semcon

Annual Report **2008**

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Events in 2008

Year in brief

Operating income increased by SEK 802 million in 2008 to SEK 3,299 million (2,497 m). The operating profit of SEK 150 million (-11 m) included lump sum income and one-off costs of SEK 66 million. The income refers to the pension premium discounts from Alecta of SEK 34 million and costs of SEK 100 million for structural changes such as staff redundancies and the reduction of office space in Sweden and Germany, plus reserves for bad debts. The operating profit excluding one-off items was SEK 216 million, giving an operating margin of 6.6 per cent (6.0).

Semcon's financial position improved over the year and at year-end shareholders' equity amounted to SEK 596 million (494 m), the equity/assets ratio was 33.6 per cent (23.5) and the debt/equity ratio was 0.7 (1.6).

The global financial crisis affected the company in Q4 and mainly in the business working with the automotive industry. However, Semcon's product information business has performed very well over the year. The product development business in Sweden, apart from the automotive industry, has also had a good year with greater volumes and major demand in all prioritized industries, even though a weakening trend was reported in Q4.

Key indicators	2004	2005	2006*	2007*	2008
Sales, SEK m	1,289	1,501	1,361	2,497	3,299
Operating profit/loss, SEK m	59.8	95.7	56.1	-11.1	149.9
Operating profit excl. one-off items, SEK m	58.9	95.7	86.9	150.4	215.9
Operating margin, %	4.6	6.4	4.1	-0.4	4.5
Operating margin excl. one-off items, %	4.6	6.4	6.4	6.0	6.5
Equity/assets ratio, %	24.3	29.7	40.0	23.5	33.6
Earnings per share, SEK	2.32	3.91	2.62	12.82	5.14
Average number of employees	1,444	1,636	1,509	2,672	3,631

** Adjusted for activities sold*

Your global partner in **engineering services** and **product information**

Semcon is a global technology development company active in the fields of engineering services and product information solutions. The Group has around 3,000 employees and activities at more than 40 sites on three continents.

Engineering services
Semcon helps companies in development-intensive industries to design products that increase sales and boost competitive strength. This takes place in individual assignments as well as in projects with specialist teams to come up with innovative solutions for the entire production chain, from pilot studies to finished product. Semcon constantly works with in-house processes to improve quality, keep costs down and create the conditions required to quickly come up with smarter, safer, more functional and eco-friendly products where knowledge is transferred between different industries. The Automotive R&D and Design & Development business areas are active in this field.

Product information
Products today are becoming more technically advanced. This also means that stricter demands are placed on the information for them, irrespective of whether it's for sales divisions to help towards increased sales, for workshops to facilitate maintenance and repair or for end-users to make the product easier to use. The Informatic business area is active in this field.

Business areas

AUTOMOTIVE R&D

The business area's 1,800 or so employees provide services to customers in the global automotive industry. Its offer includes focusing on concepts, design, calculation, construction, prototyping, testing, simulations and production. Semcon is a complete supplier and the services supplied by the business area complement automotive manufacturers' own resources. Implementation and delivery are adapted according to customers' requirements, from participating in customers' teams to in-house development projects. Business activities are in Sweden, Germany, Brazil, the UK, India, Spain and Russia. Customers include some of the world's largest car manufacturers such as Audi, BMW, Daimler, GM (Opel and Saab Automobile), Porsche, Scania, Volvo Cars, Volvo Trucks and VW.

Read more on page 24

Share of Semcon's sales, 62%

DESIGN & DEVELOPMENT

The business area has around 800 employees working with industrial design, product development and production development. The business area provides expertise and experience to achieve quicker, improved product development. The services includes requirement and concept studies, design, construction, embedded systems, testing, prototyping, verification, project management and production development. The business area carries out projects throughout the world from offices in Sweden, Germany and Malaysia. The business mainly focuses on the industrial, energy, telecoms and Life Science sectors. Customers include ABB, Alstom, AstraZeneca, Bombardier, Fortum, General Electric, Husqvarna, Pfizer, Saab AB and companies in the telecoms industry.

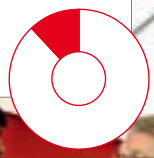
Read more on page 26

Share of Semcon's sales, 26%

INFORMATIC

The business area's 400 or so employees provide complete information solutions for the aftermarket and interactive market communication. Informatic's solutions are aimed at consumers and professional users. The business area supports customers' products throughout the entire product lifecycle, from sales and marketing to installation, maintenance and repair. The business area currently has offices in Sweden, the UK, Hungary and China. Customers are mainly in the automotive, telecoms and manufacturing industries and include Bombardier, GM (Saab Automobile and Cadillac), Jaguar Land Rover, Kockums and Volvo Cars.

Read more on page 28



Share of Semcon's sales, 12%

Continued internationalization

Semcon continued its internationalization in 2008 following last year's acquisitions and has, despite market conditions, reported good results. We currently have a strength and competitive advantage through our extensive expertise throughout the entire product development lifecycle and have extensive experience from many different industries that our customers can effectively benefit from.

Semcon reported its best results ever with sales of SEK 3.3 billion and an operating profit of SEK 150 million. This was despite profits being hit with a one-off cost of SEK 100 million due to the effects of the financial crisis and the declining business cycle in Q4. We reduced our debt/equity ratio in 2008 from 1.6 to 0.7 and improved the equity/assets ratio from 23 per cent to 34 per cent and now have a good financial position for 2009.

We are continuing our internationalization and are marketing the Semcon brand on all markets. Cooperation today is with a large number of global groups from various industries and around 40 per cent of our business is outside Sweden, which is a share that's increasing. This internationalization is boosting our competitive strength and providing us with benefits in terms of growth and spreading risks by cutting our dependency on individual customers.

Growth

Semcon is continuing to utilize the Group's international presence, meaning that we're transferring our skills and are now offering expertise in all our areas on a global scale. 67 per cent of all Semcon's sales come from the automotive sector, which is a drop of 4 per cent compared to 2007. We're conducting business in other industries and are seeing major growth potential in the industries less sensitive to economic fluctuations such as the energy, environment and offshore sectors. Growth in the product information area has mainly been in customer segments outside the automotive and telecoms industries. Semcon still has excellent opportunities to grow organically but we will also take advantage of the acquisition opportunities that are often created in times of financial crisis and recession.

The financial situation mainly affecting the automotive industry has meant a drop in business volumes, which has caused staff redundancies in Sweden and Germany and a reduction of office space and reserves for bad debts. Growth in the commercial vehicle sector in Brazil is continuing and since spring 2007 we have employed a further 200 individuals. More long-term contracts have strengthened the position in the region, which guarantees continued growth. We're building a platform for future business on the Indian market in the automotive and aviation industries. The positive trend is continuing in the UK and we are today an established player on the market. The business in Hungary has expanded throughout the year and developed well and the Chinese business is continuing to develop according to plan.

It's when we work in projects and partnerships that our customers really notice our strength as this gives us the opportunity to improve efficiency and benefit from our global presence with employees around the world. Proof of this is that we are now receiving more inquiries than ever before and this includes everything from specific specialist services to major comprehensive projects. Semcon has an extensive range of expertise in order to carry out major projects with a high degree of technical complexity and thereby spread the risks and work towards good profitability in our business.

The future

The focus in 2009 will mainly be on continuing to cultivate new and existing customers and we will benefit from the Group's size, infrastructure and customer base in our prioritized industries. The Semcon brand is now marketed on all markets and all the Group's expertise is offered to all customers from all our sites around the world. The internationalization is continuing and it's outside Sweden where growth is expected in the future. We have a broad customer base in Sweden in the engineering services segment and we are continuing with our internationalization, especially towards the automotive sector where we are seeing growth potential in Germany and BRIC countries. We are investing in increasing sales for the energy, offshore and environment sectors. We will continue expanding the business internationally over the long-term in the product information segment. The

We're focusing on safeguarding and retaining our good financial position in order to stand strong when economic activity improves again.

ambition is to create a broader customer base with customers in many different market segments and boost the number of projects and partnership business in order to utilize our strengths in these areas.

We're continuing to develop our range on the respective markets by positioning Semcon as a global development partner with extensive expertise and experience. We're seeing a continuing major need for technology development service on the market even though we've seen a weakening trend recently. This means that we must focus on safeguarding and retaining our good financial position in order to stand strong when economic activity improves again.

The financial turbulence and uncertainty on the market means that 2009 will be a tough year and unfortunately we believe that we cannot discount further redundancies in the company. I am convinced that the future of the company in engineerings services and product information is very good and the market's demands for the development of more products and models at a faster rate will benefit the company. More engineering skills are needed and this convinces us that Semcon's expertise and range of services are competitive, which means we believe the long-term view for the future is bright.

Göteborg, 16 March 2009

Kjell Nilsson,
President and CEO, Semcon

vision

Semcon's vision is to be a global partner in engineering services and product information.

business concept

Semcon's business concept is, as a close partner to industry, to provide expertise that creates added value.

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 engineering services and product information**
- **be the natural first choice as an 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**

Jennie Östlund, Economist and
Patrik Ericsson, Electrical engineer

Principal strategies

- Focus on areas where Semcon has, or will achieve, a strong market position
- Create a strong presence on prioritized geographic markets
- Continually create value by adding and developing expertise for customers' future needs
- Utilize Semcon's international size and expertise in order to carry out major projects with a high degree of technical complexity
- Combine Semcon's various global resources in joint projects and assignments

Financial objectives

Outcome 2008

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

The operating margin in 2008 was 4.5 per cent (-0.4) and excluding one-off items was 6.6 per cent (6.0).

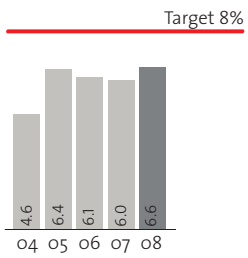
The equity/assets ratio will exceed 30 per cent.

At year-end 2008 the equity/assets ratio was 34 per cent (23).

Dividends to shareholders will be around one third of the profit after tax.

Semcon's dividend policy states that the company's financial position and capital requirements for continued expansion must be taken into consideration. The Board proposes that no dividend be paid for the 2008 financial year.

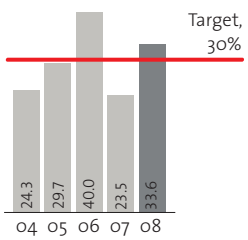
Operating margin, % *



** Excluding one-off costs*

The operating margin excluding one-off items, was 6.6 per cent (6.0). The Informatic and Design & Development business areas achieved margins of 14.5 and 13.4 per cent respectively.

Equity/assets ratio, %



Following last year's acquisitions, the equity/assets ratio is once again in excess of the Group's financial objective of 30 per cent.

Strategic priorities 2008	Outcome 2008
Benefit from the opportunities that the infrastructure and customer base at the acquired companies IVM Automotive and Caran have given Semcon through the extended customer offering, with expertise and resources from throughout the Group.	One of Semcon's major benefits today is the benefit to its customers through the expertise and transfer of experience that takes place between the various industries that the company is active in.
Consolidate activities in the Automotive R&D business area.	Following last year's acquisitions, the company now uses the Semcon brand on all markets. The infrastructure and expertise that exists in the company mean that specific teams can quickly be put together irrespective of market or organizational affiliation.
Focus on growth potential in BRIC countries, mainly in the Automotive R&D business area.	Over the year activities in Brazil have expanded with around 100 new employees. In Russia the business has generated a number of new contracts, which was mainly carried out in Germany. The office in India has grown with around 20 new employees and acts as a distance office to Semcon in Europe. We are investigating the Chinese market mainly from the Shanghai location.
Invest in increased growth in the Design & Development business area.	The business area had a successful year with organic growth of 7 per cent and significant demand from all prioritized industries of services provided, with a high degree of utilization.
Continued investment in internationalization in the Informatic business area and a greater share of complete assignments and packaged solutions.	The international share of the business area's sales for the year rose by 30 per cent, mainly because the collaboration with Jaguar Land Rover has been extended. Expansion is continuing in China and in addition to the office in Beijing a new office opened in Shanghai. The business in Hungary developed well. The share of projects and partnership business increased over the year. Organic growth was 9 per cent.

Strategic priorities 2009

- Benefit from the company's size, infrastructure and customer base in all prioritized industries for increased sales
- Develop Semcon's total range of services in the automotive industry globally
- Continue focusing on growth opportunities in BRIC countries
- Invest in extra growth in the energy, offshore and environmental sectors
- Continue the realignment from hourly-based consultancy invoicing to an increased number of projects and complete assignments and solution packages
- Focus on safeguarding and retaining Semcon's good financial position

Markets and trends

The economic climate weakened in 2008 following a strong start to the year, which affected Semcon and its customers. The forecast for 2009 remains uncertain, but many factors point towards a continued decline and the beginnings of a recovery no sooner than 2010.

The year started on the same positive note as in 2007, with a high degree of utilization and major orders for Semcon and other companies in the technology consultancy industry. The technology and design services sector in Sweden had sales of around SEK 40 billion in 2007 and the beginning of 2008 looked just as positive as in 2007. The latter part of 2008 saw growth stagnate, causing sales to drop. Svensk Teknik och Design, the industrial organization, forecasted in November 2008 that the industry's sales for 2008 would be around SEK 44 billion.

The automotive industry was one of the industries worst hit by the stagnation of the global economy at the end of 2008, and this also affected Semcon which has a large part of its business in this industry. Exposure towards the automotive industry fell over the year however, mainly because of Volvo Cars in Göteborg, whose share of sales fell from 21 per cent to 15 per cent annually. Certain companies in the automotive industry have not been hit so hard, which is why there is still potential for increased assignments over the long-term.

Semcon is a global company active on a number of geographic markets including Sweden, Germany, Brazil, India, the UK, Hungary, China, Russia and Malaysia. Developments in Hungary and the UK were positive and growth in Brazil has strengthened Semcon's position there. The German market has stabilized despite the structural costs that impacted the business over the year.

Semcon is seeing continued demand on the global market even though there has been stagnation as a result of the decline in economic activity. There is major uncertainty ahead of the coming year, with continued decline in 2009 and recovery being seen no sooner than 2010. GDP forecasts point towards negative growth in 2009.

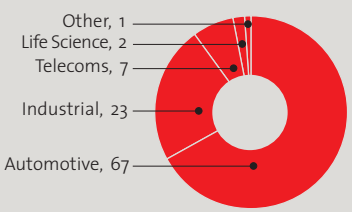
Semcon's comprehensive range of services does however make the company competitive. Even if the market loses volumes it's just as important to develop and design new products and models. A continued high rate of product development can therefore be expected over the long-term. More products are needed to meet the market's increasing demands and increased competition. There will be a shortage of engineers due to lots of engineers retiring, which will be a challenge for Semcon and its competitors in the future.

Semcon's industries

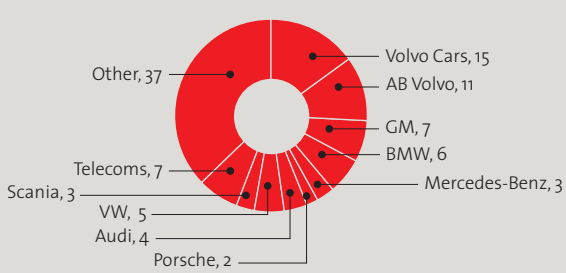
Developments in the industries where Semcon is active mainly follows the developments of the global economy in terms of growth and demand. Technical development is speeding up, which places tough demands on expertise and flexibility. Semcon's experience from many different industries and its ability to apply solutions and technical innovations from one industry to another provides the company with competitive advantages and synergy effects.

Semcon's business is constantly shifting towards other industries with good prospects, as focus on the automotive industry is diminishing. In recent years Semcon has

Sales per industry, %



Largest customers, %



completed projects in many different industries such as general engineering industry, telecoms and Life Science. Global warming and the greater focus on the environment that's widespread throughout the world, means a greater demand for more eco-friendly energy. Semcon is investing in the power and energy sector and developing technical solutions for the production of eco-friendly energy.

The long-term trend in the automotive industry is for manufacturers to develop more models and products every year in order to remain competitive. This means that there is a demand for more development work than ever before in order to design lighter, cheaper and safer vehicles with a range of fuel solutions. This requires innovation, efficiency and curiosity. Demands in the automotive industry for safety and eco-friendliness are increasing. The demand for small, fuel-efficient cars is increasing as more of the world's population are living in major cities. Another trend in the automotive industry is the grater degree of electronics and inbuilt systems in vehicles, which is placing increasing demands on electronic developments.

Greater focus on product development and faster production processes also applies to many of the other industries where Semcon is active. As product models' lifecycles shorten greater demands are placed on technical solutions and product information. Manufacturers have more complex working methods in terms of information. Development of new media also means that more end customers expect information through various channels. Traditional handbooks are being replaced or complemented by interactive solutions. This expected freedom is also linked to an expectation of constantly up-to-date information, which also increases demands on manufacturers.

Customers

Semcon's customers are active in a number of development-intensive industries. The company signed a number of international contracts over the year, which has cut its dependency on individual customers. The majority of the products and services that Semcon provide help towards customers' competitive advantages and are well-guarded secrets in the customers' business. This means that many of the solutions provided by the company are well known for many users, without them being aware that it was Semcon that took part in designing the solution.

Competition overview

Competitor	Country	Website	No. of employees	Annual sales, SEK m[1)]
Bertrandt	Germany	bertrandt.com	6,127	4,294
Edag	Germany	edag.de	5,880	6,669
Epsilon	Sweden	epsilon.nu	1,299	1,072[2)]
Etteplan	Finland	etteplan.com	2,142	1,555
Formel D	Germany	formeld.com	1,400	893
Italdesign[3)]	Italy	italdesign.com	1,500	Not accounted
Pininfarina	Italy	pininfarina.it	2,679	5,153
Rejlers	Sweden	rejlers.se	925	798
Rücker	Germany	ruecker.de	2,500	1,696
Semcon	**Sweden**	**semcon.se**	**3,310**	**3,299**
Sigma	Sweden	sigma.se	1,191	1,355
Sörman	Sweden	sorman.com	247	218[2)]
Valley Forge[4)]	USA	vftis.com	600	approx. 500[2)]
ÅF	Sweden	af.se	4,448	4,569

The trend in recent years towards increased consolidation in the technical consultancy industry stagnated in 2008 as the volume of corporate business was less than the year before. The competition table at the side describes some of Semcon's major competitors. Common to these is that most operate on Semcon's main markets in Germany and Sweden.

1) When converting from EUR to SEK the exchange rate on the balance sheet date has been used.
2) Sales figure is for 2007.
3) A network of companies.
4) Part of SPX Corporation (www.spx.com) and belongs to the Test and Measurement business area.

Global engineering

Semcon is a global partner in the areas of engineering services and product information and provides services to companies in development-intensive industries.

Together with its customers, who are among the world's leading companies, Semcon develops future technologies and products, for creating new business opportunities.

Customers' demands for expertise, innovation, ability to supply and market adaptation, encourages Semcon to constantly be at the cutting edge in terms of technology and product development. Semcon's customers are active in many different development-intensive industries, which provide extensive industrial expertise that benefit all customers.

Engineering services

Semcon helps companies in development-intensive industries to develop products that boost sales and enhance their competitive strength. This takes place both in individual assignments and projects where specialist teams come up with innovative solutions for the entire product development chain, from requirement studies to finished product.

Semcon constantly works with in-house processes to improve quality, keep costs down and create the conditions to quickly develop smarter, safer, more functional and more eco-friendly products.

Semcon is active in a number of sectors from the automotive industry, aviation, processing and packaging industry, power and energy sector, telecoms, offshore, pharmaceutical and med-tech industries, to other development-intensive engineering industries. This provides the company with extensive expertise and invaluable experience to take to future projects.

Product information

Modern products are becoming more technically complicated. This also means that greater demands are being placed on the information surrounding them, irrespective of whether they are aimed at sales divisions to boost sales, workshops to facilitate maintenance and repair, or to end-users to make the product easier to use.

Semcon has developed a range of services for producing information that is correct, effective, usable and bolsters the customers' attitude towards the brand and the product. Semcon manages the entire product information development chain, from development of information strategies, information design and information development to production, distribution and evaluation. The company also constantly developing the information production processes faster, simpler and more cost-effective. Semcon is mainly active in the automotive, telecoms and engineering industries.

