

Annual Report 2007



semcon

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The new Group is now one of the world's largest suppliers of engineering services to the automotive industry and one of the largest in northern Europe serving the engineering industry.

2007

YEAR IN BRIEF

2007 IN SUMMARY*

- Operating income rose by 83 per cent to SEK 2,497 million (1,361 m). Organic growth was 12 per cent.
- The profit after tax was SEK 228 million (48 m).
- Earnings per share (EPS) after dilution was SEK 12.82 (2.59).
- Semcon's dividend policy states that an account must be taken of the company's financial position and capital requirements for continued expansion. Because of the acquisition of IVM Automotive and Caran the Board proposes that no dividend be paid for 2007 (0).

* Information, including comparable data for last year, is for the continuing operations in the Group, i.e. excluding the sold business area Zpider.

IMPORTANT EVENTS IN 2007

- IVM Automotive in Germany was acquired in April with around 1,000 employees and sales of around SEK 900 million a year.
- A central cost saving scheme was introduced in Q2. These measures are expected to produce savings of around SEK 30 million in Sweden and SEK 15 million in Germany and reach full effect in the 2008 financial year.
- Caran, with sales of around SEK 900 million and around 1,000 employees, was acquired on 31 August. The acquisition has enabled major savings to be made throughout the business, expected to amount to SEK 40 million per year.
- The companies in the Zpider business area were sold on 31 December to the Finnish IT company Enfo Oyj. The sale has generated a capital gain of SEK 257 million. Net borrowings have fallen by SEK 311 million during Q1 2008, which drastically cut the Group's borrowings.

IMPORTANT EVENTS AFTER YEAR-END

- It was decided at Semcon's EGM on 7 February 2008 to appoint Hans-Erik Andersson as the Chairman of the Board and to introduce two incentive schemes for Group employees.
- Kjell Nilsson is the new President and CEO of Semcon AB from 8 February 2008.

THIS IS SEMCON

BUSINESS AREAS

AUTOMOTIVE R&D

The Automotive R&D business area provides services to customers in the global automotive industry and is Semcon's single largest business area. Its services concentrate on design, construction, testing and simulations. Semcon is a complete supplier and the services supplied by the business area complement vehicle manufacturers' own resources. The forms for design and delivery are adapted according to customers' requirements, from taking part in customers' teams to in-house development projects. The business area's businesses are run from Sweden, Germany, the UK, Brazil, India, Spain and Russia.

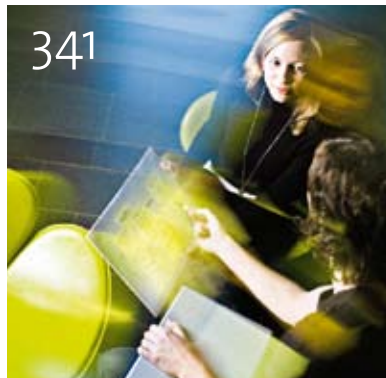
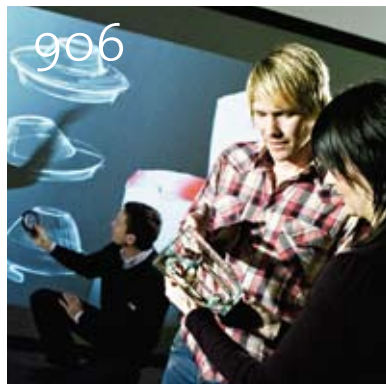
DESIGN & DEVELOPMENT

The Design & Development business area works with industrial design, product development and production development. Design & Development provides expertise, experience and commitment to achieve faster, better product development. Services include pilot studies, ideas and innovation, concept and design to construction, testing, prototyping, verification and production development. The business is focussed on the following industries: Industry, Telecom and Medical LifeScience. Customers are mainly in the manufacturing, telecoms, medi-tech and automotive industries. The business area has activities in Sweden and Malaysia.

INFORMATIC

The Informatic business area provides complete information solutions for the aftermarket and interactive market communication. Information solutions aimed at consumers and professional users. Informatic supports customers' products throughout the entire product lifecycle, from marketing and sales to installation, maintenance and repair. Customers are mainly in the automotive, telecoms and manufacturing industries. The business area currently has offices in Sweden, the UK, Hungary and China.

EMPLOYEES



Semcon is a global technology development company with business at 40 sites on three continents. The Group is active in product development and technical information and is organised into three business areas: Automotive R&D, Design & Development and Informatic. The Group has around 3,600 employees and annual sales of around SEK 3.3 billion pro forma in 2007. Semcon's shares are listed on OMX Nordic Exchange Stockholm under the SEMC ticker.

DEVELOPMENT 2007

2007 was a good year for the business area with greatly increased sales, mainly due to the acquisition of IVM Automotive and Caran. Sales amounted to SEK 1,513 million and organic growth reached 17 per cent**. The operating profit was SEK 63 million. Demand for advanced technical expertise remains strong, mainly in Europe.

Organic growth in 2007 was 11 per cent, sales reached SEK 621 million and the operating profit was SEK 52 million***. The acquisition of Caran meant that the business area expanded its range of services towards the engineering industry to become one of the largest players on the Nordic market. The business area's businesses are seeing continued strong demand.

Organic growth in 2007 for the Informatic business area was 7 per cent, sales increased to SEK 364 million while the operating profit was SEK 35 million. The business continued to develop well and opportunities exist for further expansion. The single largest share of growth in 2007 comes from the collaboration with Jaguar and Land Rover in the UK and Bombardier Transportation in Sweden.

CUSTOMERS

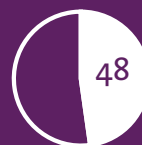
The Automotive business area has many of the world's largest automotive manufacturers as customers. Customers include Audi, BMW, Daimler, General Motors (Opel and Saab Automobile), Porsche, Volvo Cars and Volkswagen. Major customers also include the Swedish truck manufacturers Scania and Volvo Trucks.

Customers can be found in a variety of industries but the emphasis lies in the energy and engineering industry, telecoms, pharmaceuticals and medi-tech industries. Customers include ABB, Alstom, Bombardier, Fortum, General Electric, Husqvarna and Saab AB in the energy and engineering industries, AstraZeneca and Pfizer in the pharmaceutical industry and companies from the telecoms industry.

The client list is dominated by companies from the automotive industry such as Ford (Volvo Car Corporation, Jaguar and Land Rover) and General Motors (SAAB Automobile and Cadillac). Clients from other sectors include Bombardier, Kockums and various clients in the telecoms sector.

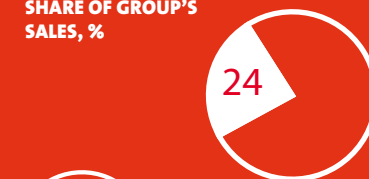
SALES & RESULTS*

SHARE OF GROUP'S
SALES, %



SHARE OF GROUP'S
PROFITS, %

SHARE OF GROUP'S
SALES, %



SHARE OF GROUP'S
PROFITS, %

SHARE OF GROUP'S
SALES, %



SHARE OF GROUP'S
PROFITS, %

** Proforma sales amounted to SEK 2,101 million.

*** Proforma sales amounted to SEK 799 million.

* Sales and profit participation are pro forma 2007.

A SUCCESSFUL, EVENTFUL YEAR

Semcon changed radically in 2007. The two major acquisitions of IVM Automotive and Caran doubled not only Semcon's size, but also strengthened the company's range of services to customers, giving us a broader resource base in order to carry out larger, more complex complete assignments.

Over a year characterised by comprehensive efforts in acquiring and integrating two companies that meant Semcon doubled in size while we sold our Zpider business area and its five IT companies, Group sales reached around SEK 2.5 billion, or SEK 3.3 billion pro forma for 2007. Organic growth for the year was 12 per cent and the profit after tax was SEK 228 million.

Proximity to our customers has increased thanks to the globalisation of the Group. The trend towards shorter lead times and more effective production processes requires a global presence in order to position ourselves as a leading technical development partner. The acquisitions also mean that Semcon is a more attractive employer. The Group is now a global technical development partner that can offer employees varied and exciting assignments with customers in many countries.

THE NEW SEMCON

In 2007 Semcon acquired two technical development companies, IVM Automotive (IVM) in Germany and Caran in Sweden, which complement Semcon's current range and strengthen the Group's market position. The acquisitions make Semcon one of the world's three largest suppliers of development services to the automotive industry. The acquisition of Caran means that Semcon has also boosted its range to the engineering industry where the Group is now one of the largest players in the Nordic region. IVM and Caran have also provided a number of new customers. IVM is mainly active in the automotive industry on its main market in Germany, but is also active in Spain, Brazil and Russia. Caran is active in industrial product and business development. The company's main market is Sweden, but it also has activities in the UK and India.

The new Semcon has created resources for future growth opportunities and synergies in the form of new business opportunities with current customers at Semcon, IVM and Caran. There are naturally also efficiency gains that cut the Group's costs.

MORE, LARGER ASSIGNMENTS

The acquisitions of IVM and Caran have not only strengthened our range of services in the three business areas, but also meant that Semcon can now take on larger, more complex complete assignments thanks to the broader resource bank. Our customers include many global Groups in various industries. The trend is for a greater number of projects crossing geographic boundaries and in some cases over continents.



*"semcon changed radically
in 2007"*

CONTINUED STRONG GROWTH

Semcon focuses on profitable growth. Growth will mainly be organic in the three business areas of our core business but also through strategic acquisitions. Growth potential in Europe is especially strong in the Design & Development and Informatic business areas. Growth in the Automotive R&D business area will be global with support from the platform that Semcon has created.

Our future challenge for growth is to continually attract and retain qualified personnel. There is currently a lack of trained engineers in Europe, a situation that will probably worsen as lots of trained engineers will be retiring in the future. Because Semcon is currently established on a number of markets throughout the world it opens up greater opportu-

nities to find new resources. Semcon can also provide current and potential employees with attractive terms of employment and a share savings scheme, which was introduced to all employees in 2008.

2008 IN FOCUS


The focus in 2008 will mainly be in consolidating business in the Automotive R&D business area. Major efforts will also be made in growth in the BRICK countries (Brazil, Russia, India, China and Korea). The Group will also focus on benefitting from the infrastructure and customer base that the acquisition of IVM and Caran has provided Semcon by boosting the customer range with expertise and resources.

In 2008 the Design & Development and Informatic business areas

will increase their growth ambitions through investments in new customer segments and new markets.

2007 has been an eventful and successful year and we enter 2008 as a very strong company. As the new CEO of Semcon I'm looking forward to the coming year with optimism. Semcon has a strong position and a stable platform for continued growth and a healthy earnings trend. The aim is to further strengthen our position on a global market for engineering services and product information.

Göteborg, 18 March 2008



Kjell Nilsson
President and CEO, Semcon

VISION, BUSINESS CONCEPT, OBJECTIVES AND STRATEGIES

Vision

A leading global partner in engineering services and product information.

Business concept

As a close partner to industry Semcon provides expertise that creates added value.

Business objectives

The business objectives describe what Semcon wants to achieve and permeates Semcon in its day-to-day business. The business objectives create long-term value for shareholders, customers and employees. Semcon will:

- be a professional business partner to current and potential customers in the area of product development and product informations
- be the natural first choice as employer
- constantly develop its range of services in its core business
- continue to expand by following its customers to new markets
- intensify efforts towards more complete assignments



Robert Eliasson, Anne Carlberg and Mathias Mark,
Semcon Automotive R&D.

PRINCIPAL STRATEGIES

Focus on areas where Semcon has, or will achieve, a leading market position.

Create a strong presence on prioritised geographic markets.

Continually create value by adding and developing expertise for customers' future needs.

Utilise Semcon's international size and expertise in order to carry out major projects with a high degree of technical complexity.

Combining Semcon's various global resources in joint projects and assignments.

STRATEGIC PRIORITIES 2007

Develop partnerships with major customers.

Continue to take market shares and improve results.

Carry out major acquisitions and business deals.

Increase the pace of internationalisation through:

- expansion in Europe with focus on the automotive industry.
- rapid growth in the businesses in Hungary and China.
- continued business development and streamlining work methods.

FINANCIAL OBJECTIVES*

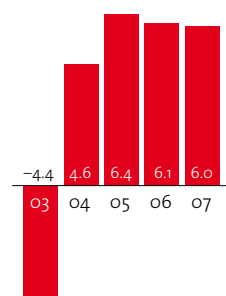
An **operating margin** of no less than 8 per cent over a business cycle.

An **equity/assets** ratio of no less than 30 per cent.

For **dividends** to shareholders to be around one third of the profit after tax over the long-term.

* Due to the acquisition of IVM and Caran and the sale of the Zpider business area an evaluation and adjustment has been carried out of the objectives.

OPERATING MARGIN, %



The operating margin for 2007, excluding one-off items, amounted to 6.0 per cent (6.1).
Objective: 8 per cent

OUTCOME 2007

Semcon's position with existing customers is strengthening gradually, which is confirmed by the high degree of re-purchasing. The acquisitions of IVM and Caran have also meant new customer relationships. In addition, a number of major cross-border partnerships took place in 2007. One example is a project that Semcon carried out on behalf of General Motors in both Sweden and Germany.

Semcon reported organic growth of 12 per cent in 2007 excluding the Zpider business area. The operating profit after depreciation and before one-off costs improved by SEK 68 million to reach SEK 150 million. EPS after dilution was SEK 12.82 (2.59).

IVM and Caran were acquired in 2007. The acquisitions doubled Semcon's size and meant a considerable increase in the number of international business. A number of major partnerships with new and current customers were entered into over the year.

- The acquisition of IVM Automotive boosted Semcon's business in Germany, Brazil and Spain. The partnership entered with Jaguar and Land Rover increased the Informatic business area's activities towards the automotive industry. The acquisition of Caran enhanced the existing business in the UK.
- Business in the Informatic business area doubled in Hungary and showed strong growth in China.
- Semcon continues to have a decentralised business and business alignment directly on the various business areas. The acquisition of Caran will enable the Group to realise synergies concerning IT-related costs, costs for shared premises and some staff costs.

STRATEGIC PRIORITIES 2008

Within the three existing business areas to benefit from opportunities that the infrastructure and customer base of the acquired companies, IVM and Caran, have brought to Semcon by extending the customer range with expertise and resources from the entire Group.

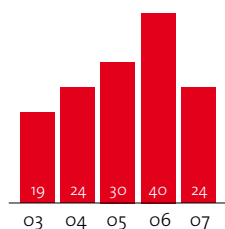
Consolidate activities in the Automotive R&D business area.

Focus on expansion possibilities in BRICK countries, mainly in the Automotive R&D business area.

Invest in increased growth in the Design & Development business area.

Continue investing in internationalisation of the Informatic business area, and an increased share of complete assignments and packaged solutions.

EQUITY/ASSETS RATIO, %



After settling payments for the sale of the Zpider business area the equity/assets ratio increased in Q1 2008 to 29 per cent and net borrowings fell by SEK 311 million.

Objective: 30 per cent.

MARKETS & TRENDS

Semcon is a technical development partner operating on a market undergoing change, where the rapid technical developments place high demands on expertise and flexibility. The Group focuses on development-intensive industries and provides services in the areas of product development and technical information.

Developments take place at lightning speed in the market segments where Semcon operates, which places strict demands on the expertise and services the Group provides. We have identified a number of challenges and driving forces that we are facing together with customers.

PRODUCT DEVELOPMENT MARKET **Increased focus on sustainable development**

A clear trend that has successively grown stronger is the increased responsibility for society and social issues and an increased environmental awareness. This awareness is expected to increase in the future and will therefore have a strong effect on Semcon and our customers' business. One example of this is the increased regulatory demands concerning vehicle emissions underway in the EU. These demands already affect development work in the automotive industry and will increasingly affect how development budgets are allocated and what partnerships are required to meet the demands. This means challenges as well as opportunities for us and our customers.

New technology and new demands

Large and small technical breakthroughs will always affect the relationships with customers. One condition for running a long-term, profitable business is to have the right product development. Costs that don't add value must be eliminated while quality must improve.

The rapid pace of development means that product lifecycles are becoming shorter, which also places greater demands on shorter development processes for new products. The time from idea to product on the market is dropping steadily.

More models

Companies now need to launch more models and versions of the same original product in order to satisfy more target groups and more specific demands from customers. This is acutely apparent in the automotive industry where car models are being launched with many versions and designs.

Increased globalisation and outsourcing

The trend towards greater globalisation is continuing unabated. Today it's not just the manufacturing sector whose production and sales are global, but also the service sector, which is completely global. Long partnership agreements between customers and subcontractors mean that service companies often have the opportunity to follow customers out into the world.

Significant wage differences between Asia and Europe for example are also contributing to increased globalisation, where many companies are moving manufacturing departments and research and development departments to low wage countries.

The trend for outsourcing more and larger projects to external suppliers is continuing. Complete assignments of this type naturally boost employment and revenues for companies like Semcon, but they also involve greater risk than smaller projects.



More complex products

The rapid technical development means that products are becoming more complex. This also places demands on construction and design.

The need for educational information solutions is also increasing. Traditional handbooks are being replaced by interactive solutions. The need for technical information is increasing among users that need guidance in order to access new technology and among installers and service personnel on the aftermarket. As the complexity of products is increasing so is their flexibility. Production is often in modules, and parts of a product can be used to manufacture new models or products.

Constant, rapid technical improvements mean that it's possible to develop new goods and services in more versions and more rapidly. Consumers are becoming more demanding and want new products with improved quality much quicker.

SEMCON'S POSITION

Strong position

From its strong position as development partner to leading players, mainly in the automotive and engineering industries, Semcon has both broadened its range to other industries and expanded internationally. The acquisitions of IVM and Caran have complemented and strengthened Semcon's range. The Swedish market is still important and much points to this market developing positively even if the pace of growth of the industrial business climate stops. The significance of constant product development is expected to be equally as strong in a weaker business climate as in a strong business climate.

A consolidation of the market is expected to continue and Semcon's objective is to be an active player in this development too and continue to expand its business internationally.

Semcon's business is driven by an increasingly complex and changing product range. This places increasing demands on the underlying product development.

Semcon's markets

The tendency in the automotive industry is towards continued increased consolidation. Fewer players are manufacturing more makes of car. For suppliers to this industry it means a fewer number of potential customers than before, while opportunities are increasing for larger assignments.

Growth is currently highest on the emerging markets. To meet the demand from these markets requires an understanding for how the markets operate.

In the pharmaceutical industry demand remains strong for routines and efficiency. Product development is the core area and it's a matter of being at the forefront in development and in launching new products before the competition.

The telecoms industry is also characterised by rapid shifts in technology, which places strict demands on expertise and flexibility. Relationships between players in the industry can quickly be reversed and there is a

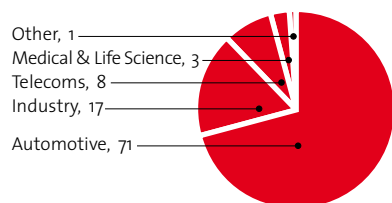
requirement for a high degree of accuracy by manufacturers and producers to retain market shares and customers. The rapid technical developments are also clear in other manufacturing industries.

Competition

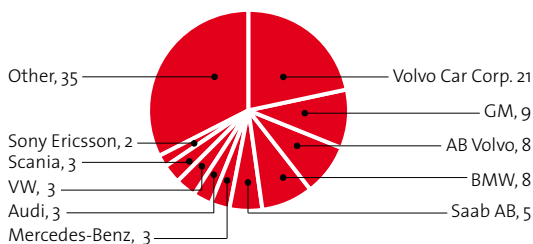
In recent years a consolidation has taken place among technical consultancy companies. This development has continued in 2007 and Semcon was one of the driving forces due to its acquisition of IVM and Caran. Global companies are outsourcing their development work to a greater extent, which is leading to an increased demand for cost-effective alternatives. Size is therefore crucial to be a leading player and to provide customers with cost-effective solutions for major, complex assignments.

The competition table on page 13 describes some of Semcon's competition. Common to these is that most operate on Semcon's main markets in Germany or Sweden.

SALES PER INDUSTRY, %



LARGEST CUSTOMERS, %



COMPETITION OVERVIEW

Competition	Country	Website	No. of employees	Annual sales, SEK m*
Etteplan	Finland	www.etteplan.com	1,949	1,154
Bertrandt	Germany	www.bertrandt.com	4,708	3,135
Edag	Germany	www.edag.de	5,415	5,962**
Formel D	Germany	www.formeld.com	1,300	765
IAV	Germany	www.iav.com	3,180	2,858**
MB-tech Group	Germany	www.mbtech.de	2,500	1,505**
Rücker	Germany	www.ruecker.de	2,500	1,531**
Pininfarina	Italy	www.pininfarina.it	3,000	4,853**
Epsilon	Sweden	www.epsilon.nu	ca 1,000	ca 900**
Rejlers	Sweden	www.rejlers.se	808	651
Semcon	Sweden	www.semcon.com	3,600	3,264****
Sigma Information Solutions	Sweden	www.sigma.se	1,400	1,375
Sörman	Sweden	www.sorman.com	260	207**
Xdin	Sweden	www.xdin.com	500	287**
Ångpanneföreningen	Sweden	www.af.se	3,750	3,862
Valley Forge***	USA	www.vftis.com	600	ca 500

* When converting from EUR to SEK a rate of 9.22 was used, which was the average rate on 31 December.

** Refers to 2006 figures.

*** Part of the SPX Corporation (www.spx.com) belonging to the Test and Measurement business area.

**** Pro forma.

The technology development industry is characterised by continued consolidation

AUTOMOTIVE R&D

The Automotive R&D business area is Semcon's single largest business. Our range is aimed at product development for customers in the global automotive industry.

Automotive R&D complements the vehicle manufacturers' own resources and Semcon's activities are adapted to meet customers' requirements. Our business is based on new developments and changes to model programmes among the world's largest vehicle manufacturers. The business area provides expertise in design, construction, testing, simulations and production of prototypes. Our joint expertise and experience mean that we can provide complex, complete solutions where we supply everything from idea to finished product.

THE CHANGING FACE OF THE AUTOMOTIVE INDUSTRY

Automotive R&D has extensive experience of development projects for the automotive industry – an industry that has long been characterised by major volumes, but also by tight margins. The answer, mainly in the car industry, has been consolidation, where the major manufacturers currently account for around 83 per cent of the world's vehicle production. These companies achieve benefits of scale by manufacturing many differ-

ent brands using the same base plates. Tougher global competition has led to demands for more rapid model changes such as each manufacturer must be able to provide a wider product range. A range where every model is developed according to specific areas of use and concentrated on well-defined target groups.

