

Annual report 2005

From smoke signals to Triple Play.

The power of communication.

semcon



Mankind has been driven by a will to communicate throughout history. At Semcon we are building our vision for the future on this most human desire. We believe in communication and we believe that we're only just seeing the start of globalisation. That more people fly between continents is a part of this dynamic. Modern trade plays an even greater part, with goods and services produced in global networks.

The links in this network include wireless technologies, mobile phones, cars, aircraft and ships. And a world constantly changing creates new challenges. More advanced technological systems need to work with one another and are being embedded to more products.

This is something that we saw early on and have been involved in designing. Over the past five years we have invested in two new, specialist offers – user friendly technical information and more efficient IT solutions for niche markets. This has been done to create much better profits for our customers and to be at the cutting edge of technology.

This means that today we can drive the development of future communication solutions with some of the world's leading companies. Hopefully we'll be able to make the world a little easier and more fun to live in, and give more people the opportunities of finding new ways of travelling and communicating.

You can find out more about how our specialists create added value for your company on the following pages.

Happy reading,
Hans Johansson, CEO Semcon.

We have the advantage of working with
some of the world's leading companies
every day.

Together we test limits, challenge old truths
and take successful products a step further
to meet tomorrow's competition.

We have done this in 151,500 projects since 1980.

Triple Play is the new technology that in principle means you can have a cinema in your mobile phone, surf the internet via your TV and make telephone calls using your computer. The internet, moving pictures and telephony all at the same time. It will be exciting to see how people use these options in future and what new behaviour it will create.



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Communication at 100 kph.

You go from a standing start to 100 kph in less than 10 seconds. You need a full view of the road, front, rear, to the sides and all the car's instruments. Meanwhile you need to be able to set the climate control and change CD, all without driving off the road. You'd really have to look hard to find simpler, clearer and user-friendlier communication technology.

We have been developing solutions that have honed processes and working methods in possibly the toughest arena – the auto industry – for 25 years. This is excellent experience to have when working on developing user-friendly base stations or comprehensible menus for mobile phones.



Under the bonnet of Volvo's 3CC concept car is an engine that accelerates from 0 to 100 kph in less than 10 seconds without emitting any exhaust fumes. An electric motor that allows future generations enjoy the feeling of freedom the car has so far been associated with.

Too many people just look at price pressure and the competition that globalisation brings. We also see the opportunities that new markets create.

Our new R&D Center in Budapest is a good example.

Hungary and Budapest are a shining example of when old meets new. A bridge between East and West. The country has succeeded in going from an Eastern Block country to an EU member state in just a few years. There is a sound engineering tradition in the country, healthy growth, well-developed industry, good geographic locations and a lot of the population speak English. And as the people of Budapest like to point out: Hungary has the most Nobel Prize winners per capita of any country in the world. Full of opportunities then!



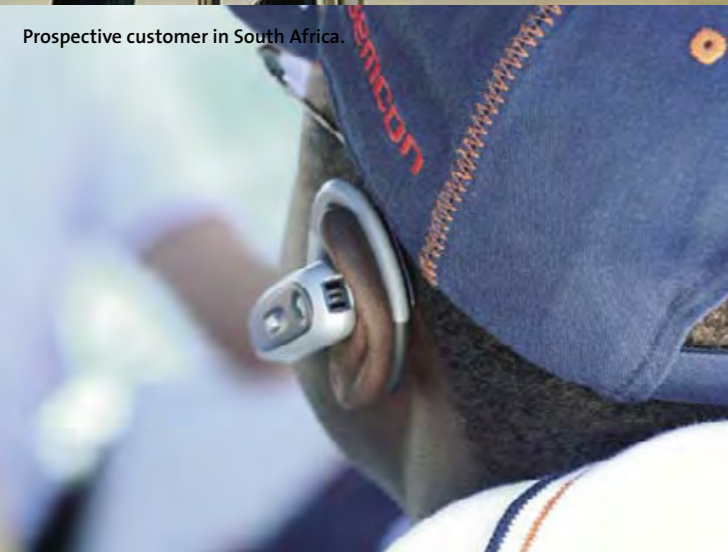
Propeller by Semcon in Stockholm.



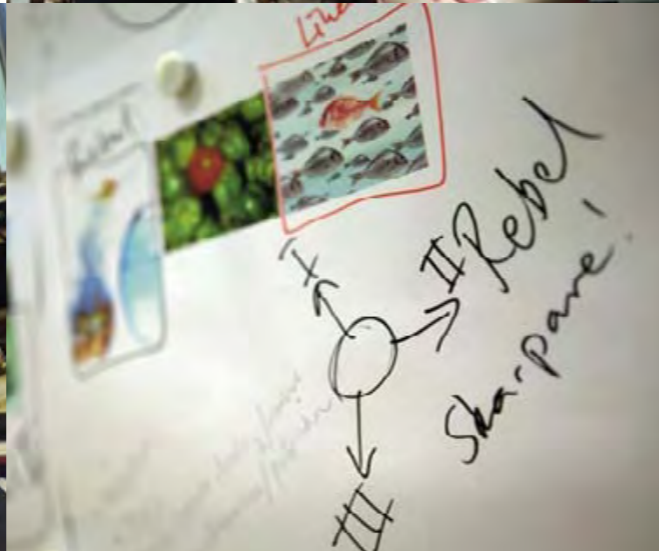
David Orth, calculation engineer at Semcon.



Outside Semcon in Kuala Lumpur.



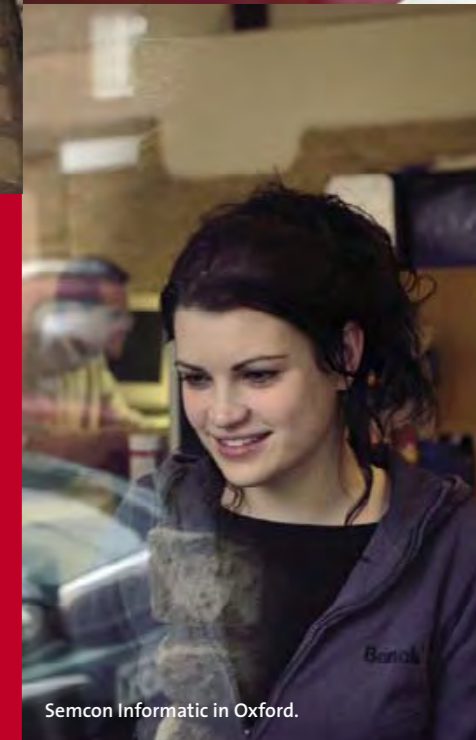
Sweden's happiest corporate communications manager?



Johan, the Zpiderman, on Pearl Bridge in Budapest.



Ericsson Racing Team communicating.



Semcon Informatic in Oxford.

1 Group, 14 countries and 1,672 energy sources.

We are 1,672 curious and energetic people. We are driven by a desire to create user-friendly technical information, effective IT solutions and design, construct and develop product concepts to sales successes.

We currently have sales of SEK 1.5 billion in three business areas. Informatic – user-friendly technical information, Zpider – specialist IT and Design & Development solutions – product development focusing on developing the customer's business.


We are driven by a desire to develop ideas, technical information, computer systems and products that give you, me and everybody else a better, simpler life. This stimulus means that we enjoy going to work every morning, regardless of whether it's in Kista or China.

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

To meet the challenges of the global market, many of our customers have built up international businesses, and we have chosen to follow them into the world and establish alongside them, but only if there is good potential on the local market where we intend setting up. We are therefore in 14 countries today, on three continents. Tomorrow it will be more.



Consultant with the world as his workplace.



Our philosophy:

**It's fun to do a really,
really good job.**

Wael Mrad, calculation consultant at Semcon. He is a devoted specialist in advanced airline calculations and here he is on site in South Africa with customers from the airline industry.



“A product is worthless
if nobody wants it
or doesn’t understand
how you use it.”

Lars-Inge Sjöquist, business area manager Informatic.

Informatic adds value to your products and brand, both before purchase and during the product’s lifetime. We make the product attractive and simple to use and understand via communication and information. Using clear, pedagogic information for service staff you also reduce installation, repair and maintenance costs.

Major customers include ABB, Cadillac, Ericsson, GM, Jaguar, Land Rover, Nissan, Rolls-Royce Marine, Saab Automobile, Sony Ericsson, VSM, AB Volvo and the Volvo Car Corporation.

Saab has jet planes in its genes. We provide the pilot training.

General Motors' core business is to develop vehicles that are attractive to customers. The company therefore decided to choose Semcon Informatic as its long-term strategic partner to streamline and develop products, services and spare part information for Saab. Our experience and effective documented business models for After Sales made General Motors Europe give Informatic full responsibility.

This makes us a strategically important partner for General Motors Europe and are part of GME/After Sales Engineering; an organisation responsible for all product information and aftermarket for all General Motors' brands in Europe: Saab Automobile, Opel, Vauxhall, Cadillac and Chevrolet. The agreement is a good example of how Semcon can take total responsibility for developing technical information and information systems.



Really good user information strengthens your brand. Technical development is so specialised and so high-tempo that the distance between technical developer and user constantly increases. For today's stressed and demanding users to be pleased with their purchase and get the most out of a product requires not only a top quality product. Information that accompanies the product must also meet the users' expectations. When this is achieved with quality and the power of insight the technical information helps strengthen the perception of a brand.

Saab AeroX – Saab's latest concept car with 400 bhp, a glass hardtop and BioPower, and all without any carbon dioxide emissions.

A close-up, high-resolution photograph of a newborn baby's face. The baby has light skin, dark eyes, and is looking slightly upwards and to the left. Its mouth is slightly open, and a hand is visible near the chin. The background is a soft, out-of-focus white fabric.

Newborn: Semcon in Beijing.

Setting up in Beijing in October 2005 was strategically important. We have seen increased demand from our telecom customers and the investment is part of our strategy of being close to our customers' development centres, where there is also a local market with the need for our services.

By being on site both in Sweden and internationally, including China, we become better at creating competitive concepts on a global market, together with our customers. As competition stiffens it's always good to have a partner who knows your products and business well.

It's these opportunities that will make our newborn business in China grow to become big and strong.

English 4x4 in 14 languages.

Our job is to ensure that
communication doesn't go off-road.



Tom Long,
Informatic England.

Strong brands deserve strong communication. Ford's Premier Automotive Group is a family of strong brands. Volvo is one of the family members that represents worldwide safety and quality, and Land Rover represents quality and four-wheel drive. Semcon is a partner to both these brands. Informatic in Oxford strengthens Land Rover's brand by creating top-class, user-friendly, digital communication for vehicle owners, workshops and service staff.



World news! Around the world on a mobile.

Ericsson is investing in the Volvo Ocean Race to develop its business. This is done by showing operators how they can create more revenue and increase traffic on their networks.

This makes interactive communication an important part of Ericsson's investment in the Volvo Ocean Race. The mobile phone site provides information about the project and news about the Ericsson yacht and its crew. It also shows how sailing and telecommunication are linked. This includes telling you how easy it is to download compact video reports onto your mobile phone. In brief, how you can get people interested in your brand.

Zooma by Semcon is responsible for everything from design and development of concepts to technical implementation, ongoing support and newsletters.

Semcon is the preferred design and development partner to the Ericsson Racing Team in the Volvo Ocean Race 2005–2006. This means that we can test tomorrow's IT and telecom solutions, new material and unconventional innovations under extreme conditions.

Zooma by Semcon is part of the Informatic business area and develops customers' concepts, productions and solutions where interactive media is a significant part of the perception of the brand and products. We have international assignments for companies such as ASSA ABLOY, Cardo, Ericsson, Pfizer, Salming Sports, SCA, SKF, Sony CEE, Turnils, Volvo Car Corporation and the VSM Group. Zooma increases the understanding of the products for end users, marketing companies, sales teams and service technicians using interactive marketing and communication.

Zooma helps to break in with security managers.

ASSA ABLOY Future Lab is an internet-based channel for the security market where the industry's future trends and requirements are discussed. The lab is mainly used to present ASSA ABLOY's new concepts when at the concept stage. Members of the lab move through a virtual presentation of a new lock concept and meanwhile submit their views by answering questions. Members' opinions are collected, analysed and then used as a part of the basis for developing the new concept. In this way future customers can contribute to further increasing customer benefits for ASSA ABLOY's product range.

Zooma by Semcon was responsible for the design and production of ASSA ABLOY Future Lab and also played an important part in the strategy and concept stage of the project.

Martin Egerström and Andreas Almér at Zooma are helping ASSA ABLOY break into a new market.

“I prefer small units with major commitment than the other way round.

This is how we create IT solutions that provide added value for customers.”

Johan de Verdier, business manager at Zpider.

Zpider is Semcon's business area for IT services and IT solutions. Zpider consists of five companies: Zipper, Zystems, Zingle, Zetup and Zuite. All of these companies provide proven packaged solutions, which save time and money for our customers.

The companies are run in an entrepreneurial spirit and services are supplied by enthusiastic employees, who are the best in their niche sector. The Z companies aim their skills at major and mid-sized companies and organisations.

Examples of customers include: Akzo Nobel, Astra Tech, Codan Trygg Hansa, Handelsbanken, Länsförsäkringar, Saab Automobile, Sapa, Scania, SCA Hygiene, Stena Metall, Vattenfall, Vin & Sprit, Volvohandelns Utvecklings AB and the Volvo Car Corporation.

Zpider – five IT companies that make the complicated uncomplicated.

The trend in the past was to outsource all IT to a single large supplier, but this has proved to be unsuccessful. Development is now towards purchasing specialist solutions based on the customers' requirements. Our five companies are niche specialists in their sectors and together provide a complete range.

**90% of all computers have Microsoft software.
For us at Zipper everyone is a potential customer.**

ZIPPER BY SEMCON – get IT platforms to work and cut costs. This means that your employees always have access to the operative systems and software they need. The foundation of our concept lies in our experience of implementation, maintenance and developing widely spread PC environments. These maximise the value of the investments our clients have already made, and we are leaders in Microsoft terms for fully utilising existing components in operative systems and software. Zipper by Semcon is a gold Certified Partner to Microsoft for IT infrastructure and security.

Imagine the following scenario: you have been assigned to be project manager and want planning software for your computer. You would usually order from an external company and pay anywhere in the region of SEK 15,000 to SEK 20,000 for it. Zipper's solution acquaints itself with the system, checks software licences and detects that a colleague in the marketing department has planning software, but isn't using it. In this way Zipper by Semcon can cut your company's software and administration costs by up to 70%.

Systems sorts out the spaghetti effect and saves time.

SYSTEMS BY SEMCON – link information systems and save time. IT environments have a tendency to grow. You might have started off with Orders, Stock and Invoicing, but as changes and development occur information systems evolve and soon you have lots of links, with ten separate links being not unusual. What we call "Spaghetti Junction" becomes fact.

Systems by Semcon develops, sells and provides support in the form of concept solutions for system integration. Our solutions allow companies to tie together information systems, from having ten separate links to a single link. This saves time, streamlines and increases productivity. By linking different IT environments, such as in a corporate merger, we can shorten the transition to a new IT environment from six months to six weeks. Systems by Semcon has three types of system integration services available: BaseLine, Project & Consultancy and Support. Systems by Semcon is also Partner of the Year to IBM Software.



“Committed?
You can even
say that they are
passionate about
their work.”

Thomas Andersson, TIO Activities at Saab Automobile about IT specialist Zetup by Semcon.

Zetup by Semcon has, among others, been responsible for running and developing large parts of General Motors' (Saab Automobile) IT environments in Sweden.

Zetup – the best of both worlds.

ZETUP BY SEMCON – specialists in operating and developing IT infrastructure. What makes us unique is our ability to provide the best of both worlds. Security, methods and experience that would otherwise only be the domain of the larger companies, coupled with speed, flexibility and initiative that's often lacking in today's business relationships.

With effective methods built on 20 years' experience of large-scale IT activities, Zetup by Semcon's employees can give customers control of both quality and costs in their IT activities.

Zingle – one code for everything.

ZINGLE BY SEMCON – Identity and Access Management. Around half of the issues a company's IT department or helpdesk must deal with concern identification and passwords. Our solution eliminates this administration and saves time, resources and money. We specialise in helping companies with complex IT infrastructures, combined with many systems, such as ERP, CRM, Windows, intranet and databases, where users have different identities and passwords.

Using software from IBM, Zingle by Semcon has developed concepts where users are given a password with controlled access to the right system (Single Sign-on).

Zuite – helps you become more efficient.

ZUITE BY SEMCON – Semcon's investment in business systems. Zuite by Semcon is the latest specialist company in the Zpider business area. There will be more. Zuite by Semcon helps companies be more effective by focusing on MySAP Business Suite and has the ability to improve, rationalise, cement and implement business-critical processes.

Did Zipper beat the communication world record?

Most IT managers go grey because users are spread out across the entire premises, on the other side of town and around the country. But what would it be like if your users were spread over 60 different companies at 270 locations, in two countries and you needed to upgrade around 7,500 clients and 400 servers to windows 2003 and Windows XP? What would you do? Volvohandelns Utvecklings AB in Norway and Sweden employed Zipper as sales representative for the upgrade at lightening speed. "An average of around one hour to upgrade a client, which is possibly a new world record." According to "Windows" magazine in October 2005.



“Good products communicate,
or best of all scream:

Choose me!”

Fredrik Magnusson, CEO, Propeller by Semcon and head designer at Semcon.

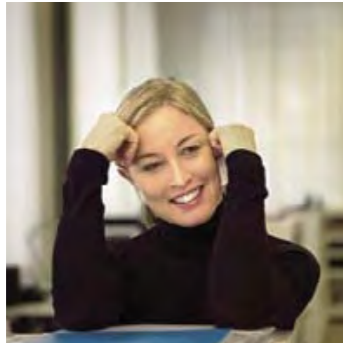
Design & Development – improves your business. Experts with 25 years’ experience and expertise in design and product development. All packaged in seven different specialist ranges to give you faster, better product development.

The biggest customers in the business area are: ABB, AstraZeneca, Bombardier, Ericsson, Saab Automobile, Saab AB, Scania, AB Volvo and the Volvo Car Corporation.

Does a home computer need to look like an office computer? If instead you imagine a piece of art then you suddenly have a home computer in your living room with an “I want” factor.

We were therefore asked to make the shell for the Kapsel at Gustavsberg’s porcelain factory. The wireless technology means that you avoid lots of ugly cables and it becomes a pleasure to arrange the furniture. When people from Microsoft saw it they shouted:

Finally a Mac-killer!



Anna Stern,
Studio manager Stockholm,
Propeller by Semcon.

The result of what we do always means improved revenues. Sometimes our customers increase their sales by up to 3,000%.

Propeller works with design and product development from the philosophy that everything it does is business development. We actually provide increased revenues on existing markets or by expanding markets for your products to new sectors.

A team of designers will look at trends, fashion and what's happening in society in general and what will happen in 5–10 years time. Looking to the future by studying what's happening now. Then Propeller by Semcon turns this into new business potential for your customers.

Kapsel, a computer for the living room or bedroom, is a wonderful example. There are already lots of computers for the workplace, but by thinking aesthetically for bedrooms or living rooms you create a completely new market.

It's a matter of seeing potential and deciding when a product group goes from being an industrial product to becoming a consumer product.

Designing the “wow” factor. Design is very concrete, which makes it a wonderful tool for corporate vision. “We need to be more modern and exclusive” might be a strategic option for a company, but the words “modern” and “exclusive” mean different things depending on who you ask. Propeller by Semcon can conceptualise or create the vision by designing products that suit the vision. In this way every employee gets to experience the “wow” factor and everyone can work towards the same goals.

Design as a means of competition. Many companies come to us when they can no longer, or want to, cut costs to make a profit. We then look at their product portfolio, history, brands and customers.

From this information we draw up a business concept with product ideas, then we design and shape, soon it's time for a prototype and finally production.



Work in progress. A team of designers looks at trends, fashion and what's happening in society in general and what will happen in 5–10 years time. Everything to create new business potential for your customers via design.

Development is running riot. Upgrades are helping England put out fires with fax paper.



The London Fire Service receives the plans of buildings that are on fire in the fire engine, on route to the scene. This means that they save time and can save more lives.

This working method has worked so well that Fire Services throughout the UK will soon use this service. Semcon has helped develop this technical solution that enables faxes to

be sent on the upgraded GSM network.

The Fire Service in the UK isn't a huge market. But thanks to the technical solution it has opened a new market with specialist needs. Many developing countries have a poor telephony network because of climate and inaccessible terrain. Businessmen in these countries conducting their business can now communicate better by sending and receiving faxes via the GSM network.

Seven specialist offers that increase your revenues or cut your costs.

Semcon started in product development in 1980 and many of our customers have been with us for 20 years.

Product development for us is about two things: increasing revenues for our customers or cutting costs. The first we do by developing a product that sticks out in some way. This includes via attractive design or new technical innovations. We cut costs by finding smart solutions that are more effective or by shortening production times.

Here are some examples of top-quality offers that we've developed in our 25 years in the industry.