Global presence

An important part of Semcon's business concept is to be active where its customers are active and be able to provide resources and services from a global perspective. Development-intensive industries are spreading rapidly across the world and new markets are constantly evolving. Production capacity is currently at more sites than ever before, which places greater demands on a global presence for companies like Semcon. In recent years Semcon has further increased its global presence by establishing sites and via corporate acquisitions. The company can quickly provide specialist expertise for various assignments by utilizing the expertise on the company's different markets depending on what customers ask for.

Antas • Bad Friedrichshall • Bangalore • Beijing • Berlin • Budapest • Böblingen • Dunton
Eskilstuna • Gislaved • Gothenburg • Grantham • Helsingborg • Ingolstadt • Jönköping
Karlskrona • Karlstad • Kineton • Kista • Kuala Lumpur • Lidköping • Linköping • London
Ludvika • Lund • Moscow • Munich • Olofström • Oskarshamn • Resende • Rhein-Main
Rickmansworth • Sao Paulo • Shanghai • Stenungsund • Stockholm • Stuttgart • Södertälje
Trollhättan • Uppsala • Västerås • Växjö • Wolfsburg • Waterlooville • Örebro

Packaging according to customer requirements

Semcon offers specialist competence services in a number of areas and provides engineering services and product information services. This not only applies to complete product development projects but also to separate specialist expertise. Always adapted according to customer requirements.

Interactive market communication
Semcon supplies communication strategies, concepts, production and customer solutions where interactive and mobile media are a major part of the branding experience.

Design and styling
Semcon develops products that boost sales and strengthen brands. Design and solutions can be visualized via drawings and virtual and actual models. During this process attention is paid to market demands, aesthetics, ergonomics, function, environment and production requirements.

Method development, CAD and PDM
Semcon supplies method development, implementation of CAD and PDM systems and training. We make the product development process more effective by helping customers choose the best PLM tool.

Mechanical engineering
Semcon provides expertise in all forms of product and production development and works with most types of product and with production equipment and processes, from manual to highly automated production.

Calculations and simulations
Semcon develops concepts and evaluates design, durability, simulation and balance of functional attributes. Calculations and simulation allows us to verify products prior to the hardware being available. This improves the quality of the customers' products while cutting development times and costs.

Functional performance and testing
Semcon provides complete solutions for developing and testing all properties of a product. The company's expertise is used in all product development phases and sets objectives and verifies that it's the right quality and performance that strengthens the product. Testing methods and solutions such as field tests, climate and environment tests, function tests, NVH and durability and safety tests are provided.

Development of bodywork, interiors, chassis and driveline
Semcon is a development partner to the international automotive industry for engines, gearboxes, drivelines, chassis, bodywork, exteriors and interiors. The company meets tomorrow's demands for fuel consumption, emissions, performance, road holding, crash performance, design, weight etc.

Model and prototype manufacturing
Semcon works with manufacturing prototypes through free-forming technology, vacuum moulding and form moulding of plastics and fibreglass. The company also manufactures prototypes in steel and combinations of many materials and functions. This also includes manufacturing clay models, hard models and constructing products all the way to production cars.

Embedded systems
Semcon provides added value to customers' products by integrating intelligent systems into them and provides quality-assured hardware and software. Modern methods for developing software are also integrated into customers' product development.

Electronics systems
Semcon provides many electronics services, from control of energy use to design and implementation of embedded systems. Developing electronics systems is also carried out, such as control units, system architecture, test benches and test systems.

Complete product development
Semcon has extensive experience and expertise of the entire product development chain from idea to end product. Project and risk management is a part of Semcon's undertakings.

Project management
Semcon develops successful project culture in organizations throughout the world through consultancy assignments and training. The company provides analyses, advice, coaching, training, adaptation and implementation of project models.

Quality assurance
Semcon works with some of the most regulated industries in the world such as the nuclear, pharmaceutical, med-tech, bio-tech and automotive industries. The company ensures that both product and production equipment are designed according to applicable regulations in order to help customers maximize results and quality.

Manufacturing and process engineering
Semcon provides engineering expertise and project assignments in the energy and environment sectors for developing and streamlining facilities and processes. The company has expertise and experience of meeting challenges from pilot studies to streamlining existing production processes.

Aftermarket information
Semcon manages the entire development chain in product information from information strategies, design and development to distribution and evaluation. Our project managers, information designers, interaction designers, methodology engineers, technical writers and technical illustrators provide these services.

- AFTERMARKET
- PRODUCTION LAUNCHES
- HOMOLOGATION
- DOCUMENTATION
- PROCESS ENGINEERING/TECHNOLOGY
- PRODUCTION PLANNING
- QUALITY ASSURANCE
- MODEL AND PROTOTYPE MANUFACTURING
- TESTING AND VERIFICATION
- SYSTEM DEVELOPMENT
- PACKING
- ELECTRICAL AND ELECTRONICS DEVELOPMENT
- CONSTRUCTION
- CALCULATIONS AND SIMULATIONS
- DESIGN AND STYLING
- FEASIBILITY AND CONCEPT STUDIES
- MARKET COMMUNICATION

Business models

Semcon mainly works according to three business models:

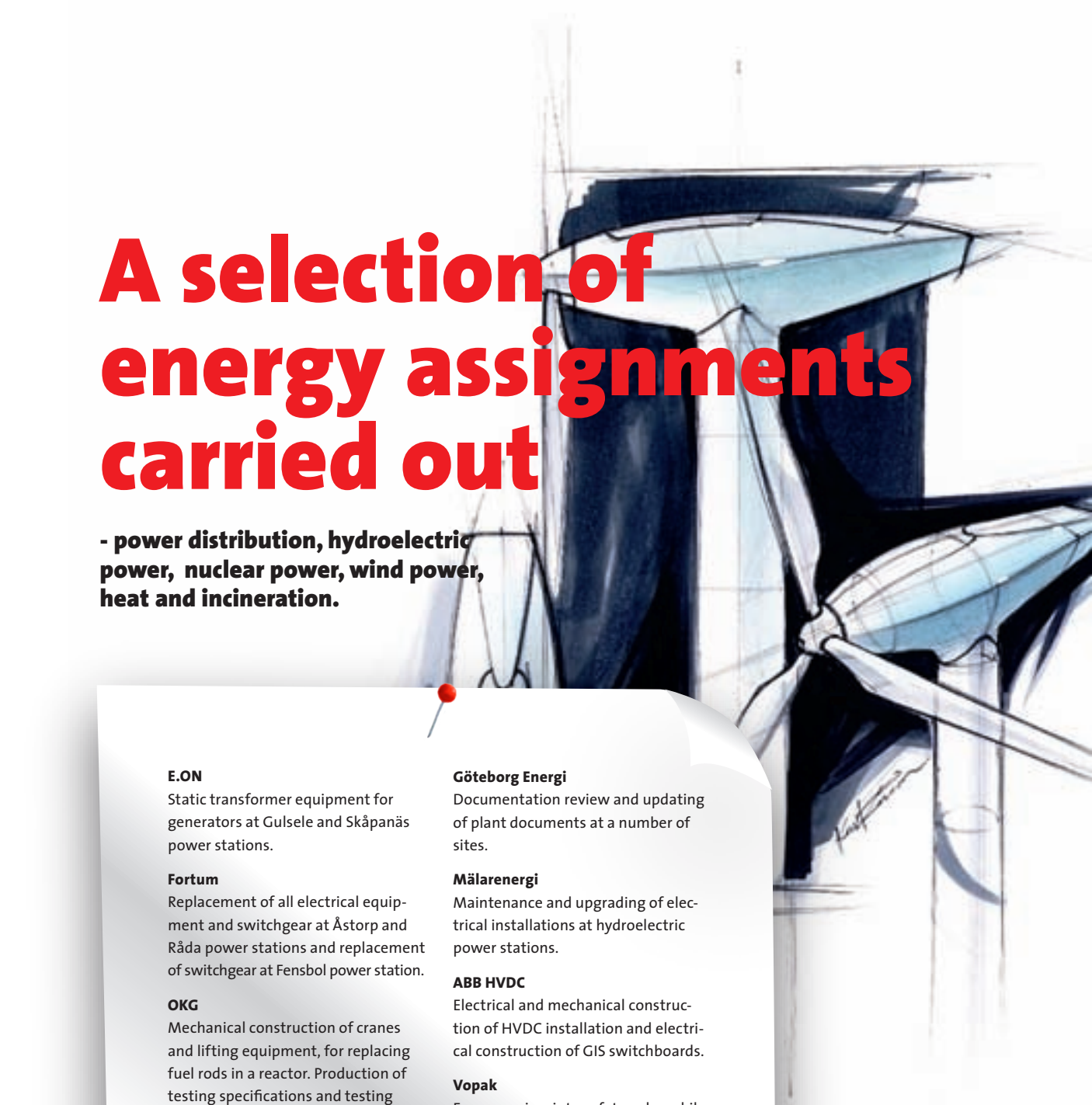
Direct services
Semcon provides specialists in various areas, who work together with customers' own organizations to provide temporary support.

Project services
Semcon takes significant responsibility for entire projects in, for example, product development or information production, and is responsible for supplying the required result. Work is run by Semcon in project form and adapted to customers' conditions.

Managed services
Semcon takes full responsibility for a defined function designed to provide products and services. The customers' entire processes are taken over including personnel and development resources, which creates value for the customer. Semcon's global presence also means that the company can manage assignments from customers with international business.

A selection of energy assignments carried out

- power distribution, hydroelectric power, nuclear power, wind power, heat and incineration.



E.ON
Static transformer equipment for generators at Gulsele and Skåpanäs power stations.

Fortum
Replacement of all electrical equipment and switchgear at Åstorp and Råda power stations and replacement of switchgear at Fensbol power station.

OKG
Mechanical construction of cranes and lifting equipment, for replacing fuel rods in a reactor. Production of testing specifications and testing instructions during the rebuild of a 6kV auxiliary/back-up voltage.

Vattenfall
Expert in validation, verification and quality assurance. Control equipment for cleaning systems for cooling water. CM/DM of construction documentation.

Göteborg Energi
Documentation review and updating of plant documents at a number of sites.

Mälarenergi
Maintenance and upgrading of electrical installations at hydroelectric power stations.

ABB HVDC
Electrical and mechanical construction of HVDC installation and electrical construction of GIS switchboards.

Vopak
Energy review into safety vulnerability and energy saving for a plant in Göteborg.

Andritz Hydro
Three-year agreement concerning construction and supply of all electrical equipment in the interface between control equipment and gas turbines.

Traceability crucial in the hunt for cancer's mysteries

Documentation is crucial for Aprea as the research company doesn't sell a real product but rather ideas. Since 2003, Aprea has worked on designing a drug that can treat several types of cancer and researching the protector protein P53.

Traceability is paramount for knowing what happens during the whole development process to be able to easily solve any possible problems that can appear during the development process. This can also be beneficial in the event of patent disputes to be able to show who first came up with the idea. Furthermore extremely strict quality demands are placed on the product. The pharmaceutical sector is a tremendously regulated area, which means that there's a demand for substantial knowledge about regulations and in which order things must be done. There are demands from authorities to protect patients and besides this pharmaceutical companies set up internal conditions to design the best possible product that generates satisfied customers. Aprea employed Semcon to ensure that the documentation would be correct, traceable and top quality. The project managers at Semcon Medical Life Science have worked with document management and traceability and introduced an online-based project tool for compiling all the documentation together. One system has been set up for identifying documents and archiving them as well as instructions for all employees to follow regarding report writing, documentation, submissions and signing original documents. Results will not only be written down – they must also occur in the right format. Aprea's biggest challenge has been to do as much as possible on a small budget. Therefore the people working on the project were extremely important.

"What Aprea won by buying in this competence is that we got really sharp people who worked quickly and the results have been excellent," says Thomas Uhlin, CEO of Aprea.

Savings by streamlining methodology

In the heat transmission sector, SWEP is a rapidly expanding, leading, global supplier of compact-welded heat exchangers. These are mainly used for applications in the cooling, heating, air-conditioning, ventilation, district heating and district cooling. To further raise quality in production SWEP wanted to make the method more efficient for product development of heat exchangers and Semcon's methodology developers – together with processers at the prototype workshop – took up the challenge. Semcon designed a method that helps explain complex areas to provide improved flow in heat exchangers and thereby avoid unnecessary vortexes forming, because this cuts the efficiency ratio. The assignment took six months to perform where Semcon analyzed and held training to further refine the method and meet SWEP's requirements.

The new method allows the CAD system to handle up to 40 times more space than before. This has led to major savings. In all Semcon's method has helped SWEP's heat exchangers produce an increased efficiency ratio and more efficient use of energy. The new technology is used at SWEP's facilities in Sweden, Switzerland, Malaysia, the US, Slovakia and China.

Innovative concepts **lead the way**

Being innovative, creative and visionary – these are some of the reasons why Semcon works with in-house concept development.

An electric motorbike for women, outdoor lighting with personal qualities and a vision for future transport systems. These are some of the in-house concepts that Semcon has developed recently, all to show how to progress with product development.

"For Semcon this is a way of showing our creative and innovative extremes, that our strength lies in our expertise of developing everything from sketches to future visions and prototypes, even with our own processes. We want to work proactively, both towards existing and potential customers, in order to inspire and create new ideas," says Charlotta Utterström, head of the Design/Styling & Prototypes department.

One example is the electric motorbike for women designed by Michael Hallgren.

"It's mainly men that ride motorbikes, but that's more a result of the products not being designed for other target groups than because men want them more."

The challenge was to create a product that appealed to the target groups both in terms of function and looks.

"We added more storage and made it more visible at night with reflective material and artificial sounds from the electric motor. The sides were covered with neoprene and by adding a zip it was easy to make extra storage area for a laptop. But a motorbike is mainly a recreational vehicle so it also had to be fun to ride and stylish," says Michael.

Designer Pär Heyden was behind two of the other concept developments: the personal lamps and the futuristic transport system. The lamps are part of a family of outdoor lights where each lamp has its own soul, personality and lighting character.

"We wanted to show that products don't just need to consist of design, material and function. Adding behaviour to a product also means that you can create a different relationship to the customer. Products can be living, personal bearers of communication," says Pär.

Pär has also come up with visions for a futuristic transport system for 2020. The visual ideas are presented in a film and created a lot of attention. This partly led to assignments with major automotive manufacturers in Europe.

"Concept development is all about sending out a beacon into the future that guides you in the right direction and providing you with a reference point for your work," he says.

World-leading safety work with

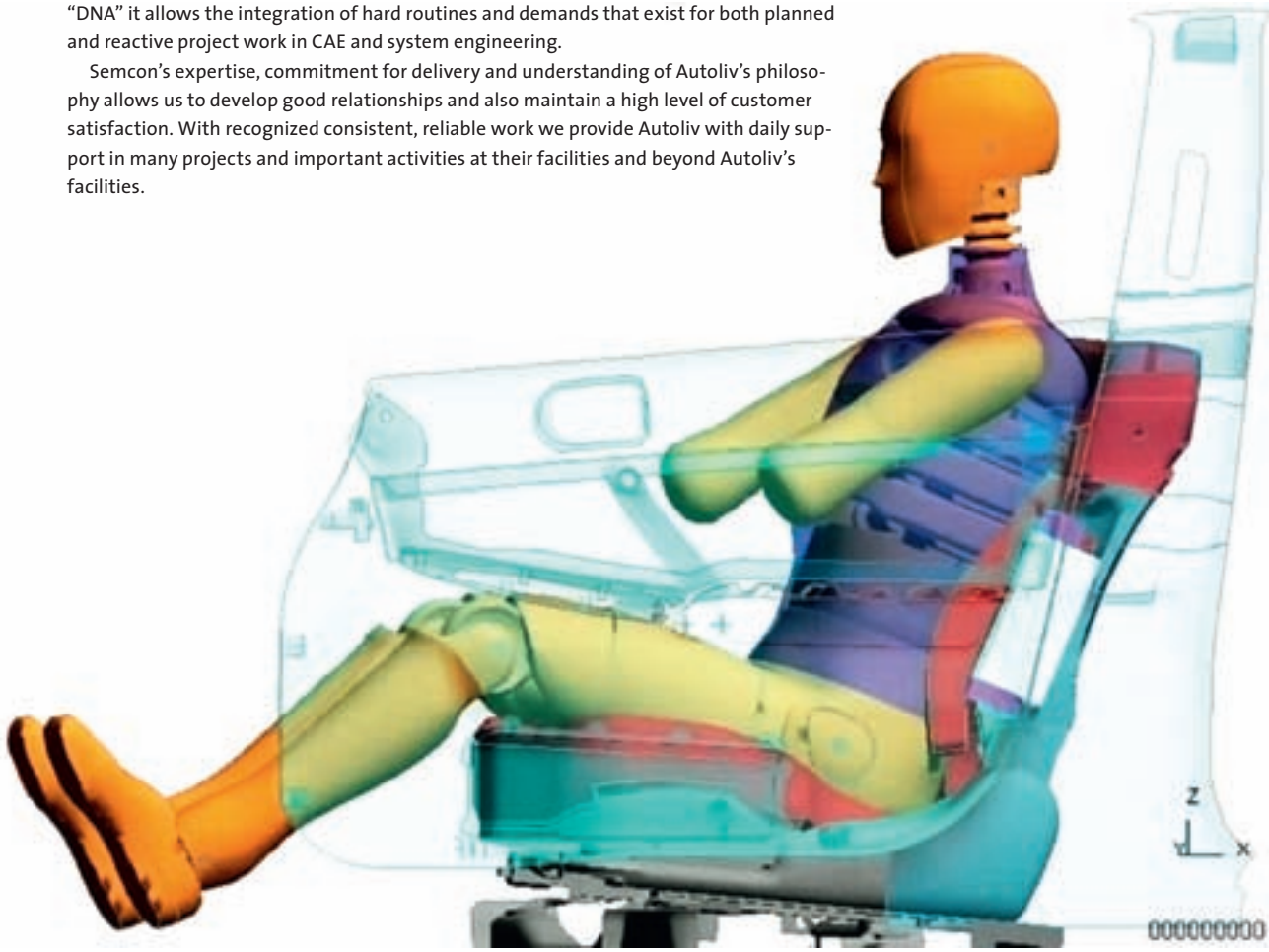
Autoliv

Autoliv is a world-leader in automotive safety with years of experience of innovative safety systems. The company's initiatives mainly deal with improving passenger safety. As part of a competitive market automotive manufacturers will always strive towards cutting costs and improving results.

The efficiency of product development can be boosted by using CAE and seamless integration of a complete system for fastening in passengers. The challenge is to support Autoliv in developing highly modern safety systems by taking part in concept studies application projects and method development.

Semcon has years of experience of safety systems in a number of different areas from virtual CAE design and system development to test analyses. The safety group consists of a lot of experienced engineers in the field of CAE simulation, systems analysis, system coordination and program management. Because Semcon fully understands Autoliv's "DNA" it allows the integration of hard routines and demands that exist for both planned and reactive project work in CAE and system engineering.

Semcon's expertise, commitment for delivery and understanding of Autoliv's philosophy allows us to develop good relationships and also maintain a high level of customer satisfaction. With recognized consistent, reliable work we provide Autoliv with daily support in many projects and important activities at their facilities and beyond Autoliv's facilities.



Prize-winning design for light fittings

In lighting control people have been forced to choose between form and function for a long time. People who chose control functions have had few fittings to choose from, while those who prioritized design have been steered towards complicated control systems or no control at all. Fagerhult wanted to change that and decided to combine lighting control and design.

Fagerhult develops, manufactures and markets lighting systems for public outdoor and indoor environments and for interior design. After Semcon won a design competition for light fittings organized by Fagerhult the company chose Semcon for a complete design assignment. The assignment was for Fagerhult's Open Box light fitting, which is an important part of the intelligent e-Sense light steering system. The fittings have sensors that detect movement in the room, measure the amount of daylight and adjust the light accordingly.

In close cooperation with Fagerhult, Semcon has been responsible for design sketches, project management, mechanical construction and prototype development. Open Box consists of a combination of moulded aluminium and ends and sides made from extruded aluminium and the transition between the parts are almost invisible. After adaptation a prototype of "The art of Open Box" was supplied to Fagerhult's test laboratory.

The light fitting has won lots of major design awards and is now one of Fagerhult's main products. Apart from Open Box creating new room concepts that draw the eye away from the light source the light control technology can also cut energy consumption by as much as 75 per cent.