If we look at the world's leading manufacturers' current model portfolios and add their planned investments up to 2010 the conclusion is that automotive manufacturers will, over a relatively limited period, annually increase investments by many billions of EUR. Many of Semcon's customers have major investment plans for the coming years, including the Volkswagen Group and BMW. Annual growth for the automotive industry is estimated at around 2.6 per cent until 2015, which means that the industry's ability to add value in production and product development amounts to around EUR 903 billion, compared to today's EUR 645 billion.

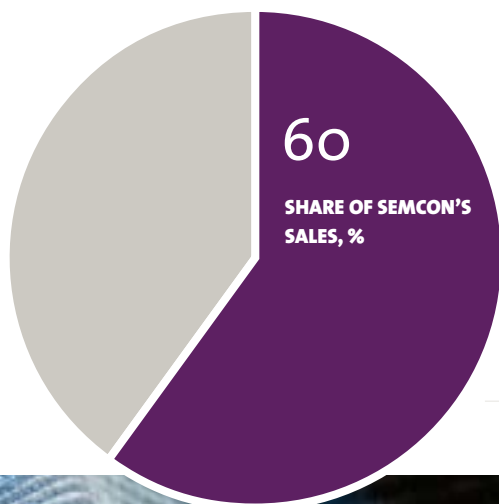
A result of significantly higher levels of qualified engineers means that manufacturers' own develop-

ment centres and external development companies like Semcon will be well stocked with assignments for a long time to come.

European automotive manufacturers are very well equipped to face global competition, and together with Toyota of Japan they are moving forwards in terms of the development of new models and versions. We also find that the commercial vehicle industry sector has dominant companies within Europe, such as AB Volvo, Scania, MAN and Daimler Trucks.

New competitors are also establishing on new markets in the automotive industry, which is mainly driven by the strong growth in BRICK countries. Russia is the market that's shown the sharpest growth in 2007, a trend expected to continue in 2008. The strong market growth attracts capital and direct investments, which mean that the development of new products and models in the future will come from BRICK countries.

In terms of sales 2007 was a very successful year with major organic growth. To this should be added the acquisition of IVM and Caran.



60

SHARE OF SEMCON'S
SALES, %

KEY INDICATORS

	2005	2006	2007
Sales, SEK m	508.6	530.0	1,512.7
Operating profit, SEK m	28.6	27.2	63.0
Operating margin, %	5.6	5.1	4.2
Share of total sales, %	39.0	38.9	60.6
Employees on 31 Dec	532	615	2,401
Sales per employee, SEK 000	955	862	867
Operating profit/loss per employee, SEK 000	54	44	26



Building cars is an art. Fredrik Annerfjärd, model and prototype technician helps steer developments in the right direction.

ADAPTATION TO THE AUTOMOTIVE INDUSTRY'S CONSOLIDATION

The consolidation seen in the automotive industry in recent years was more noticeable in 2007 even for technology consultants with special emphasis on product development. Because of its acquisitions of IVM and Caran Semcon now has an active role in this consolidation. There is a clear trend towards the European market for product development being split between a few large players like Semcon, Bertrand, Edag and Pininfarina and smaller niche companies with only local presence.

Access to expertise is critical for a technology development company and there is a lack of qualified expertise in Germany for the industrial companies with development business there. The number of recently trained engineers doesn't cover demand, which will affect the market to a great extent. The huge demand for engineers that characterised 2007 will, because of vehicle manufacturers' expansive model programme, also mean that the hunt for these prized engineers will intensify in the coming years.

GLOBAL AND CLOSE

In order to meet the demands our global customers have on a vehicle development partner, Semcon has developed its range of services over the year and established a network of offices located close to customers' development centres. The clear trend towards outsourcing of more, larger projects to technology consultants is continuing and Automotive R&D has, over the year developed the range and expertise to provide full-scale automotive derivatives (platform development) and face-lift (design change) projects.

Because of the acquisition of IVM Automotive and Caran the Automotive R&D business area can jointly work as an extension to the global

vehicle manufacturers' development organisations, both on a local level and globally. These acquisitions also mean that Semcon now has the capacity required to take on projects, where a combination of a number of areas of expertise is required and where manning the project exceeds hundreds of engineers. To not only meet, but also be at the forefront of development is necessary to retain our position as the leading global partner to the major vehicle manufacturers.

The business is currently limited to Sweden, Germany, the UK, Brazil, Spain, India and Russia. To further strengthen and spread its presence Semcon has continued to develop the satellite office concept. The lack of resources and the need for increased access has given us the opportunity to increase the number of satellite offices, where Semcon works in customers' system environments, often from one of our project offices in Sweden, Germany or the UK.

PERFORMANCE IN 2007

Sales increased dramatically over the year, mainly due to the acquisitions of IVM and Caran, and amounted to SEK 1,513 million (530 m) with organic growth of 17 per cent. Pro forma sales amounted to SEK 2,101 million. The operating profit increased by SEK 36 million to reach SEK 63.0 million (27 m). Key events included:

- Semcon completed its largest ever acquisition with the purchase of IVM Automotive, which has sales of around EUR 94 million. The nature of the business corresponds exactly to that of Semcon's Automotive R&D, but with a different customer base and geographic spread. IVM's business is run from seven sites in Germany, Spain and Brazil. The acquisition means that Semcon strengthens its position as the leading global partner to the international automotive industry with the addition of around 1,000 employees.

- Volkswagen has chosen Semcon's newly acquired company IVM as its development partner in Brazil. IVM has been a part of the Semcon Group since 1 April. Since then around 120 individuals have been assigned to Volkswagen's truck and bus division in Sao Paulo and Resende. Business with three new customers in Brazil valued at around SEK 20 million employed more than 150 individuals in 2007.
- Major order from BMW included construction, prototyping and production of a car project. The order also means that Semcon boosts its business in the performance car and motor sport segment.
- Semcon acquired 100 per cent of the shares in the Caran companies, of which 65 per cent is now part of the business area. Automotive R&D therefore controls much more than half of the external specialists working for the automotive industry in Scandinavia. Semcon has around 1,300 dedicated employees in Sweden, making it well positioned to take further steps as project partner.

MARKET AND COMPETITION

Demand for the business area's services continues to be strong, mainly in Europe. The trend for projects to be more complex complete assignments continues. In 2007 orders from key customers on the markets in Sweden and Germany were good and growth in the BRICK countries is beginning to take off. The need for more engineers is still acute, which bodes for a continued good consultancy market in 2008.

Automotive R&D's competitors are mainly international players such as Edag and Bertrand of Germany and Pininfarina of Italy. For further information about the business area's competitors see the competitor overview in the market section on page 13.



NEW LUXURY DESIGN FOR BENTLEY

Legendary car manufacturer Walter Owen Bentley is said to have had a dream. "I want to make a fast car. A good car. The best in the world!" And his dream certainly came true. The prestigious English car manufacturer now provides some of the motoring world's most fascinating models and has also had a successful career on the European racetrack.

If Walter Owen Bentley had been alive today this English gentleman would have probably thanked the engineers at Semcon for putting Bentley in the driving seat in terms of safety too. Semcon Automotive was assigned to make a new generation 4-seater Bentley Azure Cabriolet in 2004. This was a complete assignment with Semcon Automotive taking responsibility for all development work right up to production. The assignment employed a group of 75 individuals who did everything from prototype development and styling to crash-tests, simulations and passenger safety. A very pleased customer started production of the Azure in 2006. This magnificent car is in today's top-end luxury sector, but it is firmly rooted in legendary tradition. ●



The Volvo XC60, featuring several active safety systems, was launched at the Geneva International Motor Show in 2008, as the safest Volvo ever.

Smart

SYSTEMS MAKE CARS SAFER

From long, winding forest roads in Northern Sweden to the burning desert of Arizona, Semcon has tested safety electronics adapted to Volvo's new XC60. The Volvo XC60 was launched at the Geneva International Motor Show in 2008, as the safest Volvo ever.

The assignment from Volvo Cars gave us complete responsibility for integrating the active safety systems in the XC60. For three years Automotive R&D's project team worked on implementing the system, which was first launched in the V70 and XC70 in 2007. The system consists of a steering unit, a warning display plus a camera and radar sensor.

We also took care of verifying the project, which means making sure that the system works properly and is correctly integrated with the rest of the vehicle's electrical systems.

The entire automotive industry now faces major opportunities for developing active safety using electronic systems that prevent accidents happening. The XC60's active safety system includes, for instance, an intelligent cruise control that reduces speed when the vehicle gets too close to vehicles in front of it. The system also warns the driver with audible and visual signals if he or she is likely to drive into the vehicle ahead. Using intelligent systems like this is a vitally important part of the automotive industry's safety work in future. ●




GREEN DEVELOPMENT IN RUSSIA



The Russian automotive industry is making major advancements. Last year an estimated 2.3 million new vehicles were sold in Russia. The automotive market there is expected to surpass Germany as the largest in Europe before 2011. Semcon Automotive R&D is contributing to a great extent to the development through our environmentally-friendly and prize-winning solutions.

Semcon Automotive R&D has been active on the Russian market for a few years. Today we help design and develop buses for various Russian manufacturers. One example of successful partnership is with Liaz, where we have designed and integrated a system for the 11.5 metre long Liaz-5292 city bus. The development of the steering system won first prize in 2007 at the Interauto 2007 motor show in Moscow.

Semcon Automotive R&D also develops systems and chassis modernisations for a number of city bus models. One project included Euro 4 and Euro 5 engines, environmental engines specially designed for city buses where the level for emissions is regulated by various European regulations. The expansive Russian automotive industry is attempting to develop with the environment in mind. Semcon is helping to steer this development in the right direction. ●

A photograph of a large, mature tree trunk with deeply furrowed bark, standing in a sunlit forest. The background is filled with green foliage and other trees. A white, hand-drawn arc curves from the right side of the frame towards the text. The text is handwritten in a cursive style.

Something that arises by crossing
representatives of two separate
forms. The term is common in
natural sciences. In modern con-
texts it's often used to describe
something (like a power plant,
vehicle or electronic circuit) that
has two different types of com-
ponents that basically perform the
same function.

Naturally cleaner

• HYBRID SYSTEMS • HELPING MID-RANGE CARS

There's always a good excuse, like claiming the subject has been talked to death for example. But at Semcon we have decided to take climate change very seriously and help find a solution. Because we are engine system experts we've decided to target the automotive industry, where the issue of global warming overshadows everything else. Lead times, design and performance are all standing aside for the automotive industry's most important issue.

A revolutionary development would be to install hybrid systems into ordinary family cars, globally. The problem is that these systems are costly and take up a lot of room. This means that these engine solutions only end up in the most exclusive cars bought by the least price-sensitive target groups. But, if mid-range cars don't become more eco-friendly we have a problem.

Semcon Automotive is therefore helping to develop hybrid installations for the large-scale automotive industry – for cars that a majority of us drive.

We are working proactively with research and listening to our customers, monitoring trends and noting what's happening in the industry. We are then taking this information and matching it with Semcon's capabilities. By quickly providing the right skills we can continue helping our customers remain at the forefront, even in future.

We know for example that the automotive industry is becoming increasingly interested in advanced after-treatment systems for dealing with exhaust gases

from the fuel we still use. We have therefore already created a knowledge bank about diesel particle filters and catalytic converter systems.

In more practical terms we are also trying to make things more efficient in the simplest way possible and designing answers for installing hybrid solutions into all types of cars, while trying to keep car prices as low as possible. We provide solutions for our customers that balance quality, performance and not least – price, to help bring end-prices down in the long-term for the customer, which is an exciting, major, challenge for us.

Overall our work consists of three parts: we have consultants working with customers, who handle both software and hardware developments for specific components in hybrid vehicles. We also take customers' problems home and try to solve them at our offices. Using our skills and concept development, we can both propose system solutions for the problems of hybrid engines and do the actual development work.

In addition, we have our own projects where we can work relatively unhindered in order to find the solutions that nobody had a clue about yesterday.

Climate threat is a reality, which is why we need to be realistic. People won't stop using cars tomorrow, rather the opposite. But next year, or the year after they'll hopefully be driving cars with more eco-friendly hybrid systems installed in them. ●

DESIGN & DEVELOPMENT

The Design & Development (D&D) business area is expert in product development, production development and design. Our range of services helps customers to make products that increase sales and sharpen their competitive edge.

Design & Development has around 900 highly skilled, experienced and enthusiastic employees in all key areas required in order to achieve quicker, better product development. With 18 offices in Sweden we have a strong local presence that customers value highly.

The business area's business is divided into four areas: Product Development, Semcon Project Management (SPM), Embedded Intelligent Solutions (EIS) and Medical Life Science.

PROVIDES COMPLETE SOLUTIONS

Design & Development puts together a handpicked team of specialists who together work out innovative solutions focussing on the entire chain from pilot study to production development. This complete approach allows customers to cut the time from concept to production by many months. The business area also provides wide-ranging customer-adapted training including how to steer, manage and divide resources in a project effectively and successfully. Design & Development partners

industry in order to provide added value in each area where our customers need assistance.

Alongside this strong local presence in Sweden the business area has offices in Malaysia and Spain and also owns 30 per cent of the Norwegian consultancy firm Kongsberg Devotek AS with around 90 employees.

PRODUCT DEVELOPMENT

In this part of the business area customers can be found mainly in industries such as the energy and plant, aviation, packaging, offshore and other development-intensive engineering industries.

In the energy sector we provide services including upgrades of hydro-electric plants. This means that we improve operational safety and the effect of existing plants.

For the packaging industry Design & Development provides major innovation together with environmentally-aware product development and design. By constantly changing materials it places new demands on the sealing technology and sterilisation methods used. The business area

also includes designing specialist machines for the packaging industry and other sectors.

Semcon is a long-term partner to Saab AB in the aviation industry. This partnership has grown stronger over the year. Assignments include design, construction and calculation of airborne equipment to Saab's own aircraft and components within the framework for the partnership assignments Saab has with Boeing and Airbus. We also provide full-scale models and scaled down models from our prototype workshop.

SEMCON PROJECT MANAGEMENT

Because more of today's work is run in project form, the need is growing for expertise in how to create effective projects. Semcon Project Management provides a wide range of project management training and services, directly or through partners, throughout the world. In recent years we have trained over 15,000 individuals in almost 40 countries. We work independently of models, but are expert in a number of standards and project models, such as PROPS and

sales mainly come from customers in the energy and engineering industries, pharmaceuticals, medi-tech, telecoms and aviation industries.

25

SHARE OF SEMCON'S
SALES, %

KEY INDICATORS

	2005	2006	2007
Sales, SEK m	465.9	490.6	620.5
Operating profit, SEK m	13.6	15.8	52.4
Operating margin, %	2.9	3.2	8.4
Share of total sales, %	35.7	36.0	24.8
Employees on 31 Dec	596	606	906
Sales per employee, SEK 000	782	810	871
Operating profit per employee, SEK 000	23	26	58

Brita Olsson, Håkan Olsson, Fredrik Lindberg and Johan Adolfsson develop tomorrow's products.



PMBOK. We develop and market the PROPS project method designed by Ericsson and used throughout the world by many major industrial companies.

EMBEDDED AND INTELLIGENT SYSTEMS

We have gathered the business area's specialists in the area of Embedded Intelligent Solutions in EIS by Semcon.

The business works with future intelligent products and systems where we help by providing smart software solutions and design hardware so that systems become safer and more reliable. We draw up guidelines for how intelligent systems should work and processes that safeguard the quality of an inbuilt system.

Developments have taken place in close, long-term association with our customers, resulting in us refining our services and establishing a number of system development partnerships with key players in the automotive, defence and telecoms industries.

MEDICAL LIFE SCIENCE

Medical Life Science has more than 20 years' experience of effectively conducting projects for integrated system solutions in the pharmaceutical, bio-tech and medi-tech industries. Medical Life Science also provides technical specialists, project managers and management consultants who focus on customer profitability.

Medical Life Science creates more efficient production by providing

smart solutions that meet regulatory demands. We work independently in a number of application areas together with other suppliers when needed, in order to quickly and flexibly meet customer demands. Our customers are located worldwide.

LOCAL PRESENCE ON A GLOBAL MARKET

The business area is receiving more international customers. In order to follow them out into the world and also spread risks Design & Development has in recent years established itself on more markets. In some cases it is financially beneficial not to establish straight away in direct proximity to the customer. The solution to this is satellite offices. In this way we create a remote department for the customer where we can effectively offer them access to Semcon's pool of expertise and where the physical presence is complemented and supported. Many of our customers also have a lack of space and Semcon's satellite offices then provide them with the space they require. Another gain is that the satellite offices reduce the need for travel, thereby cutting the negative impact that travel has on the environment. The aim is to establish more satellite offices in 2008.

2007 – CONTINUED STRONG DEVELOPMENT

Sales increased by 27 per cent to SEK 621 million (491 m) while the operating profit increased by SEK 52.4 million (16 m). Pro forma sales amounted to SEK 799 million. Key events include:


- Acquisition of Caran meant greater level of services to the engineering industry and we now one of the largest players in the Nordic region.
- Order from the Defence Materiel Administration for 40 specially developed composite containers for the Nordic Battlegroup. Order value of SEK 20 million with an option of a further 40 containers.

MARKET AND COMPETITION

Demand for our services is expected to remain good and the share of complete assignments is expected to increase.

For the Design & Development business area the acquisition of IVM and in particular the acquisition of Caran, means that the business has been expanded and the range of services to the customer has been complemented. Semcon is now one of the major players and is big enough to be able to compete and win major and complex assignments. Market conditions remain favourable even if the business climate stagnates. The business area's potential market is larger after the acquisition because Semcon can now compete on more markets, with the addition of the offshore industry.

Design & Development's competitors are mainly Etteplan of Finland and Ångpannaföreningen (ÅF) and Epsilon of Sweden. For further information about the business area's competitors see the competitor overview in the market section on page 13.



Helena Lundgren is an expert at clean and sterile processes within pharmaceutical manufacturing.

Quicker medicines via more effective methods

The pharmaceutical and medi-tech industry is framed by rigorous regulations and routines. Products and equipment need to be kept free from all kinds of pollution and nothing is left to chance.

Part of Orexo's work deals with improving existing medicines that don't act quickly enough or give uneven results. In association with Orexo, Semcon Medical LifeScience has provided key expertise to expand the company's production within the framework of more "Technology Transfer" projects. This includes project management, project methods and coaching project managers.

The pharmaceutical industry's routines and demands for efficiency have increased drastically in recent years, which has forced the industry to work smarter. This not only applies to investment projects and production, but also in product development. It's essential to keep to schedules so that the product

reaches the market before the competition, while meeting regulatory demands placed by authorities in order to release the product.

Semcon Medical LifeScience has more than 20 years' experience of performing projects and can provide project managers and process developers expert at keeping things so clean it would make your everyday housekeeping pedantic seem unhygienic. Not just in terms of pollutants but also in terms of the waste standing in the way of effective working processes. Products that will be used on and in humans need an extra degree of exactitude, but it is possible to change working processes without neglecting quality demands. ●



The flashing blade

Many are waiting for Floorball to make it big in Asia, and the International Floorball Federation is hoping to sign up China as a member in 2008. When the Chinese start buying floorball sticks it will soon be seen. Floorball itself is a sport undergoing a revolution and Semcon Caran is helping to develop the sticks of the future.

Semcon Caran was asked to take on the entire design assignment by Zii – the world's leading supplier of freebandy equipment. Freebandy is a twist on the classic floorball, but now also a sport in its own right with its own league (SFF).

The stick's blade is specialised to enhance technical ability on the floor and in the air, and has been awarded its own patent for these qualities. When the assignment began there were no rules or limitations – just a desire to design an innovative product that could lift the entire sport. Semcon Caran's engineers looked at today's youth and found a successful mix of imagination, control and balance.

A circular goal and stick blade were designed and the much appreciated "Zorro trick" became easier to perform. The assignment succeeded and gave the sport a huge lift. Freebandy won the "Newcomer of the Year" category at the "Gear of the Year 07" trade fair and Zii now supplies the Semcon Caran blade to 25 countries – including China. ●

Pilotless helicopter provides a glimpse of the future

In the 15th century Leonardo da Vinci introduced the first practical idea of how a helicopter could work in theory. This theory is now reality. Saab has designed a pilotless helicopter, specifically designed for dangerous rescue missions that da Vinci himself would be proud of.

Saab launched the idea of a pilotless aircraft, both for civil and military use, a few years ago. To realise this innovative idea they needed to work with external resources. Saab is one of the world's most renowned aircraft manufacturers and acted accordingly. Semcon Caran, which had previously supplied a full-scale model of a JAS jet, was called in to design the unmanned helicopter. Using advanced 3D modelling and visualisation it began to take shape. Saab considered the partnership so successful that it gave us the further task of completing the development work - deciding the shape and two full-scale models would be the next step.

This magnificent piece of work was put on display in 2006 – and at four metres long and weighing 150 kg it's a pure piece of engineering. The model is called the Skeldar V-150 and can undertake missions within a 100 km radius. It can be loaded with 25 kg of cargo, can lift-off vertically without the need for a runway and can achieve a maximum altitude of an amazing 3,500 metres.

The Skeldar has many areas of use. It has been mainly designed to reach difficult to access environments. It can be used as an extra pair of eyes for peacekeeping forces in troubled areas or equipped with a thermal imaging camera to look for people lost while out walking in the mountains.

"An unmanned helicopter could have been used to monitor the advance of hurricane Katarina or acted as point for UN troops to check the road ahead and constantly provide a situation report," says Anders Carp, head of Unmanned Aircraft at Saab Aerosystems. ●

LONG-DISTANCE PARTNERSHIP PROVIDES PRESSURE-SAFE RESULTS

The global offshore company Vetco Gray, part of GE Oil & Gas, had a problem. They had a lack of engineers and physical space to design their underwater equipment. The solution: Satellite offices enabled engineering design work to move to Göteborg where Semcon Caran can provide joint expertise and physical space.

Because the price of crude oil has risen so much recently it's become profitable to extract oil from deep-sea rigs. The incredible sea depth places completely new demands on construction. 3,000 metres below the surface there is 300 times more pressure than at sea level. At these extreme depths you only find a few eels, giant squid and sperm whales – and underwater equipment designed by Semcon Caran.

Semcon Caran currently has around fifteen people in Göteborg working for Vetco Gray constructing and project managing the vast pipe system that pumps the oil and gas between the oil platforms, tankers and land depots. Satellite offices have enabled us to be completely integrated with customers' IT environments. This means that the customer is better able to manage projects from offshore and we avoid unnecessary commuting, which would otherwise be very stressful and be a burden on the environment. ●



INFORMATIC

The Informatic business area provides complete information solutions for the aftermarket and interactive market communication. End users can be consumers as well as professional users.

