

**BOOM IN THE STOCKHOLM REGION  
CONTRIBUTES TO A STRONG INCREASE  
IN SALES AND PROFITS  
DURING Q2**

- **Sales rose by 24% to SEK 520.5 million (420.8 m).**
- **Profits increased by 19% to SEK 39.2 million (32.9 m), excluding the SPP repayment which is worth SEK 19.6 million. Including the SPP item, profits were up by 79% to SEK 58.8 million (32.9 m).**
- **85% profit hike within consultancy activities.**
- **Unsatisfactory profitability within training activities. Major programme of recovery measures now being implemented.**
- **Profit per share at SEK 1.58 excluding SPP (1.37), and SEK 2.37 including the SPP repayment.**
- **Number of employees rose by 33%.**
- **Forecast of strong sales growth and continuing high margins for the full year remains firm.**

## **IMPORTANT EVENTS DURING THE PERIOD**

- **Semcon forms a development company, Euromation, in partnership with Ford (VCC) and AB Volvo.**
- **Semcon strengthens its position in the Öresund region at Copenhagen and Karlskrona with the acquisition of the Pelmatic Group.**
- **Semcon expands further within technical information – new departments opened in Västerås and Karlstad.**
- **Agreement worth SEK 50 million signed with Volvo Car Corporation concerning engine development.**
- **New assignments in the period include the following selection:**

*Ericsson Mobile Communication  
Q-branch  
SAAB Automobile  
SAAB Automobile  
Lear Corp. Sweden AB  
AstraZeneca  
Scania CV  
Ericsson Mobile  
Volvo Design  
Hasselblad  
Integrum  
Micronic Laser Systems  
Autoliv*

*Web application  
Comprehensive training  
Lead designer  
RPC testing  
CAE support  
IT-environment application  
Cleanliness report  
Testing  
3 D assignment  
Measurement instruments  
FE analysis  
Process development  
Project methodology training*

## **IMPORTANT EVENTS AFTER THE END OF THE PERIOD**

- A new company, ZIPPER by SEMCON, was started up on 1 August and already has 20 employees. Its activities focus on system developments for future IT infrastructures.
- Semcon Technology Trend Offices opened in Tokyo and Silicon Valley
- TimeIT AB was formed, and the ASP company, Interium AB, was its first customer. TimeIT supplies software for operations control using web and WAP solutions.

## BUSINESS ACTIVITIES

**Strong demand characterised the second quarter. Semcon's consultancy activities continued their good progress during the period and profits soared by 85%. The profit margin was 10.2%.**

The Semcon Group's stable performance continued and sales amounted to SEK 520.5 million (420.9 m), an increase of 23.7%, of which the largest part, 17.2%, was organic growth. The operating profit, including the SPP repayment, climbed to SEK 58.8 million (32.9 m), which represented a good profit margin of 11.3% (7.8%). The operating profit, excluding the SPP item rose by 19% to SEK 39.2 million (32.9 m). The profit after financial items was SEK 58.8 million (32.9 m). Capacity utilisation remained high.

The formation of the development company, Euromation AB, strengthens Semcon's position as a partner within the auto industry. Euromation AB will develop the production systems of the future for the auto industry using advanced virtual reality simulation and the latest analysis and calculation technology. Sales by Euromation AB are expected to be over SEK 200 million, and the company has considerable growth potential. The owners are Semcon, the Ford Group (VCC) and two Volvo companies, Volvo Truck Component Corporation (VTCC) and Volvo Technology Transfer (VTT).

The acquisition of the Pelmatic Group is a part of Semcon's investment in continuing expansion and strengthens the company's position as the leading development company in the Nordic region. The acquisition is expected to contribute positively to operating profits in the latter part of the year. The acquisition means that Semcon gains over 100 highly competent employees in the important Öresund region around Karlskrona, which is one of the hottest IT and telecom regions in Sweden. Pelmatic has sales of SEK 75-80 million and Semcon expects to double operations within three years.

