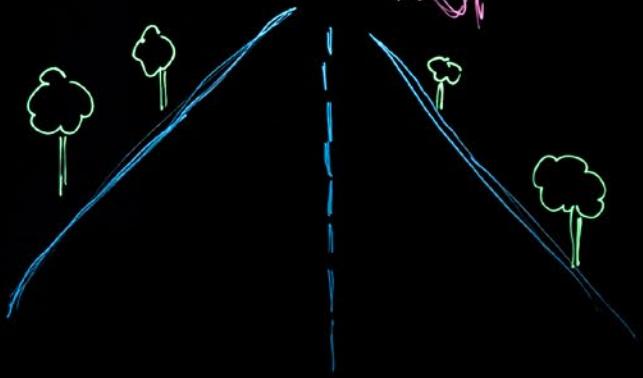


JAN 15  
AUTONOMOUS  
DRIVING



# Annual Report 2014

testing



FURTHER

semcon

## THIS IS SEMCON



3,000 EMPLOYEES

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GLOBAL REACH

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## OFFER



ENGINEERING  
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With our passion for technology we develop our customers' products and businesses. We have a long-term influence on the future, providing benefit to both customers and ourselves, through our breadth of knowledge, determination and innovations.

Semcon is an international technology consultancy company in the field of engineering services and product information. We have 3,000 highly skilled employees who challenge one another to be at the cutting edge of technology and constantly chase new solutions and find the competitive edge.

We do this by developing products, solutions, processes and product information – whether it is automotive development, energy solutions, products and quality services for life science or product and production development for other development-intensive industries.

Follow us into the future.

# 2014: The year in brief

**2014** was characterized by major uncertainty globally, which affected our customers. The Swedish export industry, which is important to Semcon, has adopted a general wait-and-see approach towards new investments, leading to negative effects on sales. Some offices in Germany also reported weak profitability, so a review of the business was carried out in Q4 to boost profits.

Efficiency measures and an adapted offer have meant redundancies in Sweden and Germany, affecting a total of 45 people.

The year ended with a strong cash flow and the Product Information business area continues to report healthy sales growth and profits. The Board of Directors proposes an unchanged dividend of SEK 2.50 per share.

## Important events during the year

### Q1

- Semcon introduced a market-oriented organization on 1 January in the area of engineering services to further strengthen the Group's global delivery ability.

### Q2

- The major project for a German auto manufacturer, which started in 2013, involving around 100 people, ended.
- Semcon sold its business for advanced measuring and control systems, ComTest, to WSP on 1 May 2014. The business employed 16 people.
- Semcon signed a deal with a global auto manufacturer for a facelift of an existing car model. The project started in May and will last for two years.

### Q3

- On 1 September Semcon acquired the business in iBruk AS in Norway, a company active in the field of product information, the business has around 20 employees and subcontractors.

### Q4

- Vattenfall renewed its A-list supplier agreement with Semcon, which now covers extended assistance for wind power, hydroelectric power, nuclear power, heating and electricity distribution.
- On 30 September, Semcon sold Zooma by Semcon AB and its activities in online marketing and communication, to Arena Media AB, principle owner of the Valentin & Byhr Group. The business has around 20 employees.

## 2014

### Q1

Operating income SEK 704m (626)

Organic growth 10%

Operating profit after depreciation SEK 41m (35)

Operating margin 5.9% (5.6)

Number of employees at end of period 3,042 (2,969)

### Q2

SEK 679m (636)

4%

SEK 3m (31)

0.4% (4.9)

3,032 (2,989)

### Q3

SEK 612m (592)

-1%

SEK 32m (37)

5.2% (6.3)

3,050 (3,011)

### Q4

SEK 731m (654)

6%

SEK 27m (22)

3.6% (3.3)

2,990 (3,001)



- Operating income: SEK 2,726 m (2,508)
- Operating profit: SEK 102 m (125)
- Operating margin: 3.8% (5.0)
- Profit after tax: SEK 75 m (88)

- EPS after dilution: SEK 4.16 (4.86)
- Equity/assets ratio: 48% (48)
- Return on equity: 12% (15)
- The Board proposes a dividend of SEK 2.50 (2.50) per share

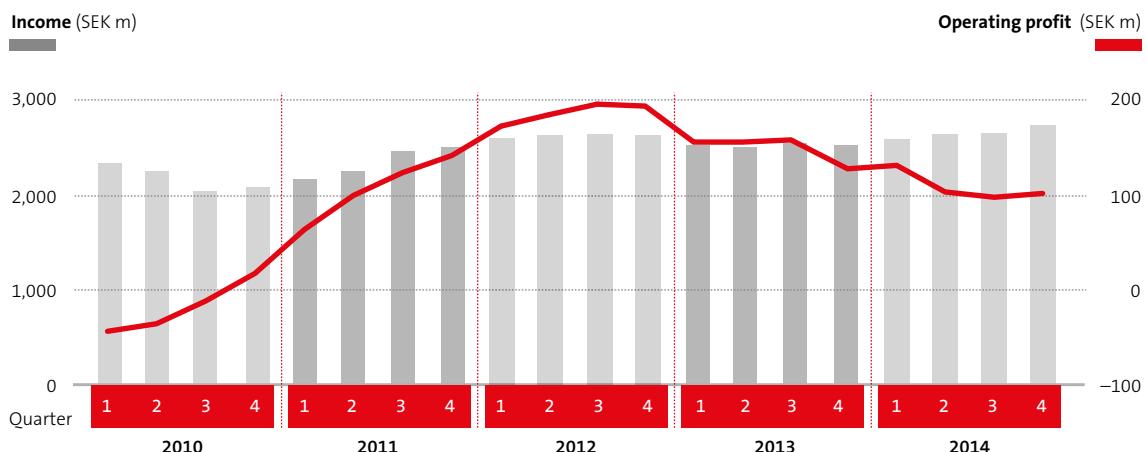
## ■ Key figures

	2014	2013	2012	2011	2010
Operating income (SEK m)	<b>2,726</b>	2,508	2,571	2,452	2,091
Operating profit (SEK m)	<b>102</b>	125	193	111	3
Operating margin (%)	<b>3.8</b>	5.0	7.5	4.5	0.1
Equity/assets ratio (%)	<b>48.4</b>	48.5	46.6	38.4	33.0
Debt/equity ratio (times)	—	—	0.1	0.5	0.8
Return on equity (%)	<b>11.6</b>	14.6	27.7	17.3	-1.4
Cash flow per share (SEK)	<b>4.54</b>	7.45	10.28	4.84	-3.04
EPS (SEK)	<b>2.50*</b>	2.50	2.00	—	—
EPS after dilution (SEK)	<b>4.16</b>	4.86	7.80	3.83	-0.29
Share price at year-end (SEK)	<b>49.40</b>	60.50	48.00	24.00	29.40
Number of employees at year-end	<b>2,990</b>	3,001	3,000	2,894	2,703

\*Board's proposal

## ■ Income and operating profit

Result of each quarter for four consecutive quarters, excluding exceptional items.





**“We are cutting customers’ costs  
and improving quality by utilizing  
Semcon’s entire global organization.”**

Markus Granlund, President and CEO

## CEO INTERVIEW

# “Our repositioning makes it possible to deliver clearer added value and improved quality”

### What were you most pleased with in 2014?

We have reason to be pleased with many things. One important item is that we now have the market-oriented organization in place, where we have separated engineering services into three geographic business areas, while product information remains as an independent business area, which according to customers and employees is very positive. We have been keen to improve clarity, efficiency and achieve improved, tighter cooperation throughout the Group.

We are also pleased that we have improved our already impressive customer satisfaction index on last year. Customers continue to rate us highly for how we understand their business activities, that we provide customized solutions according to their needs and the high quality of our deliveries.

### Any comments on the results of 2014?

The year was characterized by major variations in profitability between various offices, markets and quarters. Overall, the global uncertainty has affected our customers, causing a wait-and-see attitude towards new investments, which has affected our profits. Therefore, over the year, we introduced efficiency measures to improve profitability. It is however pleasing that the Product Information business area is continuing to report healthy growth and that we ended the year with a strong cash flow.

### Any strategic choices you would like to highlight?

We are moving more towards solution and project-based deliveries, where we are supplying a result instead of a specialist to customers. The consultancy industry, especially in the Nordic countries, has employed hourly-based deliveries for many years, but a few years ago Semcon realigned this

strategy in order to boost the number of project-based supplies. Our repositioning makes it possible to deliver clearer added value and improved quality.

This means that we can work with more parameters in terms of profits and also provide customers with competitive prices. In comparison we can see that we are cutting customers' costs and improving quality by utilizing Semcon's entire global organization.

### Is the share of result-based deliveries increasing?

Overall, yes. We have seen an overall increase, even though the pace of our markets and business areas fluctuates. We have seen most improvement in the product information area and in engineering services on the German market.

The change in buying patterns in Germany in terms of business models is driven by legislation, meaning that the German auto industry has converted to buying a greater percentage of projects and packaged services.

The Swedish market has not reached that stage yet in this respect and there is no legislation in place that, to the same degree, creates restrictions for how we provide our services. On the other hand, Swedish and other Nordic countries' customers realize the significant benefits of buying result-based deliveries instead of buying in specialists as before.

### Semcon is adjusting the offer in Germany. What does that mean?

That will not only include us realigning the organization and optimizing the business at the offices that have reported weak profits, but also accelerating the realignment to result-based deliveries. This mainly applies to the major auto manufacturers. We are also focusing on specializing our offer more than before. We offer more modular sales

#### GLOBAL REACH

55 per cent of our income is generated outside Sweden. In 2014 we did business in 38 countries.

in specific technology areas, such as for example door design. We then take responsibility for the doors and supply them designed and ready.

**There were considerable macro-economic changes in 2014. Lower inflation, zero interest in all major western economies, a stronger dollar, new unrest in the Euro-zone, oil prices halved and a sudden halt to the Russian economy. What affects Semcon the most?**

I would say all of them. What affects our customers affects us. When there is uncertainty around the world then customers adopt a wait-and-see attitude. Most auto manufacturers around the world are doing well, but many have curbed investment in order to improve short-term profits. Many had bigger budgets than they spent in 2014 and that is a clear signal that they want a certain safety margin when major uncertainty abounds around the world.

Not all these global changes negatively impact us. I believe that some customers will see healthy financial growth with a stronger dollar. It's also important to stress that our customers still have a major need of product development services for example and that all agree that the pace of product development will increase year-on-year.

**The Group has exceeded two out of three of its financial objectives: An equity/assets ratio of over 30 per cent and share dividend of at least one third of the profits after tax, but not the 8 per cent operating margin. How will Semcon achieve this?**

Through realigning business models, where we go more towards project-based deliveries with responsibility for results. With this we will boost the added value of our supplies to customers, while counting on improved profits on what we supply.

This realignment means that we will focus more on working with our skill centres in Hungary and India. This doesn't mean that we won't use British, German or Swedish engineers. They will remain key players in our front office organization. This will allow us to cut cost levels without lowering the quality of supplies.

**The strong equity/assets ratio and the healthy financial position provide opportunities for acquisition and expansion. Any thoughts about this?**

We are actively examining potential strategic acquisitions to complement our offer. We will be looking at acquisitions that won't involve doing more of the same thing, but something that advances us along the value chain amongst our customers.

**Any specific countries or industries?**

We are casting our net wide, but we mainly want to utilize the existing infrastructure of the Group. This means that we won't necessarily be investing in establishing in new countries, but trying to improve and expand our offer through complementary acquisition on the geographic markets we are already active on.

**Semcon's work with employer branding intensified over the year. What have you done?**

Over the year we worked on further strengthening our brand as an attractive employer. Everything from induction training, skills development and management courses, to taking part during labour market days at universities and colleges. Also over the year we partnered up with SOS Children's Villages, which I am extremely proud of and am convinced that our contribution will make a difference.

Having fully-functional employer branding activities is important and is measured in our ability to attract, develop and keep the best talents and managers in the industry, which is crucial for our continued success.

**Semcon has a new head office – what does the move mean?**

It's important symbolically and reflects the realignment that's underway at Semcon. The office gives us the opportunity of providing according to the delivery and business models, which will only grow in the future. We can more easily organize project groups and work in satellite groups, where we are linked to customers' IT systems from the office, which together provides a different kind of delivery compared to before. The open plan layout is an excellent symbol of where Semcon is heading.

**Semcon doesn't give forecasts, but can you generalize?**

We took a number of steps in 2014 in terms of reorganizing and adapting according to markets, which have had a certain dampening effect on profits together with the global factors we already discussed.

My hope for 2015 is that we have a quieter year from a macro perspective and that we will have had a year to get used to the new organization. The restructuring carried out at the end of last year, mainly in the Engineering Services Nordic business area, will pay off in 2015.

I have a positive outlook for the future and over the long term I believe that our structural changes are good for growth and profitability.