Our services support our customers' products throughout the entire product lifecycle – from marketing and sales to installation, maintenance and repair. Customers are mainly from the automotive, telecoms and manufacturing industries.

A CLEAR TREND

For an increasing number of products around us the technological content is increasing, which in turn puts higher demands on the information that accompanies the product. World-class products must be supported by world-class information solutions. This information support must exist, irrespective of whether the products are aimed at retailers to increase sales, are integrated in products to increase user-friendliness or required in the service organisation to satisfy customers from an aftermarket perspective.

A greater number of our customers' marketing budgets are now being dedicated to interactive online initiatives. Many are also predicting that nearly all marketing and branding in the future will be over the internet. This realignment will put

completely new demands on how our customers use product information for example in marketing and when selling their products and aftermarket offers. Having well thought through information strategies throughout the product lifecycle will become a more prioritised issue for our customers and will therefore also need to be reflected in our range of services from the business area.

EXPERTISE IS THE KEY

The business area currently has around 350 qualified employees such as project managers, technical writers, information and interaction designers, and illustrators. The majority of employees work in Sweden, but around a fifth of the people engaged by the business area are located outside Sweden, mainly in the UK, Hungary and China.

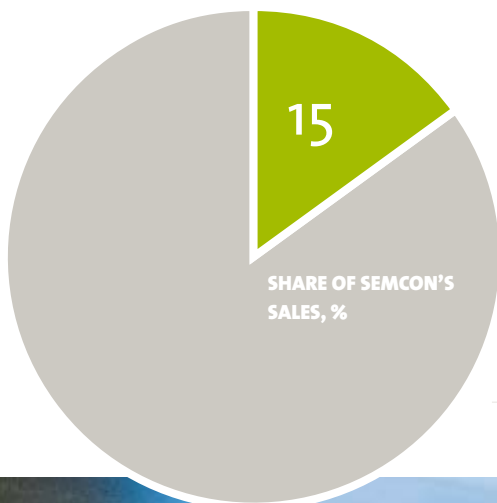
In the interactive market communication area we use our Zooma by Semcon brand to communicate and supply our range to the market. Zooma by Semcon, which is a wholly-owned subsidiary in the business area, currently employs around 50 or so individuals with activities in both Sweden and the UK.

ATTRACTIVE BUSINESS MODEL

An increasing percentage of the business area's business is today carried out as projects or as Managed Services. Within the Managed Service business model Informatic takes full responsibility for the complete development and production of aftermarket information. This responsibility also includes developing information strategies and new information products in cooperation with our customers. The largest benefit for our customers is that they can focus on developing their aftermarket offers and spend less time managing the production of the aftermarket products. Informatic streamlines the information development process by, for example, utilizing experience from different customers and industries or by introducing benefits of scale where several customers are supported from one "back-office".

The latest example where Informatic has implemented this business model is for Jaguar and Land Rover in the UK. At our own premises, close to Jaguar and Land Rover's product

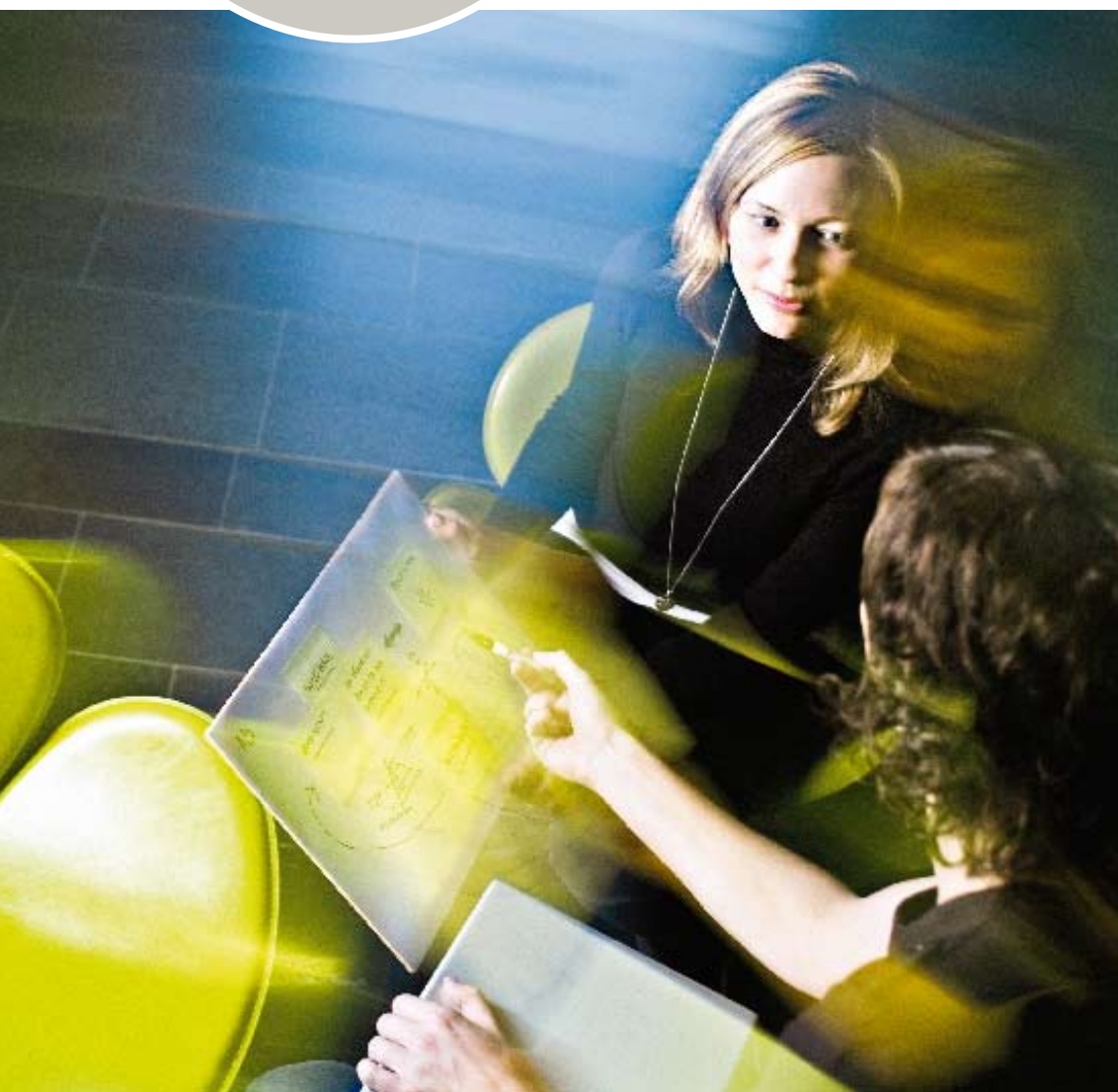
2007 ended with intensified sales growth. The single largest share of the growth came from our business with Jaguar and Land Rover in the UK.



KEY INDICATORS

	2005	2006	2007
Sales, SEK m	329.4	340.8	364.2
Operating profit, SEK m	37.8	39.5	35.0
Operating margin, %	11.5	11.6	9.6
Share of total sales, %	25.2	25.0	14.5
Employees on 31 Dec	287	301	341
Sales per employee, SEK 000	1,148	1,132	1,068
Operating profit per employee, SEK 000	132	131	103

Camilla Johansson, Interaction Designer, and Jacob Åberg, Art Director, develop interactive communication that strengthens brands.



development centre, we manage the development and production of all aftermarket information such as owner information, diagnostic information, service information and training material as well as service technician training. The business currently engages more than 50 individuals locally in the UK.

2007 – CONTINUED STRONG PERFORMANCE WITH GLOBAL FOCUS

Informatic continued its positive trend over the year and increased sales by 7 per cent to SEK 364 million (341 m). The operating profit was SEK 35 million (40 m). Key events include:

- The British car manufacturer Jaguar and Land Rover chose Semcon Informatic as its long-term partner for the development of aftermarket information.
- Via our joint-venture with the German firm ESG, production has started of service instructions, repair times and illustrations for some of General Motor's future platform-based vehicles. In addition, further assignments from GM were received during the year.
- A four-year contract has been signed for a long-term collaboration with Bombardier Transportation Sweden AB. The contract means that Semcon Informatic becomes a strategic partner for supplying services within technical information.
- A long-term partnership agreement has been signed with Kockums in the technical information area for surface vessels and submarines.
- The business in Hungary is rapidly expanding and now includes both local customers and back-office production for customers in Sweden and the UK.
- In addition to the office in Beijing, China, a satellite office has opened in Shanghai to approach customers

both in the telecoms and automotive industries.

- The subsidiary Zooma by Semcon, which focuses on interactive market communication, has won a number of international awards during the year for its work.

MARKET AND COMPETITION

The geographic market is still characterised by a relatively fragmented supply structure for services in the business area's range. To a large extent, many companies also have their own internal departments for the production of aftermarket information. Semcon Informatic's competitors mainly include international players like Valley Forge (US), Formel D (Germany), Sigma Kudos and Sörman (Sweden). For further information about the business area's competitors see the competitor overview in the market section on page 13.

Changes in the market are mainly driven by the large international customers in the automotive and telecoms industries, which has partly resulted in the following demands on service providers of information solutions and market communication:

- Increased international presence and size in order to take on larger assignments.

- Cost-effective production through reusability and "back-office" production.

• Broader offers, for example in the form of information strategies and innovative product development. The tougher competitive landscape faced by our customers means that they to a greater extent need to focus on their core business, and find alternative solutions for the non-core business. Development and production of aftermarket information is often looked on as a non-core business, which combined with an increased need for information solutions, means that Semcon believes that there are large opportunities for the Informatic business area to develop into a strong international player.

Semcon has good relationships with customers, both in the automotive and telecoms industry and therefore sees large potential for continued growth on several markets. In addition the manufacturing industry has greater potential than the market share currently held by the business area. By Semcon's acquisitions of IVM and Caran the opportunities increase for the business area to more quickly create business with new customers.



REGINA*, a trainconcept that semcon has worked on a lot.



Well-documented ecological journey with Bombardier

The Öresund link trains between Denmark and Sweden, the very reliable REGINA* train and underground trains in major capital cities like Shanghai, Mexico City and New York – are all made by Bombardier. A global train manufacturer in the front line in terms of developing advanced, eco-friendly railway technology.

Bombardier has chosen Semcon Informatic to be by its side in the fight for ecological travel and technical development. Last year both companies signed a four-year contract where Semcon Informatic becomes the strategic partner to provide technical information services. Semcon and Bombardier have designed training for technical writers directly adapted to Bombardier, its processes and products so it gets the best possible consultancy assistance in order for the long-term partnership to be as simple and trouble-free as possible.

"There's a difference in contracting all services from Semcon where we have a long-term business relationship, compared to contracting consultants from many different suppliers. We have a core group of individuals who provide continuity and efficiency, where it's always the same individuals that work with a certain customer. Because Bombardier themselves own the processes Semcon's most important job becomes to provide and supply writers who are expert in trains, which we naturally do, and act as advisors to improve efficiency and learn from how Semcon's other major customers work," says Claes Andersson, Semcon's regional manager in Västerås.

The forms of business relationships between Semcon Informatic and its customers vary. When working with Bombardier we work with both the customers' existing tools and those Semcon has developed, so far with excellent results. The customer is happy and employees at the office in Västerås work constantly to improve information handling methods and processes and make them more effective for Bombardier's fast, modern eco-friendly trains – a journey that Semcon Informatic is proud of being part of. ●

* REGINA is a trademark of Bombardier Inc. or its subsidiaries.

Prize-winning websites creating loyalty!

In December 2006 Volvo Car Corporation's (VCC) global marketing department asked Zooma to conceptualize, produce and deliver the first part of an owner's portal. The aim was to have a global site concept ready to launch at the 2007 Geneva International Motor Show.

The project had more than 20 individuals working on producing ideas, design and content, which resulted in hundreds of instructional films, images, 3D animations and an online version of the Volvo magazine LIV.

It was decided early on to divide the "Owner's Info" on the site into four sections:

Know your Volvo, Drive your Volvo, Care for your Volvo and the LIV magazine.

Publishing a traditional magazine on the internet is an investment that paid off. The magazine received a Best Magazine Website award at the Web Market Associations annual WebAwards against competition from the likes of National Geographic and Cosmopolitan. At the same event Owner's Info was awarded with an Outstanding Website award. ●

Visit the prize-winning websites at:
www.volvocars.com/intl/tools/Owners/LIV and
www.volvocars.com/intl/tools/Owners



VIRTUAL METHODS CREATE NEW opportunities

When Jaguar and Land Rover selected Semcon Informatic they wanted a new solution for developing and producing aftermarket information, which they got, plus a whole lot more.

Semcon Informatic has now taken on the complete management of this area of responsibility, using own processes developed in conjunction with Jaguar and Land Rover and other business partners. The result: shorter lead-times, reduced costs and retained quality.

Part of the reason behind this success story is due to the usage of existing data in CAD models. Semcon Informatic's processes include virtual repair methods for car models that do not require physical access to the car.

There are a number of advantages with these virtual repair methods, whose development is supported by Semcon Informatic's proprietary tool "Illuminator". One obvious advantage is cost savings because there is no need to use expensive pre-series cars. Another advantage is the re-use of CAD models for illustrations, which saves time in the production process. A third direct advantage is greater quality, because the latest version of the car is always used to design the aftermarket



information. The process also means benefits of scale. Resources are put to better use by developing effective, economic, back-office operations.

Around 50 people now work at Semcon Informatic's premises in Kineton, England, on projects for Jaguar and Land Rover. In addition Semcon Informatic is also using its back-office operations in Budapest, Hungary. Their work covers everything from developing and producing owner information and information for servicing and diagnostics, to producing training material for service technicians.

Our extensive experience of the automotive industry and successful partnerships with some of the world's leading car manufacturers, along with a deliberate and long-term investment in packaging our range of aftermarket information services, has been crucial in earning this trust. These efforts have now led to a fruitful relationship with Jaguar and Land Rover – confirmation that Semcon Informatic's aftermarket information is world-class. ●



EMPLOYEES – SEMCON'S ENERGY SOURCE

We attract the best talents because we work with the most exciting assignments, have fun together and have some of the world's most successful companies as customers.

Every individual is important and significant in the Semcon Group. Our culture is characterised by openness, the ability to see opportunities and pride in doing our best, while having fun together. We believe in the individual's ability to take responsibility and believe that this enables the individual to develop. Independence however requires basic security, which Semcon has through its broad range of skills in the Group.

SKILLS AND INVOLVEMENT

The high level of expertise and our employees' energy are a few of the reasons why customers choose to employ us. At Semcon every employee receives development support. In this way employees' expertise and skills are utilised, which benefit both Semcon and customers. Meanwhile it's important that expertise and experience is spread throughout the organisation in order to easily find out what employees are working on similar projects.

All our employees' expertise is specified and swiftly traceable via a portal to efficiently increase access and thereby facilitate matching between demand and expertise.

GLOBAL WORKPLACE

At Semcon there are many opportunities to develop by helping to influence the products of the future. We are lucky enough, together with some of the world's leading companies, to be able to steer developments and take successful products a step further in order to win the battles against the competition of the future. We always strive to be one step ahead and not only provide the best solution to the customer, but also help drive developments forward.

Today we are in 40 locations on three continents, tomorrow we'll be in more. We therefore need to constantly look for and recruit more devoted individuals who want to be part of realising our vision of becoming;

"A leading global partner in engineering services and product information".

ONE OF SWEDEN'S BEST EMPLOYERS

Being an attractive employer is important for the Group. Attracting new employees, keeping them and helping in their development is a condition for Semcon to achieve its vision. In Universum's Karriärbarometer (career barometer) among professional engineers, Semcon was voted one of Sweden's best employers, which is positive confirmation for how satisfied Semcon's employees are.

SEMCON CHARGES ITS BATTERIES

Preventative healthcare at Semcon is an important part of the work to give every employee the opportunity to a healthier lifestyle. This is achieved partly through providing in-house exercise facilities and through subsidised gym membership. There are a number of staff associations in the

The FreeBandy stick is a development of the ordinary Floorball stick where a circular hole makes it possible to hold the ball on the blade and do lots of different tricks.

Employees at Semcon playing FreeBandy.
FreeBandy is a trinity of sport, play and
artistry. Together with Zii, Semcon has
designed the concept, stick and goal
for the new sport.



Group that provide employees a large range of preventative healthcare and recreational activities like badminton, paragliding or cultural activities.

DIVERSITY AND EQUALITY

Semcon strives to increase diversity, not only in terms of skills, but also in terms of gender, age and cultural background. In this way we can assimilate teams to meet customers' expectations. To clarify Semcon's position on issues affecting employees we have policies covering employees, salaries, equality plans and working environment.

Semcon applies individual salaries. Salaries are based on the individual's skills, experience and level of involvement. Each employee is encouraged to take parental leave and there is additional parental leave for up to four months with extra pay.

SKILLS DEVELOPMENT AND MANAGEMENT

Our customers place increasing demands on us, so constant skills development is a prerequisite for retaining Semcon's power of attraction and competitive strength. Alongside the day-to-day work we carry out regular career assessment talks, which are an important part of employees' further education. Tar-

gets are set up and then followed according to the results of these talks and employees' views on their personal development. We also carry out "leaving interviews" to find out the reasons for leaving the company.

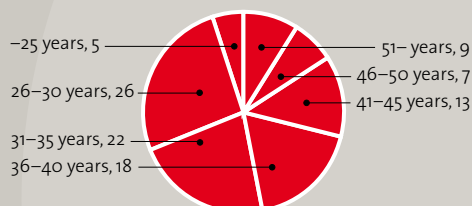
We've worked hard to create a common project culture, which is increasingly important with more employees in different countries. To ensure and retain common values all employees undergo an introduction course. We also carry out regular training in project steering – S-PROPS. In addition, Semcon also has general training courses.

A wide range of skills and diversity places specific demands on management within the company. Semcon therefore actively works with management issues on many different levels. Every manager receives individual coaching and new managers undergo special training. To ensure we have a top management team over the long term we constantly train our employees in our internal NextGen Leaders training programme. Another prioritised area is to find more women for top management positions within the company. A long-term example of this is our involvement as main sponsor and mentor to Tarantella, Chalmers University of Technology's mentor scheme for female technology students.

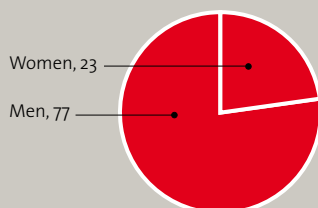


A workplace for all!

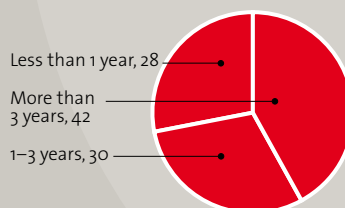
AGE OF EMPLOYEES, %



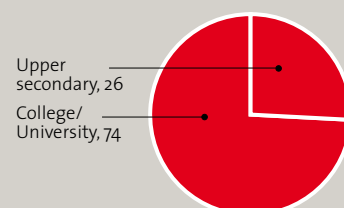
GENDER DIVISION, %



AVERAGE EMPLOYMENT DURATION, %



LEVEL OF EDUCATION, %



SICK LEAVE, %

	2003	2004	2005	2006*	2007*
Total sick leave	2.9	2.6	2.8	2.4	2.4
Of which long-term leave	1.4	1.2	1.2	0.9	0.7
Sick leave, women	4.7	4.3	5.1	3.3	3.2
Sick leave, men	2.3	2.1	2.1	2.2	2.1
Employees under 29 years	1.7	1.5	1.8	1.9	1.9
Employees aged 30 - 49 years	3.0	2.6	2.8	2.4	2.4
Employees over 50 years	4.7	4.4	4.1	3.4	3.0

Sick leave only applies to the Swedish market.

KEY INDICATORS

	2003	2004	2005	2006*	2007*
Total number of employees, 31 Dec	1,442	1,471	1,672	1,522	3,648
Average number of employees	1,504	1,444	1,636	1,511	2,672
Sales per employee, SEK 000	797	893	917	902	935
Value added per employee, SEK 000**	523	619	625	602	555
Profit/loss after financial items per employee, SEK 000**	-36.7	39.2	59.8	33.1	-13.3
Average age	37	38	38	38	36
Sick leave, %	2.9	2.6	2.8	2.4	2.4
Staff turnover, %	13	12	10	12	19

* The result for 2006 and 2007 has been reported for remaining business.

** The operating profit has been negatively impacted by one-off items of SEK 162 m for 2007 and SEK 31 m for 2006.

STRUCTURAL CAPITAL

– WORKING METHODS THAT CREATE ADDED VALUE

Structural capital is the sum of the processes, skills and structure that the Semcon Group has built up and developed over a long time. Structural capital can also be described as the value of everything in the organisation apart from the individual skills of the employees. Our customers' high rate of repurchase and our low costs for bad quality are proof that Semcon has well-developed processes that create added value.

Because Semcon's main business targets customers active in industries characterised by strong global competition and increasing demands for cost-control, constant change and closer product launches it requires more effective and more adapted working methods by customers, their partners and subcontractors. The main way for Semcon to meet, and be at the cutting edge of, this development is by an increased rate of standardisation without neglecting quality. Semcon defines processes that concern efficiency and quality issues as structural capital.

STRUCTURAL CAPITAL CATEGORIES

Semcon's structural capital is divided into five general categories: business models, leadership, project methods, internal follow-ups and matching expertise/sharing experience. In addition to these are a number of support processes that also make all employees' work more effective.

THREE BUSINESS MODELS THAT CREATE ADDED VALUE

Semcon mainly works using three business models:

In its consultancy business Semcon provides specific skills by the hour. Customers manage the projects and Semcon's profitability is affected by how well these skills match customers' needs and the ability to use internal resources most effectively. Semcon has a very good, broad level of expert-ise in this business model as this has been part of the core of Semcon's business.

The project/concept business builds on Semcon taking responsibility for providing a required result. This work is managed by Semcon and both concept and project form are adapted to customer conditions.

Semcon's Managed Services takes complete responsibility for a defined function designed to provide products and services. We take over all or

parts of the customers' processes, including personnel and development resources, which creates value for the customer because it frees up time for the customer.

CUSTOMER FOCUSED LEADERSHIP

Semcon's leadership model is based on a clearly defined responsibility and authorisation description. Managers at Semcon are responsible for creating new business, looking after customer relations, recruiting new employees and making sure that employees develop in their specialised areas. All managers at Semcon are responsible for ensuring the customer is supplied on time with the right quality of service and at the right price and for conducting follow-ups after final delivery.

PROPS, the project management model that focuses on "what" ahead of "how".