Shorter lead times in documentations processes

Modern society depends on safe, uninterrupted electricity supplies. The task of every electricity power system is to generate, transfer and distribute electrical energy with the desired accessibility, quality and cost, with the least possible risk to people and the environment. ABB constantly develops new generations of circuit breakers thanks to global expertise in circuit breaker technology.

To devote its time on its core business ABB chose Semcon in 2007 as its partner for development and production of ABB Circuit Breaker's customer documentation. The challenge for Semcon was to cut lead times in all parts of the documentation process and enable a more effective working method in order to avoid cost increases. New methods and a new IT support function was introduced in 2008. This has meant that text and CAD models can now be reused much better. It's also meant shorter lead times in various sub processes and significantly lower translation costs concerning customer documentation.

The work with product documentation is part of the overall range within Semcon's technical information, where Semcon is responsible for the control and management in terms of production in progress. The success of this range and the project for ABB Circuit Breaker shows that Semcon is up to date with this type of cost-efficiency initiative. For Semcon the project's positive results have strengthened the plan of focusing more on project business and complete assignments in terms of development of cost-effective solutions for customers.

Volvo C30 – **greenest** in its class

It took 14 months for Volvo Cars to be best in class for fuel-efficiency. A completely new way of making eco-cars came along with the creation of the Volvo C30 1.6D DRIVe.

Volvo Special Vehicles decided in 2007 to come up with a competitive candidate for the hot environmental debate, the Volvo C30 1,6D DRIVe. Together with Semcon they succeeded in realizing the ambition faster than anyone had dared to believe.

"We developed it in 14 months, including all the test runs. That's an extremely short period of time," says Lennart Stegland, CEO of Volvo Special Vehicles.

Volvo C30 1.6D DRIVe is an extremely fuel-efficient car and with diesel consumption of 0.44 litres per 10 kilometers and CO_2 emissions of 115 grams per kilometer it outclasses the competition in the same segment – it also has considerably improved road-holding properties compared to the original version.

Through cross-functional, theoretical studies the team went through every part of the car including its parameters and the aim was set in stone: CO_2 emissions cut from the existing 129 grams per kilometer to 119, which is below the Swedish "eco-car limit" of 120 grams per kilometer.

"There would be no compromise. If we'd ended up at 120 we would have failed," says Mikael Skogsberg, technical project manager at Semcon.

Wind tunnel tests began early on because we realized that aerodynamics were the most time-consuming part of the project. In the next phase work concentrated on four areas: aerodynamics, chassis, driveline and servo steering. The theoretical calculations had shown exactly where the major fuel savings could be made.

On the "inside" the engine was optimized with the help of new software, unique to the DRIVe concept. The gearbox was given a new ratio for third, fourth and fifth gears and given a new low friction oil. The steering system was improved and a new gear indicator was added to the information display on the instrument panel.

On the "outside" all focus was on reducing the car's wind resistance. A new, lower chassis and a partially covered grille gave the nose considerably improved aerodynamic properties. The specially designed low friction tyres from Michelin and aerodynamic aluminium Libra wheels gave the C30 its final look. They were designed with the aim of achieving the best possible balance between safety and fuel-efficiency.

"The focus all the time has been on CO_2 emissions. But we never wanted to compromise with the car's other road-holding qualities. The aim was to deliver something that was genuinely better in all areas," says Lennart Stegland.

Benefit for customers with **industry-crossover expertise**

One of Semcon's main advantages is the benefit to customers through expertise and experience from many different industries.

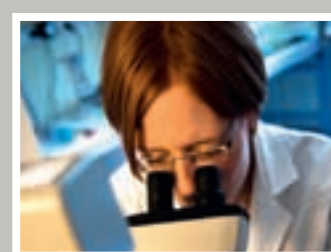
The aerospace and automotive industries are good examples. NASA for example is currently developing a vehicle for driving on the moon and on Mars, where the astronauts can sit without space suits. This is where Semcon's extensive experience of ergonomics and HMI (Human Machine Interface), both in the automotive and aerospace industries, has been used in an introductory exchange for the implementing of a safety system combining a head-up display and a voice steering system.

Sound, or rather the elimination of sound, is another important area in both the automotive and aviation industries and this is where Semcon plays an important role as a specialist in acoustics and Active Noise Control (ANC). The challenge is in minimizing sound by adding new sound so that they almost cancel each other out. This is a technology that the aviation industry's tough demands has developed that the automotive industry is now taking advantage of.

Another example of know-how transfer comes from Atlas Copco, which has developed drilling equipment with cabs. This project has allowed Semcon to benefit from ergonomic experience from setting demands, where virtual demand models, as early as the planning phase, save time and safeguard that legislative demands, ergonomic recommendations and HMI are built into the development environment.

Semcon's extensive experience from the pharmaceutical and med-tech industries will benefit the energy sector because both are heavily regulated industries where specialist expert validation and regulatory demands are vital. An example of this is the nuclear power industry where Semcon has extended cooperation with existing customers over the year.

The various projects Semcon is involved in are often internal company secrets that are established in the company's business and whose solutions have been developed with the benefits from technologies from completely different industries.



Motoman
united on the web

When Japanese company Motoman wanted to create a joint web platform for its European business, Zooma by Semcon was given an extremely challenging assignment.

Motoman is the Japanese industrial Group Yaskawa Electric Corporation's robot division, a company with over 8,000 employees and more than 200,000 industrial robots installed globally and the world's largest robot manufacturer. The need for a new, European platform started taking shape in 2006 when they realized that years of rapid organic growth had splintered Motoman's communication profile.

"We were in a situation where our European markets had their own, local websites that were all different. Our vision was to create a joint European web platform showing a united front on the internet," says Kajsa Pettersson, marketing manager at Motoman Europe.

The choice of business partner to create a joint European web platform fell on Semcon-owned interactive firm Zooma. The aim was not only to create a website, but also to fill it with strategic content and find a solution that was prominent on the market.

Zooma's first task was to come up with a web strategy where Motoman's aims and customer's needs were specified. During a three-day workshop Zooma and representatives from Motoman's European organization probed into how the web platform should be used in its business.

"What were the focus areas? What was the most important target group? How did they want to formulate the range? Starting with the strategic issues was an important impetus for the entire project," says Martin Egerström, project manager at Zooma and in charge of the assignment.

Customer interviews were also carried out to find out what requirements customers had for the web platform. It was then time to design a joint graphic profile and decide on how we express ourselves in words, written by Zooma. Finally, all that remained was the actual task of programming the design and function specifications to the operational websites.

Text, pictures and other content were published on the new web platform in autumn 2008. Motoman's new website was complete: a joint English master site for the whole of Europe and 11 domestic sites in local languages with adapted content for the company's local markets.

"We've received very positive feedback, both internally and from customers. The site is seen as easily navigable and has a good, functional design," says Kajsa.

Curious to see the result? Visit Motoman at www.motoman.eu.

Daniel Tapper, Calculations engineer

Key indicators	2006	2007	2008
Sales, SEK m	530.0	1,512.7	2,058.3
Operating profit/loss, SEK m	27.2	63.0	-20.8*
Operating margin, %	5.1	4.2	-1.0
Share of total sales, %	38.9	60.6	62.4
Employees on 31 Dec	615	2,401	2,025
Sales per employee, SEK 000	862	875	899
Operating profit/loss per employee, SEK 000	44	26	-10*

* of which one-off costs of SEK 100 million negatively affected the business and excluding these costs gave an operating margin of 3.8 per cent.

Automotive R&D

The Automotive R&D business area specializes in automotive development in the global automotive industry, covering everything from model updates to developing completely new vehicles. The business area complements vehicle manufacturers' own resources and Semcon's expertise is tailored according to individual customer's needs.

The business area reported better figures for the first three quarters than last year in terms of sales and results, but felt the effects of the cutbacks in the automotive industry in Q4. Despite this, sales improved and amounted to SEK 2,058 million (1,513), of which a growing share comes from assignments outside Sweden. The business was hit with one-off costs of SEK 100 million as a result of the cutbacks, consisting of staff cuts, reducing office space and reserves for bad debts. The operating loss was SEK 21 million (+ 63). The operating profit before one-off costs was SEK 79 million (63) with an operating margin of 3.8 per cent (4.2).

Automotive R&D's most important market is Germany. There are major opportunities for extra business that can be undertaken not only locally in Germany but also in other regions. Activities in Germany stabilized over the year and showed positive operating results and cash flow. Cooperation with German car manufacturers is strengthening with an increased number of assignments and enquiries.

Activities in Brazil and the UK continued to expand despite the global crisis. This includes long-term contracts in Brazil, which have strengthened Semcon's position in the region. Semcon is currently considered as a significant supplier of design and development-related services for the entire automotive sector in the UK. The office in India, which is in a start-up phase, is mainly a distance office to Semcon in Europe. The financial crisis has caused major insecurity and turbulence on the Russian market.

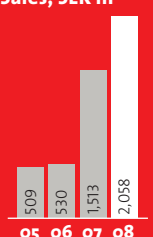
300 individuals were made redundant in Göteborg as a result of Volvo Cars' major cutbacks in Q4. There were additional structural changes such as staff cuts and less office space in Rüsselsheim and Munich due to the decline in business volumes from GM and BMW. This resulted in a change in the customer structure for the business area.

The business area employed 2,025 people on 31 December, of which 896 in Sweden, 873 in Germany, 207 in Brazil, 19 employees and many sub-consultants in the UK and 30 in India. The business area has a wide range of competence in design, construction, electronics, testing and simulation and has invested heavily over the year in facilities with model and prototype workshops and test facilities in Germany and a new office and infrastructure in Brazil.

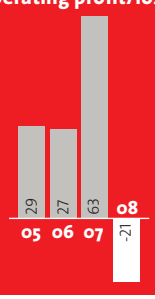
The strategic plan for the business area remains unchanged, focusing on international activities and increasing the percentage of projects. 54% of the business area's sales currently originate from activities outside Sweden and that percentage will increase in 2009. This successive internationalization, with the main focus on Germany and BRIC countries, boosts competitive strength and provides benefits for growth and spreading risks.

Despite the insecurity in the automotive industry the business area still sees a major need among its customers for product development services by focusing on smaller, more efficient, more eco-friendly and safer vehicles. The crisis in the automotive industry will however negatively affect business volumes in 2009.

Sales, SEK m



Operating profit/loss, SEK m



Sales have grown by 61 per cent compared with 2007. Organic growth for the year saw a negative figure of 4 per cent. Sales have mainly been affected by the drop in business volumes in the wake of the financial crisis. The operating profit/loss has also been affected by the problems faced by the automotive industry and mainly at companies in the GM and Ford Groups and hit the business area with SEK 100 million in one-off costs. The operating profit, excluding these costs, would have been SEK 79 million.

Annika Berger, Industrial designer

Key indicators	2006	2007	2008
Sales, SEK m	490.6	620.5	851.7
Operating profit, SEK m	15.8	52.4	114.4
Operating margin, %	3.2	8.4	13.4
Share of total sales, %	36.0	24.8	25.8
Employees on 31 Dec	606	906	869
Sales per employee, SEK 000	810	882	919
Operating profit per employee, SEK 000	26	58	132

Design & Development

Design & Development provides joint expertise in product development, industrial design, project management and production development. The business area provides services to development-intensive sectors such as industry, Life Science, energy and telecoms.

It's been a successful year for the Design & Development business area in terms of sales, earnings and growth. Sales rose by 37 per cent to SEK 852 million (621) and the operating profit rose by SEK 62 million to SEK 114 million (52). The business area has witnessed pleasing demand for its services in all prioritized industries with a high utilization ratio, even though a reduction was reported in Q4. Organic growth was 7 per cent.

The business area established a number of satellite offices over the year and together with existing offices succeeded in expanding its business. This has meant that expertise from other business areas around Semcon have been able to be utilized better, which also provides opportunities to take on complete undertakings.

Design & Development's business is divided into four division: Product Development, Medical Life Science, Semcon Project Management and Embedded Intelligent Solutions.

The largest division in the business area, Product Development, had a very good sales and earnings trend over the year. Growth potential in the power, energy and environment technology sectors is considered good and the possibility of benefitting from experience from other industries is comforting to customers. The Projektema brand was acquired over the year. Projektema specializes in production technology, which has meant many new projects in this area.

Medical Life Science saw good growth and excellent results over the year and is continuing to underpin its position in the pharmaceutical, med-tech and biotech industries. Customers are provided with integrated system solutions and project management in order to meet regulatory demands.

Semcon Project Management, which offers project management training and services, completed projects in 40 or so countries and trained more than 4,000 individuals over the year. The division, with its extensive knowledge of a number of project management models and standards, also owns and is responsible for developing, implementing and training in PROPS V4 for industries around the world.

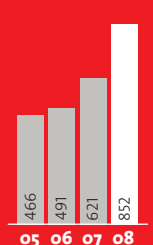
Embedded Intelligent Solutions (EIS by Semcon) offers the business area's services in electronic and software development for embedded systems. Demand for services in the area remains good even if competition has increased. In 2008 EIS completed a major project with Foruno of Japan in close collaboration with the regulator development units from the rest of Semcon. EIS is continuing to grow and aims to expand activities.

At year-end Design & Development had 869 employees and with its 18 offices has a strong local presence in Sweden, which customers value highly. The office in Malaysia employs 8 people. The majority of employees work in customers' development environments on hourly-based assignments, even if project business in increasing and now accounts for around 20 per cent of sales.

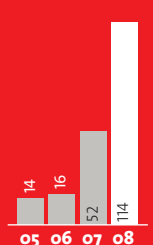
The energy, offshore and environment sectors are prioritized areas for the business area in 2009. The business area currently has extensive experience of working with customers and subcontractors in these sectors and sees major potential for expansion. Projects are currently underway in the offshore industry with wind power and hydroelectric companies. Design & Development's expertise and experience of validation and classification are in demand from these sectors. Customers can also benefit from Semcon's extensive experience from other areas of expertise, like construction and calculations.

Design & Development sees continued demand for its services even though the current market turbulence will mean lower business volumes over the short term.

Sales, SEK m



Operating profit, SEK m



Sales were up 25 per cent compared with 2007. Organic growth was 7 per cent. The operating profit rose by SEK 62 million to SEK 114 million. The positive growth is mainly due to the good demand and high utilization ratio.

Pernilla Montgomery, Project manager and
Andreas Gustafsson, Calculations engineer

Key indicators	2006	2007	2008
Sales, SEK m	340.8	364.2	388.8
Operating profit, SEK m	39.5	35.0	56.3
Operating margin, %	11.6	9.6	14.5
Share of total sales, %	25.0	14.5	11.8
Employees on 31 Dec	301	341	416
Sales per employee, SEK 000	1,132	1,068	935
Operating profit per employee, SEK 000	131	103	135

Informatic

The Informatic business area provides Semcon's solutions for technical information. The solutions cover the entire product lifecycle – from interactive market communication to aftermarket information.

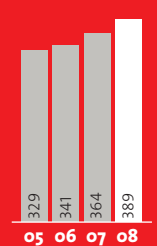
Informatic continued to report a very strong earnings trend. Despite flatter demand, mainly from customers in the automotive industry in Sweden, the business area reported organic growth of 9 per cent. Sales amounted to SEK 389 million (362) and the operating profit was SEK 56 million (35).

The long-term trend of more extensive product and model programs among customers in the business area's market segment is continuing, meaning that the need for product information increases as well as the complexity and demand for effective production. Focus over the year has been on extending the offer to include helping customers with information strategies and creating flexible information platforms. In addition, the business area has invested in in-house production systems in order to make development, production and maintenance of product information more effective. The business area has also been actively working to cut business risks by reducing dependency on individual industries and customers. Growth over the year has mainly taken place in customer segments outside the automotive and telecoms industries. The business area performed well in Sweden, especially in Göteborg, where there have been positive developments, mainly towards customers outside the automotive industry. The business area started activities in Linköping during the year to meet the customer's need for increased proximity in a better way.

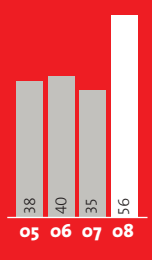
The Zooma subsidiary, which offers solutions within interactive communication, has started a strategic shift. A consequence of this shift includes customers being met earlier in the needs chain by being offered strategic development, focusing on interactive information over the internet. The international part of the business area's sales increased over the year. Activities in the UK over the year were very successful. The partnership with Jaguar Land Rover has generated measurable benefits for the customer, and cooperation has also been complemented with a number of undertakings and projects. The Hungarian office also progressed well during the year with both local business and back-office deliveries supporting several customers in Sweden and the UK. Back-office business has now become an established part of the business area's portfolio, which allows cost-effective production and development with top quality being retained. It has also been a driving force in creating new working methods where CAD-based information is used instead of physical product prototypes to produce top-quality product information and images. Expansion is continuing in China and a new office opened in Shanghai in addition to the office in Beijing. The customer base in China was extended over the year and now includes customers from both the telecoms and automotive industries.

Informatic had around 450 employees and sub-consultants at year-end in areas such as project management, technical information, information and interactive design and illustrations. Around 30 per cent of sales are generated outside Sweden and that percentage is expected to increase in 2009. The objective is to continue expanding the international activities over the long-term. The main growth is expected to take place with existing and established customers in Semcon's business areas in product development. The overall ambition for the business area is to generate a broader customer base with customers in more varied market segments. The short-term forecast is for the general market situation to be unstable and difficult to forecast. Overall however we see continued opportunities on our existing markets.

Sales, SEK m



Profit, SEK m



Sales rose 15 per cent compared with 2007 with organic growth amounting to 9 per cent. The operating profit rose by SEK 21 million and amounted to SEK 56 million, giving an operating margin of 14 per cent.

Sustainable business

Semcon is a global service company where employees' expertise is of the utmost importance for the company's success and profitability. Semcon strives towards running the business environmentally and socially sustainably.

Employees – Semcon's most important resource

Semcon currently has around 3,000 employees globally. One of the cornerstones of the company's corporate culture is entrepreneurial spirit and the importance of seeing every employee as an individual. Individual employees grow and develop by being inspired by one another and the projects run by the company.

Semcon aims at constantly developing its employees by letting them work in various projects day-to-day, taking responsibility, collaborating with colleagues and by transferring knowledge through various training courses. Semcon University provides in-house skills development activities via tutorial courses and e-learning. The range focuses on technical expertise and project management and is based on employees' needs and on the expertise Semcon believes customers will demand in future.

One of the main reasons customers use Semcon is its wide range of competencies and experience of its employees. All customer liaison managers at the company can quickly and efficiently find internal resources in different areas via Semcon's internal employee portal to man various projects and solve individual assignments. All employees' skills are collected, mapped and defined, which effectively facilitates matching skills to requirements.

Customer-oriented leadership

Semcon actively works with management issues, with leadership and sales programmes available at different levels within the company. This applies to new managers and for those who've worked for the company longer. The internal NextGen Leaders scheme provides management training for the company's younger employees, which ensures internal provision of future managers at the Group.

International opportunities

Semcon is currently active at 40 locations on three continents. The global presence, coupled with the projects the company runs with some of the world's largest industrial companies means that employees have the opportunity of working internationally. Semcon's satellite offices, where some of the customer's IT environment is made available at Semcon's offices, allows employees to provide engineering services to customers around the world from their home office. The complex projects that the company works with also give employees the chance to develop by being part of, and influencing, tomorrow's products from a number of different industries.

The challenge of attracting new employees

Semcon places great emphasis on being an attractive employer, both for existing and potential employees. The company takes part in exhibitions and other activities at universities and colleges to let people know about the business and attract new employees. Semcon organizes introduction days for all new employees where they learn more about Semcon using its business concept, strategies, objectives and vision. This is when Semcon presents its entire range and provides employees with an overall picture of the global Semcon. In addition, employee activities are organized several times a year at business area and departmental level in order for people to feel part of the Semcon family.

Project methodology

Semcon owns, develops, adapts, uses and trains in PROPS V4 project methodology for managing and controlling projects. The methodology is currently used globally by a number of major industry companies. Because users from various industries and markets have contributed in developing the methodology PROPS adds value compared to in-house developed project systems.

Tomas Linhard and Olle Erenstedt,
Project management specialists

Health and recreational activities

Keep-fit activities and a good working environment are important to give Semcon's employees the opportunity of a healthier lifestyle. One example is the recreational allowance that's offered for various keep-fit activities. Semcon also works actively with corporate healthcare to prevent and protect against work-related illnesses. Sick leave throughout the Group remains low.

