semcon



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Hans Johansson, MD



A portal for knowledge in carbon fibre



Throttle for Volvo Penta



Semcon Competence
Development, Copenhagen



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Semcon offices

1999 IN BRIEF

KEY EVENTS DURING THE FINANCIAL YEAR

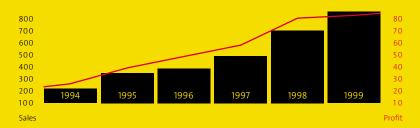
- Semcon concentrated its competence and resources in the Group in four business areas: Semcon Technology Management, Semcon e-Design, Semcon Industrial Design and Semcon Competence Development
- Technical information and interactive driver information were the subject of a partnership with Volvo Cars, resulting in the setting up of Semcon Informatic AB
- Long-term agreements were signed with Ericsson, Astra Zeneca, Telia and Tetra Pak
- Semcon opened offices in Norway and Denmark.
- Five new departments were opened, primarily within e-Design and Competence Development
- The consultancy firm, Extern Engineering AB, and a specialist company within technological cleanliness, Garnbratt Consulting AB, were acquired
- Akzo Nobel outsourced its maintenance activity and Semcon was chosen as consultancy supplier
- Semcon Competence Development was chosen as principal supplier of IT training courses to Saab Automobile AB
- Semcon's share of SPPS surplus fund was set at SEK 18.9 million.

KEY EVENTS AFTER THE END OF THE FINANCIAL YEAR

- Semcon signed a Letter of Intent with Volvo Car Corporation
 Components and Volvo Technology Transfer
- All companies within the Semcon Group have now been appointed Preferred Supplier to Ericsson
- A new office was opened in Malmö

	1997	1998	1999
Sales (sek m)	495.6	708.9	863.5
Operating profit (SEK m)	57.2	81.9	84.4
Equity/assets ratio (%)	31.0	39.3	38.0
Number of shares issued (SEK 000)	17 338	17 338	17 338
Earnings per share (seк)	2.31	3.44	3.38
P/E ratio	15.4	19.5	29.6
Average no. of employees	695	955	1173
Profit after net financial			
items per employee (SEK 000)	83.5	88.8	72.0

Sales and operating profit (SEK m)



AVERAGE SALES GROWTH 1995-99: 31%

The rear view mirror of the Volvo FH12. Vibration measurements of mirror unit mounted on oscillation rig and moving in three directions. Presentation of frequency response functions, 5-50 Hz range.



SEMCON IN BRIEF

MISSION

As a close partner to the industry we supply the human and technical skills to boost our customers' profits.

BUSINESS OBJECTIVES

Semcon aims to be the first choice as a supplier of consultancy, it and training for companies undergoing intensive development. Semcon's four business areas focus on giving customers comprehensive service in the development of:

- Processes (Semcon Technology Management)
- Information and communication systems (Semcon e-Design)
- Products and production systems (Semcon Industrial Design)
- Human resources (Semcon Competence Development)

FINANCIAL TARGETS

Semcon aims to maintain an operating margin of above 10% over a business cycle. The debt/equity ratio will be low and the equity/assets ratio will exceed 35%. Over the long-term, Semcon aims to pay out 30-50% of the profit after tax to Semcon's shareholders.

STRATEGIES 2000

- Intensified efforts within information technology and industrial design
- Sharper focus on priority segments
- Continued development of outsourcing concept and partnerships
- Recruitment drive
- Setting up of competence villages to develop leadingedge skills
- Stronger presence in the Stockholm and Öresund regions
- Continued globalisation

LONG-TERM STRATEGIES

Semcon's long-term strategies for continued growth and improved profitability are:

Growth – Growth shall primarily be organic, but complementary specialist businesses will be acquired and outsourcing and partnerships will be sought in priority segments. Growth areas include: websites, mobility, electronics, design, embedded systems, competence development and management services.

Market – Expansion will continue through start-ups of new offices in Scandinavia. Long-term global expansion will take place as we follow our customers overseas. New departments and operations in existing offices will also boost expansion.

Customers – Semcon seeks long-term relationships with customers by providing fast service, listening to their needs and commitment to the best solution. Local knowledge of customers and their development tools is very important. The customer base shall remain broad, but the focus is on telecoms, transportation, autos, pharmaceuticals, medical technology, food and packaging. To best meet the demands of the market, Semcon has made clearer boundaries between its business areas and established focus areas for each segment.

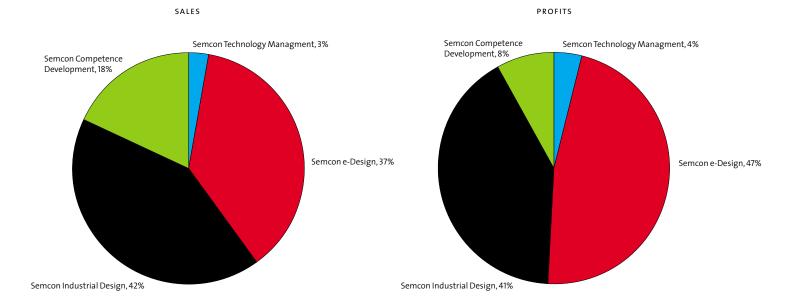
Range of services – Semcon seeks a competitive range of services within areas related to product development. We achieve this through well-structured dialogue with customers and holistic solutions that span all areas of competence.

Staff – Semcon will intensify efforts to recruit highly skilled employees. We will keep and develop them by offering challenging assignments and continuous training. We aim to offer various bonus systems and part-ownership in the company in order to enhance commitment to Semcon's long-term development.

Business culture – Semcon promotes the strong business culture that has been built up since the company was formed in 1980. We believe strongly in the individual and we share values about personal responsibility, commitment, sensitivity and co-operation. The efforts of many individuals produce our final results.

Information – Semcon always aims to use cutting-edge ιτ-system and tools. The latest technology will be used to ensure optimum effectiveness in internal communication.

Semcon will further improve the effectiveness of its own net-based time reporting system, TimeIT, and its skills database, Kompis. These systems are already linked with the customer database and business system.





"I'm pleased. It's a strong result," says Hans Johansson, Semcon's Managing Director. With a profit margin of nearly 10%, 1999 was another good year for Semcon. And even though the market was considerably flatter than last year, Semcon still managed to achieve 22% growth.

STRATEGICALLY IMPORTANT DECISION

Hans Johansson explains that an operating margin of 9.8% was achieved despite poor market conditions, because management decided at an early stage to slow the pace of recruitment and intensify sales activities. The background was the turbulent condition of the global economy during the autumn of 1998. In early 1999 various large listed companies announced their intention to reduce the number of consultants they employed. This caused uncertainty throughout the industry and Semcon's management saw that there would be consequences for Semcon, too. The decision to slow the pace of recruitment proved to be a sound one.

"It has been beneficial to have a short break," says Hans Johansson. Even so, the Group still recorded 22% growth during 1999.

Industrial Design and Semcon Competence Development.

A calmer year of growth has had its advantages. Semcon has been able to invest in a strong phase of competence development and has met its training targets by a comfortable margin. The organisation has been strengthened in terms of advanced management resources, including the appointment of a new deputy Managing Director. Market communication has also been made more dynamic and new control systems have been developed. Semcon's future is now clearly signposted as business areas have been defined more clearly. Competence and resources are now concentrated in four business areas: Semcon Technology Management, Semcon e-Design, Semcon

"This is where I see just how important it is to work for the long term," says Hans Johansson.

"We have laid the base for positive development and we have an advanced preparedness that will be useful when we need to adapt quickly to changes in the market."

With many of the long-term goals set in 1996 for 2001 already achieved, a new round of strategic planning is currently taking place at all levels of the business. A quieter year of growth has released the vitality and strength that will be needed as the pace of growth picks up.

TURBULENCE CREATES OPPORTUNITY

The year has been filled with acquisitions and mergers, among customers and competitors. Restructuring has meant that several of Semcon's main competitors are no longer competing in the same market or they have been taken over.

"It was a turbulent year. We have never seen such changes before. It creates opportunities for us," comments Hans Johansson.

Several industries where Semcon has its largest customers – telecoms and autos, for example – have been especially turbulent. However, the uncertainty that arose after Ford acquired Volvo and GM took over Saab has now turned to a more positive outlook. Hans Johansson looks to a future with considerably greater product development resources in these areas.

Market developments also encourage specialisation and fine-tuning skills. Semcon will continue to have a broad customer base, but it will focus on priority segments such as telecoms, transportation, autos, pharmaceuticals, medical technology, food and packaging. In order to meet the market's demands, Semcon has made the division and scope of its own business areas clearer and also appointed account managers for each business segment.

"Our customers will continue restructuring and the outsourcing trend is getting stronger," says Hans Johansson. "I can see great opportunities for us to take over existing units from our customers."

PARTNERSHIPS WITH GREATER OVERALL RESPONSIBILITY

Semcon will invest more in outsourcing in the future. This will be a key part of taking even more responsibility in relations with customers. Nowadays these customers are developing more products, more quickly and more frequently. They are ordering more – and from fewer suppliers. This progress benefits Semcon, because the company's size and combined skills mean that Semcon can take overall responsibility for assignments and thus form relationships that are more like partnerships.

One example of this was Semcon's largest outsourcing deal of the year that involved the setting up of Semcon Informatic AB. The company took over tasks from Volvo Teknisk Service and the employees in this operation too. The challenge of involving the new employees in the right way in Semcon's business culture and helping them to feel secure working for a new employer was one of the principal achievements of the year, according to Hans Johansson.



"It was a challenge. Naturally, our new colleagues were a little uncertain about working for a new employer. But they have quickly settled in and I think they are proud to work for Semcon."

Among other things, the partnership has led to Semcon and Volvo producing interactive driver instructions that are delivered to Volvo's customers via CD-ROM.

The product is the first of its type in the world. The owner of a new Volvo can learn about the functions of the new car on a pc screen before the car is delivered.

"Our extended partnership with Volvo is an excellent platform from which we can achieve our vision of being a world leader in internet-based technical information," says Hans Johansson. "Our plan is to launch this concept on the global market and offer the product to other companies in both the auto and telecom industries. We are organising now so that we can fully exploit this opportunity."

SEMCON'S FIRST ACQUISITION

Another important event during 1999 was the acquisition of the consultancy firm Extern Engineering, which has 35 employees and sales of around SEK 30 million. The acquisition of Extern was in line with Semcon's long-term strategy of strengthening its position as one of Europe's leading development companies. Semcon's network of customers and partners in the global auto industry has thus been extended further via Extern's links with companies who supply major systems to BMW, Mercedes, Saab and Volvo. Semcon will now be able to perform larger and more complex development projects.

"The acquisition of Extern was strategically important," emphasises Hans Johansson. "We have worked together very successfully for many years and it seems natural that Extern should become a subsidiary of Semcon."

SCANDINAVIA - FIRST STEP ONTO GLOBAL STAGE

"During the year we took our first steps onto the global stage," says Hans Johansson.

The starting point for international growth has been the launch of operations in Norway and



Denmark. This expansion in Scandinavia was made possible by good results in recent years and the fact that Semcon now is the right size and has the right position from which to expand into new markets. Business in Norway has not yet brought the results that Semcon was hoping for. The timing of the launch was unfortunate considering the problems in the offshore sector.

"But we know that the Norwegian market will pick up. We have laid a strong base in the form of major marketing and recruiting activities. Our name is better known now and we have stronger relations with Norwegian customers. We are prepared for the time when the economy rights itself."

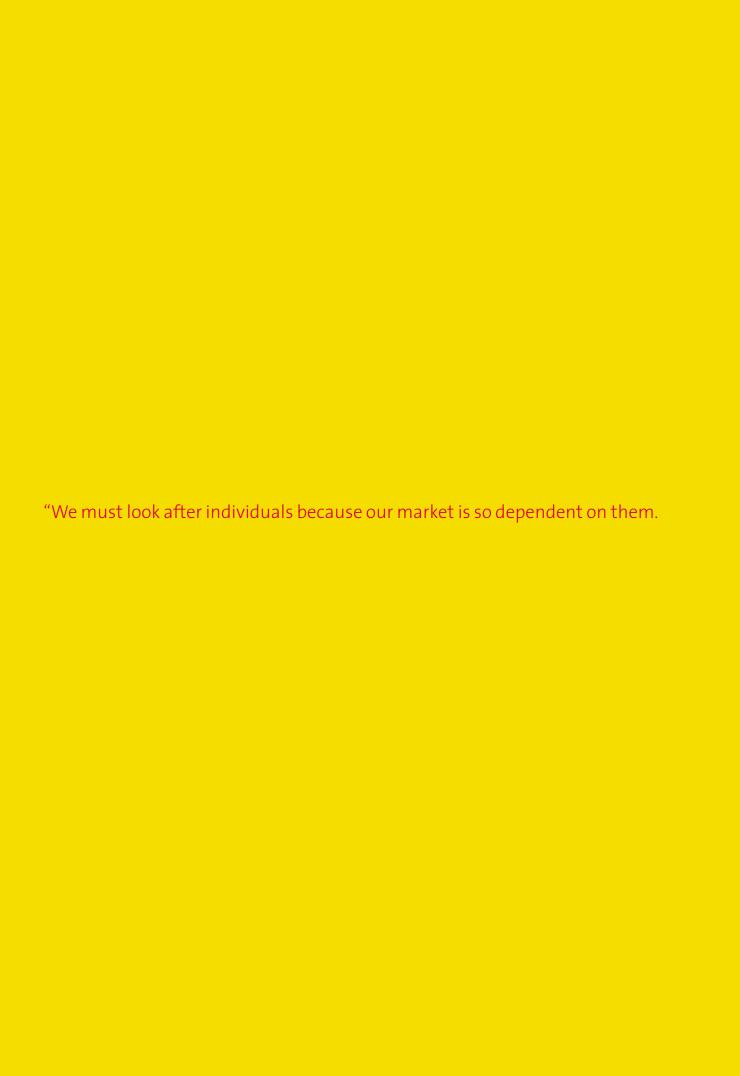
In Denmark, meanwhile, sales results have exceeded expectations. Semcon Competence Development in Copenhagen opened its doors in June 1999 with project management training in both Lund and the Danish capital. Since then, great interest has been shown in Denmark for Semcon's work and the aim now is to double the size of operations during 2000.

COMPETENCE DEVELOPMENT - THE 21ST CENTURY'S IT BOOM

It's not only Denmark where interest in Semcon's training is growing. The training market in Sweden in recent years has been expanding rapidly. During 1999 Semcon Competence Development saw sales accelerate, although profits did not follow suit. Opening new offices and recruiting new staff were heavy investments that will take time to produce a return. However, demand for competence development among Semcon's customers is increasing and the investment in web-based training, e-learning, and pilot projects with colleges and universities, will continue. The response has been excellent and Semcon will continue with this form of training.

The Semcon Technology Management business area progressed very well during the year and has been highly successful in its recruitment activities. Several new assignments have been won in Sweden and abroad as a result.

"The combination of strategic competence and knowledge within technology and IT has proved to be an important competitive advantage for Semcon Technology Management," explains Hans Johansson. Consultants from several Semcon companies are often now involved in the same project. Semcon's work in project management over many years has led to the development of the company's own project management method. During Q1 2000, this new operation will be moved out of Semcon Technology Management and a new company will be formed to better serve the great demand for project management.





GREAT POTENTIAL FOR GROWTH WITHIN IT AND TELECOMS

Semcon's roots are in technical consulting for leading industrial businesses. This experience has been supremely valuable as companies have started to focus on IT. Semcon combines strategic competence with a deep knowledge of design and IT. Semcon understands industrial products and processes better than most of its competitors.

"It is time to stop being hysterical about the Internet," believes Hans Johansson. "For us at Semcon it is now normal to use the Internet and we view it like any other medium. It's just one of many tools we can use to speed up our customers' development."

"But we have not been good enough at promoting it, despite the fact that we are at the forefront in using the Internet and developing web-based solutions. Web-based technical information, *e-business* and *e-learning* are all natural parts of our operations."

The market for electronic services has progressed strongly during the year and three recently started electronics departments in Göteborg, Linköping and Lund, have been very successful. Semcon will continue its investment in electronics during 2000. Mobility is one of the areas expected to have greatest growth potential. Wireless communication, mobile Internet, *Bluetooth* and embedded systems, are the key areas. Semcon will invest strongly in this area and create exciting new competence villages.

BIGGER BUSINESS IN THE CITIES

Hans Johansson believes that Stockholm, Göteborg and the Öresund region are areas of great potential for Semcon. The company currently has 400 employees in Stockholm. They are mainly active in telecom projects, with Ericsson the primary customer. Telecoms is one of the main areas of future expansion for Semcon. Hans Johansson expects Semcon to double the size of its presence in Stockholm within the next three years.

And in early 2000 Semcon opened a new office in Malmö as the company positions itself to serve the Öresund region, where IT and electronics are driving expansion.

A POPULAR PLACE TO WORK

Even though Semcon has been growing relatively fast and the competition for skilled people is tough, the company has found it quite easy to recruit the right people.

Semcon is considered to be a popular place to work.

Hans Johansson is convinced that the development of individual employees is one of the great challenges facing the company.

"Attracting new people and then keeping them is a very important and pressing job," he says.

"The biggest challenge is not finding customers. There are many of them. If we have the right people it becomes a positive circle and we automatically attract customers."

The future of the company rests with its individuals and Hans Johansson stresses the importance of commitment and enjoyment. The feeling that work is fun and that you can develop as an individual and a professional, are the decisive factors for someone when they join or decide to stay at a company.