● **STRUCTURED AND WELL-KNOWN PROJECT METHODS** ●

Semcon develops, adapts and uses the PROPS project model, which is used for managing and controlling projects. PROPS is now used globally by many major industrial companies. The method adds value compared to in-house systems because users from many industries and markets have helped develop the method by providing views and evaluations. For many customers it's important to use a project model they recognise. To adjust to this we are constantly investing in skills development in various project management skills areas.

MANAGEMENT BY OBJECTIVES

Semcon's business is built on decisions being taken closely with customers and employees involved in customer projects. The individual business units and projects are controlled by strong aims for profitability and creating added value, where responsibility and authority are clearly set and decentralised. The internal follow-ups are carried out locally, in close cooperation with the person responsible and centrally through different support functions that specialise in internal manager and employee support.

● **EFFECTIVE, STRUCTURED PROVISION OF EXPERTISE** ●

Semcon has developed a process for providing expertise. The aim is that the long-term business objectives should be harmonised with customers' demands including employees' skills development and choice of career. All our employees' expertise is specified and swiftly traceable via a portal to efficiently increase access and thereby facilitate matching between demand and expertise.

● **QUALITY WORK MEANS HAPPY CUSTOMERS** ●

Semcon's quality work permeates the entire organisation. This is shown partly through the Satisfied customer index, which shows that our customers are pleased or very pleased with Semcon as their supplier. Semcon is ISO 9001:2000 certified.

● **SEMCON'S ENVIRONMENTAL WORK** ●

Semcon has integrated its environmental commitment into the day-to-day business. The Group is ISO 14001:2004 certified and receives good results in external audits.

Semcon has a number of central policies that aim to cut the environmental burden. Examples of these are travel and company car policies in order to cut emissions of carbon diox-

ide. In addition, Semcon also holds skills development training with the emphasis on environmental issues.

● **IT SECURITY** ●

Semcon works constantly and proactively to improve IT security in order to minimise risks and disruption to IT systems. In its business Semcon's employees are directly linked to many of its prioritised customers' IT environments. Before Semcon links into a customer's IT system an audit and examination has safeguarded Semcon's IT environment. Because Semcon's customers are global companies in competitive industries where a lot of sensitive information is handled Semcon must keep a high, even standard in all IT related systems.

● **THE SEMCON BRAND** ●

Semcon is well-known to many people. Our strong brand is an important investment that sets us apart from the other players on the market and helps us both recruit and sell and is an important tool for making Semcon a leading global product development and information solution partner.

Because of the acquisition of IVM and Caran in 2007 Semcon started an initiative to structure and benefit from the new joint brand capital.

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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 2007 financial year.

BUSINESS ACTIVITIES

Semcon AB (publ), is a globally-leading technology development company active on three continents. As a close partner to industry Semcon provides expertise in its Automotive R&D, Design & Development and Informatic business areas. The Zpider business area was sold on 31 December 2007. Semcon has business in the following locations: Göteborg (HQ), Antas, Bad Friedrichshall, Bangalore, Beijing, Budapest, Böblingen, Copenhagen, Eskilstuna, Helsingborg, Ingolstadt, Jönköping, Karlstad, Karlskrona, Kineton, Kista, Kuala Lumpur, Linköping, London, Ludvika, Lund, Munich, Olofström, Oskarshamn, Oxford, Resende, Rüsselsheim, Sao Paulo, Shanghai, Stenungsund, Stockholm, Stuttgart, Södertälje, Trollhättan, Västerås, Växjö, Wolfsburg and Örebro.

OUR BUSINESS AREAS

The Automotive R&D and Design & Development business areas work with design, product development and production development. The Informatic business area develops information solutions for the entire product lifecycle.

KEY EVENTS DURING THE YEAR

IVM Automotive in Germany was acquired on 1 April and Caran was acquired on 31 August. Both companies each have sales of around SEK 900 million and around 1,000 employees each. The reason for the acquisitions is to build a larger global business in order to attract larger, more complex technical assignments and to be located close to our customers. The Semcon Group is now one of the world's largest suppliers of technical development services to the automotive industry, both for cars and trucks and is well equipped to meet the demands set by our international customers. The acquisition of Caran also allows us to provide more services to the automotive industry where we have become one of the largest in northern Europe.

A comprehensive, central cost-savings scheme was introduced in Q2. These measures were carried out in 2007 and

are expected to provide annual savings of around SEK 30 million in Sweden and SEK 15 million in Germany with full effect being realised in 2008. Cost for introducing the cost-savings scheme negatively impacted profits by SEK 19 million in 2007.

The acquisition of Caran has also meant major savings throughout the business, including costs for administrative personnel and by using joint IT systems and premises. Total annual savings are expected to reach around SEK 40 million. Costs for introducing the cost-savings scheme negatively impacted profits for Q4 by SEK 15 million and by SEK 19 million for the year.

To focus resources on our core business in product development and information solutions the Zpider business area was sold on 31 December 2007 to the Finnish IT company Enfo Oyj. The sale also helped finance the acquisition of IVM Automotive and Caran. The sale of Zpider boosted shareholders' equity and generated a capital gain of SEK 257 million. Net borrowings fell by SEK 311 million in Q1 2008, which drastically reduced borrowings.

KEY EVENTS AFTER THE END OF THE FINANCIAL YEAR

At the EGM on 7 February 2008 the Board decided to:

- appoint Hans-Erik Andersson as chairman of the board
- introduce a long-term share savings scheme for Group employees
- introduce a convertible-based incentive scheme for no more than 165 key individuals in the Semcon Group and also take out a convertible debenture loan of no more than SEK 50 million

Kjell Nilsson was appointed the new president and CEO as of 8 February 2008.

THE WORK OF THE BOARD OF DIRECTORS

The work of the Board is described in the section headed "Corporate Governance" on pages 78-79.

REMUNERATION TO THE BOARD AND SENIOR EXECUTIVES

Remuneration to the board is decided by the AGM following proposals from the nominations committee. The remuneration to the board amounted to SEK 300,000 for the Chairman and SEK 150,000 for other board members not employed by the company. Remuneration to the CEO is decided by the Board. Semcon has no special remuneration committee and these issues are handled by all members of the Board. All senior executives in the senior management team are entitled to a fixed salary and a flexible salary of no more than six months' salary based on how well they meet their respective targets. The fixed salary is set every calendar year. The senior management team is also entitled to subscribe for convertible debentures in the convertible debenture scheme, which is described in full on Semcon's website at www.semcon.se. Remuneration guidelines included the individuals, who during the time the guidelines applied, were part of the senior management team. The board has the right to deviate from the guidelines if there is just cause to do so in special circumstances.

Senior executives' remuneration and bonuses are reported in Note 8 on pages 61-62.

At the AGM on 24 April 2008 the board will propose guidelines in line with the abovementioned to apply until the next AGM.

INCENTIVE SCHEME

The incentive scheme that the Annual General Meeting decided upon on 27 April 2004 matured in 2007. Upon conversion in 2007, 94 convertible debentures were converted to 40,268 shares. This incentive scheme has generated a total of 391,513 new shares, equivalent to a dilution effect of 2.3 per cent.

At an EGM of Semcon AB on 7 February 2008 it was decided, in accordance with the Board's proposal, to introduce a long-term share savings scheme for Group employees. The share savings scheme in brief means that employees who partici-

pate in the scheme, over a 12-month period, pay part of their salaries to buy shares (savings shares) in the company. Each savings share allows the employee, after a period of three years, provided he/she is still employed in the Semcon Group, to receive a matching share. The share savings scheme will be for no more than 330,000 shares, of which 250,000 will be matching shares and 80,000 mainly to cover social security contributions.

The meeting also decided to introduce a convertible-based incentive scheme for no more than 165 key individuals on the Semcon Group and also decided to take out a convertible loan of no more than SEK 50 million. The convertibles will, from 20 March 2008, carry an annual interest rate of 3 per cent. The scheme will provide a maximum dilution effect of 3.3 per cent of the current number of shares.

RESEARCH AND DEVELOPMENT

The prominent part of Semcon's development costs is for development within the framework of customer projects. Other development costs are registered directly in the accounts. These amounts are not large. Exceptions are made for costs for development of specific programs or technical platforms, which are activated in accordance with IAS 38.

CLASS OF SHARES

At year-end Semcon's share capital was SEK 17.8 million, divided between 17,782,534 shares with a quota value of SEK 1 per share. All shares carry the right to one vote and are of the same class. Every share entitles the holder to equal shares in the company's assets and profits. There are no limits to the shares transfer. Semcon owns none of its own shares.

COMPANY ACQUISITIONS AND SALES

Semcon acquired the German company IVM Automotive Beteiligungs GmbH on 1 April. On 31 August Semcon acquired

100 per cent of shares in Caran AB, Caran Design Limited, A2 Acoustics AB and Caran Embedded Intelligent Solutions AB. More information about the acquisitions is available in Note 31 on page 71.

Propeller by Semcon AB, which was part of the Design & Development business area was sold on 1 April. Furthermore, Semcon sold all its 50 per cent shareholding in the associated company Compliant Logistics AB on 17 October 2007.

Zetup by Semcon AB was sold on 7 September and on 31 December Semcon sold 100 per cent of its ownership in Zipper Aktiebolag, Zystem Solutions by Semcon AB, Zingle by Semcon AB, Zuite AB and Semcon Innovation AB. The effects of the sales of these companies are reported as discontinued operations in the income statement and cash flow statement.

FINANCIAL OVERVIEW

Sales and results

Operating income for the period January – December was SEK 2,497 million (1,361 m). Organic growth was 12 per cent. The operating loss after depreciation was SEK 11 million (52 m), giving an operating margin of -0.4 per cent (3.8). The operating loss after depreciation was negatively impacted by one-off costs of SEK 162 million (31 m).

The following one-off extraordinary expenses were accrued in 2007: a cost-savings scheme amounting to SEK 19 million (-), integration costs for the acquisition of Caran and IVM Automotive of SEK 19 and SEK 3 respectively, totalling SEK 22 million (-), dismissal of the CEO SEK 5 million (6 m), other organisational changes SEK 3 million (3 m), goodwill depreciation of SEK 112 million (4 m), winding up an internal IT project SEK 0 million (12 m) and costs connected with the bid for Semcon SEK 0 million (6 m). See Note 12 for more information.

Excluding these items, the operating profit was SEK 150 million (82 m) and the operating margin was 6.0 per cent (6.1). Interest costs increased to SEK -29 million (-4 m). The increase is due to the

acquisition of IVM Automotive and Caran. Loss after net financial items was SEK 35 million (50 m). The tax cost for 2007 was equivalent to SEK -21 million (-19 m). Non-deductible depreciation of goodwill of SEK 112 million has negatively impacted the profit before tax. The profit after tax for the discontinued operations was SEK 284 million (17 m) and the profit after tax for the Group was SEK 228 million (48 m). The EPS after dilution was SEK 12.82 (2.59).

For the Automotive R&D business area sales amounted to SEK 1,513 million (530 m) and the organic growth was 17 per cent. Sales were equivalent to 61 per cent (39) of the Group's total sales. The operating profit was SEK 63 million (27 m), giving an operating margin of 4.2 per cent (5.1).

Sales for Design & Development amounted to SEK 621 million (491 m) and the organic growth was 11 per cent. The business area's share of the Group's total sales amounted to 25 per cent (36) and the operating profit was 52 million (16 m), giving an operating margin of 8.4 per cent (3.2).

Sales in the Informatic business area rose by 7 per cent to SEK 364 million (341 m). The operating profit amounted to SEK 35 million (39 m), equivalent to an operating margin of 9.6 per cent (11.6).

CASH FLOW AND FINANCIAL POSITION

The operating cash flow from operating activities before changes to operating capital was SEK 28 million (46 m) and cash flow from operating activities was SEK 24 million (109 m). The Group's liquid funds amounted to SEK 117 million (29 m). At the end of the period shareholders' equity amounted to SEK 494 million (265 m), equity/assets ratio of 23.5 per cent (40.0) and the debt/equity ratio was 1.6 times (0.0). Net borrowings on 31 December 2007 amounted to SEK 778 million (12 m). The increase is due to the acquisition of IVM Automotive and Caran.

The sale of the Zpider business area had not affected net borrowings as of 31 December 2007, because settlement of the proceeds of the sale and old additional purchase price contracts took place on 8 February 2008. The effect of the sale means that net borrowings fell by SEK 311 million. Taking this into account the debt/equity ratio has fallen to 0.9 times and the equity/assets ratio risen to around 29 per cent.

INVESTMENTS

Semcon invested SEK 37 million (25 m) in hardware, licences and office equipment in 2007.

EMPLOYEES

There was an average of 2,672 (1,509) employees for the year. The total number of employees at the period's end was 3,648 (1,522), of which 2,511 in Sweden and 1,137 abroad. Staff turnover in Sweden was 17.8 per cent (12.1). The high staff turnover rate is due to the good business climate. The average number of employees for each business area at the end of the period were: Automotive R&D 2,401 (615), Design & Development 906 (606) and Informatic 341 (301).

RISK AND SENSITIVITY ANALYSIS

The company's risk and sensitivity analysis can be found on page 44. Business and financial risks are also described in more detail in Note 3 on page 58.

ACCOUNTING POLICIES

Semcon follows the IFRS standards and their interpretations (IFRIC) as adopted by the EU. The new or revised IFRS standards that came into force on 1 January 2007 do not affect the reported results or financial position. See pages 54-57 for more information.

FINANCIAL OBJECTIVES

Because of the acquisition of IVM Automotive and Caran and the sale of the Zpider business area Semcon has reviewed and adjusted its financial objectives.

The financial objectives aim at creating long-term shareholder value. Semcon governs the business towards the following financial objectives:

- an operating margin after depreciation of at least 8 per cent over a business cycle
- an equity/assets ratio of at least 30 per cent
- that dividends to shareholders over the long-term will be around a third of the profit after tax

PROPOSED DIVIDEND

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. One of Semcon's aims for the future is to expand to create long-term growth in value for shareholders. Because of the acquisitions in 2007 of IVM Automotive and Caran, the Board proposes that no dividend be paid for the 2007 financial year (0).

OUTLOOK FOR 2008

Demand is expected to remain good and a continued healthy earnings trend is expected throughout 2008 on the back of the savings and integration scheme.

PARENT COMPANY

Sales amounted to SEK 37 million (37 m). The loss after depreciation was SEK 2 million (-1 m). The sale of the companies in the Zpider business area provided a capital gain of SEK 301 million. Further-

more, a write-down of shares was carried out in Group companies of SEK 120 million. For additional results of the Group and parent company and their financial positions, we refer to the following income statements, balance sheets, changes in shareholders' equity and cash flow statements along with the accompanying accounting policies and notes.

PROPOSED ALLOCATION OF PROFITS, SEK

The AGM has the following profit at its disposal:

Profit brought forward	168,523,708
Profit for the year	201,366,846
Group contribution	-9,426,384
Total	360,464,170

The Board proposes that the profits be distributed as follows:

Carried forward	360,464,170
Total	360,464,170

RISK AND SENSITIVITY ANALYSIS

Semcon is exposed to a series of risks that may affect the Group's results. Risks can be business-specific, related to a certain industry or geographic market or financial.

Semcon identifies and evaluates significant risks continually in the organisation and in strategic planning, thereby allowing Semcon to identify and manage risks at an early stage.

MARKET-RELATED RISKS

Semcon's markets change continually and the company is therefore dependent on both the depth and breadth of market surveillance to understand and meet the challenges that arise.

Structural changes

One of the structural changes on the markets that Semcon operates is the tendency for customers teaming up to form large, international groups that in turn seek a few, major suppliers. Semcon is meeting this challenge by becoming more international. Semcon is now a global company with business in Sweden, Germany, Brazil, the UK, Hungary, China and India. In recent years the company has established offices in many locations outside Sweden and has been rewarded with large international complete assignments from groups such as Ford, GM, BMW, Daimler, VW, Audi and Porsche. The structural changes also allow the opportunity to work in major project or in partnership to take over responsibility for a complete function with a customer.

Business climate

Semcon's customer base mainly consists of Nordic industrial companies and the German automotive industry. Semcon believes that the breadth of this customer base reduces dependence on individual companies and that the company is thereby mainly affected by the general business climate in the European export industry. Exposure towards the automotive industry has increased due to the acquisition of IVM Automotive and Caran. This means that risks associated with changes in their business cycles increase even if development projects in most cases concern products launched in a couple of years time. Some parts of Semcon's business are more sensitive to economic cycles than others.

BUSINESS-RELATED RISKS

The largest business-related risks are labour coverage and dependence on key staff. There is always a risk of losing business or a customer. Below is a list of risks that can affect results:

- Utilisation level
- Employees
- Assignment/project
- IT security
- Insurance
- Disputes
- Business development risks
- Political risks

Read more about the business-related risks in Note 3 on page 58.

FINANCIAL RISKS

Semcon's exposure to financial risks has increased with the acquisition of IVM Automotive and Caran. The company has identified five risks that could affect earnings:

- Financing risks
- Interest rate risks
- Liquidity risks
- Credit risks
- Currency risks

Read more about the financial risks in Note 3 on page 58.

SENSITIVITY ANALYSIS

A change in the following variables would affect the operating profit as follows:

- Utilisation level +/-1% SEK 35 million
- Average fee +/-1% SEK 30 million
- Staff costs +/-1% SEK 20 million
- Volume/employees +/-1% SEK 10 million
- Interest costs +/-1% SEK 5 million

SEASONAL VARIATIONS, Sweden	Q1	Q2	Q3	Q4	Total
Number of working days 2004	62	59	70	63	254
Number of working days 2005	62	61	65	64	252
Number of working days 2006	64	58	65	63	250
Number of working days 2007	64	58	65	62	249
Number of working days 2008	61	61	67	62	251

Consolidated INCOME STATEMENT

SEK m	Note	2007	2006
Operating income			
Net sales	5, 6	2,497.4	1,361.4
Operating expenses			
Purchase of goods and services		-594.3	-260.5
Other external expenses	7, 12	-251.0	-153.0
Staff costs	8, 12	-1,524.0	-881.0
Amortisation and write-down of intangible assets	12, 15	-118.0	-6.4
Depreciation of tangible assets	16	-21.5	-8.7
Share in profits of associated companies and joint ventures	18	0.3	-0.1
Operating profit/loss		-11.1	51.7
Financial items			
Interest income and similar items	9	5.0	2.4
Interest expenses and similar items	10	-29.4	-4.3
Profit/loss before tax		-35.5	49.8
Tax	11	-20.7	-18.9
Profit/loss after tax, continuing operations		-56.2	30.9
Profit after tax, discontinued operations	13	284.2	17.3
PROFIT FOR THE YEAR		228.0	48.2
Of which attributable to parent company's shareholders		228.0	46.0
Of which attributable to minority interests		—	2.2
EPS, SEK	14	12.84	2.62
EPS after dilution, SEK	14	12.82	2.59
Number of shares at year-end (000)	14	17,783	17,742
Average number of shares (000)	14	17,763	17,531

Consolidated BALANCE SHEET

SEK m	Note	Dec 31, 2007	Dec 31, 2006
ASSETS			
Fixed assets			
Intangible assets			
	15		
Goodwill		516.6	71.9
Other intangible assets		18.9	6.7
Tangible fixed assets			
	16		
Buildings and land		9.9	10.2
Plant and machinery		26.1	1.0
Inventories, computers and equipment		54.6	20.8
Financial assets			
Shares in associate companies and joint ventures	18	21.1	18.1
Deferred tax recoverable	11	62.3	4.8
Other financial assets		1.9	1.8
Total fixed assets		711.4	135.3
Current assets			
Accounts receivable	19	662.1	342.0
Current tax recoverable		24.5	0.1
Receivables in associate companies and joint ventures	20	2.1	4.3
Other receivables		351.4	7.6
Accrued non-invoice income	21	192.0	121.4
Prepaid expenses and accrued income	22	43.2	23.7
Cash and bank balances		117.1	28.9
Total current assets		1,392.4	528.0
TOTAL ASSETS		2,103.8	663.3

Consolidated BALANCE SHEET

SEK m	Note	Dec 31, 2007	Dec 31, 2006
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	23	17.8	17.7
Other shareholders' contribution		34.9	33.6
Statutory reserve		-0.5	–
Profit brought forward including profit for the year		441.8	213.8
Total shareholders' equity		494.0	265.1
<i>Of which minority shares</i>		–	2.3
Long-term liabilities			
Pension obligations	25	63.7	–
Deferred tax	11	53.7	39.8
Borrowings	26	347.9	–
Other long-term liabilities		–	1.0
Total long-term liabilities		465.3	40.9
Current liabilities			
Overdraft facilities	27	154.4	39.7
Borrowings	26	329.4	–
Convertible loan		–	1.5
Accounts payable – trade		154.7	47.3
Other liabilities		104.9	61.7
Non-accrued invoiced income	21	52.8	27.5
Accrued expenses and prepaid income	28	348.3	179.5
Total current liabilities		1,144.5	357.3
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		2,103.8	663.3
Memorandum items			
Pledged assets	29	336.7	320.4
Contingent liabilities	30	8.6	10.7

Consolidated

CHANGE IN SHAREHOLDERS' EQUITY

SEK m	Share capital	Other contributions	Reserves	Profit brought forward	Total	Minority share	Total shareholders' equity
Opening balance 2006	17.4	21.7	0.2	159.6	198.9	–	198.9
Exchange rate difference	–	–	-0.2	–	-0.2	–	-0.2
Income and costs reported under shareholders' equity	–	–	-0.2	–	-0.2	–	-0.2
Profit for the year	–	–	–	46.0	46.0	2.3	48.3
Total income and costs excluding transactions with company's owners	–	–	-0.2	46.0	45.8	2.3	48.1
Sale of bought back shares	–	–	–	5.8	5.8	–	5.8
New share issue	0.3	11.9	–	–	12.2	–	12.2
Opening balance 2007	17.7	33.6	–	211.5	262.8	2.3	265.1
Exchange rate difference *	–	–	-0.5	–	-0.5	–	-0.5
Income and costs reported under shareholders' equity	–	–	-0.5	–	-0.5	–	-0.5
Profit for the year	–	–	–	228.0	228.0	–	228.0
Total income and costs excluding transactions with company's owners	–	–	-0.5	228.0	227.5	–	227.5
New share issue **	0.1	1.3	–	–	1.4	–	1.4
Minority interests in connection with sales	–	–	–	2.3	2.3	-2.3	–
Dividend paid to parent company shareholders	–	–	–	–	–	–	–
Closing balance 2007	17.8	34.9	-0.5	441.8	494.0	–	494.0

* Exchange rate differences concerning Group companies amounts to SEK 3.1 million and the result from hedging net investments amounts to SEK -3.6 million. The closing accumulated exchange rate difference amounted to SEK -0.5 million.