Diversity and equality

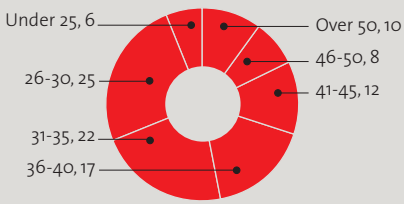
Semcon actively works to increase diversity and equality in the Group. This occurs naturally because the company has business activities in many countries around the world. A solid foundation is laid in order to form teams that meet customers' expectations through increased diversity, gender, age and cultural backgrounds. In Sweden Semcon is the lead sponsor of Tarantella, which is the Chalmers University of Technology's network for female technology students and several female engineers at Semcon are mentors.

Environment and quality

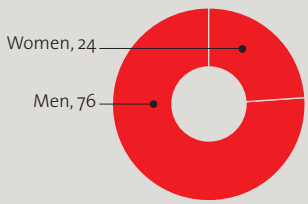
Semcon's environmental initiatives are integrated into everyday activities. The Group is ISO 14001:2004 certified. A number of central policies are in place to reduce the company's environmental impact, such as travel and company car policies, where the company is working to cut CO_2 emissions as much as possible. As Semcon is a service company its environmental impact is relatively low, which is why the company emphasizes what can be done for customers in this area. By helping customers find energy-efficient solutions and products that have little environmental impact Semcon can help towards reducing the environmental impact.

Semcon is also ISO 9001:2000 certified and quality-assurance initiatives permeate the entire business. Surveys such as the Satisfied Customer index are carried out regularly and the results show that customers are satisfied or very satisfied with Semcon as supplier and with the quality of the work carried out.

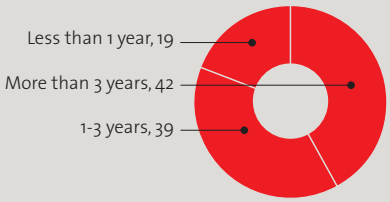
Age of employees, %



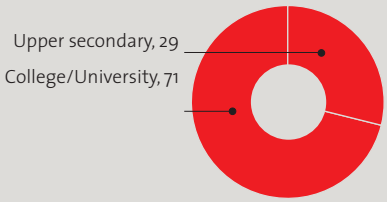
Gender division, %



Average employment duration, %



Level of education, %



Ethics and social issues

Because Semcon is a global company it is responsible for ethical and social issues around the world. These issues are becoming more important as the Group grows and establishes on new markets.

Semcon's code of conduct is an important part of internal employee training. The code of conduct summarizes the joint rules and policies that everyone at Semcon must work towards to ensure the best possible relationships with one another, to the company's business partners, customers, shareholders and those around us. This means, among other things, that all employees must act with social responsibility and within the framework of domestic legislation in all countries where the Group is represented. There is more widespread financial crime in many countries in the form of corruption, which Semcon takes a strong stand against. The Group also works actively to avoid child labour and forced labour and treats everyone equally.

Semcon's best contribution to social and financial development is by running the company professionally and profitably, which makes it possible to create jobs and support its customers. Semcon is also committed to contributing to sustainable development.

Semcon's code of conduct is published at www.semcon.se.

Key indicators	2004	2005	2006*	2007*	2008
Total number of employees, 31 Dec	1,471	1,672	1,522	3,648	3,310
Average number of employees	1,444	1,636	1,511	2,672	3,631
Sales per employee, SEK 000	893	917	902	935	909
Value added per employee, SEK 000**	619	625	602	555	592
Profit/loss after financial items per employee, SEK 000**	39.2	59.8	33.1	-13.3	35.1
Average age	38	38	38	36	36
Sick leave, %	2.6	2.8	2.4	2.4	2.2
Staff turnover, %	12	10	12	19	30

* The results for 2006 and 2007 have been reported for remaining business following the sale of the Zpider business area.

** The operating profit was hit negatively by one-off items of SEK 66 million for 2008, SEK 162 million for 2007 and SEK 31 million for 2006.

Sick leave, %	2004	2005	2006*	2007*	2008
Total sick leave	2.6	2.8	2.4	2.4	2.2
Of which long-term leave	1.2	1.2	0.9	0.7	0.5
Sick leave, women	4.3	5.1	3.3	3.2	3.0
Sick leave, men	2.1	2.1	2.2	2.1	2.0
Employees under 29	1.5	1.8	1.9	1.9	1.5
Employees aged 30–49	2.6	2.8	2.4	2.4	2.2
Employees over 50	4.4	4.1	3.4	3.0	3.2

Sick leave only applies to the Swedish market.

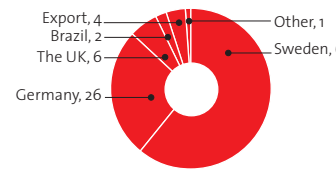
Risk and sensitivity analysis

Semcon is exposed to a series of risks that may affect the Group's results. Semcon has chosen to divide the risks the company faces into market-related, business-related and financial risks. Semcon evaluates and identifies significant risks continually at the organization and in strategic planning.

Market-related risks

RISK FACTORS	MANAGEMENT	EXPOSURE
Structural changes		
There is a trend among international Groups to employ the services of fewer but larger suppliers with a global presence. There is a risk that Semcon isn't seen to meet the requirements set regarding size and global presence.	• Semcon actively works towards a greater degree of internationalization in order to follow customers' developments. • In recent years the company has established offices at many locations outside Sweden and has been rewarded with large, complete, international assignments from groups such as Ford, GM, BMW, Daimler, VW, Audi and Porsche. • The structural changes also allow the opportunity of working in major projects or in partnership to take over responsibility for complete functions with a customer.	Semcon is a global company with activities in Sweden, Germany, Brazil, the UK, Hungary, China, Malaysia and India.
Business cycle-dependent customers		
Semcon's customers are affected to varying degrees by business cycles, where demands for Semcon's services can fall.	• Semcon believes that the breadth of its customer base reduces dependency on individual companies' sensitivity to business cycles.	• Semcon's customer base mainly consists of Nordic industrial companies in various industries and the German automotive industry.
Industry dependency		
Semcon's business can be affected too much by one individual industry.	• Semcon is expanding in industries outside the automotive industry, such as energy/environment and telecoms. Sales to the industry sector increased by 6 per cent.	• Exposure towards the automotive industry has increased due to the acquisitions in 2007, but since last year has fallen by 4 per cent to 67 per cent.

Share of sales by country, %



Sensitivity analysis

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

Variable	Change	Affect on profit before tax
Utilization level	1%	SEK 30 m
Fees	1%	SEK 25 m
Staff costs	1%	SEK 20 m
Volume/employees	1%	SEK 5 m

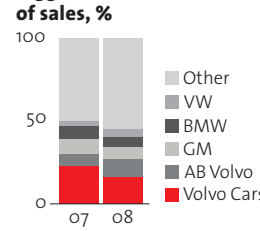
Seasonal variations, Sweden	Q1	Q2	Q3	Q4	Total
Number of working days 2005	62	61	65	64	252
Number of working days 2006	64	58	65	63	250
Number of working days 2007	64	58	65	62	249
Number of working days 2008	61	61	67	62	251
Number of working days 2009	62	59	66	63	250

Business-related risks

The main business-related risks are customer-dependency and key employees. There is always a risk of losing business or a customer. Read more about business-related risks in Note 3 on page 54.

RISK FACTORS	MANAGEMENT	EXPOSURE
Employees		
There is a risk that key employees or a large number of employees choose to leave the company.	• Semcon actively works to improve employees' job satisfaction. • Resources are set aside for training, recruitment and introduction activities. • The competition for skilled employees means that salaries can go up by more than the agreed contract states, both for entire groups of employees and individual key employees.	Staff turnover rates increase during periods of intense business activity, which we saw during the first three quarters of the year, but then saw a decline in the final quarter.
Individual customer dependency		
Customers can sometimes cancel projects at short notice. This might risk Semcon not being guaranteed full cost remuneration, especially for employees who can't immediately be transferred to other assignments.	• This risk is being monitored especially closely as Semcon grows and takes on bigger assignments/projects for individual customers.	The company's dependency on Volvo Cars has fallen gradually over the year and was 15 per cent for 2008.
Price pressure		
The risk of price pressure increases during recessions.	• Semcon provides competitive distance solutions in Hungary, India and China. • The company is increasing its share of projects and complete solutions.	Every percentage point of the total fee affects the result by SEK 25 million.
Fixed price		
Fixed price projects put the company under pressure if the project cannot be completed within the given cost ceiling.	• All projects are planned, budgeted and carried out according to joint, fixed working methods. • The Semcon Group actively works with project management and is ISO 9001 and ISO 14001 certified.	Semcon follows fixed plans in going from hourly-based business to increasing the share of project business and fixed price assignments. This increases risks but also provides opportunities to improve profits.
Responsibility		
There is a risk that improperly carried out assignments can affect earnings.	• Consultancy responsibility insurance is taken out in accordance with industry practice.	In the past Semcon has only ever used this insurance on a few occasions.

Biggest customers' share of sales, %



Financial risks

Semcon's exposure to financial risks has increased with the acquisitions in 2007. The company has identified five financial 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 54.

Cyro Mancio, Electronics engineer

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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 2008 financial year

Business activities
Semcon is a global technology development company with activities at more than 40 sites on three continents. The Group is active in the areas of engineering services and product information and is organized into three business areas: Automotive R&D, Design & Development and Informatic. Semcon has business activities at the following locations: Gothenburg (HQ), Antas, Bad Friedrichshall, Bangalore, Beijing, Budapest, Böblingen, Dunton, Eskilstuna, Gislaved, Grantham, Helsingborg, Ingolstadt, Jönköping, Karlskrona, Karlstad, Kineton, Kista, Kuala Lumpur, Linköping, London, Ludvika, Lund, Moscow, Munich, Olofström, Oskarshamn, Resende, Rhein-Main, Rickmansworth, Sao Paulo, Shanghai, Stenungsund, Stockholm, Stuttgart, Södertälje, Trollhättan, Uppsala, Västerås, Växjö, Wolfsburg, Waterlooville and Örebro.

Semcon's 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.

Events during the year
- An extraordinary general meeting on 7 February 2008 decided to:
  - appoint Hans-Erik Andersson as Chairman of the Board
  - introduce a long-term share savings scheme for the Group's employees
  - appoint Kjell Nilsson as the new president and CEO from 8 February 2008
- Semcon signed an agreement to acquire the brand Projektema.
- The AGM on 24 April 2008 elected Marianne Brismar, Jorma Halonen and Håkan Larsson as new board members.
- Activities in Germany, Brazil, the UK and India changed name and are now marketed under the Semcon brand.
- Staff cuts and a reduction of office space took place in Sweden and Germany during Q4. The staff cuts affected 340 people.

Events after the end of the financial year
- All class C shares were converted to ordinary shares on 12 January 2009. The total number of ordinary shares in the company from that date amounts to 18,112,534.
- Semcon realigned its business in Sweden and introduced a cost-cutting scheme. In total 300 people were affected. The cost-cutting scheme is expected to produce savings of SEK 15 million in 2009. The costs of the staff lay-offs and the cost-cutting scheme is expected to have an SEK 40 million impact on results for the first half-year.
- Semcon's largest owner, JCE Group, passed the mandatory offer level of 30 per cent of the company's voting rights on 5 March 2009. The JCE Group has subsequently made a mandatory offer of SEK 14 per share to all shareholders.

The work of the Board of Directors
The work of the Board of Directors is described in the section headed "Corporate Governance" on pages 76–79.

Remuneration to the Board and senior executives
Remuneration to the Board is decided by the AGM following proposals from the nominations committee. Remuneration to the board amounted to SEK 400,000 for the Chairman and SEK 200,000 for other board members not employed by the company. The Board decides remuneration to the CEO. Semcon has decided that the Board in its entirety will carry out the remuneration committee's assignments. Board members who are also part of the senior management team do not take part in this work.

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 remuneration shall be, reasonable, competitive and in line with market conditions. The fixed salary is set every calendar year. 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 58–59.

Incentive scheme
Semcon AB's EGM on 7 February 2008 voted to introduce a long-term share savings scheme and a convertible-based incentive scheme. The share savings scheme is open to all employees of the Swedish and German companies, with the savings period running from May 2008 to April 2009. Around 600 people signed up for the scheme. The share savings scheme in brief means that employees who participate 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. Employees who are given notice of redundancy will receive matching shares in advance. 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 convertible-based incentive scheme was bought back by the company in Q4.

Research and development
The majority of Semcon's development costs concern 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 2008 Semcon's share capital was SEK 18.1 million, or 18,112,534 shares, divided between 17,782,534 ordinary shares and 330,000 class C shares, all with a quotient value of SEK 1. All class C shares were converted to ordinary shares on 12 January 2009, meaning that 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. At year-end Semcon owned 330,000 class C shares.

Company acquisitions and sales

The Group did not acquire or sell any operating companies in 2008.

Sales and results

Operating income for the year rose by SEK 802 million to SEK 3,299 million (2,497 m). Organic growth was 1 per cent. The Informatic and Design & Development business areas had organic growth of 9 per cent and 7 per cent respectively. The drop in business volumes for Automotive R&D has meant negative organic growth of 3 per cent.

The operating profit during the year rose by SEK 161 million to SEK 150 million (-11 m), giving an operating margin of 4.5 per cent (-0.4). The operating profit includes lump sum income and one-off costs of SEK 66 million (-162 m). See Note 12 on page 61. Income refers to the pension premium discounts of SEK 34 million from Alecta and costs of SEK 100 million refer to the structural changes carried out in Sweden and Germany, plus reserves for bad debts. The profit excluding income and one-off costs amounted to SEK 216 million (151 m), giving an operating margin of 6.6 per cent (6.0).

The profit before tax was SEK 128 million (-36 m). Net financial items amounted to SEK -22 million (-24 m). The tax cost was SEK 36 million (-21 m), representing 27.9 per cent of the profit before tax. Swedish corporate tax has been cut to 26.3 per cent (28) from 1 January 2009. The cut in corporate tax has meant that the deferred tax liability has been re-valued and a tax income of SEK 3 million reported. The profit after tax was SEK 92 million (-56 m). The EPS was SEK 5.14 (12.84).

For the Automotive R&D business area sales amounted to SEK 2,058 million (1,513 m). The sales represent 62 per cent (61) of the Group's total sales. The operating loss was SEK 20.8 million, giving an operating margin of -1.0 per cent (4.2). Excluding one-off costs the operating profit for the business area was SEK 79 million (63) and the operating margin was 3.9 per cent (4.2). For the Design & Development business area sales amounted to SEK 852 million (621 m). The business area's share of the Group's total sales amounted to 26 per cent (25) and the operating profit was SEK 114 million (52 m), giving an operating margin of 13.4 per cent (8.4). The Informatic business area's sales amounted to SEK 389 million (364 m). The business area's share of the Group's total sales amounted to 12 per cent (14). The operating profit was SEK 56 million (35 m), representing an operating margin of 14.5 per cent (9.6).

Cash flow and financial position

The operating cash flow from current activities was SEK 138 million (24 m) and the Group's liquid funds amounted to SEK 118 million (117 m). There are additional non-utilized credit facilities of SEK 200 million. At year-end shareholders' equity was SEK 596 million (494 m), the equity/assets ratio was 33.6 per cent (23.5) and the debt/equity ratio was 0.7 times (1.6). Net borrowings amounted to SEK 428 million (778 m). The Group's financing was renegotiated in Q2 2008 and borrowings are made up of a bank loan of EUR 42.8 million (SEK 468 million at year-end). Currency exchange rate effects have meant that the loan, translated into SEK, rose by SEK 64 million over the year. Translation effects have not affected the results. The loan is due for repayment on 4 July 2009, with the option for the company to convert the loan to run for five years prior to the due date.

Investments

Investments in hardware, licences and office equipment in 2008 amounted to SEK 40 million, of which SEK 14 million in a new business system.

Employees

There were 3,310 employees at year-end, of which 2,050 (2,511) in Sweden and 1,260 (1,137) abroad. There was an average of 3,631 (2,672) employees at year-end. The average number of employees for each business area at year-end was: Automotive R&D 2,025 (2,401), Design & Development 869 (906) and Informatic 416 (341).

Risk and sensitivity analysis

Semcon is exposed to a series of risks that may affect the Group's results. Semcon has chosen to divide the risks the company faces into market-related, business-related and financial risks. Semcon evaluates and identifies significant risks continually at the organization and in strategic planning.

Market-related risks

The company has identified three market-related risks that may affect Semcon's results:

- Structural changes
- Business cycle-dependent customers
- Industry dependent

For a full description of market-related risks, see page 34.

Business-related risks

The main business related risks are customer-dependency and key employees. There is always a risk of losing business or a customer. Read more about business-related risks on page 35 and in Note 3 on page 54.

Financial risks

The company has identified five financial risks that could affect earnings:

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

Semcon's exposure to financial risks has increased with the acquisitions in 2007. A full description of financial risks is available in Note 3 on page 54.

Sensitivity analysis

A change in the following variables of 1 per cent would affect the profit before tax as follows:

Utilization level	SEK 30 m
Fees	SEK 25 m
Staff costs	SEK 20 m
Volume/employees	SEK 5 m

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 2008 do not affect the reported results or financial position. See Note 2 on pages 50–54 for more information.

Financial objectives

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

- an operating margin 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

In accordance with Semcon's dividend policy, consideration is given to the company's financial position and capital requirements for continued expansion. Due to the major instability currently affecting the market the Board proposes that no dividend be paid for 2008 (0).

Outlook for 2009

Despite insecurity on the market for some industries and individual customers, there is still a strong need for technical development services. The long-term trend where the market's demand for companies to develop more products, models and versions is continuing and means that Semcon predicts good business opportunities when the global financial crisis ebbs out. The outlook is however difficult to predict from a short-term perspective. Because most of Semcon's customers are continuing to lay-off staff and reduce purchasing consultancy services, the company predicts that further cutbacks cannot be discounted.

Parent company

Sales amounted to SEK 33 million (37 m). The loss after depreciation was SEK 14 million (-2 m). 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 in the parent company:

Profit brought forward and other shareholders' contribution	360,464,170
Profit for the year according to income statement	78,477,126
Group contribution	-7,761,528
Total	**431,179,768**

The Board proposes that the profits be distributed as follows:

Carried forward	431,179,768
Total	**431,179,768**

Consolidated

Income statement

SEK m	Note	2008	2007
Operating income			
Net sales	5, 6	3,298.8	2,497.4
Operating expenses			
Purchase of goods and services		-717.2	-594.3
Other external expenses	7, 12	-365.5	-251.0
Staff costs	8, 12	-2,030.7	-1,524.0
Depreciation of intangible assets	15	-7.5	-5.8
Amortization and write-down of intangible assets	12, 15	–	-112.2
Depreciation of tangible assets	16	-28.1	-21.5
Share in profits of associated companies and joint ventures	18	–	0.3
Operating profit/loss		**149.9**	**-11.1**
Financial items			
Interest income and similar items	9	6.9	5.0
Interest expenses and similar items	10	-28.9	-29.4
Profit/loss before tax		**127.9**	**-35.5**
Tax	11	-35.7	-20.7
Profit/loss after tax, continuing operations		**92.2**	**-56.2**
Profit/loss after tax, discontinued operations	13	**–**	**284.2**
Profit for the year		**92.2**	**228.0**
Of which attributable to parent company's shareholders		92.2	228.0
Of which attributable to minority interests		–	–
EPS, SEK	14	5.14	12.84
EPS after dilution, SEK	14	5.14	12.82
Number of shares at year-end (000)	14	18,113	17,783
Average number of shares (000)	14	17,948	17,763

Consolidated

Balance sheet

SEK m	Note	31 Dec 2008	31 Dec 2007
ASSETS			
Fixed assets			
Intangible assets	15		
Goodwill		564.3	516.6
Other intangible assets		30.0	18.9
Tangible fixed assets	16		
Buildings and land		–	9.9
Plant and machinery		22.9	26.1
Inventories, computers and equipment		59.3	54.6
Financial assets			
Shares in associate companies and joint ventures	18	21.1	21.1
Deferred tax recoverable	11	87.2	62.3
Other financial assets		1.9	1.9
Total fixed assets		**786.7**	**711.4**
Current assets			
Accounts receivable	19	658.1	662.1
Current tax receivable		–	24.5
Receivables in associate companies and joint ventures	20	0.9	2.1
Other receivables		41.9	351.4
Accrued non-invoiced income	21	134.5	192.0
Prepaid expenses and accrued income	22	36.5	43.2
Cash and bank balances		117.6	117.1
Total current assets		**989.5**	**1,392.4**
Total assets		**1,776.2**	**2,103.8**

Items in the balance sheet have been affected by considerable currency rate fluctuations. This has among others affected goodwill and interest-bearing long-term liabilities where the underlying items mainly in EUR have been translated to SEK at a significantly higher rate of 10.94 against 9.44 last year. Other receivables for 2007 included a receivable of SEK 311 million for the sale of companies in the Zpider business area. Payment was received at the beginning of February 2008 and the funds have been used to repay short-term debts.

