

Statements of accounts 1999

Another strong year for Semcon!

- ❑ Turnover increased by 22 percent to SEK 863.5 million (708.9), the largest increase being within business areas e-Design and Competence Development
- ❑ Operating profit amounted to SEK 84.4 million (81.9)
- ❑ Continuing strong margin of 9.8 percent (11.6)
- ❑ Earnings per share amounted to SEK 3.38 (3.44)
- ❑ The Board proposes a dividend of SEK 1.40 per share (1.40)
- ❑ The number of staff has continued to grow by 187, making a total of 1266 (1079).

High-light events during the accounting year

- ❑ A partnership with Volvo Cars within the area Technical Information and interactive driver information led to the setting up of Semcon Informatic AB
- ❑ Long-term agreements were signed with Ericsson, AstraZeneca, Telia and Tetra Pak
- ❑ Semcon established branches in Norway and Denmark
- ❑ Five new departments were opened during the year, mostly within e-Design and Competence Development
- ❑ Acquisition of the consultancy firm Extern Engineering AB and a specialist company within technological cleanliness, Garnbratt Consulting AB
- ❑ Akzo Nobel outsourced its maintenance activity and Semcon was chosen as consultancy supplier
- ❑ Semcon Competence Development was chosen as principal supplier of IT training courses to Saab Automobile AB
- ❑ Semcons part of SPP's surplus amounts according to a message SEK 18,9 million

High-light events after the end of the accounting year

- ❑ Semcon's future strategy has now been determined, which means a clearer focus on activity and a clearer definition of Semcon's business areas. Semcon is now concentrating its competence and resources within the Group on the four business areas: Semcon Technology Management, Semcon e-Design, Semcon Industrial Design and Semcon Competence Development
- ❑ Semcon signed a Letter of Intent with Volvo Car Corporation Components and Volvo Technology Transfer
- ❑ All companies within the Semcon group are now appointed Preferred Supplier to Ericsson
- ❑ A new office was established in Malmö

Comments on the past year

Demand for Semcon's services varied markedly during the year. The first half-year seeing low demand for consultancy services. This was due principally to many of Semcon's larger customers having undergone major changes. During the latter part of the year the demand improved, however, essentially within telecoms and the automotive industry.

Expansion continued both geographically and within various sectors. Semcon was appointed principal supplier to companies including Ericsson, Astra Zeneca, Telia and Tetra Pak, proving that Semcon has strengthened its position as an industrial consultancy supplier. This in turn led to the company having an opportunity to enter into closer collaboration with customers in the form of partnerships and outsourcing.

Wave of mergers on the market

Customers and competitors have both undergone major restructuring and global mergers. For the consultancy sector this has meant that more and more major client companies are electing to work with fewer but larger consultancy partners. Alongside this the sector is going through a great adjustment to the future which leads to new opportunities for generalised commitments and international expansion.

Semcon is striving for long-term relations with new and existing customers. The customer base will continue to be broad, but with the focus on different sectors such as telecoms, transport, motor vehicles, pharmaceuticals, medical technology and the foodstuffs and packaging industries.

To meet market demands, Semcon has clarified the division between business areas

and their scope and also set up *key account managers* for the various sectors.

Business activity

Continued strong, profitable growth

Group profits amounted to SEK 863.5 million (708.9), an increase of 22 percent. Operating profit increased to SEK 84.4 million (81.9), and profits after financial items amounted to SEK 84.4 million (84.8). Strong turnover compared with the previous year was due principally to the fact that new market shares were gained within Semcon Competence Development. Also thanks to Semcon e-Design and Semcon Technology Management breakthrough with new business models and finally working more to capacity within Semcon Industrial Design during the late autumn. The operating margin continued strong and amounted to 9.8 percent (11.6).

Business areas

Concentration of activity has led to a clearer division between the business areas. Semcon is now concentrating its competence and resources within the Group on the four business areas: Semcon Technology Management, Semcon e-Design, Semcon Industrial Design and Semcon Competence Development.

The purpose of this is to clarify the company's goals and direction.

Development has been strong during the year, especially within Semcon e-Design and Semcon Competence Development, which saw a growth in sales of 30 and 39 percent respectively compared with the previous year.

Business areas	Turnover SEK millions		Operating profit after depreciation SEK millions	
	1999	1998	1999	1998
Semcon Technology Management	24.2	13.6	3.1	1.1
Semcon e-Design	323.7	248.6	39.9	29.9
Semcon Industrial Design	360.2	335.1	34.8	38.0
Semcon Competence Development	155.4	111.6	6.6	12.9

Semcon Technology Management (STM)

STM supports companies by developing strategy, processes, information, people and technology. The company's work on strategic planning at management level creates opportunities for generalised commitments where all Semcon's competence comes into play.