** During the year 94 of the total 920 convertible debentures were converted into 40,268 shares. For further information, see the Directors' Report and Note 14.

As of 31 December 2007 the registered share capital consisted of 17,782,534 shares at a nominal value of SEK 1, which is the same as the quota value. For further information, see Note 23, Share Capital.

Consolidated CASH FLOW STATEMENT

SEK m	Note	2007	2006
Current activities			
Operating profit/loss after depreciation or write-downs		-11.1	51.7
Depreciation/Write-downs	15, 16	139.7	15.0
Share in associated companies' results	18	-0.3	1.7
Profit from machinery & equipment sold		2.7	4.4
Interest received and similar items		3.8	2.4
Interest paid and similar items		-29.5	-3.2
Income tax paid		-78.1	-24.4
Change in allocations		0.9	-1.1
Cash flow from current activities before change in working capital		28.1	46.5
Change in working capital			
Increase/decrease in current receivables		-80.0	30.5
Increase/decrease in work in progress		14.1	3.1
Increase/decrease in current liabilities		61.6	28.8
Total change in working capital		-4.3	62.4
Cash flow from current activities		23.8	108.9
Investment activities			
Investments in intangible assets	15	-10.6	-10.8
Investments in tangible fixed assets	16	-26.3	-11.5
Investments in financial assets		–	-1.8
Investments in associate companies/joint ventures	18	–	-14.0
Acquisition of Group companies/associated companies	31	-651.0	0.1
Payments from sales of Group companies/associated companies	31	–	0.3
Payments from sales of fixed assets		0.4	9.5
Cash flow from investment activities		-687.5	-28.2
Financing activities			
Changes to overdraft facilities		101.5	-69.7
Borrowings	26	650.4	–
Cash flow from financing activities		751.9	-69.7
Cash flow for continuing operations		88.2	11.0
Cash flow for discontinued operations	32	25.4	–
CASH FLOW FOR THE YEAR		113.6	11.0
Cash and bank at the start of the year		28.9	17.9
Cash and bank at year-end		117.1	28.9

Parent company's INCOME STATEMENT

SEK m	Note	2007	2006
Operating income			
Net sales	6	36.8	37.5
Operating expenses			
Other external expenses	7	-17.3	-16.8
Staff costs	8	-21.8	-22.2
Depreciation of tangible assets	16	-0.0	-0.0
Operating loss		-2.3	-1.5
Financial items			
Interest income and similar items	9	0.1	3.1
Capital gain from the sale of shares in Group companies		301.2	–
Write-down of shares in subsidiaries		-120.0	–
Group contribution received		57.4	58.9
Interest expenses and similar items	10	-24.2	-1.6
Profit after financial items		212.2	58.9
Appropriations			
Change in tax allocation reserve	24	-2.1	8.2
Profit before tax		210.1	67.1
Tax	11	-8.7	-18.6
PROFIT FOR THE YEAR		201.4	48.5

Parent company's BALANCE SHEET

SEK m	Note	Dec 31, 2007	Dec 31, 2006
ASSETS			
Fixed assets			
Intangible assets	15		
Other intangible assets		–	–
Tangible fixed assets	16		
Equipment, computers and inventory		–	–
Financial assets	17		
Shares in Group companies	18	44.2	54.7
Receivables in Group companies		342.3	–
Total fixed assets		386.5	54.7
Current assets			
Receivables in Group companies		595.5	386.6
Current tax receivables		13.3	–
Other receivables		323.4	0.3
Prepaid expenses and accrued income		2.3	0.4
Cash and bank balances		–	–
Total current assets		934.5	387.3
TOTAL ASSETS		1,321.0	442.0
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
<i>Restricted shareholders' equity</i>			
Share capital	23	17.8	17.7
Statutory reserve		25.1	25.1
<i>Unrestricted shareholders' equity</i>			
Share premium reserve		13.2	–
Profit brought forward		145.9	118.7
Profit for the year		201.4	48.5
Total shareholders' equity		403.4	210.0
Untaxed reserves			
Tax allocation reserves	24	13.2	11.1
Total untaxed reserves		13.2	11.1
Long-term liabilities			
Borrowings	26	344.3	–
Total long-term liabilities		344.3	–
Current liabilities			
Ovedraft facilities	27	128.3	39.7
Borrowing	26	306.1	–
Convertible loan		–	1.5
Accounts payable – trade		3.3	1.7
Liabilities Group companies		96.5	158.7
Current tax liability		–	10.8
Other liabilities		0.5	2.0
Accrued expenses and prepaid income	28	25.4	6.5
Total current liabilities		560.1	220.9
TOTAL SHAREHOLDERS EQUITY AND LIABILITIES		1,321.0	442.0
Memorandum items			
Pledged assets		None	None
Contingent liabilities		None	None

Parent company's

CHANGE IN SHAREHOLDERS' EQUITY

SEK m	Contributed capital			Unrestricted shareholders' equity	Total shareholders' equity
	Share capital	Statutory reserve	Share premium reserve		
Opening balance 2006	17.4	25.1	–	105.1	147.6
Sale of Semcon shares	–	–	–	5.8	5.8
Group contribution paid	–	–	–	-5.8	-5.8
Tax on Group contribution	–	–	–	1.6	1.6
New share issue	0.3	–	11.9	–	12.3
Profit/loss for the year	–	–	–	48.5	48.5
Opening balance 2007	17.7	25.1	11.9	155.3	210.0
Group contribution paid	–	–	–	-13.1	-13.1
Tax on Group contribution	–	–	–	3.7	3.7
New share issue *	0.1	–	1.3	–	1.4
Profit/loss for the year	–	–	–	201.4	201.4
Closing balance 2007	17.8	25.1	13.2	347.3	403.4

* During the year 94 of the total 920 convertible debentures were converted into 40,268 shares. For more information, see the Directors' Report and Note 14.

As of 31 December 2007 the registered share capital consisted of 17,782,534 shares at a nominal SEK 1, which is the same as the quota value. For further information, see Note 14, Share Capital.

Parent company's

CASH FLOW STATEMENT

SEK m	Note	2007	2006
Current activities			
Operating profit/loss after depreciation		-2.4	-1.5
Depreciation	15, 16	–	–
Interest received and similar items		0.1	3.1
Interest paid and similar items		-24.3	-1.3
Income tax paid		-18.3	-19.0
Allocations		–	-0.6
Exchange rate differences		–	–
Cash flow from current activities before change in working capital		-44.9	-19.3
Change in working capital			
Increase/decrease in current receivables		-277.5	-11.6
Increase/decrease in current liabilities		-74.3	90.2
Total change in working capital		-351.8	78.6
Cash flow from current activities		-396.7	59.3
Investment activities			
Increase long-term receivables		-342.3	–
Cash flow from investment activities		-342.3	–
Financing activities			
Change in overdraft facilities		88.6	-65.1
Borrowings	26	650.4	–
Sale of Semcon shares		–	5.8
Cash flow from financing activities		739.0	-59.3
CASH FLOW FOR THE YEAR		–	–
Cash and bank balances at the start of the year		–	–
Cash and bank balances at year-end		–	–

NOTES

NOTE 1 • GENERAL INFORMATION

Semcon AB (publ) is a Swedish listed public company registered with the Swedish Companies Registration Office with Company Reg. No 556539-9549. The company is based in Göteborg, Sweden. The company

is listed on the OMX Nordic Exchange Stockholm's Mid Cap list.

The Group's main business is providing product development services and information solutions, which are described in the Directors' Report in this Annual Report.

The Consolidated Accounts for the financial year ending 31 December 2007 were approved by the Board on 18 March 2008 and will be presented to the AGM on 24 April 2008 for final approval.

NOTE 2 • ACCOUNTING POLICIES

The Consolidated Accounts have 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). Recommendations that come into effect after the closing day will not have any significant effect on either the results or the financial position of the company.

The parent company's Annual Accounts have been prepared in accordance with the Swedish Annual Accounts Act and the Swedish Financial 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 stated in SEK millions, unless otherwise stated. The Consolidated Accounts have been prepared in accordance with the acquisition value method.

NEW STANDARDS AND INTERPRETATIONS

The International Accounting Standards Board (IASB) issued IFRS 8, Operating Segments in 2006. The standard replaces IAS 14, Segment Reporting, and should be applied by no later than 2009. The standard was adopted by the EU in 2007. During the year the International Financial Reporting Interpretations Committee (IFRIC) issued IFRIC 13, Customer Loyalty Programmes and IFRIC 14, IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. The interpretations have yet to be adopted by the EU and neither has it adopted IFRIC 12, Service Concession, issued in 2006. The interpretations should be applied from 2008. The EU has approved IFRIC 11 Group and treasury shared transactions for application from 1 March 2007, which for Semcon means from 2008. None of the new standards or interpretations have been applied for 2007. Neither are they expected to have any effect on the Group's future financial reporting, other than the fact that IFRS 8 might affect the Group's segment reporting and cause some addi-

tional information demands compared to the present segment reporting.

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. 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. 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 value. Untaxed reserves accumulated after the acquisition are divided partly into deferred tax liability 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 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. Acquisitions completed after 1 January 2004 have been reported in accordance with IFRS 3.

PRICING BETWEEN GROUP COMPANIES

Pricing of services between companies in the Group follow market norms.

AFFILIATED TRANSACTIONS

Affiliated transactions follow market norms.

DISPOSAL OF LINE OF BUSINESS

On 31 December Semcon sold 100 per cent of its ownership in Zpider Aktiebolag, Zystem Solutions by Semcon AB, Zingle by Semcon, Zuite AB and Semcon Innovation AB. Zetup by Semcon AB, which was part of the Zpider business area was sold on 7 September. These companies and the effects of the sale are reported as sold business in the income statement and cash flow statement.

ASSOCIATED COMPANIES AND JOINT VENTURES

Associated companies are included where the Group has a significant but not decisive influence over operations and financial control and the company is neither a subsidiary or a share in a joint venture. A significant influence is considered to exist if the company has a minimum holding of between 20 per cent and 50 per cent of the voting rights or in any other way has a significant influence but where there is no parent/subsidiary relationship. Holdings in associate companies are reported in the consolidated income statement and balance sheet according to the equity method from the time that a significant influence is established. The equity method means that shares in a company are reported at the acquisition value at the time of acquisition and then adjusted using the Group's share of the change in the company's net assets.

Semcon's share of the associate company's earnings after tax is reported in the consolidated income statement. Unrealised profit on transactions between the Group and associate companies are eliminated in relation to the Group's holding in the associate company. Activities in which Semcon and other owners exert a share interest are classified as joint ventures. When reporting shares in joint ventures IAS 31 is applied. Shares in joint ventures are reported on the consolidated balance sheet using the equity method as described above.

MINORITY INTERESTS

Minority interests in non-wholly owned subsidiaries are reported as external shareholders' share of the subsidiary's equity. This item is part of the consolidated equity. The minority share is included on the income statement. Information about the minority's share of the result is reported in connection with the income statement.

SEGMENT REPORTING

A segment is a part of the Group that is identifiable for reporting purposes and supplies products and services (operating unit) or goods or services in a specific economic area (geographic area), and which is exposed to risks and opportunities that are different to other segments. The Group's business was organised during the year in three operating units: Automotive R&D, Design & Development and Informatic, which make up the Group's primary segments. The Zpider business area was sold on 31 December 2007 and is therefore not part of the Group's segment reporting. The various segments are reported as follows: income, operating profit/loss, assets and liabilities include directly traceable items and items that can be reliably allocated to each segment. Unallocated items primarily constitute interest-bearing assets and liabilities, interest income, costs, overhead costs and tax. The Group's secondary segments are geographic.

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.

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.

INCOME AND ONE-OFF COSTS

Income and one-off costs refer to transactions whose result effects are important to draw attention to when the period's result is compared with other periods concerning:

- Capital gains and losses from the sale of businesses
- Closure or significant reduction of businesses
- Restructuring involving measures in order to reform a business
- Significant impairment losses
- Other significant non-recurring income or costs.

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 and 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 computer programs of technical platforms, which are reported as intangible assets. See below for more information.

TANGIBLE FIXED ASSETS

Tangible fixed assets mainly consisting of computers, inventory, property and investments in leased premises have been valued at the purchase price with deductions for accumulated depreciation and impairment losses.

INTANGIBLE ASSETS

Goodwill

Acquired goodwill is valued at its acquisition value with deductions for accumulated impairment losses. Goodwill acquired before 1 January 2004 has been valued at the acquisition value with deductions

made for accumulated depreciation relating to the period before 1 January 2004. Goodwill is distributed among cash-generating units and is tested for impairment annually.

Other intangible assets

Other intangible assets include programs developed internally, acquired licenses or technical platforms. Other acquired intangible assets are valued at acquisition value with deductions made for accumulated depreciation and impairment losses. Acquisition value comprises activated costs that arise from the date when the program or platform is considered to be commercially viable and other criteria according to IAS 38 are fulfilled. Expenses are depreciated over the expected utilisation period. Expenses for internally developed goodwill, trademarks and similar rights are reported as they arise.

DEPRECIATION PRINCIPLES FIXED ASSETS

Depreciation is based on the acquisition value and is performed over the expected utilisation period. 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

IMPAIRMENT LOSSES

The company's management continually assesses the value of any impairment loss requirement. Impairment losses are made in cases where an asset's reported value exceeds its estimated recoverable value. Recoverable value is the higher of the utilisation value of the asset in the business and the net sales value. The utilisation value is the current value of all inward and outward payments relating to the asset during the period it is expected to be used in the business plus the current net sales value at the end of the utilisation period. A previous write-down is returned when the assumptions used to establish the asset's recovery value have changed, meaning the write-down is no longer appropriate. Returns of previous impairment losses are tested individually and are reported in the income statement. Impairment losses of goodwill are not however returned in successive periods.

FINANCIAL INSTRUMENTS

Financial instruments are valued and reported in the Group according to regulations in IAS 39. Financial instruments reported on the balance sheet include among assets other financial fixed assets, accounts receivable, receivables from associate companies and joint ventures and cash and bank balances. Liabilities and shareholders' equity includes accounts payable - trade, borrowings plus convertibles.

Financial instruments are initially reported at their acquisition value equivalent to the instruments' actual value with additional transaction costs for all financial instruments, except concerning those belonging to the financial assets (liabilities) category reported at their actual value in the income statement. Reporting and valuing then takes place according to how the financial instrument has been classified.

Trade date reporting is applied when buying and selling of money market and capital market instruments on the spot market. Other financial assets and liabilities are reported on the balance sheet when the company becomes party to the instruments contracted terms. Accounts receivable are reported on the balance sheet when the invoice has been issued. Liabilities are taken up on the balance sheet when the counter-party has performed its agreed liability to pay, even if the invoice has not yet been received. Accounts payable - trade are reported on the balance sheet when the invoice has been received.

A financial asset is removed from the balance sheet when the rights of the agreement have been reached, fall due or the company loses control over them. The same applies for parts of financial assets. A financial liability is removed from the balance sheet when the liabilities of the agreement are met or in any other way become extinct. The same applies for parts of a financial liability.

Assessment of fair value of financial instruments

Official market listings on the closing date are used when setting the fair value of financial instruments. If listings are not available, valuation is carried out by using generally accepted methods such as discounting future cash flow at the quoted market price for the respective validity. Translation to SEK is made at the price quoted at the end of the accounting period. Unless otherwise stated the booked value will be a good approximation of the instrument's actual value due to the asset's or liability's short-term nature or fixed-interest term.

Accrued acquisition value

The accrued acquisition value is calculated using the effective interest method, meaning that any premiums or discounts and directly attributable costs or income is distributed over the term of the contract with the help of the estimated effective interest. The effective interest is the interest that provides the instrument's acquisition value as a result when current value estimating future cash flow.

Net reporting of financial assets and liabilities

Financial assets and liabilities are offset and reported with a net amount on the balance sheet when there is a legal right to offset and when it is intended to regulate the items with a net amount or to realise the asset and regulate the liability.

Other financial fixed assets

Other financial fixed assets consist of shares in owner-occupier associations. They are categorised as "Sellable financial assets" and are valued at the actual value with value changes and reported as equity. Because a reliable current value was not able to be set, these shares are reported at their acquisition value.

Accounts receivable and current receivables

Accounts receivable and current receivables in associated companies and joint ventures are categorised as "Loan receivables and accounts receivable", which means reporting the accrued acquisition value. The accounts receivable's expected duration is short, which is why the value is reported at a nominal amount without discounts with deductions for any possible write-down. Unreliable accounts receivable are considered individually and any possible write-down is reported in the company's liabilities.

Liquid assets

Liquid assets are made up of bank balances categorised as "Loan receivables and accounts receivable", whereby reporting takes place at the accrued acquisition value. Because bank balances are payable on demand the accrued acquisition value is equivalent to the nominal amount.

Accounts payable-trade

Accounts payable-trade are categorised as "Other financial liabilities", meaning reporting them at their accrued acquisition value. Accounts payable-trade are expected to have a short duration, which is why the liability is reported at a nominal amount without discounting.

Other liabilities

Liabilities to credit institutions, overdraft facilities and other liabilities are categorised as "Other financial liabilities" and valued at their accrued acquisition values. For liabilities in foreign currencies reported in accordance with the hedging method of net investments, the exchange rate gains and exchange rate losses are reported under equity.

Convertible promissory notes issued

Convertible promissory notes are reported as a compound financial instrument divided into a liability part and a shareholders' equity part. The division of value of these components is made by the liabilities' actual value being calculated and that the residual item is taken to be the value of the shareholders' equity part. The liability part is then reported at its accrued acquisition value. Transaction costs in connection with a share issue of a compound financial instrument is divided as a liability part and shareholders' equity part in proportion to how the issue payment is divided.

PROVISIONS

When a formal or informal commitment exists as a result of an event that has occurred and it is possible that resource 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 a provision if the amount and payment date are uncertain.

INCOME TAX

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

Current tax

Current tax is the tax estimated on the taxable results for the period in accordance with 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 and tax-deductible temporary differences respectively 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 ETC.

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.

Pensions

For pensions Semcon reports remuneration to employees according to IAS 19. According to IFRS, pensions are divided between defined-contribution and defined-benefit pensions. Defined-contribution plans are defined as plans where the company pays a fixed amount to a third party and where the company no longer becomes liable once the payment has been made. Such plans are reported as a cost when the premium is paid. Other plans include defined-benefit plans where the liability remains within the Group. These liabilities and costs concerning work during the current period are estimated as actuarial with application of the "Projected unit credit method". External actuaries are used for these estimates.

The Group's defined-benefit plans are non-funded. Provisions in the balance sheet are made up of the current value of the defined-benefit obligations adjusted for non-reported actuarial profits and losses. Actuarial profits or losses arise when changes to actuarial assumptions are made and when there's a difference between actuarial assumptions and actual results. The part of the accumulated amount exceeding 10 per cent of the obligation's current value, at the end of the previous year, is reported in the result of the expected average remaining period of service for the employee covered by the plan. For all defined-benefit plans the actuarial costs that burdens the result consists of a cost concerning service in the current period, interest costs and possible amortisation of actuarial profits or losses.

Commitments for retirement pensions and family pensions for salaried employees in Sweden are safeguarded via insurance with Alecta. According to a statement from the Swedish Financial Accounting Stand-

ards 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.

Redundancy pay

Redundancy pay is paid when employment ceases before reaching retirement age, or when an employee terminates employment in return for redundancy pay. The Group reports redundancy pay when it is clear that it is either a case of voluntary redundancy in accordance with the set plan without the possibility of reprisals or that the redundancy offer given was to encourage the voluntary redundancy and accepted by the person who received the offer. Benefits that fall due for payment more than 12 months after the closing date are discounted to the current value, if they are significant.

Profit sharing and bonuses

The Group reports liabilities and costs for bonus payments when they are linked to a contract or when there is an established practice that has created an informal duty.

ACCOUNTING POLICIES 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 policies of the parent company have been consistently applied for 2007 and the year of comparison, 2006. The differences between the Group's and parent company's accounting policies appear below.

Subsidiaries

Participations in subsidiaries are reported at the acquisition value in the parent company's financial reports. Dividends are reported as income for the part they refer to profits generated after the acquisition. Dividends in excess of these profits are considered as repayment of investments and thereby cut the reported value of participations in the subsidiaries.

Financial guarantees

The parent company applies the exception rule in RR 32 Note to apply the rules in IAS 39 for financial guarantees concerning guarantee agreements benefiting the

Group and associate companies. In these cases rules in IAS 37 are applied meaning that financial guarantee agreements must be reported as an allocation in the balance sheet when Semcon has a legal or informal commitment as a result of a previous event and it is likely that an outflow of resources will be required to regulate such an action. It must also be possible to carry out a reliable estimate of the value of any such action.

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 contributions/ shareholders' contribution

The company reports Group contributions according to a statement from the Swedish Financial Reporting Board, UFR 2. 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. Paid Group contribution is however reported under shareholders' equity.

NOTE 3 • BUSINESS-RELATED AND FINANCIAL RISKS

BUSINESS-RELATED RISKS

Semcon has identified a number of business-related factors that can affect profits. Those of greatest significance are those affecting the utilisation level and that depend on employees.

Utilisation level

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 development in this area is seen from Automotive R&D and Design & Development. The number of working days varies from year to year. Every working day represents around SEK 15 million in sales. Semcon's desire for project assignments and partnership business cuts this risk, although a significant amount of seasonal dependency will always remain.

Employees

As a service company Semcon is highly dependent on its staff and their expertise. The greatest risk in a know-how intensive company is that the employees quit, or the right employees are not recruited. Semcon therefore works actively to increase employee's job satisfaction. Significant resources are reserved each year for training, recruitment and introduction activities. Meanwhile, competition for skilled staff may mean that wages rise more than stated in the signed agreements, both for groups of employees and individual key employees.

Assignments/projects

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. Historically, this risk has proved to be limited. 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. Even if a couple of Semcon's customers account for a large portion of the company's sales, Semcon has in most cases spread this risk across several departments or separate companies of the group concerned. As Semcon expands and takes on larger assignments for individual customers this risk will be monitored closely. The dependency on Semcon's largest customer, Volvo Car Corporation, has for example fallen from 28 per cent of total sales in 2006 to 21 per cent in 2007.

IT security

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

Insurance

Semcon has a consultancy-responsibility insurance based in the normal industry practice. It corresponds to the responsibility in assignments and amounts to a maximum of SEK 25 million per incident and a total of SEK 50 million per year.

Disputes

Semcon is involved in few disputes that may eventually be resolved in the courts or via arbitration. In cases where a dispute is likely to involve costs for Semcon these costs have been deducted from earnings and reserved.

Business development risks

Risks associated with business development such as corporate acquisitions are dealt with by Semcon setting out and further developing due diligence routines.