**Markus Granlund**

President and CEO

12 March 2015

**Jan-Hinrich Müller**

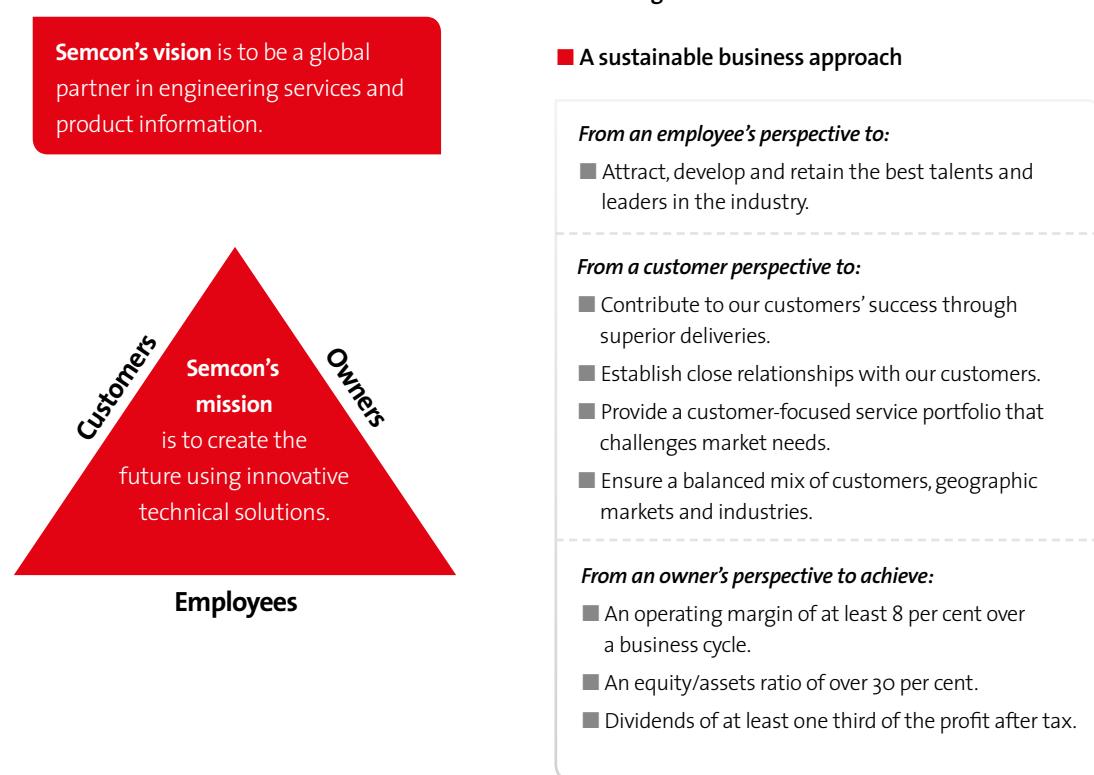
**Interiors and exteriors Project Manager**

“The biggest challenge in my job is combining all the ergonomic aspects with safety requirements. All drivers, irrespective of body size should be able to sit comfortably in their vehicles, while still being able to withstand serious side-impacts as well as possible.”



# Vision, business concept, desired position and strategic imperatives

Semcon carries out annual reviews of the company's objectives and strategies to better reflect Semcon's business and future ambitions. This means that the business concept and the company's prioritized strategies are updated and the overall objectives are all put together into a desired position.



## Semcon's prioritized strategies for 2015–2016

- Strengthen Semcon's employer brand through passion for technology and progressive thinking
- Add maximum value for each customer and exceed expectations
- Increase solution-based deliveries
- Prioritize profitable growth

## Strategic priorities and outcome 2014

### ■ Strengthen Semcon's employer brand through passion for technology and progressive thinking

**OUTCOME:** We worked actively throughout the year to strengthen Semcon as an attractive employer, both internally and externally. Semcon's initiatives included a number of activities with students and young professionals as primary target groups. This mainly took place during labour market days, events and lectures at our offices and communication via our digital channels. This work is long-term and aims at safeguarding the provision of talented colleagues over time.

### ■ Add maximum value for each customer and exceed expectations

**OUTCOME:** We have a high number of customer repurchases and customer satisfaction surveys carried out show that customers are pleased with the services we provide.

### ■ Increase solution-based deliveries

**OUTCOME:** We saw an increase over the year of the number of projects and packaged solutions, mainly on the German and Swedish markets.

### ■ Prioritize profitable growth

**OUTCOME:** We focus strongly on long-term profitability, in the assignments/projects we deliver. All new quotes follow the profitability requirements set up by the company.

## Financial objectives

### ■ An operating margin of at least 8 per cent over a business cycle

**OUTCOME:** The operating margin amounted to 3.8% (5.0). The poorer operating margin is attributable to weak profits in the Engineering Services business area, mainly in Q4. The Product Information business area reported an operating margin of 10%.

### ■ An equity/assets ratio of over 30 per cent

**OUTCOME:** The equity/assets ratio was 48% (48). The Group's financial position remains healthy with an equity/assets ratio of over 30%.

### ■ Dividends of at least one third of the profit after tax

**OUTCOME:** The proposed dividend amounts to 60 per cent (51) of the company's profit after tax. The Board of Directors proposes no change to the dividend of SEK 2.50 (2.50) per share. The proposed dividend amounts to SEK 45 million (45).



**Christoffer Grönberg**  
**Electrical and automation engineer**  
“Society is completely dependent on electrical functions and power cuts can have serious consequences. Part of my job is to develop safe, robust electrical solutions in order to avoid these kind of problems.”

# Commercial advantages for our customers

Our employees are faced with solving customers' problems every day. Our success lies in matching the right expert for the expectations of our customers. We are therefore problem-solvers and we must always build their trust.

We provide this by expertly packaging managed services, projects and specialist services, thereby helping boost customers' commercial advantages. This is done by delivering according to our core values: Credibility, Responsibility and Excellence.

Semcon has seen an increasing number of project requests from customers in recent years, something that is expected to continue increasing over the next few years. In assignments where Semcon provides specialist services it is mainly the number of contracted consultants, fees and degree of utilization that decide income growth and profits.

In assignments where Semcon provides projects or where Semcon takes over entire functions with customers it is the ability to achieve a high degree of efficiency, quality and security of the deliveries that are crucial.

## **Semcon's main business builds on three different business models that complement one another**

This means that Semcon has the opportunity of creating an optimal delivery through flexible business solutions, customized to customers' specific requirements.

### **→ Managed services**

Semcon assumes overall responsibility for a defined function designed to provide products and services. This means that Semcon takes over customer processes in this area with various offices and expertise at Semcon often being involved.

### **→ Projects**

Semcon is comprehensively responsible for complete or part projects with the supply consisting of a required result. In projects where Semcon takes responsibility for part of the process, it is a question of improving or developing parts of a product, construction or services for the customer. In cases where Semcon takes overall responsibility the company is responsible for the entire project processes, from planning to delivery.

### **→ Specialist services**

Semcon provides specialists in a number of areas. We integrate work in our customers' organizations, providing knowledge that strengthens their capacity.

# International resources – local presence

An important part of Semcon's strategy is being located where our customers are and providing resources and services from an international perspective. Semcon currently has offices in more than 40 locations in nine countries around the world. Business was carried out in 38 different countries in 2014, meaning we provide our services globally.

Semcon's proximity to its customers, combined with the Group's ability to supply services internationally, creates opportunities to enjoy the best of both worlds, known as the FOBO model. The front office assumes responsibility for

project coordination and the back office for implementing the actual assignment. The customer could be in Göteborg or Shanghai, but the assignment could be carried out in Bangalore or Budapest.

Semcon also works on satellite projects, involving working on the customer's IT systems from our own offices. Semcon also has a number of skill centres, home to one or more specialist skill areas.

To complement delivery to our customers, Semcon collaborates with many subcontractors.

**SWEDEN** • Eskilstuna • Falun • Göteborg • Helsingborg • Huskvarna • Karlstad • Karlskrona • Kristianstad • Lidköping • Linköping • Ludvika • Luleå • Lund • Oskarshamn • Stenungsund • Stockholm • Södertälje • Trollhättan • Uppsala • Västerås • Växjö • Örebro •

**GERMANY** • Bad Friedrichshall • Ingolstadt • Munich • Rüsselsheim • Sindelfingen • Stuttgart • Wolfsburg • **UNITED KINGDOM** •

Havant • Kineton • Leavesden • South Woodham Ferrers • **BRAZIL** • Porto Real • Resende • São Paulo • **CHINA** • Beijing • Shanghai •

**INDIA** • Bangalore • **HUNGARY** • Budapest • **NORWAY** • Kongsberg • **SPAIN** • Antas





**Stefan Sommer**  
**Aircraft interior designer**

“When I started at Semcon in 2009 my department consisted of just a few individuals. Semcon didn't have any experience of the German market in constructing aircraft back then, just for the automotive industry. Our first assignment was a simple construction if we compare it to what we do today, which includes everything from complex galley structures to electrical parts, refrigeration units, water installation and air-conditioning.”

# Expanding markets provide both opportunities and challenges

Semcon's offer is continuing to expand on most markets with customers' investments growing. For Semcon this means more opportunities as a result of increased market volumes and challenges as a result of changing purchasing trends.

## Development of global R&D investments – continuing increased investment rate

Semcon follows the trends and investments in research and development (R&D) on respective markets and industries. The ESP market (Engineering Service Provider), where Semcon is active, can be described as technical R&D, which is outsourced by industrial companies, mainly in the manufacturing sector.

### Overall R&D investments

- Public sector R&D investments
- = **Private sector R&D investments**
- Private sector R&D investments in non-technical R&D (medicines, vaccines etc.)
- = **Private sector R&D investments in technology**
- Private sector in-house development
- = **ESP-market (outsourced R&D)**

Global investments in R&D are expected to rise by an average of 1.1 per cent annually, to EUR 1,253 billion by 2018, according to an analysis carried out by the research organization Battelle. Forecasts indicate investments will rise, but this increase will level off somewhat compared with previous years. The US, Europe, China and Japan are expected to account for 79 per cent of R&D investments by 2018, an increase of 1 per cent compared with 2014. Germany, France and the UK are expected to account for 37 per cent of European R&D investments, which is a drop of 1 per cent over the 2014 – 2018 period. According to Battelle the factors mainly affecting and driving

global R&D investments over the next four years will be governments' ability to understand scientific and technological changes, market demand for sustainable energy, global climate change and general sustainable development in society.

## Good market growth for ESP services

The global ESP market is expected to amount to EUR 175 billion by 2018, an increase of 7.2 per cent annually over the 2014 – 2018 period, according to analyses carried out by Battelle, OECD and the World Bank. The annual growth rate for ESP services is strongest in Asia (+12 per cent annually) and weaker on the more mature markets in Europe and North America.

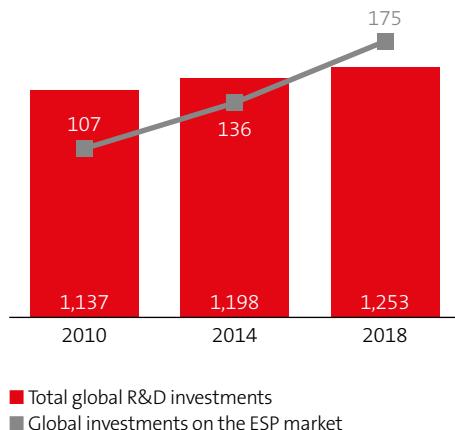
Not all markets are inclined as some at taking in external resources for development projects. According to Battelle the ESP market is biggest in the US, followed by China, Germany, the UK, France and India. The markets with the biggest share of outsourced R&D investments are the US, France and Germany. China, the biggest market in terms of volume, has a relatively small share of outsourced R&D investments, which could suggest growth potential for ESP companies over the next few years.

## Major differences between different markets

Industries, like markets, are not all as inclined as some to take in external resources for development projects. The automotive industry currently accounts for 60 per cent of global R&D investments, life science for 14 per cent, industry for 5 per cent, energy for 2 per cent and other industries for the remaining 19 per cent.

## Total global R&D investments and investments on the ESP market

EUR billion



### Automotive

According to analysts Oliver Wyman the automotive industry's outsourcing trend will continue increasing over the 2015 – 2025 period, but will level off somewhat compared with developments in previous years. Oliver Wyman estimates that the market value of automotive industry ESP companies was EUR 47 billion in 2012 and forecasts that this will reach EUR 116 billion by 2025, an annual growth rate of 12 per cent. The outsourcing share is expected to increase from 7 per cent today to 17 per cent by 2025. Oliver Wyman believes the share of automotive manufacturers' in-house development with global R&D investments will drop from today's 60 per cent to 47 per cent by 2025. It is furthermore suggested that Europe will retain its good reputation and strengthen its position as market-leader for R&D in the global automotive industry.

### Life science

According to analysts Battelle, life science accounts for major changes, mainly driven by the fact that pharmaceutical companies' R&D budgets will be put under increasing cost pressure due to these companies' business costs increasing. Life science in the US currently accounts for 46 per cent of global R&D investments. Factors that will complicate the industry's R&D investments in future are the changes underway in the welfare system's "Affordable Care Act" in the US.

The life science industry can generally be split into the more established and global pharmaceutical companies, where outsourcing is relatively low and the newly established and small pharmaceutical companies in terms of volume, where outsourcing is higher.