Innovative Design – we make sure that your products sell better. Focus on creative solutions for products that improve results for our customers. In simple terms you can say that the competition looks at colour and shape, while we focus on customers' sales figures. Spearheading this is the internationally multi-award-winning design firm Propeller by Semcon.

Embedded Design Multimedia – makes mobile phones more fun and protects homes from hurricanes. Advanced programming, often consisting of six million lines of commands for hardware and system integration. These are partly for telecommunication base stations and partly for industrial products. One example is a new system for hurricane protection for windows in the southern states of the US, which are remotely controlled from a centre via a slave transmitter. In multimedia we work extensively with image and sound transfer for mobile phones.

We saw this need early on and were first to introduce a solution. This means that you employ experienced specialists and get a partner that has been with you from the start. A unique combination that only we can provide.



PROPS – world-leading project model. One success factor is that the model is continually developed and enhanced. The PROPS V4 project model has been developed so that a business, irrespective of size, geographic distribution and culture, should be able to use one and the same model for all its projects. PROPS V4 provides structure, focus on being businesslike, a common language, clear roles and processes. It emanates from the entire organisation and its project portfolio, not just the individual project, and provides support to decision-makers and project members at all levels in a multi-project organisation. PROPS V4 is well-suited to be specially adapted to different kinds of businesses.

Facelift Factory – focus on model changes and specialist vehicles.

Consumers' demands mean that vehicle manufacturers increase the number of models and versions. Everything from simple models to more niche models, or "killer products". We are therefore investing in model changes and developing new specialist models. The result is that today we have joint specialist expertise in design, construction, calculations, prototype production and testing. Facelift Factory is one of the world's most qualified specialist centres in this sector.

Medical & LifeScience – Lean Validation and Compliant Logistics. We create value for our customers in the pharmaceutical and medi-tech industries by streamlining production, projects and development. Our products include: Lean Validation and Compliant Logistics. We run our activities based on the latest regulatory directives and to do this we use our own project model, S-PROPS Pharma Fast Track.

Functional Performance – tests in deserts, in rainforests and how your product should sound. How does it sound? How does it feel? Does it work? Will it last? Specialists that provide a complete solution for developing and testing all qualities of a product. The benefit is that customers save time, money and avoid late changes.

Take a mobile phone for example: We test how the buttons sound, and quantify durability, make sure that it's transported to the store correctly and see how the electronics can withstand heat, cold and high moisture levels.

We also test emotive qualities such as a sports car being perceived as sporty. Or that the sound the door makes when being shut is right. Zound by Semcon is a part of Functional Performance and is considered as one of the world's key players in its sector.

Hydro Power Services – new electricity systems are more profitable.

A packaged solution where we modernise and equip the electricity system on small and large hydroelectric power stations. The result is both more modern systems and improved profitability of the power station.



“We posted our best-ever results in 2005.

If we look to the future we see a more specialised Semcon appearing.”

Hans Johansson, President and CEO summarises the year.

I can proudly announce that we posted the best results in our 25-year history in 2005. The operating margin was 6.4%, an increase of 39%. This shows that we are on track and in 2006 we will continue to focus on improving the operating margin. This will be achieved by continuing to concentrate on business with the right customers in the right industries, developed business models and streamlining the business.



Semcon yesterday, today and tomorrow.

We decided on an autumn day in the late 1990s. We made some strategic choices, which have led to Semcon today being a completely different company than it was five years ago. We decided to specialise, raise the level of expertise, and improve processes and methods. We developed new business models, concepts and offers. The aim was clear: improved results and better payment for the extra value we created for our customers.

We started two new business areas. Informatic and Innovation. Over the past five years these business areas have grown and today make up more than a third of sales (SEK 526 million).

Informatic will continue to expand internationally. The breakthrough for Informatic came with our first major partnership deal with the Volvo Car Corporation in 1999. This was followed by partnership deals with Ericsson and General Motors Europe in 2003, deals that are the basis of the major expansion being shown by the business area. In 2005 the management at Informatic very successfully carried out a major rationalisation scheme and started globalising the business.

The aim in 2006 is to continue expanding internationally through new partnerships. The year's biggest deal for Informatic was signed when the Volvo Car Corporation chose to extend its contract for aftermarket information until 2008. This is a clear sign that our partnership concept is part of the future.

Innovation changed its name to Zpider and started a new specialist company. Innovation's success is due to the forceful investment made to develop very specialised IT consultancy companies with strong concepts. The right people with a high

level of entrepreneurial spirit and developing strong brands have built up the business area. Zipper by Semcon was started in 2000 and followed by Zystems by Semcon. It is mainly Zystems that has shown very strong growth over the year.

We are now continuing to develop the business area with strong management, new companies and a new name: Zpider by Semcon. We will be starting a number of specialist IT consultancy companies in 2006. The year's first new business will be Zingle by Semcon, followed by Zuite by Semcon.

Design & Development – clear offers provide greater value.

Management and employees have succeeded in expanding and shown energy in their efforts to improve margins while under tough price pressure at our largest business area, Design & Development. We opened offices in Jönköping and Hungary during the year and acquired the design firm Propeller.

We increase the value for our customers by providing them with clear offers. As a result we are involved ever earlier in major development projects and are entrusted to lead more challenging and important projects to develop new, intelligent solutions and saleable products. It's very pleasing that we are entrusted daily by leading companies around the world in our focus industries.



Full speed ahead. Lars-Inge Sjöquist, Hans Johansson and Johan de Verdier on Pearl Bridge in Budapest in connection with the official opening of the Budapest office.

We have achieved our goals for 2005.

In the 2004 annual report I predicted that we'd employ 150–200 new people, we actually employed 201. I also said that we would take market shares (sales have increased by 16.4%), and that we would take the next step towards our long-term goal of a 10% profit margin, which has also happened.

We still have a lot to do in terms of our margins, which is something that we have placed extra time and effort on in recent months. Increased margins can be achieved by establishing new offices abroad, through corporate acquisitions and by actively working to cut costs.

I also stated that the aim was to establish more offices. In 2005 we set up offices in Hungary and China. This has been done to get closer to our customers' development centres, but also to build up a business that utilises the local markets' need for technological information, IT environments and product development.

Our conscious investment in telecom is giving results.

It's pleasing that our focus on growth in telecom has been successful. Sales have risen by 36% compared to 2004. The increase is partly due to our Preferred Supplier contract with Ericsson, but also our investment in the Volvo Ocean Race, where we are the design and development partner to the Ericsson Racing Team.

This has created many opportunities and underpins our ties with Ericsson, Sony, the Volvo Car Corporation, AB Volvo and many other companies involved in the competition. Activities in connection with the various stop-overs around the world are excellent opportunities to make new business contacts. The project is also an excel-

lent way of strengthening the Semcon culture and tying together a business that's becoming more and more international.

We have set up offices in Hungary and China because we see business opportunities.

Our vision is to be the international R&D and communication partner, and if, together with our customers, we are going to challenge the international competition then we need to be on site with our customers.

But new offices are only set up in locations where we can also find new local markets for our specialist offers.

World-class specialist offers. Specialisation provides clearer offers that increase value for our customers. Offers that are then simpler to appreciate and buy. Specialisation also means greater repetitiveness, which means that we can increase efficiency and cut costs.

Work will continue in 2006 to create even more top-class specialist offers, mainly in Design & Development and Zpider. Design & Development strengthens its offer further in Telecom. We will also start Compliant Logistics together with Flexlink in Medical & LifeScience. Propeller and Pentech are also examples of small specialist companies acquired that provide a greater profile and complementary expertise that heightens the opportunities for new, larger, deals.

Semcon 2006 – the road ahead.

There is a common goal for 2006 – continued profitability via focus. We will develop our business offer more towards projects, concepts and partnerships. We will create an even clearer organisation. We will establish

offices in Germany and expand our business on existing markets in Asia, mainly with the values that the business area Informatic provides its customers, without forgetting the Nordic market. The strategically important agreements with key customers provide a platform for continued growth and continuous improvement to customer relations.

We can now seriously compete with the major international companies, by being more flexible, specialised and more enthusiastic. We see this when Informatic creates international business, when our IT companies in Zpider win assignments in competition with the industry giants. Other examples of expertise include the design firm Propeller and our specialists in Embedded Design Multimedia, Facelift Factory and Functional Performance. This is all proof that we can attract both successful customers and the most talented colleagues.

Our staff's expertise and enthusiasm, our strong culture, our ability to see business potential and our merits make us strongly equipped for the challenges brought by globalisation. By increasing value further for our customers and growing together with them we will also considerably improve our margins.

In brief, we can look confidently towards the challenges of tomorrow.

Hans Johansson

“Sure, our investment in Hungary and China will be challenging, but globalisation is also a huge opportunity for our specialists to find new markets. And in business, as in life, we need to look at all the options.”



2005 in brief.

Sales rose by 16% and the operating profit by 60%.

The objectives for 2005 were to continue taking market shares and improved profits. Both objectives were achieved. It is pleasing that growth in telecom was successful with growth of 36% compared to 2004.

Our best-ever results. Semcon posted its best-ever results in its 25-year history. The operating profit rose by 60% compared to 2004 and was SEK 95.7 million (59.8). The operating margin improved by 1.8% to 6.4%, which shows that we are on the right track. Sales rose by 16.4% to SEK 1.5 billion. The profit after tax improved by 69% to SEK 68 million (40).

Outlook. Our goals are for continued growth and improved profitability. The goal for 2006 is to continue to gain market shares both in Sweden and internationally. We are investing on developing a specialist range that increases customers' value in all our focus industries. The upward economic trend seen in 2005 is expected to continue in 2006, which will provide us with great opportunities to achieve the set goals.

2005 in brief.

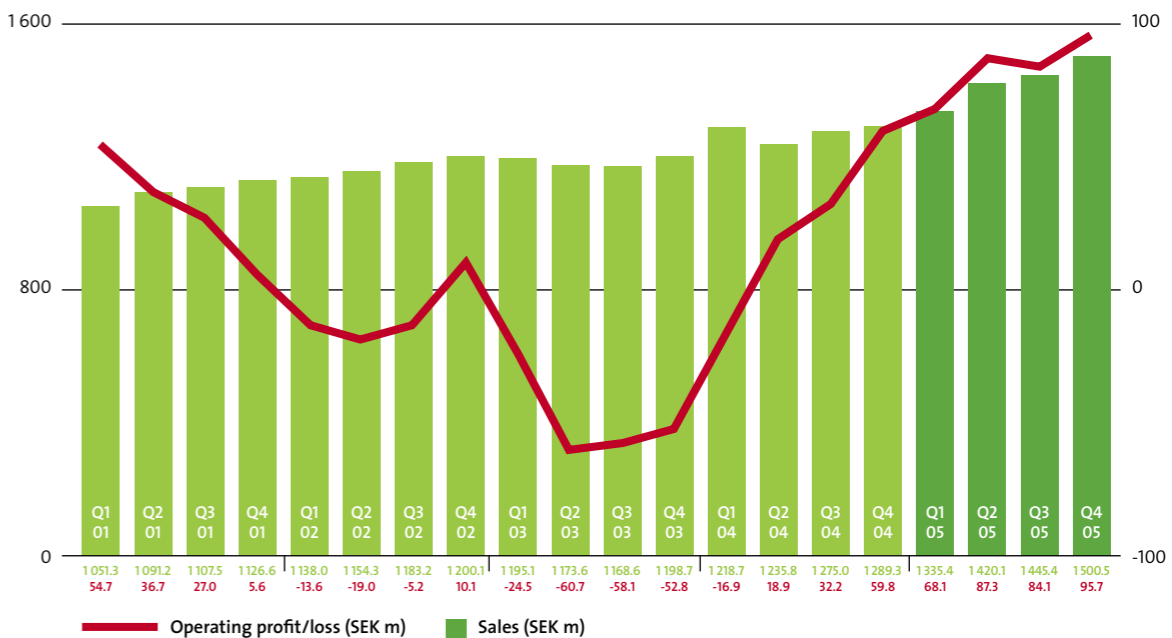
- Semcon acquires design firm Propeller in Stockholm and Pentech in Oxford
- Semcon becomes a Preferred Supplier to Ericsson
- Semcon becomes design and development partner to the Ericsson Racing Team
- Semcon establishes offices in Hungary and continues expansion in China by establishing offices in Beijing
- Semcon signs a service agreement with Volvo Aero
- Semcon Informatic receives renewed confidence and extends its partnership with Volvo Cars for a further three years
- Semcon Project Management signs a new global Preferred Supplier agreement with Ericsson for consultancy services and training in Project Management
- Systems by Semcon once again receives the "IBM Software Partner Of the Year" award
- Zipper is authorised once again at the highest level for Microsoft's partnership scheme to become Gold Certified Partner for 2006
- Propeller by Semcon was awarded with two GOOD DESIGN™ Awards

- In Folksam's annual survey in 2005, based on companies' sick leave, gender division and working climate Semcon came second among 228 listed companies
- New, rolling framework agreements with the following companies: ABB, AstraZeneca, Autoliv Electronics, Bombardier, Ericsson, Gambro, General Motors Europe, Haldex, Nokia, NovoNordisk Engineering, Pfizer, Saab Automobile, SAAB AB, SCA, Scania, Volvo Aero, Volvo Parts and the Volvo Car Corporation

Events at the beginning of 2006.

- Semcon changes its name of its Innovation business area to Zpider, which marks a change of direction and a dramatic investment in further building on the successful IT range
- Semcon starts a new company, Zingle by Semcon, which will operate in the area of "Identity and Access Management"
- Semcon starts Zuite by Semcon concentrating on streamlining business systems
- Semcon begins cooperation with FlexLink and starts the joint company Compliant Logistics AB with activities concerning more efficient production of pharmaceuticals and medi-tech products

Rolling 12-month sales and operating profit/loss per quarter (SEK m)



Key figures:	2001	2002	2003	2004	2005
Sales (SEK m)	1 127	1 200	1 199	1 289	1 501
Operating profit/loss (SEK m)	5.7	10.1	-52.8	59.8	95.7
Equity/assets ratio (%)	28.9	27.9	19.1	24.3	29.7
Earnings per share (SEK)	0.08	0.05	-3.31	2.32	3.95
Average number of employees	1 585	1 581	1 504	1 444	1 636
Sales per employee (SEK 000)	711	759	797	893	917



“We will specialise in specialisation.”

Caroline Krensler, strategic development manager Semcon.

Aims and strategies.

Specialisation increases value for our customers and gives us better margins.

One of Semcon's long-term financial objectives is a profit margin above 10% over a business cycle. The profit margin in 2005 was 6.4%, which is a clear improvement compared to recent years and a step in the right direction.

But to achieve our long-term objectives we did extensive work in 2005 and at the beginning of 2006. We have carefully monitored the business, strategies, offers and the organisation. Meanwhile we have done comprehensive marketing in close cooperation with our biggest customers.

This work has meant that in 2006 we will:

- Continue taking market shares by setting up in Europe and Asia
- Establish new offices in Europe
- Maintain our strong position in the auto industry and expand in other focus industries
- Refine and create growth in, and gather together, our IT offer in one business area: Zpider
- Simplify our organisation and be more effective in the way we work

Our vision – in what direction are we heading?

Semcon will be the international R&D and communications partner.

Our business concept – how do we create revenue?

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

What customers will we focus on?

Our focus industries are unchanged, and are: Vehicle, Telecom, Medical & LifeScience and Industry. We will continue to focus and develop our specialist range in the three main areas to create growth.

These main offers in brief are:

- Information solutions for market and aftermarket functions
- Niche IT solutions for complicated infrastructure and system integration
- Complete design and product development offers

Our customers are mainly development-intensive Nordic companies and Groups with global activities.

Long-term business objectives.

- Top three with key customers – Be an important business partner for our key customers
- Specialisation – Develop the range and expertise that in international competitive terms is considered as leading
- First choice – Be the natural first choice as employer for businessmen, engineers, technical public relations officers, IT consultants and project leaders

Long-term financial objectives.

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

Strategies – how will we achieve our objectives?

The strategy for achieving our objectives over the short-term are:

- Develop innovative and reusable solutions
- Create a strong local presence internationally in selected markets
- Combine leading expertise with resources from low-cost regions
- Provide a business climate with entrepreneurial spirit for businessmen and innovators
- Continually develop expertise, products and services towards a higher grade of specialisation

- More clearly put the customer first through an efficient organisation close to the customer

Specialisation – developing and attractive range and business models.

We have identified a number of key factors that create excellent results among the most successful units in the company. The most important factor is the degree of specialisation. A high degree of specialisation will mean greater understanding of the area, making us more attractive to customers. This becomes a positive spiral where our range and customer benefit becomes clearer and the work process becomes more effective. Our employees become more motivated because they gain world-class skills. This means that we can continue to attract the most talented employees, which in turn leads to our attraction by our customers increasing further. By developing skills and improving the packaging of Semcon's range we can accept more assignments in the form of projects and take responsibility for an entire function. This is what we call partnership and something that the Informatic business area has been very successful at.

This gives us the opportunity to build valuable, long-term relationships with customers.

How we simplify and improve our offer.

We benefit from the experience we gain from our most successful units and in 2006 we will transfer this working practice to all other business areas. We have identified a number of areas from our customers' requirements where we currently provide world-class specialist offers or where we have the opportunity of creating such an offer.

The organisation is adapted so that the customer gets a clearer and more effective interface towards Semcon.

Our vision – which way are we heading? Semcon will be the international R&D and communications partner.

Our business concept – how do we create revenue? As a close partner to industry Semcon provides human and technical expertise that improves its customers’ results.

Our corporate culture and values.
A flat organisation and major responsibility for people working close to the customer.

Information is for a knowledge-based company what raw materials are for manufacturing companies. And the whole idea behind Semcon's organisation is to place the consultant in the spotlight and to better utilise our employees as sources of information. This is why we have a flat organisation with an open climate and extensive individual responsibility. To attract and maintain expert specialists we have consciously created a culture with clear values. The Semcon culture is characterised by people who are curious and enthusiastic. They have a desire to do well and consider people while still enjoying themselves.

We have summarised it as follows:

- We are positive and businesslike
- We like having fun, influencing, challenges and developing
- We sell better results
- We believe in the individual

Semcon's corporate culture is open and in many respects a greenhouse for entrepreneurs. In a situation where we're growing, often far away from our head office in Göteborg, the strong culture and the values of our employees is a guarantee for continued success.

Achieving objectives:

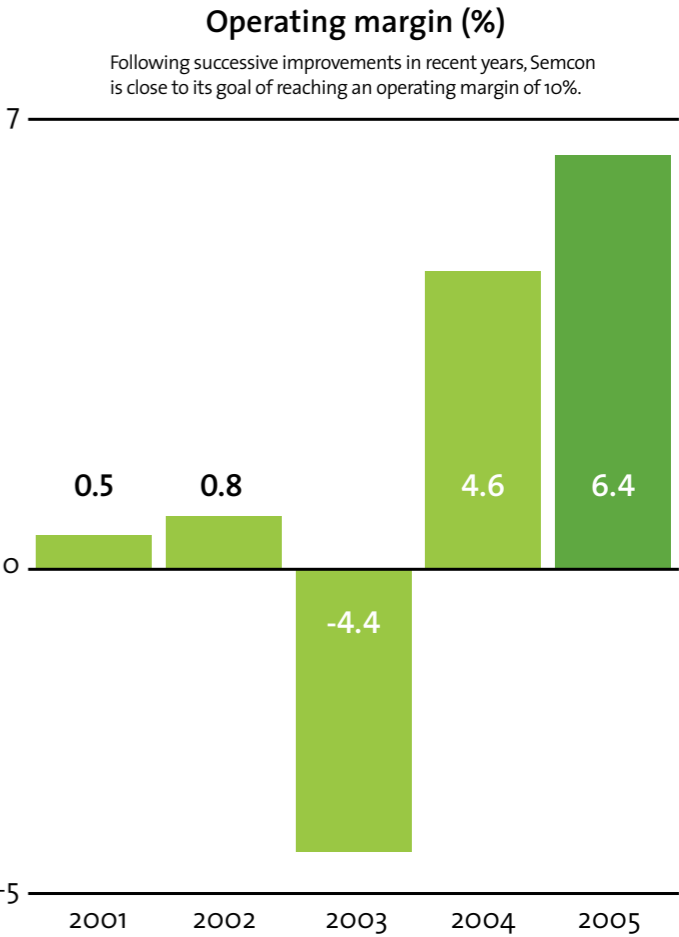
- An operating margin above 10% over a business cycle
Result 2005: 6.4%
- Continued low debt/equity and equity/assets of more than 35%
Result 2005: equity/assets ratio of 29.7%
- Over the long-term to pay out 30–50% of the profits after tax to shareholders
Result 2005: No dividend
- More market shares in Sweden and internationally
Result 2005: Growth of 16.4%
- Stronger range, mainly in Vehicle, but also in Telecom and Medical & LifeScience
Result 2005: 24% growth in Vehicle and 36% growth in Telecom. Medical & LifeScience didn't achieve its objectives.
- Become a leading project company
Result 2005: Project share of our total sales is 33%. More than 300 consultants have completed the S-PROPS project managers' training course.
- More strategic partnerships through outsourcing agreements
Result 2005: Design & Development has signed an agreement in the airline industry. Informatic has extended its partnership agreement with the Volvo Car Corporation by 3 years.
- Expand the network with partners to improve the range
Result 2005: The network has continually developed. Compared to 2004 the number of sub consultants has increased by 24%.