The acquisition includes a subsidiary, Knud E. Hansen, a spearhead company within marine design and based in Copenhagen. Customers include the world's leading shipping companies.

Business area	Sales (MSEK)			Operating profit (MSEK)			Profit margin (%)	
	30 June 2000	30 June 1999	%	30 June 2000	30 June 1999	%	30 June 2000	30 June 1999
Technology Management	23.3	8.7	+168	3.7	0.4	+717	16,0	5,3
e-Design	225.5	138.0	+63	25.6	13.4	+91	11,4	9,7
Industrial Design	232.5	195.7	+19	19.8	12.7	+56	8,5	6,5
Competence Development	39.2	78.5	-50	-9.9	6.4	-257	-25,5	8,1
<b>TOTAL</b>	<b>520.5</b>	<b>420.9</b>	<b>+24</b>	<b>39.2</b>	<b>32.9</b>	<b>+19</b>	<b>7,5</b>	<b>7,8</b>
<b>TOTAL including SPP</b>	<b>520.5</b>			<b>58.8</b>			<b>11,3</b>	

**TECHNOLOGY MANAGEMENT**

*Semcon Technology Management supports companies by developing strategies, processes, information, manpower and technology. The business area's work with strategic issues and projects for change at management level creates opportunities for comprehensive measures where the whole of Semcon's competence comes into use.*

The operating profit soared by 717% to SEK 3.7 million (0.5 m). Sales increased by 168% to SEK 23.3 million (8.7 m). The business area accounted for 4% (2%) of total Group sales. Semcon Technology Management recorded very successful sales and profit figures during Q2. This was mainly due to major commitments by customers to improve the efficiency of their products and production development processes and to expand their businesses.

Zipper by Semcon, the recently started IT company, progressed very well and had 20 employees at start-up. Its business concept is to meet companies' requirements for well planned and uniform infrastructures for their information management. Customers include SAS, Ringhals, SCA and Ericsson. Two new products have been produced; *Insight*, which is an analysis tool for establishing the current situation of, and an action programme for, technical infrastructure, and *Fast track*, a semi-manufacturer for automation of larger PC platforms.

**e-DESIGN**

*Semcon e-Design develops embedded systems for products and production systems, interactive web solutions and web design, system solutions, and also supplies IT products.*

The operating profit climbed by 91% to SEK 25.6 million (13.4 m). Sales were up by 63.4% to SEK 225.5 million (138.0 m). The business area accounted for 43% (33%) of total Group sales. This good performance is due to strong progress within *embedded systems*. The role as system deliverer of technical information for Volvo Car Corporation is progressing very well and the unique product of the interactive drivers manual is now being launched for the S60-modell as well. Within this field continues strong investments are being made towards the international car industry. Within IT Solutions the long partnership with Saab Automobile has resulted in a big order of product development tools.

**INDUSTRIAL DESIGN**

*Industrial Design focuses on the development and design of products and production systems. Our strong connection to industrial design unites people and technology in a unique way.*

The operating profit was SEK 19.8 million (12.7 m), an increase of 56%. Sales rose by 19% to SEK 232.5 million (195.7 m). The business area accounted for 45% (47%) of total Group sales. Activities in the Stockholm region experienced a significant boom during the period. Demand within the medi-tech and telecoms sectors increased considerably. Pelmatic's operations fit in well with the Industrial Design concept. We gain vital leading-edge competence within analysis and calculation. This will mean that Semcon ATC, with its 45 employees, will be the dominant player in the Nordic region.

Operations in Norway are being closed down due to the weak market. Efforts to meet the strong demand in the Öresund region are being intensified with the formation of Semcon Engineering South. Its managing director is Jonas Arvidsson, whose previous appointments included a spell as technology attaché in London.

**COMPETENCE DEVELOPMENT**

*Competence Development trains and develops competence among people to meet the business needs of the future.*

Sales in the period amounted to SEK 39.2 million (78.4 m). The business area accounted for 8% (19%) of total Group sales. The operating loss was SEK 10.0 million (6.3 m). The fall in profits was SEK 16.3 million.