### Industry

R&D investments in this industry are expected to increase by 3 per cent annually over the 2015 – 2025 period, according to Battelle. The aviation industry, which accounts for much of overall R&D investments, is expected to see a short-term drop due to the recently introduced Boeing Dreamliner, which required vast amounts of R&D investment. Like most other industries the companies' R&D investments are in strong correlation to the companies' net profits. It is likely that customer companies will continue with their strategies of entering partnerships with fewer major suppliers. The telecom industry has seen constant high investment driven by new technologies, a change in customer patterns and changes to market demands. The telecom industry is undergoing a technology shift, where R&D investments are focusing on various kinds of cloud services, and technologies tied to cloud-based services are expected to increase and in future account for the majority of R&D investments in the industry.

### Energy

This industry is dominated by global gas and oil companies. Alternative energy sources and energy technologies are the areas that will result in industry shares of the overall R&D investments increasing over the next few years, according to analysts Battelle. Other areas in the industry expected to drive R&D investments include advanced material developments for green technology. It is also expected, according to Battelle, that major R&D investments in the nuclear power industry will take place, mainly for upgrading existing systems, but also for the phasing out of old nuclear power stations.

### Global trends for Semcon

- Continued healthy growth expected for ESP services in the automotive industry as a result of increased share of outsourcing
- Increased R&D budgets expected at biggest customers in the future
- Opportunities for strategic acquisitions of mid-sized ESP companies
- Growth potential in Asia and Europe where R&D investments are expected to increase
- Increased demand for international projects from customers where Semcon has the benefit of already being established and where the competition has high cost onto the markets

## Market leaders in terms of R&D investments in various technology areas

Research by Battelle and R&D Magazine resulted in a list of the countries/markets that are industry leaders in terms of R&D investment in the respective technology areas.

	Automotive	Life science	Industry	Energy
<b>1</b>	Germany	USA	USA	Germany
<b>2</b>	Japan	UK	Japan	USA
<b>3</b>	USA	Germany	Germany	China
<b>4</b>	China	Japan	China	Japan
<b>5</b>	UK	China	UK	UK

## Development in Semcon's markets

Semcon's international presence continued to grow in 2014. An increasing number of customers are demanding projects carried out with various expertise and cost structures, allowing an increased utilization of Semcon's global offer and organization. The company's sales outside Sweden amounted to 55 per cent in 2014. Sales growth took place in Brazil, the UK, Germany and Hungary. Sweden, India and China reported a drop in sales.

Semcon's largest market is Sweden, where turnover for services related to product development and technical information (in industrial technology) is expected to reach SEK 22.2 billion in 2015 with 21,200 employees, according to the trade association Swedish Federation of Consulting Engineers and Architects (STD). Semcon is ranked 2nd in terms of turnover amongst the top 50 companies active in industrial technology by STD. Semcon's share of the Swedish market is estimated at 5 per cent. Semcon's Swedish market dropped in terms of turnover over the year by 1 per cent, mainly due to rapid, dramatic cuts in a major international development project for a global automotive manufacturer. Almega's service indicator (November 2014) shows that production in the private sector for the first nine months of 2014 rose by 3.3 per cent, a clear general increase on 2013 where growth was at 1.6 per cent. Almega's price indicator points towards the rate of price increases for the private sector levelling off, meaning that the recovery Almega predicted at the start of 2014 has been erased and it looks as though the trend towards a weaker rate of price increases since 2011 will continue.

Germany, which is Semcon's second largest market,

reported organic growth over the year of 4 per cent. Engineering services activities are mainly geared towards the automotive industry. Product information activities acquired in October 2012 continue to account for a small share. In 2014 the consolidation, started in 2013, continued on the engineering services market towards the German automotive industry, resulting in a reduced number of independent companies and we are now seeing an increasing number of larger international players. The manning directive, introduced in 2013, continued to impact on customers' purchase patterns. This means that sales of individual consultancy services based on hourly rates continued falling and the number of projects and managed services continued to increase. Strategic advisor, Berylls, expects the average increase to be around 7 per cent of the engineering services market in Germany (automotive industry). According to Berylls the service market for engineering services in Germany amounted to EUR 5.5 billion in 2013. Semcon's market share amounts to around 2 per cent.

The UK, which is Semcon's third largest market, reported growth of 21 per cent over the year. The business runs engineering services and product information and is mainly geared towards the automotive and industry sectors. The UK as a market is expected to have the potential for continued high growth, both in existing and new industries.

On other markets where Semcon is active the need for engineering development services and product information is expected to be significant. China and India are considered the two countries where growth rates remain high, while Brazil, after a relatively weak 2014, is expected to report growth in the future. ◉



**Mattias Ackeby**  
Senior designer

"Technology has interested me since I was little and my father bought a lovely old car for me and my twin brother to tinker with. As construction engineers we need to remain curious in order to do our jobs. Assignments require us to become enthusiastic and attempt to delve deeper into each part of the job."

# Long-term trends affecting Semcon

Challenges and opportunities for Semcon – that is how we see the long-term trends affecting our business. This will mean challenges that require proactivity, professionalism, business acumen and that we live up to our core values.

Challenges bring with them opportunities, in the form of customers' changing needs, technical shifts and the constant search for new products, services and processes that improve and alter the way we live.

## Fewer, larger suppliers winning customers' trust

Customers want fewer, larger suppliers with an international presence to achieve project efficiency. A change has been seen in recent years towards more projects and more managed services. Other forms of incentive models are discussed and customers are asking for models that steer towards their end products becoming as good as possible as quickly as possible. This provides opportunities of working with more variables than just the number of hours and fees, while projects' methodology and internal processes are becoming increasingly important in order to allow for partnership with customers.

## More products, models and faster development processes

End-users' demands for innovation, plus increasing international competition, has meant that companies are now launching more products and models at tighter intervals. Product lifecycles are shortening in most industries. There are now demands for shorter runs and more variation customized according to various markets' specific needs and demands. As this development progresses faster development processes are required, partly to reach the market more quickly, and partly to reduce development costs through more effective working methods.

## Shortage of engineers contributing to war of the talents

There will be a shortage of engineers because of the large number of retirements and that fewer engineers are receiving training in the western world. Studies show that by 2030 there will be a shortage of 500,000 engineers in Europe, of which 50,000 in Sweden alone. This places demand on Semcon for retaining and developing its position as an attractive employer and be at the forefront with attractive assignments and customers.

## The ageing population is placing increasing demands and setting challenges for coming generations

World population growth and people living longer increases the need for pharmaceuticals and med-tech equipment. The world population has doubled over the last 50 years and is expected to reach 9 billion by no later than 2050. This will roughly be when there will be, for the first time, more over 60s than under 16s on the planet. Older people as a demographic are increasing in number five times faster than the rest of the population.

This places new demands, not least in terms of product and service development customized according to their consumer patterns. By 2050 or so the ageing population will also be healthier and stronger than the over 60s today, both physically and financially. These changes will affect all markets, as the demographic changes will encompass the entire development chain, from innovation and design to finished products and aftermarket information.

## Stricter demands for product information and traceability

Products are now more complex than ever, requiring significant product information that simply explain how products works and are maintained. For us this means always having the customer's customers in mind, which are often end-users of a product or service. This also places increasingly stricter regulatory demands on things like traceability and validation in a number of industries.

# Semcon's focus industries

Semcon has chosen to focus on four focus industries: automotive, industry, energy and life science. Customers' have major development needs and changes occur often in these industries. Our employees keep themselves constantly updated with new know-how and expertise in these industries and Semcon can use and apply expertise across these industries to benefit customers in the best way possible.

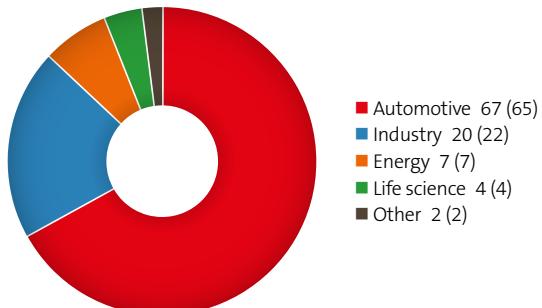


## Automotive

Sales to the automotive industry accounted for 67 per cent of Semcon's sales in 2014.

The automotive industry is still experiencing tough competition. Players in the automotive industry are strongly debating creating value and demands on constant cost-efficiency, combined with stricter demands on product development, the environment and innovation. Automotive manufacturers need to get their new models to market quickly and external suppliers play a vital role as development partners on a global scale. Analysts Oliver Wyman writes in its Automotive Manager report that the automotive industry is quick at identifying new growth segments and new growth markets, and that the companies willing to apply their value-adding strategies will be tomorrow's winners on an increasingly competitive market. Another study by Oliver Wyman, along with the German automotive industry organization VDA, states that automotive manufacturers and their suppliers will need to improve cooperation in order to meet future challenges.

## Income per industry (%)



According to a report from Oliver Wyman it is the BRIC countries, Brazil, Russia, India and China that are the major growth markets. The report also states that 60 per cent of growth will be seen in these countries until 2017.

Development has mainly benefitted German, Chinese and South Korean manufacturers, which boosted turnover during the financial crisis. Meanwhile, many of the European, US and Japanese manufacturers are facing challenges to achieve the same manufacturing volumes as back in 2007. Germany has a strong position and remains the catalyst of the European automotive industry with BMW, Audi, Mercedes-Benz and Volkswagen leading the field.



## Industry

Sales to the industry sector accounted for 20 per cent of Semcon's sales in 2014.

Semcon's customers not only include many world-leading companies in the technology, manufacturing, process, telecommunications, rail, marine and aviation industries, but also a number of manufacturers of consumer products and other consumer-oriented companies. The Swedish economy, according to the Swedish National Institute of Economic Research, will strengthen in 2015. The manufacturing industry is vital for Swedish industry, with growth increasing somewhat in 2014 compared with 2013. Germany is one of the world's leading industry nations and its manufacturing industry grew more than expected in 2014 following a relatively weak start to the beginning of the year. Growth in Germany in 2015 is expected to be around 2 per cent in 2015.

The future trend is for consumers' demands for new products and models, plus increasing competition in the industry sector to contribute to further cutting product lifecycles. This means extra technology development investment and innovative product development, which will probably be reflected in increased R&D investments.



## Energy

Sales to the energy sector accounted for 7 per cent of Semcon's sales in 2014.

World energy demand continues to rise while the effects on the environment are becoming more acute. In addition to political will and financial resources, major technological advances and innovations will be required in order to significantly reduce carbon dioxide emissions worldwide.

The technical challenges involve everything from "clean" coal plants, producing more energy-efficient products, developing energy distribution systems and extending the life of existing nuclear power plants and in some cases decommissioning nuclear power plants safely, to developing and streamlining renewable energy sources like solar, wind and hydro-electric power. This challenge applies not least in Germany, which is to decommission its nuclear power stations by 2022 and where R&D will be crucial for how well they succeed in replacing nuclear power with new energy sources.



## Life science

Sales to the life science sector accounted for 4 per cent of Semcon's sales in 2014.

Medical devices is one of the most important growth industries in the life science sector. On a global level, annual growth is expected to be 7 per cent between 2012 and 2017, according to a report from Epsicom Business Intelligence. Currently, the largest market is the US, followed by France, Germany and the UK in Europe, and China. Among the countries that stand out in terms of medical devices is China, which is expected to overtake Japan and Europe by 2020, according to a report from PricewaterhouseCoopers.

Because it is costly and risky developing new pharmaceuticals, an increasing number of pharmaceutical companies choose to outsource and purchase complete development projects from small and medium-sized research companies, which ensures access to commercially-viable medicines. ●

## ■ The competition

Competitor	Country	Website	No. of employees	Sales, SEK m <sup>2</sup>	Ownership structure	Year
Akka Technologies <sup>1</sup>	France	akka.eu	11,000	8,050	Listed	2014
Altran	France	altran.com	22,709	15,965	Listed	2014
Alten	France	alten.com	18,400	12,482	Listed	2014
Bertrandt	Germany	bertrandt.com	11,561	7,913	Listed	2013/14
Cowi	Norway	cowi.no	1,108	1,208	Cowi Foundation & employees	2013
Edag	Germany	edag.de	7,268	5,745	Aton-Group	2013
Etteplan	Finland	etteplan.com	1,900	1,199	Listed	2014
Formel D	Germany	formeld.com	2,538	1,246	Private	2013
IAV	Germany	iav.com	6,026	6,300	Volkswagen, Continental etc.	2014
Norconsult	Norway	norconsult.no	2,700	3,909	Private	2013
Rejlers	Sweden	rejlers.se	1,742	1,711	Listed	2014
<b>Semcon</b>	<b>Sweden</b>	<b>semcon.com</b>	<b>2,990</b>	<b>2,726</b>	<b>Listed</b>	<b>2014</b>
Sigma	Sweden	sigma.se	1,489	1,373	Danir-Group	2013
ÅF	Sweden	afconsult.se	7,100	8,805	Listed	2014

The table shows some of Semcon's major competitors. Common to these is that most operate in Semcon's main markets in Germany and Sweden. The number of employees and annual sales relates to the whole company and not just those parts in direct competition with Semcon.

1) Akka Technologies owns 65% of MB Tech-Group with activities mainly in Germany. The German division of Akka Technologies reported annual sales in 2013 of SEK 2,830 m with 3,077 employees.

