG-TERM BUSINESS OBJECTIVES

- Being a premier supplier for prioritised customers in our focus industries.
- Internationally established.
- Have an increased share of value-based business, generating better profits for customers.
- First choice as an employer for project managers and technical consultants.

FINANCIAL OBJECTIVES

- An operating margin of above 10 per cent over a business cycle.
- Continued low debt/equity ratio and an equity/assets ratio above 35 per cent.
- Over the long-term, Semcon aims to pay out 30-50 per cent of the profits after tax to Semcon's shareholders.

BUSINESS OBJECTIVES 2005

- More market shares in Sweden and internationally.
- Stronger range, mainly in Vehicle, but also in Telecom and Medical & LifeScience.
- Be a leading project company.

- More strategic partnerships with customers through outsourcing agreements.
- Expand the network with partners to improve flexibility and customer service.

STRATEGIES

– how will we achieve our objectives?

To achieve the set objectives, both over the long and short term, Semcon controls its business in mainly three strategy areas:

- Employees and corporate culture
- Range and business development
- Growth and market position

Employees and corporate culture

Semcon has a strong corporate culture that builds on belief in the individual, the will to cooperate and the importance of businesslike practices.

How do we succeed in retaining and recruiting the right individuals?

To attract skilled employees that share the company's values and that are open and involved, Semcon uses a

number of activities such as presence at labour market days, university lectures, adverts and via our website.

Our communication will support our recruitment process to build a strong employer brand, i.e. a company where the project leaders and technical consultants of the future want to work.

Predefined skill profiles are used when recruiting to present a development plan. Semcon's employees undergo skill development in the form of internal and external training and through challenging assignments.

Range and business development

Semcon's range is based on 25 years' experience and a deep understanding of design and product development and related areas. We currently take overall responsibility for the entire product development project, from idea to finished product, and will concentrate our business on more major, complex, development assignments.

Business concept: As a close partner to industry, Semcon supplies human and technical competence that improves its customers' results.

How will we strengthen and develop our range?

We strengthen the range by expanding and improving our range in the early and late phases of the product development chain, i.e. within the area of design and information management for the aftermarket respectively. In this way we get closer to the end user and can provide our employer with more valuable skills. We also produce specialist ranges for our different focus industries. In addition, we develop multi-industry concepts, i.e. that the customer can

utilise experience and solutions from other industries. In this way we meet customers' ever-increasing demands and provide added value.

Growth and market position

Semcon currently has a strong market position as the technical and development partner to leading engineering companies. The customer base

Key Account Manager whose job it is to develop our range and so increase sales. Every manager undergoes continuous training in sales and businesslike practices.

Growth will mainly be in the focus industries of Vehicle, Telecom and Medical & LifeScience by providing partnership and holistic measures in the form of management and

business area where we continually develop our value-based concept of aftermarket information to gain new outsourcing business.

Growth is mainly organic, but also in the form of corporate acquisitions with highly skilled companies. In addition, we will increase our network of global partners to expand our range and have a local presence to increase our own flexibility. As a part of this strategy we signed a partnership agreement in 2004 with Assystem Etudes of France and acquired Propeller and Pentech in 2005.

Our investment in growth now means that Semcon can continue to strengthen its position and its range, as well as being a business partner with a clear profile as a leading design and development company.

Vision: Semcon will be a leading international design and development company.

remains broad, but with focus on the Vehicle, Medical & LifeScience, Telecom and Industry sectors.

How will we be able to continue to grow and strengthen our market position?

Every key customer has a dedicated

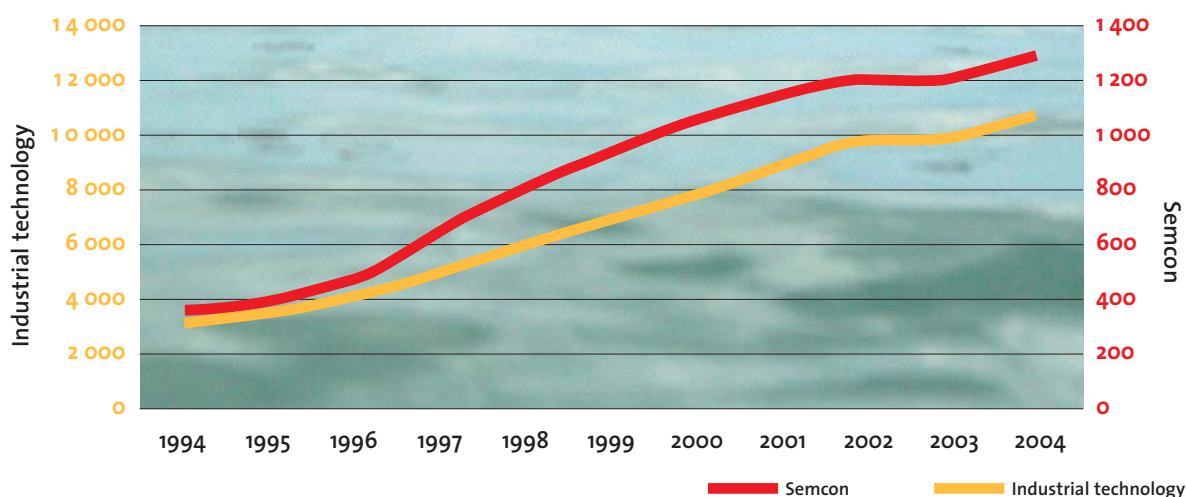
carrying out major, complex projects. Growth in these areas will be seen in Sweden and internationally. By following our customers abroad we will establish ourselves as an international partner.

In the short-term Semcon's growth will be seen in the Informatic

Key figures:

	2000	2001	2002	2003	2004
Operating margin (%)	5.0	0.5	0.8	-4.4	4.0
Equity/assets ratio (%)	34.1	28.9	26.5	19.1	23.1
Share dividend (% of profit after tax)	25.1	0.0	0.0	0.0	0.0

Sales trend in the Industrial technology industry (SEK m).



Semcon's range and our focus on deals have provided excellent sales growth. Compared to the Industrial technology sector (source: Svensk Teknik och Design) Semcon has seen more growth over the past 10 years.

Market and trends

The auto industry needs to halve Time-to-Market. The pharmaceutical industry is battling against falling profits. Both indicate an increased demand for our services.

We expect the successive improvement of the business cycle seen in 2004 to continue in 2005, although there are a number of uncertain factors around the world. The overall trend, which affects and favours a company like Semcon, is the major competition on the market between various products. As a result the company is investing more in design and product development to produce new, more innovative and attractive products more quickly and more cheaply. The trend of fewer, larger suppliers on the market, both local and international, continues.

CONSULTANCY MARKET DEVELOPMENT

The industrial technology market had sales of SEK 9.8 billion in 2003 and the forecast for 2004 is SEK 10.7 billion. The estimate for 2005 is SEK 11.3 billion. 2005 is expected to be a year of clear expansion, partly with the help of greater use of capacity and outsourcing (source: Svensk Teknik och Design). Over the past year Semcon has had a market share of around 12 per cent in the industrial technology sector.

GLOBALLY

Despite the unease on the world market over the developments in Iraq, the threat of new terrorist activities, high material costs, high oil prices and a fluctuating dollar etc. global economic growth grew in 2004.

FACTORS THAT AFFECT DEVELOPMENT IN SWEDEN

The growth in Swedish GDP in 2005 is expected to be 3.2 per cent and for 2006 is expected to be 2.8 per cent (Source: Konjunkturinstitutet). The increase is expected to be 5.7 per cent for the consultancy market (Source: Svensk Teknik och Design). Inflation for 2005 is expected to be 2.1 per cent and the interest level is expected to successively rise in 2005, from 3.0 per cent to 4.2 per cent (Source: Konjunkturinstitutet). Wage levels are expected to remain at the same level as 2004, with the risk for certain wage slides because of the competition between consultancy firms for a desirable workforce (Source: Svensk Teknik och Design).

TRENDS IN SEMCON'S FOCUS INDUSTRIES

There is really tough competition in the Vehicle industry with increasing price pressure. Auto companies must in principle halve the development phase from the 24–36 months today and quickly release new models and versions at competitive prices, which in turn increases the demand for our services. We are also seeing a clearer concentration on managing the tough environmental demands of the future. The trend of outsourcing is also continuing. Companies in Medical & LifeScience are battling with falling profits, tougher laws and greater risks. They are therefore taking a closer look at costs and have a huge need for more effective businesses. This means more opportunities for us to help customers develop more effective and safer production and validation processes.

There is a great deal of optimism in Telecom at the moment. The industry is characterised by rapid product development, tough competition and price pressure. Companies are becoming more slimline but

Overall trends:

- 
- Global competition and over capacity of product ranges
 - Rapid IT and technological development
 - Growing environmental awareness

Which means:

- 
- Design becomes more important
 - Shorter product lifecycles
 - Accelerated development costs
 - More difficult with development within the company
 - Mergers and acquisitions
 - Stricter legal requirements and consumer demands

Driving forces for growth Semcon believes that the design and development market will continue to show major growth. The main growth factors are summarised in the illustration above.

the need for product development remains, which opens doors for us. Development in the Industry sector shows enormous variation. The need for developing new products is huge in certain areas, while others are affected by moving manufacturing East. We expect demand for consultancy services to increase in design and product development.

OUR CUSTOMERS ARE DEVELOPMENT-INTENSIVE COMPANIES

Semcon has consciously worked with the most successful companies in our respective focus industries. These companies are continuing to invest in R&D. According to OECD, Sweden is one of the countries that invests most in R&D, measured as a percentage of GDP. In total Sweden invested 4.3 per cent of its GDP in R&D (Source: Statistiska Centralbyrån).

COMPETITORS

The structure of industry has been relatively stable in recent years and our competitors look similar in terms of their business models and profitability. The major competitors began to recover during the year, mainly

in Telecom. Hourly rates for consultancy services are still under pressure, which is why consultancy companies are trying to develop

new business models, while many are beginning to use offshore alternatives, i.e. sub-consultants in low-wage countries.

Swedish competitors:

(SEK m)	Sales	Operating profit	No. of employees
Caran*	780	23	815
HiQ International	513	50	407
Sigma	853	10	779
Teleca	2 728	9	2 810
TietoEnator	14 671	1 744	12 518
WM-data	8 160	367	7 655
Ångpanneföreningen	2 160	38	2 531

The information has been collected from the respective companies' financial reports for 2004.

* Part of WM-data.

International competitors:

	Sales (EUR m)	No. of employees
Alten*	293	4 061
Altran*	1 364	17 044
Bertrandt*	220	3 027
Edag*	477	4 200
ESG	No official figures	1 100
Rücker*	149	1 922
Sogeti**	No official figures	14 000
Valley Forge***	No official figures	600

* The figures represent 2003. ** Part of Capgemini SA Group. *** Part of SPX Corporation.

Lead to:

- Increased focus on Time-to-Market
- Demand for new product varieties
- More holistic measures for consultants, more partnerships and long-term business relations
- Greater need for expertise in recycling, emissions and energy saving

Future:

Greater demand and improved opportunities for development consultants

Structural capital

Added value for customers and resources for the company

At Semcon we have good, extensive business relations with our customers. This is one of the reasons for the stable sales growth shown by the company. Proof that we've succeeded in developing our range and improving customer relations is reflected in the high level of return business.

THREE BUSINESS MODELS THAT PROVIDE CUSTOMER BENEFITS

Semcon provides customer benefits using three different business models:

1. Consultancy business
2. Project business
3. Concept business

These three business models require different organisation, have different key figures and different driving forces.

Over the years the business has moved from model 1 to model 2 and 3. Project and concept business currently represents more than 50 per cent of Semcon's sales.

1. Consultancy business

Consultancy business supplies specialist skills by the hour. The customers control work from their own premises. A good degree of coverage provides good margins for Semcon.

2. Project business

Project business supplies specific results requested. Semcon leads this work. Processes that make the work more effective provide profitability.

3. Concept business

Concept business supplies a general solution to a specific customer requirement using a predefined and packaged method and skills. Concept business provides excellent opportunities for repetition. The price is calculated by solution/-

result/product. The concepts can be adapted to different customers and give them a clear understanding of the gains from our cooperation.

PARTNERSHIP MODEL THAT CREATES PROFITABILITY

The trend of industrial companies increasingly focusing on their core activities continues, which gives opportunities for strategic partnerships, or outsourcing as it is also called. Semcon's partnership model means that we take over parts or all of the customer's development processes, including staff and development resources, in areas where we have extensive experience and specialist competence. We develop and make this activity more effective and create long-term profitability for the customer and us.

A STRONG BRAND

Semcon continues to protect its brand and Semcon is well known to many people, inside and outside the industry. Our customer magazine Future was nominated as best customer magazine in 2004's edition of Guldbladet (Swedish Publishing Award). The company's strong brand facilitates recruitment and makes it easier to be the first choice for customers. A consistent graphic profile has also contributed to creating a clear and strong identity. Semcon aims to be seen as attractive, modern and dynamic by customers, current and future employees, shareholders, partners etc.

COST STRUCTURE

Staff costs are the largest cost for a consulting business. Other costs include project costs, which must

be matched by earnings, running costs, depreciation and financial costs. Earnings totalled SEK 1,289 million, of which 64.6 per cent staff costs, 19.7 per cent project costs and 9.6 per cent operational costs.

IT SECURITY

To minimise risks and disruption of IT systems Semcon has actively worked to improve IT security. Semcon is directly linked to many of its priority customers' IT environments, which means that many of our customers examine our IT system. The company's IT structure is also examined annually by our auditors. In recent years Semcon hasn't received any negative comments about how its IT work is carried out.

PROJECT METHODS: PROPS

In 2002, the Ericsson Project Management Institute (EPMI) gave Semcon the exclusive rights to supply and develop training and consultancy services based on the PROPS project management model. PROPS was designed by Ericsson and used globally by many major industrial companies. In recent years Semcon has developed into a very strong project company. By placing all of Semcon's experience from its development projects we have created a Semcon-based version of PROPS, namely S-PROPS. By using repeatable processes we create security for our customers and can guarantee what we supply.

SEMCON'S QUALITY CONTROL

– improvement on all levels

We have matured and developed further as a project company. During the year the average of the "Satisfied

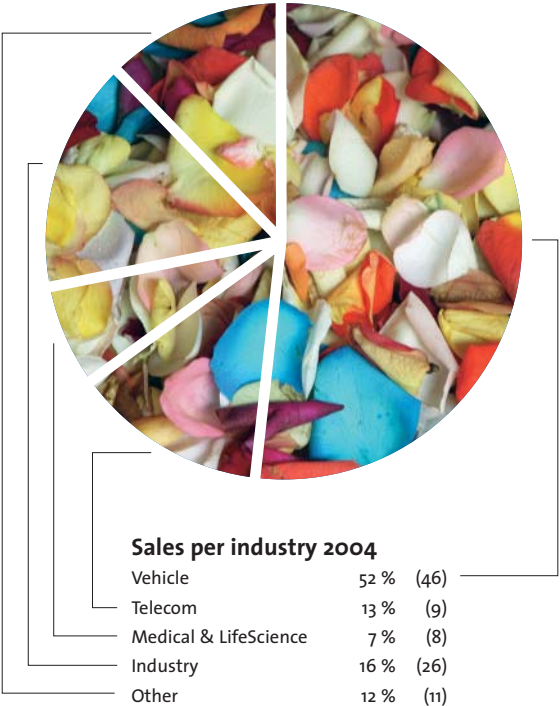
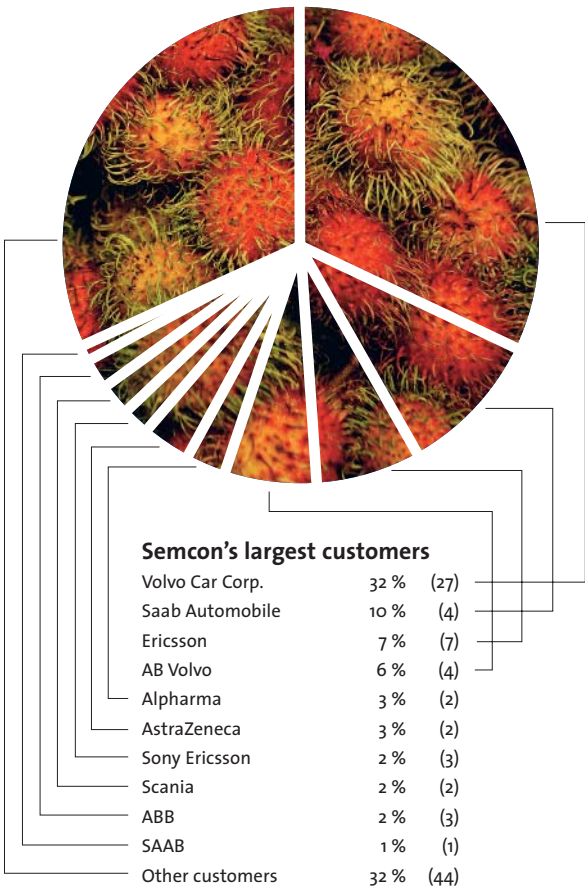
Customer Index” has risen from 4.0 to 4.3 on a scale of 1 to 5, where 5.0 is extremely satisfied. Costs in 2004 for quality shortfalls amounted to SEK 3.9 million, which is a 338 per cent improvement on the previous year.