Unsatisfactory profitability is mainly due to a very weak market. A new management team has been installed and their task is to regain profitability. Work is fully underway aimed at focusing operations on Swedish industry. The recovery programme will entail adapting capacity and the headcount has been cut by 38, from 127 down to 89. Further rationalisation will be necessary. The new strategic focus will be on e-learning and webucation. A new offer has been developed which concentrates on the business professions. The new measures are expected to produce results during the current year.

**PARENT COMPANY**

Semcon AB is the parent company in the Group and responsible for company-wide issues such as strategy, information and marketing. Sales totalled SEK 14.8 million (9.8 m). The loss after depreciation was SEK 0.2 million (0.5 m). The parent company's negative liquidity was SEK 32.9 million (0.5 m). The company's investments in stock totalled SEK 3.8 million (0.3 m).

**PERSONNEL AND ORGANISATION**

The organic growth in the number of employees was 22%. The number of employees (including acquisitions) was 1,572 (1,183), a rise of 33%.

**SPP FUNDS**

Now that SPP has delivered final notification regarding the means and timetable for the allocation of SPP funds, the total claim of SEK 19.6 million will be reported as income in the income statement and as a claim to SPP. The sum will be liable for income tax.

**FINANCIAL ITEMS AND INVESTMENTS**

The Group's total investments, mainly in computer hardware and software, totalled SEK 15.1 million (11.5 m). At the end of Q2 the equity/assets ratio stood at 31.1% (32.3). Liquid funds at the period's end amounted to SEK - 10.5 million (-12.8 m). Total bank overdraft facilities stood at SEK 45 million. Investments in other shares amounted to SEK 12.2 million (0).

**OUTLOOK**

The Board forecasts strong growth in sales and continued good margins for the full year. As in previous years, the strongest boost in profits is expected in the second half of the year. Market development remains strong within consultancy

operations. Despite a recovery programme, unsatisfactory profitability within Competence Development will start to get better.

**FURTHER INFORMATION**

The next quarterly report for the period January – September, will be published on 24 October 2000. For further information please contact the CEO, Hans Johansson on Tel. +46 (0)31-721 08 66, or mobile +46 (0)70 591 43 34 or the CFO, Bengt Nilsson on Tel. +46 (0)31-721 08 68, or mobile +46 (0)70-582 82 96.

*Göteborg, Sweden, 22 August 2000*

The Board

**SEMCON AB (publ)**

**Review Report**

We have reviewed this Quarterly report in accordance with the recommendations issued by the Swedish Institute Of Authorised Public Accountants. A review is considerably limited in scope compared with an audit. Nothing has come to our attention that causes us to believe that the interim report does not comply with the requirements of the Securities and Clearing Operations Act and the Annual Accounts Act

*Göteborg 22 August 2000*

**Göran Ekström - Björn Grundvall**

*Authorised Public Accountants*

*Ernst & Young AB*

**SEMCON AB- CONSOLIDATED FINANCIAL YEAR, IN SUMMARY**

<b>INCOME STATEMENTS (SEK 000)</b>	<b>2000 Jan-Jun</b>	<b>1999 Jan-Jun</b>	<b>1999 Full year</b>
Operating income	520 531	420 888	863 501
Operating expenses	- 466 152	-377 603	-755 851
Refund from SPP	19648	-	-
Operating profit before depreciation	74 027	43 285	107 650
Depreciation of machinery and equipment	-13 656	-10 375	-22 716
Depreciation of goodwill	1 533	-	-513
Operating profit after depreciation	58 838	32 910	84 421
Net financial items	-30	-24	16
Profit after net financial items	58 808	32 886	84 437
Tax	-17 643	-9 208	-25 795
Profit for the period	41 165	23 678	58 642