2) When converting from domestic currencies to SEK the exchange rates were as follows: EUR/SEK 9.09 and NOK/SEK 1.09.

# Products and solutions that drive customers forward

Semcon strives to be at the cutting edge in terms of developing technologies, products, construction and information solutions.



## Engineering services

Semcon provides engineering services to customers who need help developing products, systems and construction in order to strengthen their competitive edge by providing innovative solutions along the entire development chain, from requirement studies to finished product.

*Read more on page 26*

## Product development • Production development • Plant and facility design



### Automotive development

- Complete vehicles
- Body & interior
- Styling/design
- Models & prototypes
- Powertrain
- Powertrain calibration
- Chassis
- CAE
- CFD
- NVH & sound design
- Testing
- Hybrid technology
- User experience



### Mechanics

- Design engineering
- Hydraulics



### Plant and facility design

- HVAC
- HSE
- ATEX
- Electrical & instrumentation
- Process design
- Transmission
- Distribution
- Control & monitoring
- Piping
- Electrical design



### Electronics & embedded systems

- Software
- Hardware
- Architecture
- Testing & verification
- Control systems
- Cabling



### Automation

- Robotic cells
- Production lines
- Test systems
- Control & monitoring systems



### Testing and measuring

- Climate testing
- Functionality testing
- Durability testing
- Safety testing
- Advanced measuring technology



### Production technology

- Fixtures
- Tools
- Flow analyses
- Time studies
- Equipment design



### Quality

- Quality Management (QM)
- Quality Assurance (QA)
- Requirement management
- Validation & verification
- Configuration Management (CM)
- Document Management (DM)
- Quality processes
- Regulatory Affairs (RA)
- Inspections
- CE-marking
- Energy investigations



### Design

- Industrial design
- Models & prototypes
- Graphic design
- Strategic brand design



### User experience

- Human factors
- Interaction design
- Service design
- User focused development



### Project management

- XLPM
- Methodology development
- Organization development
- Training
- Coaching
- Project management



### Sound

- Noise and vibration solutions
- Sound design



### Product information

Semcon's product information business provides complete information solutions for aftermarket and information management for supporting customers' products throughout their entire lifecycles.

*Read more on page 32*

## Aftermarket information • Distribution



### Information strategy

Purpose and objectives  
Target group strategy  
Roadmap  
Evaluation



### Information management

Document administration  
Configuration Management (CM)  
Documentation Management (DM)



### Training

Curriculum  
E-learning  
Classroom training  
Train the trainer



### Product & user information

Market information  
Product information  
User information  
Owner information  
User portal



### Service information

Installation  
Reparation  
Maintenance  
Labour times  
Diagnostics  
Service portal



### Spare parts & accessory information

Spare parts engineering  
Spare parts information  
Accessory information



### Illustrations & graphics

Technical illustrations  
Animations  
3D images



### Digital distribution

Content Management System (CMS)  
Distribution platform  
Mobile applications  
User interface  
SLA  
Translation



### Serviceability

Design requirements  
Engineering impact  
Warranty cost optimization

# Engineering services

Semcon provides engineering services covering the entire development cycle, from concept to finished product. With extensive industry knowledge, we offer our customers expertise and resources when and where they are needed.

**S**emcon helps customers develop products, systems and facilities with innovative solutions for the whole development chain, from needs analyses to finished product. New skills are constantly being added. We provide our customers with more than 30 years' expertise and experience of engineering challenges in a range of development-intensive industries.

## Automotive

Semcon is one of a few major independent companies with the expertise to carry out major development projects for cars and commercial vehicles. We have extensive insight into the challenges, trends and structures faced by the industry and we prioritize research and

innovation to ensure the industry's future development and ecosystem.

Semcon also complements auto manufacturers' own resources and provides expertise in disciplines like design, construction, interior/exterior, chassis, driveline, modelling, testing, simulation, electronics, embedded systems, acoustics, user experience, software development and hydraulics. We also develop and streamline complete production systems.

## Industry

Semcon provides complete solutions and expertise in products, production and plants. Engineering development and industrial design are two areas where Semcon has extensive experience and wide-ranging specialist

**ASSIGNMENT: ABB**

## Improved capacity and more flexible production for ABB

ABB Transformers needed to improve delivery capacity by 40 per cent and create conditions for meeting customer requirements of increasingly larger physical units. Semcon helped restructure the production unit so that employees with similar expertise could work closer to one another. By merging two large areas, both requiring protective clothing for particle isolation, the company's production processes were made safer and more efficient. The result was a clear improvement in the form of reduced lead times, and improved its flexibility and improved ability to adapt to customers' changing requirements.

**ASSIGNMENT: ASCOM**

## International award for wrist alarm that improves safety

Semcon was commissioned by Ascom to help develop an ergonomic, functional wireless wrist alarm. To ensure a high degree of usage there were strict design requirements – the product shouldn't look like an alarm or a healthcare product. Using design and a degree of plastic construction from Semcon, a stylish, elegant wrist alarm was made that looked more like a piece of jewellery. The alarm received the prestigious Red Dot Design Award 2014.

**ASSIGNMENT: FORTUM**

## Well-needed facelift for old hydropower plant

Almost 40 year-old monitoring equipment and difficulties finding spare parts meant Fortum's hydropower plant at Landafors was in dire need of modernization. Semcon was commissioned to tear out all the old equipment and construct new, computerized control equipment. After the facelift there were significantly fewer alarms and problems, and when something does happen the personnel don't need to manually go around taking readings in order to guess where the fault lies – all available data is now displayed in the control room.



**ASSIGNMENT: SELECTA**

## Modular coffee maker easy to configure

Selecta wanted to create a new standalone coffee maker that can easily be adapted for different customers' needs. Semcon carried out the pilot study, design work and technical support when the Selecta Ferrara was designed. The Selecta Ferrara is modular and easy to configure, and its dual brewer brews both with and without pressure so that the user can choose anything from traditional Swedish freshly brewed coffee (without pressure) to a perfect espresso (with pressure).

**ASSIGNMENT: KLEVEN**

## Robotic welders improving quality and quantity

The Norwegian company Kleven is a world leader in the shipping industry. Thanks to robotic technology and the use of laser welding in assembly, major savings are made in manufacturing time: a welder can weld 25 cm a minute – a robot can manage 150 cm. Semcon programmed the overall control system, where an extra challenge was for the robots to physically manage large objects: steel plates can weigh up to ten tonnes. If everything isn't done correctly down to the smallest detail then the consequences would be catastrophic.

**ASSIGNMENT: VOLVO CE**

## Eco-friendlier, more cost-effective wheel loader

Wheel loaders need to be eco-friendlier. By redesigning the counterweight of Volvo Construction Equipment's – Volvo CE's – two L110G and L120G models, up to 200 kg has been saved. Further weight has been shaved off with smaller steel components replaced with plastic ones. Furthermore, the engines have been replaced and now meet the latest requirements of US and European legislation on emissions. Volvo CE also made time to improve the exterior design, operating environment and operator visibility.



“We provide our customers with more than 30 years experience of engineering challenges in a range of development-intensive industries.”

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skills. Semcon also has great expertise in embedded systems, which help companies develop intelligent and communicative products with high standards of safety, reliability and durability.

Semcon offers a range of different services in plant and facility design, such as process engineering and electric power, where production efficiency and safety requirements are strict. We also have an extensive offer for construction machinery.

Semcon has extensive experience of project methodology, where the company is developing successful project cultures in companies around the world, through courses and assignments as well as analyses, advisory services and implementation of project models. The company has also developed its own project methodology – XLPM.

## Energy

Semcon offers complete solutions to both distributors and producers of energy, along with complete studies including programs for large energy use. Customers benefit from Semcon's expertise and experience from other industries, which can be used to great effect by the energy sector. One such example is the fully developed quality methodology within validation and traceability, from the life science industry used in nuclear technology. Another example is experience with turbines, gearboxes and control electronics from the automotive

industry, which helped towards innovative solutions for the energy sector.

Semcon's plant and facility design services for energy technology not only include services for network construction and energy production, but also renovations and upgrades of hydro-electric generating stations. For oil and gas Semcon also provides project and quality management and construction in topside and subsea.

Semcon also has solid experience of product development for developing energy-smart products for various industries.

## Life science

With more than 20 years' experience of integrating system solutions and quality and project management in the pharmaceutical and medical device markets, Semcon helps customers meet regulatory requirements, while shortening project times and making production more effective. Semcon streamlines production and safeguards the right quality and clear traceability, plus manages and carries out major projects, such as project managing entire processes. Semcon also has a complete range of services within medical devices and takes responsibility for both individual project and complete undertakings on behalf of the customer. ●

# Engineering Services business areas

The Engineering Services business area is split into three geographic business areas: Engineering Services Nordic, Engineering Services Germany and Engineering Services International.

## Engineering Services Nordic

### Business

The business area's 1,050 or so employees provide services in areas such as product information, plant engineering and production development.

### Markets and customers

Business activities mainly focus on the energy, automotive, industrial and life science sectors in the Nordic region. Activities are mainly run in Sweden and Norway, but projects and assignments are also carried out for customers in Denmark and Finland. Customers include ABB, AB Volvo, Alstom, AstraZeneca, Bombardier, CEVT, Geely, Ericsson, Fortum, General Electric, Getinge, Husqvarna, Metso, Rolls-Royce Marine, Saab, Scania, Siemens, Vattenfall and Volvo Cars.

### Development 2014

The Swedish export industry has generally adopted a wait-and-see attitude to new investments, affecting demand for new development projects, which together with a major global project ending in Q2 and purchase stoppages by another customer, also negatively affected the business area. Overall sales amounted to SEK 1,014 million (1,024) with organic growth of 0%. The operating profit amounted to SEK 19 million (34), giving an operating margin of 1.9% (3.3).

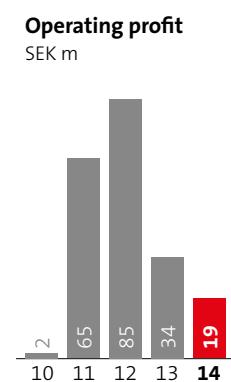
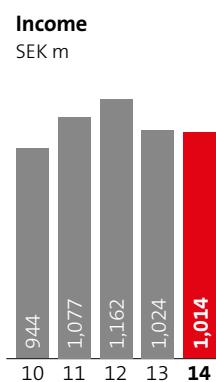
Secon sold its business for advanced measuring and control systems, ComTest, to WSP on 1 May 2014. The



**President:**  
**Olof Christensson**

business employed 16 people. Capital gains from the sale and with a reserve for receivables, the net amount affected operating profits by SEK -1 million (-).

Efficiency measures and realignment of the offer in Q4 resulted in redundancies in Sweden of 25 employees. The resulting restructuring costs negatively affected the operating profit by SEK 11 million (6).



## Engineering Services Germany

### Business

The business area's 1,050 or so employees provide services to customers primarily in the German automotive industry.

### Markets and customers

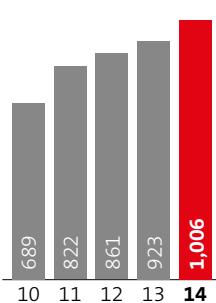
The business area provides services to customers in German industry. Customers not only include many of the world's leading automotive manufacturers, such as Audi, BMW, Daimler, Opel/GM, Porsche and VW, but also customer in other industries such as Sell and Vattenfall.

### Development 2014

The business area reported increased sales compared with last year, even though demand varied between customers and between the various offices. Total sales amounted to SEK 1,006 million (923), giving a sales growth in local currencies of 4%. This growth is mainly attributed to a greater proportion of purchased goods and services in some projects. The operating profit amounted to SEK 20 million (29), giving an operating margin of 2.0% (3.2).

Some offices showed weak profitability over the year but have implemented measures to address this issue. Q2's results were affected by restructuring costs of SEK 2 million. Redundancies in Q4, affecting 20 employees, were implemented and SEK 4 million in restructuring costs for this have been charged to the operating profit. Continued measures are being taken to adapt the offer to the market.

**Income**  
SEK m



**Acting president:**  
**Roland Ziegler**

## Engineering Services International

### Business

The business area's 350 or so employees provide services on respective geographic markets.

### Markets and customers

The business area has business activities in the UK, Brazil, India and China, mainly in the automotive industry. Customers include a number of leading industrial companies such as AB Volvo, Aston Martin, Autoliv, BMW, Continental, General Electric, Jaguar Land Rover, Mahindra Reva, MAN, Scania, Siemens, Volvo Cars and VW.

### Development 2014

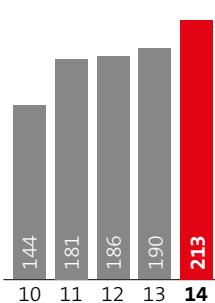
The business area is continuing to report growth. Sales amounted to SEK 213 million (190), giving sales growth in local currencies of 8%. The operating profit amounted to SEK 5 million (5), giving an operating margin of 2.3% (2.6).

The business in the UK reported sales growth and improved profits. The business in Brazil reported positive development over the second half of the year, while business in India reported weaker demand from European customers, which negatively affected sales and results. Brazil and India both reported one-off costs, negatively affecting Q2 by SEK 1 million (-).