Our establishing strategy comes from our customers' needs.

We have chosen to establish internationally in accordance with two crucial criteria.

- 1) We establish where our existing customers are located so we can work more closely with them and to better compete on a tougher global market.
- 2) In order to establish there must also be a sufficiently large local market that needs our services.

This means that our total market is expanding and our market position is being further strengthened, in line with our international presence increasing.



Markets, trends and the competition in our three specialist areas.

Semcon's sales focus on customers in four industries, Vehicle, Telecom, Medical & LifeScience and Industry, is unchanged. Our customers are mainly development-intensive Nordic companies and Groups with global activities.

China and India are expanding, while the US still dominates.

There are clear driving forces for growth in the global economy. This is despite concern about the continued risk of religious, political and social conflicts, and the toughening fight for raw materials that cause the price of oil and steel to rise. In recent years there has been a shift in economic power to Asia and China and India in particular, even though developments in the US have the greatest effect globally.

Competition, price cuts and development focus – daily events for our customers.

Our customers' reality is characterised by stiff competition, intensive price cuts and ever-increasing focus on development. Products' life span is dropping and development times are becoming shorter. The demand

for more cost-effective solutions is increasing and there is general price pressure in every industry. This has long been the case in Vehicle. We are now seeing the same scenario in Telecom and Medical & LifeScience. The pharmaceutical industry is also facing tougher regulatory and legislative demands.

This means that our customers are continuing to invest heavily in the areas that Semcon covers with its three business ranges: technical information, specialised IT solutions and more effective innovative product development. Our customers are also choosing to continue working with fewer key suppliers.

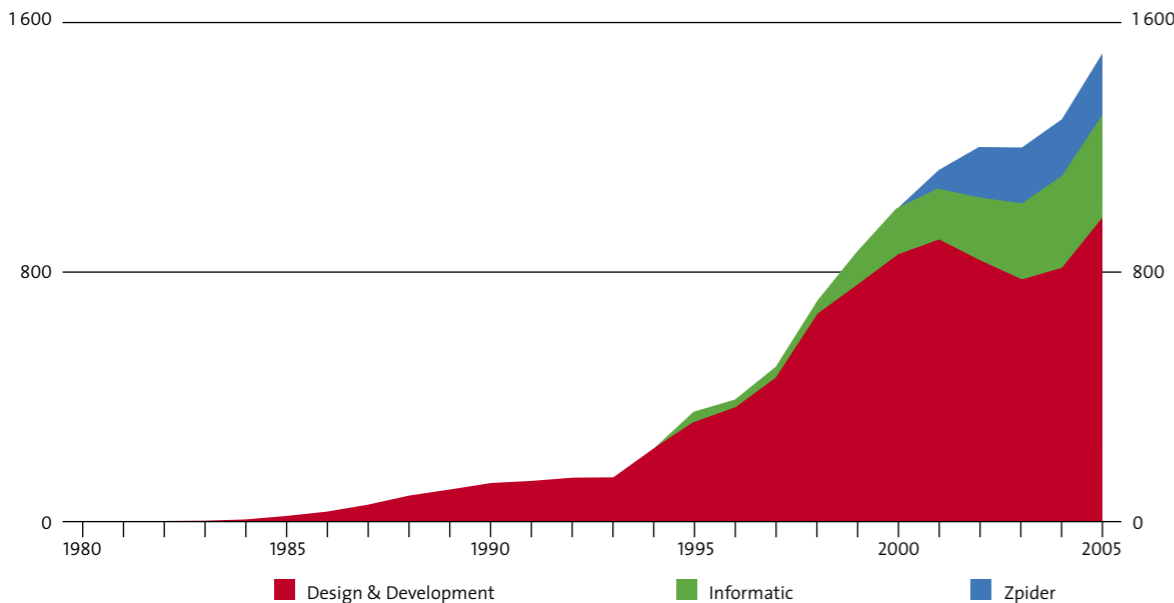
The challenges our biggest customers face:

- **Increasing efficiency.** In all functions, not least in product development, production, IT management and information produc-

tion. More profit for each investment.

- **Cutting costs without losing quality.** Skilled labour is available in Asia for less than a tenth of the cost in the EU or the US, so there's a constant search to eliminate costs that don't give the product and the end user added value.
- **Technical shift.** Major and minor technical breakthroughs will always affect the relative strengths of customers.
- **Accurate product development.** To always develop what customers want and that provide specific value towards the competition. A process that constantly starts over and over again.
- **Shorter lead times.** Shorter time from concept to product on the market.
- **Increased flexibility.** Products are built up of modules to be adapted to the customers' specific demands. The number of full time employees is falling to more easily cut the cloth according to demands.

Sales trends, 1980 to 2005 (SEK 000)



Semcon successfully competes on three different markets.

Semcon's range is mainly aimed at three separate market segments and for three separate functions at the customers with three separate independent budgets.

- Market and aftermarket managers with technically intensive manufacturing companies
- IT managers at large and mid-sized companies with advanced IT infrastructures
- Development managers at technically intensive Nordic manufacturing companies

Technical information – products with more complex content are driving growth forward.

The need for technical information is increasing as products become more technically advanced. This is partly so that users can more easily understand the technology, but also to train and support installers and service staff in the aftermarket. Major international companies place high demands on cost-efficiency and quality performance, which makes Semcon's specialists in Informatic more attractive.

We consider there are good prospects for more outsourcing. The reason for this is the vast amount of competition our customers face and means that they have a greater need to focus on their core activities. The need to find an effective high quality solution is growing as technical content and product complexity increases. Customer requirement for information to their customers, retailers and employees is rising dramatically. All this points in favour of continued growth in the area.

Informatic has a lead position in Europe. Typical competitors include ESG, Valley Forge and Sigma's Information Solution part and Sörman Information & Media AB.

IT – international giants and small niche companies on a growing market. The overriding trend of the IT market shows the same signs of maturity and growth as every industry goes through. Companies' IT environments become more complex meaning that IT dependency in all kinds of companies and organisations is vast and the needs are more complex than ever. In line with

this the need for IT partners with extensive skills, experience, service-mindedness and new solutions is increasing. This means more opportunities for specialist companies of this type that we've assembled in the Zpider business area.

According to independent analysts there are clear signs of continued consolidation in the market where the number of small companies (less than SEK 300 million) was 12% less in 2005. The shift of IT activities to external IT companies through outsourcing also continues. Specialist areas such as IT security, IP telephony and IP-based network communication (IP-VPN) is expanding rapidly.

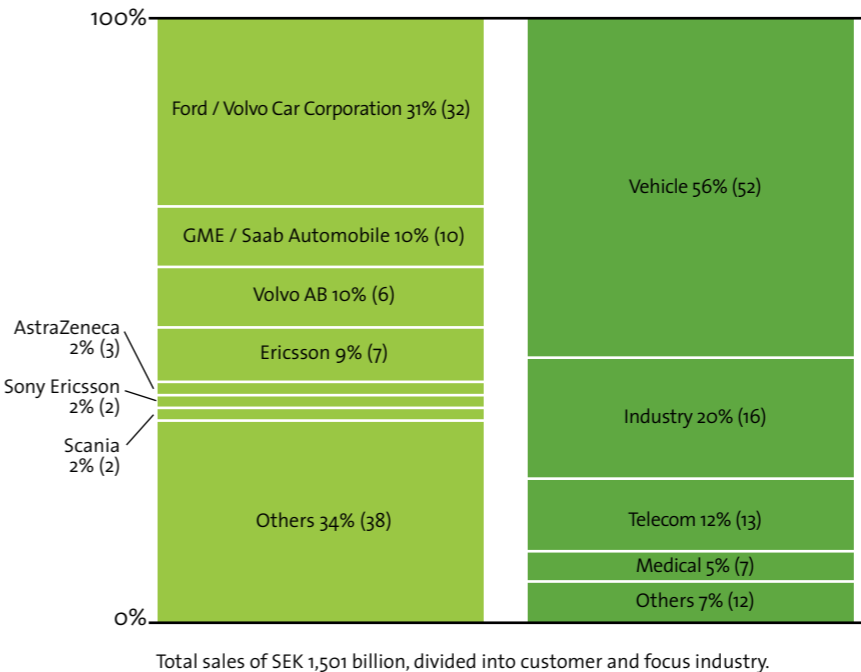
A joint analysis of the market shows that companies' IT budgets will increase by at least 4% in 2006, while IT services will increase to 8%.

Competition in this area comes from the biggest service suppliers such as HP, Accenture, TietoEnator, WM-data and specialist companies.

Technical consultants – continued high level in 2006. The domestic market has support from the current buoyant economic trend. Engineering companies are showing good profit margins and are investing more in future product programmes and infrastructures. We expect the sound use of capacity in the industry to generally remain for the first half of 2006, followed by companies meeting a more suppressed order book. Growth in the biggest companies will however occur outside Sweden.

A trend that is becoming clearer is the continued expansion towards fewer, larger players. This means that we are more often than not compared to, and compete with, international competitors. We also note that design is seen as an increasingly important means for future profitability and success. Work developing design will, according to our expectations, set the tone more for business as well as product development processes in this industry.

The market forecast for industrial technology is sales of SEK 12 billion in 2006. Competition for the Design & Development business area is still among the bigger Swedish technical consultancy firms such as ÅF, Caran, Teleca and HiQ but also from the international consultancy companies like Altran, EDAG and Rücker.



Human capital.

Working with the most exiting assignments and having fun attracts the most skilled employees.

Semcon culture.

Our culture is characterised by openness, the ability to see possibilities, pride in doing a good job and having fun together.

We believe in the individual's ability to take responsibility. We also believe that this gives the employee the possibility of personal development. But independence requires basic security, which the employee receives through the experience and extensive skills available at the Group.

Many people working at Semcon are very competitive, and some are even ex-elite athletes. This is more than just a coincidence. The art of liking a challenge and performing under tough conditions while having fun together, is an important part of our corporate culture.

Major advances are always developed from the extremes and we are therefore very talented and curious about what lies at the absolute cutting edge of our various specialist areas.

The flat organisation makes cooperation between departments easier and also means that proximity to customer, consultant and management can be retained. Our information climate is open and gives employees many opportunities to both give and receive information.

We need to have fun and develop together. We do this mainly through stimulating assignments and various training schemes, but also by having fun and developmental activities.

Skills development, management provision and introduction training. The best training is gained by working with development assignments. But we complement our

employees' skills with various kinds of training.

We worked very hard in 2005 to create a joint project culture, a job that's extra important as more employees work in different countries. One of the many training projects during the year was to train hundreds of employees in the S-PROPS project management model.

Another way of preserving and ensuring our joint values is that every employee in our UK, Chinese and Hungarian companies attends introduction training in Sweden.

Our NextGen Leaders scheme is designed to gather and prepare future managers for future challenges. We also have a mentor scheme where management consultants from Semcon become mentors for managers at Ericsson and vice versa.

We run a preventative healthcare scheme, which involves being offered courses in stress management and subsidised gym membership.

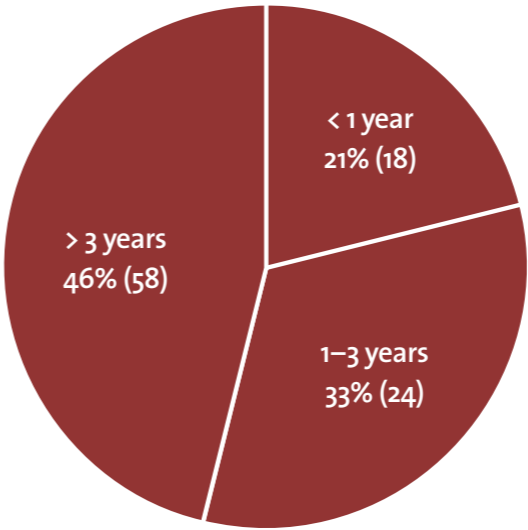


Salaries and incentive schemes. Individual salary levels are set at Semcon. Salaries are based on the individual employees, expertise and experience. The company uses different forms of incentive and bonus schemes to motivate employees. Bonuses are given if an employee gives a tip about a new assignment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

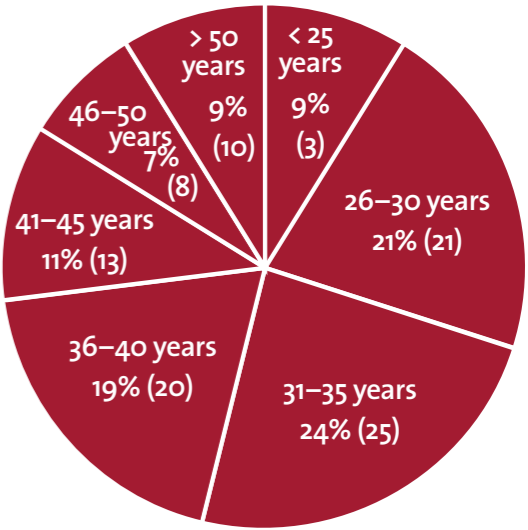
Health and sick leave. Semcon's staff suffer few work-related injuries and no long-term sick leave. This was recognised in Folksam's study of the "healthiest company" of 2005, based on companies' sick leave, gender division and working climate. Semcon came second among 228 listed companies.

Sick leave (%)	2004	2005
Total sick leave	2.6	2.8
Of which, long-term leave	1.2	1.2
Sick leave, women	4.3	5.1
Sick leave, men	2.1	2.1
Employees under 29 years	1.5	1.8
Employees aged 30–49 years	2.6	2.8
Employees over 50 years	4.4	4.1

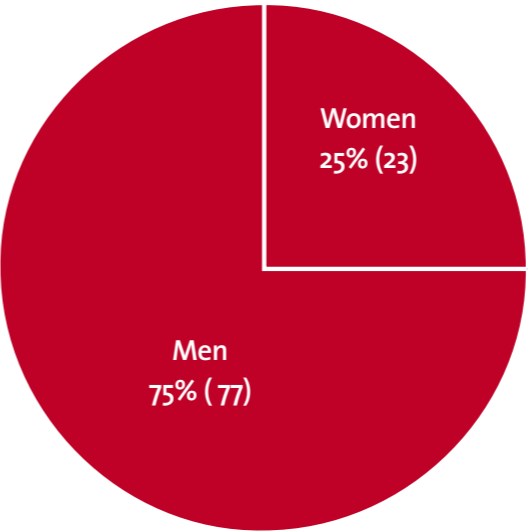
Average employment duration



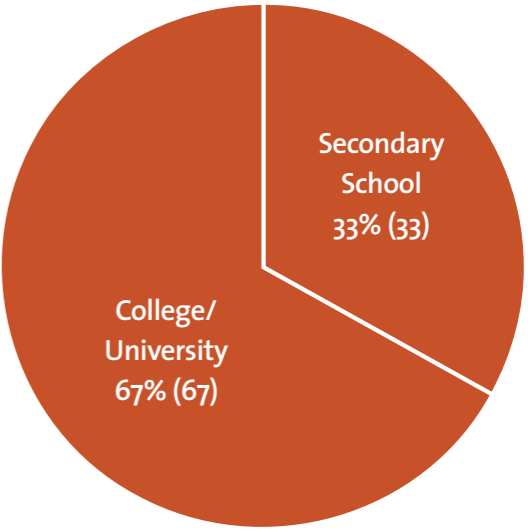
Age of employees



Gender



Education



We employed 201 specialists in 2005. This is proof that we have succeeded in attracting skilled people.

Key indicators:	2001	2002	2003	2004	2005
Total number of employees 31/12	1 601	1 570	1 442	1 471	1 672
Average number of employees	1 585	1 581	1 504	1 444	1 636
Sales per employee (SEK 000)	711	759	797	893	917
Value added per employee (SEK 000)	507	535	523	613	625
Profit/loss after financial items per employee (SEK 000)	1.5	3.8	-36.7	33.9	59.8
Average age	35	36	37	38	38
Sick leave (%)	3.1	3.2	2.9	2.6	2.8
Staff turnover (%)	19	15	13	12	10

Diversity.

Increased diversity is obvious to Semcon, not least because of the internationalisation that's occurred in recent years. By taking into account our employees' differences in terms of experience, gender, background and age, Semcon can use more of the overall skills that exist at the company.

We also work actively to find more women for top management positions, and came 3rd in Folksam's Equality Index 2004 of 248 listed companies. Conscious efforts are also being made in other areas.

With the help of the Diversity in Swedish Industry, DISI, Semcon works with the Volvo Car Corporation to create greater diversity in the workplace. This has increased awareness of how to make use of all kinds of skills in the workplace. Throughout the year we also took part in a project concerned with working life and parenthood together with ten other organisations and companies in western Sweden.

Structural capital – loyal customers, major business focus and a strong brand.

To succeed in supplying value to our customers it's not sufficient just to have the most skilled employees. A strong structural capital is important to achieve and exceed customer expectations.

Market competition drives developments towards a more effective and more adapted working method. Meanwhile we must ensure the value of what we supply, which needs a greater degree of standardisation and quality. This places stiff demands on Semcon's working method and processes. We can divide these processes into five categories:

1. business model
2. leadership
3. project methods
4. internal monitoring
5. matching expertise/exchanging experience

There are also a number of support processes from which every employee can get structure and support.

1. Three business models focusing on added value for the customer.

To create added value for our customers we mainly work with three business models: consultancy business, project/concept business and partnership business.

Consultancy business. Provides specific skills hourly and the customer is in charge of the work.

Project/concept business. Is the supply of a specifically requested result and Semcon is in charge of the work.

Partnership business. Means Semcon takes overall responsibility for a clearly

defined function intended for the supply products or services.

2. Leadership at Semcon means customer focus.

Semcon's leadership model is based on a clearly defined responsibility and authorisation description. Managers at Semcon have extensive experience of consultancy and are used to doing business. Being a manager at Semcon means being responsible for creating new business, looking after customer relations, recruiting new employees and making sure that employees develop in their specialist areas. Managers are responsible for ensuring the customer is supplied on time with the right quality of service and at the right price.

3. Reliable project methods create value.

Semcon has developed and marketed the PROPS project model since 2002, which is used for managing and controlling a project. PROPS was designed by Ericsson and is used globally by many major industrial companies.

We have invested heavily in recent years at Semcon in being a very strong project company. Over the year we developed a Semcon-adapted version of PROPS, S-PROPS. In 2005 we also worked hard to create a joint project culture. This will become more important as we have more employees in different countries. Focus over the year has been on project management training,

project economy and leadership.

For many customers it's important to use a project model that they are used to. To adjust to this we are constantly investing in skills development in various kinds of project steering processes.

4. Internal follow-ups.

Semcon has a flat organisation built on decisions being taken closely with customers and employees. The individual business units are controlled by strong aims, where responsibility and authorisation are clearly set.

The internal follow-ups to measure how well the aims are achieved are performed locally, in close cooperation with the person responsible and centrally through different support functions that specialise in internal manager and employee support. These support functions are responsible for the applications and systems such as finance, quality, IT and personnel functions work as efficiently as possible.

5. Matching expertise gives greater efficiency.

Semcon has developed a process for the strategic provision of expertise to check strategic business objectives and customers' demands of employees' skills development and careers. All our employees' important skills are collected, mapped out, defined and can be found easily at a portal we call K2. This is so that we can improve access and thereby facilitate matching needs and skills.



Quality work – customers are very pleased.

Today's business climate places greater demands on the company's quality, environmental and safety work to provide customers with the result they want.

Semcon's quality work permeates the entire organisation. This is shown partly through the "Satisfied customer index" (4.1 points from a maximum 5), which shows that our customers are very pleased with Semcon as their supplier. Semcon has also received Q1 status as supplier to the Ford/Volvo Car Corporation and is ISO 9001:2000 certified.

Five-star rating in Folksam's climate index.

Semcon works with environmental issues as a natural element in business. This has led to Semcon receiving a five-star rating in Folksam's climate index. Semcon has an ISO 14001:2004 certificate and has constantly received good results in external audits. Semcon's overall environmental goal is to

provide customers with better technical solutions that can help to cut environmental impact and aim at cutting carbon dioxide emissions caused through business travel.

Major investments in IT security.

Semcon actively works to improve IT security in order to minimise risks and disruption to IT systems. Semcon is directly linked to many of the prioritised customers' IT environments, which means that more of our customers examine our IT system.

Semcon began the introduction of Copernicus in 2005, which is a new system for time and project planning/accounting, and invested in a new backup solution, Tivoli Store Manager, from IBM. The company has invested a total of SEK 10.3 million in software and computers.

Long-term customer relationships have created a strong brand.

Semcon is well-known to many people, both inside and outside the industry, and works

at constantly preserving the brand. The most important thing for this branding is our ability to constantly create value for customers, while clearly communicating this message. Concrete proof of this is our ability to build long-term customer relationships. Many of our customers have been with us for over 20 years.