Consolidated

Balance sheet

SEK m	Note	31 Dec 2008	31 Dec 2007
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	23	17.8	17.8
Other shareholders' contribution		34.8	34.9
Statutory reserve		8.9	-0.5
Profit brought forward including profit for the year		534.7	441.8
Total shareholders' equity		**596.2**	**494.0**
Of which minority share		–	–
Long-term liabilities			
Pension obligations	25	75.4	63.7
Deferred tax liabilities	11	45.6	53.7
Borrowings	26	468.2	347.9
Other long-term liabilities		–	–
Total long-term liabilities		**589.2**	**465.3**
Current liabilities			
Overdraft facilities	26, 27	2.5	154.4
Borrowings	26	–	329.4
Accounts payable – trade		93.9	154.7
Current tax liability		9.1	–
Other liabilities		75.8	104.9
Non-accrued invoiced income	21	53.3	52.8
Accrued expenses and prepaid income	28	356.2	348.3
Total current liabilities		**590.8**	**1,144.5**
Total shareholders equity and liabilities		**1,776.2**	**2,103.8**
Memorandum items			
Pledged assets	29	–	336.7
Contingent liabilities	30	3.3	8.6

Consolidated

Change in shareholders' equity

SEK m	Share contributions	Other capital	Reserves	Profit brought forward	Total	Minority share	Total share-holders' equity
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 owners	**–**	**–**	**-0.5**	**228.0**	**227.5**	**–**	**227.5**
New share issue	0.1	1.3	–	–	1.4		1.4
Minority interest in connection with sales	–	–	–	2.3	2.3	-2.3	–
Opening balance 2008	**17.8**	**34.9**	**-0.5**	**441.8**	**494.0**	**–**	**494.0**
Exchange rate difference*	–	–	9.4	–	9.4	–	9.4
Income and costs reported under shareholders' equity	**–**	**–**	**9.4**	**–**	**9.4**	**–**	**9.4**
Profit for the year	–	–	–	92.2	92.2	–	92.2
Total income and costs excluding transactions with company's owners	**–**	**–**	**9.4**	**92.2**	**101.6**	**–**	**101.6**
New share issue	–	-0.1	–	–	-0.1	–	-0.1
Share savings scheme	–	–	–	0.7	0.7	–	0.7
Closing balance 2008	**17.8**	**34.8**	**8.9**	**534.7**	**596.2**	**–**	**596.2**

* Closing accumulated exchange rate difference amounted to SEK 8.9 million.

As of 31 December 2008 the registered share capital consisted of 18,112,534 shares with a quotient value of SEK 1.
For further information, see Note 23, Share Capital.

Consolidated

Cash flow statement

SEK m	Note	2008	2007
Current activities			
Operating profit/loss after depreciation or write-downs		149.9	-11.1
Depreciation/write-downs	15, 16	35.6	139.7
Share in associated companies' results		–	-0.3
Profit/loss from machinery & equipment sold		-2.4	2.7
Other items not affecting cash flow		0.7	–
Interest received and similar items		6.9	3.8
Interest paid and similar items		-28.9	-29.5
Income tax paid		-27.0	-78.1
Change in allocations		–	0,9
Cash flow from current activities before changes in working capital		**134.8**	**28.1**
Change in working capital			
Increase/decrease in current receivables		58.1	-80.0
Increase/decrease in work in progress		49.0	14.1
Increase/decrease in current liabilities		-104.1	61.6
Total change in working capital		**3.0**	**-4.3**
Cash flow from current activities		**137.8**	**23.8**
Investment activities			
Investments in intangible assets	15	-14.7	-10.6
Investments in tangible fixed assets	16	-25.0	-26.3
Acquisition of Group companies/associated companies	31	–	-651.0
Payment from sales of Group companies/associated companies	31	311.0	–
Payment from sales of fixed assets		11.4	0.4
Cash flow from investments activities		**282.7**	**-687.5**
Financing activities			
Changes to overdraft facilities		-151.2	101.5
Borrowings	26	-274.0	650.4
Cash flow from financing activities		**-425.2**	**751.9**
Cash flow for continuing operations		**-4.7**	**88.2**
Cash flow for discontinued operations	32	**–**	**–**
Cash flow for the year		**-4.7**	**88.2**
Cash and bank balances at the start of the year		117.1	28.9
Translation difference		5.2	–
Cash and bank balances at year-end		**117.6**	**117.1**

Parent company's

Income statement

SEK m	Note	2008	2007
Operating income			
Net sales	6	32.6	36.8
Operating expenses			
Other external expenses	7	-26.2	-17.3
Staff costs	8	-20.1	-21.8
Operating loss		**-13.7**	**-2.3**
Financial items			
Interest income and similar items	9	1.6	0.1
Capital gain from the sale of shares in Group companies		–	301.2
Write-down of shares in subsidiaries		–	-120.0
Group contribution received		175.8	57.4
Dividend		6.1	–
Interest expenses and similar items	10	-31.1	-24.2
Profit after financial items		**138.7**	**212.2**
Appropriations			
Change in tax allocation reserve	24	-31.0	-2.1
Profit before tax		**107.7**	**210.1**
Tax	11	-29.2	-8.7
Profit for the year		**78.5**	**201.4**

Parent company's

Balance sheet

SEK m	Note	31 Dec 2008	31 Dec 2007
ASSETS			
Fixed assets			
Intangible assets	15		
Other intangible assets		–	–
Tangible fixed assets	16		
Equipment, computers and inventory		–	–
Financial assets			
Shares in Group companies	17	75.1	44.2
Receivables in Group companies		342.3	342.3
Total fixed assets		**417.4**	**386.5**
Current assets			
Receivables in Group companies		517.0	595.5
Current tax receivables		–	13.3
Other receivables		0.1	323.4
Prepaid expenses and accrued income		2.5	2.3
Cash and bank balances		45.8	–
Total current assets		**565.4**	**934.5**
Total assets		**982.8**	**1 321.0**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Restricted shareholders' equity			
Share capital	23	17.8	17.8
Statutory reserve		25.1	25.1
Unrestricted shareholders' equity			
Share premium reserve		13.2	13.2
Profit brought forward		339.5	145.9
Profit for the year		78.5	201.4
Total shareholders' equity		**474.1**	**403.4**
Untaxed reserves			
Tax allocation reserves	24	44.1	13.2
Total untaxed reserves		**44.1**	**13.2**
Long-term liabilities			
Borrowings	26	400.4	344.3
Total long-term liabilities		**400.4**	**344.3**
Current liabilities			
Overdraft facilities	26, 27	–	128.3
Borrowings	26	–	306.1
Accounts payable – trade		1.6	3.3
Liabilities Group companies		38.2	96.5
Current tax liability		7.8	–
Other liabilities		2.1	0.5
Accrued expenses and prepaid income	28	14.5	25.4
Total current liabilities		**64.2**	**560.1**
Total shareholders' equity and liabilities		**982.8**	**1 321.0**
Memorandum items			
Pledged assets		None	None
Contingent liabilities		None	None

Parent company's

Change in shareholders' equity

SEK m	Share capital	Statutory reserve	Share premium reserve	Profit brought forward incl. profit/ loss for the year	Total share-holders' equity
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
Opening balance 2008	**17.8**	**25.1**	**13.2**	**347.3**	**403.4**
Group contribution paid	–	–	–	-10.8	-10.8
Tax on Group contribution	–	–	–	3.0	3.0
New share issue	–	–	0.0	–	0.0
Profit/loss for the year	–	–	–	78.5	78.5
Closing balance 2008	**17.8**	**25.1**	**13.2**	**418.0**	**474.1**

As of 31 December 2008 the registered share capital consisted of 18,112,534 shares at a quotient value of SEK 1. For further information, see Note 23, Share Capital.

Parent company's

Cash flow statement

SEK m	Note	2008	2007
Current activities			
Operating profit/loss after depreciation		-13.7	-2.4
Interest received and similar items		1.6	0.1
Interest paid and similar items		-29.8	-24.3
Income tax paid		-4.9	-18.3
Exchange rate differences		-0.2	–
Cash flow from current activities before changes in working capital		**-47.0**	**-44.9**
Change in working capital			
Increase/decrease in current receivables		576.1	-277.5
Increase/decrease in current liabilities		-111.1	-74.3
Total change in working capital		**465.0**	**-351.8**
Cash flow from current activities		**418.0**	**-396.7**
Investment activities			
Group contribution received		6.1	–
Increase long-term receivables		–	-342.3
Cash flow from investment activities		**6.1**	**-342.3**
Financing activities			
Change in overdraft facilities		-128.3	88.6
Change to borrowings	26	-250.0	650.4
Cash flow from financing activities		**-378.3**	**739.0**
Cash flow for the year		**45.8**	**–**
Cash and bank balances at the start of the year		–	–
Cash and bank balances at year-end		**45.8**	**–**

Notes

NOTE 1 | General information

Semcon AB (publ) is a Swedish listed public company registered with the Swedish Companies Registration Office with Company Registration No. 556539-9549. The company is based in Göteborg, Sweden. The company is listed on the NASDAQ OMX Nordic Exchange Stockholm's Small Cap list under the SEMC ticker.

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 2008 were approved by the Board on 16 March 2009 and will be presented to the AGM on 29 April 2009 for final approval.

NOTE 2 | Accounting policies

Basis for preparing the reports

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 RFR 1.1 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 RFR 2.1 (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 given in SEK millions, unless otherwise stated. The Consolidated Accounts have been prepared in accordance with the acquisition value method.

New standards and interpretations

Changes and interpretations of existing standards that came into force in 2008

None of the changes or interpretations of existing standards that came into force in 2008 have had any effect on the Group's financial reports.

Standards, changes and interpretations of existing standards where the change has yet to come into force and have not been implemented in advance by the Group

IFRS 8, Operating Segments supercedes IAS 14, "Segment reporting" and will be applied from 1 January 2009. The new standard requires segment information to be presented from a management perspective, which means that it must be presented in the same way as for internal reporting. In Semcon's case this does not involve any changes as the current segment matches the internal reporting. The new standard does however involve certain additional information requirements compared to the current segment reporting.

IAS 1 (Revised), "Presentation of Financial Statements" (applicable from 1 January 2009). The revised standard requires that changes to shareholders' equity only concern transactions with shareholders. All changes to shareholders' equity not referring to shareholders must instead be submitted in one report (overall result report) or in two reports (separate income statement and overall result report).

The Group will apply IAS 1 (Changing) from 1 January 2009 and probably submit one overall result report.

IFRS 3 (Revised)* "Business combinations" (applies from 1 July 2009). The revised standard continues to specify that the acquisition method be applied for business acquisitions but with certain significant changes. For example, all payments included in the acquisition of a business must be reported at their actual value on the acquisition date, while additional conditional payments are classified as liabilities that are then revaluated via the income statement. Minority interests in the acquired business can, optionally for each acquisition, be either valued at the actual value or at the minority shareholders' proportional share of the acquired business' net assets. All transaction costs concerning acquisitions must be cost accounted. The Group will apply IFRS 3 (Revised) for all business acquisitions from 1 January 2010 onwards.

IAS 23 (Changing), "Borrowing Costs" (applicable from 1 January 2009). The change requires that a company activates its borrowing costs directly applicable to purchases, construction or production of an asset, which it takes significant time to complete for use or sale, as a part of the acquisition value of the asset. The alternative of immediately cost accounting these borrowing costs will be removed. The Group will apply IAS 23 (Changing) from 1 January 2009 but it is not currently relevant to the Group as there are no assets for which borrowing costs can be activated.

IAS 36 (Changing), "Impairment of Assets" (applicable from 1 January 2009). The change is part of IASB's annual improvement project published in May 2008. When actual value minus sales costs are calculated on the basis of discounted cash flow then information equivalent to them for calculations of utilization value must be submitted. The Group will apply IAS 36 (Changing) and where applicable submit the requisite information for examination of write-down requirement from 1 January 2009.

Other changes and interpretations that have not yet come into force are not expected to have any affect on the Group's financial reports.

* Still subject to the EU's approval process.

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 the 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 the 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 acquisition are divided 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.

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.

Disposals of line of business
On 31 December 2007 Semcon sold 100 per cent of its holding 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 2007. 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 nor 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. Unrealized 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 in the consolidated balance sheet using the equity method as described above.

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 organized 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, intra-Group 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
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 (successive revenue recognition) 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 "Processed but non-invoiced income". Projects are reported as liabilities for which on account invoices received exceed assignment expenses paid as "Customer liabilities".

Income from sale of goods
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 results are compared with other periods concerning:
- Pension premium discounts from Alecta
- 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.

Depreciation principles for fixed assets
Depreciation is based on the acquisition value and is carried out over the expected utilization period. Depreciation according to plan has been based on the expected utilization period as follows:
- Machinery and plant depreciated over 5 years
- Computers depreciated over 3–5 years
- Equipment depreciated over 5 years

Intangible assets
Goodwill
Acquired goodwill has an indeterminate utilization period and 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 and 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 utilization period. Expenses for internally developed goodwill, trademarks and similar rights are reported as they arise.

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 utilization value of the asset in the business and the net sales value. The utilization 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 utilization 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 in 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 in the balance sheet when the company becomes party to the instruments contracted terms. Accounts receivable are reported in the balance sheet when the invoice has been issued. Liabilities are taken up in 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 in 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 in 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 realize the asset and regulate the liability.

Other financial fixed assets
Other financial fixed assets consist of shares in owner-occupier associations. They are categorized as "Saleable 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 categorized as "Loan receivables and accounts receivable", which means reporting the accrued acquisition value. The account 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 categorized 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 categorized 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 categorized 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 fulfill the commitment

and a reliable 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-utilized 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 amortization 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 Reporting Board, UFR 3, 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.

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.

Share-related remuneration to employees

The Group has a share-related remuneration scheme (share savings scheme) where settlement is made with Semcon shares (matching shares) and where the company receives services from the employees in return for the matching shares. According to IFRS 2, salary costs must be reported that relate to the share savings scheme, made up of a measurement of the value for the company concerning the services from the employee for the duration of the scheme. The accrual conditions presuppose that the employee is still employed at the time of matching. The costs are calculated with reference to the number of shares estimated to be matched at the end of the accrual period, at which point an expected staff turnover has been taken into consideration. The actual value of the shares has been based on the share price at the time the employee invested in the shares. The total amount cost-accounted is reported divided over the accrual period, which is the period over which the stated accrual conditions must be met. The amount corresponding to the share savings scheme's costs is reported in the balance sheets as shareholders' equity. Every balance sheet date the company re-evaluates how many shares it expects to be accrued based on the accrual conditions. Any deviation from the original estimates that re-evaluation gives rise to, are reported in the income statement and corresponding adjustments made to shareholders' equity. When share matching takes place, the social security contributions must be paid for the value of the employee's benefit. This value is generally based on the market value on the matching day. Allocations are made for these estimated social security contributions during the accrual period.

Accounting policies of the parent company

The parent company has drawn up its Annual Report in accordance with the Annual Accounts Act and RFR 2.1 (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 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 RFR 2.1 to apply the rules in IAS 39 for financial guarantees concerning 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 contribution/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 minimize 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 utilization level and that depend on employees.

Utilization 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 results 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 minimized because all assignments follow established working methods. The Semcon Group has both ISO 9001 and ISO 14001 certification. 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 15 per cent in 2008.

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

Insurance
Semcon has taken out insurance based on normal industry practice.

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 an overdraft facility of SEK 150 million (SEK 200 million w.e.f April 2009) and a loan agreement of EUR 42.8 million. The loan falls due on 4 July 2009 but there is an option for the company to convert it to a five-year loan before the due date. If the option is utilized the loan will be amortized over 5 years. The loan is conditional on the customary covenants being fulfilled in the form of equity/assets ratios, interest coverage ratio and net loan liabilities (excl. pension obligations in relation to the operating profit before depreciation).

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 by a selected interest maturity structure. The Group's average fixed interest rate term on loans will not exceed two years. At year-end the fixed interest term was a maximum of 15

months. A two-year interest rate swap agreement of EUR 42.8 million has been signed and will run until 31 March 2010. According to the contract, Semcon is repaying a fixed interest rate to the bank of 4.1 per cent and receives a flexible quarterly interest rate from the bank (three month EURIBOR). During most of 2008 the fixed interest rate term on the EUR loan was 7 days because the short-term 7-day interest rate was considerably lower than the 3-month interest rate. 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 unutilized credits to fulfill payment commitments. The Group's liquid assets at year-end amounted to SEK 118 million (117 m). In addition, the Group has an unused overdraft facility of SEK 150 million (SEK 200 million w.e.f April 2009). Liquidity in the Group will be placed in cash pools. Cash pools allow Semcon centralized 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 amortize external debts.

Maturity analysis for contracted payment measures

SEK m	Up to 3 months	3-12 months	Over 12 months
Liabilities to credit institutions	2.5	–	468.2*
Accounts payable	93.9	–	–

* The intention is for the loan to be extended for one more year but if the option, described in the financing risk above, is utilized the loan should be amortized until 4 July 2014.

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
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.

Capital risk management
The Group's aim regarding its capital structure is to safeguard the Group's ability to continue its business, so that it can continue to generate dividends for shareholders and benefits to other interested parties, and maintain an optimal capital structure to keep capital costs down. One of Semcon's financial aims is to have an equity/assets ratio of over 30 per cent. This key figure is calculated as shareholders' equity divided by total assets. At the end of 2008, the equity/assets ratio was 33.6 per cent (23.5). To maintain or adjust the capital structure, the Group can change the dividend paid to shareholders, repay capital to shareholders, issue new shares, or sell assets to reduce liabilities. Financing by loans are restricted by financial covenants in the loan agreement with the bank that is more clearly described in the section "Financing risks".

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 2008 the reported value of the consolidated goodwill was SEK 564.3 million.

Assessment of loss carry-forwards

The reported deferred tax assets in the Group concerning loss carry-forwards amounted to SEK 78.2 million on 31 December 2008. 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 a 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 2008 the Group's pension allocations amounted to SEK 75.4 million. See note 25 Pension obligations page 66.

Assessment of loss risk 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.

	Automotive R&D		Design & Development		Informatic		Elimination/ non-allocated items		Group total	
SEK m	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
Income	2,058.3	1,512.7	851.7	620.5	388.8	364.2	–	–	3,298.8	2,497.4
Operating profit/ loss per business area	-20.8	63.0	114.4	52.1	56.3	35.0	–	–	149.9	150.1
Profit/loss participation	–	–	–	0.3	–	–	–	–	–	0.3
Central one-off items	–	–	–	–	–	–	–	-161.5	–	-161.5
Operating profit/loss	**-20.8**	**63.0**	**114.4**	**52.4**	**56.3**	**35.0**	**–**	**-161.5**	**149.9**	**-11.1**
Other information										
Non interest-bearing assets	1,067.6	1,203.1	413.2	407.1	108.3	168.5	69.5	208.0	1,658.6	1,986.7
Cash and bank balance	–	–	–	–	–	–	117.6	117.1	117.6	117.1
Total assets	**1,067.6**	**1,203.1**	**413.2**	**407.1**	**108.3**	**168.5**	**187.1**	**325.1**	**1,776.2**	**2,103.8**
Non interest-bearing liabilities	354.9	343.8	102.1	123.5	78.0	109.7	98.9	137.4	633.9	714.4
Interest-bearing liabilities	75.4	63.7	–	–	–	–	470.7	831.7	546.1	895.4
Total liabilities	**430.3**	**407.5**	**102.1**	**123.5**	**78.0**	**109.7**	**569.6**	**969.1**	**1,180.0**	**1,609.8**
Investments	22.2	27.5	1.6	3.1	0.2	6.3	15.7	–	39.7	36.9
Depreciation/impairments	27.1	17.1	2.7	3.6	1.9	4.1	3.9	114.9	35.6	139.7

	Sales*		Assets		Investments	
Secondary segments – geographic areas	**2008**	2007	**2008**	2007	**2008**	2007
Sweden	2,007.4	1,565.0	1,312.7	1,756.1	19.7	14.5
Germany	885.0	685.7	375.6	303.2	15.9	16.4
Other	406.5	246.7	87.9	44.5	4.1	6.0
Total	**3,298.9**	**2,497.4**	**1,776.2**	**2,103.8**	**39.7**	**36.9**

* 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 94.1 per cent (93.9). 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 32.6 million (36.8 m) and purchases amounted to SEK – million (–).