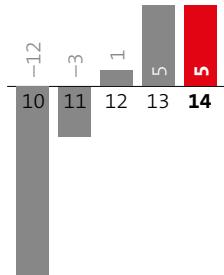


**Acting president:**  
**Markus Granlund**

**Income**  
SEK m



**Operating profit/loss**  
SEK m



# Product information

Semcon provides services and complete solutions in product information. This covers both the production of information and distribution. The information is made available in the most appropriate way for the user – today that means wider distribution via digital solutions such as animations and mobile applications.

**T**he importance of product information for advanced technology products and systems is increasing. Modern product information has to satisfy all user needs, whether it comes to marketing or selling a product, providing a quick start to understanding and using a product, facilitating service and troubleshooting, ordering the right parts, or effectively carrying out repairs and maintenance.

By prioritizing these areas, a company can add value to their products while developing both the brand and the business.

Semcon's main focus is on two markets for product information services: Europe and China. The global spread

means that assignments can often be solved through front office/back office deliveries. More offices involved also means that deliveries are made more effective in terms of cost, expertise and time management.

Product information can be provided through many different media, depending on what is most suitable for different target groups. The current trend is digital media, where product information is integrated into the product, such as in infotainment systems, and presented via mobile applications or animations on the internet. With Semcon's help customers get modern product information solutions, with the option of traceability and reuse, most suited to the respective target groups at different times.

**ASSIGNMENT: ATLAS COPCO**

## Interactive service diagrams facilitate fault-finding

Service diagrams become more complicated and difficult to understand as technical products become more advanced with smaller components. Semcon's solution: digital, interactive service diagrams. This means users no longer have to leaf through huge manuals to find service diagrams for the right component. Digital solutions suddenly make it possible to update content as you go. When Semcon and Atlas Copco looked at how effective the digital tool was they discovered that they were able to find faults twenty per cent faster.

**ASSIGNMENT: QOROS AUTO**

## High level of serviceability as Semcon joined at the start

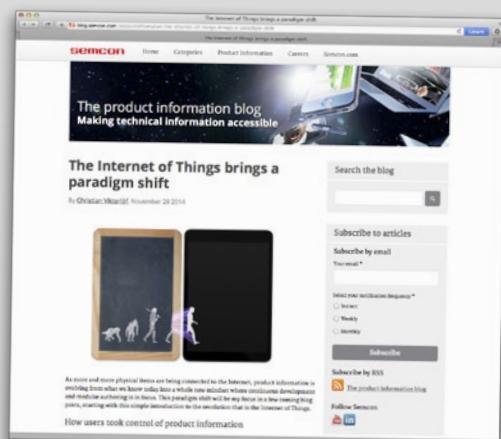
When Chinese carmaker Qoros wanted to design a new car it handed responsibility for product information to Semcon. With such volumes of information for mechanics, Semcon chose a web portal solution where the right information is presented to the right person. The portal is based on Semcon's Lodges cloud service, which allows for platform excess content updates with just a few clicks of the mouse. A mechanic can type in the car's chassis number and get vehicle-specific information – which is always correct and up-to-date, irrespective of whether he is using a computer, mobile phone or tablet.

**BLOG: PRODUCT INFORMATION**

## Follow Semcon's product information blog

Semcon's product information blog has lots of interesting, in-depth articles written by Semcon's employees around the world. One article for example is about the "Internet of Things" and the revolution this will mean in terms of product information.

Read all articles at: [blog.semcon.com/productinformation](http://blog.semcon.com/productinformation).





## OFFER: LODGES

# Lodges digitalizing product information

Digital information has many benefits – but you need a correctly formatted user interface and effective distribution platform to really use it to its full potential. Semcon's Lodges system makes product information available online for all digital platforms, both for mobile units and embedded in products themselves. It provides improved user experience, enhanced business possibilities and reduced production costs, while continually updating the content.

## Offer

Within product information, Semcon offers services and complete information solutions, focusing on end-users' needs. We help our customers by delivering throughout the product information development cycle, from strategy development and design, via production, to evaluation.

This cycle can be described in the following six steps:

- **Strategy.** Developing a strategic purpose and objectives, in line with overall business and product strategies, defining stakeholders/target groups for product information and the appropriate product information portfolio.
- **Design.** Designing information architecture, usability guidelines, illustrations, graphics and content guidelines and template design.
- **Development.** Data collection, methodology and process development, content creation, as well as review, test and verification.
- **Control.** Configuration management, document management, quality assurance and document management.
- **Delivery.** Translation, printing/publishing/distribution and training.
- **Evaluation.** Statistics, accomplishment of goals and improvements.

Semcon offers a variety of products and services for every stage of the development cycle, either individually or as part of a complete solution. Our product information services can be characterized in the following three categories:

### Aftermarket product information solutions

Semcon's aftermarket services cover everything from information strategy and design through method devel-

opment and information production to delivery to the end-user and results evaluation. We also offer complete control and management of the entire customer product information development chain. In the development and production of aftermarket information, Semcon also invests in its own production systems, tools and processes.

### Information distribution

Semcon provides a standardized cloud service for distributing digital information – Lodges. This service helps our customers cut their distribution costs, boost business benefits and improve users' experience of products.

To achieve this, Semcon has developed an offer consisting of a standardized, effective distribution solution and an easy-to-use user interface. The solution means, for example, that product/service information can be simply made available in various digital platforms such as web-based, tablet or mobile phones and integrated into our customers' products. This also safeguards that the users of customers' information always have access to updated information that is customized according to their specific requirements.

### Information management

Within information management, Semcon offers services that support customers' development processes. These could be developing configuration and document management plans, support for change management, monitoring and reviewing the final documentation. Moreover, we can help create frameworks for configuration and document management, and ensure that product configuration control is maintained throughout the product lifecycle. ●

# Product Information business area

## Business

The business area's 550 or so employees provide complete information solutions with the primary focus on customers' aftermarket business. The business area supports customers' products throughout the product lifecycle; from sales and marketing to installation, maintenance, training and repairs.

## Markets and customers

Product Information now has offices in Sweden, the UK, Germany, Hungary, China and Norway. Customers are mainly in the automotive, engineering, ICT, energy and med-tech sectors. These include: ABB, AB Volvo, Bombardier, Ericsson, Gambio, Jaguar Land Rover, Kongsberg Oil & Gas, Qoros Auto, Saab, SAP, Siemens, UniCarrier and Volvo Cars.

## Development 2014

The business area's sales amounted to SEK 542 million (463), giving sales growth in local currencies of 11%. New business opportunities to new and existing customers, plus and increased share of services purchased in a number of projects, helped towards boosting sales. The operating profit amounted to SEK 52 million (54) with an operating margin of 9.6% (11.7). Restructuring costs in Q2 negatively affected profits by SEK 3 million (-).

Semcon acquired the business in ibruk AS, based in

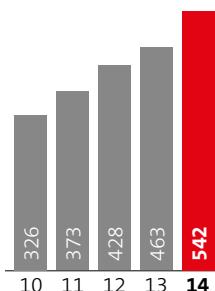


**President:**  
**Johan Ekener**

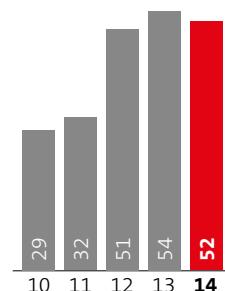
Kongsberg, Norway, on 1 September with activities in product information. ibruk AS has many years' experience of technical documentation and Life Cycle Information (LCI), mainly from the Norwegian oil and gas industry. The business actively employs around 20 individuals and subcontractors.

Zooma by Semcon AB, with activities in online marketing communication, was sold to Arena Media AB, principle owner of the Valentin & Byhr Group. The business employed around 20 people.

**Income**  
SEK m



**Operating profit**  
SEK m





**Madhurima Patro**  
**Electronics designer**

"The products I hand over to my customers need to be simple and robust. The thought behind the construction is crucial to me, because it needs to be perfect, even when testing it in the CAD system for the first time. As construction engineers we also need to be flexible throughout production and be able to handle changes at the last minute. So it's a job that's just as challenging as it is rewarding."

# Attractive employer focusing on the future

Attracting and retaining employees requires active employer branding – i.e. clear communication about who we are and what we can offer as an employer.

**WORK** on profiling Semcon has intensified over the year, with functions within HR and Communications working together. The aim, with the support of Semcon's vision and strategies, has been to clarify the message, highlight development areas and run improvement initiatives with the purpose of safeguarding Semcon's short and long-term ability to attract new talents and retain existing employees.

Intense focus has been on developing our employees' expertise. Expertise development starts as soon as they sign their employment contract, with an induction training. We put a lot of emphasis on the introduction phase to give our new colleagues a good start in their new chosen career with us in order to create an understanding and insight into the company and the expertise we possess as a team. We also carry out leadership courses throughout the Group with a number of targeted training programmes for managers. These courses build

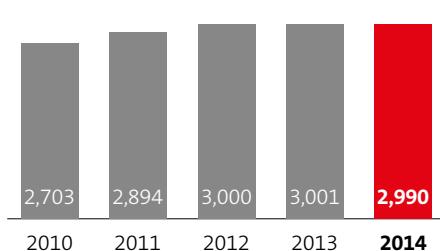
on our leadership criteria, which in turn should permeate leadership throughout Semcon.

Semcon has also worked on initiatives over the year to clarify our career development paths. We have focused on how employees can develop and build careers in our various technological areas and in varying positions within the company.

Because feedback from employees is important we carry out various forms of employee surveys throughout the year that follow employees' lifecycles at Semcon.

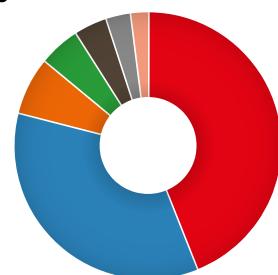
Finally, the Semcon employer brand development initiative was launched on our biggest markets by introducing a number of activities. The initiatives, which are the basis of most activities and their results, have shown a clear, unified picture of what Semcon is associated with as an employer and why employees chose to carry on choosing Semcon – a picture that confirms that it's about a supportive working environment with good colleagues who share a passion for technology and an enthusiastic mindset.

## Number of employees



## Number of employees by country

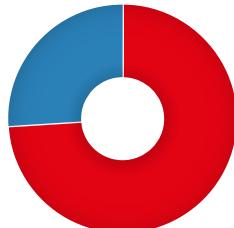
- Sweden 1,326 (1,399)
- Germany 1,038 (1,073)
- Brazil 196 (168)
- UK 133 (107)
- India 116 (119)
- Hungary 101 (86)
- Other 80 (49)



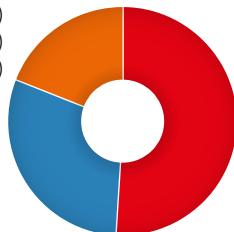
**Gender division\* (%)**

Men	74 (75)
Women	26 (25)

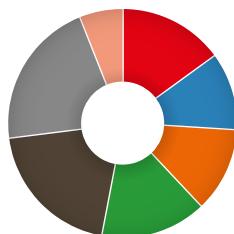
Percentage of women in Sweden: 30 (28)

**Average employment duration\* (%)**

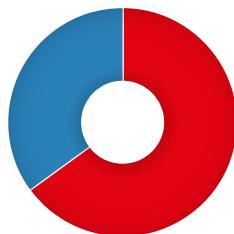
> 3 years	51 (45)
1–3 years	30 (37)
< 1 years	19 (18)

**Age of employees\* (%)**

51–	15 (14)
46–50	11 (11)
41–45	12 (12)
36–40	15 (16)
31–35	20 (21)
26–30	21 (20)
< 25	6 (6)

**Level of education\* (%)**

College/university	65 (65)
Sixth-form college	35 (35)



**Sara Berglund was voted Future Manager of the Year by Chef magazine in March 2014. She enthusiastically runs and develops our offer in Jönköping.**

Sara has an engineering degree from KTH and has worked at Semcon for two years as Area Manager, responsible for our office in Jönköping.

**Why is leadership so important at Semcon?**

Semcon is a consultancy company whose core is its joint expertise. Without our consultants we're nothing and without leaders who look after and develop us as individuals then we won't develop as a company. I want all my employees to feel that I, or their closest manager, are looking after them, supporting them and giving them the opportunity to develop.

**What gives you most energy as a leader?**

When an employee takes the next step, which might be in business development, mentorship or more specifically in an area of expertise. Teamwork is a prerequisite for our success and it's great fun.

**What leadership qualities would you say one needs to succeed at Semcon?**

The smallest common denominator that I can see is driven individuals who really want the best for their colleagues and who are passionate about future innovations and taking them to the next level with our customers. We are a team, so it's important to work together across boundaries, both geographically and between areas of expertise.



**Madhurima Patro works at our office in Bangalore as project leader.**

Madhurima is a mechanical engineer and has worked at Semcon for one year as project leader at the electronics department in Bangalore.

**How would you describe the Semcon culture?**

I believe it's transparent throughout the entire organization. I think my managers constantly motivate and explain in which direction we are heading and what our objectives are. I also think that it's a positive workplace and an excellent working environment, irrespective of whether I'm in contact with my colleagues in Bangalore or in Germany.