Our strong brand makes recruiting easy and also means customers often see us as their first choice. A consistent graphic profile has helped create a clear, strong identity. Semcon should be seen as an attractive, modern and vital company by customers, current and future employees, shareholders, partners and others.

One of the major marketing projects over the year was the Volvo Ocean Race 2005–2006, where we took part as Ericsson's design and development partner, which is an initiative that further strengthens our brand and customer relationships.





Lars-Inge Sjöquist,
Business area manager, Informatic



Göran Westberg, Industry,
Design & Development



Catharina Sjögren,
MD Semcon Project Management,
Design & Development



Ulf Börgel,
MD Zipper, Zpider



Mikael Gustavsson,
Design & Development



Cecilia Norberg,
Medical & LifeScience,
Design & Development



Anders Björklund,
MD Zooma, Informatic



Johan Ekener,
Partnership manager,
Informatic



Finn Wollesen,
MD Knud E Hansen,
Design & Development



Benjamin Mejlink,
KAM Ericsson



Anders Grundberg,
KAM SAAB Automobile



Mats Nygård,
MD Zystems, Zpider



Tom Long,
MD Pentech, Informatic England



Johan de Verdier,
Business area manager, Zpider



Peter Roman,
Semcon China



Mats Franzén,
MD Zetup, Zpider



Johan Kron,
Semcon Ungern



Stefan C Ohlsson,
Automotive,
Design & Development

Employees that speak the world's most important language – the customers'.

There are many experienced and enthusiastic people with extensive experience of working with key customers in our focused industries. They know the demands set, they know customers' business and they know people. These individuals are sensitive to the needs of customers and can present solutions and offers that strengthen competitive strength and increases value for customers.

By listening, understanding, communicating and being involved they also help to increase the value of our company every day.



Peter Lörincz,
MD Zingle, Zpider



Fredrik Magnusson,
MD Propeller,
Design & Development



Arthur Hill,
MD Semcon UK,
Design & Development



Viji Abishegam,
Semcon Malaysia



Björn Magnusson,
KAM Volvo Car Corporation



Joakim Zetterlund,
Deputy business area
manager, Informatic

“We continue to grow internationally. Activities in the UK and offices in Hungary and China are strategically important.”
Lars-Inge Sjöquist, business area manager Informatic.

Informatic – User-friendly technological information.

The Informatic business area develops information solutions for the entire product lifecycle, from early development to the aftermarket. Complex products and services today require constant improvements to information support for users to understand and get full value from the product

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

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

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

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

Our business model – partnership. Informatic's business is mainly conducted via partnerships, which means that we are suppliers of information systems to our customers.

We take responsibility for the entire process that is required to create information solutions for an international product range. The aim is always to increase the number of satisfied consumers. For our customers partnership means guaranteed cost-efficiency, flexibility and assurance of strategic competence. We deliver world-class products and services by continually refining our processes and solutions.

Increased sales of 12% and improved profits of 68%. Informatic's sales rose by 11.8% to SEK 329.4 million (294.7). The operating profit after depreciation was SEK 37.8 million (22.5), an improvement of 68%.

We are now seeing the effect of our development work in the partnership model, which aims at giving us and our customers favourable cost structures. We have created a platform for continued growth and streamlining by acquiring Pentech in the UK and establishing offices in Hungary (Budapest) and China (Beijing).

In the last quarter the partnership agreement with the Volvo Car Corporation that has been running for six years was extended by a further three years.

We are sure there will be more international deals and expansion in telecom in 2006. There are three underlying driving forces for our expansion: helping our customers get satisfied customers of their own is becoming increasingly important with the ever-tougher competition. Products are becoming more customer-oriented while they must be made as cheaply as possible to meet consumer demands. For markets and aftermarkets this means more information at a cheaper cost. The third driving force is

new technology in production as well as for information and communication. By being a major supplier to many brands we can develop generic processes and solutions.

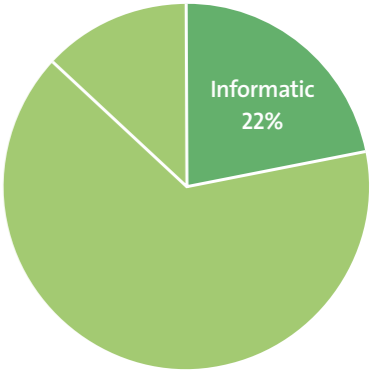
With offices in the UK and our recently established offices in Hungary and China, we have a platform for further expansion in the international arena. Continued focus will be placed in the automotive and telecom industries.

The Informatic business area is positive about 2006 and expects continued growth.

Customers. Our biggest customers are: ABB, Cadillac, Ericsson, Jaguar, Land Rover, Nissan, GM, Rolls-Royce Marine, Saab Automobile, Sony Ericsson, VSM, AB Volvo and the Volvo Car Corporation.

Competitors.	Number of employees	Sales (SEK m)
ESG	> 1000	1812
Sigma Information Solutions*	194	235
Sörman**	260	201
Valley Forge***	600	No official figures

* Part of Sigma AB
** Figures for 2004/2005
*** Part of SPX Corporation



Key indicators:	2001	2002	2003	2004	2005
Sales (SEK m)	153.5	199.9	243.9	294.7	329.4
Operating profit (SEK m)	7.2	13.8	13.8	22.5	37.8
Operating margin (%)	4.7	6.9	5.7	7.6	11.5
Share of total sales (%)	13.6	16.7	20.3	22.9	21.9
Employees on 31 Dec	216	202	270	276	287
Sales per employee (SEK 000)	711	990	903	1 068	1 148
Operating profit per employee (SEK 000)	33	68	51	82	132

Zpider – Niche IT solutions that improve efficiency.

Zpider (formerly Innovation) provides IT solutions, increasing efficiency and making our customers’ job easier. The businesses operate under separated brands focusing on specific solutions to general IT problems.

Part of this success is that Zpider’s various businesses, Zipper, Zystems, Zetup and the recently established Zingle and Zuite take full responsibility for certain parts of an IT environment. We make sure it works and provide a concept instead of just consultancy, which is a new and improved way of taking care of companies’ IT environments.

Zipper standardises IT infrastructure for customers’ PC work-stations, automates its management and supplies a solution that considerably cuts costs, simplifies management and provides the security required.

Zystems works with system integration. Many companies are investing in new, modern systems and standardised solutions from various suppliers, which need integrating. Zystems has developed a reliable integration concept, BaseLine, which ensures finances and budgets are kept in the assignments. The company has been selected as the best system integration partner for two years running by IBM Software, which is a leader in IT systems.

Zetup has intensified its range. We started two new niche companies at the beginning of 2006, Zingle and Zuite, and refined the range

within IT Solutions, which changed its name to Zetup. The range develops and runs complicated IT infrastructures. IT activities concerning IT tools, infrastructure and effective product development methods have been moved to the Design & Development business area.

More information about the recently established company Zingle, which works with identity and access solutions for IT systems and Zuite, which streamlines business systems, can be found on pages 28 and 29.

Sales rose by 8% and profits by 33%. The business area’s sales stood at SEK 196.7 million (181.8), an increase of 8.2%. The operating profit was SEK 15.7 million (11.8), an increase of 33%. In Q4 Zipper has once again been authorised at the highest level in Microsoft’s partnership programme and been made Gold Certified Partner for 2006. Zystems by Semcon reported excellent growth over the year.

Considerable growth in specialist areas. The companies in the business area are very specialised and unique in their respective business areas. The need for specialised solutions increases in line with the maturing market. In total the IT market had sales of SEK 43.1 billion in 2004. (Source: Konsultguiden from Affärsvärlden.)

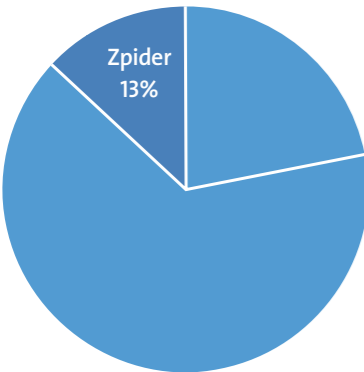
We believe we will see growth in 2006.

Zipper and Zystems by Semcon have solutions concerning very specific IT areas, but the need exists in nearly every major IT environment. The companies continue to do well and see the potential for their niche solutions internationally as well. Our recently established companies will be able to provide more niche solutions in the area where customer needs are greatest. The trend is also pointing towards more customers moving away from using one large IT supplier to using a number of specialist suppliers.

Customers. Our customers include: Akzo Nobel, Astra Tech, Codan Trygg Hansa, Handelsbanken, Saab Automobile, Sapa, Scania, Sony Ericsson, Stena Metall, Vattenfall, Vin & Sprit, Volvohandelns Utvecklings AB and the Volvo Car Corporation.

Competitors.	Number of employees	Sales (SEK m)
Accenture (Sweden)*	770	1 200
AcandoFrontec	603	656
Enea	509	726
Guide	500	523
HP (Sweden)* (**)	2 400	10 300
Qbranch	307	243
Tieto Enator	14 236	15 622
WM-data	8 390	9 265

* For activities based in Sweden only.
** Figures for 2004.



“A study shows that 58% of IT managers are unhappy with their supplier. This presents huge potential for specialist companies.”

Johan de Verdier, CEO Zpider.

Key indicators:	2001	2002	2003	2004	2005
Sales (SEK m)	111.9	161.4	179.1	181.8	196.7
Operating profit (SEK m)	4.3	-3.7	-5.4	11.8	15.7
Operating margin (%)	3.9	-2.3	-3.0	6.5	8.0
Share of total sales (%)	9.9	13.4	14.9	14.1	13.1
Employees on 31 Dec	114	144	140	162	197
Sales per employee (SEK 000)	982	1 121	1 279	1 121	997
Operating profit per employee (SEK 000)	38	-26	-39	73	80

Design & Development – Improves your business.

Design & Development works with design, product development and production development.

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

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

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

Growth of 20% and an operating profit of 66%. The business area is Semcon’s biggest with 65% of total sales. During the year the business area showed a 20% growth. This corresponds to a sales increase of SEK 161.6 million. In total, sales stood at SEK 974.4 million (812.8). The operating profit after depreciation climbed by 66% to SEK 42.2 million (25.5).

All major activities in the business area have seen a positive sales trend over the past year, mainly in the Vehicle and Telecom industries. In Industry we have also seen a positive trend towards customers in the airline indus-

try and the energy sector. Three new departments started in 2005 in the business area while five activities were disposed of.

An expanding market with many players.

The 60 biggest companies in technology and industrial consulting had sales of SEK 20.1 billion in 2004. (Source: Konsultguiden from Affärsvärlden.)

The trend among customers is that they are investing more than ever in product development and marketing to keep up with ever-increasing competition. This indicates that the market will continue to expand in 2006.

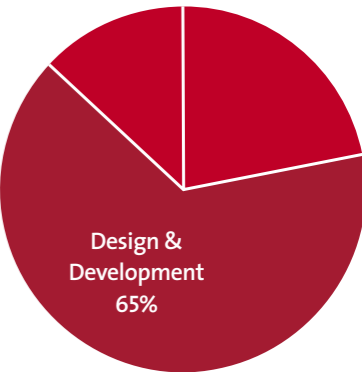
Why we believe that demand will increase in 2006 despite tougher competition. Our customers are investing more resources to produce new products more quickly with more attractive functions and qualities. This provides enormous opportunities for the various activities in the business area. The trade outlook changed in 2005, while competition remained tough. We will tackle this with the help of a more specialised range that will provide greater value for our customers.

We will continue our investment in Vehicle, Telecom during the year, but also introduce new services in Medical & LifeScience. We also have great hopes for the energy sector in Industry.

Customers. Our customers include: ABB, AstraZeneca, Bombardier, Ericsson, Scania, Saab Automobile, Saab AB, AB Volvo and the Volvo Car Corporation.

Competition.	Number of employees	Sales (SEK m)
Alten	6 540	4 052
Altran	16 152	13 322
Assystem *	7 500	5 147
Bertrandt **	3 065	2 020
Caran***	845	820
Edag *	4 195	5 208
ESG	> 1 000	1 812
HiQ International	568	721
Rücker *	1 922	1 385
Teleca	3 104	3 035
TietoEnator	14 236	15 622
Ångpanneföreningen	2 538	2 269

* Figures for 2004
** Figures for 2004/2005
*** Part of WM-data



“With faster and better offers we increase value for our customers.”

Stefan C Ohlsson, Automotive Manager, Design & Development.

Key indicators:	2001	2002	2003	2004	2005
Sales (SEK m)	861.2	838.9	775.7	812.8	974.4
Operating profit (SEK m)	-5.9	0	-61.2	25.5	42.2
Operating margin (%)	-0.7	0.0	-7.9	3.1	4.3
Share of total sales (%)	76.4	69.9	64.7	63.0	64.9
Employees on 31 Dec	1 271	1 224	1 032	1 033	1 188
Sales per employee (SEK 000)	678	685	752	786	820
Operating profit per employee (SEK 000)	-5	0	-59	25	36

Five year summary

SEK 000	2005	2004	2003*	2002*	2001*
Income statement					
Net sales	1 500 531	1 289 330	1 198 719	1 200 201	1 126 628
Operating expenses	-1 404 784	-1 229 520	-1 251 517 ***	-1 190 090	-1 120 978
Operating profit after depreciation**	95 747	59 810	-52 798	10 111	5 650
Financial income	6 857	1 846	1 732	1 785	2 009
Financial expenses	-4 707	-5 028	-4 104	-4 778	-4 888
Profit/loss after financial items	97 897	56 628	-55 170	7 118	2 771
Tax	-29 875	-16 294	-2 398	-6 171	-1 409
Net profit/loss for the year	68 022	40 334	-57 568	947	1 362
Balance sheet					
Goodwill	69 484	52 218	49 139	77 973	83 743
Computer software	9 050	5 940	3 950	3 300	4 386
Machinery/equipment/property	36 178	35 444	38 749	43 316	52 414
Financial fixed assets	3 709	16 100	16 490	21 041	19 660
Stock in trade	—	—	335	125	315
Work in progress	114 751	211 946	136 491	87 138	89 211
Accounts receivable	376 854	40 932	122 769	254 494	222 595
Other current assets	41 480	130 034	64 451	35 626	36 528
Cash and bank balances	17 872	58 998	40 748	33 072	7 049
Total assets	669 378	551 612	473 122	556 085	515 901
Shareholders' equity	198 886	133 959	90 406	147 594	148 921
Minority shares	—	—	17	180	426
Long-term liabilities and provisions	60 782	54 012	45 725	70 891	131 294
Current liabilities	409 710	363 641	336 974	337 420	235 260
Total shareholders' equity and liabilities	669 378	551 612	473 122	556 085	515 901
Cash flow statement					
Cash flow from current activities	40 390	28 131	42 703	40 834	36 757
Cash flow from investment activities	-23 443	-19 179	-28 693	-16 835	-31 389
Cash flow from financing activities	-3 367	9 298	-6 334	2 024	-10 861
Change in liquid assets *****	13 580	18 250	7 676	26 023	-5 493
Key figures					
Increase/decrease in sales (%)	16.4	7.6	-0.1	6.5	11.9
Operating margin (%)	6.4	4.6	-4.4	0.8	0.5
Profit margin (%)	6.5	4.4	-4.6	0.6	0.2
Interest cover ratio (multiple)	21.8	12.3	-12.4	2.5	1.5
Return on average shareholders' equity (%)	40.9	36.0	-48.4	0.6	0.9
Return on average capital employed (%)	44.2	50.9	-34.3	5.6	3.3
Equity/assets ratio (%)	29.7	24.3	19.1	26.5	28.9
Debt/equity ratio (multiple)	0.60	0.10	0.05	0.43	0.42
Number of shares at year-end (ooo)	17 391	17 391	17 391	17 391	17 391
Average number of shares (ooo)	17 391	17 391	17 391	17 391	17 356
Number of options (ooo)	—	218	218	382	164
Outstanding convertibles at year-end (ooo)	394	394	—	—	—
Average number of convertibles (ooo)	394	197	—	—	—
EPS after tax (SEK)	3.91	2.32	-3.31	0.05	0.08
EPS after dilution (SEK)	3.84	2.27	-3.31	0.05	0.08
Shareholders equity per share before dividend (SEK)	11.44	7.70	5.20	8.49	8.56
Price per share/equity per share (multiple)	5.1	4.0	3.0	1.5	4.6
P/E ratio	14.9	13.2	NEG	238.7	504.4
Average number of employees	1 636	1 444	1 504	1 581	1 585
Sales per employee (SEK 000)	917	893	797	759	711
Value added per employee (SEK 000)	625	619	523	535	507
Profit/loss after net financial items per employee (SEK 000)	59.8	39.2	-36.7	4.5	1.5
Investments in goodwill (SEK 000)	17 266	5 392	169	3 766	31 762 ****
Investments in other fixed assets (SEK 000)	19 554	17 734	22 370	14 755	24 991

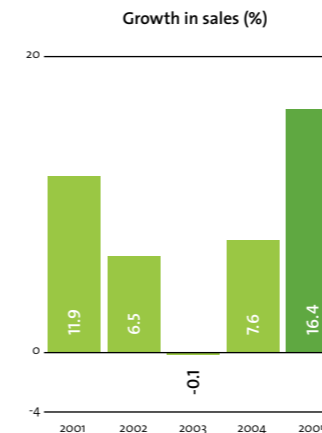
* 2001 and 2003 were not adjusted in line with IFRS.

** Including minority interests of SEK 1,000 in 2003 and SEK 411,000 in 2001.

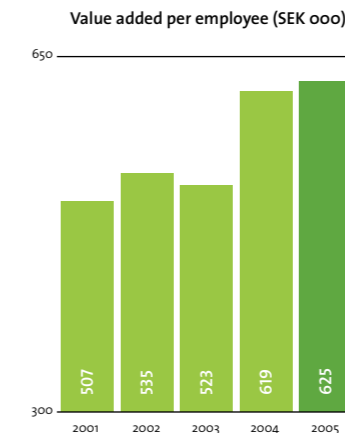
*** Of which SEK 11,631,000 for goodwill depreciation.

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

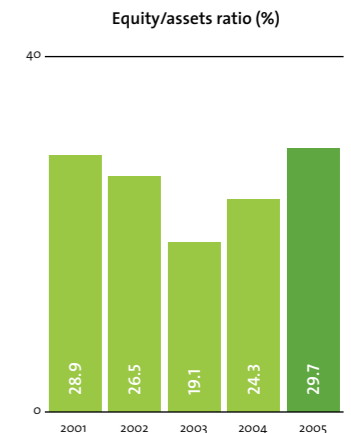
***** Excluding effects of completed factoring.



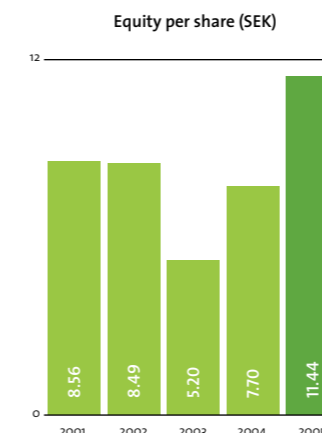
The average growth in sales is 7.4% over the past 5 years. Growth in sales was 16.4% in 2005.



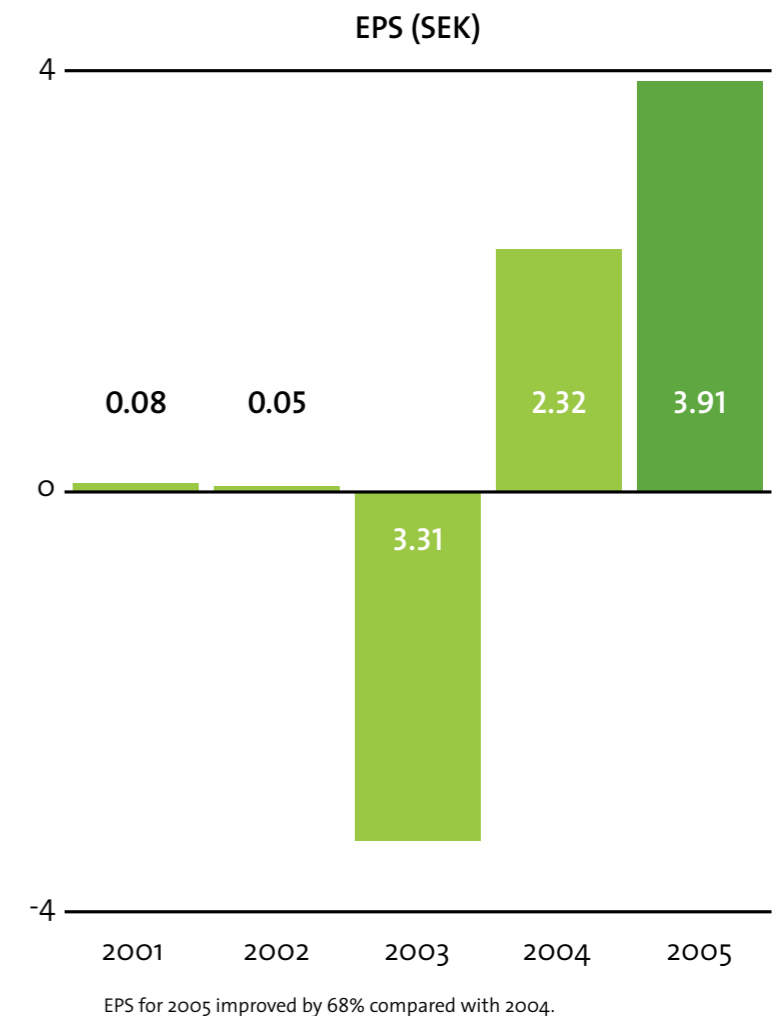
We have been very successful at improving the efficiency of the organisation. The average annual improvement is 5.4% over the past 5 years.