NOTE 7 | Remuneration to the auditors

	The Group		Parent company	
SEK m	**2008**	2007	**2008**	2007
For auditing and advice, plus other contributions resulting from observations made during auditing work:				
Deloitte	2.7	2.8	0.5	0.2
Other auditors	0.3	0.3	–	–
For independent advice given by:				
Deloitte	0.2	0.2	0.2	0.1
Other auditors	–	–	–	–
Total	**3.2**	**3.3**	**0.7**	**0.3**

NOTE 8 | Employees

Average number of employees	2008		2007	
The Group	Average no. of employees	of whom female, %	Average no. of employees	of whom female, %
Sweden	2,421	26	1,802	26
Germany	877	18	673	18
Brazil	185	26	110	21
Spain	14	–	19	–
UK	56	14	22	32
Hungary	33	24	18	35
China	18	50	13	29
India	20	15	9	–
Malaysia	7	57	5	50
USA	–	–	1	–
Group total	**3,631**	**24**	**2,672**	**23**

Parent company	Average no. of employees	of whom female, %	Average no. of employees	of whom female, %
Sweden	12	44	9	52
Parent company total	**12**	**44**	**9**	**52**

Salaries, remuneration and payroll overheads

	2008			2007		
SEK m	Total salaries and other remuneration	Social security expenses	of which pensions	Total salaries and other remuneration	Social security expenses	of which pensions
Parent company	12.9	6.7	3.1	14.1	6.7	2.3
Subsidiaries	1,557.4	434.0	78.0	1,085.0	380.8	72.6
Group total	**1,570.3**	**440.7**	**81.1**	**1,099.1**	**387.5**	**74.9**

Of which remuneration to the Board of Directors and CEO

	2008			2007		
SEK m	Total salaries and other remuneration	of which bonus	Pension costs	Total salaries and other remuneration	of which bonus	Pension costs
CEO of parent company	3.0	–	1.1	2.7	0.2	1.0
Of which acting CEO	0.1	–	–	1.1	0.2	0.2
Of which former CEO	–	–	–	1.6	–	0.8
CEO of subsidiaries	13.7	0.6	3.0	15.1	1.5	2.6
Board of Directors	1.2	–	–	1.2	–	–
Other senior executives*	7.7	0.2	1.7	11.1	1.4	1.6

* Details about salaries and remuneration to other senior executives includes parts of the sums that are also included in salaries and remuneration to the CEO's 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.

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 the rules established by the Board and at a maximum of 6 times the current monthly salary. The contract also includes a non-competition clause, which limits the CEO from running a competitive business 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 monthly premium for this pension scheme is 35 per cent of the fixed monthly salary.

The Board. Of fees to the Board in 2008 the Chairman of the Board received remuneration amounting to SEK 400,000. Other external members received SEK 200,000. One member also received SEK 0 (19,000) and the previous Chairman SEK 251,000 (1,875,000) in consultancy fees for services other than board assignments.

Other senior executives. Other senior executives included Semcon's group management aside from the company's CEO. Other senior executives are entitled to bonuses based on how well they meet their respective targets for their business. Bonuses will be paid for no more than four times the fixed monthly salary. Severance pay for other senior executives can be a maximum of 6 months' salary. The pension agreements for senior executives are paid in accordance with the ITP plan besides for one senior executive where the monthly premium for this pension scheme is 35 per cent of salary. The amounts included in salaries and remuneration for senior executives refer solely to the periods when the employee was part of the group management team.

Gender of senior executives. Two of Semcon's six Board members are women. None of the eleven members of the group management team are women.
Other. The company has not nominated a remunerations committee. Remuneration to the Board is decided by the AGM after proposals by the nominations committee. Remuneration to the CEO is decided by the full Board and remuneration to other senior executives is decided by the CEO. Benefits concerning company cars amounted to SEK 9,000 (115,000) for the CEO and SEK 301,000 (306,000) for other senior executives.
Sick leave. Total sick leave for 2008 was 2.2 per cent (2.4) of which long-term sick leave was 0.5 per cent (0.7). Other information about sick leave is shown on page 33.

NOTE 9 | Interest income and similar items

The Group, SEK m	**2008**	2007
Interest income	6.3	3.3
Profit from sold subsidiaries/associated companies	–	1.2
Exchange rate difference	0.6	0.5
Total	**6.9**	**5.0**

Parent company, SEK m	**2008**	2007
Interest income	1.6	0.1
Total	**1.6**	**0.1**

NOTE 10 | Interest expenses and similar items

The Group, SEK m	**2008**	2007
Interest expenses	-28.2	-28.5
Other financial expenses	-0.7	-0.9
Total	**-28.9**	**-29.4**

Parent company, SEK m	**2008**	2007
Interest expenses	-22.8	-23.3
Exchange rate difference forward cover	-6.2	–
Exchange rate difference	-0.2	–
Other exchange rate differences	-1.9	-0.9
Total	**-31.1**	**-24.2**

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

NOTE 11 | Tax

The Group, SEK m	**2008**	2007
Current tax	34.4	20.2
Tax concerning previous tax years	-1.7	-4.2
Deferred tax cost attributable to temporary differences	7.6	4.7
Deferred tax income attributable to temporary differences	-1.8	–
Effect of changed tax rate	-2.8	–
Total	**35.7**	**20.7**

Parent company, SEK m	**2008**	2007
Current tax	26.2	5.0
Tax on Group contribution paid	3.0	3.7
Total	**29.2**	**8.7**

Difference between Group's reported tax and tax expense based on current tax rate, SEK m	**2008**	2007
Reported profit/loss before tax	127.9	-35.5
Tax according to current tax rate 28%	35.8	-9.9
Tax effect of:		
Non-deductible costs	3.5	2.9
Non-taxable income	-0.9	-1.6
Adjustments for previous years' tax	-1.7	-4.2
Profit from sale of Group companies/associated companies	–	-0.3
Loss carry-forwards not given value in accounts	0.6	2.7
Goodwill impairment	–	31.4
Associated companies	–	-0.1
Effects of other tax rates abroad	-0.6	1.4
Effects of changed tax rate -2.8	-2.8	–
Other	1.8	-1.6
Tax for the year	**35.7**	**20.7**

Difference between parent company's reported tax and tax expense based on current tax rate, SEK m	**2008**	2007
Reported profit/loss before tax	107.7	210.0
Tax according to current tax rate 28 %	30.2	58.8
Tax effect of:		
Non-deductible costs	0.8	0.6
Non taxable income	-1.9	–
Interest on tax allocation reserve	0.1	0.1
Write-down of shares in Group companies	–	33.6
Profit from sale of Group companies	–	-84.4
Tax for the year	**29.2**	**8.7**

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	**2008**	2007
Deferred tax liabilities		
Untaxed reserves	21.6	14.5
Accrued income reported in the Group	29.6	29.4
Temporary differences in accounts receivable	2.9	–
Consolidated surplus value in property	–	1.2
Goodwill	3.3	3.2
Non-assessed tax in Germany	–	2.7
Depreciation of property	–	1.0
Other	6.0	1.7
Netting against deferred tax recoverables	-17.8	–
Total	**45.6**	**53.7**
Deferred tax recoverables		
Loss carry-forwards	78.2	56.5
Equity hedge loan	17.8	–
Temporary differences, inventories	0.4	1.1
Temporary differences, accounts receivable	1.0	–
Temporary differences, pension obligations	5.1	4.2
Other	2.5	0.5
Netting against deferred tax liabilities	-17.8	–
Total	**87.2**	**62.3**

The taxable loss carry-forward is SEK 490.8 million (413.8 m). No maturity date exists for this loss carry-forward. For SEK 228.6 million (210.1 m) of this, no deferred income taxes recoverable have been reported. Deferred income taxes recoverable concerning losses have been reported at SEK 78.2 million (56.5 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 items

The Group, SEK m	2008	2007
Discounted Alecta premiums	34.0	–
Structural changes, Sweden	-39.7	–
Structural changes, Germany	-40.1	–
Reserves for bad debts	-20.4	–
Cost-savings scheme	–	-18.8
Integration costs for Caran and IVM Automotive	–	-22.3
Dismissal of CEO	–	-5.0
Other organizational changes	–	-3.2
Goodwill impairment	–	-112.2
Total	**-66.2**	**-161.5**
Specifications of items in the income statement		
Other external costs	-44.3	-4.4
Staff costs	-21.9	-44.9
Goodwill impairment	–	-112.2
Total	**-66.2**	**-161.5**

NOTE 13 | Income statements of discontinued operations

SEK m	2008	2007
Operating income		
Net sales	–	338.7
Operating costs		
Cost of goods and services	–	-33.4
Other external costs	–	-48.5
Staff costs	–	-214.0
Depreciation of intangible assets	–	-0.1
Depreciation of tangible fixed assets	–	-1.1
Operating profit	**–**	**41.6**
Financial items		
Interest income and similar items	–	0.8
Capital gain for sold business	–	257.3
Interest expenses and similar items	–	-2.3
Profit before tax	**–**	**297.4**
Tax	–	-13.2
Profit for the year	**–**	**284.2**

NOTE 14 | Earnings per share

	2008		2007	
The Group	Before dilution	After dilution	Before dilution	After dilution
Earnings per share, SEK	5.14	5.14	12.84	12.82
Earnings attributable to parent company's shareholders, SEK m	92.2	92.2	228.0	228.0
Weighted average number of outstanding ordinary shares				
Total no. of shares, 1 January (thousands)	17,783	17,783	17,742	17,742
Total no. of shares 31 December 18 (thousands)	18,113	18,133	17,783	17,783
Weighted average no. of shares during the year	**17,948**	**17,948**	**17,763**	**17,763**

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.

A new share issue was carried out on 18 June for 330,000 of the company's class C shares. These class C shares were converted to ordinary shares on 12 January 2009.

NOTE 15 | Intangible assets

The Group, SEK m	2008	2007
Goodwill		
Opening acquisition value	644.8	87.9
Acquisitions	–	583.4
Sold business	–	-26.5
Translation difference	47.7	–
Closing accumulated acquisition value	**692.5**	**644.8**
Opening impairment losses	-128.2	-16.0
Impairment losses for the year	–	-112.2
Closing accumulated impairment loss	**-128.2**	**-128.2**
Closing booked value	**564.3**	**516.6**

Specification of goodwill

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

Business area, SEK m	2008	2007
Automotive R&D	402.1	354.4
Design & Development	162.2	162.2
Informatic	–	–
Booked value	**564.3**	**516.6**

Testing for impairment losses for goodwill is performed annually and when there are indications that impairment losses are required.

Recoverable amounts for each business area (cash-generating units) have been set according to a 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 an impairment loss 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 of 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 rate 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	2008	2007
Other intangible assets		
Opening acquisition value	71.0	16.3
Investments	17.2	10.6
Acquisitions	–	47.9
Sales/disposals	-1.7	-0.5
Sold business	–	-3.3
Translation difference for the year	1.4	–
Closing accumulated acquisition value	**87.9**	**71.0**
Opening depreciation	-52.1	-9.6
Acquisitions	–	-40.1
Sales/disposals	1.7	0.8
Sold business	–	2.6
Depreciation for the year	-7.5	-5.8
Closing accumulated depreciation	**-57.9**	**-52.1**
Closing booked value	**30.0**	**18.9**

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

Parent company, SEK m	2008	2007
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	2008	2007
Property/buildings		
Opening acquisition value	9.5	9.6
Investments	–	–
Sales/disposals	-9.3	–
Translation difference	-0.2	-0.1
Closing accumulated acquisition value	**–**	**9.5**
Opening accumulated depreciation	-2.0	-1.7
Sales/disposals	2.1	–
Depreciation for the year	-0.1	-0.3
Closing accumulated depreciation	**–**	**-2.0**
Closing residual value according to plan	**–**	**7.5**
Opening accumulated impairment loss	-1.0	-1.0
Sales/disposals	1.0	–
Closing accumulated impairment loss	**–**	**-1.0**
Closing booked value	**–**	**6.5**
Land		
Opening and closing accumulated acquisition value	3.4	3.4
Sales/disposals	-3.4	–
Closing accumulated acquisition value	–	3.4
Tax assessment value		
Assessed value for buildings	–	10.8
Assessed value for land	–	3.4
Assessed value total	**–**	**14.2**
Plant and machinery		
Opening acquisition value	98.8	14.8
Investments	0.1	3.2
Acquisitions	–	81.0
Sales/disposals	-0.2	-0.2
Translation difference	2.0	–
Closing accumulated acquisition value	**100.7**	**98.8**
Opening accumulated depreciation	-72.7	-13.8
Acquisitions	–	-58.7
Sales/disposals	0.2	0.1
Depreciation for the year	-5.3	-0.3
Closing accumulated depreciation	**-77.8**	**-72.7**
Closing booked value	**22.9**	**26.1**
Inventories, computers and equipment		
Opening acquisition value	331.3	154.6
Investments	22.4	23.1
Acquisitions	–	174.8
Sales/disposals	-27.2	-13.1
Sold business	–	-8.1
Translation difference	4.9	–
Closing accumulated acquisition value	**331.4**	**331.3**
Opening depreciation	-273.2	-130.3
Acquisitions	–	-137.3
Sales/disposals	27.3	9.9
Sold business	–	5.5
Depreciation for the year	-22.7	-21.0
Closing accumulated depreciation	**-268.6**	**-273.2**
Opening and closing accumulated impairment loss	-3.5	-3.5
Closing booked value	**59.3**	**54.6**

Parent company, SEK m	2008	2007
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, %	Booked value, SEK m	Co. Reg. No	Registered office
Semcon AB	Semcon Förvaltnings AB	100	100	58.8	556530-6403	Göteborg
	Semcon Informatic AB	100	100	15.5	556606-0363	Göteborg
	Semcon International AB	100	100	0.8	556534-4651	Göteborg
Total				**75.1**		

The accumulated acquisition value of shares in Group companies amounts to SEK 195.1 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 Gothenburg.

NOTE 18 | Shares in associated companies and joint ventures

The Group, SEK m	Associated company/ joint venture	Capital share, %	Voting rights, %	Booked 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	2008	2007
Opening booked value	21.1	18.1
Sales	–	1.9
Shares in profit/loss	–	0.3
Internal profit/loss	–	0.8
Closing booked value	**21.1**	**21.1**

Share in associated companies' income was SEK 10.7 million and share in liabilities was SEK 6.2 million.

NOTE 19 | Accounts receivable

The Group, SEK m	2008	2007
Accounts receivable, not due for payment	485.5	551.3
Due for payment, 1–30 days	119.3	71.1
Due for payment, 31–60 days	28.0	14.3
Due for payment, over 60 days	44.1	29.1
Total	**676.9**	**665.8**
Provisions for bad debts		
Provisions at start of year	-3.7	-6.0
Reservations for expected losses	-15.0	-2.0
Confirmed losses	-0.9	4.3
Actual payments of reserved receivables	0.8	–
Provisions at end of year	**-18.8**	**-3.7**
Closing booked value	**658.1**	**662.1**

NOTE 20 | Receivables from associated companies and joint ventures

The Group, SEK m	2008	2007
Receivables from associated companies	0.6	2.1
Receivables from joint ventures	0.3	–
Total	**0.9**	**2.1**

NOTE 21 | Accrued non-invoiced income and invoiced but non-processes 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 2008 the accrued non-invoiced income stood at SEK 81.2 million (139.2 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 100.6 million (109.2) on the closing date.

Processed but non-invoiced income, SEK m	2008	2007
Income/assignment expenses	208.7	266.3
Partly invoiced amount	-74.2	-74.3
Total	**134.5**	**192.0**

Invoiced but non-processed income	2008	2007
Income/assignment expenses	102.3	71.1
Partly invoiced amount	-155.6	-123.9
Total	**-53.3**	**-52.8**

NOTE 22 | Prepaid expenses and accrued income

The Group, SEK m	2008	2007
Accrued income	5.9	13.7
Prepaid expenses	30.6	29.5
Total	**36.5**	**43.2**

NOTE 23 | Share capital

Date	Type of issue	No of shares issued	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
18 June 2008	New share issue class C shares	330,000	18,112,534

NOTE 24 | Tax allocation reserve

Parent company, SEK m	2008	2007
Tax allocation reserve tax -03	–	0.2
Tax allocation reserve tax -04	7.0	7.0
Tax allocation reserve tax -08	6.0	6.0
Tax allocation reserve tax -09	31.1	–
Total	**44.1**	**13.2**

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, UFR 3, this is a defined-benefit plan that encompasses several employers. The Group does not have access to such information that makes it possible to report this plan as a defined benefit plan for the 2008 financial year. Therefore the ITP pension plans secured via insurance with Alecta are 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,%	**2008**	2007
Discount rate	4.8	4.8
Expected salary increase rate	3.0	3.0
Future pension increase	1.5	1.5

Reconciliation of pension obligations	**2008**	2007
Current value of non-funded obligations	73.7	63.8
Non-reported actuarial profit (+) and loss (-)	1.7	-0.1
Net provisions in the balance sheet	**75.4**	**63.7**

Specification of change in the defined benefit obligation	**2008**	2007
At the start of the year	63.7	–
Liabilities taken on through acquisition of companies	–	60.7
Costs for employment during the current year	1.0	0.2
Interest on obligations	3.1	2.1
Payment of pensions	-2.8	-1.9
Non-reported actuarial profit (-) or loss (+)	–	0.1
Reductions	–	0.6
Settlements	–	-0.2
Interest rate differences	10.4	2.1
At year-end	**75.4**	**63.7**

Specification of total costs for pension payments reported in the income statement	**2008**	2007
Costs for defined benefit plans:		
Costs for employment during the current year	-1.0	-0.2
Losses on reductions	–	-0.6
Settlements	–	0.2
Interest on obligations	-3.1	-2.1
Costs for defined benefit plans	**-4.1**	**-2.7**
Costs for defined contribution plans	**-80.1**	**-74.3**
Total costs reported in the income statement	**-84.2**	**-77.0**
Of which:		
Amounts that negatively impacted the operating profit/loss (staff costs)	-81.1	-74.9
Amounts that negatively impacted the financial costs (interest costs)	-3.1	-2.1
Total costs reported in the income statement	**-84.2**	**-77.0**

Expenses during the year for pension insurance policies signed with Alecta amounted to SEK 30.5 million (37.0). Alecta's surplus can be allocated to the policyholder and/or the insured. At year-end 2008 Alecta's surplus in the form of the collective consolidation level was 112 per cent (152). 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	2008	2007
Long-term		
Liabilities to credit institutions	468.2	347.9
Total, long-term	**468.2**	**347.9**
Short-term		
Overdraft facilities	2.5	154.4
Liabilities to credit institutions	–	329.4
Total, short-term	**2.5**	**483.8**
Total borrowings	**470.7**	**831.7**

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	2008	2007
Long-term		
Liabilities to credit institutions	400.4	344.3
Total, long-term	**400.4**	**344.3**
Short-term		
Overdraft facilities	–	128.3
Liabilities to credit institutions	–	306.1
Total, short-term	**–**	**434.4**
Total borrowings	**400.4**	**778.7**

The long-term credit consists of a loan agreement of EUR 42.8 million. Currency exchange rate effects have meant that the loan in the Group, translated into SEK, has increased by SEK 67.8 million during the year. The translation effect has not affected results. The loan falls due on 4 July 2009 with an option for the company, prior to the due date, to extend credit to a five-year loan. The loan was taken out for the acquisition of Group companies and reported according to the method for hedging net investments in the parent company.