Hans Johansson is also keen to emphasise that the individual goals of employees must match the overall vision for the company. He is constantly monitoring the climate within the business and the aspirations of its staff. By making sure he holds all introduction courses for new employees he gets to know everybody and gets to hear spontaneous reactions.

"We must look after individuals because our market is so dependent on them. I believe we do that well at Semcon."

BREATHING SPACE

The Managing Director's job is a stimulating one. Hans Johansson understands the importance of being able to relax. He enjoys the outdoor world and spends much of his spare time on his boat. But relaxation is important not only for him. Clearly, it's just as important for all employees.

Hans Johansson wants freedom with responsibility for Semcon's employees. Time off helps you to work more effectively when the pressure is on.

"We work in a creative business. But it is possible that we are not at our most creative in the office. Sometimes the best ideas come when you are running in the woods or playing with your children."

At Semcon, jogging is just one of many leisure activities pursued by staff. Edge sports, such as parachuting, rock climbing and snowboarding are very popular. Semcon is a company that attracts people who like challenges.

"Yes, if you enjoy challenges in your spare time you will like them at work, too," believes Hans Johansson.

STRONG BELIEF IN THE FUTURE

With its future strategies mapped out, Semcon is well equipped to meet a new year. All the signs are that 2000 will be another year of growth.

In coming years business will be sharply focused on selected industries and on taking greater responsibility in projects, whether they involve developing new products and IT solutions, or developing people and organisations. This means assuming the mantle of total responsibility, with Semcon involved right at the start during the requirement analysis and then through the design stage to the final end-product or solution. As a close partner with industry Semcon will create increased value for customers and individuals.

"Our skills, size and depth mean that Semcon is well equipped for its next steps."

The coming three-year period will see increased concentration on growth, both organic and through acquisitions within Sweden and overseas.

"Semcon today has a unique pool of competence and a proven ability to turn that into profits. This year we are celebrating our 20th anniversary and I look forward to an exciting and busy future."



"We have become key personnel within several projects at Ericsson."

THOMAS NILSSON, SEMCON e-DESIGN

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"When we get a new assignment, everybody wants to work on it. That means that the entire department gets involved in the project at some stage."

STEPHAN SÖDERHOLM, SEMCON INDUTRIAL DESIGN
READ MORE ON PAGE 22

"It was a prototype camera for NASA."

"It took us two days to solve their problem."

LEIF JOHANSSON, THOMAS NILSSON, SEMCON e-DESIGN

READ MORE ON PAGE 41

"There are many web agencies in the market, but few of them have the same background as ours in industry."

YLVA THEDER, SEMCON e-DESIGN

READ MORE ON PAGE 34

"It was fantastic. Projects of this size are not common. It's an area where there are no major players today, so this is a big market that is opening up for us."

EMMA HJÄLMÅS, SEMCON E-DESIGN

READ MORE ON PAGE 28

"They hunted all over the world for the right competence in flight technology and data technology for the project. It was very flattering to be among those selected."

GERALD ISRAEL, SEMCON INDUSTRIAL DESIGN

READ MORE ON PAGE 20

"People think in pictures. We get a very quick overview when we program using pictures."

THOMAS NILSSON, SEMCON e-DESIGN

READ MORE ON PAGE 41

"We are in regular contact with our colleagues in Sweden and we are working to build strong ties throughout the Öresund region."

VIBEKE LENTZ, SEMCON COMPETENCE DEVELOPMENT

READ MORE ON PAGE 26



Saab, Boeing and Airbus Industries are multinational groups leading development in the aviation industry. So it was only natural then, that an international team would develop the landing-gear door for the new Airbus. Semcon, a world leader in composite materials, was asked to produce specifications for the carbon fibre door that is big enough to park a car on.

Everyone involved in the project, which was run as a partnership between Saab Collaborative Programs, Boeing and Airbus Industries, views the development of the landing-gear door as a highly complex activity. Much of the spotlight has fallen on Saab, which took primary responsibility for the project.

"For us, participation in this project is an entry into Airbus operations and also into major development assignments.

It is supremely important for us to get people with the right skills," explains Stefan Rönnmark, business manager at Saab Collaborative Programs.

The customer searched all over the world for the correctcompetence in aviation and data technology. Semcon is a world leader in composite materials and is also very advanced in CAD geometry. These were the reasons why Semcon was asked to produce specifications for the landing-gear door for the new Airbus aircraft.

"They hunted all over the world for the right competence in aviation technology and data technology for the project. It was very flattering to be among those selected," recalls Gerald Israel of Semcon Mekanik based in Linköping.

A COMPLEX PROJECT

The assignment was to use carbon fibre technology to design a door with a curved surface that had maximum durability while weighing as little as possible.

A composite is a material that combines different properties and materials and unites their strengths. The aim is to produce a unique material that has superior overall properties than any of its components have on their own. A composite material, for example, can provide good stiffness and strength while remaining lightweight.

Because stiffness and strength divided by density is often better for a composite than for most metal alloys, the saving in weight can be considerable.

The composite department at Saab Collaborative Programs describe the Airbus door as the most complicated unit they have ever built - and they can compare it to designing the wings of the JAS 39 Gripen fighter plane.

"It was an extremely complex and challenging project. But the complexity stimulates creativity throughout the project," says Gerald Israel.

"The wide range of skills and nationalities in the project also made it very interesting."

DEVELOPMENT AND DESIGN IN PARALLEL

Most of the development work used 3-D models, especially for processing and tool design. Aerospatiale in Toulouse produced a model application early in the project. All the modelled components from Saab and other suppliers were gathered in France and assembled into a gigantic virtual model of the aircraft. The form of the design could then be tested. Concurrent engineering has been a feature of the project. This means that the development and design of tools, for example, take place at the same time. Great demands are placed on teamwork and co-operation by this way of working. All the parties involved must be capable of maintaining control and keeping an overview.

"The project develops in parallel within several departments," explains Gerald Israel, who saw for himself the highly detailed planning and co-ordination that was required.

"The pace of the work put us under pressure but it also opens up new paths of knowledge and learning when you cooperate on an international stage."

The project form suits Gerald Israel and his colleagues at Semcon. All consultants in the Group are used to working on large-scale projects.

TOTAL RESPONSIBILITY

Much of the work on the composite door involved the type of skills that Saab Collaborative Programs and Semcon are rich in. Both revel in taking total responsibility for projects that span across design to production.

"The landing-gear door was very complex. The customer was keenly concerned about how we succeeded," says Stefan Rönnemark. "If we do our job well it will probably mean follow-on business with Airbus, so the project is extremely important for us."





Built-in mechanical resistance for correct sensitivity.

An understanding of how boat owners think and feel. When Semcon Design was asked to create a new throttle for one of Volvo Penta's diesel engines, designers focused first on the boat it would be used in.

"We always try to see the overall interface between people and design. We believe that's the hallmark of good industrial design," claims Stephan Söderholm of Semcon Design. Industrial design is an increasingly important competitive tool and Semcon's design department will come under a much stronger spotlight in the future. This is where the foundations are laid for many of the projects for which Semcon has total responsibility. This is where new products come from, and where existing ones get developed as they pass through the chain that leads from idea to finished article.

During 1999 Semcon's design department produced, among other items, an electronic throttle for Volvo Penta's diesel engines for boats. The product not only uses electronic signals instead of traditional wires, it also feels good to hold and has excellent functionality. It's a good example of the demands that are usually foisted onto the industrial designer.

"The throttle project was an interesting one because there were challenging questions at every stage and a mixture of function, ergonomic and appearance requirements. All the things that must be tackled to produce good design," explains Stephan Söderholm.

BUILT-IN MECHANICAL RESISTANCE

A special fingertip sensitivity and ability to put yourself into the feelings of the end user - these are the characteristics of the successful industrial designer.

"For the throttle it was important that the designer could imagine the boat owner's world, how these people think and act. The design requirement was for a clean design with a hint of retro, and it had to radiate quality and functionality," says Stephan Söderholm.

"But above all it had to be good to touch. Often the driver will stand holding the wheel and the throttle. The feeling has to be right. The size and speed of the boat also impinge on design. An electronic throttle could be made very small and it does not have any natural resistance."

"You need something that will not cause havoc if you should happen to slip. I had to build in mechanical resistance into the electronic system to get the right feeling. Not just because you are controlling all that horsepower, but also because of function and ergonomics," explains Stephan Söderholm.

OWN IDEA BECAME A VOLVO S80 PRODUCT

Assignments and operations vary greatly at Semcon Design. Customers can choose to assign the entire design process or just parts of it to Semcon - everything from design analysis and the first creative sketches to finished models and prototypes. The work can be performed in the department or at the customer's site. Customers vary, too, from small businesses to the largest multinationals.

The department also initiates its own designs for new products. One example of this was a roof box for the Volvo S8o. In this case the process did not begin with a request from a customer.

"The idea came from us. Someone in the team thought that the lines of the S8o should be matched in a roof box. As a result we designed a box just for that model," explains Stephan Söderholm.

SPECIALIST TEAM FOR SPECIFIC ASSIGNMENTS

The basis for success is being able to see the product as a whole, its ergonomic properties, production characteristics, environmental impact and aesthetic appeal. Semcon Design's advantage, compared with many other design companies, is that it is an integrated part of an overall development operation. Staff can easily talk to experts from other areas of competence, and it is relatively easy to put a good team together quickly for a specific assignment.

"When we get a new assignment, everybody wants to work on it. That means that the entire department gets involved in the project at some stage. The team factor has become increasingly important for the results we achieve," says Stephan Söderholm.

"When we form a team we try to reflect Semcon overall.

Ours is a group of broad and mixed competence, combined with leading-edge skills in various specialist areas."



FACTS ABOUT SEMCON COMPETENCE DEVELOPMENT

experience and its deep roots in the consulting industry. It means being trained for. Specialist know-how and guest lecturers can that course participants are always close to the reality they are be obtained easily from Semcon's consultancy operation so tha Semcon's role is to create the right conditions by encouraging, Semcon Competence Development's strength is its range of each group of participants will develop as effectively

understanding the overall purpose and goals of the training prosupporting and guiding participants during their training. This is done using the company's own learning method, which it call· cess. Each participant must then take their own responsibility *holistic learning.* The method is based on the participant first

A CONTRACTOR

PROMETRIC

training courses that meet pre-planned targets. Training concen training companies with many years' experience of completing development – and covers anything from a one-day course to a Semcon Competence Development is one of Sweden's largest trates on three areas – 11, technical development and business professional education lasting up to a year and including both for how much they are prepared to learn. basic knowledge and specialist skills.



Many courses result in the award of internationally recognised



The start-up in Denmark is an important part of Semcon's focus on the Öresund region. It's also a first step overseas. Since Semcon Competence Development opened for business in Copenhagen in June 1999, things have moved fast.

There is a significant shortage of it consultants working in the Öresund region. This shortage is especially notable in Copenhagen.

Semcon Competence Development in Copenhagen is already attracting large customers. Assignments have included training for many employees working for Copenhagen and Fredriksberg municipalities, starting in early 2000.

"We have seen serious interest in our training courses. The targets we set for 1999 will double for 2000. We will probably also double in size ourselves," reports Vibeke Lentz, head of training at Semcon Competence Development in Copenhagen. Semcon Competence Development is one of Sweden's leading training firms. Success in Denmark shows that Semcon's training concept can be exported. Those are the positive signals that will guide Semcon as it continues its international expansion. Several factors have contributed to the great interest shown in the business. Among other things, Semcon Competence Development was swiftly appointed as a test centre for the popular PC driving licence.

"Many companies in Denmark are buying PCs for their employees, and people want to get the licence so they can use their PC," explains Vibeke.

AN INTEGRATED REGION

Semcon is investing strongly in the Öresund region, and Semcon Competence Development in Copenhagen is a key part of the strategy. To strengthen ties across the region the first assignment was a project management training course held in both Lund and Copenhagen, with Swedish and Danish participants.

The company's new training centre is located in the heart of Copenhagen, a practical site for several reasons. Participants from Sweden will find it easy to reach, with a direct train from Malmö across the Öresund Link leading to central Copenhagen.

"We are in regular contact with our colleagues in Sweden and we are working to build strong ties throughout the Öresund region. The new bridge will mean tremendous opportunities for the region," says Vibeke.

Liselott Wiklund, a co-ordinator from the Helsingborg office, is also a key figure in the move to develop closer links. She is in Copenhagen to help her Danish colleagues learn about Semcon procedures.

"We have grown so rapidly that we have not had the time to focus on procedures. I came over to take responsibility for administrative routines while others concentrated on training activities.

The fast pace of development and the fact that something new is always happening makes Copenhagen a very stimulating place to work," says Liselott.









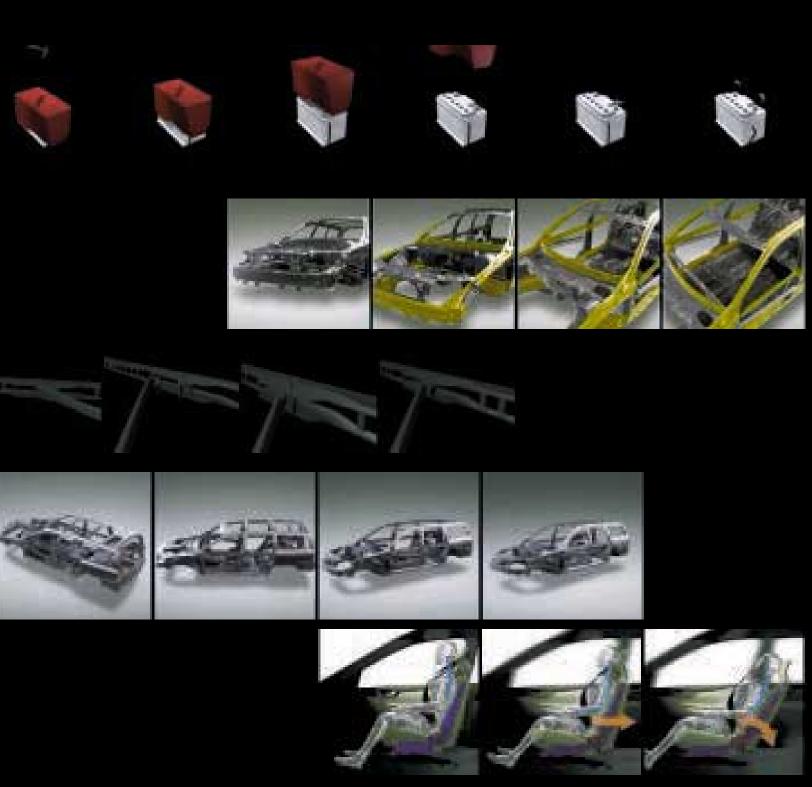




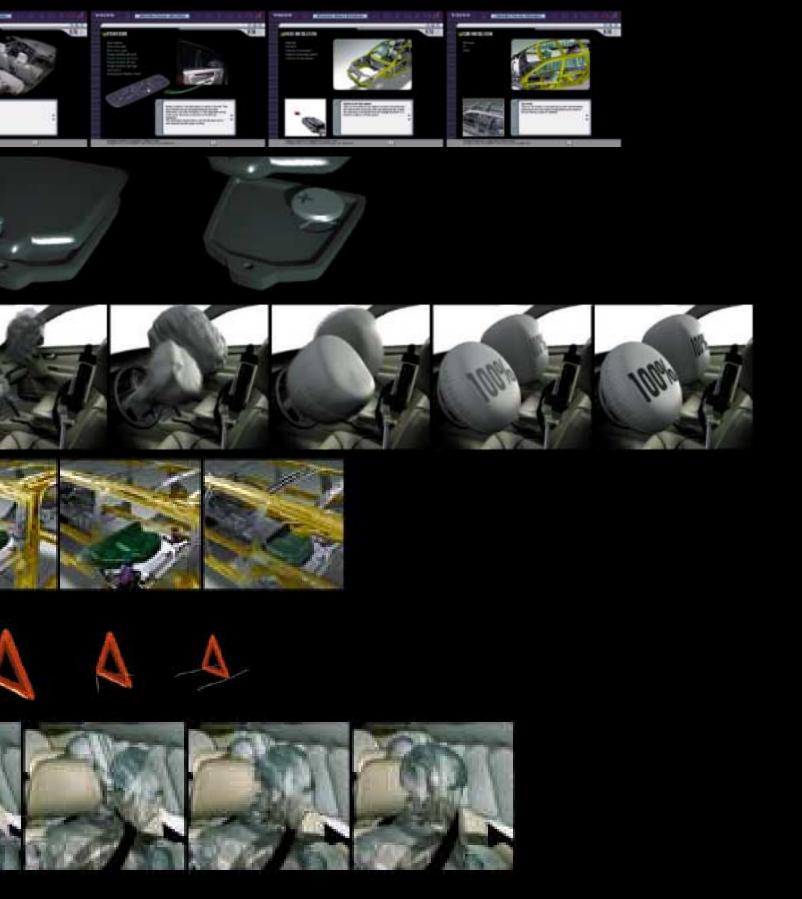
PARTNERSHIP WITH VOLVO











Semcon as a partner in the customer's operations. Volvo could see the value in that. Together, Semcon and Volvo have developed innovative web-based driver instructions. Volvo and Semcon are the first in the world to launch this unique product. "This will be a springboard for Semcon into a completely new phase of interactive technical information," says Emma Hjälmås, Semcon's project manager.

Semcon's goal is to be the world leader within interactive technical information. A major step has been taken with the completion of the Volvo project.