In the past 5 years the equity/assets ratio has improved and we are close to our financial target of more than 35%.



Improved profits have provided a positive impact on shareholders' equity. Compared to 2004 shareholders' equity per share has improved by 49%.



Directors' report.

The Board and CEO of Semcon AB (publ.) co. reg. no. 556539-9549 herewith present the annual report and consolidated accounts for the 2005 financial year.

Business activities. Semcon AB (publ), based in Göteborg, is the parent company in a Group consisting of 34 companies, in accordance with note 9, of which 14 are dormant. As a close partner to industry Semcon provides human and technical competence that improves customers' results. Semcon provides industrial design and development competence in the Design & Development, Informatic and Innovation business areas. Semcon has operations in the following locations: Göteborg (HQ), Asker, Beijing, Budapest, Copenhagen, Helsingborg, Karlstad, Karlskrona, Kista, Kuala Lumpur, Linköping, London, Ludvika, Lund, Oskarshamn, Oxford, Oxelösund, Stenungsund, Stockholm, Södertälje, Trollhättan, Västerås and Växjö.

Business areas. The Design & Development business area focuses on design and development of products and production systems. The Informatic business area develops product information that helps users to use products and systems in an optimum way. The Innovation business area (changing name to Zpider by Semcon) provides IT solutions that improve the efficiency of our customers' activities and make them easier. Companies in the business area operate under their own brands and their focus is on specific solutions to general IT problems.

Key events during the year.

Partnerships in the Informatic business area

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

Framework agreements. There are new and rolling framework agreements with the following companies: ABB, AstraZeneca, Autoliv Electronics, Bombardier, Ericsson, Gambro, General Motors Europe, Haldex, Nokia, Novo-Nordisk Engineering, Pfizer, Saab Automobile, SAAB AB, SCA, Scania, Volvo Aero, Volvo Parts and the Volvo Car Corporation.

Other important events.

- Semcon acquires Propeller, a design company
- Semcon acquires Pentech
- Semcon is selected as a Preferred Supplier by Ericsson
- Semcon becomes a design and development partner for Ericsson Racing Team
- Semcon opens an office in Hungary
- Semcon continues its expansion in China and opens an office in Beijing
- Semcon signs a service agreement with Volvo Aero
- Semcon Informatic renews its partnership with the Volvo Car Corporation

for a further three years

- Semcon retains Ford's Q1 quality award
- Semcon Project Management signs a new three-year global Preferred Supplier agreement with Ericsson for consulting services and training within Project Management
- For the second time, Zsystems by Semcon wins the "IBM Software Partner of the Year" award
- Zipper by Semcon is again authorised at the highest level in Microsoft's partner programme and becomes a Gold Certified Partner for 2006
- Propeller by Semcon receives two GOOD DESIGN™ Awards
- Semcon finishes in second place among the 228 listed companies in Sweden in Folksam's survey of the most sustainable companies in Sweden in 2005, based on the company's sick leave, distribution of gender and environmental work.

Key events after the end of the financial year.

- Semcon changes the name of its Innovation business area to Zpider by Semcon, to indicate a change in direction and major efforts to develop further with our successful Z companies. Johan de Verdier appointed manager of the business area
- Semcon starts a new company, Zingle by Semcon, which will work with "Identity and Access Management"
- Semcon teams up with FlexLink to form a joint company, Compliant Logistics AB, for making the production of pharmaceutical and medical device products more effective
- Semcon acquires 30% of the capital and 51% of the voting rights in Zuite AB.

The work of the Board of Directors. The work of the Board is described in the section headed 'Corporate Governance' on pages 90–91.

Incentive scheme. Semcon's Annual General Meeting on 27 April 2004 decided to raise a subordinated loan of no more than SEK 21,000,000 by issuing a maximum 1,400 convertible debentures worth a nominal SEK 15,000 each. The acquisition of a convertible debenture means that the holder makes a loan of SEK 15,000 to Semcon AB up to 31 May 2007. The loan carries interest of 2%, which is paid out on 31 May each year. Each convertible debenture gives the holder the right during the period 1 June 2006 to 31 May 2007 to convert the receivable into 428 shares in Semcon AB at a price per share of SEK 35. A total of 920 debentures were signed, which on full conversion would be equivalent to 393,617 shares or a dilution effect of 2.3 per cent.

There is a further options scheme for leading executives in the company. This scheme consists of 236,000 call options and each one gives the owner the right to buy one share in Semcon AB at a price of SEK 42. Semcon has signed a share-swap agreement to secure the commitment relating to the options scheme.

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

Acquisition of Semcon shares. During the year Semcon bought back 96,500 shares in the company at an average share price of SEK 34.89 per share. This corresponds to 0.6% of the total remaining shares. The nominal value of these shares is SEK 95,500. At the end of the financial year there was an unrealised and non-reported profit in this holding of SEK 2.3 million. The aim of the acquisition of company shares was to promote a more effective capital structure in the company, adjust the company's capital structure to the company's capital requirements and provide the Board with the opportunity to achieve cost-effective stability in conjunction with the incentive scheme.

Company acquisitions. On 1 January 2005 Semcon acquired Propeller AB and Pentech Ltd.

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

Financial overview.

Sales and results/financial position. The Group's sales climbed by SEK 211.2 million compared to the previous year and



“The Group's sales climbed by SEK 211.2 million, an increase of 16.4%.”

amounted to SEK 1,500.5 million (1,289.3), an increase of 16.4%. The operating profit after depreciation was SEK 95.7 million (59.8), an increase of SEK 35.9 million, and the profit after net financial items was SEK 97.9 million (56.6). Sales growth has also been positively influenced thanks to improved market conditions in the major cities especially. The operating margin was 6.4% (4.6). Improved earnings were mainly due to improved cost control. The EPS after tax was SEK 3.91 (2.32). The return on average shareholders' equity amounted to 40.9% (36.0). The equity/assets ratio was 29.7% (24.3) and shareholders equity was SEK 198.9 million (134.0). Shareholders' equity corresponds to SEK 11.44 per share before the dividend (7.70). The Group's liquid assets totalled SEK 17.9 million (59.0). Pre-sold invoiced receivables amounted to SEK 0 million (213.1) on 31 December 2005. Results for the business area were as follows. Design & Development reported sales of SEK 974.5 million (812.8), which represents 65% (63) of total Group sales. The operating profit was SEK 42.2 million (25.9), which meant a margin of 4.3% (3.1). Informatic reported sales of SEK 329.4 million (294.7), which represents growth of 11.8%. The operating profit for Informatic was SEK 37.8 million (22.7), which meant a margin of 11.5% (7.7). Innovation (Zpider by Semcon) reported sales of SEK 196.7 million (181.8), operating profit of SEK 15.7 million (11.8) and a margin of 8.0% (6.5).

Investments. Semcon invested SEK 19.5 million (17.7) in 2005, mainly in computers, networks and property. Investments in goodwill arising from the purchase of net

assets in a business was SEK 0 million (1.2). In addition the Group invested SEK 17.3 million (4.2) in goodwill.

Employees. At the end of the year there were 1,672 (1,471) employees, which is an increase of 13.7%. The average number of employees during 2005 was 1,636 (1,444), of whom 25 (23) per cent are female. The average age of employees is 38 (38).

Risk and sensitivity analysis. An analysis of risk and sensitivity of the Semcon Group, which includes a description of financial risks, can be found on pages 68–69.

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

If conditions are right, with consideration to financial targets and investment alternatives for continued expansion, the Board intends to pay out higher dividends when appropriate. Because of the results of the Semcon Group, the Board will propose to the AGM that no dividend be paid for the 2005 financial year. No dividend was paid in 2004.

Goals for 2006. The overall goals for the year

are continued growth and improved profitability. One specific goal is to continue to win market shares in Sweden and internationally. We will continue investing in developing specialist offers in all our focus industries.

Outlook for 2006. We believe that the good economic trend seen in 2005 will continue in 2006, which will provide us with the opportunity to achieve the set goals, even though there is an element of uncertainty.

Parent company. Sales amounted to SEK 27.2 million (36.1) and the loss after depreciation was SEK 3.1 million (-4.2). Liquidity in the parent company was SEK 37.7 million (54.3) and net investments in the company amounted to SEK 0 million (0.0).

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

Proposed allocation of profits, SEK. The AGM has the following profit at its disposal:

Profit brought forward	66 459 995
Profit for the year	47 460 587
Group contribution	-5 471 496
Buy-back of shares	-3 366 835
Total	105 082 251

The Board proposes that the profits be distributed as follows:

Carried forward	105 082 251
Total	105 082 251

Risk and sensitivity analysis.

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

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

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

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

Global factors and changing markets. There are also a number of external factors that affect the customers’ use of consultants.

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

Customers choosing fewer suppliers – both opportunity and risk. Industrial firms want to work with fewer suppliers to gain better

control over quality. Consulting firms chosen as primary supplier to the leading industrial firms gain significant advantages. Consulting firms that are not chosen lose out on the possibility of doing business.

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

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

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

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

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

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

Seasonal variations. Semcon sells services, so sales are mainly based on assignments invoiced by the hour, even though the proportion of project work and fixed price assignments is growing. The summer period, when most employees take holidays, is a weak period for consultancy firms, and even the length of the Christmas holiday can have a decisive effect on profits during Q4. The greatest influence on Semcon’s growth is seen from Vehicle, followed by the Industry and Medical & LifeScience sectors. The number of working days varies from year to year.

Seasonal variations, Sweden

Number of working days:

	Q1	Q2	Q3	Q4	Total
2004	62	59	70	63	254
2005	62	61	65	64	252
2006	64	58	65	63	250

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

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

How utilisation, fees and staff costs affect earnings. A change of +/- 1% in the following variables would have affected the operating profit for 2005 as follows:

Utilisation level	+/- 1%	SEK 16.7 million
Average fee	+/- 1%	SEK 15.0 million
Staff costs	+/- 1%	SEK 9.1 million

Project and assignment risks. A customer can, in certain cases, cancel a project at short notice. This can result in a risk where Semcon is not always guaranteed full cost coverage, especially for those consultants who cannot immediately be transferred to another project. With fixed-rate projects the company exposes itself to the risk that a project cannot be finished within the given cost frame.

Poor performance in assignments can also affect earnings. This risk is minimised because all assignments follow established working methods. The Semcon Group has both ISO 9001 and ISO 14001 certification.

Financial risks. Semcon’s business is exposed to various financial risks which means that Semcon works continually to minimise them.

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

Interest rate risks. Interest rate risks are considered to be the risks associated with changes to the interest rates negatively impacting on Semcon’s profits. Interest-bearing

liabilities stood at SEK 118.4 million (13.4). Last year there was also an interest-bearing item for transferred accounts receivable of SEK 213.1 million. Of the interest-bearing liabilities SEK 13.5 million is for a convertible debenture with an interest rate of 2 per cent up to the date of conversion. The Group’s financial debt has variable interest rates.

Credit risks associated with accounts receivable. The value of outstanding accounts receivable is SEK 377 million. Reservations for non-hedged accounts receivable are made on an ongoing basis. The majority of accounts receivable consists of debt by well-established, listed companies with sound equity/assets ratios. Semcon’s credit losses have been very low over the years.

Liquidity and financing risks. This is the risk of not being able to fulfil payment commitments due to a shortage of liquid funds or difficulty in raising loans. Semcon is in continuous dialogue with banks in order to obtain the best terms when taking out loans.



Definitions.

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

Profit margin. Profit after net financial items as a percentage of operating income.

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

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

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

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

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

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

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

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

EPS after tax. Profit/loss for the year attributable to the parent company’s owners divided by the average number of outstanding shares.

EPS after dilution. Profit/loss for the year attributable to the parent company’s owners divided by the average number of outstanding shares including options. The EPS after dilution includes interest expenses and tax relating to convertible loans.

Shareholders’ equity per share. Shareholders’ equity divided by the number of shares at the end of the period.

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

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

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

Average number of employees. Average number of yearly employees.

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

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

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

Income statement

SEK 000	NOTE	THE GROUP		PARENT COMPANY	
		1 JAN 05– 31 DEC 05	1 JAN 04– 31 DEC 04	1 JAN 05– 31 DEC 05	1 JAN 04– 31 DEC 04
OPERATING INCOME					
Net sales	1. 2	1 495 729	1 289 330	27 171	36 091
Profit from associated companies	9	4 802	—	—	—
Operating income		1 500 531	1 289 330	27 171	36 091
Operating expenses					
Purchase of goods and service		-281 707	-254 470	—	-10 192
Other external expenses	3	-154 361	-126 291	-10 368	-8 735
Staff costs	4	-953 520	-832 848	-19 788	-20 629
Amortisation and write-down of intangible assets	5	-1 801	-1 548	-8	-607
Amortisation and write-down of tangible assets	5	-13 395	-16 006	-67	-155
Share in associated companies' profits	9	—	1 643	—	—
Operating profit/loss		95 747	59 810	-3 060	-4 227
Financial items					
Interest income and similar items	6	6 857	1 846	965	1 341
Group contribution received		—	—	56 376	28 035
Interest expenses and similar items	7	-4 707	-5 028	-928	-548
Profit/loss after financial items		97 897	56 628	53 353	24 601
Appropriations					
Change in tax allocation reserve		—	—	13 832	6 573
Excess depreciation		—	—	62	149
Profit before tax		97 897	56 628	67 247	31 323
Tax on profit for the year	8	-29 875	-16 294	-19 787	-9 303
PROFIT/LOSS FOR THE YEAR		68 022	40 334	47 460	22 020
Of which attributable to parent company's shareholders		68 020	40 341	—	—
Of which attributable to minority interests		2	-7	—	—
EPS, SEK		3.91	2.32	—	—
EPS after dilution, SEK *		3.84	2.27	—	—
Number of shares at year-end (ooo)		17 391	17 391	—	—
Average number of shares (ooo)		17 391	17 391	—	—

* The EPS after dilution includes interest expenses and tax attributable to convertible loans.

Reconciliation of profit for the year with previous year's accounting principles and IFRS	2004
Profit for the year, previous accounting principles	32 030
Reclassification of minority interests	-7
Goodwill	8 311
Share of profits from associate companies	-638
Tax on profit for the year attributable to share of profit from associate companies	638
Profit for the period, IFRS	40 334

Balance sheet

SEK 000	NOTE	THE GROUP		PARENT COMPANY	
		1 JAN 05– 31 DEC 05	1 JAN 04– 31 DEC 04	1 JAN 05– 31 DEC 05	1 JAN 04– 31 DEC 04
ASSETS					
Fixed assets					
Intangible fixed assets	5				
Goodwill		69 484	52 218	—	—
Computer programs		9 050	5 940	0	8
Tangible fixed assets	5				
Property		15 667	11 717	—	—
Plant and machinery		1 235	1 813	—	—
Equipment		15 102	16 276	1	55
Computers		4 174	5 638	9	24
Financial fixed assets					
Shares in subsidiaries	9	—	—	48 845	48 845
Shares in associate companies	9	—	8 698	—	—
Deferred tax recoverable	8	3 709	7 402	—	—
Total fixed assets		118 421	109 702	48 855	48 932
Current assets					
Receivables from subsidiaries		—	—	113 537	74 701
Accounts receivable	10	376 854	40 932	—	—
Accrued non-invoiced income	11	114 751	211 946	—	—
Other receivables	12	6 239	109 882	82	162
Prepaid expenses and accrued income	13	35 241	20 152	368	333
Cash and bank balances		17 872	58 998	37 721	54 334
Total current assets		550 957	441 910	151 708	129 530
TOTAL ASSETS		669 378	551 612	200 563	178 462
Reconciliation of assets with previous year's accounting principles and IFRS					
Total assets, previous accounting principles		31 DEC 04			
Goodwill		543 301			
Total assets according to IFRS		8 311			
		551 612			

Balance sheet continued

		THE GROUP		PARENT COMPANY	
SEK 000	NOTE	1 JAN 05– 31 DEC 05	1 JAN 04– 31 DEC 04	1 JAN 05– 31 DEC 05	1 JAN 04– 31 DEC 04
SHAREHOLDERS' EQUITY AND LIABILITIES					
Shareholders' equity	14				
Share capital (17,391,021 shares at a nom. SEK 1)		17 391	17 391	17 391	17 391
Other shareholders' contribution		21 673	21 673	—	—
Statutory reserve		—	—	25 140	25 140
Reserves		222	-50	—	—
Profit brought forward		91 578	54 611	57 622	44 439
Profit for the year		68 022	40 334	47 460	22 020
Total shareholders' equity		198 886	133 959	147 613	108 990
Of which minority shares		13	11	—	—
Untaxed reserves					
Accumulated excess depreciation		—	—	—	63
Tax allocation reserve	15	—	—	19 317	33 149
Total untaxed reserves		—	—	19 317	33 212
Long-term liabilities					
Provisions	16	588	—	588	—
Deferred tax	8	45 695	40 565	—	—
Convertible loan	17	13 499	13 447	13 499	13 447
Other long-term liabilities	22	1 000	—	—	—
Total long-term liabilities		60 782	54 012	14 087	13 447
Current liabilities					
Provisions		500	—	—	—
Overdraft facilities	18	104 871	—	—	—
Accounts payable		48 586	46 228	1 102	13 529
Current tax liabilities		—	—	12 707	585
Other liabilities		60 604	40 600	1 068	1 657
Non-accrued invoiced income	10	28 970	—	—	—
Accrued expenses and prepaid income	19	166 179	276 813	4 669	7 042
Total current liabilities		409 710	363 641	19 546	22 813
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		669 378	551 612	200 563	178 462
Memorandum items					
Pledged assets	20	8 055	8 055	—	—
Contingent liabilities	21	9 374	214 313	—	1 208

Reconcilement of shareholders' equity on 31 Dec 2004 with previous year's accounting principles and IFRS

	31 Dec 04
Closing balance of shareholders' equity, according to previous accounting principles	125 637
Goodwill	8 311
Reclassification of minority	11
Closing balance of shareholders equity according to IFRS	133 959

Change in shareholders' equity

THE GROUP SEK 000	SHARE-CAPITAL	OTHER CONTRIBUTION CAPITAL	RESERVES	PROFIT FORWARD	MINORITY	TOTAL SHAREHOLDERS' EQUITY
Opening balance 2004 according to previous year's accounting principles	17 391	21 673	-3 786	55 128	—	90 406
Exchange rate differences	—	—	-50	—	—	-50
Loss risk in initial SWAP agreements *	—	—	3 251	—	—	3 251
Profit/loss for the year **	—	—	—	40 341	-7	40 334
Reclassification of minority interest	—	—	—	—	18	18
Reclassification of accumulated exchange rate differences	—	—	535	-535	—	0
Shareholders' equity 31 December	17 391	21 673	-50	94 934	11	133 959
Exchange rate difference ***	—	—	272	—	—	272
Buy-back of shares in the company ****	—	—	—	-3 367	—	-3 367
Profit for the year	—	—	—	68 020	2	68 022
Shareholders equity on 31 December	17 391	21 673	222	159 587	13	198 886

PARENT COMPANY SEK 000	SHARE-CAPITAL	RESTRICTED EQUITY	UNRESTRICTED EQUITY	TOTAL SHARE-HOLDERS EQUITY
Opening balance 2004	17 391	25 140	53 038	95 569
Group contribution paid	—	—	-11 943	-11 943
Tax on Group contribution	—	—	3 344	3 344
Profit for the year	—	—	22 020	22 020
Shareholders' equity, 31 December 2004	17 391	25 140	66 459	108 990
Group contribution paid	—	—	-7 599	-7 599
Tax on Group contribution	—	—	2 129	2 129
Buy-back of shares in the company ****	—	—	-3 367	-3 367
Profit for the year	—	—	47 460	47 460
Shareholders' equity, 31 December 2005	17 391	25 140 ****	105 082	147 613

* To hedge the undertakings in the call options scheme, Semcon signed a share swap agreement in 2002. The loss risk in this agreement in 2003, is reported directly against shareholders' equity. The entire reserved amount was returned in 2004. In the 2005 financial statement, fair value exceeded the acquisition value of this share swap agreement. The non-realised profit is reported in the income statement and in note 6.

** For reconciliation of previous accounting principles against IFRS see pages 70 and 72.

*** The closing accumulated exchange rate difference amounted to SEK 222,000.

**** The company has acquired a total of 96,500 Semcon shares for a nominal SEK 1 for an average rate of SEK 34.89.

***** The statutory reserve of SEK 17,399,000, option premiums of SEK 4,274,000 and the shareholders' equity portion of the issue of the promissory note of SEK 0 have been transferred to the statutory reserve.