Turnover increased by 78 percent to SEK 24.2 million (13.6). This meant that the business area accounted for 3 percent of total turnover. Operating profit rose by 196 percent to SEK 3.1 million (1.1).

Semcon Technology Management has developed very positively during the year and almost doubled its workforce. The positive development is due amongst other things to more business being undertaken by the customer, where we have carried out the project in conjunction with the other business areas.

Semcon e-Design (SeD)

SeD develops embedded systems for products and production systems, interactive web solutions and web design, systems solutions and provides IT-products.

Turnover increased by 30 percent to SEK 323.7 million (248.6). This means that the business area accounted for 37 percent of total turnover. Operating profit increased by 33 percent to SEK 39.9 million (29.9).

The main reason for the positive development was investment in technical information, with activity concentrated on special, so-called *competence villages*, e.g. *Lab View*, *WAP* and *Blue-tooth*. By combining competencies in this way we can provide better customer value, thereby considerably enhancing the potential for this business area.

Sales of hard- and software have shown strong development during the year.

Semcon Industrial Design(SID)

SID constitutes the backbone of Semcon. The main activity is the development and design of products and production systems. Our strong link to industrial design combines people and technology in a unique way.

Turnover increased by 8 percent to SEK 360.2 million (335.1). This means that the business area accounted for 42 percent of total turnover. Operating profit rose to SEK 34.8 million (38.0).

SID had a strong fourth quarter. As a consequence of market restructuring and less full order books during the first half-year, this business area showed somewhat lower growth as well as operating profit than in previous years.

Semcon Competence Development (SCD)

SCD trains and develops people for the future economy.

Turnover increased by 39 percent to SEK 155.4 million (111.6). This means that the business area was responsible for 18 percent of total turnover. Operating profit amounted to SEK 6.6 million (12.9).

During the year business showed a positive tendency with a continuing, strong increase in volume. Demands within competence development are strongly increasing. As a part of the market development Semcon is investing in interactive learning, *e-learning*, and is running pilot projects with universities.

Long-term investments within web certification and IT influenced profits to a certain extent. Further reasons for a downturn in profits is the public sector's changed financing of education. Finance will in future be channelled via the purchasers, i.e. trade. The changes have involved a dramatic downturn in the number of training places ordered, which has strongly impacted on the profits of this business area during the last quarter. The downturn is considered temporary.

The Parent Company

Semcon AB is the parent company of the Group and is responsible for matters affecting the Group as a whole such as strategy, information and marketing. Turnover amounted to SEK 21.9 million (14.6). Profits before appropriations and tax amounted to SEK 0.7 (2.3). Parent company liquidity amounted to SEK -3.5 million (8.8). Company investments amounted to SEK 5.9 million (2.1).

Staff

Semcon's organic growth continued and the total number of employees increased by 17 percent to 1266 (1079).

To reinforce a business-like approach within the company, Semcon invested in training all staff in business "nous". In addition, investment continued to increase within our internal competence development with the aim of having staff who are well able to compete.

Financial items and investments

The equity ratio was 38 percent (39). The Group's liquid capital amounted to SEK 66.1 million (24.0), over and above unused overdraft facilities of SEK 45 million. The Group has taken out a short-term credit for SEK 25.0 million to finance acquisitions.

During 1999 the Group invested mainly in machinery and equipment such as computers and networking to an amount of SEK 29,6 million (35.9). Investments in shares in subsidiaries amounted to SEK 30.7million (0).

Dividends

The Board of Directors has decided on a dividend policy which means that Semcon AB's dividends should correspond in the long term to 30-50 percent of profits after tax.

The Board of Semcon AB proposes for the accounting year 1999 to the year 2000 AGM that SEK 1,40 (1,40) be distributed as a dividend for the accounting year 2000, total sum of SEK 24,3 million (24.3).

Future prospects

Industry continues to invest in product development and competence development therefore 2000 has very good prospects for being another successful year with strong demand. We believe that restructuring with increased focusing by our customers will be maintained and that the trend to outsourcing will continue.

Growth will be:

- Organic
- Through outsourcing within focused sectors
- Through the acquisition of additional specialist companies

Focus sectors are:

- Telecom
- Automotive
- Pharmaceuticals and medical technology
- Transport
- Foodstuffs and the packaging industry

Growth areas are:

- The web
- Wireless communication
- Electronics
- Design
- Embedded systems
- Competence development
- Management services

Growth regions are principally Stockholm and the Öresund region.