Like all engineering companies, Volvo requires its technical information for customers to be user-friendly. Information requirements cover user and service manuals, training materials and instructions for testing.

The company produces a wide range of materials, from traditional printed manuals for all Volvo cars to advanced multimedia presentations.

"Semcon has built an organisation that can handle and produce technical information for various types of media and thus cover all of Volvo's requirements.

Semcon sees this as a long-term partnership," says Emma Hjälmås.

TEST BEFORE DELIVERY

The newest way to make information user-friendlier is the interactive instructions that started out as a pilot project. The project has resulted in completely new web-based driver instructions. They are not only educational, they also include entirely new ways for car buyers to get to know and test the equipment in their new Volvo – long before the car is delivered.

The instructions are in two parts: a textbook and an interactive part where the new owner can go through the functions of the entire car on screen. Everything from the buttons on the stereo to how to open the boot.

"The instructions include full-scale simulations that create new opportunities for the buyer to try almost everything or just look at a specific detail," explains Emma. Volvo customers receive the instructions on a CD that uses film, text, graphics and sound.

A WORLD MARKET OPENS UP

With the Volvo project completed, a large step has been taken towards achieving Semcon's aim to be a world leader in interactive technical information. The project, which featured interactive documents that enable the user to adapt messages to meet his or her demands, was finished in record time. From scratch to launch in just six months.

"It was fantastic. Projects of this size are not common. It's an area where there are no major players today, so this is a big market that is opening up for us," says Emma.

Semcon will launch its interactive concept on the world market and offer web-based models to other companies in the auto

and telecoms industries. The geographic location could not be better. Ford is represented by Volvo Cars in Göteborg and General Motors by Saab in Trollhättan.

The recent ownership changes in the Swedish car industry give Semcon unique business opportunities and the chance to be a leader in IT-based technical information.

SEMCON TAKES OVERALL RESPONSIBILITY

The partnership with Volvo is Semcon's biggest business deal ever. The three-year rolling agreement is worth SEK 180 million. Work began in early 1999. Volvo hopes that the agreement will help it to make long-term savings of around 15% by optimising processes and gaining more effective IT tools. "By launching the product on an external market, where there is a larger customer base, we will strengthen through this partnership with Semcon our ongoing development of the concept of interactive driver instructions. Semcon's experience in information production is a great asset in this work," says Magnus Carlander, head of Strategic Technologies at Volvo IT. One component of the partnership is the formation of Semcon Informatic AB. Volvo previously employed about one quarter of the 80 employees in the company. The deal is more like a partnership than traditional outsourcing because Semcon performs parts of operations but both companies have overall responsibility for production.

"Partnership is a good name. Semcon is not only taking over production from Volvo, it is also taking responsibility. We are doing what we are good at and Volvo can focus on its core operation – making cars," says Emma Hjälmås.







THE INNOVATIVE e-COW

Farming is one area where new technology is having a very big impact. Competition and strong demands from consumers are the driving forces. Livestock management has improved, food quality is getting better and prices are under pressure. When Alfa Laval Agri decided to integrate all the sub-systems used for a modern farm, Semcon was asked to create an advanced web system. The solution has benefits for both farmer and consumer.



The Intranet solution that Semcon helped Alfa Laval Agri to develop is a good example of the technical revolution transforming the farming industry. The solution connects together all of the technical systems used in a modern livestock barn. Not only does the new system integrate all the sub-systems that exist today, it is also flexible enough to handle new systems as they are introduced.

The starting point was Alfa Laval Agri's ALPRO feeder system, which controls feed dispensers and milking machines, among other functions.

"We have now developed it further to be a web-based clientserver system with shared data storage," explains Hossein Ghourchian, a Semcon consultant.

IT COMPANY WITH INDUSTRIAL ROOTS

Two significant factors helped Semcon win the assignment. Alfa Laval Agri wanted a complete solution from a single supplier, and in Semcon they found a company with a back ground in technical consulting and thus a greater understanding of industrial processes than many other IT consultants. More and more customers want a complete solution handled by a single problem solver – which mirrors Semcon's strength. Semcon e-Design employs over 400 consultants working with innovative IT for the development of products and processes.

These consultants produce practical software and co-operate closely with sister companies such as Semcon Technology Management that helps customers focus on strategically important development and change processes.

A WIN-WIN TOTAL PACKAGE FOR SEMCON AND ITS CUSTOMER Semcon's understanding of industrial processes was crucial when Alfa Laval Agri chose Semcon to develop the new system

"There are many web agencies in the market, but few of them have the same background as ours in industry," says Ylva Theder, project manager.

"We know what our customers are talking about when they explain their operations and their requirements."

FUTURE SOLUTIONS BUILT IN

The new system has made handling easier, reduced the number of operations and made significant time savings. The margin of error is practically zero. Companies can now order direct using the Intranet, so misunderstandings caused by bad handwriting or poor communication are now a thing of the past.

The system also includes functions that are not active yet, such as solutions for e-commerce and invoicing, where external retailers would be able to place orders on behalf of their customers.

"In principle the farmer should be able to use the system to place an order and pay for it immediately. The specific pages are not completed, but the functionality has been built into the system. It's a solution to meet future needs," explains Ylva Theder.

FACTS ABOUT ALPRO

ALPRO is a processor with software that controls things such as feed dispensers and milking machines in modern farms. The system, which is used all over the world, is a scaleable web application operated in a Windows NT environment using Microsoft Explorer 4.0, Internet Information Server and SQL Server 7.0. The system also opens up opportunities for registering information about customers and thus monitoring their needs.

The e-Design project group in Stockholm consisted of project manager Ylva Theder, consultants John Fägerblad and Hossein Ghourchian, and web designer Thomas Friberg.



BACKIMPLANT BACK IMPLANT 37

Highly accurate testing is an essential part of the development of medical technology products. Errors could be fatal for patients.

When Tresona Instruments needed to check the resistance and wear of a back implant they asked Semcon to perform the tests.



Fast and efficient product development is becoming increasingly important in all manufacturing industries. Semcon Analysis & Test Center, ATC, performs technical calculations and tests for products made by leading Swedish companies.

Within most industries, product development without careful testing can be an expensive business with the cost of rejects, repairs and negative publicity. In some areas, such as medical technology, it could prove fatal for the user. To minimise risks, many manufacturers turn for help with testing to Semcon ATC. A recent medical technology project involving ATC was the testing of a back implant developed by Tresona Instruments for scoliosis patients. One of the tests performed by ATC was checking the screw dressing between the brace and the vertebra base plates using a tensile test. A back implant for scoliosis patients must tolerate twice as much pressure exerted by a healthy person when they bend their back. For example, a normal person who exercises at an average level will bend his or her back about 2.5 million times per year.

MEDICAL TECHNOLOGY IS A TOP PRIORITY AREA

ATC works across a broad spectrum of industries, including autos, offshore and medical technology. Most of the work is testing for the auto industry. But this is changing, and medical

technology is an area that Semcon is giving strong priority to as it grows in importance for the company. The breadth of operations means that knowledge gained in one area can be put to good use in another, both in terms of competence and knowledge of materials.

Modern materials mean that testing has to meet new requirements. Traditional methods are no longer good enough. With modern materials, factors such as heat, moisture and different climates must be factored in.

FIVE MILLION CYCLES

The first tests of the Tresona back implant included loads that were high above the levels the implant would encounter in reality. The first sample broke after 300,000 cycles. The pressure was then reduced to the load level where the implant could be considered as being incapable of being worn out. The demands are high. To gain approval, Tresona's implant would have to tolerate 200 newtons of bending force during five million cycles. After a year, the scoliosis patient does not need the implant any longer. He or she has bent his or her back a couple of million times, with varying amounts of force – without needing to worry whether the implant would break.

FACTS ABOUT THE RESISTANCE AND WEAR TEST FOR THE BACK IMPLANT

The test was performed in accordance with a proposed Iso standard. A static threepoint bending test was performed on the brace to determine the force and deformation curve in accordance with the prescribed standard. The bending test then continues using a dynamic three-point test. The torsion test is performed using a method similar to the bending tests. The tension test checks the screw dressing between the brace and the vertebra base plates. Brace and vertebra base plates can have different compositions. The tests are performed on the combinations that are considered to be weakest or have the most unfavourable load attributes.



Integrum has produced a titanium screw that can secure an artificial attachment directly into human bone, without the risk of infection. Semcon was involved in the development and testing processes.



Morgan Gustafsson, 54, Ph.D. Senior lecturer at Göteborg University. Electronics designer with great knowledge and competence in hardware and software. Extensive experience of teaching and research. Leif Johansson, 54, Engineer Research engineer at Chalmers University of Technology, 1991–99. Extensive professional experience and specialist knowledge in automation, laser technology, optics, vacuum technology, physical and electrical measurement technology, Assembler, Lab view, plc programming, AutoCad 2D and 3D. Thomas Nilsson, 38 Licentiate of Philosophy in atomic physics at Göteborg University, 1995. Experienced electronics designer in both hardware and software. Special knowledge of Labview. Stefan Berglund, 25, Engineer Electronics engineer with experience of system technology, trained in software and hardware design. Experience of several programming assignments for Ericsson Microwave Systems, Saab Marine Electronics, Ascom Tateco, etc.



"WE DEMAND PROBLEMS!"









Non-stop brainstorming. And a passion for problem solving that unites them.

"It's marvellous to be able to work with your hobby," says Thomas Nilsson. A hobby that halves the amount of time required for product development for Semcon's customers.

Morgan Gustafsson, Leif Johansson, Thomas Nilsson and Stefan Berglund are one example of the so-called brain gangs that work within Semcon and are much appreciated by customers.

"We have worked on so many development projects that together we have a breadth of experience that is not common in this industry," says Morgan Gustafsson.

"It's an advantage that we have done research, too," continues Thomas, "but above all it's very useful to be so far advanced in Labview, the graphics programming language."

All except Stefan have worked as teachers at Chalmers University of Technology. The academic background has many advantages. It means they are often well known before they visit a new customer.

"At Ericsson, especially, I meet former students that I have taught," says Morgan.

"That's when you get to hear how good your lectures were," laughs Thomas.

"It's a problem if they don't want to say hello," adds Morgan. But it's not a problem they meet very often.

THE CONSULTANT WITH THE FRESH VIEWPOINT

Thomas Nilsson was the first of the gang to move from Chalmers to Semcon. That was three years ago. Semcon needed help solving a problem one day, and Thomas called Morgan Gustafsson. Morgan had been Thomas' tutor when Thomas graduated. Morgan arrived, solved the problem and received an offer of a job at Semcon.

"I had been at Chalmers for 25 years. It was time to try something new," recalls Morgan.

After Morgan arrived it wasn't long before Leif Johansson joined him. Entering a development process as a consultant has many advantages. Some time ago, Leif and Thomas did some work for Hasselblad who were having problems with a camera.

"It was a prototype for NASA. It was going into space," explains Leif.

"It took us two days to solve their problem," says Thomas.
"We bring a fresh pair of eyes and ask stupid questions.
That's the advantage of being a consultant. You don't have any preconceived ideas and you dare try new solutions.
You also bring experience from many different branches and development projects."





GRAPHICAL PROGRAMMING CUTS PROGRAMMING TIME IN HALF

All of the brain gang are experienced users of Labview, the graphical programming language. If Morgan, Leif or Thomas can't do it, not many others can. They used to teach Labview at Chalmers. Many large companies have discovered the benefits of graphical programming.

"It's all about time to market," explains Thomas.

With Labview the gang can create applications that could not have been created using traditional programming languages and would not have been financially feasible. Using Labview, businesses can cut their programming time in half.

"Labview is based on icons and we create our own programs. The icons are pre-programmed with a bunch of mathematical tricks. Programming in Labview is at least ten times faster than programming in C, for example," explains Morgan. "People think in pictures. We get a very quick overview when we program using pictures," adds Thomas.

Labview is not only faster. With other languages, such as C, programmers have their own individual way of writing codes. That makes it difficult for someone other than the author to change or update a code.

"Labview is so clear and gives such a good overview that it is easy for people to co-operate on the same code," says Leif.

JUBILANT ENGINEERS AND A BLINKING DIODE

They are all agreed about one thing. They work with their hobby. When Thomas comes home in the evening his favourite room is 40 square metres large, most of it filled with technical gadgets.

"Whatever you are creating, the aim is to get a diode to start blinking with light. It's the same each time," says Leif, who describes how a group of adult engineers can suddenly scream with joy like child footballers scoring a goal when that diode starts to blink.

They have seen a lot of changes in computer programming during the 1990s. In many ways the changes have made things more difficult.

"The easier an application is to work with, the more difficult it is to develop," says Morgan.

"All programs have become user-friendly. It used to take a lot of studying to learn a language. Now programming is open to everyone."

The gang laughs as Morgan Gustaffson spreads out all the fingers on his hands to illustrate how a keyboard command used to be performed in the 1980s.

"And then you had to try and press an extra key with your nose!" adds Leif.







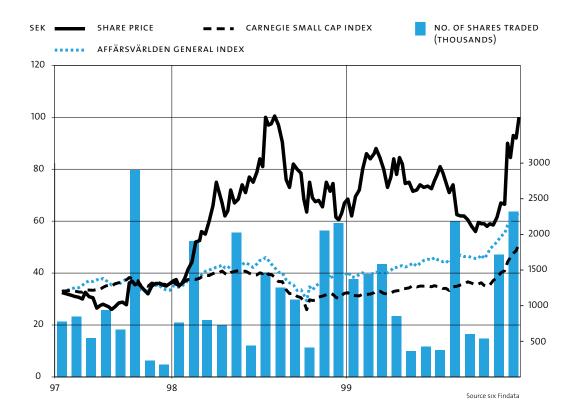
"A really good program today should not even require a manual," says Thomas.

During their time at Semcon they have worked with several different companies including Saab Combitech, Hasselblad, Volvo and, principally, Ericsson.

"We have become key personnel within several projects at Ericsson," says Thomas.

Semcon is now an *Active Preferred Supplier* at Ericsson. The telecom giant often gets first call on these professional brainstormers. And their passion for problem solving.

Semcon's shares



SHARE CAPITAL

Semcon's share capital is SEK 17 338 521, distributed over 17 338 521 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 an entitlement to one vote.

OPTION SCHEME

At the AGM held on 23 March 1998, share-holders decided that the company should raise a debenture loan of not more than SEK 900 000 by issuing not more than 900 000 promissory notes each with a nominal value of SEK 1. Each promissory note included a detachable warrant giving the holder the right to subscribe for one new share in Semcon AB, from 2 May to 31 August, 2001 inclusive, at a price of SEK 75. Interest in Semcon's option scheme has been high and 508 employees have subscribed.

OWNERSHIP STRUCTURE

On the 31 December, 1999 Semcon had 4 477 shareholders. Institutional investors held around 84% of the share capital and voting rights on 31 December 1999. Foreign holdings are considerable and amounted to around 60% at the year-end.

DIVIDENDS

The Board of Directors has established a dividend policy, which means that Semcon AB's dividends should correspond in the long term to 30-50% of the profit after tax. The Board of Semcon AB will propose to the 1999 AGM that SEK 1.40 (1.40) per share be paid out as a dividend for the 1999 financial year, totalling SEK 24.3 (24.3 m). 20 March is proposed as record day. If the AGM approves the resolution, dividends are expected to be distributed by VPC (the Swedish Central Securities Depository) on Thursday, 23 March 1999.

SHARE CAPITAL

DATE	TYPE OF ISSUE	NUMBER OF	TOTAL NUMBER OF	SHARE CAPITAL
		SHARES ISSUED	SHARES AFTER ISSUE	AFTER ISSUES
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

LARGEST HOLDINGS 31 DECEMBER 1999:

	NUMBER OF SHARES	PERCENTAGE
Henderson Investors	2 657 716	15.3
se-Bank funds	1059 824	6.1
Hans Johansson and relatives	450 000	2.6
SPP	365 800	2.1
Uni-Invest funds	331 600	1.9
บN Joint Staff Pension fund	325 000	1.9
T Rowe Price funds	223 000	1.3
CitiBank Luxembourg funds	297 000	1.7
Wanger Asset Management	250 000	1.4
shb funds	200 000	1.2
Total	6 159 940	35.5
Other ownership	11 178 581	64.5
Grand total	17 338 521	100

Source: VPC AB's Shareholders' Register 31 December 1999

OWNERSHIP STATISTICS

SIZE	NUMBER OF SHARES	PERCENTAGE	NUMBER OF
			SHAREHOLDERS
1-500	681 111	3.9	2876
501 – 1000	808 214	4.7	947
1001 – 10 000	1443 324	8.3	559
10 001 – 100 000	2 142 047	12.4	68
100 001 –	12 263 825	70.7	27
Total	17 338 521	100	4 477

Source: VPC AB's Shareholders' Register 31 December 1999

DATA PER SHARE (SEK)

	1999	1998
Shareholders' equity per share before dividend	7.83	5.85
Shareholders' equity per share inc. options	7.50	5.60
Earnings per share after tax	3.38	3.44
Earnings per share inc. options	3.24	3.30
Proposed dividend	1.40	1.40

Five-year summary

DEFINITIONS OF KEY FIGURES

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.

RISK/CAPITAL RATIO. Shareholders' equity plus deferred tax liabilities divided by the balance sheet total.

DEBT/EQUITY RATIO. Interest bearing liabilities divided by shareholders' equity.

EARNINGS PER SHARE AFTER TAX. Profit for the year divided by the number of shares issued.