As of 31 December 2005 the registered share capital consisted of 17,391,021 shares at a nominal SEK 1, which is the same as the value of a round lot.

No major adjustments concerning IFRS have been identified for the balance brought forward on 1 January 2004.

Cash flow statement

		THE GROUP		PARENT COMPANY	
SEK 000	NOTE	1 JAN 05– 31 DEC 05	1 JAN 04– 31 DEC 04	1 JAN 05– 31 DEC 05	1 JAN 04– 31 DEC 04
Current activities					
Operating profit/loss after depreciation and write-downs		95 747	59 810	-3 060	-4 227
Depreciation	5	15 196	17 554	75	762
Share in associated companies' results	9	-713	-1 643	—	—
Profit/loss from machinery & equipment sold		-3 531	1 758	—	—
Cash flow from current activities		106 699	77 479	-2 985	-3 465
Interest received and similar items		3 839	1 846	1 037	1 341
Interest paid and similar items		-4 658	-5 028	-928	-547
Income tax paid		-7 891	-9 760	-5 556	483
Allocations		1 088	-50	588	—
Cash flow from current activities before change in working capital		99 077	64 487	-7 844	-2 188
Change in working capital					
Increase/decrease in current receivables		-7 092	18 772	-38 791	-22 948
Increase/decrease to work in progress and stock		-131 940	-56 571	—	—
Increase/decrease in current liabilities		80 345	1 443	-15 389	21 870
Effects of completed factoring *		-54 706	—	—	—
Total change in working capital		-113 393	-36 356	-54 180	-1 078
Cash flow from current activities		-14 316	28 131	-62 024	-3 266
Investment activities					
Investments in shares in subsidiaries/activities	22	-22 760	-6 166	—	—
Group contributions made		—	—	-7 599	-11 943
Investments in intangible fixed assets		-4 910	—	—	—
Investments in tangible fixed assets		-9 275	-13 213	—	-21
Payments from sales of associate companies		13 500	—	—	—
Payments from sales of machinery and inventory		2	200	—	—
Cash flow from investment activities		-23 443	-19 179	-7 599	-11 964
Financing activities					
Group contributions received		—	—	56 376	28 035
Amortisation of loans		—	-4 497	—	-4 497
Convertible loans	18	—	13 795	—	13 795
Acquisition of Semcon shares		-3 367	—	-3 367	—
Cash flow from financing activities		-3 367	9 298	53 009	37 333
CASH FLOW FOR THE YEAR		-41 126	18 250	-16 614	22 103
Cash and bank balances at the start of the year		58 998	40 748	54 335	32 232
Cash and bank balances at year-end		17 872	58 998	37 721	54 335
Cash flow for the year		-41 126			
Effects of completed factoring		54 706			
Cash flow for the year excluding effects of completed factoring *		13 580			
* Factoring agreements were completed during the year causing the following effects on the balance sheet					
Increased accounts receivable		213 418			
Decreased current receivables		-90 905			
Increased overdraft facility		-67 807			
Total		54 706			



Accounting and valuation principles.

The Annual Report has been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU, the Swedish Annual Accounts Act and recommendation 30 of the Swedish Financial Accounting Standards Council (Additional consolidated accounting regulations). The Parent company's annual accounts have been prepared in accordance with the Swedish Annual Accounts Act and the Swedish Financial Accounting Standards Council's recommendation 32 (Accounting for legal entities).

The Parent company's functional currency is SEK, which is also the Group's reporting currency. All sums in the financial report are rounded off to the nearest thousand SEK.

Semcon's transition to IAS/IFRS 2005. New regulations came into force on 1 January 2005 for consolidated reporting according to IFRS/IAS. The term IFRS in this Annual Report includes the application of IAS and IFRS as well as the interpretation of these standards (SIC and IFRIC). From 2005 the Semcon Group will publish all financial reports in accordance with IFRS. The 2005 Annual Report includes comparisons with 2004, which have been recalculated in accordance with IFRS. Semcon applied IFRS from 1 January 2004.

In recent years Swedish accounting practices have been adapted to the new regulations.

When applying the transition regulations there is no retrospective effect on Semcon's reporting. The new regulations have only meant minor adjustments to the applied accounting principles, with the exception of the depreciation principles for goodwill. The changes have however led to an increased demand for information, which is available in the Notes and the Directors' report. The transition to IFRS/IAS is explained in the Directors' report and the effects of the amended values appear in the accounts directly after the income statement, balance sheet and change in shareholders' equity.

Consolidated accounting. In addition to the Parent company, the Group consists of all subsidiaries where the Group owns shares and directly or indirectly has the majority of voting rights, or through agreements has a controlling influence. Acquired companies are included in the consolidated accounts from the acquisition date. Sold companies are included up until the date they are sold. These consolidated accounts have been prepared in accordance with the purchase method, which means that the acquisition value of shares in Group companies is divided into identifiable assets and liabilities at the time of the acquisition at the fair value. The difference between the acquisition value and

the calculated value of equity at the time of acquisition is reported as consolidated goodwill. Testing of goodwill is carried out regularly and adjusted if the conditions for evaluating it have changed. An allowance is made in the acquisition analysis for deferred tax on acquired untaxed reserves. In addition, deferred tax is seen as the difference between the fair values of assets and liabilities and taxable residual values.

Untaxed reserves accumulated after the acquisition are divided partly into deferred tax liability (28 per cent) and the remaining part, which is reported under unrestricted equity.

The consolidated shareholders' equity includes the parent company's equity and the part of the subsidiaries' equity accumulated after the date of the acquisition.

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

Associated companies. Associated companies are included where the Group has a minimum holding of 20 per cent of the voting rights or in any other way has a significant influence but where there is no parent/subsidiary relationship. The equity method has been applied in the consolidated accounts for accounting associated companies. The shares of the associated company's profit is reported in the income statement. Profit from the sale of associated companies has been reported as other operating income.

There were 20 (14) companies operating in the Group at year-end.

Cash flow statement. The cash flow statement is produced using the indirect method. Reported cash flow includes only those transactions that have involved payments into or out of the company. Liquid funds refer to cash and bank balances.

Liquid assets. Cash and bank balances in the Group are made up of cash and bank balances. Overdraft facilities reported in the balance sheets are reported as loans in current liabilities.

Revenue recognition.
Income from sales of services. The Group applies the percentage of completion method. Work in progress is taken up as revenue in line with work being carried out. Fixed-rate work is taken up as revenue in proportion to the respective assignment's degree of completion on the closing date after reservation for loss risks. The degree of completion is assessed without accrued assignment expenses for work carried out in relation to the assignment's estimated total costs.

On account invoices received are reported net against activated assignment expenses. If the net of the expenses paid and on account invoices received is positive then the project is reported as an asset in the balance sheet as “Customer receivables”. Projects are reported as liabilities for which on account invoices received exceed assignment expenses paid as “Customer liabilities”.

Income from sale of hardware and software.

Income from sales of hardware and software which is not of significant value is reported upon delivery, which coincides with the time when risks and benefits accrue to the buyer.

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

Research and development costs. The majority of Semcon's development costs concern development in the framework of customer projects. In other cases the company's development costs are of an ongoing nature that are carried as an expense in the period they occur. These costs are not considered to be significant. Exceptions to this are costs incurred for the development of specific programs of technical platforms, which are reported as intangible assets. See below for more information.

Fixed assets.

Tangible fixed asset. Tangible fixed assets mainly consisting of computers, inventory, property and investment in leased premises have been valued at the purchase price with deductions for accumulated depreciation and write-downs.

Intangible fixed assets. Acquired goodwill is valued at its acquisition value with deductions for accumulated write-downs. As a result of the transition to IFRS the accumulated write-downs of goodwill before 1 January 2004 cut the accumulated acquisition value by the corresponding amount (see Note 5). Other acquired intangible fixed assets are valued at the acquisition value with deductions made for accumulated depreciation and write-downs. Reporting of development expenditure for the company's own computer programs or technical platforms has been done at accrued expense. Accrued expenses have been capitalised from the time that it was decided that software was commercially viable and other criteria according to IAS 38 has been fulfilled. Expenses are depreciated over the expected utilisation period.

Depreciation principles for fixed assets.

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

- Machines and plant depreciated over 5 years
 - Computers depreciated over 3–5 years
 - Equipment depreciated over 5 years
 - Property depreciated over 30 – 33 years
- The parts of the property where it is possible to identify a shorter lifespan is depreciated according to a special plan
- In-house developed software depreciated over 5 years

Write-downs. The company's management continually assesses the value of any write-down requirement.

Write-downs are made in cases where an asset's reported value exceeds its recoverable value.

Allocations. When a formal or informal commitment exists as a result of an event that has occurred and it is possible that resources will be required to fulfil the commitment and a temporary estimate can be made of the amount required, then such a commitment is reported as an allocation if the amount and payment date are uncertain. The following allocations are reported in the balance sheet: Pensions, guarantee commitments and deferred tax liabilities.

Income tax. The Group's tax expense or tax income are reported as current tax, changes in deferred tax as well as tax on changes to untaxed reserves.

Current tax. This tax is calculated on the taxable profit for the period according to the tax regulations in each country. Current tax also includes possible adjustments from previous taxation.

Deferred tax. This tax is calculated on the basis of the taxable, respectively tax deductible, temporary differences between the reported and fiscal value of assets and liabilities. Deferred tax liability of loss carry-forwards have only been taken into account to the extent where it is probable that the loss carry-forwards can be deducted from the taxable surplus in future.

Leasing. Semcon does not have any financial leasing contracts. The Group rents offices, cars and some office equipment. Rental agreements in which the risks and benefits associated with ownership remain to a significant extent with the lease provider are reported as operational leasing agreements. The costs are reported directly in the income statement during the rental period.

Employee remuneration, pensions. Employees' remuneration is reported as earned and paid wages plus bonus earned. Full remuneration is paid for various commitments such as non-utilised holiday entitlement and payroll overheads.

For pensions Semcon reports remuneration to employees according to IAS 19, which generally corresponds with recommendation

29, 'Remuneration to employees' of the Swedish Financial Accounting Standards Council, applied since 2004. According to IFRS, pensions are divided between defined-contribution and defined-benefit pensions. Commitments for retirement pensions and family pensions for salaried employees in Sweden are safeguarded via insurance with Electa. According to a statement from the Swedish Financial Accounting Standards Council's Emerging Issues Task Force, URA 42, this is a defined-benefit plan that encompasses several employers. As in previous years the company has not had access to information to enable it to report this plan as a defined-benefit plan, which means that the ITP pension plans secured via insurance with Alecta are therefore reported as defined contribution plans according to IAS 19 point 30. Expenses during the year for pension insurance policies signed with Alecta amounted to SEK 38.7 million (37.9). Alecta's surplus can be allocated to the policy holder or the person insured. At the end of 2005, Alecta's surplus in the form of the collective consolidation level was 128.5 per cent (128.0). The collective consolidation level is the market value of Alecta's assets as a percentage of the insurance commitment calculated according to Alecta's actuarial assumptions, which do not comply with IAS 19.

Semcon has defined-benefit pension plans for several employees in Sweden. Defined-benefit pension plans include remuneration to employees and former employees based on salary at the time of retirement and the number of years in service at the company. Independent actuaries calculate the extent of the commitments that the respective plans have and evaluate pension plans' commitment year-on-year. Pension costs are calculated using the Projected Unit Credit Method in a way that divides the cost over the employee's professional life. These commitments are valued at the current value of expected future payments. The net of the calculated current value of the commitment and the fair value of the managed assets are reported in the balance sheet either as an allocation or as a long-term financial receivable. That part of the accumulated actuarial profits and losses exceeding 10 per cent of the greatest of the commitments' current value and managed assets' fair value is reported in the income statement over the expected average remaining period of service for the employee covered by the plan.

The Group takes the risk that the set remuneration is paid. The defined-benefit pension plans are safeguarded through insurance.

Financial instruments. Information concerning financial risk management is described in the section entitled 'Risks and sensitivity analysis' on pages 68–69.

Financial instruments are valued and reported in the Group according to regulations in IAS 39. Financial instruments reported on the balance sheet include accounts receivable, accounts payable-trade, borrowings and equity

instruments. The booked value does not deviate greatly from the real value.

Accounts receivable. Accounts receivable are reported as net after allocations for unreliable accounts receivable. Last year Semcon signed an agreement to sell the Swedish accounts receivable. Sold accounts receivable were then not reported in the balance sheet. A new agreement from October 2005 means that Semcon no longer sell its accounts receivable, instead the Group has an overdraft facility of SEK 200 million.

Accounts payable-trade. Accounts payable-trade have a short expected lifespan and are valued without discounting for a nominal sum.

Credit institution liabilities. Costs for interest rates and other costs relating to liabilities with credit institutions are reported as they arise in the income statement as a financial cost. The liability appears on the closing day at the acquisition value and accrued interest is reported in accrued expenses.

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

Options scheme.

Warrant. Premiums received concerning warrants issued for the subscription of new

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

Call options. Premiums received concerning call options, issued to senior management, are reported, after deductions for costs, directly against restricted shareholders' equity. Semcon has signed a share swap agreement to hedge its undertakings in the call option scheme. The annual cost for this agreement is reported as employee costs. As this agreement is regulated through cash payment it is considered to be a derivative and is valued at the fair value in the income statement.

Acquisition of Semcon shares. Semcon shares acquired have not been reported as assets but as a negative impact on profit brought forward.

Critical accounting issues, estimations and assessments. When drawing up Semcon's Annual Report the board and CEO did not identify any critical accounting issues of significance for the reported sums.

Certain assumptions about the future and certain estimations and assessments are significant when valuing assets and liabilities.

The value of goodwill is examined at least once a year with reference to possible write-down requirements. The examination requires an estimation of the value of the cash-generating unit to which the goodwill value refers. This means that estimations are made of future cash flow and that relevant discount rates are set. The estimations made are presented in Note 5.

Reporting the cost for defined-benefit pension plans is based on actuarial calculations that in turn are based on different factors. Important assumptions are explained in Note 16.

The valuing of loss risks in projects is

based on estimations of results of ongoing projects. This is more closely explained in the “Risk and sensitivity analysis” on pages 68-69.

Accounting principles of the parent company.

The parent company has drawn up its Annual Report in accordance with the Annual Accounts Act and recommendation 32 (Accounting for legal entities) of the Swedish Financial Accounting Standards Council. The accounting principles of the parent company have been consistently applied for 2005 and the year of comparison, 2004. The differences between the Group's and parent company's accounting principles appear below.

Taxes. In the parent company, untaxed reserves are reported including deferred tax liabilities, as opposed to the consolidated accounts where untaxed reserves are divided into deferred tax liabilities and shareholders' equity.

Group contribution/shareholders' contribution.

The company reports Group contributions according to a statement from the Swedish Financial Accounting Standards Council's Emerging Issues Task Force, URA 7. Group contribution paid in order to minimise the Group's total tax is reported directly against profit brought forward after deductions for its current tax effect. Group contribution that can be classed the same as dividends is reported as a financial income with the recipient. All Group contributions to the parent company can be classed the same as for dividends and therefore can be reported under shareholders' equity.

Notes

NOTE 1 INFORMATION ABOUT THE BUSINESS AREAS

The Group's segments consist of the business areas Design & Development, Informatic changing name to Zingle by Semcon AB, which are described in further detail in the Directors' Report. The Group reports sales between the segments at current market prices. These sales between the segments are meanwhile relatively small and have been eliminated directly in each segment, i.e. sales that are reported are for sales to external customers.

	DESIGN & DEVELOPMENT		INFORMATIC		INNOVATION		ELIMINATION		GROUP TOTAL	
SEK M	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Income *	974.5	812.2	329.4	295.9	196.6	181.2	—	—	1 500.5	1 289.3
Profit/loss per business area ***	42.2	25.9	37.8	22.7	10.9	9.5	—	—	90.9	58.1 ***
Undistributed costs **									—	—
Profit/loss participation					4.8	1.7			4.8	1.7
Operating profit/loss									95.7	59.8
Interest income									6.9	1.8
Interest expenses									-4.7	-5.0
Tax expense for the year									-29.9	-16.3
Net profit/loss for the year									68.0	40.3
Other information										
Assets ***	442.5	315.1	110.3	62.5	65.8	65.2	-32.7	-39.4	585.9	403.4
Share of equity						8.7			—	8.7
Undistributed assets									83.5	139.5
Total assets									669.4	551.6
Liabilities	314.3	241.9	65.5	47.3	50.5	56.9	32.7	39.4	463.0	385.5
Undistributed liabilities									7.5	32.2
Total liabilities									470.5	417.7
Investments	18.7	19.5	10.1	0.3	8.0	3.3			36.8	23.1
Depreciation	8.1	9.5	3.8	2.7	1.8	3.7			13.7	15.9
Undistributed depreciation									1.5	1.7

* The Group is divided into three business areas that make up Semcon's primary segment division. Other activities include the parent company and dormant companies. Secondary segments are divided into countries, with the proportion of business as follows: Sweden 91.7%, Denmark 1.7%, Norway 1.9%, the UK 3.7%, Malaysia 0.4% and China 0.6%. Because the individual segments make up less than 10% of the total sales no other information is reported for secondary segments. Semcon has no secondary segment in its internal reporting, divided by country or other segment. Revenue includes profit from sales of, and annual profit participation from, associated companies of SEK 4,089,000 and SEK 713,000 respectively, or a total of SEK 4,802,000.

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

*** Adjusting IFRS goodwill has occurred in comparative figures for 2004 at a total of SEK 8.3 million. Profit from associated companies is not included.

NOTE 2 NET SALES

Of net sales, income from services accounts for 92.5 per cent (90.3). Other sales comprise licences, computers, training, materials and goods in projects and profit from sales of associated companies. Purchases/sales between Group companies amount to SEK 214,620,000 (153,472,000) and concerns all principle services. The parent company's sales attributable to Group companies amount to SEK 27.1 million (35.6) and purchases amounts to SEK 0.6 million (0.2). The minority interest share of the operating profit totals SEK 2,000 (-7,000). More than 90% of the Group's income and costs are for activities in Sweden.

NOTE 3 INFORMATION REGARDING REMUNERATION TO THE AUDITORS

THE GROUP SEK 000	2005	2004
For auditing and advice, plus other contributions resulting from observations made during auditing work:		
Ernst & Young	2 458	1 923
For independent advice given by:		
Ernst & Young	1 358	603
Total	3 816	2 526

NOTE 4 EMPLOYEES

Average number of employees

THE GROUP	2005		2004	
	NUMBER OF EMPLOYEES	OF WHOM FEMALE,%	NUMBER OF EMPLOYEES	OF WHOM FEMALE,%
Sweden	1 567	25	1 397	23
Denmark	21	12	20	25
Norway	22	14	21	21
UK	17	18	2	50
Malaysia	5	25	4	25
Hungary	4	25	—	—
Group total	1 636	25	1 444	23

THE GROUP	2005		2004	
	NUMBER OF EMPLOYEES	OF WHOM FEMALE,%	NUMBER OF EMPLOYEES	OF WHOM FEMALE,%
Sweden	8	38	8	29
Parent company total	8	38	8	29

Salaries, other remuneration and payroll overheads

SEK 000	2005		2004		
	TOTAL SALARIES AND OTHER REMUNERATION	SOCIAL SECURITY EXPENSES (OF WHICH PENSIONS)	TOTAL SALARIES AND OTHER REMUNERATION	SOCIAL SECURITY EXPENSES (OF WHICH PENSIONS)	
Parent company	9 350	9 324 (4 065)	13 728	7 026 (3 200)	
Subsidiaries Sweden	577 873	267 857 (63 682)	500 286	241 309 (57 406)	
Subsidiaries UK	7 560	1 035 (267)	1 578	310 (146)	
Subsidiaries Norway	12 940	2 516 (442)	10 774	2 183 (511)	
Subsidiaries Denmark	16 674	916 (758)	18 696	1 247 (1 081)	
Subsidiaries Malaysia	2 953	130 (—)	1 454	113 (—)	
Subsidiaries Hungary	443	197 (176)	—	— (—)	
Group total	627 793	281 975 (69 390)	546 516	252 188 (62 344)	

Of which remuneration to the Board of Directors and CEO

SEK 000	2005		2004	
	TOTAL SALARIES AND OTHER REMUNERATION (OF WHICH BONUS)	PENSION COSTS	TOTAL SALARIES AND OTHER REMUNERATION (OF WHICH BONUS)	PENSION COSTS
CEO of parent company	2 999 (584)	1 772	6 379 (4 099)	1 586
CEO of Swedish subsidiaries	6 527 (1 671)	1 074	4 750 (1 076)	698
CEO of UK subsidiaries	2 323 (175)	368	1 253 (322)	148
CEO of Danish subsidiaries	835 (97)	83	702 (—)	70
CEO of Norwegian subsidiaries	868 (—)	37	789 (—)	34
Board of Directors	855 (—)	—	550 (—)	—
Other senior executives	5 751 (959)	1 714	5 508 (1 468)	1 068

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

Remuneration to the CEO. According to the terms of the CEO's employment contract, upon notice of dismissal from Semcon, severance pay will be paid for 12 months, of which 6 months with settlement. The CEO's bonus scheme will pay out a bonus based on profit targets being met, with a ceiling of SEK 1 million. The contract also includes a non-competition clause, according to which the CEO may not engage in any competitive business activities for 12 months from the time of termination of employment. Employment can be terminated by both parties following a six-month notification period.