NOTE 27 | Overdraft facilities

Of the Group's permitted overdraft facility of SEK 154.2 million, SEK 2.5 million (154.4) has been utilized. The credit runs on an annual basis. An additional SEK 50 million in non-utilized overdraft facilities will be granted in April 2009.

NOTE 28 | Accrued expenses and prepaid income

The Group, SEK m	2008	2007
Staff-related costs	309.9	289.7
Other items	46.3	58.6
Total accrued expenses and prepaid income	**356.2**	**348.3**

Parent company, SEK m	2008	2007
Staff related costs	3.7	9.0
Other items	10.8	16.4
Total accrued expenses and prepaid income	**14.5**	**25.4**

NOTE 29 | Pledged assets

The Group, SEK m	2008	2007
Own liabilities to credit institutions		
Property mortgages	–	4.3
General mortgages	–	5.0
Pledged customer receivables	–	327.4
Total pledged assets	**–**	**336.7**

NOTE 30 | Contingent liabilities

The Group, SEK m	2008	2007
Guarantees provided	–	5.3
Conditional loan, Swedish Energy Agency	3.3	3.3
Total contingent liabilities	**3.3**	**8.6**

NOTE 31 | Information concerning acquisitions and divestments of companies

Acquisition of companies. No acquisitions have taken place during the year.

On 1 April 2007 Semcon acquired the German company IVM Automotive Beteiligungs GmbH and on 31 August 2007 Semcon acquired Caran AB, Caran Design Limited, A2 Acoustics AB and Caran Embedded Intelligent Solutions AB.

Acquisition of Group companies 2007, SEK m	IVM Automotive	Caran
Goodwill	291.0	284.8
Intangible assets	6.1	1.7
Tangible fixed assets	40.4	18.8
Financial assets	–	0.2
Deferred tax liabilities	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	2008	2007
Goodwill	–	1.5
Liquid assets	–	2.2
Minority	–	–
Purchase price paid	**–**	**3.7**
Liquid assets in acquired companies	–	-2.2
Effect on Group's liquid assets	**–**	**1.5**

Sale of subsidiaries. Propeller by Semcon AB was sold on 1 April 2007. Zetup by Semcon AB was sold on 7 September and Zipper Aktiebolag, Zystems Solutions by Semcon AB, Zingle by Semcon, Zuite AB and Semcon Innovation AB were sold on 31 December 2007.

Sale of Group companies, SEK m	2008	2007
Assets	311.0	9.0
Liquid assets	–	–
Liabilities	–	-5.3
Capital gain, sale of Group company	–	-0.7
Total sales remuneration	**311.0**	**3.0**
Additional purchase price entered as a liability	–	-3.0
Liquid assets in sold companies	–	–
Effect on the Group's liquid assets	**311.0**	**–**

NOTE 32 | Cash flow statement for discontinued operations

SEK m	2008	2007
Current activities		
Operating profit/loss after depreciation and impairment losses	–	46.9
Depreciation	–	1.2
Loss from fixed assets sold	–	-0.4
Interest received and similar items	–	0.8
Paid income tax	–	-5.3
Interest rate differences	–	-0.1
Loss from business sold	–	-6.1
Cash flow from current activities before change in working capital	**–**	**37.0**
Change in working capital		
Increase/decrease in work in progress	–	4.7
Increase/decrease in current receivables	–	-28.5
Increase/decrease in current liabilities	–	26.0
Total change in working capital	**–**	**2.2**
Cash flow from investment activities	**–**	**39.2**
Investment activities		
Investments in participations in Group companies	–	–
Investments in intangible fixed assets	–	–
Investments in tangible fixed assets	–	-0.3
Payment from sale of Group companies/associated companies	–	4.4
Cash flow from investment activities	**–**	**4.1**
Financing activities		
Changes in overdraft facilities	–	-43.3
Options	–	–
Cash flow from financing activities	**–**	**-43.3**
Cash flow for the year	**–**	**–**
Cash and bank balances at the start of the year	–	–
Cash and bank balances at year-end	**–**	**–**

NOTE 33 | Transactions with related parties

Purchases/sales between Group companies amounted to SEK 302.5 million (339.1 m) and refer mainly to services. Purchases between associated companies and joint ventures amounted to SEK 1.8 million (2.6 m) and sales amounted to SEK 23.6 million (10.3 m). The JCE Group is Semcon AB's largest shareholder with a shareholding of 29.4 per cent (31 December 2008). Purchases from companies in the JCE Group amounted to SEK 0.0 m (0.8 m) and sales amounted to SEK 0.0 m (0.2 m). A consultancy fee of SEK 0.3 million (1.9 m) has been paid to Rannebergsgården i Dalsland AB, which is owned by CEO Kjell Nilsson. The fee was paid to Kjell Nilsson when he was the active Chairman of the Board of Semcon AB. 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 2008 amounted to SEK 14.9 million (12.6 m). Existing contracts run in line with usual market terms and with a remaining contract term of one to three years. In terms of signed leasing contracts SEK 11.3 million is due for payment within one year of the balance sheet date and 10.1 million within 2-5 years of the balance sheet date. No part is due for payment after 5 years. In addition to the above, the Group rents offices at twenty or so sites in Sweden, Brazil, China, Germany, Hungary, India, Malaysia, Spain and the UK. All rental contracts have been signed according to usual market rates and with normal duration periods.

NOTE 35 | Events after the balance sheet date

- All class C shares were converted to ordinary shares on 12 January 2009. The total number of ordinary shares in the company from that date amounts to 18,112,534.
- Semcon realigned its business in Sweden and introduced a cost-cutting scheme. In total 300 people were affected. The cost-cutting scheme is expected to produce savings of SEK 15 million in 2009. The costs of the staff lay-offs and the cost-cutting scheme is expected to have an SEK 40 million impact on results for the first half-year.
- Semcon's largest owner, JCE Group, passed the mandatory offer level of 30 per cent of the company's voting rights on 5 March 2009. The JCE Group has subsequently made a mandatory offer of SEK 14 per share to all shareholders.

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.

Gothenburg, Sweden, 16 March 2009

Hans-Erik Andersson
Chairman of the Board

Marianne Brismar

Jorma Halonen

Gunvor Engström

Kjell Nilsson
CEO

Håkan Larsson

Roland Kristiansson

Christer Eriksson

Stefan Novakovic

Our audit was issued on 16 March 2009
Deloitte AB

Peter Gustafsson
Authorized Public Accountant

Hans Warén
Authorized 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 2008 financial year. The company's annual report and consolidated accounts comprise pages 37–70 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. The statutory administration 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.

Gothenburg, 16 March 2009

Deloitte AB

Peter Gustafsson
Authorized Public Accountant

Hans Warén
Authorized Public Accountant

Five year summary

SEK m	**2008**	2007*	2006*	2005	2004
Income statement					
Net sales	3,298.8	2,497.4	1,361.4	1,500.5	1,289.3
Operating expenses**	-3,148.9	-2,508.5	-1,309.7	-1,404.8	-1,229.5
Operating profit/loss	149.9	-11.1	51.7	95.7	59.8
Financial income	6.9	5.0	2.4	6.9	1.8
Financial expenses	-28.9	-29.4	-4.3	-4.7	-5.0
Profit/loss before tax	127.9	-35.5	49.8	97.9	56.6
Tax	-35.7	-20.7	-18.9	-29.9	-16.3
Profit/loss after tax, remaining business	92.2	-56.2	30.9	68.0	40.3
Profit/loss after tax, sold business	–	284.2	17.3	–	–
Net profit/loss for the year	**92.2**	**228.0**	**48.2**	**68.0**	**40.3**
Balance sheet					
Goodwill	564.3	516.6	71.9	69.5	52.2
Other intangible assets	30.0	18.9	6.7	9.0	5.9
Machinery/equipment/property	82.2	90.6	32.0	36.2	35.4
Financial fixed assets	23.0	23.0	4.8	–	8.7
Deferred tax receivables	87.2	62.3	19.9	3.7	7.4
Processed but non-invoiced income	134.5	192.0	121.4	114.7	211.9
Accounts receivable	658.1	662.1	342.0	376.9	40.9
Other current assets	79.3	421.2	35.7	41.5	130.0
Cash and bank balances	117.6	117.1	28.9	17.9	59.0
Total assets	**1,776.2**	**2,103.8**	**663.3**	**669.4**	**551.6**
Shareholders' equity	596.2	494.0	265.1	198.9	134.0
Long-term liabilities and provisions	589.2	465.3	40.9	61.3	54.0
Current liabilities	590.8	1 144.5	357.3	409.2	363.6
Total shareholders' equity and liabilities	**1,776.2**	**2,103.8**	**663.3**	**669.4**	**551.6**
Cash flow statement					
Cash flow from current activities	137.8	23.8	108.9	40.4	28.1
Cash flow from investment activities	282.7	-687.5	-28.2	-23.4	-19.2
Cash flow from financing activities	-425.2	751.9	-69.7	-3.4	9.4
Cash flow from remaining business	-4.7	88.2	11.0	13.6	18.3
Cash flow from sold business	–	–	–	–	–
Change in liquid assets	**-4.7**	**88.2**	**11.0**	**13.6**	**18.3**
Key figures					
Sales increase, %	32.1	83.4	4.4	16.4	7.6
Operating margin before one-off items, %	6.6	6.0	6.1	6.4	4.6
Operating margin, %	4.5	-0.4	3.8	6.4	4.6
Profit margin, %	3.9	-1.4	3.7	6.5	4.4
Interest cover ratio, (multiple)	5.5	-0.3	12.9	21.8	12.3
Return on average shareholders' equity, %	16.9	60.2	19.9	40.9	36.0
Return on average capital employed, %	14.1	-1.2	21.4	44.2	50.9
Equity/assets ratio, %	33.6	23.5	40.0	29.7	24.3
Debt/equity ratio, (multiple)	0.7	1.6	–	0.6	0.1
Average number of employees	3,631	2,672	1,509	1,636	1,444
Sales per employee, (SEK 000)	909	935	902	917	893
Value added per employee, (SEK 000)	592	555	602	625	619
Profit/loss before tax per employee, (SEK 000)	35.1	-13.3	33.1	59.8	39.2
Investments in other fixed assets, (SEK m)	39.7	36.6	25.4	19.6	17.7

* Results for 2007 and 2006 have been reported for remaining business.
** Including goodwill depreciation of SEK 112.2 million in 2007 and SEK 4.4 million in 2006.
In addition, one-off items of SEK 66.2 million negatively impacted profits in 2008, SEK 49.3 million in 2007 and SEK 26.4 in 2006.

Data per share	2008	2007*	2006*	2005	2004
Earnings per share after tax, (SEK)	5.14	12.84	2.62	3.91	2.32
Earnings per share after dilution, (SEK)	5.14	12.82	2.59	3.84	2.29
Shareholders' equity per share before dilution, (SEK)	32.92	27.78	14.81	11.44	7.70
Shareholders' equity per share after dilution, (SEK)	32.92	27.78	14.85	11.94	8.29
Price per share/equity per share, (multiple)	0.35	2.91	4.61	5.09	3.97
Cash flow per share, (SEK)	-0.26	4.97	0.62	0.78	1.05
Dividend per share	–	–	–	–	–
P/E ratio	2.26	6.29	26.01	14.89	13.19
P/S ratio	0.06	0.57	0.88	0.68	0.41
Share price at year-end, (SEK)	11.60	80.75	68.25	58.25	30.60
Market value at year-end, (SEK m)	206	1,436	1,211	1,013	532
Number of shares at year-end, (000)	18,113	17,783	17,742	17,391	17,391
Average number of shares, (000)	17,948	17,762	17,531	17,391	17,391
Outstanding convertibles at year-end	–	–	42	394	394
Average number of convertibles	–	21	253	394	197

* 2007 and 2006 have been adjusted according to sold business.

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.

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

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.

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 before tax per employee
Profit before tax 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 before tax plus financial costs divided by the average capital employed.

Interest cover ratio
Profit before tax plus interest costs divided by interest costs.

Debt/equity ratio
Net borrowings divided by shareholders' equity including minority interests.

Operating margin
Operating profit as a percentage of net sales.

Profit margin
Profit before tax as a percentage of net sales.

Net borrowings
Interest-bearing provisions and liabilities with deductions for liquid assets and interest-bearing receivables.

Semcon's shares

Semcon's shares have been quoted on the NASDAQ OMX Nordic Exchange Stockholm since 1997 under the SEMC ticker for small companies in the Industry sector.

Price trend and turnover

Semcon's share price fell in 2008 from SEK 80.75 to SEK 11.60. During the same period the OMX SPI index fell by around 30 per cent. The highest price paid was SEK 81.25 (2 January) and the lowest price paid was SEK 11.55 (30 December). A total of 6.7 million Semcon shares were sold on the NASDAQ OMX Nordic Exchange Stockholm in 2008. The turnover rate, calculated as the number of shares sold in relation to the total number of shares in the company amounted to 37 per cent.

Share capital and the number of shares

Semcon's share capital on the closing day amounted to SEK 18.1 million, divided between 17,782,534 ordinary shares and 330,000 class C shares, each with a nominal value of SEK 1, totalling 18,112,534 shares. Each ordinary share entitles the shareholder to one voting right and an equal right to a share of the company's assets and profits. Class C shares entitle shareholders with a tenth of a voting right and no share of the profits. All class C shares were converted at the end of the financial year to ordinary shares, thus making the total number of ordinary shares 18,112,534. Changes to the share capital and number of shares over time appear in Note 23 on page 65.

Long-term incentive scheme

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 are 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. This incentive scheme was bought back by the company after a decision by the Board on 21 October.

Shareholders

On 31 December 2008 Semcon had 3,939 shareholders, an increase of 15.5 per cent compared to the previous year. The registered amount of foreign ownership at year-end was 20 per cent (19.5), of which 4.2 per cent of ownership is in the USA, 3.1 per cent in Finland and 3.0 per cent in Switzerland. On 31 December the ten largest shareholders controlled 64.8 per cent of the share capital and 66.8 per cent of 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

Semcon's 10 largest holdings on 31 December 2008

Name	Number of shares	Share-holding, %
JCE Group	5,318,178	29.36
Skandia liv	2,424,057	13.38
Swedbank Robur fonder	1,568,842	8.66
Handelsbanken fonder	540,991	2.99
Kaupthing bank	490,779	2.71
Six sis AG	421,222	2.33
FIM Bank	383,020	2.11
Mellom Omnibus	209,588	1.16
Fand C ICVC	204,889	1.13
BNY GCM	175,851	0.97
Total	**11,737,417**	**64.80**
Own shares	330,000	1.82
Other	6,045,117	33.38
Total	**18,112,534**	**100.00**

Source: Euroclear Sweden AB (VPC) shareholder register on 31 December 2008.

Shareholders structure, 31 December 2008

Size	No. of shareholders	No. of shares	Holding, %	Market value 31 Dec, SEK 000
1–500	2,764	530,693	2.9	6,156
501–1,000	561	481,118	2.7	5,581
1,001–10,000	511	1,583,784	8.7	18,372
10,001–100,000	83	2,707,560	15.0	31,408
100,001–	19	12,479,379	68.9	144,761
Own shares	1	330,000	1.8	–
Total	**3,939**	**18,112,534**	**100.0**	**206,277**

Source: Euroclear Sweden AB (VPC) shareholder register on 31 December 2008.

financial position and capital requirements for continued expansion, and due to the major insecurity on the market the Board proposes that no dividend be paid for 2008 (0).

Events after the end of the financial year

Semcon's largest owner, JCE Group, passed the mandatory offer level of 30 per cent of the company's voting rights on 5 March 2009. The JCE Group has subsequently made a mandatory offer of SEK 14 per share to all shareholders.

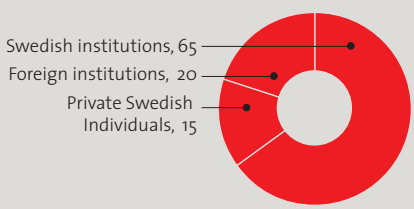
Contacts with the equity market

Equity market contacts are mainly carried out through quarterly financial reports, press releases and company presentations by Semcon. Semcon actively informs the market about the company in order to facilitate accurate valuation of the company's shares. The contacts for this include the company's CEO, CFO and IR manager. Enquiries can be made by contacting: ir@semcon.se.

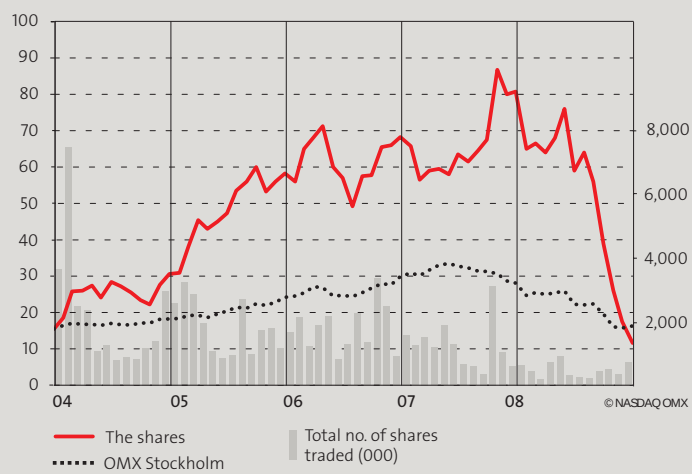
Analysts regularly monitor Semcon's financial development and at year-end these included:

Company	Analyst
Danske Bank	Peter Trigarszky peter.trigarzky@danskebank.se
Enskilda Securities	Andreas Joelsson andreas.joelsson@enskilda.se
Handelsbanken	Stefan Wård stwa06@handelsbanken.se
Kaupthing Bank	Mikael Laséen mikael.laseen@kaupting.com
Öhmans Fondkommission	David Jacobsson david.jacobsson@ohman.se

Shareholder distribution, %



Semcon's shares, 2004–2008



Corporate governance

Semcon is a Swedish company active on a global market. The company's shares are quoted on the NASDAQ OMX Nordic Exchange Stockholm. Semcon has applied the regulations laid down in the Swedish Code of Corporate Governance since 1 July 2008 and hereby submits the corporate governance report for 2008.

Semcon is governed in accordance with Swedish corporate law, which means that the company's Articles of Association are a central document. 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 are available on Semcon's website at: www.semcon.se. Semcon also complies with other applicable Swedish and foreign laws and regulations.

Application

Semcon applies the Swedish Code of Corporate Governance and has no deviations to report.

Annual General Meeting

The notice to attend the Annual General Meeting appears in the Articles of Association. The notice to attend must be published in the Swedish Official Gazette and Dagens Industry newspaper.

At Annual General Meetings shareholders get the opportunity to place their voting rights and, in accordance with Swedish corporate law and Semcon's Articles of Association, to take decisions concerning the composition of the Board and other central issues. Shareholders or proxies can vote for the number of shares he/she owns or represents at the meeting.

Annual General Meeting 2008

The 2008 Annual General Meeting (AGM) was held on 24 April at Semcon's head office in Göteborg. Representatives of 58.3 per cent of the share capital were present, of which underlying shares held by the members of the nominations committee represented 51.0 per cent.

Hans-Erik Andersson was elected to chair the meeting. The meeting approved the Board's proposal for the appropriation of profits. The meeting decided that the Board should consist of six directly elected members. The meeting also approved the nominations committee's proposals for Board members, remuneration to the Board and its chairman. The meeting re-elected Hans-Erik Andersson (Chairman of the Board), Gunvor Engström and Kjell Nilsson and also elected Marianne Brismar, Jorma Halonen and Håkan Larsson as new Board members. The full minutes of the AGM are available at: www.semcon.se.

Annual General Meeting 2009

The Annual General Meeting for 2009 will be held on 29 April at Semcon's head office in Göteborg. More information is available on Semcon's website at: www.semcon.se.

Share structure and voting rights

Semcon's share class, ordinary shares, have a quotient value of SEK 1 and entitle the owner to one voting right.

Nominations committee

Based on ownership statistics from Euroclear Sweden AB (VPC) on 31 August for each respective year, the Chairman of the Board must convene the three largest shareholders in the company, who together shall appoint members of the nominations committee. If any of them decline then the right to nominate transfers to the next shareholder in terms of size, who doesn't already have the right to nominate members to the nominations committee. The member nominated by the largest shareholder will be the nominations committee's chairman. The job of the nominations committee is to prepare and present proposals to the Board, Chairman of the Board and in certain cases auditors and remuneration to the Board and auditors. The nominations committee' 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.