EARNINGS PER SHARE 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 is sued.

SHAREHOLDERS' EQUITY PER SHARE INCLUDING OPTIONS. Shareholders' equity divided by the number of shares issued plus options.

PRICE PER SHARE/EQUITY. Price per share divided by shareholders' equity per share.

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

AVERAGE NUMBER OF EMPLOYEES. Average number of full-time employees.

SALES PER EMPLOYEE. Sales divided by the average number of full-time employees.

VALUE ADDED PER EMPLOYEE. Profit after depreciation plus payroll expenses and social security contributions divided by the average number of full-time employees.

PROFIT AFTER NET FINANCIAL ITEMS PER EMPLOYEE. Profit after net financial items divided by the average number of full-time employees.

INCOME STATEMENT

SEK OOO	1999	1998	1997	1996	1995
			pro forma	pro forma	proforma
Sales	863 501	708 908	495 613	390 498	351 398
1 0 1	-779 080	-627 016	-438 452	-341 413	-312 059
Operating profit after depreciation	84 421	81 892	57 161	49 085	39 339
Financial income	735	4 640	2 156	2 391	3 522
Financial expenses	-719	-1692	-1307	-187	-261
Profit after financial items	84 437	84 840	58 010	51 289	42 600
Tax	-25 795	-25 111	-17 961	-14 620	-12 437
Profit for the year	58 642	59 729	40 049	36 669	30 163
BALANCE SHEET					
SEK 000					
Capitalized development expenditure	2808	=	-	-	_
Goodwill	19 652	_	-	6 389	6 389
Machinery and equipment	53 083	39 340	20 441	27 493	24738
Stock	1 673	510	3 888	374	3 749
Work in progress	71 044	53 983	42 751	21 547	21 946
Accounts receivable – trade	128 750	122 585	82 885	55 415	51 012
Other current assets	14 177	17 173	23 116	10 015	4725
Cash and bank balances	66 073	24 023	10 076	11 113	34 936
Total assets	357 260	257 614	183 157	132 346	147 495
Shareholders' equity	135 727	101 358	56 833	31 431	23 741
Minority shares	297	-	-	-	-
Long-term liabilities and provisions	36 812	25 510	27 131	16 495	13 905
Current liabilities	184 424	130 746	99 193	84 420	109 849
Total shareholders' equity and liabilities	357 260	257 614	183 157	132 346	147 495
SOURCE AND APPLICATION OF FUND	S STATE	MENT			
SEK OOO					
Cash flow from current activities	126 361	59 837	13 639	18 901	55 663
	-60 037	-35 487	-10 333	-16 335	-14 020
Cash flow from financing activities	-24 274	-10 403	-4 343	-26 389	-28 509
Change in liquid assets	42 050	-10 403 13 947	-1 037	-23 823	13 134
Change in riquid assets	42 030	13 347	-1037	-23 623	15 154
KEY FIGURES					
Increase in sales (%)	21.8	43.0	26.9	11.1	48.3
Operating margin (%)	9.8	11.6	11.5	12.6	11.2
Interest cover ratio (times)	118.4	51.1	45.4	275.3	164.2
Return on average shareholders' equity (%)	49.5	75.5	90.7	132.9	130.8
Return on average capital employed (%)	68.3	102.4	119.9	156.3	150.8
Equity/assets ratio (%)	38.0	39.3	31.0	23.7	16.1
Risk/capital ratio (%)	48.3	49.6	42.9	32.2	21.9
Debt/equity ratio (times)	0.18	0.05	0.1	0.2	0.2
Number of shares issued (SEK 000)	17 338	17 338	17 338	17 338	17 338
Earnings per share after tax (SEK)	3.38	3.44	2.31	2.11	1.74
Earnings per share including 764 300 options (SEK)	3.24	3.30	2.21	2.02	1.66
Shareholders' equity per share before dividend (SEK)	7.83	5.85	3.28	1.81	1.37
Shareholders' equity per share					
including 764 300 options (SEK)	7.50	5.60	3.14	1.73	1.31
Price per share/equity (times)	12.8	11.5	10.8	17.7	_
P/E ratio	29.6	19.5	15.4	15.2	-
Average number of employees	1173	955	695	521	457
Sales per employee (SEK 000)	736	742	713	750	769
Value added per employee (SEK 000)	505	505	494	514	466
Profit after net financial items per employee (SEK 000		88.8	83.5	98.4	93.2
Investments in machinery and equipment (SEK 000)		35 891	11 342	18 085	17 730
Investments in subsidiaries' shares (SEK 000)	41 467	1007	_	_	_

Directors' report

For the nineteenth year in a row the Semcon Group raised its sales figure. The year was characterised by major changes amongst Semcon's customers with weaker market development as a consequence. Despite the inferior market situation, Semcon has strengthened its position as a provider of consultancy services to the industrial sector. Semcon is today the leading supplier to companies such as Ericsson, Telia, Astra Zeneca and Tetra Pak.

The Board and Managing Director of Semcon AB (publ) company reg. no. 556539-9549 herewith present the Annual Report and consolidated accounts for the 1999 financial year. Semcon provides Swedish industry with skills development and resources within Technology Management, e-Design, Industrial Design and Competence Development.

BUSINESS ACTIVITIES

Semcon's customers are amongst Sweden's largest industrial conglomerates, which work in significantly competitive international markets. It is important for these companies to develop products more rapidly and more frequently than their competitors. To succeed they must focus on their core skills and outsource additional skills and capacity from consultants like Semcon.

Both customers and competitors have gone through major restructuring phases and global mergers during the year. For the consultancy sector this has meant that large global customers have chosen to work with fewer but larger consultancy firms. To meet this competition the customer has also had to invest in developing their work processes and staff, as well as investing in IT to be able to effectivize their product and product development. Coupled with this, considerable adjustments for the future have been made by the sector leading to new possibilities for holistic solutions and international expansion.

Semcon's objective is to build long-term relationships with new and existing customers. The customer base will continue to be wide, but focusing on prioritised sectors such as telecoms, transport, motor vehicles, pharmaceuticals, medical technology and the food and packaging industries. Today Semcon is a market leader as it can provide customer services in all these areas.

Semcon has offices in the following locations: Göteborg (HQ), Helsingborg, Kalmar, Karlstad, Kista, Copenhagen, Linköping, Ludvika, Lund, Malmö, Oskarshamn, Oslo, Oxelösund, Stenungsund, Stockholm, Sundsvall, Södertälje, Trollhättan, Umeå, Varberg, Visby, Västerås and Växsjö.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

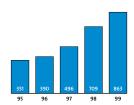
The company's focus over the past year has led to a clearer division between business areas. Semcon now concentrates its skills and resources within the Group on four business areas: Semcon Technology Management, Semcon e-Design, Semcon Industrial Design and Semcon Competence Development. The purpose is to make the company's aims and directions more visible.

A lot happened to our customers over the year, especially for the owners. The Ford Group bought Volvo Personvagnar AB, Astra merged with Zeneca, ABB sold its holding in Adtranz and Volvo bought into Scania.

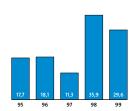
In a partnership with Volvo Cars, within the technical information area, Semcon took over editorial production of after-market material and interactive driver information, which led to the launching of Semcon Informatic AB. Long-term agreements were signed with Ericsson, Astra-Zeneca, Telia and Tetra Pak. Akzo Nobel outsourced its maintenance activity and Semcon was chosen as the consultancy supplier. Semcon Competence Development was also chosen as the principle supplier of IT training courses to Saab Automobile AB.

Semcon established offices in Norway and Denmark and five new departments were launched during the year, mainly within e-Design and Competence Development. Extern Engineering AB

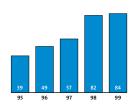
SALES, SEK M



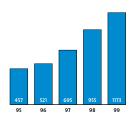
INVESTMENT, SEK M



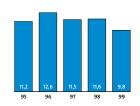
OPERATING PROFIT, SEK M



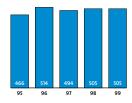
AVERAGE NUMBER OF EMPLOYEES



OPERATING MARGIN, %



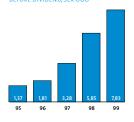
VALUE ADDED PER EMPLOYEE, SEK OOO



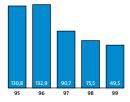
EARNINGS PER SHARE AFTER TAX,

1,74 2,11 2,31 3,44 3,38

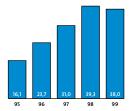
SHAREHOLDERS' EQUITY PER SHARE



RETURN ON AVERAGE SHAREHOLDERS' EQUITY, %



EQUITY/ASSETS RATIO, %



was acquired as well as Garnbratt Consulting AB, a specialist technological cleaning company.

Semcon has been informed that the share of SPP's surplus due is SEK 18.9 million.

SIGNIFICANT EVENTS AFTER THE END OF THE FINANCIAL YEAR

The legal organisation changed at the start of 2000 with the formation of new subsidiaries. Semcon Engineering East AB has been split into two companies, Semcon Engineering North AB and Semcon Engineering East AB.

Further refinements have led to the launch of three other companies, Semcon IT Solutions AB, Semcon IT Systems AB and Semcon Project Management AB.

Semcon has signed letters of intent with Volvo Personvagnar Komponenter and Volvo Technology Transfer and, furthermore, all Semcon companies have been assigned Ericsson Preferred Supplier status. To strengthen the organisation even further in the region near the Öresund Link, a new office will be opened in Malmö in January 2000.

WORK OF THE BOARD

During the 1999 financial year the Board of Directors met six times. The Board has produced a proposal for the Annual General Meeting concerning a new issue of shares in order to facilitate company acquisitions.

During the year the Board was involved in a development and scenario project with the aim of forming future strategies. The introduction of these strategies shall ensure continued good profitability development, even if the conditions for consultancy work change in the future.

γ2κ problems

Semcon took a large number of measures to avoid computer and system disruptions at the start of the year 2000. A manager with operational responsibility was appointed at Group level and operational responsibility was also assigned in each office. The start of the year 2000 did not disrupt any operations within the company.

FINANCIAL OUTLOOK

For the 19th year in a row the Semcon Group raised both its sales and results despite a poor market situation. Demand for Semcon's services has varied strongly during the year. In the first half, demand for consultancy services was weak, mainly due to Semcon's larger customers undergoing major changes. During the second half, demand

improved significantly, especially in the telecom and auto sectors.

Sales and results

The Group's sales amounted to SEK 863.5 million (708.9 m), a rise of 22%. The operating profit went up to SEK 84.4 million (81.9 m) and the profit after financial items was SEK 84.4 million (84.8 m). Improved sales compared with 1998 were mainly due to Semcon Competence Development winning new market share, Semcon e-Design and Semcon Technology Management winning breakthroughs for their new business models, and Semcon Industrial Design recording increasing utilisation levels during late autumn. The operating margin continued to be strong at 9.8% (11.6).

Earnings per share after tax was SEK 3.38 (3.44). Return on average shareholders' equity was 49.5% (75.5). The equity/assets ratio was 38.0% (39.3) and shareholders' equity stood at SEK 135.7 million (101.4 m), which corresponds to SEK 7.83 per share (5.85) before the dividend. The Group's liquid assets totalled SEK 66.1 million (24.0 m) including a short-term credit for SEK 25.0 million. In addition the Group has unused bank overdraft facilities set at SEK 45.0 million.

Cash flow and investments

During 1999 Semcon invested SEK 29.6 million (35.9 m) primarily in computer equipment and networks. In addition the company invested SEK 41.5 million (1.0 m) in subsidiaries' shares.

Employees

At the end of the year there were 1 266 employees (1 079), which is a net increase of 17.3% compared with the previous year. The average number of employees during 1999 was 1 173 (955) of which 18% are women (16).

Business cycle

Semcon's customer base consists mainly of Swedish 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 Swedish exports.

Seasonal variations

As most of Semcon's assignments are ongoing assignments invoiced by the hour, results are strongly influenced by the number of hours available. The summer period, when most employees take holidays, is a weak period for consultancy businesses, and even the length of the Christmas holiday can have a decisive effect on profits during the final quarter.

Sensitivity analysis

The number of available working days varies from year to year. The earnings trend for Semcon is dependent on the number of 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. The time of the year when recruitment takes place also affects results.

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 (wages). In general, changes in the number of hours are driven by customer enquiries that lead to assignments and a need for recruitment. It is therefore vital to have good local knowledge of available manpower.

The utilisation level is the key factor concerning Semcon's profitability. Changes in the utilisation level affect operating expenses only marginally. The price level is controlled by factors such as the combined expertise of the company, market demand and general inflationary pressures. Semcon's management believes that the present inflation trend has a restraining effect on price trends, despite stable demand. During the year, parts of the business had greater levels of total responsibility compared with previous years. In turn this has meant a higher proportion of fixed-price projects.

A change of +/- 1% in the following variables would have affected operating profit in 1999 as shown:

Variable SEK m Utilisation level 7.3 Average fee 6.1

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% of profits after tax to Semcon's shareholders.

The Board considers that the company's equity/ assets ratio shall be a minimum of 35%. One of Semcon's aims for the future is to expand and create long-term growth in value for shareholders. If conditions are right, with consideration given to financial targets and investment alternatives for continued expansion, the Board intends to pay out larger dividends.

At the 2000 Annual General Meeting, the Board of Directors will propose a dividend of SEK 1.40 per share (1.40) for the 1999 financial year, a total sum of SEK 24.3 million (24.3 m).

FUTURE DEVELOPMENTS

Businesses are continuing to invest in both product development and competence development, so there is every prospect that 2000 will be another successful year with strong demand.

We believe that restructuring among our customers will continue, together with increased outsourcing.

GROWTH WILL COME:

- -Organically
- Via outsourcing deals within prioritised segments
- Through the acquisition of complementary specialist companies

THE TOP PRIORITY SEGMENTS ARE:

- -Telekom
- Auto
- Medicine
- -Transport
- Food and packaging

GROWTH AREAS INCLUDE:

- -Websites
- Mobility
- Electronics
- $-\, \mathsf{Design}$
- Built-in systems
- Competence development
- Management services

The main growth regions are Stockholm and the Öresund region.

During the spring, focusing on additional segments will further strengthen Semcon's market profile. As a result, sales will be reinforced and concentrated.

The Board's assessment for the full year in 2000 is that the company will experience strong sales growth with continued good margins.

As in previous years, profits should be strongest

in the second half of the year.

PROPOSED ALLOCATION OF PROFITS (SEK 000)

The AGM has the following profit at its disposal:

Profit brought forward 17728

Profit for the year 39 310

Total 57 038

The Board proposes that the profits be distributed as follows:
Dividend to shareholders (SEK 1.40/share)

Dividend to shareholders (SEK 1.40/share) 24 274

Carried forward 32 764

Total 57 038

THE GROUP

According to the consolidated balance sheet, non-restricted equity amounts to SEK 61143 000. It is proposed that SEK 200 000 of this be allocated to restricted reserves.

The Accounts

INCOME STATEMENT

	THE	GROUP	PARENT	COMPANY
SEK OOO OPERATING INCOME	1999	1998	1999	1998
Net sales	846 440	697 676	21 856	14 592
Changes in work in progress	17 061	11 232	-	_
Total operating income (note 1)	863 501	708 908	21 856	14 592
OPERATING EXPENSES				
Purchase of goods and services	-135 228	-106 344	_	_
Other external expenses	-84 937	-79 224	-11 032	-5 597
Staff costs(note 3)	-535 686	-424 837	-9 620	-6702
Depreciation of tangible and intangible				
assets (note 8)	-23 229	-16 611	-836	_
Operating profit	84 421	81 892	368	2 293
FINANCIAL ITEMS				
Interest income (note 5)	735	1118	1357	246
Group contribution received	-	-	67744	67 726
Income from options scheme (note 6)	-	3 522	-	_
Interest expense	-719	-1692	-296	-266
Profit after financial items	84 437	84 840	69 173	69 999
APPROPRIATIONS				
Provision for tax allocation reserve	-	-	-13 832	-13 605
Excess depreciation	-	-	-538	-628
Profit before tax	84 437	84 840	54 803	55 766
Tax on profit for the year (note 7)	-25 795	-25 111	-15 493	-15 238
Profit for the year	58 642	59 729	39 310	40 528