The CEO is entitled to a retirement benefit in the form of a pension scheme. The premium for such a scheme is 35% of the annual salary and bonus up to 20 basic amounts and 25% of such salary in the range of 20 to 50 basic amounts. The CEO is entitled to retire at 58 with remuneration equivalent to 70% of final wages until the age of 65. The pension is guaranteed through insurance.

The Board. Of fees to the Board in 2005 the Chairman of the Board received the benefit of a company car and salary amounting to SEK 300,000. Other external members received SEK 554,583. One member received SEK 167,429 in consultancy fees for services other than board assignments (184,140).

Other senior executives. Other senior executives include Semcon's senior management aside from the company's CEO. Of the other senior executives one has the right to retire at the age of 58 with remuneration equivalent to 70% of annual salary, including bonuses upon retirement, until the age of 65. Pensions are protected by insurance. If Semcon terminates employment, severance pay amounting to nine months of salary will be paid. The contract also includes a competition clause, according to which the executive may not engage in any competitive business activities for nine months from the time of termination of employment. The other senior executives are entitled to bonuses based on how well

they meet their respective targets for their business. The other senior executives do not have agreements concerning severance pay. The pension agreements for senior executives are paid in accordance with the ITP plan.

Other. The company has not nominated a compensations committee. Remuneration to the Board is decided by the AGM. Remuneration to the CEO is decided by the Board and remuneration to other senior executives is decided by the CEO. The benefit of a company car for the CEO cost the company SEK 90,678 (88,064) and for other senior executives cost the company SEK 267,779 (249 640).

Senior executives, by gender. Semcon's Board of Directors is made up of eight members and the CEO, of whom two are female. Group management consists of six people, of whom one is female.

Sick leave. Sick leave is shown on page 54.

NOTE 5 FIXED ASSETS		
THE GROUP SEK 000	2005	2004
Goodwill		
Opening acquisition value	63 849	60 770
Purchases	17 266	5 392
Cancelled allocation	—	-2 313
Closing accumulated acquisition value	81 115	63 849
Opening depreciation	-11 631	-11 631
Depreciation for the year	—	—
Closing accumulated depreciation	-11 631	-11 631
Closing booked value	69 484*	52 218
Property		
Buildings		
Opening acquisition value	10 600	5 400
Purchases	4 297	5 199
Closing accumulated acquisition value	14 897	10 599
Opening accumulated depreciation	-1 282	-1 038
Depreciation for the year	-348	-244
Closing accumulated depreciation	-1 630	-1 282
Closing residual value according to plan	13 267	9 317
Opening and closing accumulated write-downs	-1 000	-1 000
Closing booked value	12 267	8 317
Land		
Opening and closing accumulated acquisition value	3 400	3 400
Tax assessment value		
Assessed value for buildings	10 454	8 536
Assessed value for land	3 536	2 029
Assessed value total	13 990	10 565
Computer programs		
Opening acquisition value	11 765	8 227
Purchases	4 911	3 538
Closing accumulated acquisition value	16 676	11 765
Opening depreciation	-5 825	-4 277
Depreciation for the year	-1 801	-1 548
Closing accumulated depreciation	-7 626	-5 825
Closing booked value	9 050	5 940
Plant and machinery		
Opening acquisition value	15 807	15 632
Purchases	500	601
Sales/disposals	-1 512	-426
Closing accumulated acquisition value	14 795	15 807
Opening accumulated depreciation	-13 994	-13 361
Sales/disposals	1 126	99
Depreciation for the year	-692	-732
Closing accumulated depreciation	-13 560	-13 994
Closing booked value	1 235	1 813
Equipment		
Opening acquisition value	51 566	49 466
Purchases	4 409	4 785
Sales/disposals	-1 150	-2 685
Closing accumulated acquisition value	54 825	51 566
Opening depreciation	-31 777	-28 181
Sales/disposals	1 021	1 646
Depreciation for the year	-5 454	-5 242
Closing accumulated depreciation	-36 210	-31 777
Opening and closing accumulated depreciation	-3 513	-3 513
Closing booked value	15 102	16 276

THE GROUP SEK 000	2005	2004
Computers		
Opening acquisition value	97 634	95 091
Purchases	5 437	3 610
Sales/disposals	-9 402	-1 067
Closing accumulated acquisition value	93 669	97 634
Opening accumulated depreciation	-91 996	-83 146
Sales/disposals	9 402	938
Depreciation for the year	-6 901	-9 788
Closing accumulated depreciation	-89 495	-91 996
Closing booked value	4 174	5 638

* The Group's goodwill from acquired activities is divided into the cash-generating units: Zipper Aktiebolag, Pelmatic AB, Extern Engineering AB, Zystems Solution by Semcon AB, Semcon Informatic SRT AB, Pharma Life Science Scandinavia AB, Propeller by Semcon AB, Pentech by Semcon Ltd and Comtest.

The following assumption has been used for the annual assessment of a write-down requirement of the cash-generating units for which goodwill has been divided. The basis for the assessment is partly the unit's business plan with budget and future market outlook, and partly an assessment of the business' significance for the value of Semcon's total business offer. The earnings requirement of the businesses is 7.5%, based on a cash flow statement.

The first analysis valuation was carried out using the budgeted profits for 2006, with an earnings requirement of 7.5% and growth expectancy after 2006 of 0%. If this analysis indicates a depreciation requirement then a more careful analysis will be carried out. If the earnings requirement was set at 12.5% then there would have been no indication of depreciation requirement.

Leases and tenancy agreements

The Group has a number of leasing agreements, mainly relating to private cars. The cost of these for the year was SEK 5,233,000 (4,825,000). Existing leasing agreements are based on market conditions with remaining leasing agreements due to mature within one to three years. Furthermore, the Group rents office space at around 20 locations in Sweden. All of these tenancy agreements were signed under market conditions and for normal periods of time. The cost of the leasing agreements is SEK 5,289,000 and falls due within one year of the closing date and SEK 3,251,000 falls due within 2–5 years from the closing date. No part is due later than 5 years from the closing date.

PARENT COMPANY SEK 000	2005	2004
Computer programs		
Opening and closing accumulated acquisition value	3 036	3 036
Opening depreciation	-3 028	-2 421
Depreciation for the year	-8	-607
Closing accumulated depreciation	-3 036	-3 028
Closing booked value	0	8
Equipment		
Opening and closing accumulated acquisition value	820	820
Opening depreciation	-766	-625
Depreciation for the year	-53	-140
Closing accumulated depreciation	-819	-765
Closing booked value	1	55
Computers		
Opening acquisition value	447	426
Purchases	—	21
Closing accumulated acquisition value	447	447
Opening depreciation	-423	-408
Depreciation for the year	-15	-15
Closing accumulated depreciation	-438	-423
Closing booked value	9	24

NOTE 6 INTEREST INCOME AND SIMILAR ITEMS

THE GROUP SEK 000	2005	2004
Profit SWAP *	2 955	—
Interest income	3 119	1 846
Exchange rate difference	783	—
Total	6 857	1 846
PARENT COMPANY SEK 000		
Interest income	893	1 341
Exchange rate difference	72	—
Total	965	1 341

* Semcon signed a share swap agreement in 2002 to hedge its undertakings in the call option scheme. According to the agreement Semcon buys shares at a price of SEK 29.27. The scheme includes 236,000 shares at an exercise price of SEK 42, to run until 3 July 2006.

NOTE 7 INTEREST EXPENSES AND SIMILAR ITEMS

THE GROUP SEK 000	2005	2004
Interest expenses	-4 707	-4 900
Exchange rate difference	—	-128
Total	-4 707	-5 028
PARENT COMPANY SEK 000		
Interest expenses	-928	-548

NOTE 8 TAX ON PROFIT FOR THE YEAR

THE GROUP SEK 000	2005	2004
Current tax	22 144	7 317
Deferred tax cost on temporary differences	8 823	8 977
Deferred tax attributable to acquisitions	-1 092	—
Total	29 875	16 294
PARENT COMPANY SEK 000		
Current tax	17 660	5 907
Deferred tax cost on temporary differences	-2	52
Tax on Group contribution paid	2 129	3 344
Total	19 787	9 303
Profit/loss before tax	97 897	56 628
Tax according to current tax rate, 28%	27 411	15 856
Non-deductible costs	3 642	1 422
Non-taxable income	-122	—
Adjustments for previous years' tax	2 111	-265
Profit from the sale of associated companies	-1 145	—
Change of valuation of deferred tax on loss carry-forwards	-811	832
Profit from Swap agreement	-827	—
Effects of other rates of tax abroad	-143	—
Associated companies	—	-638
Other	-241	-913
Tax for the year	29 875	16 294

Temporary differences apply in cases where assets or liabilities reported and taxable values are different. The Group's temporary differences have resulted in deferred tax liabilities and deferred tax income receivables for the following items:

THE GROUP SEK 000	2005	2004
Deferred tax liabilities		
Untaxed reserves	12 109	15 943
Accrued income reported in the Group	31 791	24 051
Consolidated surplus value in property	1 188	571
Goodwill	607	—
Total	45 695	40 565
Deferred income taxes recoverable		
Assessed shortfall	190	1 956
Temporary differences, inventories	2 455	5 166
Temporary differences, accounts receivable	504	—
Other	560	280
Total	3 709	7 402

The taxable loss carry-forward is SEK 4,789,000 (16,808,000). No maturity date exists for this loss carry-forward. For SEK 3,793,000 (9,825,000) of this, no deferred income taxes recoverable have been reported. Deferred income taxes recoverable have been reported at SEK 190,000 as it is judged likely that the taxable surplus will be available in future, against which this deficit can be offset.

NOTE 9 FINANCIAL FIXED ASSETS

PARENT COMPANY	SUBSIDIARY	CAPITAL SHARE	VOTING RIGHTS	BOOK VALUE SEK	CO.REG.NO	REGISTERED OFFICE
Semcon Aktiebolag	Semcon Förvaltnings AB	100%	100%	37 580 630	556530-6403	Göteborg
	Semcon International AB	100%	100%	300 000	556534-4651	Göteborg
	Semcon Innovation AB					
	(now Zpider by Semcon AB)	100%	100%	4 100 000	556581-8613	Göteborg
	IT Matters AB	100%	100%	6 864 545	556436-0831	Göteborg
	Summa			48 845 175		
Semcon Förvaltnings AB	Semcon Engineering Aktiebolag	100%	100%		556213-1762	Göteborg
	Semcon Competence Development AB	100%	100%		556241-0638	Göteborg
Semcon Engineering Aktiebolag	Semcon Sweden AB	100%	100%		556555-8193	Göteborg
	Limited partnership share in Zkill.net KB	1 share			969680-6786	Göteborg
Semcon Sweden AB	Semcon Extern Engineering AB	100%	100%		556369-6755	Göteborg
	Integritech AB	100%	100%		556572-6170	Göteborg
	Pharma Life Science Scandinavia AB	100%	100%		556606-0363	Göteborg
	Aktiebolaget Grogrunden nr 1536					
	(now Zound by Semcon AB)	91%	91%		556656-1501	Göteborg
	Propeller by Semcon AB	100%	100%		556518-0972	Stockholm
Semcon Extern Engineering AB	Semcon Project Management AB	100%	100%		556568-6408	Göteborg
Semcon Project Management AB	Semcon Informatic Production AB	100%	100%		556563-6692	Göteborg
Semcon Informatic Production AB	Zooma by Semcon AB	100%	100%		556609-7845	Göteborg
	Semcon Informatic Solutions AB	100%	100%		556542-5419	Göteborg
	Semcon Informatic SRT AB	100%	100%		556645-3337	Göteborg
	Semcon Kft	3,33 %	3,33 %		01-09-862498	Budapest, Hungary
	Pentech by Semcon Ltd	100%	100%		2660335	Oxford, UK
Semcon International AB	Semcon Engineering UK Ltd	100%	100%		2 993 766	Grantham, UK
	Knud E Hansen A/S	100%	100%		110 338	Köpenhamn, Denmark
	Semcon Norge AS	100%	100%		984 602 456	Asker, Norway
	Semcon Asia Pacific Ltd	100%	100%		598 276-V	Kuala Lumpur, Malaysia
	Semcon Kft	96.67%	96.67%		01-09-862498	Budapest, Hungary
	Semcon Gmbh	100%	100%		12169582	Frankfurt, Germany
Semcon Innovation AB	Zystems Solution by Semcon AB	100%	100%		556581-8639	Göteborg
u.ä. till Zpider by Semcon AB	Semcon Sweden Network AB	100%	100%		556590-3118	Göteborg
	Zipper Aktiebolag	100%	100%		556583-0170	Göteborg
	Zpearpoint AB (now Zingle by Semcon AB)	100%	100%		556633-6045	Göteborg
	Semcon IT Solutions AB					
	(now Zetup by Semcon AB)	100%	100%		556271-9129	Göteborg
Zipper Aktiebolag	Zipper Tech AB	100%	100%		556587-6579	Göteborg
Zystems Solution by Semcon AB	Zipper Systems AB	100%	100%		556566-0460	Göteborg
Semcon Sweden Network AB	Complimentary share in Zkill.net KB	1 share			969680-6786	Göteborg
IT Matters AB	Pelmatic Aktiebolag	100%	100%		556410-9832	Göteborg

The associated company, Euromation AB (556232-0134), was sold in the past year. The sale generated SEK 4,089,000.

The share of the associated company's profits until the sale on 8 June 2005 was SEK 713,000 after tax.

Group companies' activities

A short description of operating companies is given below. Other companies in the Group are nore operative. Semcon AB is responsible for Group-wide issues such as strategy, information, marketing, accounting, finance and human resources.

Semcon Sweden AB's activities provide consultancy services in industrial technology, analyses and testing, consultancy activities for IT, computers and management consulting. The company has five subsidiaries. Semcon Extern Engineering AB works mainly with consultancy activities in industrial technology. Pharma Life Science Scandinavia AB works in the medi-tech sector, Zound by Semcon AB works in the sound and vibration sector and Propeller by Semcon AB works with industrial design.

Semcon Project Management AB is active in project management.

Semcon Informatic Production AB works with technical information. The company has four subsidiaries, Zooma by Semcon AB, which works with corpo-rate films and websites. Semcon Informatic Solutions AB, Semcon Informatic SRT AB and Pentech by Semcon Ltd all work with technical information.

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

Semcon Innovation AB (changing name to Zpider by Semcon AB) is the parent company for the Group's development subsidiaries. Zsystems Solution by Semcon AB with subsidiaries, Zipper Systems AB, Zipper AB with subsidiaries Zipper Tech AB, Zpearpoint AB (changing name to Zingle by Semcon AB) and Semcon IT Solutions AB (changing name to Zetup by Semcon AB) are active in IT infrastructure and IT strategies and sales of hardware and software.

NOTE 10 FACTORING

The factoring agreement ceased in 2005. On 31 December 2004 the total amount of sold, but not fully paid accounts receivable stood at SEK 213,105,000.

NOTE 11 ACCRUED NON-INVOICED INCOME, PROCESSED BUT NON-INVOICED INCOME AND INVOICED BUT NON-PROCESSED INCOME

Accrued non-invoiced income is reported in the consolidated accounts by project at the net value of the invoice in line with processing minus invoiced sub-amounts and deductions for possible losses. In 2005 the accrued non-invoiced income stood at SEK 85,781,000 (102,639,000).

Receivables and liabilities to and from customers are reported in the balance sheet for the projects for which the total of the assignment expense until the closing day exceeds the partly invoiced amount including deductions for possible losses. Customer liabilities are reported for projects for which partly invoiced amounts exceed the total of the assignment expense.

No value is shown in the subsidiaries for work in progress, but the amount is accounted for at the time of invoicing, amounting to SEK 113,539,000 (85,896,000).

Processed but non-invoiced income	2005	2004
Assignment expenses	192 890	170 305
Partly invoiced amount	-78 139	-50 177
Total	114 751	120 128

Invoiced but non-processed income	2005	2004
Assignment expense	68 636	41 641
Partly invoiced amount	-97 606	-59 130
Total	-28 970	-17 489

Receivables and liabilities are reported for the comparison year 2004 in the balance sheet under 'Accrued but non-invoiced income' and 'Accrued expenses and prepaid income' at the gross value. Comparative values for net reporting are shown in the notes above.

NOT 12 OTHER RECEIVABLES

THE GROUP SEK 000	2005	2004
Tax receivable of	3 580	17 833
PARENT COMPANY SEK 000		
Tax receivable of	—	—

NOTE 13 PREPAID EXPENSES AND ACCRUED INCOME

THE GROUP SEK 000	2005	2004
Accrued income	4 215	—
Other items	31 026	20 152
Total	35 241	20 152

NOTE 14 DIVIDEND TO SHAREHOLDERS

A dividend of SEK o per share (o) will be paid.

NOTE 15 TAX ALLOCATION RESERVE

PARENT COMPANY SEK 000	2005	2004
Tax allocation reserve tax –00	—	13 832
Tax allocation reserve tax –01	8 184	8 184
Tax allocation reserve tax –02	3 909	3 909
Tax allocation reserve tax –03	192	192
Tax allocation reserve tax –05	7 032	7 032
Total	19 317	33 149

NOTE 16 OTHER ALLOCATIONS

THE GROUP SEK 000	2005	2004
Pension provisions	588	—
Total	588	—

The amount reported in the balance sheet has been calculated as follows:

THE GROUP SEK 000	2005	2004
Net debt in the balance sheet		
Current value of fund obligations	5 753	—
Actual value of managed assets	-4 492	—
Unaudited actuarial losses	-673	—
Debt reported in the balance sheet	588	—

Pension costs		
Costs concerning work carried out during the year	1 859	—
Interest costs	192	—
Expected returns on managed assets	21	—
Total cost for defined-benefit pension plans	2 072	—
Costs for the year for defined-contribution pension plans	51 145	—
Total cost for pensions in income statement	53 217	

Key actuarial assumptions		
Discount rate (%)	4.5	—
Expected yield on managed assets (%)	3.5	—
Future wage increases (%)	3.5	—

NOTE 17 CONVERTIBLE LOAN

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

NOTE 18 OVERDRAFT FACILITIES

Of the Group's permitted overdraft facility of SEK 200 million, SEK 104.9 million has been utilised. The credit runs on an annual basis.

NOTE 19 ACCRUED EXPENSES AND PREPAID INCOME

THE GROUP SEK 000	2005	2004
Staff-related costs	129 723	120 458
Prepaid income	7 409	118 828 *
Additional purchase price	—	6 140
Other items	29 047	31 387
Total accrued expenses and prepaid income	166 179	276 813

* See comments in Note 11 concerning reporting of 'Invoiced but non-processed income'.

PARENT COMPANY SEK 000		
Staff-related costs	3 118	5 577
Other items	1 551	1 465
Total accrued expenses and prepaid income	4 669	7 042

NOTE 20 PLEDGED ASSETS

THE GROUP SEK 000	2005	2004
Own liabilities to credit institutions		
Property mortgages	8 055	8 055
Total pledged assets	8 055	8 055
PARENT COMPANY SEK 000		
Total pledged assets	—	—

NOTE 21 CONTINGENT LIABILITIES

THE GROUP SEK 000	2005	2004
Contingent liabilities for sold accounts receivable	—	213 105
Guarantees provided	1 250	1 208
Additional purchase price	8 124	—
Total contingent liabilities	9 374	214 313
PARENT COMPANY SEK 000		
Guarantees for subsidiaries	—	1 208
Guarantees provided	—	—
Total contingent liabilities	—	1 208

The company has an agreement with the former owner of the subsidiary Zipper AB for them to retain a certain amount of the purchase price upon the possible sale of Zipper AB to an external buyer. Whether payment of the additional purchase price will materialize, and in which case at what amount, cannot be calculated. Potential payment will be 23 – 40% of the purchase price.

During the year Semcon has redeemed 32% of this agreement at a purchase price of SEK 6,303,000. This agreement means that Semcon’s remaining commitment is 68% of 23-40% of the potential purchase price above.

The company has an agreement with the former owners of the subsidiary Zipper Systems AB for them to retain a certain amount of the purchase price upon the possible sale of Zipper Systems AB to an external buyer. Whether payment of the additional purchase price will materialize, and in which case at what amount, cannot be calculated. Potential payment will be 7.5% of the purchase price.

During the year Semcon has redeemed 33.3% of this agreement at a purchase price of SEK 800,000. This agreement means that Semcon’s remaining commitment is 66.7% of 7.5% of the potential purchase price above.