Political risks

Political risks include those risks associated with changes to tax laws in the various countries where Semcon operates.

FINANCIAL RISKS

Financing risks

Financing risks are risks associated with financing the Group's capital needs and refinancing of outstanding loans made more difficult or made worse. The long-term credit agreements consist of a loan agreement of EUR 42.8 million. The loan will be amortised at EUR 2 million per quarter, starting 30 June 2008. The loan falls due for payment in full on 31 March 2012.

Interest rate risks

Interest risks are the risks associated with effects on profit and cash flow in case of long-term changes to the market rates. Profit sensitivity can however be limited over the short term are limited by a selected interest maturity structure. The Group's average fixed interest term on loans will be in intervals of 4-12 months. An alteration in market rates of +/- 1 % would affect Semcon's profit by around SEK 5 million.

Liquidity risks

Liquidity risks are the risks associated with not having access to liquid assets or unutilised credit to fulfil payment commitments. Liquidity in the Group will be placed in cash pools. Cash pools allow Semcon centralised liquidity management at national levels. These cash pools match the excess and shortfalls in the local subsidiaries for the respective countries and currency. Because the Group is the net borrower the excess liquidity will be used to amortise external debts.

Maturity analysis for contracted payment measures

	Up to 3 months	3-12 months	Over 12 months
Liabilities to credit institutions	281.2	74.8	393.0*
Accounts payable	154.7	–	–

* Applies until 2012.

Currency risks

Semcon's accounting takes place in Swedish kronor, but the Group has business in a number of countries around the world. This means that the Group is exposed to currency risks. The majority of the currency risk is made up of translation differences that arise when foreign companies' income statements are translated to SEK. A change in EUR against the SEK of +/- 10 % would affect profits by around SEK 3-5 million.

Transaction exposure

Semcon has export income and expenses in a number of currencies, meaning the Group is therefore exposed to currency fluctuations. This currency risk is currently very limited and known as transaction exposure and affects the Group's operating profit.

Translation exposure (net investments)

The foreign subsidiaries' net assets make up an investment in foreign currency that upon consolidation causes translation difference. To limit the negative effects of the translation differences on the Group's shareholders' equity most of the hedging takes place through loans in the equivalent foreign currency.

Translation exposure (income statement)

Exchange rate changes also affect the Group's profit in connection with translation of the income statements in foreign subsidiaries to Swedish kronor. Expected future profits in foreign subsidiaries are not hedged.

Credit risks

Financial credit risks

The financial risk management causes exposure to credit risks. Exposure arises upon investing surplus liquidity. Cash liquidity will mainly be used to reduce outstanding debts, which limit the volume of outstanding surplus liquidity.

Customer credit risks

Risk assessments are made of the customers' creditworthiness taking into account the customers' financial position, previous experience and other factors.

The maximum credit exposure is equivalent to the financial assets' booked value.

NOTE 4 • CRITICAL ESTIMATIONS AND ASSESSMENTS

When compiling the annual report in accordance with IFRS and good accounting practices the Group has made estimations and assessments about the future, which affect the reported values of the assets and liabilities. These estimations and assessments are valued on an ongoing basis and are based on historical experience and other factors considered reasonable under the prevailing conditions. In cases where it is not possible to fix the reported value of assets and liabilities through information from other sources these estimations and assessments are the basis of the valuation. Using other estimations and assessments the result can differ and the actual result will, according to definition, rarely be equivalent to the actual result. The estimations and assessments have the greatest influence over Semcon's results and position as detailed below.

IMPAIRMENT TEST FOR GOODWILL

Every year the Group tests impairment for goodwill in accordance with Note 2 above concerning accounting policies. The examination requires an estimate of parameters that affect the future cash flow and stipulation of a discount factor. The recoverable amount of the cash-generating units has thereafter been set using an estimate of the value in use. In Note 15 there is an account of the significant estimations carried out upon examining the need for goodwill impairment. As of 31 December 2007 the reported value of the consolidated goodwill was SEK 516.6 million.

ASSESSMENT OF LOSS CARRY-FORWARDS

The reported deferred tax assets in the Group concerning loss carry-forwards amounted to SEK 56.5 million on 31 December 2007. The reported value of these tax assets was examined on the balance sheet date and it is judged that the tax relief can be used against future tax. The tax assets refer to Germany where loss carry-forwards can be used for an unlimited period. The Group's business in this country is expected to generate a surplus and therefore it is

considered that the loss carry-forwards attributable to the tax assets may be used against future taxable surplus.

Changes to estimations about forecasted future taxable income might result in differences in valuing deferred tax assets.

PENSION OBLIGATIONS

Reporting of provisions for defined-benefit pension plans and other pension benefits is based on actuarial estimates that use the assessments for discount rates, future wage increased, staff turnover and demographic conditions. The assessments made concerning these estimates affect the value of the total pension obligations and major changes to the estimates would be able to affect the Group's results and position. The same is true of a change to the estimates concerning whether pension insurances in Alecta should be reported as a defined-contribution plan or not. On 31 December 2007 the Group's pension allocations amounted to SEK 63.7 million.

ASSESSMENT OF LOSS RISKS IN PROJECTS

The assessment of loss risks in projects is based on estimates of the results of projects in progress. Some projects stretch over the long-term, which is why it cannot be discounted that the result of the projects in progress can have an effect on the Group's results and position.

DISPUTES

Reserves for disputes are estimates of the future cash flow required to regulate the obligations. Disputes mainly refer to contractual measures referring to contracts with customers and suppliers, but other kinds of disputes also occur in the normal day-to-day running of the business. The result of complicated disputes can be difficult to predict and disputes can be time-consuming and costly. It can therefore not be discounted that a poor outcome of a dispute can have a negative impact on the Group's results and position.

NOTE 5 • SEGMENT REPORTING

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

The segments' income, operating profit, assets and liabilities include directly referable items and items that can reliably be allocated to each segment. The Group reports sales between the segments at current market prices. These sales between the segments are meanwhile relatively small and have been eliminated directly in each segment, i.e. sales that are reported are for sales to external customers.

SEK m	Automotive R&D		Design & Development		Informatic		Elimination/ non allocated items		Group total	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Income	1,512.7	530.3	620.5	490.3	364.2	340.8	–	–	2,497.4	1 361.4
Profit/loss per business area	63.0	28.2	52.1	15.8	35.0	39.5	–	–	150.1	83.5
Profit/loss participation	–	-1.0	0.3	–	–	–	–	–	0.3	-1.0
One-off costs	–	–	–	–	–	–	-161.5	-30.8	-161.5	-30.8
Operating profit/loss	63.0	27.2	52.4	15.8	35.0	39.5	-161.5	-30.8	-11.1	51.7
Other information										
Non interest-bearing assets	1,203.1	280.9	407.1	163.5	168.5	51.7	208.0	138.3	1,986.7	634.4
Cash and bank balance	–	–	–	–	–	–	117.1	28.9	117.1	28.9
Total assets	1,203.1	280.9	407.1	163.5	168.5	51.7	325.1	167.2	2,103.8	663.3
Non interest-bearing liabilities	343.8	81.1	123.5	53.5	109.7	67.4	137.4	153.9	714.4	355.9
Interest-bearing liabilities	–	–	–	–	–	–	895.4	42.3	895.4	42.3
Total liabilities	343.8	81.1	123.5	53.5	109.7	67.4	1,032.8	196.2	1,609.8	398.2
Investments	27.5	13.8	3.1	7.4	6.3	1.1	–	–	36.9	22.3
Depreciation/impairments	117.1	7.6	3.6	3.7	16.3	1.8	2.7	1.9	139.7	15.0

Secondary segments – geographic areas	Sales*		Assets		Investments	
	2007	2006	2007	2006	2007	2006
Sweden	1,565.0	1,178.0	1,756.1	635.5	14.5	21.5
Germany	685.7	5.9	303.2	–	16.4	–
Other	246.7	177.5	44.5	27.8	6.0	0.8
Total	2,497.4	1,361.4	2,103.8	663.3	36.9	22.3

* When reporting geographic sales, the customer's location has determined which geographic area sales are allocated to.

NOTE 6 • NET SALES

Of net sales, income from services accounts for 93.9 per cent (93.2). Other sales comprise licences, sales of computers, training, materials and goods in projects. The parent company's sales attributable to Group companies amounted to SEK 36.8 million (37.5 m) and purchases amounted to SEK – million (– m)

NOTE 7 • REMUNERATION TO THE AUDITORS

The Group, SEK m	2007	2006
For auditing and advice, plus other contributions resulting from observations made during auditing work:		
Deloitte	2.3	–
Other auditors	0.3	2.7
For independent advice given by:		
Deloitte	0.2	–
Other auditors	–	1.0
Total	2.8	3.7

Parent company, SEK m	2007	2006
For auditing and advice, plus other contributions resulting from observations made during auditing work:		
Deloitte	0.2	–
Other auditors	–	0.5
For independent advice given by:		
Deloitte	0.1	–
Other auditors	–	0.6
Total	0.3	1.1

NOTE 8 • EMPLOYEES

Average number of employees		2007		2006	
The Group	Average no. of employees	of whom female, %	Average no. of employees	of whom female, %	
Sweden	1,802	26	1,511	25	
Germany	673	18	–	–	
Brazil	110	21	–	–	
Spain	19	–	–	–	
UK	22	32	18	18	
Hungary	18	35	10	30	
China	13	29	–	–	
India	9	–	–	–	
Malaysia	5	50	5	20	
USA	1	–	–	–	
Denmark	–	–	27	7	
Norway	–	–	7	8	
Group total	2,672	23	1,578	25	

Parent company	Average no. of employees	of whom female, %	Average no. of employees	of whom female, %
Sweden	9	52	8	50
Parent company total	9	52	8	50

Salaries, other remuneration and payroll overheads

SEK m	Total salaries and other remuneration	2007		Total salaries and other remuneration	2006	
		Social security expenses	of which pensions		Social security expenses	of which pensions
Parent company	14.1	6.7	2.3	13.8	7.9	3.5
Subsidiaries	1,085.0	380.8	72.6	565.5	247.7	59.1
Group total	1,099.1	387.5	74.9	579.3	255.6	62.6

Of which remuneration to the Board of Directors and CEO

SEK m	Total salaries and other remuneration	2007		Total salaries and other remuneration	2006	
		of which bonus	Pension costs		of which bonus	Pension costs
CEO of parent company	2.7	0.2	1.0	8.1	0.9	1.9
Of which acting CEO	1.1	0.2	0.2	1.2	–	0.1
Of which former CEO	1.6	–	0.8	6.9	0.9	1.8
CEO of subsidiaries	15.1	1.5	2.6	10.8	2.6	1.1
Board of Directors	1.2	–	–	0.9	–	–
Other senior executives *	11.1	1.4	1.6	9.0	2.2	2.0

* Details about salaries and remuneration to other senior executives includes parts of sums that are also included in salaries and remuneration to the CEOs of the Swedish subsidiaries in the above table. The amounts are for those CEOs of Swedish subsidiaries who are part of the senior executive team.

The company has no pension commitments in addition to those reported on the next page.

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. If the CEO resigns, notice time is 6 months. A bonus may also be paid in accordance with rules established by the Board and at a maximum of 6 times the current monthly salary. The contract also includes a non-competition clause, according to which the CEO may not engage in any competitive business activities for 24 months from the time of termination of employment. The CEO is entitled to a retirement benefit in the form of a pension scheme. The premium for such a scheme is 35 per cent of the fixed monthly salary.

The Board. Of fees to the Board in 2007 the Chairman of the Board received remunerations amounting to SEK 300,000. Other external members received SEK 150,000 each, a total of SEK 900,000. One member received SEK 5,000 (19,000) and the Chairman SEK 1,875,000 (–) in consultancy fees for services other than board assignments.

Other senior executives. Other senior executives include Semcon's senior management aside from the company's CEO. The other senior executives are entitled to bonuses based on how well they meet their respective targets for their business. Bonuses will be paid of no more than four times the fixed monthly salary. 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. The amounts included in salaries and remuneration for senior executives refer solely to the periods when the employee was part of the senior management team.

Gender of senior executives. Three of Semcon's seven Board members are women. One of the eleven members of the senior management team is a woman.

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 full 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 115,000 (128,000) and for other senior executives cost the company SEK 306,000 (302,000).

Sick leave. Sick leave is shown on page 37.

NOTE 9 • INTEREST INCOME AND SIMILAR ITEMS

The Group, SEK m	2007	2006
Interest income	3.3	2.4
Profit from sold subsidiaries/associated companies	1.2	–
Exchange rate difference	0.5	–
Total	5.0	2.4
Parent company, SEK m	2007	2006
Profit SWAP	–	2.9
Interest income	0.1	0.1
Exchange rate difference	–	0.1
Total	0.1	3.1

NOTE 10 • INTEREST EXPENSES AND SIMILAR ITEMS

The Group, SEK m	2007	2006
Interest expenses	-28.5	-3.2
Exchange rate difference	–	-1.1
Other financial expenses	-0.9	–
Total	-29.4	-4.3
Parent company, SEK m	2007	2006
Interest expenses	-23.3	-1.6
Other financial expenses	-0.9	–
Total	24.2	-1.6

All interest income/interest expenses refer to financial instruments not categorised as fair value in the income statement.

NOTE 11 • TAX

The Group, SEK m	2007	2006
Current tax	20.2	30.9
Tax concerning previous tax years	-4.2	–
Deferred tax cost attributable to temporary differences	3.8	-12.0
Deferred tax income attributable to temporary differences	0.9	–
Total	20.7	18.9

Parent company, SEK m	2007	2006
Current tax	5.0	17.0
Tax on Group contribution paid	3.7	1.6
Total	8.7	18.6

Difference between the Group's reported tax and tax expense based on current tax rate, SEK m

	2007	2006
Profit/loss before tax	-35.5	49.8
Tax according to current tax rate, 28 %	-9.9	13.9

Tax effect of:

Non-deductible costs	2.9	5.7
Non-taxable income	-1.6	-0.3
Adjustments for previous years' tax	-4.2	–
Profit from the sale of subsidiaries/associated companies	-0.3	-2.0
Loss carry-forwards not given value in accounts	2.7	1.5
Effects of utilised loss carry-forwards not previously booked tax receivable	–	-1.0
Goodwill impairment	31.4	1.2
Associated companies	-0.1	0.3
Effects of other tax rates abroad	1.4	-0.1
Other	-1.6	-0.3

Tax for the year **20.7** **18.9**

Difference between Group's reported tax and tax expense based on current tax rate, SEK m

	2007	2006
Profit/loss before tax	210.0	67.1
Tax according to current tax rate 28 %	58.8	18.8

Tax effect of:

Non-deductible costs	0.6	0.5
Non-taxable income	0.1	0.1
Write down of shares in Group companies	33.6	–
Profit from sale of Group companies	-84.4	–
Profit from Swap agreement	–	-0.8

Tax for the year **8.7** **18.6**

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, SEK m

	2007	2006
Deferred tax liabilities		
Untaxed reserves	14.5	9.2
Accrued income reported in the Group	29.4	28.1
Consolidate surplus value in property	1.2	1.2
Goodwill	3.2	1.3
Non-assessed tax in Germany	2.7	–
Depreciation of property	1.0	–
Other	1.7	–
Total	53.7	39.8

Deferred income taxes recoverable

Loss-carry-forward	56.5	0.3
Temporary differences, inventories	1.1	1.8
Temporary differences, accounts receivable	–	0.9
Temporary differences, pension obligations	4.2	–
Other	0.5	1.8
Total	62.3	4.8

The taxable loss carry-forwards is SEK 413.8 million (3.2 m). No maturity date exists for this loss carry-forward. For SEK 69.8 million (1.4 m) of this, no deferred income taxes recoverable have been reported. Deferred income taxes recoverable concerning losses have been reported at SEK 56.5 million (0.3 m) as it is judged likely that the taxable surplus will be available in future, against which this deficit can be offset.

NOTE 12 • ONE-OFF COSTS

The Group, SEK m	2007	2006
Cost-savings scheme	-18.8	–
Integration costs for Caran and IVM	-22.3	–
Dismissal of CEO	-5.0	-5.9
Other organisational changes	-3.2	-3.0
Goodwill impairment	-112.2	-4.4
Cancellation of internal IT projects	–	-11.9
Costs in relation to the bid for Semcon	–	-5.6
Total	-161.5	-30.8

Specification of items in the income statement

Other external costs	-4.4	-17.5
Staff costs	-44.9	-8.9
Goodwill depreciation	-112.2	-4.4
Total	-161.5	-30.8

NOTE 13 • INCOME STATEMENTS OF DISCONTINUED OPERATIONS

SEK m	2007	2006
Operating income		
Net sales	338.7	252.7
Operating costs		
Cost of goods and services	-33.4	-23.8
Other external costs	-48.5	-45.0
Staff costs	-214.0	-157.7
Depreciation of intangible fixed assets	-0.1	–
Depreciation of tangible fixed assets	-1.1	-1.8
Operating profit	41.6	24.4
Financial items		
Interest income and similar items	0.8	0.2
Capital gain for sold business	257.3	–
Interest expenses and similar items	-2.3	–
Profit before tax	297.4	24.6
Tax	-13.2	-7.3
Profit for the year	284.2	17.3

NOTE 14 • EARNINGS PER SHARE

The Group	2007		2006	
	Before dilution	After dilution	Before dilution	After dilution
Earnings per share, SEK	12.84	12.82	2.62	2.59
Earnings attributable to parent company shareholders, SEK m	228.0	228.0	46.0	46.0
Weighted average number of outstanding ordinary shares				
Total no. of shares, 1 January	17,742	17,742	17,391	17,391
Subscription options	–	–	351	394
Total no. of shares, 31 December	17,783	17,783	17,742	17,742
Weighted average number of shares during the year	17,763	17,763	17,531	17,785

Before dilution. Earnings per share before dilution are calculated by dividing earnings attributable to parent company shareholders by a weighted average number of outstanding ordinary shares during the period.

After dilution. When calculating earnings per share after dilution the weighted number of outstanding ordinary shares is adjusted for the dilution effect of all potential ordinary shares. In this calculation consideration is given to interest costs and tax attributable to the convertible loan.

The incentive scheme established by the AGM on 27 April 2004 matured in 2007. A total of 94 convertible debentures were converted into 40,268 shares in 2007 as part of this scheme. This incentive scheme has generated a total of 391,513 new shares, equivalent to a dilution effect of 2.3 per cent.

NOTE 15 • INTANGIBLE ASSETS

The Group, SEK m	2007	2006
Goodwill		
Opening acquisition value	87.9	81.1
Acquisitions *	583.4	6.8
Sold business	-26.5	–
Closing accumulated acquisition value	644.8	87.9
Opening impairment losses	-16.0	-11.6
Impairment losses for the year *	-112.2	-4.4
Closing accumulated impairment loss	-128.2	-16.0
Closing booked value	516.6	71.9

Specification of goodwill

Goodwill is distributed across the Group's units identified as business areas as follows:

Business area, SEK m	2007	2006
Automotive R&D	354.4	13.5
Design & Development	162.2	19.7
Informatic	–	12.2
Sold business	–	26.5
Booked value	516.6	71.9

* Goodwill is attributable to the acquired companies' earnings capacity and synergy effects expected to arise as a result of the acquisitions. The customer base increases and the geographic spread increases nationally and internationally. The acquisitions also mean an increased opportunity to take on larger, more complex complete assignments. At the end of the financial year IVM Automotive's value had been written down by SEK 100 million, which negatively impacted the Automotive R&D business area's profits. The German market is one of the most important in the automotive industry and is why the acquisition of IVM Automotive creates a good strategic platform for our international expansion. An examination of the need for a impairment losses shows however that the purchase price paid was high in relation to the company's earnings capacity in the current market situation. The remaining impairment losses of SEK 12.2 million is attributable to the Informatic business area.

Testing for a impairment losses requirement for goodwill is performed annually and when there are indications that a impairment losses is required. Testing was done at the lowest level where separable cash flow can be identified.

Recoverable amounts for each business area have been set according to calculated usable value. These calculations use the estimated future cash flow. A first analysis calculated a value using the budgeted cash flow for 2008. If this analysis indicated a impairment losses requirement then the estimated cash flow for the next four years has been used and for the time subsequent to this the value has been estimated using an unchanged cash flow.

Cash flow has been discounted with a weighed capital cost equivalent to 9 per cent before tax and 7 per cent after tax. This is calculated using the Group's targeted capital structure, current risk-free long-term interest and a risk premium for shareholders' equity of 5 per cent and a margin for borrowed capital of 1 per cent.

The Group, SEK m	2007	2006
Other intangible assets		
Opening acquisition value	16.3	16.7
Investments	10.6	11.1
Acquisitions	47.9	–
Sales/disposals	-0.5	-11.5
Sold business	-3.3	–
Closing accumulated acquisition value	71.0	16.3
Opening depreciation	-9.6	-7.6
Acquisitions	-40.1	–
Sales/disposals	0.8	–
Sold business	2.6	–
Depreciation for the year	-5.8	-2.0
Closing accumulated depreciation	-52.1	-9.6
Closing booked value	18.9	6.7

Other intangible assets in the Group consist of licenses and computer software. Depreciation occurs linearly over the period of use.