BALANCE SHEET

		THE GROUP	PA	RENT COMPANY
SEK 000	1999	1998	1999	1998
ASSETS				
Fixed assets (note 8)				
Intangible assets				
Goodwill	19 652	_	-	_
Capitalized development expenditure	2 808	_	2808	=
Tangible assets	F C24	6.004	4.127	2,002
Plant and machinery	5 624 10 055	6 904 4 815	4 137 234	2 092
Equipment Computers	28 666	27 621	254	_
Property	8 738	27 021	_	
	0750			
Financial assets				
Shares in subsidiaries (note 9)	_	_	66 714	26 081
Total fixed assets	75 543	39 340	73 893	28 173
Current assets				
Receivables from subsidiaries	-	_	114 415	70 945
Stock and commodities	1 673	510	_	_
Advance payments to suppliers	_	6 590	=	=
Work in progress on behalf of others (note 10)	71 044	53 983	_	_
Accounts receivable	128 750	122 585	_	_
Other receivables	1866	381	496	1
Accrued expenses and deferred income (note 11)	12 311	10 202	2 835	1136
Cash and bank balances	66 073	24 023	-	8766
Total current assets	281 717	218 274	117 746	80 848
Total assets	357 260	257 614	191 639	109 021
SHAREHOLDERS' EQUITY AND LIABILITIES				
Shareholders' equity (note 12)				
Restricted equity				
Share capital (17 338 521 shares at a nom. SEK 1)	17 338	17 338	17 338	17 338
Restricted reserves	57 246	29 917	16 982	16 982
Non-restricted equity				
Profit brought forward	2 501	-5 626	17 728	1474
Profit for the year	58 642	59 729	39 310	40 528
Total shareholders' equity	135 727	101 358	91 358	76 322
Minority shares				
Minority shares in subsidiaries	297	_	=	=
Total minority shares	297	_	_	_
-				
Untaxed reserves			1166	620
Accumulated excess depreciation	_	_	1166	628
Tax allocation reserve Total untaxed reserves	_	_	27 437	13 605 14 233
iotai untaxeu reserves	_	_	28 603	14 255
Provisions				
Deferred tax	36 812	25 510	_	-
Total provisions	36 812	25 510	-	
Long-term liabilities				
Bank overdraft facilities (note 13)	_	-	3 488	_
Total long-term liabilities	_	_	3 488	_
Current liabilities				
Accounts payable	27 691	29 883	3 016	777
Tax liabilities	11 3 6 2	3 218	27 897	15 238
Other liabilities	66 048	30 533	35 147	458
Accrued expenses and deferred income (note 14)	79 323	67 112	2 130	1993
Total current liabilities	184 424	130 746	68 190	18 466
Total shareholders' equity and liabilities	357 260	257 614	191 639	109 021
MEMORANDUM ITEMS				
Pledged assets				
Contingent liabilities				
Guarantees for subsidiaries	_	-	10 13 6	8 142

CASH FLOW STATEMENT

		THE GROUP	P	ARENT COMPANY
SEK OOO	1/1/99–12/31/99	1/1/98-12/31/98	1/1/99-12/31/99	1/1/98-12/31/98
CURRENT ACTIVITIES				
Operating profit after depreciation	84 422	81892	368	2 293
Depreciation	23 229	16 611	836	-
Profit/loss on sale of machinery and equipme	ent 132	-23	-	-
	107 783	98 480	1204	2 293
Interest received	735	1 118	1357	246
Income from options scheme	_	3 522	-	_
Interest paid	-719	-1692	-296	-266
Income tax paid	-9 347	-8 651	-2834	-
Cash flow from current activities				
before changes in working capital	98 452	92 777	-569	2 273
CHANGES IN WORKING CAPITAL				
Increase/Decrease in current receivables	1185	-46 853	-45 664	-50 962
Increase/Decrease in work in progress and st		-9 067	-	_
Increase/Decrease in current liabilities	42 622	22 980	37 066	-158
Total changes in working capital	27 909	-32 940	-8 598	-51 120
Cash flow from current activities	126 361	59 837	-9 167	-48 847
INVESTMENT ACTIVITIES				
Investments in subsidiaries' shares (note 15)	-30 722	_	-40 633	-
Investments in intangible assets	-2 808	_	-2 808	
Investments in tangible assets	-26 825	-35 891	-3 116	-2 092
Proceeds from sales of machinery and equipr	ment 318	404	_	_
Cash flow from investment activities	-60 037	-35 487	-46 557	-2 092
FINANCING ACTIVITIES				
Group contribution paid	-	=	67 744	67 726
Dividends paid	-24 274	-10 403	-24 274	-10 403
Cash flow from financing activities	-24 274	-10 403	43 470	57 323
Changes in liquid assets	42 050	13 947	-12 254	6 384
•				

Notes

CONSOLIDATED ACCOUNTING PRINCIPLES

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 arising due to the fact that the acquisition value is higher than the equity of the acquired company is allocated as goodwill. Negative goodwill has reduced the value of fixed tangible assets.

These consolidated accounts have been prepared in accordance with the principles set out in Recommendation RRO1 of the Swedish Financial Accounting Standards. Untaxed reserves are divided into deferred tax liability (28%) and equity, which is included under restricted reserves.

As a result, the consolidated statements exclude all items that directly affect the value of untaxed reserves. The tax proportion of these items is included in this year's taxes in the profit and loss account, and the equity portion is entered together with net profit for the year.

The acquisition value is eliminated first against restricted equity including the equity of the untaxed reserves and after that against unrestricted equity. When calculating the profit and loss accounts and balance sheets of foreign subsidiaries, the rate of exchange applying on the day has been applied. The accounted value of shares

in subsidiaries is first written off against fixed equity inclusive of the proportion of capital for untaxed reserves and thereafter against non-restricted capital.

ACCOUNTING AND VALUATION PRINCIPLES

The regulations of the Swedish Annual Accounts Act for preparing the income statement, the balance sheet and its principles of valuation have been applied.

RECEIVABLES AND LIABILITIES IN FOREIGN CURRENCIES

Receivables and liabilities in foreign currencies have been converted according to the exchange rate applying on the day.

STOCK

Stock has been valued according to the principle of the lowest value.

FIXED ASSETS

Machinery and equipment as well as investment in leased premises, have been valued at the purchase price with deductions for depreciation according to plan. Evaluation of capitalized development expenditure for computer programs has been done as an accrued expense from 1 January 1999. Accrued expenses have been activated from the time that it was decided that soft-ware was commercially viable, according to BFN recommendation U88:15.

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

Machines and plant depreciated over 5 years

Computers depreciated over 3 years

Equipment depreciated over på 5 years

Goodwill depreciated over 10 years

Development cost for computer program brought forward 5 years

Property depreciated over 30 years

NOTE 1 - DISTRIBUTION OF OPERATING INCOME

Sales and operating profit are distributed as follows:

THE GROUP	Operatir	ng income	Operatio	ng profit
SEK M	1999	1998	1999	1998
Technology Management	24.2	13.6	3.1	1.1
e-Design	323.7	248.6	39.9	29.9
Industrial Design	360.2	335.1	34.8	38.0
Competence Development	155.4	111.6	6.6	12.9
Group total	863.5	708.9	84.4	81.9

Purchase/sales between the Group companies amounts to 193 913 SEK 000 (90 503)

NOTE 2 - AVERAGE NUMBER OF EMPLOYEES

	1999		1998	
	Average number		Average number	
	of employees	men,%	of employees	men, %
Parent company	5	27	5	20
Subsidiaries	1168	82	950	84
Group total	1173	82	955	84

NOTE 3 - SALARIES, OTHER REMUNERATION AND PAYROLL OVERHEADS

	19	999	1	998
SEK 000	Salaries and other	Payroll overheads	Salaries and other	Payroll overheads
	remuneration	(of which pensions)	remuneration	(of which pensions)
Parent company	4 425	2 916	3 499	2 082
		(1 121)*		(731)*
Subsidiaries	349 929	141 845	282 362	117 966
		(19 994)		(14 870)
Group total	354 354	144 761	285 861	120 048
		(21 115)**		(15 601)**

^{*} Parent company pension expenses include SEK 1 057 000 (643 000) relating to the Board of Directors and the MD. The company has no external pension obligations, except as described below. ** Group pension expenses include SEK 1 552 000 (944 000) relating to the Board of Directors and the MD. The company has no external pension obligations, except as described below.

In 1999 the Board of Directors received SEK 440 000. The Chairman received SEK 220 000 and the two other external members received SEK 110 000 each. The Chairman and one other member received SEK 575 000 in consultancy fees (113 000). Salary and benefits to the Managing Director amounted to SEK 2 203 000 (2 060 00) in 1999, of which SEK 800 000 (800 000) related to a performance based bonus for the 1999 financial year. The MD's bonus scheme consists of a bonus to be paid if Semcon's profits exceed a certain level. The MD is entitled to a retirement benefit in the form of a pension scheme. The premium for such a scheme is 35 percent of annual salary up to 20 basic amounts (the basic amount for Swedish social security

purposes) and 25 percent of such salary in the range of 20 to 50 basic amounts. Semcon is required to give the MD 12 months notice of termination of employment and the MD is required to give Semcon 6 months notice. If Semcon wishes to terminate his employment agreement, the MD will receive final compensation amounting to 18 months salary. His employment agreement also includes a non-competition clause, according to which the MD may not engage in any competitive business activities within 18 months from the time of termination of his employment. The MD has the right to retire at 60 with continued compensation equivalent to 70% of annual salary and potential bonus up to 65.

NOTE 4 - REMUNERATION TO THE AUDITORS

THE GROUP SEK OOO	1999	1998
For auditing and advice, plus other contributions		
resulting from observations made during the auditing work.:		
Ernst & Young	927	696
BDO	40	_
For independent advice given by:		
Ernst & Young	1 3 1 9	1259
BDO	154	_
Total	2 440	1955

NOTE 5 - OTHER INTEREST INCOME

THE GROUP SEK OOO	1999	1998
Interest income	735	1 118
Total	735	1 118

NOTE 6 - INCOME FROM SHARE OPTION SCHEME

This income relates to 764 300 share options at SEK 5 after deduction of issuing expenses.

NOTE 7 - TAX ON PROFIT FOR THE YEAR

THE GROUP SEK OOO	1999	1998
Tax for year	17 718	17 310
Deferred tax	8 077	7 801
Total	25 795	25 111
THE GROUP SEK OOO	1999	1998
Tax for year	15 493	15 238
Total	15 493	15 238

NOTE 8 – ASSETS

THE GROUP		
SEK 000	1999	1998
GOODWILL	0	
Opening accumulated acquisition value Purchases	0 20 165	_
Closing accumulated acquisition value	20 165	_
closing accumulated acquisition value	20 103	
Opening depreciation	0	-
Depreciation for the year	513	_
Closing accumulated depreciation	513	_
Closing residual value according to plan	19 652	_
OPENING COMPUTER PROGRAM DEVELOPMENT (COSTS	
Opening acquisition value	0	_
Purchases	2 808	_
Closing accumulated acquisition values	2 808	_
Closing residual value according to plan	2 808	_
PLANT AND MACHINERY		
Opening accumulated acquisition value	11 207	10 738
Purchases	895	469
Closing accumulated acquisition value	12 102	11 207
Opening depreciation	4303	2 137
Depreciation for the year	2 175	2166
Closing accumulated depreciation	6 478	4 303
Closing residual value according to plan	5 624	6 904
EQUIPMENTRIER		
Opening accumulated acquisition value	16 054	10 010
Purchases	8 859	6 056
Sales/disposals	-57	-12
Closing accumulated acquisition value	24 856	16 054
Opening depreciation	7726	5 665
Sales/disposals	-25	-1
Depreciation for the year	3 587	2 0 6 2
Closing accumulated depreciation	11 288	7726
Opening write-down	3 513	3 513
Write-down against negative goodwill	0	0
Closing accumulated write-downs	3 513	3 513
Closing residual value according to plan	10 055	4 815
COMPUTERS		
Opening accumulated acquisition value	72 041	43 259
Purchases	18 355	29 366
Sales/disposals	-6 437	-584
Closing accumulated acquisition value	83 959	72 041
Opening depreciation	44 420	32 251
Sales/disposals	-6 O2O	-214
Depreciation for the year	16 893	12 383
Closing accumulated depreciation	55 293	44 420
Closing residual value according to plan	28 666	27 621

(note 8, cont.)

PROPERTY

Buildings		
Opening accumulated acquisition value	0	_
Purchases	5 400	_
Closing accumulated acquisition value	5 400	-
Opening depreciation	0	-
Depreciation for the year	62	_
Closing accumulated depreciation	62	-
Closing residual value according to plan	5 338	-
Land		
Opening accumulated acquisition value	0	_
Purchases	3 400	-
Closing accumulated acquisition value	3 400	-
Opening depreciation	0	-
Depreciation for the year	0	-
Closing accumulated depreciation	0	-
Closing residual value according to plan	3 400	-
Assessed value for buildings	5 800	-
Assessed value for land	480	_
Assessed value total	6 280	-

LEASES AND TENANCY AGREEMENTS

The Group has signed a number of leasing agreements, mainly relating to private vehicles. The cost for these agreements for the year was SEK 2 069 000 (1321000). Existing leasing agreements are based on market conditions with remaining leasing agreements due to mature within 1 to 3 years. Furthermore the Group rents out office space at around 20 locations in Sweden. All of these tenancy agreements were signed under market conditions and for normal periods of time.

PARENT COMPANY

SEK OOO	1999	1998
CAPITALIZED DEVELOPMENT EXPENDITURE		
FOR COMPUTER PROGRAMS		
Opening acquisition value	0	-
Purchases	2 808	-
Closing accumulated acquisition value	2 808	-
Closing residual value according to plan	2808	-
EQUIPMENT		
Opening acquisition value	2 092	_
Purchases	2 850	2 092
Closing accumulated acquisition value	4 942	2 092
Opening depreciation	-	-
Depreciation for the year	805	-
Closing accumulated depreciation	805	_
Closing residual value according to plan	4 137	2 092
COMPUTERS		
Opening acquisition value	0	-
Purchases	265	-
Closing accumulated acquisition value	265	-
Opening depreciation	0	-
Depreciation for the year	31	-
Closing accumulated depreciation	31	-
Closing residual value according to plan	234	_

NOTE 9 - HOLDINGS IN SUBSIDIARIES

SEK OOO SUBSIDIARY	SHARE OWNERSHIP	VOTING RIGHTS	BOOK VALUE
Semcon Förvaltnings AB	100%	100%	26 081
Semcon Extern Engineering AB	98.3%	98.3%	40 633
SUB-SUBSIDIARIES			
Semcon Engineering AB	100%	100%	
Semcon Engineering West A	AB 100%	100%	
Semcon Engineering East A	B 100%	100%	
Semcon Engineering UK Lin	nited 100%	100%	
Semcon AS	100%	100%	
Semcon Data AB	100%	100%	
Semcon Informatic AB	100%	100%	
Semcon Education AB	100%	100%	
Semcon Analysis & Test Center AB	100%	100%	
Semcon Industrial Management AB	100%	100%	
Garnbratt Consulting AB			
Currently undergoing a nan	ne change to		
Semcon Project Manageme	ent 100%	100%	
Total			66 714

(note 9, cont.)

LEGAL STRUCTURE OF ORGANISATION

Subsidiaries, company registration numbers and registered offices are as follows:

Semcon AB	556539-9549	Göteborg
Semcon Förvaltnings AB	556530-6403	Göteborg
Semcon Engineering AB	556213-1762	Göteborg
Semcon Engineering West AB	556555-8193	Göteborg
Semcon Engineering East AB	556559-0337	Göteborg
Semcon Data AB	556271-9129	Göteborg
Semcon Education AB	556241-0638	Göteborg
Semcon Industrial Management AB	556535-2332	Göteborg
Semcon Analysis & Test Center AB	556534-4651	Göteborg
Semcon Informatic AB	556563-6692	Göteborg
Semcon Extern Engineering AB	556369-6755	Göteborg
Garnbratt Consulting AB		
Currently undergoing name change to		
Semcon Project Management	556568-6408	Kungsbacka
Semcon AS	980 500 624	Billingstad, Norway
Semcon Engineering UK Ltd	2993766	Grantham, υκ

GROUP COMPANIES' ACTIVITIES

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

Semcon Förvaltnings AB is responsible for Group-wide issues such as accounting, finance and human resources. Semcon Extern Engineering AB active in industrial technology consultancy services.

Semcon Förvaltnings AB has 11 subsidiaries:

Semcon Engineering AB, which is the parent company of:

Semcon Engineering West AB and Semcon Engineering East AB, are both active in industrial technology services. Semcon Engineering AB is also the parent company of Semcon Engineering UK Ltd., which is active when Semcon is involved in projects in UK. Semcon AS is active in industrial technology consultancy services in Norway. Semcon Data AB is active in the areas of information technology services and hardware/software retailing. Semcon Informatic AB are active in the field of technological information. Semcon Education AB offers Training. Semcon Analysis & Test Center carries out analysis and testing. Semcon industrial Management AB and Garnbratt Consulting AB act as management consultants.

NOTE 10 - WORK IN PROGRESS

Work in progress has been accounted for in the consolidated accounts using the current accounting method, at invoice value (1999: SEK 51724 000) which is related to the proportion completed. Work in progress for fixed-price projects, which represents a minor share of total work in progress, has been entered as per actual direct project costs plus a reasonable share of the overheads. In the case of subsidiaries, no value has been accounted for on-going work in progress. Instead these have been entered as income to match invoicing.

NOTE 11 — PREPAID EXPENSES AND ACCRUED INCOME

THE GROUP SEK OOO	1999	1998
Accrued income	2 655	1433
Other items	9 656	8 769
Total	12 311	10 202

NOTE 12 - CHANGES IN SHAREHOLDERS' EQUITY

THE GROUP SEK OOO	SHARE CAPITAL	RESTRICTED RESERVES	UNRESTRICTED RESERVES
Opening balance	17 338	29 917	54 103
Allocation to statutory reserve	-	95	-95
Transfers between restricted and unrestricted	ed reserves –	27 234	-27 233
Dividends	_	-	-24 274
Profit for year	-	-	58 642
Closing balance	17 338	57 246	61 143
THE GROUP SEK OOO			
Allocation to statutory reserve	17 388	16 982	42 002
Dividends	_	-	-24 274
Profit for year	-	-	39 310
Closing balance	17 338	16 982	57 038

NOTE 13 - BANK OVERDRAFT FACILITY

The approved bank overdraft facility amounts to SEK 45 000 000 (45 000 000).