Semcon's marketing profile will be strengthened during the spring by further sector focusing. In addition to this market adjustment sales will be made easier and improved.

The Board's expectation for the whole year 2000 is strong growth in turnover with a continuing positive trade margin. According to previous years the strongest profit development is expected in the latter part of the year.

Further information

Share data

The number of shares amounted to 17,338,521 as of the 31 December 1999.

AGM

The Annual General Meeting will take place on Wednesday the 15 March 2000, at 6 p.m. at Svenska Mässan, Mössans gata 24, Gothenburg.

The Annual Report for 1999 is expected to be published in early March 2000, and will be available on the homepage www.semcon.se. The report can also be ordered for distribution through the mail from Semcon's homepage or by phone +46-31-721 00 00 or Fax: +46-31-335 81 75.

Other dates for reports:

Three-months' part-year report 4 May 2000

Six-months' part-year report 22 August 2000

Nine-month' part-year report 24 October 2000

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Semcon AB (publ)

Board of Directors

Semcon AB Consolidated Accounts, summary

PROFIT AND LOSS ACCOUNT (SEK thousands)	1999	1998
Net sales	863 501	708 908
Costs and expenses	-755 851	- 610 405
Operating profit before depreciation	107 650	98 503
Depreciation on machinery and equipment	-22 716	-16 611
Depreciation on goodwill	-513	-
Operating profit after depreciation	84 421	81 892
Net interest profit	16	- 574
Income from option scheme	-	3 522
Profit after financial items	84 437	84 840
Taxes	-25 795	- 25 111
Net profit	58 642	59 729

BALANCE SHEET (SEK thousands)	31-12-99	31-12-98
Assets		
Liquid assets	22 460	-
Tangible assets	53 083	39 340
Current assets	281 717	218 274
Total assets	357 260	257 614
Shareholders' equity and liabilities		
Shareholders' equity	135 727	101 358
Minority parts	297	-
Provisions	36 812	25 510
Long-term liabilities	-	-
Short-term liabilities	184 424	130 746
Total shareholders' equity and liabilities	357 260	257 614

CASH FLOW ANALYSIS (SEK thousands)	1999	1998
Funds internally provided	126 361	59 837
Investing activity	-60 037	-35 487
Financing activity	-24 274	-10 403
Changes in liquid assets	42 050	13 947

KEY RATIOS	Note	31-12-99	31-12-99
Increase in sales, (%)		21.8	43.0
Operating margin, (%)	1	9.8	11.6
Return on average capital employed, (%)	2	68.3	102.4
Return on average equity, (%)	3	49.5	75.5
Equity ratio, (%)	4	38.0	39.3
Debt/equity ratio, (times)	5	0.18	0.05
Risk capital ratio, (%)	6	48.3	49.6
Interest cover ratio, (times)	7	118.4	51.1
Earnings per share after tax, (SEK)	8	3.38	3.44
Earnings per share inc. 764,300 options, (SEK)	9	3.24	3.30
Shareholders equity per share before dividend, (SEK)	10	7.83	5.85
Shareholders equity per share inc. 764,300 options, (SEK)	11	7.50	5.60
Average number of employees	12	1173	955
Value added per employee, (SEK thousands)	13	505	505
Profits after financial items per employee, (SEK thousands)	14	72.0	88.8
Investments in machinery and equipment (SEK thousands)		29 663	35 891
Investments in shares in subsidiaries (SEK thousands)		30 722	-
Number of shares, (thousands)		17 338	17 338

Notes:

1. Profits after depreciation as a percentage of net sales
2. Profits after financial items plus interest expenses as a percentage of average capital employed
3. Net profits as a percentage of average shareholders' equity
4. Shareholders' equity as a percentage of total assets
5. Interest-bearing debt divided by shareholders' equity
6. Shareholders' equity plus deferred tax liabilities divided by total assets
7. Profits after financial items plus interest expenses, divided by interest expenses
8. Net profit divided by the number of shares outstanding
9. Net profit divided by the number of shares and options outstanding
10. Shareholders' equity divided by the number of shares outstanding
11. Shareholders' equity divided by the number of shares and options outstanding
12. Average number of permanent employees
13. Profit after depreciation plus salary expenses and social charges divided by average number of permanent employees
14. Profits after financial items divided by average number of permanent employees

Other explanations:

Net profit Net profit after tax.
Capital employed Shareholders' equity plus interest-bearing liabilities