**What's the best thing about your job?**

That I have the opportunity of presenting my thoughts and ideas, that what I do makes a difference. The work is demanding but worth it because my expertise is appreciated.

## What's the biggest challenge with your job?

That everything we do must be perfect, from initially testing designs in a CAD system. We also always need to be flexible and sensitive throughout the journey. That's what makes it exciting.



### Johan Elissson came to Semcon two years ago and has already positioned himself as an expert in topic-based writing.

Johan studied technical physics and technical mathematics at Chalmers University of Technology and works as a technical writer at the office in Göteborg.

## What's your area of expertise? What's does it involve?

Topic-based writing is a way of structuring product information to make it easily accessible, easy to read and supports interactivity in digital form. It's not a new subject in itself, but it's only now that it's spreading in the automotive industry for example, meaning there is limitless potential for developing it in this area. As technical advances appear on the market, where everyone will soon be carrying a connected device, there is also an increasing need for digital information and thereby also more in-depth opportunities.

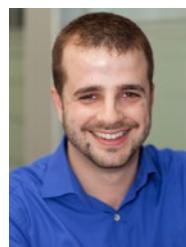
## How do you develop into your role as expert?

I get the opportunity of travelling, visiting trade fairs and training colleagues at other offices. My managers and colleagues trust me and that's equally as important to me.

## When are you most proud of your work?

In my role as technical writer, that's when I get praise from my customers. When this happens we really have succeeded in explaining a complex function in a way that both the

developer of the function and the customer who will read and understand the function are happy. In my specialist role it's when colleagues thank me for training them so well. You shouldn't get locked into certain methods and thinking that they are always the best, but rather be flexible in the individual situation.



### Thomas Mittelstaedt started at Semcon as a trainee and is now a design engineer with project leadership responsibility.

Thomas is a graduate engineer and started his career at Semcon four years ago as a trainee at the office in Bad Friedrichshall.

## Why is Semcon a good employer for graduate students?

At Semcon we work with various projects in a multitude of industries. This gives me the opportunity, from the very beginning, of getting an insight into major projects for our customers, which in turn lead to exciting, challenging assignments.

## How would you describe Semcon to someone interested in working for us?

We get a lot of responsibility and since starting at Semcon almost four years ago I have grown in my role. I have been given an increasing degree of responsibility, from initially just carrying out tasks to quickly taking on a project leader's role. I don't think many people realize the career development that a consultant's role involves.

## What's the most challenging part of your work?

I face lots of decisions every day and have to manage a great amount of information. Getting an overview, being able to prioritize and making sure we do the right things is a challenge, but also what makes the job interesting. ●

## ■ Key figures

	2014	2013	2012	2011	2010
Total number of employees 31 Dec	2,990	3,001	3,000	2,894	2,703
Average number of employees	2,887	2,874	2,891	2,727	2,474
Average age	38	38	38	37	38
Staff turnover* (%)	21	20	23	24	23

\*Average for the Group due to major variations occurring between countries.

# Sustainability at Semcon

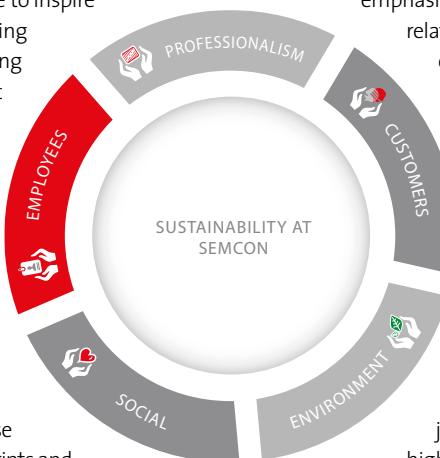
Sustainability as part of our daily work.

Semcon has chosen to present sustainability from the five perspectives relevant to our business. For us, sustainability is a matter of acting professionally, creating long-term relationships with our employees and customers, respecting the environment and taking social responsibility for the world around us. In this way Semcon will make a difference. Our "Sustainability at Semcon" platform, also available externally at [semcon.com](http://semcon.com), is part of our extensive focus on sustainability. The platform helps us highlight concrete example of projects and initiatives. This is done to inspire and encourage participation concerning sustainability issues internally, allowing all employees to be informed of what we are doing in this area.

## Semcon's employees are helping create solutions for the future

Semcon is helping best towards a sustainable society by creating the innovative, technical solutions of the future. Examples include taking part in various research projects focusing on energy, sustainable transport and vehicles of the future. All these projects aim at reducing carbon footprints and more effective use of resources. We help our customers create smart services and products. For cars this might include a signal when it is time for a service, meaning avoiding unnecessary maintenance, while optimizing the vehicle's operational life. This might also include helping design extremely fuel-efficient cars. We are also helping on technology that encourages eco-friendly use in product information, which also communicates functions that reduce energy consumption.

As a consultancy company we also use various kinds of digital meeting forums, meaning that the number of business journeys have dramatically fallen in recent years.



The most important environmental aspect from our own perspective as a business is how we travel. We therefore always try to reduce the number of unnecessary journeys and opt for eco-classed company cars. Wherever possible we choose rail travel instead of air travel.

## Responsible business focusing on satisfied customers

Business acumen is central for creating long-term profitability and a sustainable business. Semcon places great emphasis on building long-term customer relationships. We set our sights high in the customer satisfaction surveys that we carry out. Our customers give us high marks for how we understand their activities that we provide solutions customized to their needs and that we provide quality.

As an international consultancy company we handle risks by acting on a number of markets in various industries and in different customer segments. The move from specialist services to project business and managed services in highly competitive areas provides Semcon with more opportunities to achieve good levels of profitability, such as through effective deliveries according to our FOB0 model and our satellite offices.

## A corporate culture where our employees can develop

Sustainability is also about taking responsibility for our employees. We get high marks in our annual employee survey in terms of employee satisfaction. Our employees feel respected by management and colleagues. They appreciate the working climate, which is characterized by openness, fairness and professionalism.



Semcon's main contribution to sustainable development are the technical solutions we create for our customers. Together with VW's engineers Semcon helped to design their XL1 model, which is a rechargeable hybrid, which uses just 0.09 litres of fuel per 10km. The XL1 has an optimally aerodynamic body and made from reinforced carbon fibre (CFRP), cutting the cW value to a mere 0.189. Semcon has been part of the project from the very beginning in developing the XL1 and was mainly involved in calculations, simulation and the vehicle's construction. A total of 80 Semcon employees worked on the car at any one time.

Semcon actively works towards diversity, not just in terms of expertise, but also in terms of gender, age and cultural background. In the move towards more project deliveries we are also increasing integration between employees in different countries. In recent years the number of women in the Group has risen and has now reached 26 per cent (25). This figure is 30 per cent (28) on the Swedish market, which is higher than the industry average.

Health care and a good working environment are important for giving everyone at Semcon a healthier life. A variety of activities are carried out to encourage various keep-fit activities. Sick leave throughout the company remains low.

#### **Semcon's Code of Conduct used as an everyday guide**

Semcon's Code of Conduct is the foundation of our business. It summarizes the joint rules and policies that everyone at Semcon must work to. It is not only meant

as an internal guide, but also externally for our business partners, customers, shareholders and other interested parties. All employees should act responsibly and within the framework of national legislation in all countries where the Group is represented. These rules of ethics are based on the UN's Global Compact Principles.

#### **Social responsibility permeated by employees' values**

Semcon is a partner company to SOS Children's Villages and this cooperation consists of supporting and developing parts of their activities in India. Semcon has helped towards the renovation of the SOS Children's Village in Bhimtal in northern India, with Semcon's employees in India helping as volunteers at the Children's Villages in Bangalore, Tirupati and Paducherry in southern India. Apart from our contribution to SOS Children's Villages we carry out local initiatives linked to social responsibility. ●

# Partnership making a difference and committing and involving our employees

Semcon signed a partnership agreement with SOS Children's Villages in spring 2014. This means that Semcon supports the organization's activities in India and that we can contribute towards more children getting access to education and a safe childhood. The core of this partnership is to involve Semcon's employees, locally in India and throughout the rest of the organization to spread the news of SOS Children's Villages work and the difference we as a company can make.

*"At Semcon we want to support through concrete projects and have the opportunity of involving our employees. We can achieve this through our partnership with SOS Children's Villages. It feels just that bit more special being able to support an activity that helps children get a safe, stable upbringing. I'm looking forward to following the projects that Semcon is involved in and am convinced that our contribution will make a difference."*

Markus Granlund, President and CEO, Semcon

## Supporting SOS Children's Villages in India

In 2014 and 2015 Semcon is helping to renovate SOS Children's Villages activities in Bhimtal, situated in northern India on the border with Nepal. The children's village was started in 1984 and now needs considerable renovation. The village's various buildings are now being renovated with

Semcon's help. Work began in early summer 2014 and is expected to be completed by mid-2015.

In addition to supporting renovation projects, Semcon's employees from the Bangalore office in southern India are providing services to children's villages in Bangalore, Tirupati and Puducherry. An activity schedule has been set up together with local representatives from SOS Children's Villages. Activities carried out by Semcon's employees include career advice, computer literacy and day work in the form of clean-up days of the children's villages.

## Internal ambassadors spreading knowledge and information

To spread the word about SOS Children's Villages, Semcon's employees are invited to apply to be internal ambassadors for the project. Being an ambassador lasts



Memorable occasion. During the field trip to India Semcon's ambassadors visited our projects in southern India, meeting up with school-children in a little village outside Tirupati. The women of the village are taking part in a pilot scheme for microloans administrated by SOS Children's Villages. This allows children to attend school and is the main source of income for 60 or so families.



one year and two ambassadors were appointed by group management in May 2014. The assignment includes internally spreading information about SOS Children's Villages activities. Communication is mainly conveyed via our intranet, but also included in internal quarterly films, which summarize intra-Group information. The ambassadors carried out a one-week field trip in September 2014 to India, where they, together with our CEO, visited villages in southern India.

#### **Christmas campaign to actively make a difference**

In mid-November to mid-December 2014, employees from Semcon committed themselves to a Christmas campaign to help SOS Children's Villages. Employees were invited to take part in a voluntary collection campaign where the money raised went to SOS Children's Villages' activities in southern India. SOS Children's Villages' local representatives made a proposal on four different locations for the children to visit. Employees then voted on the intranet as to which activities should be prioritized. The chosen destinations will be visited in 2015 and reported back via Semcon's intranet. The Christmas collection message was also mediated in an intra-Group activity sent to customers and business partners as well as being spread via internal channels and social media. ●

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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 2014 financial year.

## Business activities

Semcon is an international technology company with engineering services and product information activities at more than 40 sites in Sweden, Germany, the UK, Brazil, Hungary, India, China, Norway and Spain.

## Semcon's business areas

Semcon is organized into four business areas – Engineering Services Nordic, Engineering Services Germany, Engineering Services International and Product Information.

The Engineering Services Nordic, Engineering Services Germany, Engineering Services International business areas, all active in engineering services, work with product, plant and production development. The Product Information business area works with product information and develops information solutions for the entire product lifecycle.

## Events during the year

- Semcon introduced a market-oriented organization on 1 January in the area of engineering services to further strengthen the Group's global delivery ability
- The major project for a German auto manufacturer, which started in 2013, involving around 100 people, ended in Q2
- Semcon sold its business for advanced measuring and control systems, ComTest, to WSP on 1 May 2014. The business employed 16 people
- Semcon signed a deal with a global auto manufacturer for a facelift of an existing car model. The project started in May 2014 and will last for two years
- On 1 September Semcon acquired the business in ibruk AS in Norway, a company active in the field of product information. The business has around 20 employees and subcontractors
- Trafikverket (Swedish Transport Administration) chose Semcon as its preferred supplier of electrical technology for 2015-2016, with an option to extend the agreement for a further two years
- Vattenfall renewed its A-list supplier agreement with Semcon, which now covers extended assistance for wind power, hydroelectric power, nuclear power, heating and electricity distribution. The agreement will run for three years (2015 – 2017), with an option to extend for a further year

- On 30 September, Semcon sold Zooma by Semcon AB and its activities in online marketing and communication, to Arena Media AB, principle owner of the Valentin & Byhr Group. The business has around 20 employees.

## Income and results

The operating income rose by SEK 218 million, amounting to SEK 2,726 million (2,508), giving organic growth of 5 per cent. Sales growth is mainly attributable to the increased share of goods and services purchased in certain projects.

The operating profit amounted to SEK 102 million (125), giving an operating margin of 3.8 per cent (5.0). The decline is mainly attributable to lower utilization during the second quarter. There was also one fewer workday compared with 2013.

Net financial items totalled SEK -5 million (-7), giving a profit before tax of SEK 97 million (118). The tax cost for the year stood at SEK -22 million (-30). The profit after tax was SEK 75 million (88) and EPS after dilution was SEK 4.16 (4.86).

For the Engineering Services Nordic business area the Swedish export industry has generally adopted a wait-and-see attitude to new investments, affecting demand for new development projects, which together with a major global project ending in Q2 and purchase stoppages by another customer, also negatively affected the business area. Overall sales amounted to SEK 1,014 million (1,024) with organic growth of 0 per cent. The business area's share of the Group's overall sales was 36 per cent (40). The operating profit amounted to SEK 19 million (34), giving an operating margin of 1.9 per cent (3.3). Efficiency measures and realignment of the offer in Q4 resulted in redundancies in Sweden of 25 employees. The resulting restructuring costs negatively affected the operating profit by SEK 11 million (6).