NOTE 22 INVESTMENTS IN SHARES IN SUBSIDIARIES

Propeller by Semcon AB and Pentech by Semcon Ltd were acquired on 1 January 2005. In addition, Semcon Kft and Semcon Gmbh were formed during the year. Of the sales for the year of SEK 25,998,000 and profit after net financial items, SEK 712,000 is from the acquired companies.

THE GROUP SEK 000	2005	2004
Goodwill *	17 266	5 391
Other intangible assets	—	4 000
Property	4 221	—
Machinery and equipment	1 068	82
Current receivables	4 180	121
Liquid assets	5 083	100
Work in progress	—	18 513
Deferred tax liability	-1 049	—
Current liabilities	-1 676	-17 792
Minority interests	—	-9
Purchase price paid	29 093	10 406
Additional purchase price entered as liability	-1 250 **	-4 140
Liquid assets in acquired companies	-5 083	-100
Effect on the Group’s liquid funds	22 760	6 166

* An analysis of the acquired companies’ assets and liabilities was carried out at the time of acquisition. In cases where it has been possible to estimate a value of the intangible fixed assets they have been reported at their actual value. The remaining excess value was considered attributable to expected synergies and future profits and reported as goodwill. The additional purchase price of SEK 7,103,000 was paid to the former owners of Zipper AB and Zipper Zystems AB (see Note 21). In addition, a final additional purchase price was paid to the former owners of Com Test AB and Pharma Life Science Scandinavia AB.

** Concerns part of the purchase price to be paid of SEK 250,000 each year until 2010.

Göteborg, 16 March 2006

Christian W Jansson
Chairman of the Board

Pia Gideon

Annemarie Gardshol

Carl-Åke Jansson

Hans Johansson
CEO

Dan Persson

Wael Mrad

Roland Kristiansson

Carl Johan Nilsson

Our audit was issued on 16 March 2006

Göran Ekström
Authorised Public Accountant, Ernst &Young AB

Björn Grundvall
Authorised Public Accountant, Ernst &Young AB

Auditors’ report

To the annual general meeting of Semcon AB (publ.) company reg. no. 556539-9549

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the Board of Directors and the CEO of Semcon AB for the 2005 financial year. These accounts and the administration of the Company are the responsibility of the Board of Directors and CEO for applying the Swedish Annual Accounts Act when drawing up the annual report and to apply IFRS, as approved by the EU, when establishing the consolidated accounts. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts, and the administration, based on our audit.

We conducted our audit in accordance with Generally Accepted Accounting Principles in Sweden. Those principles require that we

plan and perform the audit to obtain a high level, but not absolute assurance, that the annual accounts and consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the Board of Directors and the CEO as well as evaluating the overall presentation of information in the annual accounts and consolidated accounts. We examined significant decisions, actions taken and circumstances of the Company in order to be able to determine the liability, if any, to the Company by any Board Member or the CEO, or whether they have in any other way acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

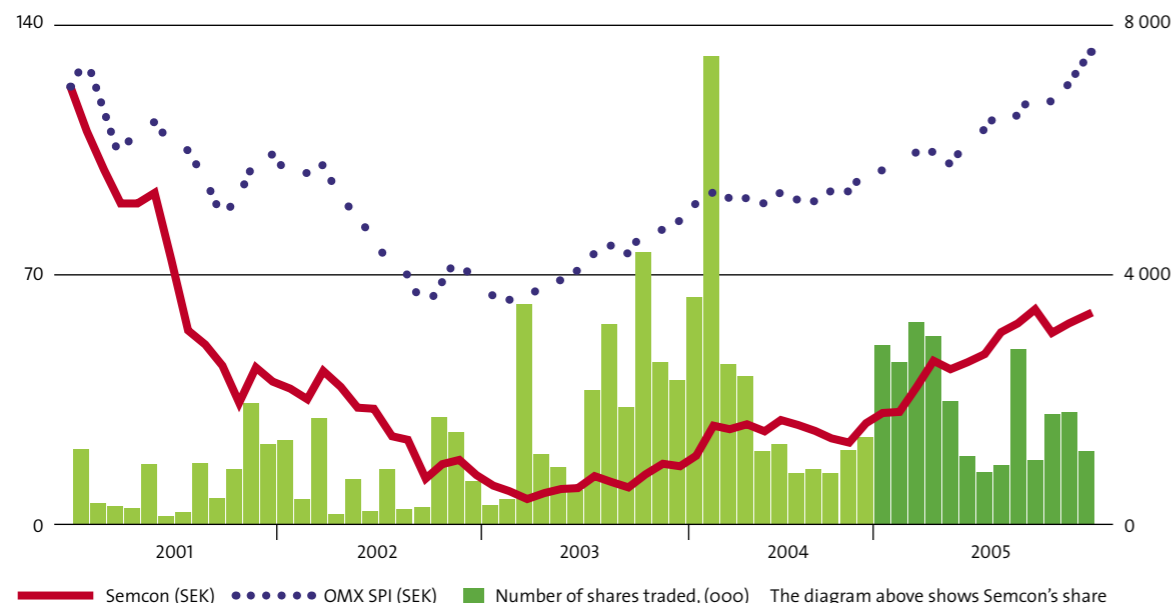
The annual accounts have been prepared in accordance with the Swedish Annual Accounts Act and give a true and fair view of the company’s financial position and results of operations, in accordance with Generally Accepted Accounting Principles in Sweden. The consolidated accounts have been drawn up in accordance with IFRS, as approved by the EU and the Swedish Annual Accounts Act and give a true and fair view of the Group’s financial position and results of operations. This auditors’ report is consistent with the annual report and consolidated accounts’ other parts.

We recommend to the general meeting of shareholders that the income statements and balance sheets of the parent company and the Group be adopted, that the profit of the parent company be dealt with in accordance with the proposal in the administration report and that the members of the Board of Directors and the CEO be discharged from liability for the financial year.

Göteborg, 16 March 2006

Göran Ekström
Authorised Public Accountant

Björn Grundvall
Authorised Public Accountant



The diagram above shows Semcon's share performance since 2001 based on the closing price at the end of each month. The OMX SPI rate is indexed so that both curves start at the same value.

Semcon's shares.

In recent years Semcon's shares have progressed well and performance has been above that of the Stockholm Stock Exchange's OMX SPI index.

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

Options scheme. The options scheme that ran until 31 August 2005 gave no conversion of shares as the share price was lower than the subscription price. There remains an executive options scheme. The options scheme is for 236,000 call options. The options run until 3 July 2006, each entitling the owner the right to buy shares in Semcon AB at an exercise price of SEK 42. Semcon has initiated a share swap agreement to hedge its commitment to this options scheme. No dilution of the share capital will occur.

Convertible debentures. All Semcon employees were invited to subscribe for convertible debentures in 2004. The total subscription for the convertible debentures was SEK 13.8 million. Each debenture gives the holder the right during the period 1 June 2006 to 31 May 2007 to convert the receivable into shares in Semcon AB at a share price of SEK 35. On full conversion the dilution effect will be 2.3 per

cent and the total number of shares will be 17,788,638.

Price trend and turnover. During 2005 the share price rose by 90.4 per cent from SEK 30.6 to SEK 58.25. The OMX SPI index increased over the same period by 32.6 per cent. The highest price paid in 2005 was SEK 66 and the lowest was SEK 27.3. During the year the average trading volume was SEK 4.3 million per day (2.8), an increase of 52.8 per cent compared to 2004. At the end of 2005, Semcon's market value was SEK 1,013 million.

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

Dividend. Taking into account the Group's financial position, the Board has decided to propose to the AGM that no dividend will be paid for 2005 (0).

Ownership structure. The spread of foreign ownership in Semcon continues to increase and represented 32.1 per cent (27.9), of which 9.9 per cent comprises owners in the UK, 8.3 per cent in France and 3.7 per cent in Luxembourg. Other countries account for 10.2 per cent of the foreign ownership. On 31 December 2005, Semcon had 6,365 shareholders (5,826), an increase of 9.3 per cent, and of these, 60.1 per cent (55.1)

held 500 shares or less. Owners with more than 100,000 shares represented 50.5 per cent (47.2) of the share capital. Institutional investors held around 65.3 per cent (53.8) of the share capital and voting rights. The share of nominee shareholders was 84.9 per cent. The 10 largest holders have 40.9 per cent of Semcon's share capital.

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

Company	Name
Alfred Berg	Patrick Clase
Enskilda Securities	Andreas Joelsson, Lars Sveder
Danske Bank	Peter Trigarszky
Handelsbanken	Stefan Wård
Kaupthing Bank	Jonas Elofsson
Redeye	Magnus Dagel

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

Share capital

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

Key figures per share

	2005	2004	2003*	2002*	2001*
Earnings per share after tax (SEK)	3.91	2.32	-3.31	0.05	0.08
Earnings per share after dilution (SEK)	3.84	2.27	-3.31	0.05	0.08
Shareholders' equity per share before dilution (SEK)	11.44	7.70	5.20	8.49	8.56
Shareholders' equity per share after dilution (SEK)	11.94	8.29	5.13	8.30	8.48
Price per share/equity per share (times)	5.09	3.97	2.98	1.53	4.61
Cash flow per share (SEK)	0.78	1.05	0.44	1.50	-0.30
Dividend per share (SEK)	0.00	0.00	0.00	0.00	0.00
P/E ratio	14.89	13.19	NEG	238.70	504.40
P/S ratio	0.68	0.41	0.23	0.19	0.61
Share price, 30/12 (SEK)	58.25	30.60	15.50	13.00	39.50
Market value, 30/12 (SEK million)	1 031	532	270	226	687
Number of shares at year-end (ooo)	17 391	17 391	17 391	17 391	17 391
Average number of shares (ooo)	17 391	17 391	17 391	17 391	17 356
Number of options (ooo)	—	218	218	382	164
Outstanding convertibles at year-end	394	394	—	—	—
Average number of convertibles (ooo)	394	197	—	—	—

Note * 2001–2003 have not been recalculated in accordance with IFRS.

Largest holdings on 31 Dec 2005

Name	Number of shares	%
Skandia Liv	1 548 100	8.90
Ing Ferri S.A.	1 408 400	8.10
JP Morgan	1 405 187	8.08
Handelsbankens Fonder	535 034	3.08
Roburs Fonder	474 600	2.73
Hans Johansson and family	453 600	2.61
SEB Fonder	427 424	2.46
Bruce Grant	380 000	2.19
Credit Suisse	241 600	1.39
Svenska Handelsbanken	238 093	1.37
Total	7 112 038	40.91
Other	10 278 983	59.09
Total	17 391 021	100.00

Source: VPC AB shareholder Register on 31 December 2005.

Ownership statistics 31 December 2005

Size	Number of shareholders	Number of shares	%	Market value 30/9 (SEKooo)
1–5003 828	864 746	5.0	50 371	
501–1 000	1 232	1 079 209	6.2	62 864
1 001–10 000	1 170	3 496 213	20.1	203 654
10 001–100 000	112	3 173 248	18.2	184 842
100 001–	23	8 777 605	50.5	511 295
Total	6 365	17 391 021	100.0	1 013 027

Source: VPC AB shareholder Register on 31 December 2005.



Corporate governance.

Corporate governance is often referred to as the regulations and structure created to effectively steer and manage a public limited company in a well-controlled way. Semcon's responsibility is to therefore follow the regulations laid down in the Companies' Act, Articles of Association, Stockholm Stock Exchange's listing agreement and effective internal routines. Semcon is listed on the Stockholm Stock Exchange's O list and has a market value that means that the company is not covered by the Swedish code of corporate governance.

The 2004 AGM was held on 20 April 2005 at Semcon Tech Center in Göteborg. The meeting re-elected the existing Board comprising Annemarie Gardshol, Pia Gideon, Carl-Åke Jansson, Christian W Jansson (chairman) and Hans Johansson (CEO) and elected Dan Persson as a new Board member. The Meeting decided not to pay a dividend for 2004. The meeting authorised the Board to issue 900,000 new shares to be used in the event of a company acquisition. The Meeting was authorised to make decisions about acqui-

sitions and transfer of own shares. The AGM decided to allow a warrant-based incentive scheme that wasn't carried out.

The Board. Semcon's Board consists of nine members, of which three are employee representatives. More detailed information can be obtained on page 92. The Board focuses on the company's financial position and strategic issues. The Board is formally established at a meeting held immediately after the AGM. Several documents are adopted at the meeting to guide activities, including procedures for the Board, CEO and subsidiaries and instructions for financial reporting. Since the last AGM and up to the time of writing, the Board has held five ordinary meetings and three extraordinary meetings. With a few exceptions, all members were present at these meetings. At the ordinary meetings the Board has dealt with the company's and Group's financial situation. In addition to this, strategic issues such as acquisitions, starting new activities, closing unprofitable segments and the organisation, have been dealt with. The company's

authorised public accountant, Göran Ekström, was present at Board meetings to state his views on the internal control and procedures for financial reporting and accounting. The Board has conducted an internal evaluation during the year.

Remuneration. Remuneration to the Board is decided by the AGM following proposals by the nominations committee. The chairman received SEK 300,000 in remuneration and ordinary Board members not employed by the company received SEK 150,000 each. Remuneration to the CEO is decided by the Board. Semcon has no special auditing committee or remuneration committee and these issues are handled by all members of the Board. Remuneration to the Board and CEO in 2005 is presented in full in Note 4 on page 79.

Nominations committee. The nominations committee until the next AGM comprises: Erik Sjöström of Skandia Liv, KG Lindvall of Robur and Christian W Jansson, Semcon AB's Chairman. The job of the nominations committee is to prepare and present proposals

for shareholders in the company concerning the choice of Board members and, in certain instances, accountants and remuneration to the Board and accountants. Shareholders should be able to submit proposals to the nominations committee for further evaluation within the framework for these activities.

Senior management and organisation.

Semcon has a flat, non-bureaucratic organisation, where decisions are made close to the customer and employees. Semcon has a business area-based organisation with an industry-oriented structure. The Semcon Group comprises the parent company, Semcon AB (publ) and its subsidiaries, which are presented in Note 9 on page 83. All the subsidiaries report once a month to the respective area managers and in certain cases to the CEO.

The CEO leads the day-to-day business in accordance with applicable regulations. The CEO is responsible for providing the Board with the information and necessary material it needs to make decisions, and submits reports at meetings. The CEO keeps the Board regularly updated on the Group's financial position

and performance. On the delegation of the Board, the CEO is also responsible for external reporting by the company.

The senior executive team has six members consisting of CEO, CFO, Strategy and Business Development Director and the managers of the various business areas. The senior executive team held 13 formal and a number of informal meetings in 2005. Remuneration to the senior executive team is determined by the CEO.

Policy. Semcon's business is governed by its values and of course by a number of written policies. These aim to ensure operational efficiency and correct behaviour both internally and externally. Semcon's policies govern the following areas: finance, contracts, environment, human resources, insider trading, insurance, information, investor relations, intellectual property and IT.

Auditors. Semcon's auditors are elected by the AGM for a period of four years. The current period is 2003–2006, so the next election will take place at the 2007 AGM.

The company's auditors are the authorised public accountants Göran Ekström and Björn Grundvall of Ernst & Young AB. Both men have been Semcon's auditors since 1997. In addition to auditing, Ernst & Young AB provide advice on accounting issues to Semcon. All services provided in addition to the statutory auditing service are checked specially to ensure that there is no conflict of interest or disqualification issue.

Swedish code of corporate governance.

According to current regulations Semcon is under no obligation to follow the code, but is very positive about its intentions and uses it as inspiration for ongoing work to improve and streamline routines.

Agreements with related parties exists only to a minor extent. See Note 4 on page 79.

The Board.



Christian W Jansson
Born 1949.

Chairman of the Board since 2000. Managing Director and CEO of KappAhl AB. Board assignments: Chairman of the Boards of Ateljé Margaretha AB and Carmel Pharma AB. Board member of Gothia Finans AB. Shareholding, own and affiliated: 179 000 shares and 100 convertible debentures.



Hans Johansson
Born 1955.

Member of the Board and CEO since 1991. CEO of Lindhem Invest AB. Board assignments: Board member of Nimbus Boats AB, Krona Marine AB, Sportmanship AB and CHAMPS (Chalmers Advanced Management Programs AB). Employed since 1983. Shareholding, own and affiliated: 453 600 shares, 75 000 call options and 10 convertible debentures.



Pia Gideon
Born 1954.

Board member since 2000. Pia Gideon is Vice President Marketing & Communications North America for Ericsson AB. Board assignments: Board member of Observer. Shareholding, own and affiliated: 200 shares



Carl-Åke Jansson
Born 1943.

Board member since 1987. Managing Director of Lindås Invest AB. Board assignments: Chairman of the Board of Precision Products Ltd in Chesterfield UK. Shareholding, own and affiliated: 20 000 shares.



Annemarie Gardshol
Born 1967.

Board member since 2001. Responsible for the global marketing organisation at Gambro Renal Products. Shareholding, own and affiliated: 300 shares.



Dan Persson
Born 1956.

Board member since 2005. Vice President of Autoliv Europe. Shareholding, own and affiliated: 2 000 shares.



Hans Johansson
Born 1955.

Member of the Board and CEO since 1991. CEO of Lindhem Invest AB. Board assignments: Board member of Nimbus Boats AB, Krona Marine AB, Sportmanship AB and CHAMPS (Chalmers Advanced Management Programs AB). Employed since 1983. Shareholding, own and affiliated: 453 600 shares, 75 000 call options and 10 convertible debentures.



Bengt Nilsson
Född 1957.

CFO. Employed since 1992. Shareholding, own and affiliated: 134 000 shares, 25 000 call options and 10 convertible debentures.



Lars-Inge Sjöquist
Född 1958.

Business Area Manager of Informatic. Employed since 1995. Shareholding, own and affiliated: 10 000 shares and 20 000 call options.



Caroline Krensler
Born 1967.

Strategic development. Employed since 1995. Shareholding, own and affiliated: 6 500 shares, 20 000 call options and 2 convertible debentures.



Mikael Gustavsson
Born 1963.

Business Area Manager of Design & Development. Board assignments: Board member of Malö Yachts AB. Employed since 1996. Shareholding, own and affiliated: 1 500 shares, 20 000 call options and 20 convertible debentures.



Reine Lindqvist
Born 1969.

Head of the Vehicle business area. Employed since 1999. Shareholding, own and affiliated: 100 shares and 35 convertible debentures.

Personnel representatives



Roland Kristiansson
Born 1948.

Consultant at Semcon Informatic. Employed since 2000. Shareholding: 400 shares.



Wael Mrad
Born 1977.

Consultant at Semcon Design & Development. Employed since 2001. Shareholding: 0 shares.



Carl Johan Nilsson
Born 1972.

Consultant at Semcon Design & Development. Employed since 2001. Shareholding: 0 shares.

Other executives at Group level



Gun-Britt Ljungberg
Born 1947.

Manager, Corporate Communications. Employed since 1988.



John Minhke
Born 1974.

Quality Control & Environment Manager. Employed since 1999.



Pierre Dicksson
Born 1963.

Company Lawyer. Employed since 2002.



Karin Rickardsson
Born 1971.

HR manager. Employed since 1998.

Senior management.

Notification of the Annual General Meeting.

Shareholders in Semcon AB (publ.) are hereby invited to the Annual General Meeting on 26 April 2006 at 5 p.m. in Semcon's HQ at Theres Svenssons gata 15 in Göteborg. Registration starts at 4 p.m. and must have been carried out before 5 p.m. for the shareholders to be included on the voting list.

- Participation. Shareholders wishing to take part in the AGM should
- be registered in the Shareholders' Register held by VPC AB (the Swedish Central Securities Depository) by 20 April 2006
 - have notified the company of their intention to attend by 4 p.m. 20 April 2006.

Notification of attendance. Notification of attending the meeting can be made by post to: Semcon AB, 417 80 Göteborg, by telephone to: +46 (0)31 721 03 08, by fax to: +46 (0)31 721 03 33 or by email to: anki.josefsson@semcon.se no later than 4 p.m. 20 April 2006.

Notification should include name, address and telephone number, as well as civic identification number or corporate registration number, shareholding and any assistant if relevant.

Nominee shareholders. Shareholders who have their shares registered with a nominee must temporarily register their shares in their own name with VPC AB to have the right to apply to attend the meeting. Shareholders wishing to register their shareholding should inform their nominee in good time before 20 April.

Questions to the nominations committee. Questions (see page 90-91) should be sent by email to: valberedning@semcon.se prior to the AGM.

Dividends. In view of the Semcon Group's results, the Board of Directors will propose to the AGM that no dividends be paid for 2005. No dividend was paid for 2004.

Financial agenda	
Annual General Meeting	26 April 2006
Q1 report	26 April 2006
Q2 (half-year) report	23 August 2006
Q3 report	18 October 2006

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

Tryckt material. As part of Semcon's desire to be as cost effective as possible, all new shareholders of Semcon AB (publ.) receive a letter where they are asked if they wish to receive, until further notice, Semcon's financial reports by post. Previous years' Annual Reports and quarterly reports are available at: www.semcon.se or can be ordered by telephone on: +46 (0)31 721 00 00 or by email to: anki.josefsson@semcon.se.



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