Semcon also received the Q1 award from Ford/Volvo Car Corporation in 2004. Semcon is certified according to ISO 9001:2000.

SEMCON’S ENVIRONMENTAL WORK – a natural part of our business

Semcon is certified according to ISO 14001 and continually works with environmental issues as a natural part of its business. One of Semcon’s overall environmental goals is to provide customers with better technical solutions that will help to reduce the environmental

impact. In addition, we endeavour to reduce carbon dioxide emissions caused by business travel and run competency development concentrating on the environment. An external audit done during the year gave Semcon consistently good results and Semcon was awarded four stars from a possible five in Folksam’s climate index.



Human capital

Ideas and individuals feel better in a flat organisation

OUR STAFF

Staff are our most important success factor. The high levels of competence, commitment, business skills, creativity, positive attitudes and energy that our staff bring to their work are the reasons why customers choose Semcon. The aim is to build a company with a strong belief in the individual's ability to take personal responsibility. For Semcon, each individual is important and significant.

THE SEMCON CULTURE

– a flat organisation where ideas and individuals thrive

While we aim to continue expanding and benefiting from the resources of a large group we want to retain the personality and intimacy of a small business. Semcon has therefore chosen a relatively flat organisation. This makes it easier for good ideas to be accepted quickly and it opens doors between employees and managers. It also enables an open information climate with swift and extensive information for everyone. During the year we have expanded our staff magazine, Semconiten, to

further reflect our diversity and increase knowledge about staff from different countries and cultures. Internal communication is distributed to a greater extent in English and Swedish.

We are happy to open doors and let our customers enter into our culture so that they get to learn about us as individuals. Intimacy helps us understand what customers want and makes it easier for our consultants to quickly understand the customer's project.

COMPETENCE DEVELOPMENT – first in the world with a new standard

Our customers place ever-increasing demands on us and competence development is a condition for making Semcon attractive and maintaining its competitiveness on the market. All new employees must complete a two-day introductory training course and we regularly hold training for PROPS. In 2004 we became the first company in the world to be certified according to the new management system standard for competence provision.

DIVERSITY – a competition asset

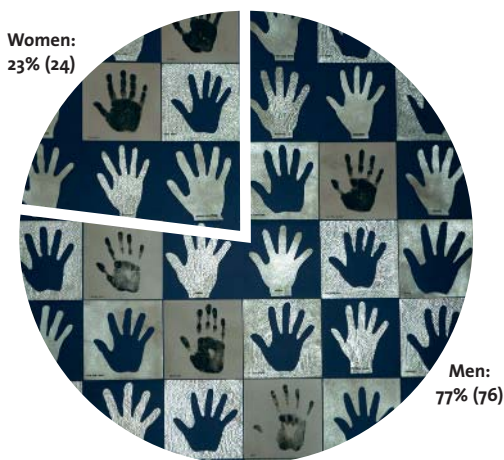
As a participant in the Diversity in Swedish Industry project, Semcon has worked alongside other businesses and organisations, including the Volvo Car Corporation, to create greater diversity among employees.

GENDER DISTRIBUTION

On 31 December 2004, 23 per cent (24) of Semcon's employees were women, of which several were in management positions. Semcon's Board has 5 external members, of which 2 are women and 3 are employee representatives, of which 2 are women.

SALARIES AND INCENTIVE SCHEMES

Individual salary levels are set within Semcon. Salaries are based on the individual employees, competence and experience. The company uses different forms of incentive and bonus schemes to motivate employees. Bonuses are given if an employee gives a tip about a new assignment for example.



Gender



Average employment duration

HEALTH AND SICK LEAVE

– no long-term sick leave

Semcon staff suffer few work-related injuries and no long-term sick leave. Semcon had just 4 work-related injuries in 2004 with all relating to business travel in a company car. The Semcon Test Centre and Interior & Prototype Center are the only Semcon activities where possible health risks might occur. Employees at these departments receive special training. Consultants who might come into contact with a health risk or dangerous environment while on an assignment have been informed about this in their assignment specifications.

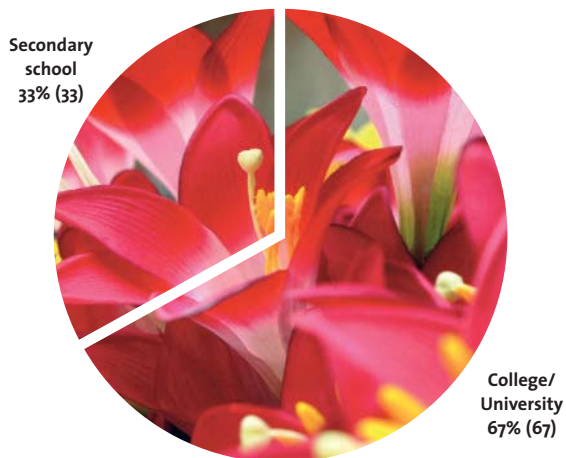
Sick leave, %	2003	2004
Total sick leave	2.9	2.6
Of which, long-term leave	1.4	1.2
Sick leave, women	4.7	4.3
Sick leave, men	2.3	2.1
Employees under 29 years	1.7	1.5
Employees aged 30–49	3.0	2.6
Employees over 50	4.7	4.4

We invest heavily in preventative healthcare and courses for stress management. At Semcon Tech Center we have equipped an exercise

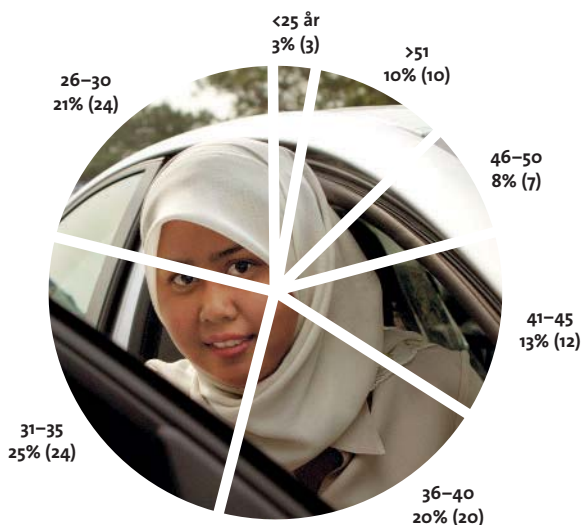
room where employees can choose among daily training sessions. At other offices staff are offered subsidised exercise activities.

Key indicators:

	2000	2001	2002	2003	2004
Average number of employees	1 504	1 585	1 581	1 504	1 444
Sales per employee (SEK 000)	670	711	759	797	893
Value added per employee (SEK 000)	479	507	535	523	613
Profit/loss after financial items per employee (SEK 000)	33,3	1,5	3.8	-36.7	33,9
Average age	35	35	36	37	38
Sick leave (%)	2,8	3.1	3.2	2.9	2.6
Total number of employees 31/12	1 623	1 601	1 570	1 442	1 471
Staff turnover (%)	19	19	15	13	12



Education



Age of employees



If you are looking for a sign
from the future. Here it is.

semcon
www.semcon.se

Design & Development

Project management and training
Production development
Test and Prototype
Construction and Pre-test
Concept and Design
Idea and Innovation
Pre-study

We provide both comprehensive measures and individual services in the above areas. For a more detailed account please contact your local Semcon office. You can also read more at www.semcon.se.




Innovation

System integration Informatic
Comprehensive solutions for IT
IT infrastructures

Informatic

Technical information for users
Technical information for the aftermarket

A woman with dark, curly hair, wearing a white t-shirt, is looking up from a modern, illuminated architectural structure. The structure consists of large, white, angular blocks with glowing edges, creating a complex, geometric environment. The lighting is warm and focused on the woman and the structure's edges.

“We are now a total of 80 people working with design in Stockholm, Göteborg and London. This makes us the third largest design company in the world.”

Design & Development provides faster and better product development.

Design & Development provides skills, experience and enthusiasm in all the key areas that are needed to achieve faster and better product development. From pre-studies, ideas and innovation, concept and design, to construction tests, prototypes, verification and production development.

We put together a tailored team of handpicked specialists who work out innovative solutions focusing on the entire chain, from pre-study to production development. This total coverage allows the timeframe from outline to production to be cut by months. We also provide effective and successful training in how to manage and divide resources in a project.

We conduct international activities in Norway, Denmark, the UK, Malaysia, China and Australia.

Customers include AstraZeneca, Volvo Car Corporation and China Telecom

Design & Development's major customers in 2004 were: ABB, Akzo Nobel, Alpharma, Assa Abloy, AstraZeneca, Autoliv, Bombardier, Breas Medical, Carmel Pharma, China Telecom, Eka Chemicals, Ericsson, FMV, Gambro, Getinge, Haldex, Johnsson Control, Lear Corporation, Metso Paper, Nilfisk-Advance, Nokia, Pfizer, Saab Automobile, Saab, SCA Hygiene Products, Scania, Scanraff, SL Infrateknik, Swedish Match, Telia Sonera, Volvo Buses, Volvo Car Corporation, Volvo Trucks and Volvo Penta.

Profit of around SEK 20 million, an improvement of more than SEK 80 million

Design & Development is our biggest business area and it represents 63 per cent of Semcon's entire sales. Activities concentrating on Vehicle grew strongly during the year with great demand for our services.

Our UK business, which started in August 2003, was also successful during the year. Design & Development's operating profit reported the greatest profit improvement of all our business areas.

The business area is part of the Industrial Technology industry grouping, which during 2004 had estimated sales of SEK 10.7 billion (Source: Svensk Teknik och Design).

What companies do Design & Development compete with?

Altran, Alten, Arthur D. Little, Bertrandt, Caran, Edag, Epsilon, HIQ, Rücker, Sigma, Sogeti, Teleca, TietoEnator, WM-data and ÅF.

Why we believe that demand will increase in 2005

Our customers are investing more resources in order to produce new products more quickly with more attractive functions and qualities. This provides enormous opportunities for the various activities in the business area. A very small improvement was seen in the market position in 2004. We expect the upturn to continue in 2005. The order book and new inquiries, mainly from Vehicle, were extremely positive at the beginning of 2005.

Key indicators: Design & Development

	2002	2003	2004
Sales (SEK m)	839.9	775.7	812.2
Operating profit/loss (SEK m)	0	-61.2	20.6
Operating margin (%)	0.0	-7.9	2.5
Share of total sales (%)	69.9	64.7	63.0
Employees on 31 Dec	1 224	1 032	1 033
Sales per employee (SEK 000)	685	752	786
Operating profit/loss per employee (SEK 000)	0	-59	20

“Our IT solutions make users more productive. You also get a better overview of your software licences. In this way one of our customers cut its costs by 70 per cent.”

Johan de Verdier, CEO Zipper AB

Key indicators: Innovation

	2002	2003	2004
Sales (SEK m)	161.4	179.1	181.2
Operating profit/loss (SEK m)	-3.7	-5.4	10.7
Operating margin (%)	-2.3	-3.0	5.9
Share of total sales (%)	13.4	14.9	14.1
Employees on 31 Dec	144	140	162
Sales per employee (SEK 000)	1 121	1 279	1 118
Operating profit/loss per employee (SEK 000)	-26	-39	66

Innovation provides faster and better IT solutions

The Innovation business area includes Semcon's IT companies that concentrate on specific solutions to general IT problems.

Zipper by Semcon helps companies and organisations to increase efficiency and save money on their technical infrastructures. By focusing on each other in a network we relieve the pressure on the IT departments and delegate availability, access issues, etc. to all users. In this way access improves, thereby saving time. The FastTrack concept gives a clear overview of administration of PC clients, users and applications in major companies. This means that Zipper's customers can cut their software costs by up to 70 per cent. The activity started five years ago and now has customers throughout Europe. Zipper by Semcon is one of Microsoft's Golden Partners.

During the year Zipper by Semcon received the IT industry's Sirius award in the "Best Packaged Solution" category for its Fast Access 3.0 safety concept.

Zystems by Semcon develops, sells and supports by providing concept solutions for system integration. Our solutions allow companies to tie in their information systems from 10 different links, which is not uncommon, to a single link, which naturally saves time, making it more effective and increasing productivity. By linking different IT environments, such as during a merger, we can shorten the crossover to a new IT environment from 6 months to 6 weeks.

Zystems by Semcon provides three types of system integration services: BaseLine, Project & Consultancy Services and Support.

Semcon IT Solutions works with IT-based holistic solutions in design and development focusing on CAD, PDM, system/support and product sales. We also supply tools, infrastructures and methods for effective product development.

We have implemented comprehensive measures for IT operations for Saab Automobile's technical development since 2001. By outsourcing this entire activity the

customer achieves improved efficiency and quality. In 2004 we won the assignment of making a security back-up of almost all the data produced and creating a joint storage environment for all data for the whole of Saab Automobile's activities. We are proud to be one of a select few suppliers to have strengthened its business relationship with GM and Saab Automobile during the year.

Customers include: Vin & Sprit, Sapa and Saab Automobile

Some of the major customers in the Innovation business area include: Akzo Nobel, AstraZeneca, Saab Automobile, Sapa, Sydkraft, Vin & Sprit, AB Volvo and Volvo Car Corporation.

Very strong profit improvement for Innovation

Zipper by Semcon, Zystems by Semcon and IT Solutions all had a successful year and reported positive growth. The business area reported a profit of SEK 10.7 million in 2004, which is an improvement of SEK 16.1 million compared to 2003.

Volume growth in specialist area

Companies in the business area are highly specialised and unique in their respective business areas. The IT market's estimated sales totalled SEK 43 billion in 2004 (Source: Konsultguiden from Affärsvärlden).

What companies do Innovation compete with?

Acandofrontec, Enea, HiQ, Teleca, TietoEnator and WM-data.

We expect increased growth in 2005

Zipper and Zystems by Semcon have solutions that deal with very specific IT areas, but there is a need in nearly every major IT environment. The companies continue to do well and also see excellent potential for their niched solutions on the international market. IT Solutions has also developed positively and expects continued growth during the year.

SAAB

“How you get service workshops throughout the world to speak the same language.”

Key indicators: Informatic

	2002	2003	2004
Sales (SEK m)	199.9	243.9	295.9
Operating profit/loss (SEK m)	13.8	13.8	20.8
Operating margin (%)	6.9	5.7	7.0
Share of total sales (%)	16.7	20.3	22.9
Employees on 31 Dec	202	270	276
Sales per employee (SEK 000)	990	903	1 072
Operating profit/loss per employee (SEK 000)	68	51	75

Informatic – technology only provides full value when the recipient understands how to use it.

The Informatic business area works with market and aftermarket information as an important part of the product and helps strengthen customers' brands. For the user to understand and get the most out of a product, technical information must be based on the users' perspective. That is exactly what Informatic works with. Our mission is "Customer Satisfaction through World Class Information Solutions".

You don't only need top quality products to make today's stressed and demanding users satisfied with their purchase. The information given with the product must also live up to expectations. Furthermore, the customer's experience of the brand also depends greatly on how he or she is met by the people working in sales, service and support.