Nominations committee 2008/2009

The nominations committee's members in 2008/2009 were Christer Ericsson representing the JCE Group (nominations committee's chairman), Erik Sjöström representing Skandia Liv, Kerstin Stenberg representing Swedbank Roburs fonder and Hans-Erik Andersson (Chairman of the Board). No remuneration was paid to the members. The nominations committee met three times prior to the 2009 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 proposal for election of Board members and

Nominations committee ahead of the Annual General Meeting 2009

	Representing	No. of voting rights, % 31 December 2008
Christer Ericsson	JCE-Group	29.9
Erik Sjöström	Skandia Liv	13.6
Kerstin Stenberg	Swedbank Robur fonder	8.8
Hans-Erik Andersson	Semcon AB	0.1
Total		**52.4**

Further information about corporate governance

The following information is available at www.semcon.se

- Summary of Semcon AB's application of the "Swedish Code of Corporate Governance" document.
- In-depth information about internal control instruments such as Articles of Association and Code of Conduct.
- Information from Semcon's AGMs from 2004 onwards (notice to attend, minutes etc.).

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

Board

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

Board structure

Semcon AB's Board consists of six members elected by the AGM and three members with their deputies elected by employees. Of the nine Board members, eight are Swedish citizens and one is Finnish. The Board's structure meets the requirements for being independent set by the Swedish Code for Corporate Governance and in association with the NASDAQ OMX Nordic Exchange Stockholm.

Work of the Board

The Board held six ordinary and three extraordinary meetings in 2008. 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. Attendance at the Board meetings is given in the table below. Other salaried employees in the company take part in Board meetings as co-opted members, speakers and secretary.

Board meetings 2008

Nr 1/2008: Financial statement and Annual Report 2008, financial objectives, financing, debriefing of audit (auditors present)

Nr 2/2008: Q1 report January–March 2008, remuneration issues, brand issues

Nr 3/2008: Statutory meeting

Nr 4/2008: Examination of the business

Nr 5/2008: Decision about class C shares and to buy-back class C shares

Nr 6/2008: Interim financial statement January–June, finance policy, insurances

Nr 7/2008: Q3 report January–September, financial report, decision about buy-back of convertible scheme, code of conduct, visit and examination of the German business

Nr 8/2008: Business plans for the business areas and setting budgets for 2009, board evaluation, examination of internal procedures, debriefing of audit (auditors)

Nr 9/2008: Decision to convert all the company's 330,000 class C shares to ordinary shares.

The Board adopted written procedures at a statutory Board meeting close to the time of the Annual General Meeting. This meeting set the Board's procedures, instructions for the CEO, subsidiary instructions and financial reporting instructions.

Audit committee

Semcon has decided the entire Board will carry out the audit committee's tasks. The entire Board aims at keeping in close contact with the company's auditors so that it can satisfactorily follow significant issues concerning the company's accounts, reporting routines, management of company assets and internal control. The Board's control issues are therefore dealt with by the Board as a whole. To make sure that the Board's need for information is reached, the company's auditors report to the Board at least twice a year. Peter Gustafsson and Hans Warén, the responsible authorized public accountants at Deloitte, have reported their views over the past year about the Group's internal control, reporting, financial accounting routines and balance sheet examination.

Group management

At year-end 2008 Group management consisted of the CEO and managers of the business areas and Group staff. See pages 82–83. Group management holds regular 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 works towards close contact with every business area in order to support and provide help and the tools to make the business more effective, marketing, business development and internal exchange of knowledge.

Business areas

Semcon's business activities are organized into three business areas. Semcon's organization is characterized by far-reaching decentralization, where every unit is highly independent with lots of authorization. Group management's control of the business areas takes place, in addition to continual contacts, mainly through monthly internal debriefings by business area managers and controllers and by quarterly review meetings with some of the Group management.

Semcon's Board 2008

		Elected	Present	Dependent/independent
Hans-Erik Andersson	Chairman	2007	9/9	Independent
Kjell Nilsson	President and CEO	2007	9/9	Dependent *
Gunvor Engström	Member	2007	7/9	Independent
Håkan Larsson	Member	2008	6/7	Dependent **
Marianne Brismar	Member	2008	6/7	Independent
Jorma Halonen	Member	2008	6/7	Independent
Roland Kristiansson	Employee representative		9/9	
Stefan Novakovic	Employee representative		8/9	
Christer Eriksson	Employee representative		9/9	
Pia Gideon	Member		2/2	Independent
Annemarie Gardshol	Member		1/2	Independent
Dan Persson	Member		1/2	Independent
Ulf Wallin	Member		2/2	Independent

* Kjell Nilsson is dependent to the company and to the company's major owners.
** Håkan Larsson is dependent to the company's major owners.

The presentation of Board members appears on pages 80–81 of the Annual Report.

The Group has certification and decision-making that clearly regulates authorization at every level at the company, from individual engineers to Semcon's management. The areas regulated include contract levels, handling quotes/tenders, investment, rental and leasing contracts, expenses and guarantees.

The organization for an assignment/project varies according to the assignment/project's size, location and complexity. Each assignment/project is run by an assignment manager/project manager. Semcon and its Swedish subsidiaries are certified and apply quality and environmental management systems according to ISO 9001:2000 and 14001:2004, which are constantly reviewed by external auditors. Fixed price assignments in excess of SEK 5 million are followed up at Group management level.

Remuneration issues

Remuneration committee

Semcon has decided that the entire Board will carry out the remuneration committee's tasks. Members of company management will not participate in this work.

Remuneration to the Board

Remuneration to the Board is decided by the AGM following proposals from the nominations committee. The remuneration to the Board in 2008/2009 amounted to SEK 400,000 for the Chairman and SEK 200,000 for other Board members not employed by the company. Remuneration to the CEO is decided by the Board.

Remuneration to senior executives

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. Remuneration guidelines include 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 page 58.

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 authorized public accountants Peter Gustafsson and Hans Warén.

Peter Gustafsson was born in 1956. In addition to audit work for Semcon Peter Gustafsson carries out audit work for companies like SAS, Saab Automobile, Ledstiernan, Nexus, Teleca, Rezidor Hotel Group, Akademiska Hus, Göteborgs Hamn and Göteborgs Kommunala Förvaltnings AB. *Hans Warén was born in 1964.* His other assignments include Saab AB Group, Ekman, Göteborg Energi, Liseberg, Parker Hannifin, SPX Johnson Pump 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 of disqualification issue. No senior executive at Semcon has held any position at Deloitte AB over 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 page 57.

This report is not part of the formal annual report documents and has not been subject to scrutiny by the company's auditors.

Board's report on Internal control

The Swedish Companies Act regulates the Board and CEO's responsibility concerning internal control. The Board's responsibility is also regulated by the Swedish Code of Corporate Governance, which also includes demands for annual external information flow concerning how the internal control for financial reporting is organized.

Internal control

Semcon has defined internal control as a process designed to provide reasonable assurance that Semcon's objectives are achieved in terms of an appropriate, effective business, reliable reporting and how to follow applicable rules and regulations. The internal control is influenced by the Board, CEO, Group management and other employees and is based on a control environment that creates the basis for the other four components in the process – risk assessment, control activities, information, communication and follow-ups. The process bases itself on the framework for internal control issued by the Committee of the Sponsoring Organizations of the Treadway Commission (COSO). The control environment includes the values and ethics that the Board, CEO and Group management communicate and use and that are documented in Semcon's Code of Conduct and the Group's organizational structure, management, decision-making, authorization, responsibility and expertise of the employees. Semcon's vision, business concept, objectives and strategies are the basis of day-to-day work. Semcon is characterized by a decentralized organization driven from target-steered management with clear objectives.

Internal control concerning financial reporting

Internal control concerning financial reporting aims to give reasonable assurance concerning reliability of the external financial reporting in the form of quarterly reports, annual reports and financial statements and that the external financial reports are drawn up in accordance with laws, applicable accounting standards and other demands made on listed companies. The following description has been drawn up in accordance with the Swedish Code of Corporate Governance and the current application instructions and make up the Board's report for internal control concerning the financial reporting. This internal control report for the financial reporting has not been subject to review by the company's auditors.

Control environment

The Board has overall responsibility for the internal control of financial reporting. The Board has set out written standing orders that clarify the Board's responsibilities and that regulate the work of the Board. The Board will ensure that set principles for financial reporting and internal control are observed and that applicable relationships with the company's auditors are maintained. The Board has drawn up instructions for the CEO and for financial reporting. Responsibility for ensuring effective control environments is delegated to the CEO. The Group's Internal Control is a support function for the internal control of financial reporting in the Group's companies and business areas. Internal control instruments for financial reporting are made up of the Group's finance policy, information policy, investment rules, authorization rules and the Group's accounting and reporting rules. Semcon's ethical values are documented in the Group's Code of Conduct where staff policies complement other rules and instructions for employees. New, stricter routines and rules were implemented in 2008 in terms of submitting tenders/bids, conditions of contract and drawing up agreements.

Risk assessment

Semcon's risk assessment covering financial reporting, i.e. identification and evaluation of the most significant risks in the Group's companies, business areas and processes regarding financial reporting, consist of a foundation for how they are managed. They are managed by the risks being accepted, reduced or eliminated, with demands on controls and control levels within the frameworks set by the Board, CEO and Group management. Risk assessment has taken place during the year in the respective business area's management groups and with Group staff function managers and controllers. Financial reporting risk assessments will be updated annually under the management of the Internal Control function and the results reported to the Board and Group management.

Control activities

The significant risks identified for financial reporting are managed through various control activities and processes in the Group's companies, business areas and that aim to safeguard that the basic demands on external financial reporting are met. The control activities build on the Group's minimum requirements for internal control for financial reporting and consist of comprehensive, detailed controls that can be preventative and exploratory in nature. The respective business areas are responsible for the Group's control instruments being implemented and observed and that any possible deviation is reported. In 2008 all Group companies and business areas completed an Internal Control Questionnaire in order to evaluate the internal controls.

Information and Communication

Information and communication about internal control instruments for financial reporting is published on Semcon's intranet, which is accessible to every employee. External communication consists, for example, of external financial reporting. There is an information policy to support the information procedures in the Group. This clearly states who is allowed to communicate what type of information and that the information must be correct, coordinated, consistent, fast and able to be monitored, both internally and externally. The results of the internal control of financial reporting procedures are reported by the Group's function for Internal Control to the Board and Group management.

Follow-ups

Follow-ups for ensuring effective internal control for financial reporting are carried out by the Board, CEO, Group management, the Internal Control function and by the Group's companies and business areas. Follow-ups are carried out informally and formally and comprise follow-ups of monthly financial reports against budgets and objectives such as quarterly reports, which in certain cases are complemented with independent examinations by external auditors. Semcon has introduced a Group-wide reporting system for working on the internal control of financial reporting, which includes self-evaluation of all the Group's companies and business areas that provides a picture of how the Group's subsidiaries live up to the minimum requirements of internal control for financial reporting for significant risks identified and also provides information concerning the status of subsidiaries' work. Every company and business area is responsible for drawing up action plans for divergence that is then followed-up by the respective internal Board in each business area. In addition, the Group's Internal Control function and the company's external auditors have tested the self-evaluations and reported divergences in the audit reports to the affected parties. In view of the results of the tests, the company has so far found no reason to introduce a special internal audit function.

The Board
Gothenburg, 16 March 2009

The Board

Jorma Halonen
Board member since 2008.
Former deputy CEO of AB Volvo and acting CEO of the Volvo Group between 2004–2008, CEO of Volvo Trucks 2001–2004 and a former career at Scania 1990–2001.
Born 1948
Qualifications: Master of Business Administration (MBA), from the Swedish School of Economics in Helsinki.
Nationality: Finnish
Other board assignments: Chairman of Niscayah Group AB (former Securitas Systems) and CPS Color. Board member of Assa Abloy AB and NICDP (Advisory Board to the Saudi Arabian Government).
Shareholding in Semcon: 650

Roland Kristiansson
Employee representative.
Employed since: 2000
Born 1948
Qualifications: Technical College Engineer
Nationality: Swedish
Shareholding in Semcon: 656

Marianne Brismar
Board member since 2008.
Former CEO of Atlet AB between 1995–2007.
Born 1961
Qualifications: Pharmacist Graduate from Uppsala University and BA in Economics from the School of Business, Economics and Law at University of Gothenburg.
Nationality: Swedish
Other board assignments: Eco-Boråstapeter AB, Ernströmgruppen AB and Eton Systems AB. Chairman of Teknikcollegerådet Region Väst.
Shareholding in Semcon: 5,000

Håkan Larsson
Board member since 2007.
Former CEO of Rederi AB Transatlantic between 2003–2007 and prior to that CEO of Schenker AG.
Born 1947
Qualifications: Master of Business Administration (MBA), University of Gothenburg.
Nationality: Swedish
Other board assignments: Chairman of Consafe Logistics Holding AB, Nimbus Boats AB, Schenker AB and Inpension Asset Management. Board member of Bure Equity AB, Chalmers University of Technology, Ernströmsgruppen AB, Handelsbanken Region Väst, Rederi AB Transatlantic, Stolt-Nielsen A/S and Wallenius Lines AB.
Shareholding in Semcon: 0

Standing from left: *Jorma Halonen, Roland Kristiansson, Håkan Larsson, Christer Eriksson and Gunvor Engström*
Seated from left: *Marianne Brismar, Kjell Nilsson, Hans-Erik Andersson and Stefan Novakovic*

Kjell Nilsson (President and CEO)
Board member since 2007.
Born 1948
Qualifications: Economics and Business Studies Graduate from the School of Business, Economics and Law, University of Gothenburg.
Nationality: Swedish
Other board assignments: Chairman of Bruks Holding AB and Freesourcing AB. Board member of Choice Hotels A/S and Home Properties AB.
Shareholding in Semcon: 122,315

Christer Eriksson
Employee representative.
Employed since 2000
Born 1969
Qualifications: Master of Engineering (M.E.) in Mechanical Engineering, Materials and Machining Technology, Luleå University of Technology.
Nationality: Swedish
Shareholding in Semcon: 311

Hans-Erik Andersson (Chairman)
Board member since 2007 and elected Chairman of the Board in 2008.
Former CEO of Skandia 2004–2006. Chairman of Nordic Region Marsh & McLennan 2000–2003, deputy CEO of Skandia 1998–1999 and Executive Director of Mercantile & General Reinsurance 1992–1997.
Born 1950
Qualifications: Financial studies, Stockholm University.
Nationality: Swedish
Other board assignments: Chairman of Erik Penser Bankaktiebolag and Canvisa Consulting AB. Board member of Cision AB and Gjensidige Forsikring BA. Member of the Financial Markets Advisory Committee.
Shareholding in Semcon: 20,000

Gunvor Engström
Board member since 2007.
County Governess of the County of Blekinge.
Former CEO of Bank2 Bankaktiebolag.
Born 1950
Qualifications: Master of Business Administration (MBA), Stockholm School of Economics.
Nationality: Swedish
Other board assignments: Länsförsäkringar Liv Försäkringsaktiebolag (publ), Apotekets omstruktureringsbolag and Third AP fund.
Shareholding in Semcon (own and family): 30,000

Stefan Novakovic
Employee representative.
Employed since 2000
Born 1969
Qualifications: Technical College Engineer
Nationality: Swedish
Shareholding in Semcon: 225

Group Management

Standing from left: *Johan Ekener, Kjell Nilsson and Stefan Ohlsson.* ***Seated from left:*** *Urban Kihlén and Markus Granlund*

Johan Ekener
President of Business Area Informatic
Born 1964
Qualifications: Master of Science (MSc), 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

Kjell Nilsson
President and CEO
Born 1948
Qualifications: Economics and Business Studies Graduate from the School of Business, Economics and Law, University of Gothenburg.
Employed since 2008
Board assignments: Chairman of Bruks Holding AB and Freesourcing AB. Board member of Choice Hotel A/S and Home Properties AB.
Shareholding in Semcon: 122,315

Urban Kihlén
Purchasing Manager
Born 1959
Qualifications: Master of Business Administration (MBA), School of Business, Economics and Law, University of Gothenburg.
Employed since 1998
Board assignments: Lindholmen Science Park
Shareholding in Semcon (own and family): 4,200

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

Markus Granlund
Legal Counsel
Born 1975
Qualifications: Master of Law from Lund University, Master of International Trade Law in Australia.
Employed since 2008
Shareholding in Semcon: 0

Standing from left: *Björn Strömberg, Klas Elmby, Anders Löwgren and Thomas Andrén.* ***Seated from left:*** *Anders Atterling och Mats Körner*

Björn Strömberg
CFO
Born 1960
Qualifications: Master of Business Administration (MBA), School of Business, Economics and Law, University of Gothenburg.
Employed since 2007
Shareholding in Semcon: 9,010

Anders Atterling
IR & PR Manager
Born 1960
Qualifications: Bachelor of Science (BSc), Economics, Örebro University.
Employed since 1991
Shareholding in Semcon: 15,505

Klas Elmby
IT Manager
Born 1969
Qualifications: Technical College Engineer, Trollhättan. Courses taken at HTU and Chalmers University of Technology.
Employed since 1990
Shareholding in Semcon: 20,000

Mats Körner
President of Business Area Design & Development
Born 1964
Qualifications: Technical College Engineer.
Employed since 1995
Shareholding in Semcon: 842

Anders Löwgren
Group Financial Controller
Born 1965
Qualifications: Master of Business Administration (MBA), School of Business, Economics and Law, University of Gothenburg.
Employed since 1998
Shareholding in Semcon: 471

Thomas Andrén
Group Business Controller
Born 1973
Qualifications: Master of Business Administration (MBA), School of Business, Economics and Law, University of Gothenburg.
Employed since 2000
Shareholding in Semcon: 4,505

Shareholder service

Financial information

Financial agenda

Q1 report Jan–March	29 April 2009
Annual General Meeting	29 April 2009
Q2 report Jan–June	17 July 2009
Q3 report Jan–Sept	21 Oct 2009

Information about Semcon's business, financial reporting, activities and press releases etc. can be found on Semcon's website at: www.semcon.se. 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 email to: ir@semcon.com

Contacts

Anders Atterling, Investor Relations Manager
email: anders.atterling@semcon.com

Björn Strömberg, CFO
email: bjorn.stromberg@semcon.com

Glossary

BRIC countries
Brazil, Russia, India and China.

CAD
Computer Aided Design. Computer-based construction using 3D models and producing plans.

CAE
Computer Aided Engineering. Computer-based simulation and calculation of models in order to evaluate how a component will be affected by mechanical stresses etc.

CM (Configuration Management)
This involves checking and controlling different supplies, always being able to recreate a product for every given occasion and tracing a change from the time the idea is hatched to it being introduced, tested and realized.

Co-efficiency ratio
A quantity measuring the quotient between recovered usable energy and supplied energy in a car engine for example.

Distance office
A unit that carries out projects on behalf of other Semcon offices around the world.

DM
Document Management.

Driveline
Joint name for engine, gearbox and transmission.

Embedded systems
Computer-dedicated to perform one or more functions, usually integrated in a larger unit together with other components.

Free-forming technology
Technology used to quickly develop physical 3D models made from epoxy resin etc.

Homologation
Typological classification prior to typological approval.

HVDC
High Voltage Direct Current. Technology used for transporting electrical energy with the help of high voltage direct current in order to reduce losses compared to traditional alternating current voltage.

Life Science
Pharmaceuticals, med-tech, biotech.

NVH
Noise, Vibration, Harshness. The generic name for everything to do with noise and vibration from a comfort perspective.

PLM
Product Lifecycle Management. The process that handles data and information about a product throughout the entire product lifecycle, such as costs, environmental impact, qualities, convertibility and service intervals etc.

Production development
Development of equipment, tools and processes in order to produce a product.

Product lifecycle
A product's lifecycle on the market, i.e. from sale to scrapping.

Product development cycle
The cycle from idea to end product.

Satellite offices
An office that is physically situated far from the home environment, but network connections and software make it possible to work in a home environment computer system as if on site.

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Semcon AB • SE-417 80 Gothenburg • Sweden • Visiting address: Theres Svenssons gata 15 • Phone +46(0)31-721 00 00 • Fax +46(0)31-335 81 75 • www.semcon.com