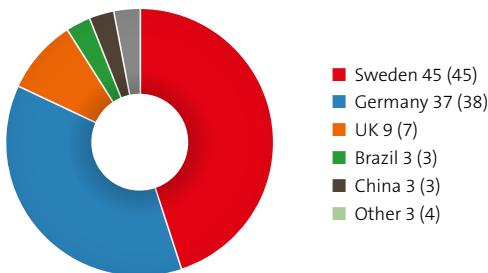
The Engineering Services Germany business area reported increased sales compared with last year, even though demand varied between customers and between the various offices. Total sales amounted to SEK 1,006 million (923), giving a sales growth in local currencies of 4 per cent. This growth is mainly attributed to a greater proportion of purchased goods and services in some projects. The business area's share of the Group's overall sales was 36 per cent (35). The operating profit amounted to SEK 20 million (29), giving an operating margin of 2.0 per cent (3.2). Some offices showed weak profitability over the year but have implemented measures to address

this issue. Q2's results were affected by restructuring costs of SEK 2 million (-). Redundancies in Q4, affecting 20 employees, were implemented and SEK 4 million (-) in restructuring costs for this have been charged to the operating profit. Continued measures are being taken to adapt the offer to the market.

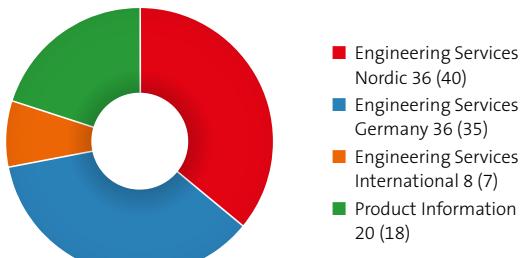
The Engineering Services International business area, with business activities mainly in the UK, Brazil and India, is continuing to report growth. Sales amounted to SEK 213 million (190), giving sales growth in local currencies of 8 per cent. The business area's share of the Group's overall sales was 8 per cent (7). The operating profit amounted to SEK 5 million (5), giving an operating margin of 2.3 per cent (2.6). Brazil and India both reported one-off costs, negatively affecting Q2 by SEK 1 million (-).

The Product Information business area's sales amounted to SEK 542 million (463), giving sales growth in local currencies of 11 per cent. New business opportunities to new and existing customers, plus an increased share of services purchased in a number of projects, helped towards boosting sales. The business area's share of the Group's overall sales was 20 per cent (18). The operating profit amounted to SEK 52 million (54) with an operating margin of 9.6 per cent (11.7). Restructuring costs in Q2 negatively affected profits by SEK 3 million (-).

### Share of income by country (%)



### Sales by business area (%)



### Cash flow and financial position

The operating cash flow from current activities was SEK 82 million (135). Cash flow this year has, in addition to declining profits, also been affected by increased tax and VAT payments of around SEK 30 million. The Group's cash and bank balances amounted to SEK 152 million (153) with additional non-utilized credit of SEK 273 million (262) as at 31 December.

Shareholders' equity amounted to SEK 662 million (633) and the equity/assets ratio was 48 per cent (48). A dividend of SEK 45 million (36) was paid to shareholders in Q2. The Group's net debt amounted to SEK 14 million (net liquid assets SEK 7 million). Net liquid assets amounted to SEK 55 million (59) excluding pension commitments. Over the year pension obligations rose by SEK 17 million, mainly attributable to a lower discount rate and currency fluctuations. The interest coverage ratio was 25 times (22).

### Investments

Investments in hardware, licences, office supplies and equipment, amounted to SEK 35 million (24).

### Acquisition and divestment of activities

The business in ibruk AS, based in Kongsberg, Norway, was acquired in Q3. Semcon also sold Zooma by Semcon AB in Q4, with activities in online marketing and communication. Further information about the acquisition and sale appear on page 35, Product Information business area. No special information has been added in the notes, as the acquisition and sale are not considered to be tangible.

### Employees

The headcount on 31 December was 2,990 (3,001). The number of employees in active service was 2,891 (2,851). The average number of employees was 2,887 (2,874), of which 1,279 (1,298) in Sweden, 1,035 (1,045) in Germany, 185 (155) in Brazil, 121 (127) in the UK, 116 (119) in India, 82 (81) in Hungary, 57 (47) in China, 7 (-) in Norway and 5 (2) in Spain.

Employee training is carried out regularly with the aim of meeting employees' needs and the expertise that Semcon believes its customers will expect in the future.

As of 31 December, 65 per cent (65) of employees had a university or college education, 51 per cent (45) had worked for the Semcon Group for more than 3 years, 30 per cent (37) between 1 and 3 years and 19 per cent (18) less than 1 year. 26 per cent (25) of Semcon's employees are women. In Sweden the figure was 30 per cent (28).

The respective number of employees per business area are as follows: Engineering Services Nordic 1,038 (1,083), Engineering Services Germany 1,044 (1,078), Engineering Services International 359 (331) and Product Information 549 (509).

### R&D

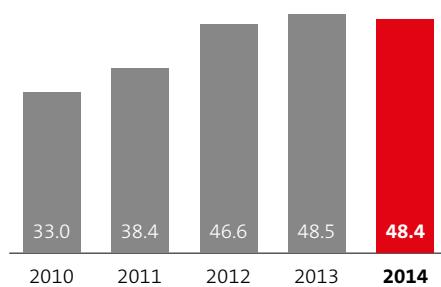
The majority of Semcon's development costs concern development within the framework of customer projects. Other

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. Semcon also takes part in several external research projects in the fields of connected vehicles, sustainable product development and new materials in order to ensure a prominent position in terms of expertise.

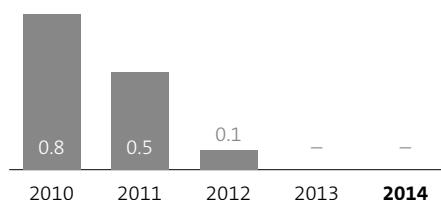
## Environment

Semcon's main contribution for reducing environmental impact is in the products and services the company develops with customers. Semcon's extensive, specific expertise throughout products' lifecycles means that the company can create sustainable, complete solutions covering energy efficiency, both small and large-scale, light constructions, smart products, lean production development and user behaviour. This provides technology that encourages eco-friendly use or communicates energy-saving functions in such a way that users understand. To reduce the company's own environmental impact, Semcon minimizes the number of journeys its employees make and encourages the use of eco-classed company cars and carries out digital meetings to a great extent.

## Equity/assets ratio (%)



## Debt/equity ratio (multiple)



## Risks in the Group's business

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

### Financial risks

The company has identified a number of financial risks that could affect earnings including:

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

For further information about financial risks, see Note 3 on page 61.

### Business-related risks

The company has identified the following business-related risks that could affect earnings including:

#### *Economic climate dependency*

**RISKS:** Semcon's customers are affected to varying degrees by a poor economic climate as this can negatively affect demand for Semcon's services.

**RISK MANAGEMENT:** Semcon constantly works to broaden its customer base to minimize dependency on individual customers affected by a poor economic climate. Semcon's customer base consists mainly of leading European companies in the automotive industry and Nordic industrial companies in various industries even though new customers from other geographic markets, like China, India and Brazil have arrived in recent years.

#### *Industry dependency*

**RISKS:** Semcon's business is affected to varying degrees by developments and dependency on individual industries.

**RISK MANAGEMENT:** To minimize the dependency from the automotive industry Semcon is prioritizing growth in other industries, such as life science and energy.

#### *Single customer dependency*

**RISKS:** A customer can end an assignment/project at short notice or gradually cut back on business volumes. This can cause a risk, as Semcon cannot always guarantee full cost coverage, especially for the employees that cannot immediately take on an assignment.

**RISK MANAGEMENT:** Semcon works continuously to broaden its customer base in order to minimize its dependency on single customers. The Group's aim is that no single customer should represent more than 10 per cent of overall sales.

### Employees

**RISKS:** There is always a risk that key employees or a large number of employees choose to leave the company. There is huge competition for expert employees, which generally means that salaries rise above the agreed contracts, both for groups of employees and individual key employees.

**RISK MANAGEMENT:** Semcon prioritizes activities to be an attractive employer and thereby improve employees' job satisfaction. Resources are set aside for training, recruiting and induction activities.

### Price pressure

**RISKS:** The risk of being exposed to price pressure is high in development-intensive industries.

**RISK MANAGEMENT:** Semcon is continuing to its set plan of moving away from hourly-based invoicing towards more project invoicing and fixed-price assignments. This can increase the risk but also provides opportunities to improve profitability.

### Fixed price

**RISKS:** Fixed price projects expose the company to risks if projects cannot be completed to budget and/or if the project cannot be completed on time.

**RISK MANAGEMENT:** 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.

Meanwhile, projects give the Group the potential of improving profits through efficiency gains and by using employees from various Semcon offices on projects.

### Responsibilities

**RISKS:** There is a risk that incorrectly carried out assignments and projects can affect results.

**RISK MANAGEMENT:** The Group is insured according to industry practice for such eventualities. Over the years Semcon has only ever used its insurance on a few occasions.

### Sensitivity analysis

A change in the following variables would affect sales and results as follows:

Variable	Change	Sales	Profit before tax
Profit before tax	± 1%	SEK 25 m	SEK 25 m
Fees	± 1%	SEK 23 m	SEK 23 m
Staff costs	± 1%	–	SEK 18 m
Working days	± 1 day	SEK 10 m	SEK 8 m
Interest	± 1%	–	SEK 1 m

### Seasonal variations

The number of working days per quarter vary year on year, which is an important factor to consider when analysing the revenues for the various quarters. Each working day represents around SEK 10 million in revenue.

Sweden	Number of working days				
	Q1	Q2	Q3	Q4	Total
2010	62	59	66	64	251
2011	63	59	66	64	252
2012	64	58	65	62	249
2013	62	59	66	62	249
2014	62	58	66	62	248
2015	62	58	66	63	249
2016	61	62	66	64	253

### Incentive scheme

Semcon did not have any share-related incentive schemes in 2014.

### The work of the Board of Directors

The work of the Board of Directors is described in the section headed "Corporate Governance" on page 84.

### 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 until the AGM 2015 amounted to SEK 1,610,000, of which SEK 550,000 for the Chairman and SEK 265,000 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. All senior executives in the Group management team are entitled to a fixed salary and a flexible remuneration 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. In addition to following current collective agreements

etc. senior executives have the right to individually arrange a pension, upon which salary or bonus sacrifices can be carried out to boost pension provisions given it does not affect costs for the company over time. All pension solutions agreed upon henceforth will be premium-based. Remuneration guidelines included the individuals, who during the time the guidelines applied, were part of the Group 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 65.

### Class of shares and ownership structure

At year-end 2014 Semcon's share capital was SEK 18.1 million, or 18,112,534 shares all with a quotient value of SEK 1. 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. As of 31 December 2014 the JCE Group owned 22.2 per cent (22.2) of Semcon's shares, Swedbank Robur Fonder 8.4 per cent (8.4), Handelsbanken Fonder 6.9 per cent (5.7), Nordea Investment Funds 6.3 per cent (6.3) and Andra AP fonden 5.3 per cent (5.3). As of 31 December 2014 the ten biggest shareholders owned 62.0 per cent (61.2) of the capital and voting rights in the company. Semcon owned 142,718 (142,718) of the company's shares. Semcon had 3,657 (3,782) shareholders, of whom 26.7 per cent (27.3) were registered abroad.

### 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 will be around a third of the profit after tax

### Events after the end of the year

No significant events have taken place since year-end 2014.

### Proposed dividend

According to Semcon's financial objectives a share dividend should be paid to shareholders and be around one third of the profit after tax. From the reported profit for 2014 the Board of Directors proposes no change to the share dividend of SEK 2.50 per share (2.50). The proposed dividend makes up a total of 60 per cent (51) of the company's profit after tax and amounts to SEK 45 million (45). The record day for the right to a share dividend is proposed as Thursday, 30 April.

### Outlook

Semcon believes that customers' development needs remain strong although the market situation is difficult to predict.

### Parent company

Income amounted to SEK 25 million (26) and the profit after financial items was SEK 8 million (63).

### Proposed allocation of profits

The AGM has the following profit at its disposal in the parent company:

SEK	
Profit brought forward and capital contribution	306,633,043
Profit for the year according to the income statement	2,491,260
<b>Total</b>	<b>309,124,303</b>
<b>The Board proposes that the profits be disposed of as follows:</b>	
Dividend to shareholders	45,281,335
Carried forward	263,842,968
<b>Total</b>	<b>309,124,303</b>

For additional results of the Group and parent company and their financial position, we refer to the following income statements, balance sheets, statements of comprehensive income, changes in shareholders' equity and cash flow statements, along with the accompanying accounting policies and notes.