Technology presented with passion and patience

Informatic creates and presents information in a way that makes it user-friendly, irrespective of whether it is for the service organisation or the consumer. We can be part of the entire value chain, from product development via diagnostics, method, text, image and animation to distribution of the information to the end-user and aftermarket.

Zooma by Semcon is also part of the Informatic business area, which improves the company's information, business and skill transfer. Zooma develops information, digital concepts, and production and solutions for customers where digital media make up an important part of the experience surrounding the brand.

Our business model – partnership

Informatic's business is mainly conducted via partnerships, which means that we are suppliers of information systems to our customers. We take responsibility for the entire process that is required to create information solutions for an international product range. The aim is always to increase the number of satisfied consumers. For our customers partnership means guaranteed cost-efficiency, flexibility and assurance of strategic competence. We deliver world class products and services by continually refining our processes and solutions within information management.

A major part of Semcon's growth and an operating margin of 7 per cent

Informatic delivered a major part of Semcon's growth in 2004 after signing two major partnership agreements

with Ericsson and GME/Saab Automobile in 2003. Both of these deals were developed during 2004 and led to sales being boosted by 21 per cent. The partnership with Volvo Car Corporation, which is now almost into its sixth year has also been further developed, mainly with new system solutions for increasing efficiency and quality.

Strong position in Europe

Informatic has a very strong position in the business area in Europe, mainly through our business model that contributes to many major customers choosing to give us their business.

Competitors

ESG, Omitec and Valley Forge are typical international competitors, while Sigma and Sörman are typical Swedish competitors.

Customers

ABB, Assa Abloy, AstraZeneca, Besam, Bombardier, Ericsson, Land Rover, Jaguar, Nissan Motors, Rolls Royce, GME/Saab Automobile, Siemens, Scania, VSM Group, Volvo Aero and Volvo Car Corporation.

We believe in growth for 2005

There are three underlying forces for the Informatic business area's growth:

Helping our customers achieve increased customer satisfaction is becoming more important as competition intensifies.

Products are becoming more customer-oriented while also needing to be manufactured more cheaply to meet the consumers' needs, meaning more information at less cost for the market and aftermarket.

The third driving force is new technology, both in the product, but also in information and communication. By being a large supplier for many brands we can develop joint solutions based on the generic content.

The well-renowned illustration firm Pentech International Ltd of Oxford, England was acquired in February 2005. Thanks to its excellent customer relations, the company, now called Pentech by Semcon, is creating new opportunities for partnerships in the international arena and further strengthening our international business offer.

The Informatic business area looks positive for 2005 and is expecting to see continued growth.

Five year summary

SEK 000	2004	2003	2002	2001	2000
Income statement					
Net sales	1 289 330	1 198 719	1 200 201	1 126 628	1 007 233
Operating expenses	-1 237 186	-1 251 517 ****	-1 190 090	-1 120 978	-957 172
Operating profit after depreciation**	52 144	-52 798	10 111	5 650	50 061
Financial income	1 846	1 732	1 785	2 009	1 682
Financial expenses	-5 028	-4 104	-4 778	-4 888	-1 286
Profit/loss after financial items	48 962	-55 170	7 118	2 771	50 457
Tax	-16 932	-2 399	-6 171	-1 409	-15 879
Net profit/loss for the year	32 030	-57 568	947	1 362	34 578 *
Balance sheet					
Capitalized development expenditure	5 940	3 950	3 300	4 386	4 329
Goodwill	43 907	49 139	77 973	83 743	57 929
Machinery/equipment/property	35 444	38 749	43 316	52 414	54 840
Financial fixed assets	16 100	16 490	21 041	19 660	12 050
Stock-in-trade	—	335	125	315	1 264
Work in progress	211 946	136 491	87 138	89 211	72 263
Accounts receivable	40 932	122 769	254 494	222 595	171 658
Other current assets	130 034	64 451	35 626	36 528	49 071
Cash and bank balances	58 998	40 748	33 072	7 049	12 542
Total assets	543 301	473 122	556 085	515 901	435 946
Shareholders' equity	125 637	90 406	147 594	148 921	148 637
Minority shares	11	17	180	426	297
Long-term liabilities and provisions	54 012	45 725	70 891	131 294	110 650
Current liabilities	363 641	336 974	337 420	235 260	176 362
Total shareholders' equity and liabilities	543 301	473 122	556 085	515 901	435 946
Cash flow statement					
Cash flow from current activities	28 131	42 703	40 834	36 757	44 739
Cash flow from investments activities	-19 179	-28 693	-16 835	-31 389	-76 602
Cash flow from financing activities	9 298	-6 334	2 024	-10 861	-21 668
Change in liquid assets	18 250	7 676	26 023	-5 493	-53 531
Key figures					
Increase/decrease in sales (%)	7.6	-0.1	6.5	11.9	16.6
Operating margin (%)	4.0	-4.4	0.8	0.5	5.0 *
Interest cover ratio (Times)	10.7	-12.4	2.5	1.5	40.2 *
Return on average shareholders' equity (%)	29.7	-48.4	0.6	0.9	24.3 *
Return on average capital employed (%)	46.0	-34.3	5.6	3.3	27.5 *
Equity/assets ratio (%)	23.1	19.1	26.5	28.9	34.1
Debt/equity ratio (times)	0.11	0.05	0.43	0.42	0.45
Number of shares at year end (ooo)	17 391	17 391	17 391	17 391	17 339
Average number of shares (ooo)	17 391	17 391	17 391	17 356	17 339
Number of options (ooo)*****	218	218	382	164	928
Outstanding convertibles at year-end	394	0	0	0	0
Average number of convertibles	197	0	0	0	0
EPS after tax (SEK)	1.84	-3.31	0.05	0.08	1.99 *
EPS after dilution (SEK)	1.82	-3.31	0.05	0.08	1.89
Shareholders' equity per share before dividend (SEK)	7.22	5.20	8.49	8.56	8.57
Price per share/equity per share (times)	4.2	3.0	1.5	4.6	14.6
P/E ratio	16.6	neg	238.7	504.4	62.8
Average number of employees	1 444	1 504	1 581	1 585	1 504
Value added per employee (SEK 000)	893	797	759	711	670
Value added per employee (SEK 000)	613	523	535	507	479 *
Profit/loss after net financial items per employee (SEK 000)	33.9	-36.7	4.5	1.5	33.6
Investments in subsidiaries' shares/ business (SEK 000)	5 392	169	3 766	31 762 ***	41 120
Investments in other fixed assets (SEK 000)	17 734	22 370	14 755	24 991	26 886

* Including refund from SPP of SEK 19.6 million in 2000.

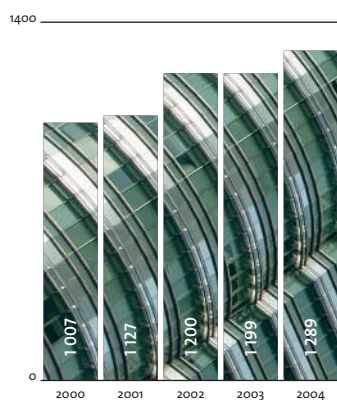
** Including minority interest of SEK 7,000 in 2004, SEK 1,000 in 2003, SEK 411 000 in 2001 and SEK 911 000 in 2000.

*** Of which SEK 25,000,000 is a provision for estimated purchase prices.

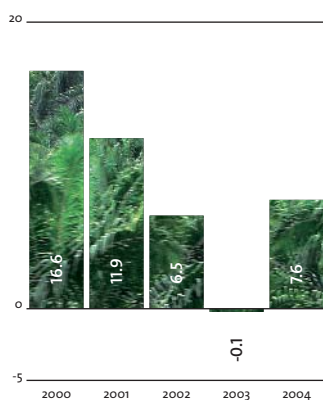
**** Of which SEK 11,631,000 is goodwill depreciation.

***** These have not been considered when calculating the dilution effect as the redemption price was significantly higher than the then share price.

Sales, SEK m



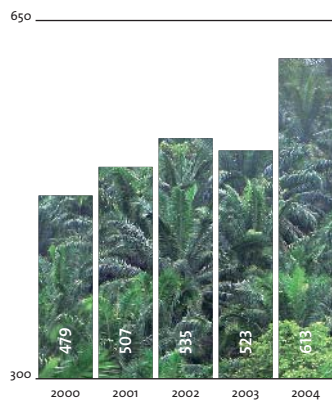
Growth in sales, %



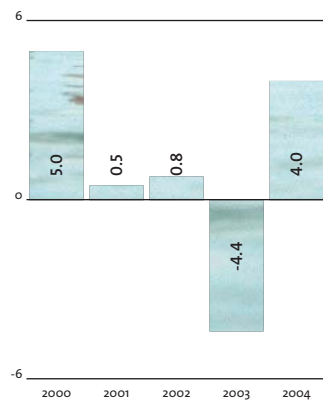
Sales per employee, SEK 000



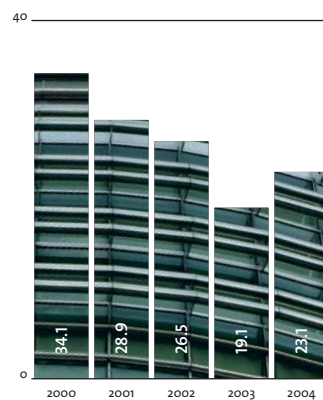
Value added per employee, SEK 000



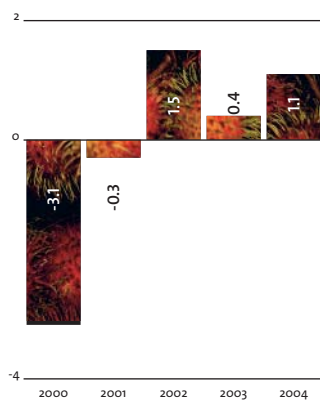
Operating margin, %



Equity/assets ratio, %



Cash flow per share, SEK



Equity per share, SEK



EPS, SEK



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 2004 financial year.

BUSINESS ACTIVITIES

Semcon AB (publ.) is the parent company in a Group consisting of 30 companies, in accordance with note 9, of which 14 are dormant. As a close partner to industry Semcon provides human and technical competence that improves customers' results. Semcon provides industrial design and development competence in the Design & Development, Informatic and Innovation business areas. Semcon has operations in the following locations: Göteborg (HQ), Åsker, Copenhagen, Helsingborg, Karlstad, Karlskrona, Kista, Kuala Lumpur, Linköping, London, Ludvika, Lund, Oskarshamn, Oxelösund, Stenungsund, Stockholm, Södertälje, Trollhättan, Västerås, and Växjö.

BUSINESS AREAS

The Design & Development business area focuses on design and development of products and production systems. We have gathered together our production development activity here, including our international activities. The Informatic business area develops product information that helps users to use products and systems in an optimum way. The Innovation business area develops businesses with strong business concepts marketed under brands than Semcon. These so-called 'Z' companies are focused on IT and help to improve, develop and implement IT structures for customers.

KEY EVENTS DURING THE YEAR

PARTNERSHIPS

- Semcon has signed a partnership agreement with Assystem Etudes in France.

Current partnerships in the Informatic business area

- Volvo Car Corporation
- General Motors Europe
- Ericsson Radio Systems
- ABB Robotics

FRAMEWORK AGREEMENTS

There are new and rolling framework agreements with the following companies: ABB, Apoteksbolaget, Astra Zeneca, Autoliv Electronics, Bombardier, Ericsson, Fiat- GM Powertrain, FMV, Gambro, General Motors Europe, Haldex, Husqvarna, IFL, Kockums, Munters, Nokia, OKG, Pfizer, Tågia, Saab Automobile, SAAB, Siemens Industrial Turbomachinery, Volvo Car Corporation, Westinghouse etc.

OTHER IMPORTANT EVENTS

- Semcon was chosen as Long Term Preferred Supplier by the Volvo Car Corporation for another year.
- Semcon acquired Comtest of Helsingborg.
- Semcon started a new business within acoustics and vibration – Zound by Semcon.
- Semcon received the Q1 award from Ford as one of the first service providers.
- Zound by Semcon and LMS International of Belgium have signed a partnership agreement for the distribution and support of LMS's software for virtual simulation, test systems and advanced technical services in Scandinavia and the Baltic States.
- Zipper by Semcon received the IT industry's Sirius Prize 2004 as the "Best packaged solution" for its FastAccess security concept.

KEY EVENTS AFTER THE YEAR

- Semcon opened a new office in Jönköping.
- Semcon acquired the well-renowned design firm Propeller AB in Stockholm with 15 staff to make the business offer within design and product development even more complete.
- Propeller received the IF-award design prize in Germany for the Hector saddle.
- Semcon strengthened its international business offer within aftermarket information through the acquisition of Pentech International Ltd of Oxford, England, which has 20 employees.

THE WORK OF THE BOARD OF DIRECTORS

The work of the Board is described in the section headed 'Corporate Governance' on pages 84–85.

OPTIONS SCHEME

Semcon's Annual General Meeting on 27 April 2004 decided to raise a subordinated loan of no more than SEK 21 000 000 by issuing a maximum 1 400 convertible debentures worth a nominal SEK 15 000 each. The acquisition of a convertible debenture means that the holder makes a loan of SEK 15 000 to Semcon AB up to 31 May 2007. The loan carries interest of 2%, which is paid out on 31 May each year.

Each convertible debenture gives the holder the right during the period 1 June 2006 to 31 May 2007 to convert the receivable into 428 shares in Semcon AB at a price per share of SEK 35. A total of 920 debentures were signed, which on full conversion would be equivalent to 393 617 shares or a dilution effect of 2.3 per cent.

In the options scheme for staff dating from 2002, 217 900 options have been subscribed for. Each option gives the holder the

right to subscribe for one new share during the period 1 June to 31 August 2005, at a price of SEK 63 per share. The dilution effect will be 1.2 per cent and the number of shares will amount to 17 608 921 after full conversion. There is a further options scheme for leading executives in the company. This scheme consists of 236 000 call options and each one gives the owner the right to buy one share in Semcon AB at a price of SEK 42. Semcon has signed a share-swap agreement to secure the commitment relating to the options scheme.

RESEARCH AND DEVELOPMENT

The predominant part of Semcon's development costs are for development within the framework of customer projects. Other development costs are registered directly in the accounts. Exceptions include costs for development of specific programs or technical platforms.

COMPANY ACQUISITIONS

On 5 May 2004 Semcon acquired 91 per cent of Zound by Semcon AB and on 1 June Semcon acquired the assets and liabilities of Comtest from Mandator AB.

ADOPTION OF IAS/IFRS

Semcon has only identified one material difference between the company's current accounting principles and the IFRS principles that became applicable on 1 January 2005, which is the application of IFRS 3, Corporate acquisitions. According to IFRS 3 acquired goodwill should not be amortised on a running basis. The disclosed value should instead be re-evaluated annually, or more often if circumstances show a reduction in value. According to the evaluation on 1 January 2004 and 31 December 2004 there is no amortisation requirement. The planned amortisation made in 2004 according to the current principles should therefore be restored when compiling the income statement for 2004 according to IFRS. Goodwill amortisation according to plan for 2004 was SEK 8.3 million, meaning SEK 8.3 million higher shareholders' equity than disclosed according to IFRS.

FINANCIAL OVERVIEW

Sales and results/financial position

The Group's sales climbed by SEK 90.6 million compared with the previous year and amounted to SEK 1 289.3 million (1 198.7). The operating profit was SEK 52.1 million (-52.8), a climb of SEK 104.9 million, and the profit after net financial items was SEK 49.0 million (-55.2). Growth during the



year came mainly from partnership deals signed in 2003 within the Informatics business area. Sales were also boosted thanks to improved market conditions in the major cities especially. The operating margin was 4.0 per cent (-4.4). Improved earnings were primarily due to better cost control achieved via our Fast2Profit scheme, which was completed in 2003/2004. This scheme reduced overheads, radically cut project losses and also reduced the amount of bad debt losses. The EPS after tax was SEK 1.84 (-3.31). The return on average shareholders' equity amounted to 29.7 per cent (-48.4). The equity/assets ratio was 23.1 per cent (19.1) and shareholders' equity was SEK 125.6 million (90.4 m). In connection with the conversion to IFRS, goodwill amortisation according to plan will be returned to shareholders' equity, which will mean an increase in shareholders' equity of SEK 8.3 million to SEK 133.9 million and an equity/assets ratio of 24.7 per cent. Shareholders' equity will correspond to SEK 7.22 per share before the dividend (5.20). The Group's liquid assets totalled SEK 59.0 million (40.7 m). Pre-sold invoice receivables amounted to SEK 213.1 million (124.0 m) on 31 December 2004.