NOTE 14 - ACCRUED EXPENSES AND DEFERRED INCOME

THE GROUP SEK OOO	1999	1998
Staff-related costs	69 817	45 775
Other items	9 506	21 337
Total accrued expenses and prepaid income	79 323	67 112
THE GROUP SEK OOO		
Staff-related costs	1840	1684
Other items	290	309
Total accrued expenses and prepaid income	2130	1993

NOTE 15 - INVESTMENTS IN SHARES IN SUBSIDIARIES

The company acquired Extern Vehicle Engineering AB and Garnbratt Consulting AB in 1999. The value of assets and liabilities is in accordance with the following acquisition balance.

SEK 000	Total
Intangible fixed assets	20 165
Tangible fixed assets	10 085
Work in progress	2 3 2 5
Liquid assets	10 745
Short-term receivables	4 354
Deferred tax	-2 999
Short-term liabilities	-2 911
Minority interest	-297
Purchase price paid	41 467
Liquid assets in acquired company	-10 745
Affect on the Group of liquid funds	30 722

Göteborg, 25 February, 2000.

Sonny Lindquist Göran Lundberg
Chairman of the Board

Carl-Åke Jansson Hans Johansson

Managing Director

Our audit was issued on 25 February, 2000.

 Göran Ekström
 Björn Grundval

 Authorized Public Accountant
 Authorized Public Accountant

 Ernst & Young AB
 Ernst & Young AB

XVIII NOTES

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 Managing Director of Semcon AB for the 1998 financial year. These accounts and the administration of the Company are the responsibility of the Board of Directors and the Managing Director. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts, and the administration, based on my our audit.

We conducted our audit in accordance with Generally Accepted Auditing Standards in Sweden. Those Standards 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 Managing Director 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 Managing Director, 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 Annual Accounts Act, and, consequently We recommend that the income statements and the balance sheets of the Parent Company and the Group be adopted, and that the profit of the Parent Company be dealt with in accordance with the proposal in the Directors' Report.

The Board Members and the Managing Director have not committed any act or been guilty of any omission, which, in our opinion could give rise to any liability to the Company. We therefore recommend that the Members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Göteborg 25 February 2000

Göran Ekström Authorized Public Accountant

Björn Grundvall Authorized Public Accountant

The Annual General Meeting

The Annual General Meeting of Semcon AB (publ) will be held on Wednesday 15 March 2000 at 6 p.m. in Svenska Mässan, Kjellbergsalen, Mässans Gata 24, Göteborg. (The entrance is via the Hotel; take the lift to the 2nd floor). The premises will be open for registration from 5 p.m. when Semcon will be providing a buffet. Registration must have been carried out by 6 p.m. for shareholders to be included on the voting list.

PARTICIPATION

Shareholders wishing to take part in the AGM should

- have been registered in the Shareholders' Register held by VPC AB (the Swedish Central Securities Depository) by 3 March 2000 at the latest.
- have notified the company of their intention to attend by post to:

Semcon AB, Box 14262, 400 20 Göteborg, or by fax to: +46 31 335 82 33, or by telephone to: +46 31 721 09 31, or via e-mail to:

elisabeth.batelson@semcon.se by 4 p.m. Friday 10 March 2000 at the latest. Notification should include name, address and telephone number, as well as civic identity number or corporate registration number.

NOMINEE SHAREHOLDERS

Shareholders who have their shares registered with a nominee must temporarily re-register their shares in their own name with VPC 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 Friday 3 March 2000.

DIVIDENDS

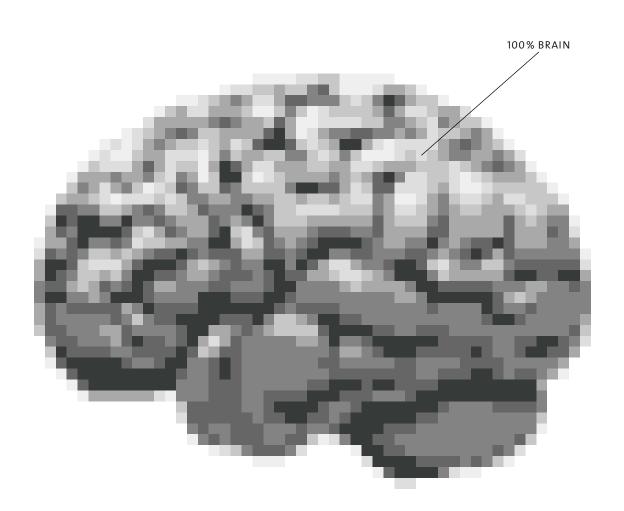
The Board of Semcon AB will propose to shareholders a dividend of SEK 1.40 per share amounting to SEK 24.3 million. Monday 20 March will be proposed as record day for the dividends. If the AGM approves the proposal, dividends are expected to be sent out by VPC on Thursday 223 March 2000.

IMPORTANT DATES

Annual General Meeting 15 March 2000 Q1 report 4 May 2000 Q2 (half-year) report 22 August 2000 Q3 report 24 October 2000 Sub AddMessage(message) KHTMbplication.LOCK (HEADMpArray=Application("Talk") <TITEMPAMPSG@BBPR@BBtf6A{*bEsplaylines"</p> </HF8P>i = 1 To Application("Displaylin <BODYTERβAkPBg(Φκαηge"}empArray(i)
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100% HEART



Commitment and culture

SEMCON'S COLLEAGUES

Semcon is a rapidly expanding company and creating stability requires a strong company culture. The employees' competence and commitment is possibly the most important requirement for projects to be successfully carried out. The heart of a service company such as Semcon is the individual staff member.

SMALL SCALE WITHIN THE ORGANISATION

To get the small business advantages of communication and quick decision paths, we have made it a rule at Semcon not to have more than 25 people in each department. When a single department becomes too large it is divided and a new department is formed. The new department receives a new manager, which also creates career advancement within Semcon. We also emphasise the importance of relationship-creating activities. Where work and family coincide with each other, we try to organise activities for the whole family, who are invited in for different activities and offered the chance of taking part in training.

THE SEMCON CULTURE

The company culture is one of the tools that Semcon uses to attract, keep and develop its employees. This builds upon joint values that have grown during the company's history:

- belief in the individual we encourage people to use their own ideas and to take the initiative
- competence and attitude a strong belief in continual learning and development
- a feeling of community we care about and support each other and also have fun together
- freedom with responsibility responsibility is delegated as far as possible
- business skills Semcon always gives every customer the best possible quality of service. We are all open to new possibilities and we inform colleagues about new business

As Semcon grows, we are employing more staff with different cultural backgrounds. With the expanding global market this cultural diversification is significantly beneficial.

SEMCONITES ABOUT SEMCON

Most of those who begin at Semcon have been informed by other Semconites and then choose Semcon mainly for the possibility of challenging tasks within different industries,



continual training and personal development. Even the atmosphere at Semcon is seen as being important. This is shown by Semcon's ongoing surveys of employees. Semcon clients often recruit people who leave Semcon. A clear indication that we are appreciated and that we have done a good job. A further good reference that Semcon has received from past employees is that most would recommend others to work for the company.

RECRUITMENT

Historically speaking, Semcon has been successful in recruiting new staff. An explanation is that responsibility for recruiting new staff lies with the local departmental managers, who have the best knowledge of what the market requires. To involve all employees in the recruitment process, Semcon has a bonus system, where tips that lead to employing new staff members are rewarded.

TRAINEE PROGRAM

Semcon began its first trainee program in September. The aim of the programme is to facilitate recruitment of students from universities around the country. The first trainee - programme was put into effect in the autumn. The chosen students have decided to work within different departments at Semcon for three months and for the last three months they will have an experienced mentor. They will then work together with the mentor on different assignments for a period. The programme is a pilot project and will be evaluated in the beginning of 2000.



TRAINING PROGRAMS

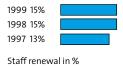
New staff at Semcon undergo a multi-stage introduction programme. Completing an induction course which is always carried out by the CEO, where company history, future, values and working practices are presented, begins this. During the first year they are also trained in quality and environmental systems, business competence and project methods. All staff then go through an ongoing training programme within their respective specialist fields. Each Semcon employee completed an average of 123 hours of training during 1999.

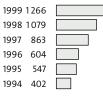
Continuous training is also carried out at management level, both internally and externally. Semcon has developed an induction programme for new managers with a run through

of basic values, as well as training in leadership and business competence. Managers from all departments take part in these training programmes which offers the perfect opportunity to build networks and increase co-operation within the Group.

A CAREER AT SEMCON

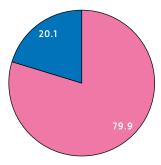
Semcon seeks first and foremost to recruit internally for managerial positions. This helps to maintain and develop the Semcon culture and contributes towards creating internal career paths. At a very early stage, likely candidates are identified for training and a mentor is engaged to prepare for greater responsibility.



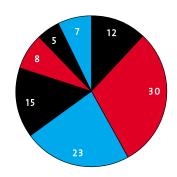


Total number of staff
31 December 1999

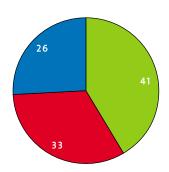
	1997	1998	1999
Average number of staff	695	955	1173
Sales per staff member (SEK 000)	713	742	736
Value added per staff member (SEK 000)	495	505	505
Profit after net financial items			
per staff member (SEK 000)	83.5	88.8	72.0







AGE DISTRIBUTION			
<25 years	12%		
26-30	30%		
31-45	23%		
36–40	15%		
41-45	8%		
46-50	5%		
51<	7%		



AVERAGE LENGT	H OF
TIME EMPLOYED	
<1 year	33%
1–3 years	41%
>3 years	26%

Relationships and methods

CUSTOMER RELATIONS

The most important part of Semcon's structural capital is naturally the relationship with the customer. The customers who have chosen to work with Semcon return time and again.

The level of re-purchase currently lies at 90% (1999). The ability to successfully keep an overall assignment moving forward in projects, and the combination of IT and technical competence—these are the two main reasons why customers choose Semcon. Semcon's relationships with customers are long term. Since the business started in 1980 many of Sweden's leading industrial companies have chosen us and make up a broad and stable customer base. They include companies such as ABB, AstraZeneca, AtlasCopco, Electrolux, Ericsson, Volvo, Saab, Scania, Siemens-Elema, Sca, Mölnlycke, Tetra Pak and Alfa Laval.

THE COMPANY THAT THE CUSTOMERS TRUST

Interviews were carried out during the year with key personnel from some of Semcon's largest customers. The studies showed that customers are generally very satisfied with the quality of Semcon's work and think that the consultants have a high level of competence. Many customers also believe that we are easy to do business with and they appreciate the good contact with managers within the Group. The studies also show that it is the customer's previous good experience of the consultants at Semcon which is the biggest cause for them trusting the company. In many cases Semcon has been recommended internally at the client company, often by staff that have previously worked at Semcon. Other strengths which are of importance for the customer choosing Semcon is that consultants are enthusiastic and quick in their response in getting to grips with a problem and solving it. Moreover, Semcon is considered to be a serious and stable consultancy company.

Many customers also see Semcon's continual investment in competence development as a great strength and that Semcon's internal training of consultants on the systems and routines used by the customer is also a major advantage. Many customers remark on Semcon's ability to attract competent consultants and the company's low staff renewal. Another advantage is Semcon's many offices, which usually mean Semcon's consultants are close to the customer.

LIMITED SENSITIVITY TO ECONOMIC FLUCTUATIONS

Semcon's customers represent a broad range of different industries. This has many advantages. Semcon is not so sensitive to economic fluctuations, and Semcon's consultants can bring experience from other industries to a new situation.

PARTNERSHIP

A clear trend is that most industrial companies are focussing more closely on their core operations and outsourcing work to a few, large, partners. This is where Semcon has a head start.

All of Semcon's companies are certified as Active Preferred Suppliers to Ericsson and they also have partnership agreements with Volvo Cars. More assignments were generated via general agreements signed by the Group during the year. These agreements contribute towards creating long-term, strategic relationships. Through fusion, acquisitions, deregulation and increased competition many of Semcon's customers have become increasingly global. To extend this, customers are seeking out global partners. Semcon, too, has taken the first steps towards globalisation and further prioritising will be carried out during the coming years to follow customers overseas.

BRAND NAME

For a business-to-business company, Semcon's name is unusually well known to the Swedish people. This is mainly due to successful marketing and sponsoring campaigns. The company's strong brand name makes recruitment a lot easier and also makes it easier to be accepted into the customer's organisation. This means a lot for the staff's pride in working for the company.

The strength of the brand name is confirmed in the latest follow-up survey carried out by ANROP for Ny Teknik. The survey shows that knowledge about Semcon has increased to 64% over the last six months, compared with 43% for the same period the previous year.

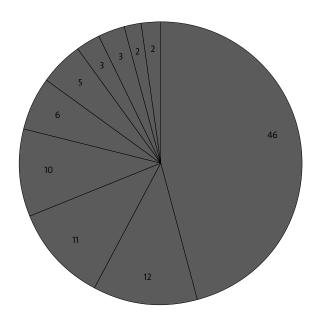
SPONSORSHIP ACTIVITIES

Sponsorship is a way for Semcon to create the right kind of image for the company. In larger sponsoring activities it is important that the company's technical competence is profiled. This was the case with the Whitbread/Volvo Round the World Race, probably the most prestigious yachting tournament in the world. The Semcon-developed boat, EF Language, won the competition in 1998 and earned worldwide attention. This event has inspired Semcon to invest more in sponsorship.

In 1999, Semcon has been involved in preparing for Göran Kropp's and Ola Skinnarmos' North Pole expedition due in Spring 2000. Semcon is the main sponsor and is responsible for the technical equipment used in the expedition.

SEMCON'S LARGEST CUSTOMERS 1999 GROUPS

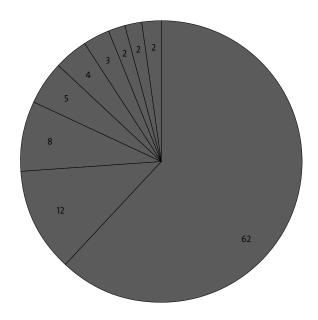
0.00.0	
Ford	12%
Ericsson	11%
Saab	10%
Volvo	6%
SWIT Professional training	5%
ABB	3%
Adtranz	3%
Regional Employment Board, Sthlm	2%
AstraZeneca	2%
Others	46%



SEMCON'S LARGEST CUSTOMERS 1999

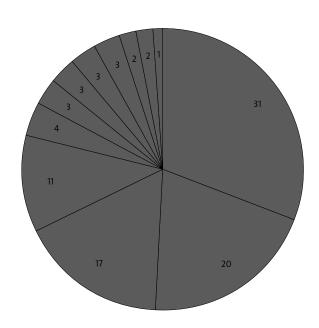
CO	M	PΑ	N	IES

Volvo Cars AB	12%
Saab Automobile AB	8%
SWIT Professional training	5%
Ericsson Components AB	4%
Volvo Trucks AB	3%
Ericsson Radio Systems AB	2%
Adtranz Sweden AB	2%
Regional Employment Board, Sthlm	2%
Others	62%



SALES PER INDUSTRY 1999

Transport	31%
Telecommunication & electronics	20%
Training & authorities	17%
Workshop	11%
Pharmaceuticals & medicine	4%
Others	3%
Subcontractors	3%
Energy and electric power	3%
Consumables	3%
Petro-chemicals & chemicals	2%
Wood pulp & paper	2%
Defence	1%



MARKET ACTIVITIES

Since its start 20 years ago, Semcon has invested heavily in market communication. Apart from sponsorship, Semcon also works with advertising campaigns in trade journals, business press, daily press, Semcon customer internal newspapers and on Semcon's website.

During the spring Semcon carried out an extensive outdoor campaign where the aim was to recruit more staff. On the website the readers could follow the same campaign and study in more depth which jobs were being offered and obtain in-formation about Semcon's operations.

The campaign received great attention and 32% of those asked had seen it.

To be able to reach more specialist target groups Semcon has taken part in a seminar and at trade fairs. The company also took part in the Scanautomatic Trade Fair in Göteborg in November. This is where Semcon presented a project within "More effective production development". A group of staff with varying degrees of competence have built up an automated "Semcon world" over the year. The response was very positive. The "Semcon world" had a high visitor rate and the project was also received very well in the press. Semcon will increase investment in advertising and PR in future.

WORKING PRACTICES AND METHODS

Semcon works increasingly in systematising experience gained from projects to develop them to become finalised working practices. One example of this is SMASH®, (Swedish acronym for Semcon's method for controlling the whole picture in projects). This method takes projects to completion in time with the right levels of quality and cost. Semcon's project leaders are trained and certified in these methods.

Semcon is a decentralised organisation. This allows Semcon to maintain a small business identity, while allowing them to make use of a large Group's resources. To always be near the customer we have a wide spread of offices at about 20 locations around Sweden. There are also offices in Copenhagen and Oslo.

Proof of Semcon's focus on quality is the 150 9001 certification.

IT SUPPORT

All Semcon's offices are linked in a network for more effective communication. Staff can always keep themselves updated with the latest news via Semcon's intranet. Semcon has also developed TimeIT, a net based system for time reports. TimeIT is also connected to databases and business systems.

The integrated system allows Semcon to have a lot of information about the customer. This facilitates resource planning and builds deeper long-term relationships with the customer.

SEMCON AND ENVIRONMENTAL WORK

Semcon was the first services company in Sweden and one of the first globally to be awarded the ISO 14001 international environmental standards certificate.

Semcon is also on the elite list of the prestigious Swedish Environmental Fund.

Environmental work is one of the most important contemporary issues, both for the community at large and for trade and industry. Semcon works to influence customers with a view for long-term, lasting solutions in products and product development projects.