<b>BALANCE SHEETS (SEK 000)</b>	<b>30 Jun 00</b>	<b>30 Jun 99</b>	<b>31 Dec 99</b>
<b>Assets</b>			
Intangible fixed assets	52 425	-	22 460
Tangible fixed assets	53 857	40 782	53 083
Financial assets	12 187	-	-
Current assets	315 944	248 929	281 717
<b>Total assets</b>	<b>434 413</b>	<b>289 711</b>	<b>357 260</b>
<b>Shareholders' equity and liabilities</b>			
Shareholders' equity	134 976	100 762	135 727
Provisions	36 812	25 510	36 812
Minority shares	297	-	297
Long-term liabilities	9 798	-	-
Current liabilities	252 530	163 439	184 424
<b>Total shareholders' equity and liabilities</b>	<b>434 413</b>	<b>289 711</b>	<b>357 260</b>

<b>CASH FLOW STATEMENT (SEK 000)</b>	<b>2000 Jan-Jun</b>	<b>1999 Jan-Jun</b>	<b>1999 Full year</b>
Current activities	5 493	-1 008	126 361
Investment activities	-44 903	-11 536	-60 037
Financing activities	-26 663	-24 274	-24 274
<b>Changes in liquid funds</b>	<b>-66 073</b>	<b>-36 818</b>	<b>42 050</b>

<b>KEY FIGURES</b>	<b>Note</b>	<b>30 00</b>	<b>Jun</b>	<b>30 Jun 99</b>	<b>1999 Full year</b>
Growth in sales, (%)			23.7	23.2	21.8
Operating margin*, (%)	1		11.3	-	-
Operating margin, (%)	1		7.5	7.8	9.8
Return on average shareholders' equity, (%)*	2		34.9	-	-
Return on average shareholders' equity, (%)	2		23.3	31.1	49.5
Return on average capital employed *(%)	3		49.5	40.8	68.3
Equity/assets ratio*, (%)	4		31.1	34.8	38.0
Debt/equity ratio*, ( multiple)	5		0.26	0.05	0.18
Share of risk-bearing capital*, (%)	6		39.5	43.6	48.3
Interest cover ratio*	7		72	-	-
Interest cover ratio	7		48	79	118.4
Earnings per share after tax, (SEK)*	8		2.37	-	-
Earnings per share after tax, (SEK)	8		1.58	1.37	3.38
EPS incl. 764 300 options, (SEK)*	9		2.27	-	-
EPS incl. 764 300 options, (SEK)	9		1.51	1.31	3.24
Shareholders' equity per share*, (SEK)	10		7.78	5.81	7.83
Shareholders' equity per share incl. 764 300 options*, (SEK)	11		7.46	5.57	7.50
Average number of employees	12		1414	1124	1173
Value added per employee*, (SEK 000)	13		291	256	505
Profit after net financial items per employee*, (SEK 000)	14		41.6	29.3	72.0
Investments in machinery and equipment, (SEK 000)			15 116	11 536	29 633
Investments in subsidiaries shares, (SEK 000)			26 520	-	41 467
Number of shares, (thousands)			17 338	17 338	17 338

\*Including SPP refund



**Notes:**

1. Profit after depreciation as a percentage of operating income.
2. Net profit for the year as a percentage of average shareholders' equity.
3. Profit after net financial items plus financial expenses as a percentage of average capital employed.
4. Shareholders' equity as a percentage of the balance sheet total.
5. Interest bearing liabilities divided by shareholders' equity.
6. Shareholders' equity plus provisions, divided by the balance sheet total.
7. Profit after net financial items plus financial expenses divided by financial expenses.
8. Profit for the year divided by the number of shares issued.
9. Profit for the year divided by the number of shares issued plus options
10. Shareholders' equity divided by the number of shares issued.
11. Shareholders' equity divided by the number of shares issued plus options.
12. Average number of full-time employees.
13. Profit after depreciation plus payroll expenses and social security contributions divided by the average number of full-time employees.
14. Profit after net financial items divided by the average number of full-time employees.

**Other explanations:**

<i>Net profit for the year</i>	Profit for the year after tax.
<i>Capital employed.</i>	Shareholders' equity plus interest bearing liabilities.