Results for the business areas were as follows. Design & Development reported sales of SEK 812.2 million (775.7 m), which represents 63 per cent (65) of total Group sales. The operating profit was SEK 20.6 million (-61.2), which meant a margin of 2.5 per cent (-7.9). Informatic reported sales of SEK 295.9 million (243.9), which represents growth of 21.3 per cent. The operating profit was SEK 20.8 million (13.8), which meant a margin of 7.0 per cent (5.7). Innovation reported sales of SEK 181.2 million (179.1 m). The operating profit was SEK 10.7 million (-5.4), and the margin was 5.9 per cent (-3.0).

Investments

Semcon invested SEK 17.7 million (22.8) in 2004, mainly in computers, networks and

property. Investment in goodwill arising from the purchase of net assets in a business was SEK 1.2 million (8.5). Investment in shares in subsidiaries was SEK 4.1 million (0.2).

Employees

At the end of the year there were 1 471 (1 442) employees, which is an increase of 2.0 per cent compared with last year. The average number of employees during 2004 was 1 444 (1 504), of whom 23 (24) per cent are female. The average age of employees is 38 (37).

RISK AND SENSITIVITY ANALYSIS

An analysis of risk and sensitivity of the Semcon Group, which includes a description of financial risks, can be found on pages 62-63.

DIVIDEND POLICY

The Board considers that the size of future dividends should be based on Semcon's long-term growth, profits and capital requirements for continued expansion with regard to its financial targets. The long-term aim is to pay out between 30 and 50 per cent of the profit after tax to Semcon's shareholders. The Board considers that the company's equity/assets ratio shall be a minimum of 35 per cent. One of Semcon's aims for the future is to expand to create long-term growth in value for shareholders.

If conditions are right, with consideration to financial targets and investment alternatives for continued expansion, the Board intends to pay out higher dividends when appropriate. Because of the results of the Semcon Group, the Board will propose to the AGM that no dividend be paid for the 2004 financial year. No dividend was paid in 2003.

GOALS FOR 2004

- To win higher market shares in Sweden and abroad.
- To strengthen the business offer, primarily within Vehicle, but also within Telecom

and Medical & LifeScience.

- To be a leading project company
- More strategic partnerships with customers through outsourcing agreements.
- To increase the network of business partners in order to extend flexibility and improve customer service.

OUTLOOK FOR 2004

We forecast that the market situation in 2005 will improve gradually. We also forecast continued growth and improved profits in 2005.

PARENT COMPANY

Sales amounted to SEK 36.1 million (21.5 m) and the loss after depreciation was SEK 4.2 million (2.8). During the year the company's net loans increased by SEK 9.3 million. Net investments amounted to SEK 0 million (3.8).

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

PROPOSED ALLOCATION OF PROFITS, SEK

The AGM has the following profit at its disposal:

Profit brought forward	53 038 168
Profit for the year	22 020 973
Group contribution	-8 599 146
Total	66 459 995

The Board proposes that the profits be distributed as follows:

Carried forward	66 459 995
Total	66 459 995

According to the consolidated balance sheet, non-restricted equity amounts to SEK 25 915 000. No allocations required to be made to restricted reserves.



Risk and sensitivity analysis

Calculating the value of a consultancy firm like Semcon is governed by a number of different factors. By analysing them it is possible to create a sound insight into the risk exposure of the company.

FACTORS AFFECTING SEMCON'S VALUE

Employees

The greatest risk in a know-how intensive company is that the employees quit, or the right employees are not recruited. Significant resources are reserved each year for training, recruitment and introduction activities. The Semcon Group was the first to be certified in accordance with the competence procurement standard SS 62 40 70.

Our customers

Customer relations are the most important factor in a consultancy company's success and since its formation Semcon has prioritised working with the industrial businesses with the best reputations in the Nordic markets. These companies compete globally and innovative product development is vital to their success. This means that they invest considerable resources in developing new products whatever the state of the business cycle. Thanks to skilled consultants who carry out assignments in a way that exceeds customer expectations, the customers return. A good relationship is created by initiative, openness, competence, involvement and reliability.

Insurance

Semcon has a consultant-responsibility insurance based on normal branch practice. It corresponds to the responsibility in assignments and amounts to a maximum of SEK 25 million.

Global factors and changing markets

There are also a number of external factors that affect the customers' use of consultants.

- Stiffening global competition and shorter product life cycles make the industry apply itself more towards design and product development.
- Sweden's relatively good position in many of Semcon's areas of operation gives a good starting point for international expansion.
- Greater technology and IT usage in products increases complexity. This in turn requires more specialist competence. Customers cannot afford time and resources to develop all the competence themselves.
- Continued environmental awareness and new environmental requirements mean that product and product development must be constantly monitored to secure the greatest possible environ-

mental regard for materials and method choice as well as to increase re-cycling possibilities.

Customers choosing fewer suppliers – both opportunity and risk

Industrial firms want to work with fewer suppliers to gain better control over quality. Consulting firms chosen as primary supplier to the leading industrial firms gain significant advantages. Consulting firms that are not chosen lose out on the possibility of doing business.

Semcon has been chosen as primary supplier via long-term co-operation built on mutual trust with the largest industrial firms. This means that Semcon always receives requests for assignments and that they are bigger, and in certain cases entail comprehensive measures.

Outsourcing increases

Customers are focusing more and more on their core activities and put other activities out to tender. These create opportunities for a long-term partnership aimed at improving operations that so often have come as a second priority to the customer. Outsourcing is carried out in areas that

include IT support, technology information, testing, construction and training. The risk for consulting firms not chosen for outsourcing deals is that requests for assignments are reduced or dry up completely in future.

Business cycle – our breadth reduces dependence

Semcon's customer base consists mainly of Nordic industrial companies. Semcon believes that the breadth of this customer base reduces dependence on individual sectors and economic cycles, and that Semcon is therefore mainly affected by the general economic cycle for Nordic exports.

Seasonal variations

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 profits during Q4. The greatest influence on Semcon's growth is seen from Vehicle, followed by the Industry and Medical & LifeScience sectors. The number of working days varies from year to year.

The earnings trend for Semcon is dependent on the number of fixed price projects, available hours, the utilisation level and prices. The number of available hours depends on the number of employed consultants, speed of recruitment and access to suitable engineers. Available hours are also affected by factors such as holidays and opportunities for overtime. Changes in the number of available hours influence both consultancy income and operating costs (salaries). In recent years, Semcon actively changed towards value-based sales, which in turn increased. This development has been carried out to expand Semcon's earnings capacity but it also means that risk levels increase.

The utilisation ratio is also a key factor for Semcon's profitability. Changes in utilisation ratios only marginally affect operating expenses. The price level is controlled by factors such as the combined expertise of the company, the individual competence of the consultant, market demand and general inflationary pressures.

Disputes

Semcon is involved in a number of disputes that may eventually be resolved in the courts or via arbitration. In cases where a dispute is likely to involve costs for Semcon the costs are deducted from earnings.

IT security

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

How utilisation, fees and staff costs affect earnings

A change of +/- 1 % in the following variables would have affected the operating profit for 2004 as follows:

Utilisation level	+/- 1 %	SEK 11.4 million
Average fee	+/- 1 %	SEK 9.4 million
Staff costs	+/- 1 %	SEK 8.3 million

Project and assignment risks

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. 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 minimised because all assignments follow established working methods. The Semcon Group has both ISO 9001 and ISO 14001 certification.

FINANCIAL RISKS

Semcon's activities are exposed to different financial risks, which means that Semcon continually minimises these risks.

Currency risks

Semcon has a marginal exposure to currency risks, because a majority of the customers are Swedish. Currencies are hedged as required. There was no hedging on the closing date.

Interest rate risks

Interest-bearing liabilities stood at SEK 13.4 million (4.5). In addition there is an interest-bearing undertaking for a transferred account receivable amounting to SEK 213.1 million (124.0). The convertible debentures have an interest rate of 2 per cent up to the date of conversion.

The Group's financial debt has variable interest rates. There are therefore no fixed interest terms.

Credit risk

Semcon judges that the risk with outstanding accounts receivable is low, since bad debts are written-down and the majority of account receivables are receivables with well-established, listed companies with a sound equity/assets ratio.

Financing risks

This is the risk of not being able to fulfil payment commitments due to a shortage of liquid funds. Semcon has an agreement concerning the sale of outstanding accounts and is in continuous dialogue with the banks in order to obtain the best terms when making loans.

Definitions

Operating margin. Profit after depreciation as a percentage of operating income.

Net profit for the year. Profit for the year after tax.

Interest cover ratio. Profit after net financial items plus financial expenses divided by financial expenses.

Return on average shareholders' equity. Net profit for the year as a percentage of average shareholders' equity.

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

Capital employed. Shareholders' equity plus interest-bearing liabilities.

Equity/assets ratio. Shareholders' equity as a percentage of the balance sheet total.

Share of risk-bearing capital. Shareholders' equity plus provisions divided by the balance sheet total.

Debt/equity ratio. Interest-bearing liabilities divided by shareholders' equity.

EPS after tax. Profit for the year divided by the number of shares issued.

EPS including options. Profit for the year divided by the number of shares issued plus options.

Shareholders' equity per share before dividend. Shareholders' equity divided by the number of shares issued.

Price per share/equity. Price per share divided by shareholders' equity per share.

P/E ratio. Price per share divided by earnings per share.

P/S ratio. Price per share divided by sales per share.

Sales per employee. Sales divided by the average number of yearly employees.

Average number of employees. Average number of yearly employees.

Value added per employee. Profit after depreciation plus payroll expenses and social security contributions divided by the average number of employees.

Profit after net financial items per employee. Profit after net financial items divided by the average number of employees.

Income statement

SEK 000	NOTE	THE GROUP		PARENT COMPANY	
		2004	2003	2004	2003
OPERATING STATEMENT					
Net sales	1, 2	1 289 330	1 198 719	36 091	21 483
Operating expenses					
Purchase of goods and services		-254 470	-222 629	-10 192	—
Other external expenses	3	-126 291	-145 768	-8 735	-7 104
Staff costs	4	-832 848	-832 489	-20 629	-10 762
Amortisation and write-down of intangible assets	5	-9 859	-23 513	-607	-607
Amortisation and write-down of tangible assets	5	-16 006	-22 078	-155	-184
Share in associated company's profit	9	2 281	-5 040		—
Operating profit/loss		52 137	-52 798	-4 227	2 826
Financial items					
Interest income and similar items	6	1 846	1 732	1 341	226
Group contribution received		—	—	28 035	22 210
Interest expense and similar items	7	-5 028	-4 104	-548	-2 887
Profit/loss after financial items		48 955	-55 170	24 601	22 375
Appropriations					
Change in tax allocation reserve		—	—	6 573	—
Excess depreciation		—	—	149	184
Profit before tax		48 955	-55 170	31 323	22 559
Tax on profit for the year	8	-16 932	-2 399	-9 303	-6 635
Minority interest for the year		7	1	—	—
PROFIT/LOSS FOR THE YEAR		32 030	-57 568	22 020	15 924
EPS, SEK		1.84	-3.31	—	—
EPS after dilution, SEK		1.82	-3.31	—	—

Balance sheet

SEK 000	NOTE	THE GROUP		PARENT COMPANY	
		31 Dec 04	31 Dec 03	31 Dec 04	31 Dec 03
ASSETS					
Fixed assets					
Intangible fixed assets	5				
Goodwill		43 907	49 139	—	—
Computer programs		5 940	3 950	8	615
Tangible fixed assets	5				
Plant and machinery		1 813	2 271	—	—
Equipment		16 276	17 772	55	194
Computers		5 638	11 945	24	18
Property		11 717	6 761	—	—
Financial fixed assets					
Shares in subsidiaries	9	—	—	48 845	48 845
Shares in associated company	9	8 698	7 055	—	—
Deferred tax recoverable	8	7 402	9 435	—	—
Total fixed assets		101 391	108 328	48 932	49 672
Current assets					
Receivables from subsidiaries		—	—	74 701	58 314
Stock and commodities		—	335	—	—
Accured non-invoiced income	10	211 946	136 491	—	—
Accounts receivable	11	40 932	122 769	—	—
Other receivables	12	109 882	43 784	162	6 144
Prepaid expenses and accrued income	13	20 152	20 667	333	89
Cash and bank balances		58 998	40 748	54 334	32 232
Total current assets		441 910	364 794	129 530	96 779
TOTAL ASSETS		543 301	473 122	178 462	146 451

Balance sheet continued

SEK 000	NOTE	THE GROUP		PARENT COMPANY	
		31 Dec 04	31 Dec 03	31 Dec 04	31 Dec 03
SHAREHOLDERS EQUITY AND LIABILITIES					
Shareholders' equity	14				
Restricted equity					
Share capital (17,391,021 shares at a nom. SEK 1)		17 391	17 391	17 391	17 391
Restricted reserves		82 331	66 980	25 140	25 140
Non-restricted equity					
Profit brought forward		-6 115	63 603	44 439	37 114
Profit/loss for the year		32 030	-57 568	22 020	15 924
Total shareholders' equity		125 637	90 406	108 990	95 569
Minority shares					
Minority shares in subsidiaries		11	17	—	—
Total minority shares		11	17	—	—
Untaxed reserves					
Accumulated excess depreciation		—	—	63	212
Tax allocation reserve	15	—	—	33 149	39 722
Total untaxed reserves		—	—	33 212	39 934
Provisions					
Deferred tax	8	40 565	33 615	—	—
Other provisions	16	—	7 613	—	—
Total provisions		40 565	41 228	—	—
Long-term liabilities					
Liabilities to credit institutions	17	—	4 497	—	4 497
Convertible loan	18	13 447	—	13 447	—
Total long-term liabilities		13 447	4 497	13 447	4 497
Current liabilities					
Accounts payable		46 228	45 659	13 529	2 495
Other liabilities		40 600	66 710	2 242	1 783
Accured expenses and prepaid income	19	276 813	224 605	7 042	2 173
Total current liabilities		363 641	336 974	22 813	6 451
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		543 301	473 122	178 462	146 451
Memorandum items					
Guarantees pledged	20	8 055	4 255	—	—
Pledged assets	21	214 313	126 811	1 208	2 826

Shareholders' equity

THE GROUP SEK 000	SHARE-CAPITAL	RESTRICTED EQUITY	UNRESTRICTED EQUITY	TOTAL SHARE-HOLDERS' EQUITY
Opening balance 2003	17 391	60 413	69 790	147 594
Exchange rate differences	—	—	-210	-210
Loss risk in initial SWAP agreements**	—	—	590	590
Transfer between non-restricted and restricted equity	—	6 517	-6 517	—
Allocation to reserve fund	—	50	-50	—
Profit for the year	—	—	-57 568	-57 568
Shareholders' equity 31 December 2003	17 391	66 980	6 035	90 406
Exchange rate difference*	—	—	-50	-50
Loss risk in initial SWAP agreements**	—	—	3 251	3 251
Transfer between non-restricted and restricted equity	—	15 351	-15 351	—
Profit for the year	—	—	32 030	32 030
Shareholders' equity 31 December 2004	17 391	82 331	25 915	125 637
PARENT COMPANY SEK 000				
Opening balance 2003	17 391	25 140	54 290	96 821
Group contribution paid	—	—	-23 855	-23 855
Tax on Group contribution	—	—	6 679	6 679
Profit for the year	—	—	15 924	15 924
Shareholders' equity 31 December 2003	17 391	25 140	53 038	95 569
Group contribution paid	—	—	-11 943	-11 943
Tax on Group contribution	—	—	3 344	3 344
Profit for the year	—	—	22 020	22 020
Shareholders' equity 31 December 2004	17 391	25 140***	66 459	108 990

* The closing accumulated exchange rate difference amounted to SEK -585,000.