Parent company, SEK m	2007	2006
Other intangible assets		
Opening and closing accumulated acquisition value	3.0	3.0
Opening depreciation	-3.0	-3.0
Depreciation for the year	–	–
Closing accumulated depreciation	-3.0	-3.0
Closing booked value	–	–

NOTE 16 • TANGIBLE FIXED ASSETS

The Group, SEK m	2007	2006
Property/Buildings		
Opening acquisition value	9.6	14.9
Investments	–	–
Sales/disposals	–	-5.2
Translation differences	-0.1	-0.1
Closing accumulated acquisition value	9.5	9.6
Opening accumulated depreciation	-1.7	-1.6
Sales/disposals	–	0.2
Depreciation for the year	-0.3	-0.3
Closing accumulated depreciation	-2.0	-1.7
Closing residual value according to plan	7.5	7.9
Opening and closing accumulated impairment loss	-1.0	-1.0
Closing booked value	6.5	6.8
Land		
Opening and closing accumulated acquisition value	3.4	3.4
Tax assessment value		
Assessed value for buildings	10.8	8.1
Assessed value for land	3.4	2.9
Assessed value total	14.2	11.0
Plant and machinery		
Opening acquisition value	14.8	14.8
Investments	3.2	–
Acquisitions	81.0	–
Sales/disposals	-0.2	–
Closing accumulated acquisition value	98.8	14.8
Opening accumulated depreciation	-13.8	-13.5
Acquisitions	-58.7	–
Sales/disposals	0.1	–
Depreciation for the year	-0.3	-0.3
Closing accumulated depreciation	-72.7	-13.8
Closing booked value	26.1	1.0
Inventories, computers and equipment		
Opening acquisition value	154.6	148.5
Investments	23.1	12.5
Acquisitions	174.8	–
Sales/disposals	-13.1	-6.4
Sold business	-8.1	–
Closing accumulated acquisition value	331.3	154.6
Opening depreciation	-130.3	-125.7
Acquisitions	-137.3	–
Sales/disposals	9.9	5.2
Sold business	5.5	–
Depreciation for the year	-21.0	-9.8
Closing accumulated depreciation	-273.2	-130.3
Opening and closing accumulated depreciation	-3.5	-3.5
Closing booked value	54.6	20.8

Parent company, SEK m	2007	2006
Inventories, computers and equipment		
Opening and closing accumulated acquisition value	1.2	1.2
Opening depreciation	-1.2	-1.2
Depreciation for the year	–	–
Closing accumulated depreciation	-1.2	-1.2
Closing booked value	–	–

NOTE 17 • FINANCIAL ASSETS

Parent company	Group company	Capital share, %	Voting rights, %	Book value, SEK m	Co. Reg. No	Registered office
Semcon AB	Semcon Förvaltnings AB	100	100	37.6	556530-6403	Göteborg
	Semcon Informatic AB	100	100	5.8	556606-0363	Göteborg
	Semcon International AB	100	100	0.8	556534-4651	Göteborg
Total				44.2		

On 31 December 2007 Semcon sold its shareholding in Semcon Innovation AB. Shareholdings in IT Matters AB were sold to other Group companies during the year. The accumulated acquisition value of shares in Group companies amounts to SEK 152.7 million.

A statutory specification of company registration number and registered office of all Group companies in the Group can be obtained from Semcon AB's office in Göteborg.

NOTE 18 • SHARES IN ASSOCIATED COMPANIES AND JOINT VENTURES

Parent company	Associated company/ joint venture	Capital share, %	Voting rights, %	Book value, SEK m	Co. Reg. No	Registered Office
Semcon International AB	Kongsberg Devotek AS	30	30	21.1	883 602 382	Kongsberg, Norway
Semcon GmbH	Semcon-ESG Russelsheim JV Gesellschaft burgerlichen Rechts	50	50	–	–	Raunheim, Germany
				21.1		

Shares in associated companies and joint ventures, SEK m	2007	2006
Opening book value	18.1	–
Investments	–	19.8
Sales	1.9	–
Share in profit/loss	0.3	-0.9
Internal profit/loss	0.8	-0.8
Closing book value	21.1	18.1

Shares in associated companies' income was SEK 36.6 million, share of profits was SEK 0.3 million, share of assets was SEK 16.0 million and share in liabilities was SEK 11.2 million.

Participations in Compliant Logistics were divested on 17 October 2007.

NOTE 19 • ACCOUNTS RECEIVABLE

The Group, SEK m	2007	2006
Accounts receivable, not due for payment	551.3	292.1
Due for payment, 1-30 days	71.1	37.7
Due for payment, 30-60 days	14.3	5.6
Due for payment, over 60 days	29.1	12.6
Total	665.8	348.0
Provisions for uncertain receivables		
Provisions at start of year	-6.0	-5.5
Reservations for expected losses	-2.0	-0.6
Confirmed losses	4.3	-0.3
Actual payments of reserved receivables	–	0.4
Provisions at end of year	-3.7	-6.0
Closing booked value	662.1	342.0

NOTE 20 • RECEIVABLES FROM ASSOCIATED COMPANIES AND JOINT VENTURES

The Group, SEK m	2007	2006
Receivables from associated companies	2.1	3.7
Receivables from joint ventures	–	0.6
Total	2.1	4.3

NOTE 21 • ACCRUED 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 2007 the accrued non-invoiced income stood at SEK 139.2 million (93.9 m).

Receivables 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 109.2 million (100.4) on the closing date.

Processed but non-invoiced income, SEK m	2007	2006
Income/assignment expenses	266.3	206.2
Partly invoiced amount	-74.3	-84.8
Total	192.0	121.4
Invoiced but non-processed income	2007	2006
Income/assignment expenses	71.1	83.6
Partly invoiced amount	-123.9	-111.1
Total	-52.8	-27.5

NOTE 22 • PREPAID EXPENSES AND ACCRUED INCOME

The Group, SEK m	2007	2006
Accrued income	13.7	2.2
Prepaid costs	29.5	21.5
Summa	43.2	23.7

NOTE 23 • SHARE CAPITAL

Date	Type of issue	No of issued shares	Share capital after issue, SEK
7 March 1997	Formation of the company	500,000	500,000
14 April 1997	Cash issue	4,003,700	4,503,700
14 April 1997	Non-cash issue	496,300	5,000,000
25 April 1997	Cash issue	12,338,521	17,338,521
31 August 2001	Cash issue	52,500	17,391,021
1 June - 31 December 2006	Conversion of promissory note	351,245	17,742,266
1 January - 31 May 2007	Conversion of promissory note	40,268	17,782,534

NOTE 24 • TAX ALLOCATION RESERVE

Parent company, SEK m	2007	2006
Tax allocation reserve tax -02	–	3.9
Tax allocation reserve tax -03	0.2	0.2
Tax allocation reserve tax -05	7.0	7.0
Tax allocation reserve tax -08	6.0	–
Total	13.2	11.1

NOTE 25 • PENSION OBLIGATIONS

Commitments for retirement pensions and family pensions for salaried employees in Sweden are safeguarded via insurance with Alecta. According to a statement from the Swedish Financial Accounting Standards Council's Emerging Task Force, URA 41, 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.

The plans reported as defined-benefit plans below are in Germany. The company's costs and the value of the outstanding obligations have been calculated with the help of actuarial calculation that aims to set the current value of the obligations.

Significant actuarial assumptions, %	2007	2006
Discount rate	4.8	–
Expected salary increase rate	3.0	–
Future pension increase	1.5	–
Reconciliation of pension obligations	2007	2006
Current value of non-funded obligations	63.8	–
Non-reported actuarial profit (+) and loss (–)	-0.1	–
Net provisions in the balance sheet	63.7	–
Specification of change in the defined benefit obligation	2007	2006
At the start of the year	–	–
Liabilities taken on through acquisition of companies	60.7	–
Costs for employment during the current year	0.2	–
Interest on obligations	2.1	–
Payment of pensions	-1.9	–
Non-reported actuarial profit (–) or loss (+)	0.1	–
Reductions	0.6	–
Settlements	-0.2	–
Interest rate differences	2.1	–
At year-end	63.7	–
Specification of total costs for pension payments reported in the income statement	2007	2006
Costs for defined benefit plans:		–
Costs for employment during the current year	-0.2	–
Losses on reductions	-0.6	–
Settlements	0.2	–
Interest on obligations	-2.1	–
Costs for defined benefit plans	-2.7	–
Costs for defined contribution plans	-74.3	-62.6
Total costs reported in the income statement	-77.0	-62.6
Of which:		
Amounts that negatively impacted the operating profit/loss (staff costs)	-74.9	-62.6
Amounts that negatively impacted the financial costs (interest costs)	-2.1	–
Total costs reported in the income statement	-77.0	-62.6

Expenses during the year for pension insurance policies signed with Alecta amounted to SEK 37.0 million (36.1). Alecta's surplus can be allocated to the policy-holder and/or the insured. At year-end 2007 Alecta's surplus in the form of the collective consolidation level was 152 per cent (143). 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.

NOTE 26 • BORROWINGS

The Group, SEK m	2007	2006
Long-term		
Liabilities to credit institutions	347.9	–
Total, long-term	347.9	–
Short-term		
Overdraft facilities	154.4	39.7
Liabilities to credit institutions	329.4	–
Total, short-term	483.8	39.7
Total borrowings	831.7	39.7

The Group's long-term borrowings are carried out mainly within credit frameworks with long-term credit, but tied up over the short-term, which is why they are considered to have an actual value equivalent to the reported value.

Parent company, SEK m	2007	2006
Long-term		
Liabilities to credit institutions	344.3	–
Total, long-term	344.3	–
Short-term		
Overdraft facilities	128.3	–
Liabilities to credit institutions	306.1	–
Total, short-term	434.4	–
Total borrowings	778.7	–

The long-term credit consists of a loan agreement of EUR 42.8 million maturing in 2012. The loan is amortised quarterly at EUR 2.0 million for the next five years, starting 30 June 2008. The loan was taken out for the acquisition of Group companies and reported according to the method for hedging net investments.

NOTE 27 • OVERDRAFT FACILITIES

Of the Group's permitted overdraft facility of SEK 267.8 million, SEK 154.4 million (39.7) has been utilised. The credit runs on an annual basis. The Group has pledged a considerable part of customer receivables as security for credit received, see Note 29.

NOTE 28 • ACCRUED EXPENSES AND PREPAID INCOME

The Group, SEK m	2007	2006
Staff-related costs	289.7	156.3
Other items	58.6	23.2
Total accrued expenses and prepaid income	348.3	179.5
Parent company, SEK m	2007	2006
Staff-related costs	9.0	6.0
Items in relation to sold business	13.1	–
Other items	3.3	0.5
Total accrued expenses and prepaid income	25.4	6.5

NOTE 29 • PLEDGED ASSETS

The Group, SEK m	2007	2006
Own liabilities to credit institutions		
Property mortgages	4.3	4.3
General mortgages	5.0	–
Pledged customer receivables	327.4	316.1
Total pledged assets	336.7	320.4

NOTE 30 • CONTINGENT LIABILITIES

The Group, SEK m	2007	2006
Guarantees provided	8.6	2.6
Additional purchase price	–	8.1
Total contingent liabilities	8.6	10.7

NOTE 31 • INFORMATION CONCERNING ACQUISITIONS AND DIVESTMENTS OF COMPANIES

Acquisition of subsidiaries. On 1 April Semcon acquired the German company IVM Automotive Beteiligungs GmbH and on 31 August Semcon acquired Caran AB, Caran Design Limited, A4 Acoustics AB and Caran Embedded Intelligent Solutions AB. The Group has also formed Semcon Informatic Production Ltd (UK), Semcon LLT (US) and Semcon Oy (Finland). During the year the Group acquired a minority share of 9 per cent in SemconZound AB.

IVM Automotive is a leading design and development partner to the automotive industry in Europe with around 1,000 employees at seven sites in Germany plus Spain and Brazil. Customers include leading car manufacturers such as Audi, BMW, Ford, GM, Mercedes Benz, Porsche and Volkswagen plus their system manufacturers. IVM's German business is strategically positioned in Munich, Stuttgart, Ingolstadt, Rüsselheim, Wolfsburg, Bad Friedrichshall and Böblingen.

Caran specialises in industrial design and product development. The company was founded in 1983. Caran's head office is in Göteborg but the company also has offices in Lund, Helsingborg, Jönköping, Karlstad, Örebro, Eskilstuna, Södertälje, Stockholm and Linköping. Caran's offices abroad are located in London and Bangalore. Caran has extensive close relationships with customers such as AB Volvo, Volvo Car Corporation, Scania, Saab/GM and Saab AB.

IVM Automotive's sales for the January - December 2007 period amounted to EUR 93.7 million with a net loss of EUR 4.6 million. Between 1 April and 31 December 2007 sales amounted to EUR 73.1 million with a net loss of EUR 2.7 million. The operating profit after depreciation but before one-off costs for the period was EUR 0.1 million. Caran's sales for the period January to December 2007 were SEK 898.2 million and the net profit was SEK 35.2 million. Between 1 September to 31 December sales amounted to SEK 320.9 million and the net profit was SEK 16.7 million. The operating profit after depreciation but before one-off costs for the period amounted to SEK 40.1 million. Other companies started up during the year included Semcon Informatic Production Ltd (sales of SEK 312.4 million, net profit of SEK 4.0 million), Semcon LLT (sales of SEK – million, loss of SEK 1.2 million) and Semcon Oy (sales of SEK – million, loss of SEK 2.6 million).

Acquisition of subsidiaries 2007, SEK m	IVM Automotive	Caran
Goodwill	291.0	284.8
Intangible assets	6.1	1.7
Tangible assets	40.4	18.8
Financial assets	–	0.2
Deferred tax liability	48.7	1.8
Operating receivables	211.4	222.1
Liquid assets	19.4	9.5
Interest-bearing allocations and liabilities	-60.7	-54.3
Other allocations and operating liabilities	-208.1	-149.4
Purchase price paid	348.2	335.2
Liquid assets in acquired companies	-19.4	-9.5
Effect on Group's liquid assets	328.8	325.7
Other acquisitions, SEK m	2007	2006*
Goodwill	1.5	0.1
Liquid assets	2.2	–
Minority	–	–
Purchase price paid	3.7	0.1
Liquid assets in acquired companies	-2.2	–
Effect on Group's liquid assets	1.5	0.1

* Refers to remaining business

Sale of subsidiaries. Propeller by Semcon was sold on 1 April. Zetup by Semcon AB was sold on 7 September and Zipper Aktiebolag, Systems Solutions by Semcon AB, Zingle by Semcon, Zuite AB and Semcon Innovation AB were sold on 31 December, which are not included in the table below as they do not affect cash flow in the remaining business.

Sale of Group companies, SEK m	2007	2006
Assets	9.0	1.4
Liquid assets	–	3.8
Liabilities	-5.3	-1.9
Capital gain, sale of Group company	-0.7	5.0
Total sales remuneration	3.0	8.3
Additional purchase price entered as a liability	-3.0	-4.2
Liquid assets in sold companies	–	-3.8
Effect on consolidated liquid assets	–	0.3

NOTE 32 • CASH FLOW STATEMENT FOR DISCONTINUED OPERATIONS

SEK m	2007	2006
Current activities		
Operating profit/loss after depreciation and impairment losses	46.9	23.3
Depreciation	1.2	1.9
Loss from fixed assets sold	-0.4	-0.2
Interest received and similar items	0.8	0.2
Paid income tax	-5.3	-5.2
Interest rate differences	-0.1	–
Loss from business sold	-6.1	–
Cash flow from current activities before change in working capital	37.0	20.0
Change in working capital		
Increase/decrease in work in progress	4.7	-9.7
Increase/decrease in current receivables	-28.5	5.4
Increase/decrease in current liabilities	26.0	-11.4
Total change in working capital	2.2	-15.7
Cash flow from investment activities	39.2	4.3
Investment activities		
Investments in participations in Group companies	–	-6.9
Investments in intangible fixed assets	–	-0.4
Investments in tangible fixed assets	-0.3	-0.9
Payment from sale of Group companies/associated companies	4.4	–
Cash flow from investment activities	4.1	-8.2
Financing activities		
Changes in overdraft facilities	-17.9	3.6
Options	–	0.3
Cash flow from financing activities	-17.9	3.9
CASH FLOW FOR THE YEAR	25.4	–
Cash and bank balances at the start of the year	–	–
Cash and bank balances at year-end	25.4	–

NOTE 33 • TRANSACTIONS WITH RELATED PARTIES

Purchases/sales between Group companies amount to SEK 339.1 million (255.3 m) and refer mainly to services. Purchases between associated companies and joint ventures amount to SEK 2.6 million (0.9 m) and sales amounted to SEK 10.3 million (1.7 m). The JCE Group is the Semcon's largest shareholder with a shareholding of 29.9 per cent. Caran was acquired on 31 August from the JCE Group for a purchase price of SEK 334.8 million, which is the same price the JCE Group paid when it acquired the company from WM Data on 4 June 2007. Purchases have been made from Consafe Logistics in the JCE Group of SEK 0.8 million and with sales amounting to SEK 0.2 million. A consultancy fee of SEK 1.9 million (–) has been paid to Rannebergsgården AB, which is owned by Chairman of the Board Kjell Nilsson. Remuneration for the senior executive team appears in Note 8.

NOTE 34 • OPERATIONAL LEASING

The Group has a number of leasing contracts mainly for company cars. The cost for 2007 amounted to SEK 12.6 million (8.1 m). Existing contracts run in line with usual market terms and with a remaining contract term of one to three years. In addition to the above, the Group rents offices at twenty or so sites in Sweden and in the UK, China, Malaysia, Germany, Spain, Brazil and Hungary. All rental contracts have been signed according to usual market rates and with normal duration periods. In terms of signed leasing contracts SEK 12.7 million is due for payment within one year of the balance sheet date and 10.7 million within 2.5 years of the balance sheet date. No part is due for payment after 5 years.

NOTE 35 • EVENTS AFTER THE BALANCE SHEET DATE

In addition to the decisions described in the Directors' Report at the EGM on 7 February 2008 no other significant events have occurred after the balance sheet date.

The Board and CEO give assurance that the consolidated accounts have been drawn up in accordance with the International Financial Reporting Standards as adopted by the EU and give a true account of the Group's position and results. The Annual Report has been drawn up in accordance with generally accepted accounting policies and gives a true account of the parent company's position and results. The Directors' Report for the Group and parent company give a fair overview of the development of the Group's and parent company's business, position and results and describe significant risks and uncertainty factors that the parent company and the Group companies face.

Göteborg, Sweden, 18 March 2008

Hans-Erik Andersson
Chairman of the Board

Pia Gideon

Annemarie Gardshol

Gunvor Engström

Kjell Nilsson
CEO

Ulf Wallin

Dan Persson

Roland Kristiansson

Christer Eriksson

Stefan Novakovic

**Our audit was issued on 18 March 2008.
Deloitte AB**

Peter Gustafsson
Authorised Public Accountant

Hans Warén
Authorised Public Accountant

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 (publ) for the 2007 financial year. The company's annual report and consolidated accounts comprise pages 41-73 of this report. 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 policies 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 policies 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 policies 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 directors' report and that the members of the Board of Directors and the CEO be discharged from liability for the financial year.

Göteborg, 18 March 2008

Deloitte AB

Peter Gustafsson
Authorised Public Accountant

Hans Warén
Authorised Public Accountant

FIVE YEAR SUMMARY

SEK m	2007*	2006*	2005	2004	2003*
INCOME STATEMENT					
Net sales	2,497.4	1,361.4	1,500.5	1,289.3	1,198.7
Operating expenses	-2,508.5**	-1,309.7**	-1,404.8	-1,229.5	-1,251.5**
Operating profit/loss after depreciation	-11.1	51.7	95.7	59.8	-52.8
Financial income	5.0	2.4	6.9	1.8	1.7
Financial expenses	-29.4	-4.3	-4.7	-5.0	-4.1
Profit/loss after financial items	-35.5	49.8	97.9	56.6	-55.2
Tax	-20.7	-18.9	-29.9	-16.3	-2.4
Profit/loss after tax, remaining business	-56.2	30.9	–	–	–
Profit/loss after tax, sold business	284.2	17.3	–	–	–
Net profit/loss for the year	228.0	48.2	68.0	40.3	-57.6
BALANCE SHEET					
Intangible assets, goodwill	516.6	71.9	69.5	52.2	49.1
Other intangible assets	18.9	6.7	9.1	5.9	4.0
Tangible fixed assets	90.6	32.0	36.2	35.4	38.7
Financial assets	85.3	24.7	3.7	16.1	16.5
Accrued non-invoiced income	192.0	121.4	114.8	211.9	136.8
Accounts receivable	662.1	342.0	376.9	40.9	122.8
Other current assets	421.2	35.7	41.5	130.0	64.5
Cash and bank balances	117.1	28.9	17.9	59.0	40.7
Total assets	2,103.8	663.3	669.4	551.6	473.1
Shareholders' equity	494.0	265.1	198.9	134.0	90.4
Long-term liabilities and provisions	465.3	40.9	61.3	54.0	45.7
Current liabilities	1,144.5	357.3	409.2	363.6	337.0
Total shareholders' equity and liabilities	2,103.8	663.3	669.4	551.6	473.1
CASH FLOW STATEMENT					
Cash flow from current activities	23.8	108.9	40.4	28.1	42.7
Cash flow from investment activities	-687.5	-28.2	-23.4	-19.2	-28.7
Cash flow from financing activities	751.9	-69.7	-3.4	9.4	-6.3
Cash flow from remaining business	88.2	11.0	–	–	–
Cash flow from sold business	25.4	–	–	–	–
Cash flow for the year	113.6	11.0	13.6	18.3	7.7
KEY FIGURES					
Growth in sales, %	83.4	4.4	16.4	7.6	-0.1
Operating margin before one-off items, %	6.0	6.1	6.4	4.6	-4.4
Operating margin, %	-0.4	3.8	6.4	4.6	-4.4
Profit margin, %	-1.4	3.7	6.5	4.4	-4.6
Interest cover ratio, (multiple)	-0.3	12.9	21.8	12.3	-12.4
Return on average shareholders' equity, %	60.2	19.9	40.9	36.0	-48.4
Return on average capital employed, %	-1.2	21.4	44.2	50.9	-34.3
Equity/assets ratio, %	23.5	40.0	29.7	24.3	19.1
Debt/equity ratio, (multiple)	1.6	–	0.6	0.1	-0.1
Average number of employees	2,672	1,509	1,636	1,444	1,504
Sales per employee, (SEK 000)	935	902	917	893	797
Value added per employee, (SEK 000)	555	602	625	619	523
Profit/loss after net financial items per employee, (SEK 000)	-13.3	33.1	59.8	39.2	-36.7
Investments in other fixed assets, (SEK m)	36.9	25.4	19.6	17.7	22.4

* Results for 2007 and 2006 have been reported for remaining business. 2003 has not been adjusted in line with IFRS.

** Including goodwill depreciation of SEK 112.2 million in 2007 and SEK 11.6 million in 2003.

In addition, one-off costs of SEK 49.3 million negatively impacted profits in 2007 and SEK 26.4 million in 2006.

SEMCON'S SHARES

The closing price of Semcon's shares on the OMX Nordic Exchange Stockholm in 2007 was SEK 80.75 (68.25), which corresponds to a market value of around SEK 1.4 billion (1.2).

PRICE TREND AND TURNOVER

Semcon's share price climbed in 2007 by 18 per cent from SEK 68.25 to SEK 80.75. During the same period the OMX SPI index rose by around 6 per cent. The highest price paid was SEK 91.25 (7 November) and the lowest price paid was SEK 53 (3 and 5 March).

A total of SEK 14.3 million Semcon shares were sold on the OMX Nordic Exchange Stockholm in 2007. The turnover rate, calculated as the number of shares sold in relation to the total number of shares in the company amounted to 81 per cent.

SHARE CAPITAL AND THE NUMBER OF SHARES

Semcon's share capital amounts to SEK 17.8 million, divided between 17,782,534 shares, each with a nominal value of SEK 1. Each share entitles the shareholder to one voting right and an equal right to a share of the company's assets and profits.