All staff at Semcon complement their technical competence with knowledge of environmentally-adapted production development and eco-cycle awareness when choosing materials.

VIEWS ON SEMCON,

EXTRACTS OF CUSTOMER SURVEYS:

Greatest strength lies in the combination of IT and product know-how

Aggressive/very committed/hungry

Achieve their goals / strong desire to attain results

Easy to deal with / excellent atmosphere / good dialogue

The ability to operate everything in project form



Wireless Application Protocol, wap, is an open global standard for mobile telecommunications. wapmakes it possible to furnish information and services from intranet and Internet on a wap telephone. New wapapplications are being developed globally. The flexibility allows a number of potential uses, such as adverts, e-commerce, banking and financial services. wap plays an ever increasing part in improving business processes and customer relations in complete business solutions.

Semcon started developing its own wap application in 1999. Within the near future business information and e-mail will be accessable from a wap telephone. At Semcon, time reporting can be simplified for employees by adding wap technology to the company's TimeIT reporting system. The developement of wap applications has only just begun. Semcon sees exciting development ahead.

Transformation and expansion

Swedish industrial production was relatively weak in the first half of 1999. However in the second half of the year orders forged ahead. According to statistics from the Trade Conditions Institute's GDP prognosis, this trend is likely to continue for the foreseeable future. Swedish GDP is expected to increase by 3.5% this year and 4% next year.

Major Swedish companies have gone through a wave of global mergers during the year. For the consultancy industry this has meant that large global customers want to work with larger, but fewer, consultancy partners. In parallel to this a strong future adaptation is underway in the industry with new possibilities for holistic solutions and international expansion. The changes in the market are driven to a great extent by de-

The changes in the market are driven to a great extent by development of new technology which allows for new products. Technical complexity is increasing, which in turn increases the need for more advanced technical competence. Client companies are focussing more sharply on core operations. They are investing in more innovations and concept development and are sub-contracting the work. This presents great opportunities for development consultancy companies.

Product renewal and technical progress is the most important source of long-term financial growth, and this is where Swedish companies are leading the way. Research and development, training and IT systems are top priority investment areas. In a study commissioned by Semcon and carried out by SIFO during December 1999, it was found that more than 60% of Sweden's leading industrial companies foresee increased investments within product development. The greater majority of the increased investment is expected to be within IT related product and systems development. Mechanical development and design are other areas for investment that are expected to substantially expand.

Competence has become an ever more important means of competition. To retain staff and help them follow market development, competence must be continually developed. The investment trend is very clear among Sweden's leading industrial companies. According to SIFO, three quarters of all companies are to invest further in competence development in the coming years. Apart from general competence development, the prognosis is that customer adaptability, leadership and IT training will be what the market will demand in the future.

MARKET DEVELOPMENT

Technology and the IT markets have been characterised by robust growth over the latter part of the 1990's. The average sales growth has been 35% since 1992 according to Alfred Berg's Sector Report of 1999. The positive trend is expected to continue over the next few years. In 1998 administra-tive IT services expanded, while 1999 saw an upturn for industrial IT services. This shift has favoured IT consultancy companies with sound competence within systems integration, which allows them to gather together new technology with existing systems.

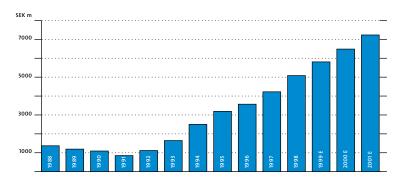
Within IT services, customers are demanding ever greater competence, which means programming, systems integration, organisation and management know-how. A somewhat less demanding area is within web design and management consulting which is where the more traditional IT consultancy companies have grown. These barriers have however been bridged to a great extent over the year.

According to Alfred Berg continued annual growth of 15-20% can be expected within industrial IT.

Norway and Denmark have experience a stagnant period, while Finland and Sweden have followed international developments and had significant growth. The Norwegian and Danish consultancy markets are expected to change over the next few years. International development is similar to that of Sweden's – the industry is becoming more global, companies are growing larger and becoming full-service companies. In Europe, Holland and France are notable as countries with a good economies and well-developed consultancy industries. Globally, the us is the most important market and it has a strong economy.

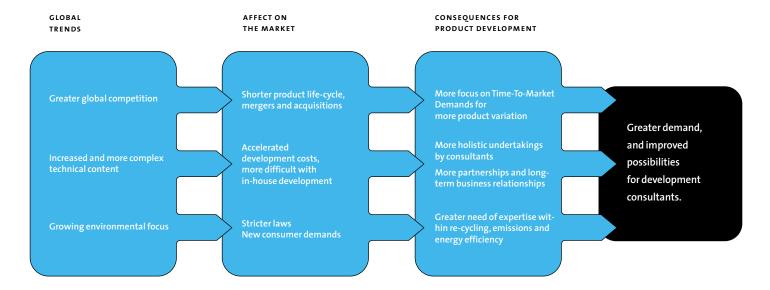
The main international growth sectors are telecoms and infrastructure.

SALES FOR INDUSTRIAL CONSULTANTS, SWEDEN



Source: The Swedish Federation of Architects and Consulting Engineers, Alfred Berg

DRIVING FORCES FOR GROWTH



GROWTH WITHIN THE CONSULTANCY MARKET

Semcon's belief is that the consultancy market will continue to show increased growth. The main factors for growth at Semcon can be summarized according to the above.

Other general driving forces for growth over the next few years are:

- Stiffening global competition and shorter product life-cycles forcing the industry to invest more in the way of design and product development
- -The market for training is expanding. More attention is being paid to the ability to take care of and develop intellectual capital. Tailored and Interactive training therefore have great potential.
- A concentration on core activities allows for great potential within outsourcing and partnership agreements.
- Greater demand for design skills.
- Increased demand for industrial IT services.
- Continuing low interest rate levels create a positive climate for investment.
- Sweden's relatively good position within many of Semcon's areas of activity, giving a good starting-point for international expansion.

CONSULTANCY MARKET

The consultancy market is especially fragmented and variable. The classification mapped out on the right is a way of segmenting the industry:

Technical consultants within the industry: have competence mainly within product development, systems solutions, electronics as well as processes and automation. Players in this field are Semcon, Sigma, &F and Prevas.

IT consultants: concentrating mainly on systems integration and applications development. Activities introduction between administrative and industrial IT can be made. Within administrative IT we find players such as IFS, IBS, TietoEnator and to a certain extent WM-data and Sigma. Within industrial IT we find players such as Semcon, Sigma, Mandator, Frontec and Guide (Framfab).

Web agencies: mainly competence within interactive communication and marketing. The players here are Framfab, Icon Medialab and Spray.

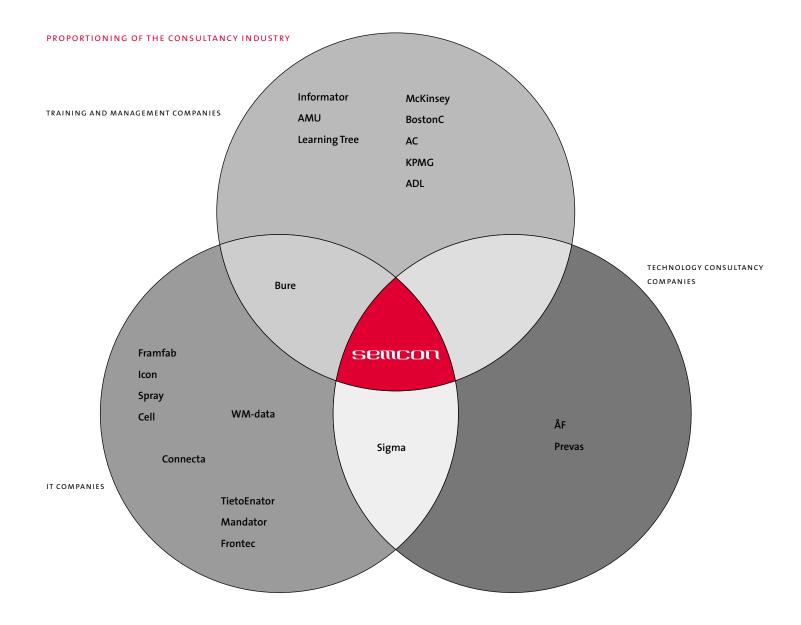
Management consultants: concentrating mainly on strategy, project management and organisation. Players here are Arthur D Little, McKinsey and Andersen Consulting.

Training consultants: often concentrating in specialist fields such as IT, technology or multimedia. Players here are Learning Tree, Bure, Informator, AMU and Semcon.

SEMCON'S POSITION

Semcon has a good range of competence and finds itself at the point of intersection between many of the related consultancy industries. This range corresponds very well with the increasing wishes of customers to have fewer large consultancy partners that can take an overall grasp of the development process. The range also gives competence synergies

because the problem to be solved is often rarely seen as a unique occurrence. A holistic view-point is required where many departments and areas of competence must cooperate to produce results. This is where Semcon's ability within technology, IT, management and training fit in well.



Semcon's understanding of development

Semcon has the unique possibility to take overall responsibility for its customer's development project, through the development of products, processes and people. The customer receives support throughout the whole project, from a study of requirements to the finished product or IT solution.

Sem-con's overall commitment is illustrated in the model to the right. The four business areas co-operate through the different stages of the development process.

SEMCON TECHNOLOGY MANAGEMENT

Semcon Technology Management has the leading-edge competence required at an early stage to support the customer in strategic decisions relating to product development. This can include planning the product portfolio, or how the customer should structure development activities in the long term. In the implementation phase, in-house developed project methods are used that provide the overall grip from start to finish.

SEMCON e-DESIGN

Within many product areas a gradual changeover is taking place from mechanical based systems to systems built around it and advanced electronics. Demand for technical knowhow within embedded systems and industrial it is therefore growing significantly.

This is where Semcon can combine its extensive knowledge of product development with cutting edge know-how within IT. A few examples of areas of competence within Semcon e-Design are: Labview, Bluetooth, wap-applications, interactive web functions, database design, multimedia, program modules, systemising and technical software development. Within e-Design there is also great know-how within interactive technology information, where Semcon is already leading the way in the Nordic countries.

IT based tools such as CAD and PDM are also sold for more effective product development.

SEMCON INDUSTRIAL DESIGN

Industrial design forms the framework of Semcon's product development know-how. This is where the classic competence lies within construction, calculus, prototype development, testing and production development. A new large investment area is design, which has become an ever more important part of the development process. By integrating design know-how with other technical disciplines, a holistic view is obtained which other design development companies cannot offer. Design assignments are often a starting point for projects that can call on all of Semcon's areas of competence and for which Semcon takes overall responsibility.

SEMCON COMPETENCE DEVELOPMENT

Semcon is one of very few consulting companies that passes on its competence to customer organisations. Training is often tied in with overall development and change processes managed by Semcon's other business areas. Because the tutors rotate the sessions with consultancy assignments, training has strong ties with reality.

The main training areas are IT, technology, development and operations development. Many of the courses lead to inter-national certificates. The level is normally adapted for engineers and IT specialists.

REQUIREMENTS STUDY

Whether it is a new product or an IT solution, the development process always starts with a requirements study. The assignment is made tangible through the formulation of targets and project plans. The primary objective is to formulate a requirements specification that unites the needs of the user with the technical and budget limitations.

IDEAS AND INNOVATION

Following the requirements study a large number of potential solutions are generated, normally by using a special creativity method. In this phase we create new solutions through cross-fertilizing competencies from many different disciplines.

NEW PRODUCT TOURISTENCE TOURISTON NEW PRODUCT TEST AND PROTOTYP

DESIGN

Industrial design is becoming an increasingly important means of competition for product development companies. The design work is all about linking together market needs with technology and ergonomics, to give the product an identity and bring out its qualities. Semcon's distinguishing feature is that its design department is an integrated part of the overall operation and is always close to technical specialists from other areas.

Within design Semcon also uses visualisation through animation and simulation.

CONSTRUCTION

In the construction phase Semcon establishes the product's technical qualities in detail. This often means a comprehensive collaboration between different technical disciplines. A central problem is often how to create a strong platform concept from which a broad variety can be developed. Examples of Semcon's competencies within construction are: durability estimates, analytical technology, automation, electrical energy, electrical environments and systems technology.

PRODUCTION DEVELOPMENT

Finally, new products must be introduced into production. Product development and production development are becoming increasingly integrated, which suits Semcon's holistic based methods.

Semcon has competence within both single-piece and process manufacturing. Examples of these are: automation, robotics and process optimisation.

TEST/PROTOTYP

Computer simulations are performed at different stages of the development project. Virtual tests can check more quickly how different user conditions affect strength and lifespan. In this way many months of work can be cut from the total development process. In the development work's latter stages, however, verified testing is still required and traditional prototypes are manufactured.

A few examples of other competencies in this field are: crash analysis and benchmarking with competitor products.

Semcon Technology Management

Semcon Technology Management has based its rapid expansion within strategy advice and change processes on a unique understanding of technology and processes in the underlying operations. Exploiting the company's internal competence network, Semcon Technology Management leads renewal projects that cover strategies, processes, information, people and technology. A relatively comprehensive shift from hourbased pricing to value-based pricing occurred during the year, which boosted profits and increased value for customers. Semcon Technology Management now has offices in four cities Stockholm, Göteborg, Helsingborg and Malmö.

THE YEAR IN SUMMARY

Semcon Technology Management performed very well during the year. The year started with intensive recruitment. The number of people employed at the company has doubled since 1998 and was up to 46 in December 1999. The positive development was due to holistic commitments, where projects are carried out together with the other business areas. The spring saw a series of company mergers, which caused a certain amount of insecurity among customers. During the autumn, however, demand for management consultancy services gathered pace, partly due to managing integration problems following mergers.

The framework agreement that other business areas had signed also benefited Semcon Technology Management. The company signed an agreement with KreaConsult of Denmark concerning a creative tool used mainly in product development processing.

Assignments have become more comprehensive in character. This has increased the need to work in larger teams, which in turn creates better development possibilities for consultants. Many of the consultants have held management positions. This means that Semcon Technology Management can together with the rest of Semcon offer the customer a unique network.

1999 saw the acquisition of Garnbratt Consulting AB by Semcon, a specialist company within technical cleanliness. The company has developed the G-method™ (the Garnbratt method) which is the foundation of the Swedish cleanliness standard SS2687 (cleanliness within systems). Cleanliness is

today one of the decisive construction criteria for achieving the lifecycle aimed at for guidance systems, transmission systems, hydraulics systems and engines. The purchase meant that Bosch USA has become a new strategic customer for Semcon Technology Management.

COMPETITORS

Management consulting is an area distinguished by both international and local competition. Andersen Consulting, an international company with 500 staff in Sweden, is a major competitor along with McKinsey and Arthur D Little.

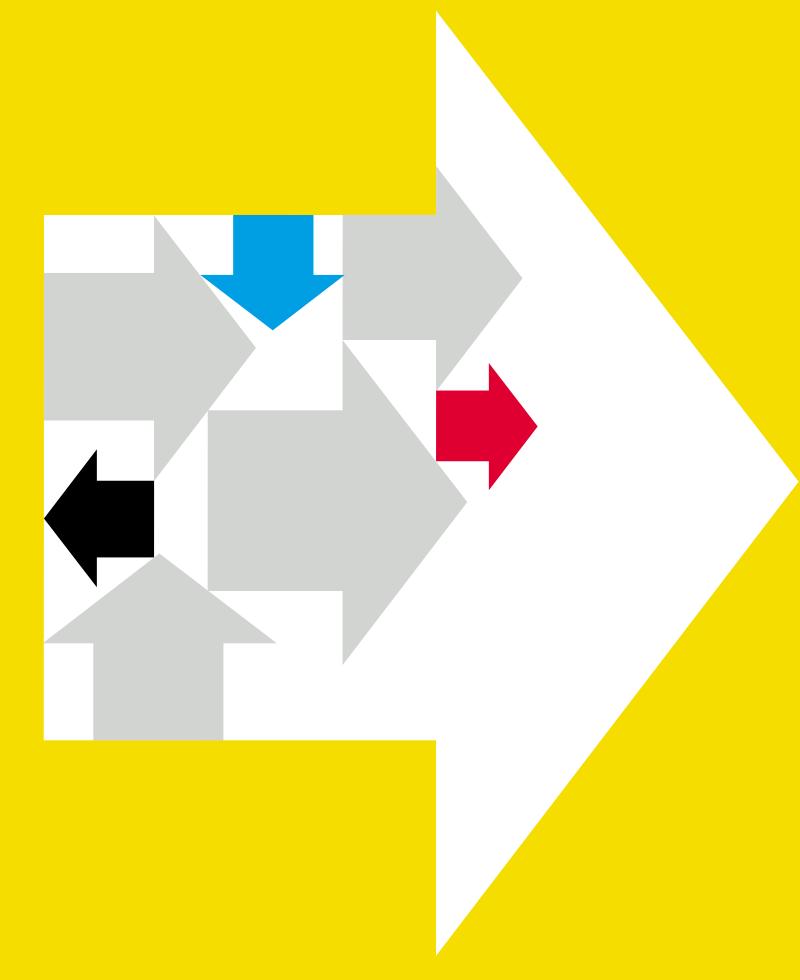
FUTURE

Semcon Technology Management foresees continued strong growth in 2000. Industry is being driven by factors such as globalisation, major business changes, deregulation and privatisation, company mergers and an advanced position within IT. By working with strategic questions at the highest management levels, possibilities are created for holistic commitment, where the whole of Semcon's experience comes into play. The focus still remains in product development processes and efficiency projects for development-intensive companies. Change-intensive industries such as telecoms and the motor industry are important customer groups for Semcon Technology Management. Internationalisation is imminent and the company will open new offices overseas. New staff will be recruited, mainly in the Öresund region.