** To hedge the undertakings in the call option scheme, Semcon signed a share swap agreement in 2002. The loss risk in this agreement in 2003, is reported directly against shareholders' equity. The entire reserved amount was returned in 2004 as the market rate on the closing date was higher than the agreed subscription price.

*** Consists of the reserve fund of SEK 3,467,000, share premium reserve of SEK 17,399,000 and option premiums of SEK 4,274,000. The shareholders' equity portion of the promissory note issue after consideration for the proportional share of issue costs amounts to SEK 0.

Cash flow statement

SEK 000	NOTE	THE GROUP		PARENT COMPANY	
		1 Jan 04– 31 Dec 04	1 Jan 03– 31 Dec 03	1 Jan 04– 31 Dec 04	1 Jan 03– 31 Dec 03
Current activities					
Operating profit after depreciation and write-downs		52 137	-52 798	-4 227	2 826
Depreciation	5	25 865	32 960	762	791
Write-downs	5	—	16 498	—	—
Share in associated companies' results	9	-2 281	1 173	—	—
Profit from machinery & equipment sold		1 758	4 657	—	—
Cash flow from current activities		77 479	2 490	-3 465	3 617
Interest received		1 846	1 732	1 341	226
Interest paid and similar items		-5 028	-4 104	-548	-2 886
Income tax paid		-9 760	-12 170	483	6 797
Recovered provision		-50	—	—	—
Cash flow from current activities before change in working capital		64 487	-12 052	-2 188	7 754
Change in working capital					
Increase/decrease in current receivables		18 772	114 156	-22 948	-21 526
Increase/decrease to work in progress and stock		-56 571	-49 563	—	—
Increase/decrease in current liabilities		1 443	-9 838	21 870	8 170
Total change in working capital		-36 356	54 755	-1 078	-13 356
Cash flow from current activities		28 131	42 703	-3 266	-5 602
Investment activities					
Investments in shares in subsidiaries	22	-6 166	-169	—	-3 800
Group contributions made		—	—	-11 943	-23 855
Investments in intangible fixed assets		—	-8 921	—	—
Investments in tangible fixed assets		-13 213	-22 370	-21	—
Payments from sales of machines and inventory		200	2 767	—	—
Cash flow from investment activities		-19 179	-28 693	-11 964	-27 655
Financing activities					
Group contributions received		—	—	28 035	22 210
Amortisation of loans		-4 497	-6 334	-4 497	-6 250
Convertible loan	18	13 795	—	13 795	—
Cash flow from financing activities		9 298	-6 334	37 333	15 960
CASH FLOW FOR THE YEAR		18 250	7 676	22 103	-17 297
Liquid assets at the start of the year					
		40 748	33 072	32 232	49 529
Liquid assets at year-end					
		58 998	40 748	54 335	32 232



Accounting and valuation principles

The Annual Report has been prepared in accordance with Swedish GAAP. The consolidated accounts have been drawn up in line with the Swedish Annual Accounts Act (1995:1554) and the recommendations of the Swedish Financial Accounting Standards Council. The Council's recommendation RR 29, 'Remuneration to employees', has been applied from 1 January 2004. This has not meant any significant changes to the company's accounting principles, however, see the section entitled 'Pensions' below.

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. These consolidated accounts have been prepared in accordance with the purchase method, which means that consolidated equity includes the parent company's own equity and the proportion of the subsidiaries' own capital earned after the time of acquisition. The difference between the acquisition value and the equity of the acquired company according to the acquisition analysis is allocated as consolidated goodwill. Amortisation of goodwill is carried out after individual assessments of an item's economic life. Goodwill is reviewed annually and adjusted if the conditions for evaluating it have changed. Untaxed reserves are divided partly into a deferred tax liability (28 per cent) and a remaining part, which is reported under restricted reserves. As a result, the consolidated income statement excludes all appropriations that affect the value of untaxed reserves. The tax proportion of these items is included with this year's tax in the income statement, and the equity portion is included in the net profit for the year.

Foreign subsidiaries have been classified

as independent units. When calculating the income statements and balance sheets of foreign subsidiaries, the current method has been applied. This means that the balance sheets are converted at the closing day's rate and the income statements are converted at the average rate for the year. Translation differences are carried directly to shareholders' equity.

Associated companies are included where the Group has a minimum holding of 20 per cent of the voting rights or in any other way has a significant influence but where there is no parent/subsidiary relationship. The equity method has been applied in the consolidated accounts for accounting associate companies. This means that the value of the shares in the associated companies is raised or lowered by the share of the associated companies' profit or loss for the year and reduced by the amount of dividend received. The shares of the associated company's profits in the income statement are reported in the Group's share of profits before tax and the share of the tax cost is reported in the tax costs for the year.

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. Liquid funds refer to cash and bank balances.

REVENUE RECOGNITION

Income from sales of services

The Group applies the percentage of completion method. 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 on the closing date after reservation for loss risks. The degree of completion is assessed without accrued assignment expenses

for work carried out in relation to the assignment's estimated total cost. On account invoices received appear as a net liability on the balance sheet while processed income appears under current assets as accrued non-invoiced income.

Income from sales of hard- and software

Income from sales of hard 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.

RECEIVABLES AND LIABILITIES IN FOREIGN CURRENCIES

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

STOCK

Stock has been valued according to the principle of the lower of the acquisition value and the net sale value.

RESEARCH & DEVELOPMENT COSTS

The majority of Semcon's development costs concern developments in the framework of customer projects. In other cases the company's development costs are of an ongoing nature. These costs however are not considered to be significant. Exceptions to this are costs incurred for the development of specific programs or technical platforms, which are reported as intangible assets.

FIXED ASSETS

Tangible fixed assets

Machinery and equipment and investment in leased premises have been valued at the purchase price with deductions for accumulated depreciation and write-downs.

Intangible fixed assets

Acquired goodwill is valued at its acquisition value with deductions for accumulated depreciation and write-downs.

Reporting of development expenditure for the company's own computer programs or technical platforms has been done at accrued expense. Accrued expenses have been capitalised from the time that it was decided that software was commercially viable and other criteria according to RR 15 has been fulfilled. Expenses are depreciated over the expected utilisation period.

DEPRECIATION PRINCIPLES FOR FIXED ASSETS

Depreciation according to plan has been based on the item's estimated life as follows:

- Machines and plant depreciated over 5 years.
- Computers depreciated over 3 years.
- Equipment depreciated over 5 years.
- Property depreciated over 30 years.
- Goodwill amortised over 5-10 years.
- In-house developed software depreciated over 5 years.

WRITE-DOWNS

The company's management continually assesses the value of activated assets to identify any write-down requirement.

Write-downs are made in cases where an asset's reported value exceeds its recoverable value. The reported value of assets is checked on the closing date to see if there is a write-down requirement.

ALLOCATIONS

When a formal or informal commitment exists as a result of an event that has occurred and it is probable that resources will be required to fulfil the commitment and a temporary estimate can be made of the amount required, then such a commitment is reported as an allocation if the amount and payment date are uncertain. Allocations include deferred tax liability relating to untaxed reserves and other temporary differences.

GROUP CONTRIBUTION/SHAREHOLDERS' CONTRIBUTION

Group contributions are reported in accordance with the Swedish Financial Accounting Standards Council's recommendations, meaning that Group contributions and shareholders' contributions are reported directly against shareholders' equity at a fictive corporate tax rate of 28 per cent.

TAX

The Group's tax expense or tax income are reported as current tax, changes in deferred tax as well as tax attributable to shares in associated companies.

Current tax

This tax is calculated on the taxable

profit for the period according to 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, respectively tax-deductible, temporary differences between the reported and fiscal value of assets and liabilities. Loss carry-forwards have only been taken into account to the extent where it is possible that the loss carry-forward can be used within the foreseeable future.

LEASING

Semcon 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.

PENSIONS

According to recommendation 29, 'Remuneration to employees' of the Swedish Financial Accounting Standards Council, pensions are to be divided between defined-benefit and defined-contribution pensions. For defined-benefit pensions a calculation is made of the pension liability while taking into consideration future salary increases and inflation. Expenses for contribution-defined pensions are reported in the period when the employee works for the company.

Commitments for retirement pensions and family pensions for white-collar workers in Sweden are safeguarded via insurance with Alecta. According to a statement from the Swedish Financial Accounting Standards Council's Emerging Issues Task Force, URA 42, this is a defined-benefit plan that encompasses several employers. The company has not had access to information for the 2004 financial year to enable it to report this plan as a defined-benefit plan. ITP pension plans secured via insurance with Alecta are therefore reported as defined-contribution plans. Expenses during the year for pension insurance policies signed with Alecta amounted to SEK 37.9 m (33.2). Alecta's surplus can be allocated to the policy holder or the person insured. At the end of 2004, Alecta's surplus in the form of the collective consolidation level was 128 per cent (119.9). 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 RR 29.

FINANCIAL RISKS

The Group's risks and risk management are described in the section entitled 'Risks

and sensitivity analysis' on pages 62-63.

Financial instruments reported on the balance sheet include operating receivables, operating liabilities, long-term liabilities and shares. The book value does not deviate significantly from the fair value.

CONVERTIBLE LOAN

The issue of a convertible loan includes a financial liability that is reported among long-term liabilities and a shareholders' equity instrument that is reported as restricted shareholders' equity after transaction costs. The value of the financial liability is the discounted value of future payments using an interest rate of 3.5 per cent, which corresponds to the estimated market rate. The remainder is the shareholders' equity instrument and this is reported after deductions for transaction costs as restricted shareholders' equity. The interest is reported continually and is classified as a financial cost in the income statement.

CREDIT INSTITUTION LIABILITIES

Costs for interest rates and other costs relating to liabilities with credit institutions are reported as they arise in the income statement as a financial cost.

LIQUID ASSETS

Cash and bank balances comprise cash funds and bank accounts.

OPTIONS SCHEMES

Warrants

Premiums received concerning warrants issued for the subscription of new shares are reported, after deductions for costs, directly against restricted shareholders' equity. The outstanding dilution effects of the warrants are reflected in the estimated earnings per share after dilution.

Call options

Premiums received concerning call options, issued to senior management, are reported, after deductions for costs, directly against restricted shareholders' equity. Semcon has signed a share swap agreement to hedge its undertakings in the call option scheme. The annual cost for this agreement is reported as employee costs. Loss risks based on the share price on the closing day are reported directly against shareholders' equity.

REPORTING OF SALES OF ACCOUNT RECEIVABLES

Semcon has signed an agreement for the sale of the Group's Swedish account receivables. Sold account receivables are not reported on the balance sheets. Known loss risks are reserved and reported as current liabilities. The remaining part of the measure for repayment is reported as contingent liabilities.

Notes

NOTE 1 INFORMATION ABOUT THE BUSINESS AREAS

The Group's segments consist of the business areas Design & Development, Informatic and Innovation, which are described in further detail in the Directors' Report. 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.

SEK M	DESIGN & DEVELOPMENT		INFORMATIC		INNOVATION		ELIMINATING		KONCERNEN TOTALT	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
Income*	812.2	775.7	295.9	243.9	181.2	179.1	—	—	1 289.3	1 198.7
Profit/loss per business area	20.6	-61.2	20.8	13.8	8.4	-0.4	—	—	49.8	-47.8
Undistributed costs**									—	—
Profit/loss participation					2.3	-5.0***			2.3	-5.0
Operating profit/loss									52.1	-52.8
Interest income									1.8	1.7
Interest expenses									-5	-4.1
Tax expense for the year									-16.9	-2.4
Net profit/loss for the year									32.0	-57.6
Other information										
Assets	310.7	233.4	60.8	87.9	64.7	45.4	-39.4	-26.9	396.8	339.8
Share of equity					8.7	7.0			7.0	7.0
Undistributed assets									139.5	126.3
Total assets									543.3	473.1
Liabilities	241.9	156.4	47.3	81.4	56.9	47.8	39.4	26.9	385.5	312.5
Undistributed liabilities									32.2	70.2
Total liabilities									417.7	382.7
Investments	19.5	18.7	0.3	11.2	3.3	2.6			23.1	32.5
Depreciation	13.9	19.3	4.4	3.1	5.9	9.7			24.2	32.2
Undistributed depreciation									1.7	0.8

* The Group's income and expenses for amounts above 90 per cent concern sales in Sweden.

** Sales between business areas are not included as income as they make up an insignificant part of the income. Undistributed liabilities such as general administration costs, head office costs and central costs are directed to the respective business areas as a percentage of income.

*** Includes write-downs of participations in associated companies of SEK 3.9 million.

NOTE 2 NET SALES

Of net sales, income from services account for 90.3 per cent (90.4). Other sales comprise licences, computers, training, project expenses, etc. Purchases/sales between Group companies amounts to SEK153,472,000 (137,256,000) and concerns all principal services. The minority interest share of the operating profit totals SEK 7,000 (1,000). More than 90 % of the Group's income and costs are for activities in Sweden.

NOTE 3 INFORMATION REGARDING REMUNERATION TO THE AUDITORS

THE GROUP SEK 000	2004	2003
<i>For auditing and advice, plus other contributions resulting from observations made during auditing work:</i>		
Ernst & Young	1 923	1 946
<i>For independent advice given by:</i>		
Ernst & Young	603	1 621
Total	2 526	3 567

NOTE 4 EMPLOYEES

Average number of employees

THE GROUP	2004		2003	
	AVERAGE NUMBER OF EMPLOYEES	OF WHOM MALE,%	AVERAGE NUMBER OF EMPLOYEES	OF WHOM MALE,%
Sweden	1 397	77	1 411	76
Denmark	20	75	65	75
Norway	21	79	23	75
UK	2	50	—	—
Malaysia	4	75	5	60
Group total	1 444	77	1 504	76

PARENT COMPANY

Sweden	8	71	8	63
Parent company total	8	71	8	63

Salaries, other remuneration and payroll overheads

SEK 000	2004			2003		
	TOTAL SALARIES AND OTHER REMUNERATION	SOCIAL SECURITY EXPENSES (OF WHICH PENSIONS)		TOTAL SALARIES AND OTHER REMUNERATION	SOCIAL SECURITY EXPENSES (OF WHICH PENSIONS)	
Parent company	13 728	7 026	(3 200)	6 469	4 114	(1 640)
Subsidiaries Sweden	500 286	241 309	(57 406)	495 041	227 794	(48 065)
Subsidiaries UK	1 578	310	(146)	340	97	(60)
Subsidiaries Norway	10 774	2 183	(511)	14 129	3 078	(668)
Subsidiaries Denmark	18 696	1 247	(1 081)	41 819	3 160	(2 415)
Subsidiaries Malaysia	1 454	113	(—)	1 371	155	(—)
Group total	546 516	252 188	(62 344)	559 169	238 398	(52 848)

Of which remuneration to the Board of Directors and CEO

SEK 000	2004			2003		
	TOTAL SALARIES AND OTHER REMUNERATION (OF WHICH BONUS)	PENSION COSTS		TOTAL SALARIES AND OTHER REMUNERATION (OF WHICH BONUS)	PENSION COSTS	
CEO	6 379	(4 099)	1 586	2 306	(—)	884
Board of Directors	550	(—)	—	550	(—)	—
Other senior executives	5 508	(1 468)	1 068	6 964	(1 213)	945

The company has no pension commitments in addition to those reported above.

Remuneration to the CEO

In connection with the renegotiation of the CEO's employment terms ahead of 2005, the conditions for severance pay, among other conditions, were altered when Semcon gives notice of dismissal. According to the new conditions, when Semcon gives notice, severance pay will be paid for 12 months, of which 6 months with settlement, compared with the previous 18 months without settlement. In connection with the renegotiation the CEO received a one-off payment of SEK 2,592,000. In addition to the results-based bonus according to his employment contract (SEK 800,000), the CEO received SEK 707,000 after a decision made by the Board. The CEO's bonus scheme consists of a bonus to be paid if Semcon's profits exceed SEK 800,000, which was raised to SEK 1 million in the new employment contract.

The contract also includes a non-competition clause, according to which the CEO may not engage in any competitive business activities 12 months from the time of termination of his employment.