Changes to the share capital and number of shares over time appear in Note 23. Semcon's shares have been listed on the OMX Nordic Exchange Stockholm since 1997 under the SEMC ticker among Mid Cap* in the Information Technology sector. A trading lot comprises 200 shares.

* Since 2 January 2008

LONG-TERM INCENTIVE SCHEME

A total of 94 convertible debentures were converted to 40,268 shares during the year by employees in the convertible debenture scheme that ran until 31 May 2007.

At an EGM on 7 February 2008 it was decided to introduce a long-term incentive scheme for Group employees. The share savings scheme in brief means that employees who participate in the scheme over a 12-month period give part of their salary to buy shares in the company. Each savings share entitles the employee, after a period of three years, providing he or she is still employed by the Semcon Group, to receive a matching share. The share savings scheme includes a maximum of 330,000 shares, of which 250,000 shares are matching shares and 80,000 shares mainly to cover social security contributions.

The meeting also decided to implement a convertible-based incentive scheme for a maximum of 165 key employees in the Semcon Group and also to take out a convertible subordinated debenture of a maximum SEK 50 million. The convertibles will, from 20 March 2008, run with an interest rate of three per cent. The scheme will provide a maximum dilution effect of 3.3 per cent of the current number of shares.

SHAREHOLDERS

On 31 December 2007 Semcon had 3,411 shareholders, a drop of 21 per cent compared to the previous year. The registered amount of foreign ownership at year-end was 19.5 per cent (20.1).

On 31 December the ten largest shareholders controlled 66.7 per cent of the share capital and voting rights.

SHARE DIVIDENDS

One of Semcon's financial objectives is that dividends to shareholders over the long-term will be equivalent to at least one third of the profit after tax. In accordance with Semcon's dividend policy, consideration is given to the company's financial position and capital requirements for continued expansion, and due to the acquisition of IVM Automotive and Caran the Board proposes that no dividend be paid for 2007 (-).

SEMCON'S 10 LARGEST HOLDINGS ON 31 DECEMBER 2007

Name	Number of shares	Shareholding, %
JCE Group	5,318,178	29.91
Skandia liv	2,337,900	13.15
Swedbank robur fonder	1,194,910	6.72
Handelsbanken fonder	1,082,319	6.09
Mellom omnibus	460,920	2.59
Glitnir bank Ltd	411,110	2.31
Kaupthing bank	395,800	2.23
ESR EQ	248,400	1.40
Morgan Stanley	208,890	1.17
Gartmore	206,430	1.16
Total	11,864,857	66.73
Other	5,917,677	33.27
Total	17,782,534	100.0

Source: VPC AB shareholder Register on 31 December 2007.

SHAREHOLDER STRUCTURE, 31 DECEMBER 2007

Size	No. of shareholders	No. of shares	Share, %	Market value 31 Dec, SEK 000
1-500	2,284	440,823	2.5	35,596
501-1,000	561	483,894	2.7	39,074
1,001-10,000	466	1,419,836	8.0	114,652
10,001-100,000	77	2,497,914	14.1	201,707
100,001 -	23	12,940,067	72.7	1 044,911
Total	3,411	17,782,534	100.0	1,435,940

Source: VPC AB shareholder Register on 31 December 2007.

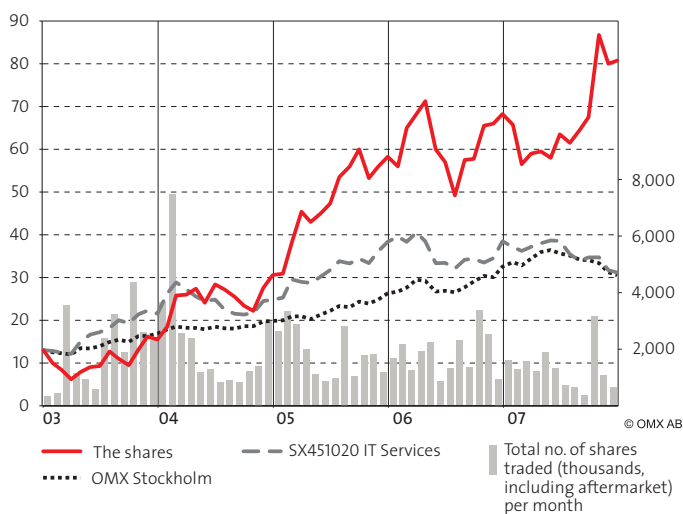
CONTACTS WITH THE EQUITY MARKET

Equity market contacts are mainly carried out through quarterly financial reports, press releases and company presentations by Semcon.

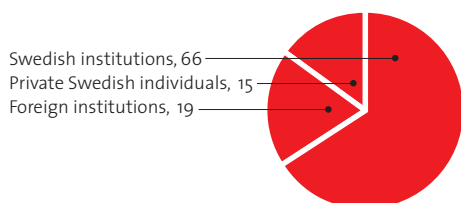
Analysts regularly monitor Semcon's financial development and at year-end these included:

Company	Name
Danske Bank	Peter Trigarszky
Enskilda Securities	Andreas Joelsson
Handelsbanken	Stefan Wård
Kaupthing Bank	Jonas Elofsson
Redeye	Magnus Dagel
E. Öhman J:or	
Fondkommission AB	David Jacobsson

SEMCON'S SHARES 2003-2007



SHAREHOLDER ALLOCATION, %



DATA PER SHARE

	2007	2006	2005	2004	2003*
Earnings per share after tax, (SEK)	12.84	2.62	3.91	2.32	-3.31
Earnings per share after dilution, (SEK)	12.82	2.59	3.84	2.27	-3.31
Shareholders' equity per share before dilution, (SEK)	27.78	14.81	11.44	7.70	5.20
Shareholders' equity per share after dilution, (SEK)	27.78	14.85	11.94	8.29	5.13
Price per share/equity per share, (times)	2.91	4.61	5.09	3.97	2.98
Cash flow per share, (SEK)	6.39	0.62	0.78	1.05	0.44
Dividend per share	—	—	—	—	—
P/E-ratio	6.30	26.01	14.89	13.19	neg
P/S-ratio	0.57	0.88	0.68	0.41	0.23
Share price at year-end, (SEK)	80.75	68.25	58.25	30.60	15.50
Market value at year-end, (SEK m)	1,436	1,211	1,013	532	270
Number of shares at year-end, (ooo)	17,783	17,742	17,391	17,391	17,391
Average number of shares, (ooo)	17,762	17,531	17,391	17,391	17,391
Outstanding convertibles at year-end	—	42	394	394	—
Average number of convertibles	21	253	394	197	—

* 2003 has not been adjusted in line with IFRS.

CORPORATE GOVERNANCE

This section has not been subject to scrutiny by the company's auditors.

Semcon applies the regulations laid down in the Swedish Code for Corporate Governance. From 1 July 2008 all listed companies in Sweden must apply the corporate governance code. Semcon has started an initiative to ensure that the code is applied.

Semcon's Articles of Association regulates the alignment of the business, share capital and how and when the notice to attend the AGM takes place. The entire Articles of Association can be seen on Semcon's website at: www.semcon.se.

ANNUAL GENERAL MEETING 2007

The 2007 Annual General Meeting (AGM) was held on 26 April at Semcon's head office in Göteborg. Claes Beyer was elected to chair the meeting. The meeting approved the Board's proposal for the appropriation of profits. The meeting also approved the nominations committee's proposals for board members, remuneration to the Board and its chairman and board member nominations. The AGM re-elected Annemarie Gardshol, Pia Gideon and Dan Persson as Board members. Furthermore, the meeting decided to elect Hans-Erik Andersson, Gunvor Engström, Kjell Nilsson and Ulf Wallin as new Board members. Kjell Nilsson was elected as the Chairman of the Board. The OMX Nordic Exchange Stockholm's listing agreement contains certain criteria concerning the structure of the Board. The criteria includes that a majority of the members elected by the meeting must be independent in relation to the company. Furthermore, a minimum of two of these members must also be independent of the company's major shareholders. Semcon's Board meets these criteria.

EXTRAORDINARY GENERAL MEETING

At an Extraordinary General Meeting on 7 February 2008 it was decided to discharge Kjell Nilsson from his duties as Chairman of the Board to be replaced by Hans-Erik Andersson with immediate effect. Kjell Nilsson took over as the new President and CEO on 8 February 2008. Kjell Nilsson retains his position on the Board.

AGM 2008

The Annual General Meeting for 2008 will be held on 24 April at Semcon's head office in Göteborg. More information is

available on Semcon's website at: www.semcon.com.

NOMINATIONS COMMITTEE

In accordance with decisions taken by the AGM the Chairman of the Board shall, no later than the end of Q3, convene the three largest shareholders in the company, who together shall appoint members of the nominations committee. If any of the three largest shareholders decline then the next shareholder in terms of size will be given the opportunity to take part in the work to nominate members to the nominations committee. The nominations committee should be led by an owner-representative, but the Chairman of the Board can be a member of the nominations committee and be its 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, accounts and remuneration to the Board and auditors. The nominations committee will also make proposals to the AGM for decisions on principles for the election of a nominations committee and proposals for Chairman of the Board.

The nominations committee's members will be announced no later than six months before the AGM. Information about the nominations committee's members and how proposals can be submitted are available at www.semcon.se and in the Q3 report. The entire minutes of the AGM are available at www.semcon.se.

The nominations committee's members in 2007 were Christer Ericsson representing the JCE Group (nomination committee's chairman), Erik Sjöström representing Skandia Liv, Joakim Spetz representing Handelsbanken fonder and Kjell Nilsson. No remuneration was paid to the members. The nominations committee met three times prior to the 2008 AGM. The basis of the nominations committee's work has included company strategies and priorities and an evaluation of the Board and its size and structure. The nominations committee's pro-

posal for election of board members and Chairman of the Board and auditors is given in the notice to attend the AGM and also published on Semcon's website.

WORK OF THE BOARD

The work of the Board is regulated by the Companies' Act, the Articles of Association and the procedures adopted annually by the Board.

Semcon AB's Board consists of seven members elected by the AGM and three members with their deputies elected by employees. Of the ten Board members, nine are Swedish citizens and one is Norwegian. A presentation of Board members is available in the Annual Report on pages 80-81. The CEO is a member of the Board from 8 February 2008. Other salaried employees in the company take part in board meetings as co-opted members, speakers and secretary. In the 2007 financial year the Board has five scheduled and three extra meetings.

The work of the Board follows an agenda with fixed points for Board members. The Chairman leads and delegates Board work and ensures that urgent matters in addition to the fixed points on the agenda are dealt with. The Board convenes at a meeting close to the time of the AGM. At this meeting the Board establishes its work procedures, instructions for the CEO, subsidiary instructions and instructions for financial reporting. In 2007 issues concerning the company's financial position and issues concerning the two acquisitions of Caran and IVM Automotive, plus the sale of the Zpider business area have been given a lot of attention in the work of the Board.

Attendance at the Board meetings is given in the tables on page 79.

The Board has no specific audit committee. Instead the Board as a whole aims at keeping close contact with the company's auditors in order to satisfactorily keep up to date with important issues concerning the company's accounts, accounting routines, management of the company's assets and internal control. The control issues received by the Board are dealt with by the Board

as a whole. To ensure that the Board's need for information is met the company's auditors report to the Board at least twice a year.

Peter Gustafsson and Hans Warén, the authorised accountants at Deloitte, have, over the past year, reported their views of the Group's internal controls and routines for reporting and auditing to the Board and examining the financial statements.

REMUNERATION TO SENIOR EXECUTIVES

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 remuneration committee and these issues are handled by all members of the Board.

All members of the senior executive team are offered a fixed salary, which is complemented with variable remuneration of no more than six months' salary after following up on individually set goals. The fixed salary is set for each calendar year. The senior executive team is also offered to subscribe for convertible

debentures in the convertible debenture scheme, which is described in full on Semcon's website at www.semcon.com. Guidelines for remuneration should include the individuals, which during the time the guidelines apply, are part of the Group's senior executive team. The Board has the right to deviate from the guidelines if there is a justified cause to do so in specific cases.

Senior executives' remuneration and benefits are reported in Note 8 on page 61.

GROUP MANAGEMENT

Group management, see pages 82-84, holds regular Group management meetings led by the CEO. The meetings follow an agenda and are minuted. In addition to these meetings a number of meetings are held where all, or parts of, the Group management are present along with other employees from the Group.

Group management work towards close contact with every business area in order to support and provide help and tools to make the business more effective, marketing, business development and internal exchange of knowledge.

AUDITORS

Deloitte AB was elected as the company's auditor for a four-year period at the

AGM in 2007. The company's auditors are the authorised public accountants Peter Gustafsson and Hans Warén.

Peter Gustafsson was born in 1956. In addition to audit work for Semcon Peter carried out audit work for companies like SAS, SAAB Automobile, Ledstjärnan, Nexus, Teleca, Rezidor Hotel Group, Akademiska Hus, Göteborgs Hamn and Göteborg's Kommunala Förvaltning AB.

Hans Warén was born in 1965. Other assignments include the Saab AB Group, Ekman, Göteborg Energi, Parker Hannifin and Bodycote.

The auditors' interaction with the Board is described above. In addition to auditing, Deloitte AB will also 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.

No senior executive at Semcon has held any position at Deloitte AB during the past five years, and vice versa. Semcon's remuneration to auditors and purchase of services in addition to auditing appear in Note 7 on pages 60-61.

BOARD DURING 2007

		Board meetings, 8 meetings in total	Dependant/independent
Kjell Nilsson	President and CEO	8	Dependent to the company
Hans-Erik Andersson	Chairman	8	Independent
Ulf Wallin	Board member	8	Dependent to the major shareholders
Gunvor Engström	Board member	8	Independent
Dan Persson	Board member	8	Independent
Pia Gideon	Board member	6	Independent
Annemarie Gardshol	Board member	6	Independent
Roland Kristiansson	Employee representative	8	
Stefan Novakovic	Employee representative	8	
Christer Eriksson	Employee representative	8	

THE BOARD



From top left: Hans-Erik Andersson, Kjell Nilsson, Gunvor Engström, Ulf Wallin, Dan Persson, Christer Eriksson, Roland Kristiansson and Stefan Novakovic.

Not in picture: Pia Gideon and Annemarie Gardshol.

HANS-ERIK ANDERSSON

Born 1950. Board member since 2007 and elected Chairman of the Board in 2008.
Qualifications: Financial studies, Stockholm University.
Nationality: Swedish
Other board assignments: Svenska Försäkringsföreningen, DN Galan and Financial Markets Advisory Committee.
Shareholding in Semcon: 15,000

KJELL NILSSON

Born 1948. Board member since 2007.
Qualifications: Economics and Business Studies Graduate from the School of Business, Economics and Law, University of Gothenburg.
Nationality: Swedish
Other board assignments: Home Properties AB, Rörviks Timber AB, Radius Sweden AB, Freesourcing AB and Choice Hotel AS.
Shareholding in Semcon: 100,000 and 3,000 convertibles

GUNVOR ENGSTRÖM

Born 1950. Board member since 2007. CEO of Bank2 Bankaktiebolag
Qualifications: Master of Business Administration (MBA), Stockholm School of Economics.
Nationality: Swedish
Other board assignments: Läns-försäkringar Liv Försäkringsaktiebolag (publ), Iqube Holding AB and Stockholms Läns Landstings sjukvårdsområde, SLSO.
Shareholding in Semcon: 0

ULF WALLIN

Born 1960. Board member since 2007. CEO of Consafe Logistics AB.
Qualifications: Master of Engineering (M.E.) in Industrial Finance, Linköping University.
Nationality: Swedish
Other board assignments: None
Shareholding in Semcon: 3,000

DAN PERSSON

Born 1956. Board member since 2005. CEO of Autoliv Sverige AB and CEO of Autoflator AB.
Qualifications: Mechanical Engineer.
Nationality: Swedish
Other board assignments: None
Shareholding in Semcon: 2,000

PIA GIDEON

Born 1954. Board member since 2000. Senior Consultant Everstone Group.
Qualifications: Master of Business Administration (MBA), Stockholm School of Economics.
Nationality: Swedish
Other board assignments: Board member of Observer.
Shareholding in Semcon: 200

ANNEMARIE GARDSHOL

Born 1967. Board member since 2001. Responsible for the global R&D organisation at Gambro AB.
Qualifications: Master of Engineering (M.E.) in Industrial Finance, Chalmers University of Technology and Imperial College London.
Nationality: Norwegian
Other board assignments: Swecare
Shareholding in Semcon: 300

CHRISTER ERIKSSON

Born 1969. Employee representative. Employed since 2000.
Qualifications: Master of Engineering (M.E.) in Mechanical Engineering, Material and Machining Technology, Luleå University of Technology.
Nationality: Swedish
Shareholding in Semcon: 0

ROLAND KRISTIANSSON

Born 1948. Employee representative. Employed since 2000
Qualifications: Technical College Engineer
Nationality: Swedish
Shareholding in Semcon: 400

STEFAN NOVAKOVIC

Born 1967. Employee representative. Employed since 2000.
Qualifications: Technical College Engineer
Nationality: Swedish
Shareholding in Semcon: 0



SENIOR EXECUTIVE TEAM

JOHAN EKENER

Born 1964. President of Informatic. Master of Science (MSc.), Computer Science and Engineering, Chalmers University of Technology. Master of Business Administration (MBA), School of Business, Economics and Law, University of Gothenburg.

Employed since 2004.

Shareholding in Semcon: 0 shares, 3,000 convertibles

KJELL NILSSON

Born 1948. President and CEO. Economics and Business Studies Graduate from the School of Business, Economics and Law, University of Gothenburg.

Employed since: 2008

Board assignments: Home Properties AB, Rörviks Timber AB, Radius Sweden AB, Freesourcing AB and Choice Hotel AS.

Shareholding in Semcon: 100,000 shares and 3,000 convertibles

From left: Johan Ekener, Kjell Nilsson, Mats Körner, Stefan Ohlsson and Björn Strömberg.

**MATS KÖRNER**

Born 1964. President of Design & Development. Technical College Engineer. Employed since 1995. Shareholding in Semcon: 0 shares, 3,000 convertibles

STEFAN OHLSSON

Born 1967. President of Automotive R&D. Mechanical Engineer, Marketing Economist, IHM Business School. Employed since 2004. Board assignments: Golan Plastic Products AB and A&B Ohlssons smidesverkstad AB. Shareholding in Semcon: 3,000 shares and 2,000 convertibles

BJÖRN STRÖMBERG

Born 1960. CFO. Master of Business Administration (MBA), School of Business, Economics and Law, University of Gothenburg. Employed since 2007. Shareholding in Semcon: 8,000 shares and 3,000 convertibles

OTHER SENIOR MANAGEMENT



ANDERS ATTERLING

Born 1960, Bachelor of Science (BSc), Economics, Örebro University
Head of IR/PR
Employed since 1991
Shareholding in Semcon: 10,000 shares and 1,500 convertibles



KLAS ELMBJ

Born 1969, Technical College Engineer, Trollhättan. Some courses taken at HTU and Chalmers University of Technology
Head of IT
Employed since 1990
Shareholding in Semcon: 20,000 shares and 1,500 convertibles



THOMAS ANDRÉN

Born 1973, Master of Business Administration (MBA), School of Business, Economics and Law, University of Gothenburg.
Group Business Controller
Employed since 2000
Shareholding in Semcon: 4,000 shares and 1,500 convertibles



ANDERS LÖWGREN

Born 1965, Master of Business Administration (MBA), School of Business, Economics and Law, University of Gothenburg.
Group Financial Controller
Employed since 1998
Shareholding in Semcon: 0 shares, 1,500 convertibles



URBAN KIHLEN

Born 1959, Master of Business Administration (MBA), School of Business, Economics and Law, University of Gothenburg.
Purchasing Director
Employed since 1998
Shareholding in Semcon: 4,000 shares and 1,500 convertibles



AGNETA LUNDÉN-HJÄLT

Born 1958, Master of Business Administration (MBA), School of Business, Economics and Law, University of Gothenburg.
Psychology course at the Göteborg Psychology Institute
Head of HR
Employed since 1995
Shareholding in Semcon: 0 shares, 250 convertibles

DEFINITIONS

SHARE OF RISK-BEARING CAPITAL

Shareholders' equity plus convertible loans and deferred tax liabilities divided by the balance sheet total.

BALANCE SHEET TOTAL:

The value of all assets such as equipment, accounts receivable and bank balances.

SHAREHOLDERS' EQUITY PER SHARE

Shareholders' equity divided by the number of shares at year-end.

VALUE ADDED

Operating profit plus salary costs including payroll overheads.

VALUE ADDED PER EMPLOYEE

Value added divided by the average number of employees.

CASH FLOW PER SHARE

Cash flow for the year divided by the weighted average number of outstanding shares over the year adjusted for additional shares for conversion of outstanding warrants.

P/E RATIO

Price per share at year-end divided by the earnings per share after full dilution.

P/S RATIO

Price per share divided by net sales per share.

PROFIT AFTER NET FINANCIAL ITEMS PER EMPLOYEE

Profit after net financial items divided by the average number of employees for the year.

EPS AFTER TAX

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

EPS AFTER DILUTION

Profit/loss after tax attributable to the parent company's owners divided by the average number of outstanding shares adjusted for the dilution effect on potential shares.

RETURN ON AVERAGE SHAREHOLDERS' EQUITY

Profit for the year after tax divided by the average shareholders' equity.

RETURN ON AVERAGE CAPITAL EMPLOYED

Profit after net financial items plus financial costs divided by the average capital employed.

INTEREST COVER RATIO

Profit after financial items plus interest costs divided by interest costs.

OPERATING MARGIN

Operating profit after depreciation as a percentage of net sales.

DEBT/EQUITY RATIO

Net borrowings divided by shareholders' equity including minority interests.

EQUITY/ASSETS RATIO

Shareholders' equity as a percentage of the balance sheet total. Shareholders' equity including minority interests as a percentage of the balance sheet total.

CAPITAL EMPLOYED

The balance sheet total less non interest-bearing provisions and liabilities.

PROFIT MARGIN

Profit after financial items as a percentage of operating income.

NET BORROWINGS

Profit after financial items as a percentage of operating income Interest-bearing provisions and liabilities with deductions for liquid assets and interest-bearing receivables.

FINANCIAL INFORMATION

FINANCIAL AGENDA 2008

Annual General Meeting:	24 April
Q1 report:	24 April
Q2 (half-year) report:	17 July
Q3 report:	23 October

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

Previous years' Annual Reports and quarterly reports are available at: www.semcon.com or can be ordered by telephone on: +46 (0)31 721 00 00 or by via email to: ir@semcon.se.

Semcon in association with Solberg

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