The project management and leadership areas performed very strongly in 1999. To make possible an even more focussed expansion this sector will break away in 2000 and form its own company. Semcon's competence within project management will then gain a clearer profile.

LARGER CUSTOMERS

Semcon Technology Management has mainly the same customers as the rest of Semcon. New customers this year include: Mitsubishi Electric Automotive Europe, Volvo Aero, Victor Hasselblad, Ericsson Hewlit Packard Telecommunications (EHPT), Micronic, Nalato Mobitec, Nolato Gejde and Poly Peptide of Denmark.



Semcon e-Design

Within the e-Design business area Semcon develops systems for information handling within two main areas: IT and electronics systems embedded within other products, and IT systems for handling information around a product, during the development phase and during the user phase. Demand for embedded systems is increasing rapidly. Within many product areas a gradual transfer is taking place from mechanically based systems to systems based upon IT and advanced electronics. Semcon can combine its basic know-how within product development with pioneering know-how within new IT areas. This has also led to a strong position in the area compared with other IT consultants, which usually focus more on the administrative system. Examples of the competence area include Labyeiw and Bluetooth.

Semcon e-design also has great know-how within interactive technology information, where the company is a leader in the Nordic countries. IT-based tools such as CAD and PDM products are sold for effective product development.

THE YEAR IN SUMMARY

Semcon e-Design experienced strong growth in 1999. The outsourcing deal with Volvo Cars was one of the causes of the increase. As part of the deal Semcon took over Technical Ser-vice from Volvo Cars. It also took over most of the staff and some of the sub-contracted consultants. Semcon Informatic AB was set up and following the deal's completion it is responsible for the entire production of technology information for Volvo Cars. Semcon is also working with the development of the underlying IT systems. The deal has meant the emergence of a new business logic whereby Semcon sells a complete concept rather than man hours.

Technology information progressed very positively and Informatic exceeded expectations on volume as well as profitability. The new staff have been incorporated and developed well in Semcon's organisation.

Semcon has continued its aggressive investment within medical technology and have signed a general agreement with Astra Arcus as well as with AstraZeneca Pharmaceutical Production (AstraZeneca PPSS). The agreement means that

Semcon is involved in a series of different development projects. Astra Arcus has signed long-term support agreements with several clinics around the world for the further development of journal handling systems. Semcon's agreement with AstraZeneca PPSS is primarily concerned with consultancy services in Technology Information and IT, however, Semcon has also carried out tests and verifications as well as electricity and automation assignments for installations. Semcon has also being allowed to develop working processes and act as adviser in quality control.

The demand for electronics services has increased drastically over the period. This has meant many new electronics de partments being created, mainly in the Stockholm region but also in the Öresund region.

Semcon has been chosen to be the Active Preferred Supplier to Ericsson in western Sweden, something that will support the business area for a long time to come. The agreement will be the basis for a more developed and long-term co-operation within several different projects, mainly focussing on IT and electronics. The Ericsson Group postponed a number of development projects during the spring, meaning lower coverage for IT services. This trend however swung around towards the end of the year.

A nationwide three-year basic agreement has been signed with the National Road Administration. The agreement primarily means services within IT such as systems development, operational production, systems design, method support as well as management-oriented services. Semcon has also signed an agreement with the international growth company, ZoomON. The agreement means that Semcon, using ZoomON's revolutionary java-based technology, can further increase user friendliness and effectiveness of the system for Product Data Management (PDM). ZoomON, which develops Internet solutions for communication of vector-based information, received Sweden's "e-challenge award" as the most promising IT company.

Semcon's sales development for hardware and software has been favourable over the year.

COMPETITORS

The main competitors for e-Design are Sigma, Frontec, wmdata, Enea Date, Framfab/Guide, Cap Gemini and Tieto Enator.

FUTURE

Parts of the activities will concentrate around competence villages, with specialist competence in WAP, Labview and Bluetooth. By gathering know-how areas in such a way better opportunities are created for developing unique cuttingedge competence.

Following its expansion in 1999, Semcon e-Design is the largest company in Sweden within technology information. The company will make the most of its dominance, and with the help of new technology, mainly web based solutions, secure its lead in this area.

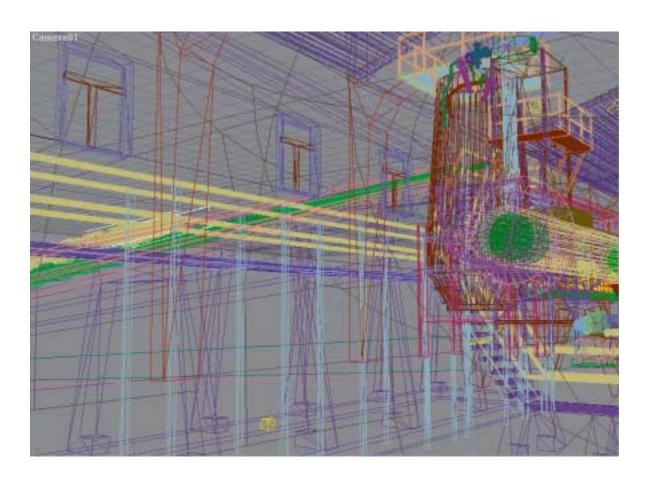
The vision to be world-leading within interactive technology information is within reach. New opportunities for internationalisation are opening up through contacts with customers. Strategic acquisitions within the area can be a reality.

Within other IT services, Semcon will clearly profile itself with telecoms companies such as Ericsson, Nokia and Telia. February 2000 will see the establishing of a new office in Malmö for IT and electronics services.

Semcon's in-house developed TimeIT product is a system for assignment handling and time reporting, which in the future will branch out as a separate company.

BIGGER CUSTOMERS

Semcon e-Design's biggest customers are in the fields of telecoms, with Ericsson and Telia at the forefront, in the auto industry with Volvo and Saab, and in the packaging industry with Tetra Pak. The business area also has a number of customers in medical technology and pharmaceuticals. Among these are AstraZeneca, Siemens-Elema and AGA Cryo.



Semcon Industrial Design

The framework for Semcon's product development know-how lies within the Industrial Design business area. The main activity is development and design of products and production systems as well as machine and plant construction. A new large investment area is design and development, which has become an ever more important part of the development process. By integrating design know-how with other technical disciplines an overall view is obtained which other design companies cannot offer.

THE YEAR IN SUMMARY

In 1999 Semcon's biggest ever project reached a very successful completion. The development of Volvo's V70 model saw Semcon heavily involved for a number of years. This project had an average of 70 Semcon consultants involved in development. At certain times during the project up to 130 consultants worked on it simultaneously. Semcon has had a great deal of responsibility for the interior design and profile of the car. The acquisition of the consultancy company, Extern Engineering AB, is an important step in Semcon's growth strategy. The sale allowed Semcon to strengthen its position as a supplier of total solutions within vehicle development. The investment also broadened the customer portfolio to include international systems suppliers to the auto industry. The new company provided Semcon with 35 staff and deepens Semcon's specialisation within model and prototype development, interior design and competition analysis (benchmarking). Over the year major investments have been carried out in the newly established activities in Oslo and within design activities in Göteborg. Increased investment has also characterised activities in Norrland, which helped to turn around the region's negative trend mainly within the pulp and paper industry. Many important letters of intent have been signed during the year. Akzo Nobel Surface Chemistry in Stenungsund has outsourced activities in its maintenance activities. Semcon is one

Semcon Analysis & Test Center (ATC) signed a letter of intent with Polimoon Automotive Development Center concerning the securing of co-operation over the long term. The agreement is an important part of Semcon's work aimed at being a supplier of total solutions to the auto industry and represents a good complement to the acquisition of Extern Engineering. Semcon ATC reversed the negative trend of 1998 and is now showing positive sales figures. Offshore Design AS of Oslo appointed Semcon as its partner and enquiries have also been coming in from other off shore companies. Semcon Industrial Design has signed a national framework agreement

of the suppliers and the deal resulted in a long-term agree-

ment concerning consultancy services.

with Birka Kraft of Sweden which includes all of Semcon's areas of competence.

One of the objectives is continued growth within medical technology and pharmaceuticals. The signed framework agreement with AstraZeneca is a good example of this. The assignment mainly refers to requirements within electricial technology and automation.

A co-operative agreement was also signed with Parametric Technology Corporation to strengthen competence within Pro/Engineer and offer the customers training and user support. The start of 1999 saw a period of insecurity among customers of Semcon Industrial Design, following many mergers carried out on the market. This led to delays in a number of projects, but orders gathered pace again and things are looking much brighter for 2000.

COMPETITORS

Competitors that can be compared most relevantly to Semcon are Sigma as well as wm data with Caran/Knight. Others are Frontec, Tieto Enator and Åf Industriteknik.

FUTURE

Design will be one of the big areas of investment in 2000, in all areas. Our customers' success on the market will be more dependent upon the success of their design solutions. To succeed with design assignments it is important to have a total perspective for the product, and this is where Semcon has a unique competitive edge by being able to control areas such as construction, production, environment and IT. Semcon Industrial Design invests significantly both in work tools and recruiting to be able to offer expertise within design of products and HMI (human machine interfaces). A large proportion of future work also lies in developing interfaces between automation and IT. Semcon's customers have high expectations and demands for security and accessibility. They lay great emphasis on being able to interconnect control systems for production and processes with business systems. Semcon combines the automation engineer's valuable steering and regulation know-how with modern iт technology. Demand exists within industries such as telecoms, pharmaceuticals, processing industry, energy, paper and pulp.

BIGGER CUSTOMERS

Semcon's Industrial Design business area has a number of Sweden's largest industrial companies as clients. Among them are ABB, Adtranz, Ericsson, Saab, Scania, Siemens Elema, Volvo and Mölnlycke.



Pha Seal protects hospitals and pharmacist staff when dealing with cytotoxins. An adapter is placed on medicine bottles, then the needle of the syringe perforates a membrane in the adapter. When the syringe is full of medicine the adapter takes care of and returns the poisonous gases that would otherwise leak out. Carmel Pharma has given Semcon the task of constructing a number of components of Pha Seal.

Semcon Competence Development

Semcon Competence Development is one of Sweden's largest training companies with ten years' experience of carrying out training for industry and the public sector. Semcon Competence Development has offices at over a dozen sites around the country and performs training at around 40 sites. There is also an office in Denmark. Training is concentrated to three activity areas: IT, technical development and activity development. Up to 1700 participants daily take part in some of Semcon's training courses which encompass everything from one-day courses to extensive occupational training lasting a year with both basic and specialist proficiency. A number of the training courses lead to internationally recognised certificates, such as Microsoft Certified System Engineer (MCSE), Certified Novell Engineer (CNE) and Certified Internet Webmaster (ciw), concentrating on Internet, development, safety and e-commerce.

Semcon Competence Development is an integrated part of Semcon's total operations. This represents one of the foundation stones in its strength. It is close to the competence needed. Tutors are themselves often consultants at Semcon, working as IT specialists or engineers.

Semcon has its roots deep within industry and every customer buying consultancy services is also a potential customer for Semcon Competence Development.

THE YEAR IN SUMMARY

Sales for Semcon Competence Development expanded quickly over the year with continued strong volume increases. This enabled the company to carry out investment in new offices and concept development. As part of its market development Semcon has invested heavily in a new form of web-based training, e-learning, and the company is operating pilot projects together with universities and colleges.

During the year Semcon Competence Development was chosen by Saab Automobile as the main supplier of IT training. The agreement will mean training for at least 1 200 participants.

New offices were established during the year at Kristianstad, Copenhagen, Sundsvall, Trollhättan and Visby. The infrastructure is extensive, with offices from Umeå in the north to Copenhagen in the south.

In the first nine months of the year demand for Semcon Competence Development's training was very good. In September however the county labour boards decided against starting any new training courses. The decision affected activities at Semcon Competence Development somewhat due to the

high level of dependence on this customer. There is however access through Semcon's other consultancy activities to a comprehensive contact network with leading industrial companies. Following the county labour boards' decision, Semcon intensified the investment for that customer group to lessen the sensitivity for political decisions. Sales have now recovered.

COMPETITORS

The competition on the training market is fragmented. The industry can be categorised into areas such as IT, technology, quality and leadership. There are a number of well-established competitors such as Learning tree, Informator, wm-data Education, Bure and AMU, which has carried out a large restructuring programme and is now called Learnia. A number of smaller competitors have disappeared over the year because of the county labour boards' reductions.

FUTURE

The training market has expanded strongly during the last few years. The demand for competence development is on the increase due to industry in general shifting focus from manufacturing to development. According to a SIFO SURVEY (read more in the section about Semcon's market) more than three out of four industrial companies will be increasing their investment within competence development in the coming years. Semcon's Competence Development will be the first choice for companies wanting to train their staff. Big changes are occurring in the way of purchasing training. Of those who have undergone training via the Job Centre, three-quarters must now be guaranteed work. To be able to meet the requirements, better selection criteria are required for students. Semcon's selection criteria have therefore been changed to become more like those used when taking on staff.

Semcon Competence Development is investing in developing its range within all areas of product development. Training is needed that is more targeted towards specific professional roles. The students that for example read the C++ programming language will not only receive programming competence but also a professional profile. Other elements such as project methodology and leadership will therefore be introduced in certain training programmes. Interactive training and e-learning will complete the tutored courses.

In 2000 a new department will be opened in Västerås. Semcon Competence Development will also develop and increase the partnerships that the company has today.



Stability and development over the



THE BOARD OF DIRECTORS:

SONNY LINDQUIST

Born 1940. Chairman of the Board since 1997. Chairman of the Board of Zeteco AB (publ) and Polymer Kompositer AB (publ). A director of PartnerTech AB (publ) Shareholding: 160 823 shares

GÖRAN LUNDBERG

Born 1940. A director since 1997.

Partner and director of Industrial Development and Investment AB. Chairman of TAC AB, Emtunga International AB and U:son marin AB, vice chairman of the Board of Studsvik AB and Board member of Biosensor Applications AB.

Shareholding: 101177 shares¹⁾

CARL-ÅKE JANSSON

Born 1943. A director since 1987. Managing Director of Lindås Invest AB. Chairman of Precision Products Ltd. and P.E.S Ltd., both in Chesterfield, UK.
Shareholding: 100 000 shares¹⁾

HANS JOHANSSON

Born 1955. Chief Executive and Managing Director of Semcon AB. At Semcon since 1983. Shareholding: 450 000 shares ⁹ plus 3 600 warrants.

Staff representatives

MIKAELISBERG

Born 1953. Consultant electrical /electronics. At Semcon since 1989. Shareholding: 900 shares¹¹ plus 1 000 warrants.

PER-YNGVE NYGREN

Born 1966. Consultant in Semcon Technology Management. At Semcon since 1995. Shareholding: 600 shares¹⁾

SENIOR MANAGEMENT:

HANS JOHANSSON

Born 1955. Chief Executive and Managing Director of Semcon AB. At Semcon since 1983. Shareholding: 450 000 shares 10 plus 3 600 warrants

KNUT SIMONSSON

Born 1957. Deputy Managing Director of Semcon AB. At Semcon since 1999. Shareholding: 3,000 shares¹⁾

BENGT NILSSON

Born 1957. Chief Finance Officer of Semcon AB. At Semcon since 1992. Shareholding: 126,000 shares plus 2,900 warrants.

CAROLINE KRENSLER

Born 1967. Business development, Semcon AB. Temporary MD Education AB At Semcon since 1995. Shareholding: 6 500 shares¹⁾ plus 1 000 warrants.

BO AXELSSON

Born 1961. MD Semcon Engineering West AB. At Semcon since 1998. Shareholding: 35 800 shares¹⁾

CATHARINA SJÖGREN

Born 1967. MD Semcon Industrial Management AB. At Semcon since 1992. Shareholding: 10 800 shares⁹ plus 4 200 warrants.

MATS LINDELÖF

Born 1958. MD Semcon Engineering East AB. At Semcon since 1990. Shareholding: 40 000 shares¹⁾

LARS-INGE SJÖQUIST

Born 1958. MD Semcon Data AB. At Semcon since 1995. Shareholding: 68800 shares¹⁾ plus 4 200 warrants.

including holdings by relatives



AUDITORS:

GÖRAN EKSTRÖM

Born 1943. Authorized Public Accountant Ernst & Young AB.

BJÖRN GRUNDVALL

Born 1955. Authorized Public Accountant Ernst & Young AB.

long term



LARS-INGE SJÖQVIST

For Board remuneration and other payments to the Board and Managing Director, see Note 3.

MATS LINDELÖF

"Our competence, breadth and size makes the company well equipped to take the next step."

HANS JOHANSSON, MD

READ MORE ON PAGE



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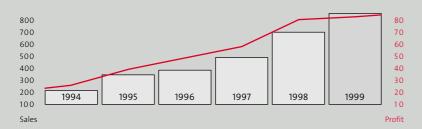
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Semcon is one of Scandinavia's leading development and competence firms. Together with its customers, Semcon develops products, IT solutions and human resources. As partners, we supply the human and technical skills that make our customers more profitable.

Semcon's sales in 1999 totalled SEK 863.5 million. The company has over 1,300 employees.

Sales and operating profit (SEK m)



AVERAGE SALES GROWTH 1995–99: 31%