Employment can be terminated by both parties following a six-month (previously 12-month) notification period.

Pensions

The CEO is entitled to a retirement benefit in the form of a pension scheme. The premium for such a scheme is 35% of his annual salary and bonus up to 20 basic amounts and 25% of such salary in the range of 20 to 50 basic amounts. The CEO has the right to retire aged

58. Semcon pays annual pension premiums to secure the CEO's pension between the ages of 58 and 65. These premiums are calculated annually so that paid pension capital shall finance a pension level equivalent to 70 per cent of annual salary upon retirement. Semcon's commitment in this agreement is limited to paid premiums.

The Board

Of fees to the Board in 2004 the Chairman of the Board received the benefit of a company car and salary amounting to SEK 220,000 and the other external member also received SEK 330,000 in total. One member received SEK 184,140 in consultancy fees (57,600).

Other senior executives

Of the other senior executives aside from the CEO, one executive has the right to retire aged 58. Semcon pays annual pension premiums to secure this pension between the ages of 58 and 65. These premiums are calculated annually so that paid pension capital shall finance a pension level equivalent to 70 per cent of annual salary upon retirement. Semcon's commitment in this agreement is limited to paid premiums.

The same executive has a bonus system which is paid out when Semcon's results exceed a certain predetermined level. If Semcon terminates employment, severance pay amounting to nine months of salary will be paid. The contract also includes a non-competition clause, according to which the

executive may not engage in any competitive business activities nine months from the time of termination of employment.

The other senior executives do not have agreements concerning severance pay. The pension agreements for senior executives are paid in accordance with the ITP plan.

Other

The company has not nominated a compensation committee. Remuneration to the CEO is decided by the Board and remuneration to other senior executives is decided by the CEO.

The benefit of a company car for the CEO cost the company SEK 88,064 (67,098) and for other senior executives cost the company SEK 249,640 (188,592).

In connection with the issuing of convertible debentures in Semcon AB in 2004, the CEO subscribed for 10 debentures, corresponding to SEK 150,000 and the Chairman subscribed for 100 debentures. Other senior executives subscribed for 67 debentures. All purchases were made at market value.

Senior executives, by gender

Semcon's Board of Directors is made up of eight members, four external members, the CEO and three employee representatives. Four of the eight members are female. The Group management consists of five people, of which one is female.

Sick leave

Sick leave is shown on page 49.

NOTE 5 **FIXED ASSETS**

THE GROUP SEK 000

	2004	2003
Goodwill		
Opening acquisition value	93 042	99 885
Purchases	5 392	8 491
Cancelled allocation	-2 313	-15 334
Closing accumulated acquisition value	96 121	93 042
Opening depreciation	32 272	21 912
Depreciation for the year	8 311	10 412
Cancelled depreciation	—	-52
Closing accumulated depreciation	40 583	32 272
Closing residual value according to plan	55 538	60 770
Opening writ-downs	-11 631	—
Write-down	—	-11 631
Closing accumulated write-downs	-11 631	-11 631
Closing booked value	43 907	49 139
Computer programs		
Opening acquisition value	8 227	6 107
Purchases	3 538	2 120
Closing accumulated acquisition value	11 765	8 227
Opening depreciation	4 277	2 807
Depreciation for the year	1 548	1 470
Closing accumulated depreciation	5 825	4 277
Closing residual value according to plan	5 940	3 950
Plant and machinery		
Opening acquisition value	15 632	15 026
Purchases	601	606
Sales/disposals	-426	—
Closing accumulated acquisition value	15 807	15 632
Opening depreciation	13 361	12 636
Sales/disposals	-99	—
Depreciation for the year	732	725
Closing accumulated depreciation	13 994	13 361
Closing residual value according to plan	1 813	2 271
Equipment		
Opening acquisition value	49 466	41 885
Purchases	4 785	12 904
Sales/disposals	-2 685	-5 323
Closing accumulated acquisition value	51 566	49 466
Opening depreciation	28 181	23 960
Sales/disposals	-1 646	-2 555
Depreciation for the year	5 242	6 776
Closing accumulated depreciation	31 777	28 181
Opening and closing accumulated depreciation	3 513	3 513
Closing residual value according to plan	16 276	17 772
Computers		
Opening acquisition value	95 091	95 246
Purchases	3 610	8 356
Sales/disposals	-1 067	-8 511
Closing accumulated acquisition value	97 634	95 091
Opening depreciation	83 146	76 738
Sales/disposals	-938	-6 925
Depreciation for the year	9 788	13 333
Closing accumulated depreciation	91 996	83 146
Closing residual value according to plan	5 638	11 945

THE GROUP SEK 000	2004	2003
Property		
Buildings		
Opening acquisition value	5 400	5 400
Purchases	5 200	—
Closing accumulated acquisition value	10 600	5 400
Opening depreciation	1 038	794
Depreciation for the year	244	244
Closing accumulated depreciation	1 282	1 038
Closing residual value according to plan	9 318	4 362
Opening and closing accumulated write-downs	1 000	1 000
Closing booked value	8 318	3 362
Land		
Opening and closing accumulated acquisition value	3 400	3 400
Tax assessment value		
Assessed value for buildings	8 536	7 336
Assessed value for land	2 029	943
Assessed value total	10 565	8 279

Leases and tenancy agreements

The Group has a number of leasing agreements, mainly relating to private cars. The cost of these for the year was SEK 4,825,000 (5,607,000). Existing leasing agreements are based on market conditions with remaining leasing agreements due to mature within one to three years. Furthermore, the Group rents office space at around 20 locations in Sweden. All of these tenancy agreements were signed under market conditions and for normal periods of time. The cost of the leasing agreements is SEK 3,909,000 (2,761,000) and falls due within one year of the closing date and SEK 2,572,000 (957,000) falls due within 2-5 years from the closing date. No part is due later than 5 years from the closing date.

PARENT COMPANY SEK 000	2004	2003
Computer programs		
Opening and closing accumulated acquisition value	3 036	3 036
Opening depreciation	2 421	1 814
Depreciation for the year	607	607
Closing accumulated depreciation	3 028	2 421
Closing residual value according to plan	8	615
Equipment		
Opening and closing accumulated acquisition value	820	820
Opening depreciation	626	462
Depreciation for the year	140	164
Closing accumulated depreciation	766	626
Closing residual value according to plan	54	194
Computers		
Opening acquisition value	426	426
Purchases	21	—
Closing accumulated acquisition value	447	426
Opening depreciation	408	388
Depreciation for the year	15	20
Closing accumulated depreciation	423	408
Closing residual value according to plan	24	18

NOTE 6 INTEREST INCOME AND SIMILAR ITEMS

THE GROUP SEK 000	2004	2003
Interest income	1 846	1 732
Total	1 846	1 732
PARENT COMPANY SEK 000		
Interest income	1 341	226

NOTE 7 INTEREST EXPENSES AND SIMILAR ITEMS

THE GROUP SEK 000	2004	2003
Interest expenses	-4 900	-3 394
Exchange rate difference	-128	-710
Total	-5 028	-4 104
PARENT COMPANY SEK 000		
Interest expenses	-548	-2 887

NOTE 8 TAX ON PROFIT FOR THE YEAR

THE GROUP SEK 000	2004	2003
Current tax	7 955	734
Previously assessed tax	—	-375
Deferred tax cost on temporary differences	11 682	6 180
Deferred tax recoverable for temporary differences	-2 705	-4 140
Total	16 932	2 399
PARENT COMPANY SEK 000	2004	2003
Current tax	5 907	8
Deferred tax recoverable for temporary differences	52	-52
Tax on Group contribution paid	3 344	6 679
Total	9 303	6 635
Profit/loss before tax	48 955	-55 170
Tax according to current rate of tax	13 707	-15 448
Amortisation and write-down of goodwill	1 852	6 147
Non-deductible costs	1 422	1 658
Non-taxable income	—	-265
Adjustments for previous years' tax	-265	-375
Write-down of shares in subsidiaries, associated companies	—	8 467
Non-booked deferred income taxes recoverable, abroad	832	2 825
Effects of other rates of tax abroad	—	-23
Other	-616	-587
Tax for the year	16 932	2 399

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 liabilities and deferred tax income receivables for the following:

THE GROUP SEK 000	2004	2003
Deferred tax liabilities		
Untaxed reserves	15 943	18 203
Accrued income reported in the Group	24 051	14 841
Consolidated surplus value in buildings	571	571
Total	40 565	33 615
Deferred income taxes recoverable		
Assessed shortfall	1 956	5 002
Reversal of depreciation	5 166	4 034
Pension commitment in Norway	—	399
Other	280	—
Total	7 402	9 435

The taxable loss carry-forward is SEK 16,808,000 (23,700,000). For SEK 9,825,000 (10,089,000) of this, no deferred income taxes recoverable have been reported. Deferred income tax recoverables have been reported at SEK 1,956,000 as it is judged likely that the taxable surplus will be available in future, against which this deficit can be offset.

NOTE 9 FINANCIAL FIXED ASSETS

PARENT COMPANY	SUBSIDIARY	OWNERSHIP SHARE	VOTING RIGHTS	BOOK VALUE, SEK	CO.REG.NO	REGISTERED OFFICE
Semcon AB	Semcon Förvaltnings AB	100 %	100 %	37 580 630	556530-6403	Göteborg
	Semcon International AB	100 %	100 %	300 000	556534-4651	Göteborg
	Semcon Innovation AB	100 %	100 %	4 100 000	556581-8613	Göteborg
	IT Matters AB	100 %	100 %	6 864 545	556436-0831	Göteborg
Total				48 845 175		
Semcon Förvaltnings AB	Semcon Engineering AB	100 %	100 %		556213-1762	Göteborg
	Semcon Competence Development AB	100 %	100 %		556241-0638	Göteborg
Semcon Engineering AB	Semcon Sweden AB	100 %	100 %		556555-8193	Göteborg
	Limited partnership share in Zkill.net KB	1 share			969680-6786	Göteborg
Semcon Sweden AB	Semcon Extern Engineering AB	100 %	100 %		556369-6755	Göteborg
	Integritech AB	91 %	91 %		556572-6170	Göteborg
	Pharma Life Science Scandinavia AB	100 %	100 %		556606-0363	Göteborg
	Grogrunden owned by Zound by Semcon AB	100 %	100 %		556656-1501	Göteborg
Semcon Extern Engineering AB	Semcon IT Solutions AB	100 %	100 %		556271-9129	Göteborg
Semcon IT Solutions AB	Semcon Project Management AB	100 %	100 %		556568-6408	Göteborg
Semcon Project Management AB	Semcon Informatic Production AB	100 %	100 %		556563-6692	Göteborg
Semcon Informatic Production AB	Zooma by Semcon AB	100 %	100 %		556609-7845	Göteborg
	Semcon Informatic Solutions AB	100 %	100 %		556542-5419	Göteborg
	Semcon Informatic SRT AB	100 %	100 %		556645-3337	Göteborg
Semcon International AB	Semcon Engineering UK Ltd	100 %	100 %		2 993 766	Grantham, UK
	Knud E Hansen A/S	100 %	100 %		110 338	Copenhagen, Denmark
	Semcon Norge AS	100 %	100 %		984 602 456	Asker, Norway
	Semcon Asia Pacific Ltd	100 %	100 %		598 276-V	Kuala Lumpur, Malaysia
Semcon Innovation AB	Zystems Solution by Semcon AB	100 %	100 %		556581-8639	Göteborg
	Semcon Sweden Network AB	100 %	100 %		556590-3118	Göteborg
	Zipper AB	100 %	100 %		556583-0170	Göteborg
	Zpearpoint AB	100 %	100 %		556633-6045	Göteborg
Zipper AB	Zipper Tech AB	100 %	100 %		556587-6579	Göteborg
	Zipper Systems AB	100 %	100 %		556566-0460	Göteborg
Semcon Sweden Network AB	Complimentary share in Zkill.net KB	1 share			969680-6786	Göteborg
IT Matters AB	Pelmatic AB	100 %	100 %		556410-9832	Göteborg
THE GROUP						
SHARES IN ASSOCIATED COMPANY						
Semcon Innovation AB	Euromation AB	20 %		8 698 109	556232-0134	Skövde
SHARE IN ASSOCIATED COMPANIES' PROFIT/LOSS					2004	2003
Profit/loss part before tax					2 281	-1 173
Write-down of shares					—	-3 867
Total					2 281	-5 040

The Group's shareholders' equity is SEK 1,395,000 higher than if the shareholding was shown according to the acquisition value method.

Group companies' activities

A short description follows of the operating companies. Other companies in the Group have no current activities.

Semcon AB is responsible for Group-wide issues such as strategy, information, marketing, accounting, finance and human resources.

Semcon Sweden AB's activities provide consultancy services in industrial technology, analyses and testing, consultancy activities for IT and computers as well as selling hardware and software plus management consulting. The company has four subsidiaries. Semcon Extern Engineering AB works mainly with consultancy activities in industrial technology.

Pharma Life Science Scandinavia AB works in the medi-tech sector and Zound by Semcon is active within sound and vibration. Integritech AB is a dormant company.

Semcon Informatic Production AB works with technical information. The company has three subsidiaries, Zooma by

Semcon AB, which works with corporate films and corporate websites. Semcon Informatic Solutions AB and Semcon Informatic SRT AB both work with technical information.

Semcon Project Management AB is active in project management.

Semcon International AB is the parent company to the Group's foreign subsidiaries. Semcon Norge AS and Semcon Engineering UK Ltd work with consultancy in industrial technology. Semcon Asia Pacific Ltd works with project management. Knud E. Hansen A/S is active in marine design.

Semcon Innovation AB is the parent company to the Group's development subsidiaries. Systems Solution by Semcon AB and Zipper AB and their subsidiaries Zipper Tech AB and Zipper Systems AB are active in IT infrastructure and IT strategies. Semcon Innovation AB owns 20 per cent of Euromation AB, which works in the industrial maintenance and automation segments.

NOTE 10 ACCRUED NON-INVISED INCOME

Accrued non-invoiced income is shown in the annual accounts at an invoice value in line with the work in progress: In 2004 this amounted to SEK85,896,000 (53,004,000). No value is shown in the subsidiaries for work in progress, but is accounted for at the time of invoicing.

NOTE 11 FACTORING

The company used factoring during the year. According to agreed conditions Semcon receives remuneration for 80 % of the invoice value when selling. When payments have been made by the customer the remaining 20 % is received. If final payment is not made within 90 days of the due date Semcon has pledged to buy back the entire receivable. On 31 December 2004 the total amount of sold, but not fully paid accounts receivable stood at SEK 213,105,000 (123,984,000).

NOTE 12 OTHER RECEIVABLES

THE GROUP SEK 000	2004	2003
Tax receivable of	17 833	15 390
PARENT COMPANY SEK 000		
Tax receivable of	—	5 857

NOTE 13 PREPAID EXPENSES AND ACCRUED INCOME

THE GROUP SEK 000	2004	2003
Accrued income	—	2 960
Other items	20 152	17 707
Total	20 152	20 667

NOTE 14 DIVIDEND TO SHAREHOLDERS

A dividend of SEK 0/share (0) will be paid.

NOTE 15 TAX ALLOCATION RESERVE

PARENT COMPANY SEK 000	2004	2003
Tax allocation reserve tax –99	—	13 605
Tax allocation reserve tax –00	13 832	13 832
Tax allocation reserve tax –01	8 184	8 184
Tax allocation reserve tax –02	3 909	3 909
Tax allocation reserve tax –03	192	192
Tax allocation reserve tax –05	7 032	—
	33 149	39 722

NOTE 16 OTHER ALLOCATIONS

THE GROUP SEK 000	2004	2003
Additional purchase price*	—	4 313
Loss risk in connection with SWAP agreement	—	3 250
Guarantee reserves	—	50
Total	—	7 613

* Allocation for additional purchase price of the subsidiary Zipper AB. The additional purchase was finalised in 2004 and is reported as 'Purchase amount entered as liability', compare with note 21.

NOTE 17 LONG-TERM LIABILITIES

THE GROUP SEK 000	2004	2003
Due date within one year from the closing day	—	4 497
Total long-term liabilities to credit institutions	—	4 497
PARENT COMPANY SEK 000		
Due date within one year from the closing day	—	4 497
Total long-term liabilities to credit institutions	—	4 497

NOTE 18 CONVERTIBLE LOAN

Refers to 920 convertible debentures, each of which can be exchanged for shares in the company during the period 1 June 2006 to 31 May 2007 at a price of SEK 35. The loan has an interest rate of 2 per cent. The nominal amount of the loan is SEK 13 795,000.

NOTE 19 ACCRUED EXPENSES AND PREPAID INCOME

THE GROUP SEK 000	2004	2003
Staff-related costs	120 458	118 215
Prepaid income	118 828	77 118
Additional purchase price	6 140	—
Other items	31 387	29 272
Total accrued expenses and prepaid income	276 813	224 605
PARENT COMPANY SEK 000		
Staff-related costs	5 577	1 583
Other items	1 465	590
Total accrued expenses and prepaid income	7 042	2 173

NOTE 20 PLEDGED ASSETS

THE GROUP SEK 000	2004	2003
<i>Own liabilities to credit institutions</i>		
Property mortgages	8 055	4 255
Total pledged assets	8 055	4 255
PARENT COMPANY SEK 000	2004	2003
Summa ställda säkerheter	—	—

NOTE 21 CONTINGENT LIABILITIES

THE GROUP SEK 000	2004	2003
Contingent liabilities for sold accounts receivable	213 105	123 984
Guarantees provided	1 208	2 827
Total contingent liabilities	214 313	126 811
PARENT COMPANY SEK 000	2004	2003
Guarantees for subsidiaries	1 208	293
Guarantees provided	—	2 533
Total contingent liabilities	1 208	2 826

The company has an agreement with the former owner of the subsidiary Zipper AB for them to retain a certain amount of the purchase price upon the possible sale of Zipper AB to an external buyer. Whether payment of the additional purchase price will materialize, and in which case at what amount, cannot be calculated. Potential payment will be 23–40% of the purchase price. Future payment of the additional purchase price will only affect Semcon's cash flow, in relation to the liquid assets being retained, upon the possible sale of the company.

NOTE 22 INVESTMENTS IN SHARES IN SUBSIDIARIES

During the year, the company acquired Zound by Semcon and ComTest. The value of assets and liabilities according to the acquisition balance were:

THE GROUP SEK 000	2004	2003
Intangible fixed assets	9 391	7
Machinery and equipment	82	—
Current receivables	121	—
Liquid assets	100	781
Work in progress	18 513	—
Current liabilities	-17 792	—
Minority interest	-9	162
Purchase price paid	10 406	950
Additional purchase price entered as liability*	-4 140	781
Liquid assets in acquired companies	-100	-781
Effect on the Group's liquid funds	6 166	169

* Concerns the established additional purchase price paid to the former owners of Zipper AB. A debt has also been reported concerning the additional purchase price to the former owners of Pharma Life Science Scandinavia AB amounting to SEK 2 million, compare note 19.

Göteborg 17 march 2005

Christian W Jansson
Chairman of the Board

Pia Gideon

Annemarie Gardshol

Carl-Åke Jansson

Hans Johansson
CEO

Birgitte Wallenberg

Mikael Isberg

Anita Veines

Our audit was issued on 17 march 2005

Göran Ekström
Authorised Public Accountant, Ernst & Young AB

Björn Grundvall
Authorised Public Accountant, Ernst & Young AB



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 for the 2004 financial year. These accounts and the administration of the Company are the responsibility of the Board of Directors and the CEO. 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 Principles in Sweden. Those principles require that we plan and perform the

audit to obtain reasonable 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 principles 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 and the consolidated accounts have been prepared in accordance with the Swedish Annual Accounts Act and, thereby, give a true and fair view of the company's and the Group's financial position and results of operations, in accordance with Generally Accepted Accounting Principles in Sweden.

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 administration report and that the members of the Board of Directors and the CEO be discharged from liability for the financial year.

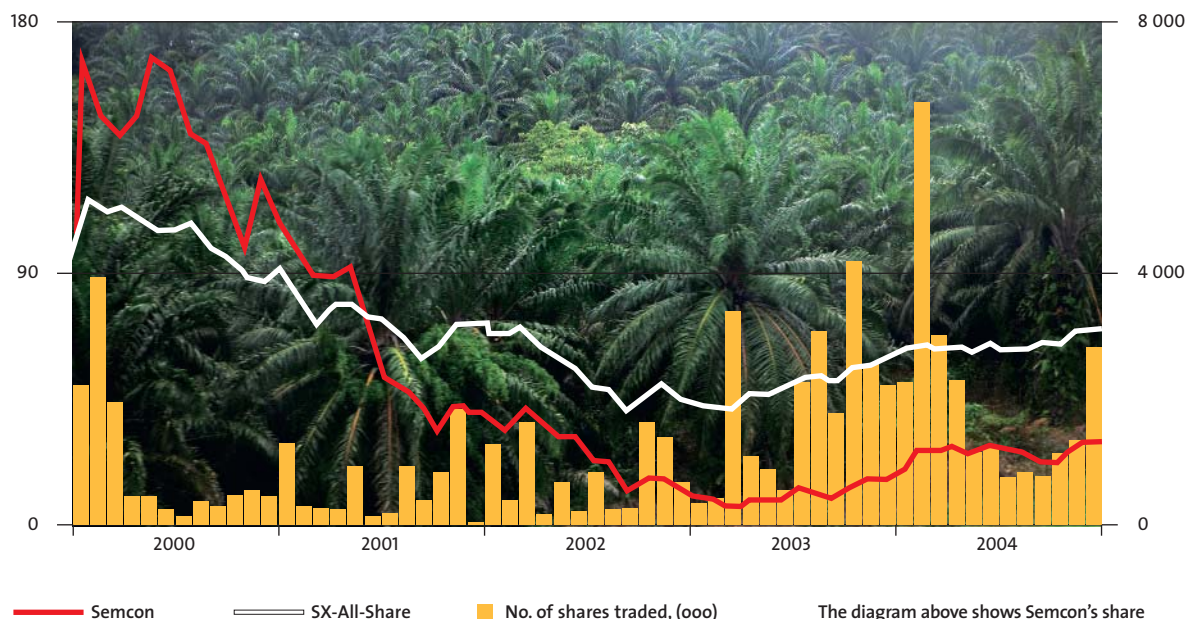
Göteborg 17 march 2005

Göran Ekström

Authorised Public Accountant, Ernst & Young AB

Björn Grundvall

Authorised Public Accountant, Ernst & Young AB



The diagram above shows Semcon's share performance since 2000 based on the closing price at the end of each month. The SX All-Share rate is indexed so that both curves start at the same value.

Semcon's shares

During 2004 Semcon's shares climbed 97 per cent, while the SAX index rose 19 per cent.

SHARE CAPITAL

Semcon's share capital is SEK 17 391 021, divided between 17 391 021 shares, each with a nominal value of SEK 1. All shares confer an equal right to a share of the company's assets and profits. Each share gives the entitlement to one vote.

OPTIONS SCHEME

The remaining options scheme, for which 217,900 options have been subscribed, dates from 2002. Each option gives the holder the right to subscribe for one new share during the period 1 June to 31 August 2005, at a price of SEK 63 per share. The dilution effect will be 1.25 per cent and the number of shares will amount to 17 608 921 after full conversion. Our assessment is that the options will not be converted because the redemption price is higher than the current share price.

CONVERTIBLE DEBENTURES

Semcon's Annual General Meeting on 27 April 2004 decided to raise a subordinated loan, without preferential rights for existing shareholders, of no more than SEK 21 million by issuing a maximum 1 400 convertible debentures worth a nominal SEK 15 000 each. Each debenture gives the holder the right during the period 1 June 2006 to 31 May 2007 to convert the receivable into shares

in Semcon AB at a price per share of SEK 35. A total of SEK 13.8 million was raised. On full conversion the dilution effect will be 2.3 per cent and the total number of shares will be 17 784 638.

PRICE TREND AND TURNOVER

During 2004 the share price rose by 97.4 per cent from SEK 15.5 to SEK 30.6. The SX-All-Share index increased over the same period by 19.3 per cent. The highest price paid in 2004 was SEK 31.0 and the lowest was SEK 15.0. During the year the average volume of trading was SEK 2.5 million per day. At the end of 2004, Semcon's market value was SEK 532 million.

DIVIDEND POLICY

The Board of Directors has established a dividend policy whereby Semcon AB's dividends shall correspond to 30–50 per cent of profits after tax over the long-term.

DIVIDEND

Taking into account the Group's financial position, the Board has decided to propose to the AGM that no dividend will be paid for 2004. No dividend was paid for 2003.

OWNERSHIP STRUCTURE

The spread of foreign share ownership was broadened in 2004 and reached around 27.9 per cent (18.6), of which 15.7 per cent comprises owners in the UK and 2.7 per cent owners in Luxembourg. On 31 December 2004, Semcon had 5 826 shareholders

(6 050). 55.1 per cent (54.8) of these held 500 or fewer shares. Owners with more than 100 000 shares represented 47.2 per cent (40.4) of the share capital. Institutional investors held around 54.1 (53.8) per cent of the share capital and voting rights. The 10 largest holders have 34.6 per cent of Semcon's share capital.

CONTACTS WITH THE EQUITY MARKET

Semcon has carried out a number of investor and analyst meetings in Sweden and abroad. During the year financial analysts have monitored Semcon, including:

Company	Name
Danske Bank	Peter Trigrarszky
Enskilda Securities	Andreas Joelsson, Lars Sveder
Handelsbanken	Stefan Wård
Kaupthing Bank	Daniel Djurberg
Redeye	Jonas Elofsson

ANNUAL REPORT AND INTERIM REPORTS

The annual report and interim reports are published in Swedish and English. The reports are distributed to shareholders who have expressed an interest. Printed reports can be ordered from our head office: Semcon, Theres Svenssons gata 15, Göteborg, Sweden, and via telephone +46 31 721 00 00, fax +46 31 721 03 33 or email, bodil.johansson@semcon.se The reports are published via press releases and on Semcon's website www.semcon.se.

SHARE CAPITAL

Date	Type of issue	Number of shares issued	Total number of shares after issue	Share capital after issue
7 March 1997	Company formed	500 000	500 000	500 000
14 April 1997	Cash issue	4 003 700	4 503 700	4 503 700
14 April 1997	Issue in kind	496 300	5 000 000	5 000 000
25 April 1997	Cash issue	12 338 521	17 338 521	17 338 521
31 August 2001	Cash issue	52 500	17 391 021	17 391 021

KEY FIGURES PER SHARE

	2004	2003	2002	2001	2000
Earnings per share after tax (SEK)	1.84	-3.31	0.05	0.08	1.99
Earnings per share after dilution (SEK)	1.82	-3.31	0.05	0.08	1.89
Shareholders' equity per share before dilution (SEK)	7.22	5.20	8.49	8.56	8.57
Shareholders' equity per share after dilution (SEK)	7.13	5.13	8.30	8.48	8.14
Price per share/equity per share (times)	4.24	3.0	1.5	4.6	14.6
Cash flow per share (SEK)	1.05	0.44	1.50	-0.30	-3.10
Dividend per share (SEK)	0.00	0.00	0.00	0.00	0.50
P/E ratio	16.61	neg	238.70	504.40	62.80
P/S ratio	0.41	0.23	0.19	0.61	2.15
Share price 30/12 (SEK)	30.60	15.50	13.00	39.50	125.00
Market value 30/12 (SEK million)	532	270	226	687	2 167
Number of shares at year-end (ooo)	17 391	17 391	17 391	17 391	17 339
Average number of shares (ooo)	17 391	17 391	17 391	17 356	17 339
Number of options (ooo)*	218	218	382	164	928
Outstanding convertibles at year end (ooo)	394	—	—	—	—
Average number of convertibles (ooo)	197	—	—	—	—

* These have not been taken into consideration when calculating the dilution effect because the redemption price is significantly higher than the current share price.

LARGEST HOLDINGS ON 31 DEC. 2004

Shareholder	Number of shares	Percentage
SKANDIA LIV	1 314 600	7.56
JP MORGAN CHASE BANK, W9	1 253 171	7.21
CHASE MANHATTAN OMNIBUS ACCOUNT	843 530	4.85
ROBUR FONDER	718 000	4.13
HANS JOHANSSON AND FAMILY	453 600	2.61
SEB FONDER	324 824	1.87
CARLSSON FONDER	296 500	1.71
SHB FONDER	275 710	1.59
GOLDMAN SACHS INTERNATIONAL	272 500	1.57
CARL WESTIN ASSOCIATES	261 000	1.50
Total	6 013 435	34.60
Other ownership	11 377 586	65.40
Grand total	17 391 021	100.00

Source: VPC AB's Shareholder Register on 31 December 2004.

OWNERSHIP STATISTICS

Size	Number of shareholders	Number of shares	Percentage	Market value, 31/12 (SEK ooo)
1-500	3 209	749 892	4.3	22 947
501-1 000	1 187	1 069 307	6.2	32 721
1 001-10 000	1 271	3 967 143	22.8	121 395
10 001-100 000	134	3 389 915	19.5	103 731
100 001-	25	8 214 764	47.2	251 372
Total	5 826	17 391 021	100.0	532 166

Source: VPC AB's Shareholder Register on 31 December 2004.

Corporate governance

– to meet the shareholders' requirements for a return on their investment and a straightforward decision-making process.

Semcon's Board and management team endeavour to meet the shareholders' requirements for a return on their investment and to make it straightforward for the individual shareholder to follow the company's decision-making processes. It should be clear where responsibility and authority lie within our organisation.

The Annual General Meeting – the highest decision-making body

The Annual General Meeting of Semcon AB (publ) shareholders is the highest decision-making body within the Semcon Group. This is the forum where shareholders exert their influence over the company.

AGM for 2003 financial year

The actions of the AGM are regulated by the Swedish companies act and the articles of association. The AGM was held on 27 April 2004 at Semcon Tech Center in Göteborg. The meeting re-elected the existing Board comprising Annemarie Gardshol, Pia Gideon, Carl-Åke Jansson, Christian W Jansson (chairman) and Hans Johansson (CEO). Based on the financial results the Meeting decided not to pay a dividend for 2003. The Meeting authorised the Board to issue, up to the next AGM in 2005, 900 000 new shares to be used in the event of a company acquisition. The Meeting also decided to

issue 1 400 convertible debentures, worth a nominal SEK 15 000 each, which entitle the holders to swap the debenture for shares during the period 1 June 2006 to 31 May 2007. This is part of a rewards scheme for staff.

Extraordinary General Meeting in December 2004

An Extraordinary General Meeting was held on 20 December 2004. The Meeting decided to authorise the Board to make a decision about the acquisition and transfer of Semcon shares up to the 2005 AGM and that if these shares are to be used in a rewards scheme then such a scheme shall be voted on by the AGM. The company did not buy back its own shares in 2004.

Between AGMs the Board is the highest decision-making body

The Board of Directors has five members, elected by the AGM, and three employee representatives. Mikael Isberg, Birgitte Wallenberg and Anita Veines were the employee representatives in 2004. Anita Veines took parental leave during the year and did not attend any Board meetings.

The Board deals with the company's financial position and strategic issues

The Board is formally established at a

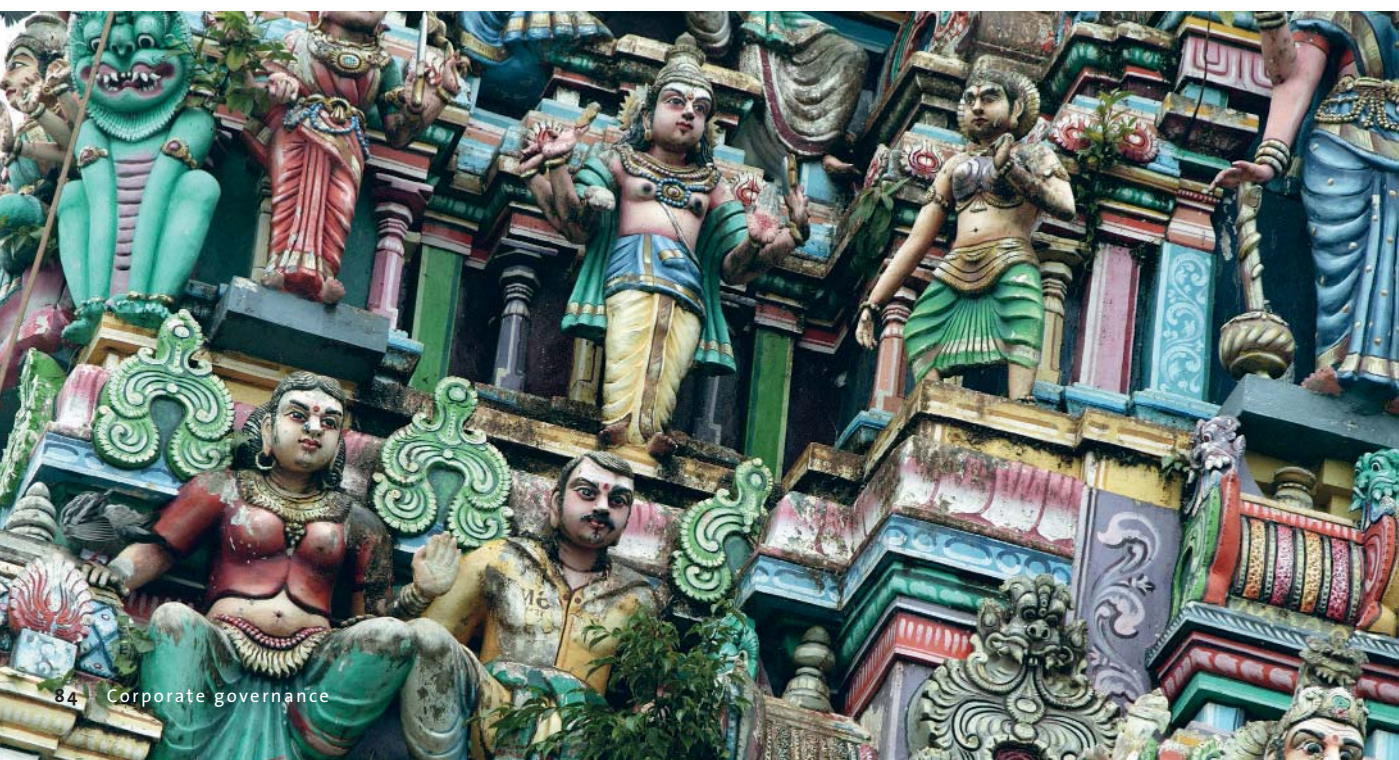
meeting held immediately after the AGM. Several documents are adopted at the meeting to guide activities, including procedures for the Board, CEO and subsidiaries and instructions for financial reporting. Since the last AGM and up to the time of writing, the Board has held eight meetings. At the ordinary meetings the Board has dealt with the company's and Group's financial situation. In addition to this, strategic issues such as acquisitions, starting new activities, closing unprofitable segments and the organisation, have been dealt with. The company's accountant, Göran Ekström, was present at Board meetings to state his views on the internal control and procedures for financial reporting and accounting.

The Board decides the CEO's remuneration

The company does not have a remuneration committee and remuneration to the CEO is decided by the Board. Remuneration to the Board is decided by the AGM. There is no auditing committee and audit issues are handled by all members of the Board.

Decision to form a nominations committee

The AGM on 27 April 2004 decided to set up a nominations committee to propose



nominations to the Board for the next AGM to vote upon. During the autumn the Chairman of the Board will consult with some of the largest shareholders on the formation of the committee. The nominations committee for the 2005 AGM, which will be held on 20 April 2005, comprises Christian W Jansson, Semcon AB's Chairman, Erik Sjöström of Skandia Liv and KG Lindvall of Robur Fonder.

The CEO leads the day-to-day business and reports to the Chairman

The CEO leads the day-to-day business in accordance with the procedures laid down by the Board. The CEO is responsible for providing the Board with the information and materials it needs to make decisions, and submits reports at meetings. The CEO keeps the Board regularly updated on the Group's financial position and performance. On the delegation of the Board, the CEO is also responsible for external reporting by the company.

Senior executive team

The senior executive team has six members and held seven formal meetings during the year as well as numerous informal meetings under the leadership of the CEO.

Remuneration to the senior executive team and other senior executives is determined by the CEO.

Monthly reports from all subsidiaries

The Semcon Group comprises the parent company, Semcon AB (publ) and its subsidiaries, which are presented in the note on page 76. All the subsidiaries report once a month to the Group CEO.

Key policies aim to create efficiency and good behaviour

Semcon's business is governed by, among other things, a series of policies, which aim to ensure operational efficiency and correct behaviour both internally and externally. Semcon's policies govern the following areas: finance, the environment, human resources, insider trading, insurance, information and IT.

Accounts verified by the company's auditors

Semcon's auditors are elected by the AGM for a period of four years. The current period is 2003-2006, so the next election will take place at the 2007 AGM. The company's auditors are the authorised public accountants Göran Ekström and Björn Grundvall of Ernst & Young AB. Both men have been Semcon's auditors since 1997. In addition to auditing, Ernst

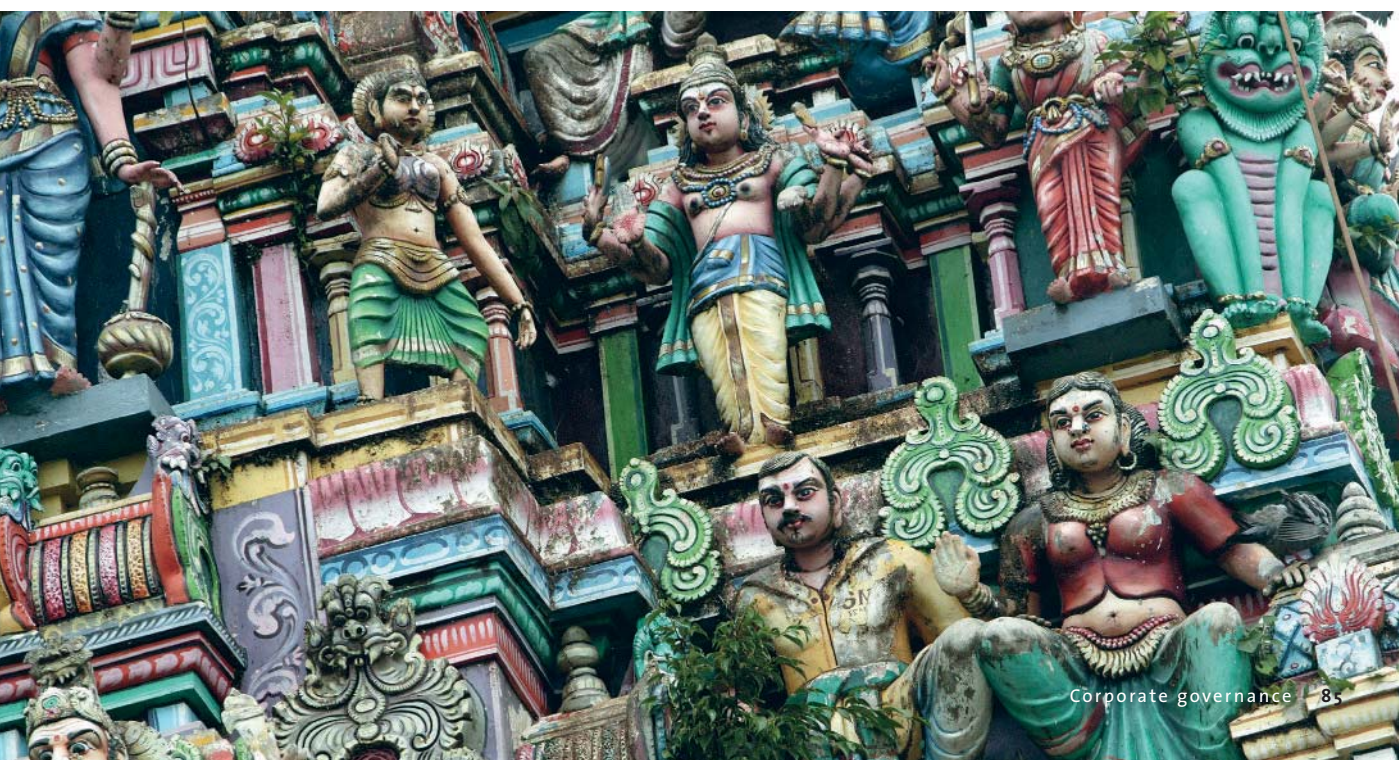
& Young AB provide advice on accounting issues to Semcon. All services provided in addition to the statutory auditing service are checked specially to ensure that there is no conflict of interest or disqualification issue.

Swedish code of corporate governance

This code is based on the Swedish companies act and the Swedish self-regulation model. The aim of the code is to summarise the law and indicate principles of good corporate governance. The purpose is to fulfil shareholder demands for a good return on investment, increase efficiency and build trust on the stock market. Principles include creating the right conditions for performing an active and responsible ownership role and creating the right balance of power between owners, the Board and the CEO, which among other things safeguards the possibilities for owners to protect their interests. The code is expected to be part of the rules for listed companies in Sweden in 2005 and Semcon views the code very positively.

Agreements with related parties

Agreements with related parties exist only to a minor extent. See note 4 on page 72.



The Board



Pia Gideon



Christian W Jansson



Carl-Åke Jansson



Annmarie Gardshol



Hans Johansson



Mikael Isberg



Birgitte Wallenberg



Anita Veines

Pia Gideon Born 1954. Board member since 2000. Vice President Market & External Communications at the Ericsson Group. Board assignments: Carmel Pharma and Observer.

Christian W Jansson Born 1949. Chairman of the Board since 2000. Managing Director and CEO of KappAhl AB. Board assignments: Chairman of the Boards of Föreningssparbanken Sjuhärad AB and Carmel Pharma AB. Board member of Bone Support AB. Shareholding, own and affiliated: 265 000 shares, 10 000 warrants and 100 convertible debentures.

Carl-Åke Jansson Born 1943. Board member since 1987. Managing Director of Lindås Invest AB. Chairman of the Board of Precision Products Ltd. in Chesterfield, UK. Board member of Euromation AB. Shareholding, own and affiliated: 55 000 shares and 10 000 warrants.

Annmarie Gardshol Born 1967. Board member since 2001. Responsible for global strategic development at Gambro. Shareholding, own and affiliated: 300 shares.

Hans Johansson Born 1955. Board member and CEO. Board member of Nimbus-Group, Krona Marine, Sportmanship and CHAMPS (Chalmers Advanced Management Programs). Employed since 1983. Shareholding, own and affiliated: 453 600 shares, 14 000 warrants, 75 000 call options and 10 convertible debentures.

Mikael Isberg Born 1953. Consultant at Semcon Design & Development. Employed since 1989. Shareholding, own and affiliated: 500 shares.

Birgitte Wallenberg Born 1965. Consultant at Semcon Informatic. Employed since 2000. Shareholding, own and affiliated: 200 warrants.

Anita Veines Born 1969. Consultant at Semcon Informatic. Employed since 2000. Shareholding, own and affiliated: 200 warrants.



Senior management



Hans Johansson



Bengt Nilsson



Lars-Inge Sjöquist



Caroline Krensler



Nina Llado-Ristorp



Pierre Dicksson



Catharina Sjögren



Johan de Verdier

Hans Johansson Born 1955. Board member and CEO. Board member of Nibus-Group, Krona Marine, Sportmanship and CHAMPS (Chalmers Advanced Management Programs). Employed since 1983. Shareholding, own and affiliated: 453 600 shares, 14 000 warrants, 75 000 call options and 10 convertible debentures. Member of Group Management.

Bengt Nilsson Born 1957. CFO of Semcon AB. Employed since 1992. Shareholding, own and affiliated: 134 000 shares, 10 600 warrants, 25 000 call options and 10 convertible debentures. Member of Group Management.

Lars-Inge Sjöquist Born 1958. Deputy MD of Semcon Sweden AB and business area manager of Informatic. Employed since 1995. Shareholding, own and affiliated: 10 000 shares, 20 000 call options. Member of Group Management.

Caroline Krensler Born 1967. Strategic development, Semcon AB. Employed since 1995. Shareholding, own and affiliated: 6 500 shares, 12 000 warrants, 20 000 call options and 2 convertible debentures. Member of the Group Management.

Mikael Gustavsson Born 1963. Deputy MD of Semcon Sweden AB. Employed since 1996. Shareholding, own and affiliated: 1 500 shares, 10 000 warrants, 20 000 call options and 20 convertible debentures. Member of Group Management.

Reine Lindqvist Born 1969. Head of the Vehicle business area. Employed since 1999. Shareholding, own and affiliated: 100 shares and 35 convertible debentures. Member of the Group Management.

Elisabeth Henriksson Born 1970. Leadership and competence development, Semcon AB. Employed since 1998.



Mikael Gustavsson



Reine Lindqvist



Elisabeth Henriksson



Michael Brusberg



Mats Nygård



Mats Franzén



Lars Idmyr



Gun-Britt Ljungberg

Michael Brusberg Born 1964. Strategic development, Semcon AB. Employed since 2001.

Nina Llado-Ristorp Born 1965. Semcon Design. Deputy MD of Semcon Sweden AB. Employed since 1989.

Pierre Dicksson Born 1963. Company lawyer of Semcon AB. Employed since 2002.

Catharina Sjögren Born 1967. Semcon Industrial management. Deputy MD of Semcon Sweden AB. Employed since 1992.

Johan de Verdier Born 1961, MD of Zipper AB. Employed since 2001.

Mats Nygård Born 1956. MD of Zystems Solution by Semcon AB. Employed since 2001.

Mats Franzén Born 1959. IT Solutions, Deputy MD of Semcon Sweden AB. Employed since 1997.

Lars Idmyr Born 1970 Quality and Environment manager, Semcon Sweden AB. Employed since 2000.

Gun-Britt Ljungberg Born 1947. Head of Information, Semcon Sweden AB. Employed since 1988.



Notification of the Annual General Meeting

Shareholders in Semcon AB (publ.) are hereby invited to the Annual General Meeting on 20 April 2005 at 6 p.m. in Semcon's HQ at Theres Svenssons gata 15 in Göteborg. Registration starts at 5 p.m. Registration must have been carried out before 6 p.m. for shareholders to be included on the voting list.

Participation

Shareholders wishing to take part in the AGM should:

- be registered in the Shareholders' Register held by VPC AB (the Swedish Central Securities Depository) by 8 April 2005.
- have notified the company of their intention to attend by 4 p.m. 14 April 2005.

Notification of attendance

Notification of attending the meeting can be made by post to: Semcon AB, 417 80 Göteborg, by telephone to: +46 31 721 03 08, by fax to: +46 31 721 03 33, or by email to: bodil.johansson@semcon.se no later than 4 p.m. 14 April 2005. Notification should include name, address and telephone number, as well as civic identifi-

cation number or corporate registration number, shareholding and any assistant if relevant.

Nominee shareholders

Shareholders who have their shares registered with a nominee must temporarily re-register their shares in their own name with VPC AB to have the right to apply to attend the meeting. Shareholders wishing to re-register their shareholding should inform their nominee in good time before 8 April 2005.

Dividends

In view of the Semcon Group's results, the Board of Directors will propose to the AGM that no dividends be paid for 2004. No dividend was paid for 2003.

Financial information

Information about Semcon's business, financial reporting, activities and press releases etc. can be found on Semcon's website www.semcon.se. Subscribing for financial information can be done by email on Semcon's website.

Printed material

As part of Semcon's desire to be as cost effective as possible, all of Semcon AB (publ.)'s new shareholders receive a letter where they are asked if they wish to receive, until further notice, Semcon's financial reports by post. Previous years' Annual Reports and quarterly reports are available at: www.semcon.se or can be ordered by telephone on: +46 31 721 00 08 or by email to: bodil.johansson@semcon.se.

Financial agenda

Annual General Meeting	20 April 2005
Q1 report	20 April 2005
Q2 (half-year) report	16 August 2005
Q3 report	20 October 2005

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