## Consolidated income statement

SEK m	Note	2014	2013
<b>OPERATING INCOME</b>			
Net sales	5, 6	2,725.7	2,508.4
<b>OPERATING EXPENSES</b>			
Purchase of goods and services		–611.4	–461.8
Other external expenses	7, 28	–239.6	–230.5
Staff costs	8	–1,742.6	–1,668.6
Amortization of intangible assets	13	–9.3	–6.6
Amortization of tangible assets	14	–18.0	–15.1
Results from shares in associated companies	16	–2.4	–1.0
<b>Operating profit</b>		<b>102.4</b>	<b>124.8</b>
<b>FINANCIAL ITEMS</b>			
Interest income and similar items	9	1.0	1.3
Interest expenses and similar items	10	–6.0	–8.3
<b>Profit/loss before tax</b>		<b>97.4</b>	<b>117.8</b>
Tax	11	–22.0	–29.7
<b>PROFIT/LOSS FOR THE YEAR</b>		<b>75.4</b>	<b>88.1</b>

Of which attributable to parent company's shareholders		75.4	88.1
EPS before dilution, SEK	12	4.20	4.90
EPS after dilution, SEK	12	4.16	4.86
Number of shares at year-end	12	18,112,534	18,112,534
Average number of shares	12	18,112,534	18,112,534
Average number of shares excluding number of own shares	12	17,969,816	17,969,816

## Consolidated statement of comprehensive income

SEK m		2014	2013
Profit/loss for the year		75.4	88.1
<b>Items that cannot be reclassified for the results</b>			
Actuarial profit and loss		–12.4	–2.8
Tax		3.7	0.6
<b>Total</b>		<b>–8.7</b>	<b>–2.2</b>
<b>Items that can be reclassified for the results</b>			
Translation differences for the year		29.9	9.7
Hedging of net investments		–29.0	–3.1
Cash flow hedging		–	–5.0
Tax relating to hedging of net investments and cash flow hedging		6.4	1.8
<b>Total</b>		<b>7.3</b>	<b>3.4</b>
<b>Total other comprehensive income</b>		<b>–1.4</b>	<b>1.2</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>74.0</b>	<b>89.3</b>

Of which attributable to parent company's shareholders		74.0	89.3
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## Consolidated balance sheet

SEK m	Note	31 Dec 2014	31 Dec 2013
<b>ASSETS</b>			
<b>Fixed assets</b>			
<b>Intangible assets</b>	13		
Goodwill		456.3	440.3
Other intangible assets		16.7	16.6
<b>Tangible fixed assets</b>	14		
Plant and machinery		21.5	16.1
Inventory, computers and equipment		28.3	23.1
<b>Financial assets</b>			
Shares in associated companies and joint ventures	16	17.0	18.8
Deferred tax recoverable	11	46.3	44.5
<b>Total fixed assets</b>		<b>586.1</b>	<b>559.4</b>
<b>Current assets</b>			
Accounts receivable	17	416.1	371.3
Current tax receivables		3.9	2.0
Other receivables		25.6	17.2
Accrued non-invoiced income	18	157.9	172.7
Prepaid expenses and accrued income	19	28.1	29.7
Cash and bank balances		152.3	153.3
<b>Total current assets</b>		<b>783.9</b>	<b>746.2</b>
<b>TOTAL ASSETS</b>		<b>1,370.0</b>	<b>1,305.6</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity</b>			
Share capital	20	18.1	18.1
Other shareholders' contribution		34.5	34.5
Statutory reserve		-5.7	-4.3
Profit brought forward including profit for the year		615.6	585.1
<b>Total shareholders' equity</b>		<b>662.5</b>	<b>633.4</b>
<i>Of which minority share</i>		—	—
<b>Long-term liabilities</b>			
Pension obligations	21	68.5	51.4
Deferred tax	11	23.1	27.1
<b>Total long-term liabilities</b>		<b>91.6</b>	<b>78.5</b>
<b>Current liabilities</b>			
Accounts payable		102.8	87.0
Current tax liability		16.8	31.0
Borrowings	22, 23	97.8	94.7
Other liabilities		82.1	92.6
Non-accrued invoiced income	18	57.3	57.2
Accrued expenses and prepaid income	24	259.1	231.2
<b>Total current liabilities</b>		<b>615.9</b>	<b>593.7</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>1,370.0</b>	<b>1,305.6</b>
Pledged assets	25	2.8	2.4
Contingent liabilities	26	4.0	3.8

## Consolidated changes in shareholders' equity

SEK m	Share capital	Other capital contribution	Reserves	Profit brought forward	Total	Minority share	Total share-holders' equity
<b>Opening balance on 1 January 2013</b>	<b>18.1</b>	<b>34.5</b>	<b>-6.4</b>	<b>532.9</b>	<b>579.1</b>	<b>-</b>	<b>579.1</b>
<b>Comprehensive income</b>							
Profit for the year	–	–	–	88.1	88.1	–	88.1
Effect of accounting policy change	–	–	0.9	–	0.9	–	0.9
<b>Items that cannot be reclassified for the results</b>							
Actuarial gains and losses	–	–	-2.8	–	-2.8	–	-2.8
Tax	–	–	0.6	–	0.6	–	0.6
Total	–	–	-2.2	–	-2.2	–	-2.2
<b>Items that can be reclassified for the results</b>							
Exchange rate differences for the year	–	–	9.7	–	9.7	–	9.7
Hedging of net investments	–	–	-3.1	–	-3.1	–	-3.1
Cash flow hedging	–	–	-5.0	–	-5.0	–	-5.0
Tax relating to hedging of net investments and cash flow hedging	–	–	1.8	–	1.8	–	1.8
Total	–	–	3.4	–	3.4	–	3.4
Total other comprehensive income	–	–	1.2	–	1.2	–	1.2
<b>Total comprehensive income</b>	<b>–</b>	<b>–</b>	<b>2.1</b>	<b>88.1</b>	<b>90.2</b>	<b>–</b>	<b>90.2</b>
<b>Transactions with company owners</b>							
Share dividend	–	–	–	-35.9	-35.9	–	-35.9
Total transactions with company owners	–	–	–	-35.9	-35.9	–	-35.9
<b>Opening balance on 1 January 2014</b>	<b>18.1</b>	<b>34.5</b>	<b>-4.3</b>	<b>585.1</b>	<b>633.4</b>	<b>–</b>	<b>633.4</b>
<b>Comprehensive income</b>							
Profit for the year	–	–	–	75.4	75.4	–	75.4
<b>Items that cannot be reclassified for the results</b>							
Actuarial gains and losses	–	–	-12.4	–	-12.4	–	-12.4
Tax	–	–	3.7	–	3.7	–	3.7
Total	–	–	-8.7	–	-8.7	–	-8.7
<b>Items that can be reclassified for the results</b>							
Exchange rate differences for the year	–	–	29.9	–	29.9	–	29.9
Hedging of net investments	–	–	-29.0	–	-29.0	–	-29.0
Tax relating to hedging of net investments and cash flow hedging	–	–	6.4	–	6.4	–	6.4
Total	–	–	7.3	–	7.3	–	7.3
Total other comprehensive income	–	–	-1.4	–	-1.4	–	-1.4
<b>Total comprehensive income</b>	<b>–</b>	<b>–</b>	<b>-1.4</b>	<b>75.4</b>	<b>74.0</b>	<b>–</b>	<b>74.0</b>
<b>Transactions with company owners</b>							
Share dividend	–	–	–	-44.9	-44.9	–	-44.9
Total transactions with company owners	–	–	–	-44.9	-44.9	–	-44.9
<b>Closing balance on 31 December 2014</b>	<b>18.1</b>	<b>34.5</b>	<b>-5.7</b>	<b>615.6</b>	<b>662.5</b>	<b>–</b>	<b>662.5</b>

## Consolidated cash flow statement

SEK m	Note	2014	2013
<b>CURRENT ACTIVITIES</b>			
Operating profit/loss		102.4	124.8
Depreciation/impairment	13, 14	27.3	21.7
Profit from machinery sold and subsidiaries		-12.6	-0.1
Shares in associated companies		1.8	0.3
Other items not affecting cash flow		2.0	0.6
Prepaid pensions and paying into pension plans	21	-3.0	-3.1
Interest received and similar items		0.8	1.2
Interest paid and similar items		-4.0	-5.6
Income tax paid		-27.5	-9.3
<b>Cash flow from current activities before changes to working capital</b>		<b>87.2</b>	<b>130.5</b>
<b>CHANGES IN WORKING CAPITAL</b>			
Changes in work in progress		34.5	3.0
Change in current receivables		-43.3	-19.7
Change in current liabilities		3.9	21.2
<b>Total changes in working capital</b>		<b>-4.9</b>	<b>4.5</b>
<b>CASH FLOW FROM CURRENT ACTIVITIES</b>		<b>82.3</b>	<b>135.0</b>
<b>INVESTMENT ACTIVITIES</b>			
Acquisition and divestment of subsidiaries		-1.1	-
Investments in intangible assets	13	-9.1	-5.9
Investments in tangible fixed assets	14	-19.2	-18.2
Payment from sales of fixed assets		0.1	0.2
<b>CASH FLOW FROM INVESTMENT ACTIVITIES</b>		<b>-29.3</b>	<b>-23.9</b>
<b>FINANCING ACTIVITIES</b>			
Changes to overdraft facilities	23	44.9	5.1
Repayment of loans	22	-65.7	-47.7
Share dividend		-44.9	-35.9
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		<b>-65.7</b>	<b>-78.5</b>
<b>CASH FLOW FOR THE YEAR</b>		<b>-12.7</b>	<b>32.6</b>
Cash and bank balances at the start of the year		153.3	115.6
Translation differences		11.7	5.1
<b>CASH AND BANK BALANCES AT YEAR-END</b>		<b>152.3</b>	<b>153.3</b>

## Parent company's income statement

SEK m	Note	2014	2013
<b>OPERATING INCOME</b>			
Net sales	6	25.0	26.3
<b>OPERATING EXPENSES</b>			
Other external expenses	7, 28	–24.0	–21.2
Staff costs	8	–24.4	–21.6
Depreciation of tangible fixed assets	14	–0.2	–0.3
<b>Operating loss</b>		<b>–23.6</b>	<b>–16.8</b>
<b>FINANCIAL ITEMS</b>			
Interest income and similar items	9	8.3	26.0
Group contribution received		48.2	57.0
Interest expenses and similar items	10	–25.3	–2.8
<b>Profit after financial items</b>		<b>7.6</b>	<b>63.4</b>
<b>APPROPRIATIONS</b>			
Transfer to tax allocation reserve		–	9.1
Reversal of depreciation		0.2	–
Group contribution paid		–4.5	–5.5
<b>Profit before tax</b>		<b>3.3</b>	<b>67.0</b>
Tax	11	–0.8	–14.9
<b>PROFIT FOR THE YEAR</b>		<b>2.5</b>	<b>52.1</b>

## Parent company's statement of comprehensive income

SEK m	2014	2013
Profit for the year	2.5	52.1
<b>Other comprehensive income</b>		
Other comprehensive income	–	–
<b>TOTAL OTHER COMPREHENSIVE INCOME</b>	<b>2.5</b>	<b>52.1</b>

## Parent company's balance sheets

SEK m	Note	31 Dec 2014	31 Dec 2013
<b>ASSETS</b>			
<b>Fixed assets</b>			
<b>Tangible fixed assets</b>	14		
Equipment, computers and inventory		–	0.2
<b>Financial assets</b>			
Shares in Group companies	15	84.1	84.1
Deferred tax asset		0.7	0.7
Receivables in Group companies		369.2	369.2
<b>Total fixed assets</b>		<b>454.0</b>	<b>454.2</b>
<b>Current assets</b>			
Receivables in Group companies		170.0	151.6
Current tax receivables		0.7	–
Other receivables		0.8	0.6
Prepaid expenses and accrued income		1.5	2.6
<b>Total current assets</b>		<b>173.0</b>	<b>154.8</b>
<b>TOTAL ASSETS</b>		<b>627.0</b>	<b>609.0</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity</b>			
<b>Restricted shareholders' equity</b>			
Share capital	20	18.1	18.1
Statutory reserve		25.1	25.1
<b>Unrestricted shareholders' equity</b>			
Share premium reserve		12.9	12.9
Profit brought forward		293.7	286.6
Profit for the year		2.5	52.1
<b>Total shareholders' equity</b>		<b>352.3</b>	<b>394.8</b>
<b>Untaxed reserves</b>			
Additional depreciation		–	0.2
<b>Total untaxed reserves</b>		<b>–</b>	<b>0.2</b>
<b>Long-term liabilities</b>			
Accounts payable		1.0	0.9
Liabilities to Group companies		156.4	83.9
Current income tax liabilities		–	17.2
Borrowings	22, 23	96.4	98.9
Other liabilities		0.6	0.6
Accrued expenses and prepaid income	24	20.3	12.5
<b>Total current liabilities</b>		<b>274.7</b>	<b>214.0</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>627.0</b>	<b>609.0</b>
Pledged assets		–	–
Contingent liabilities	26	0.5	0.5

## Parent company's changes in shareholders' equity

SEK m	Share capital	Statutory reserve	Share premium reserve	Profit brought forward incl. profit/loss for the year	Total shareholders' equity
<b>Opening balance on 1 January 2013</b>	<b>18.1</b>	<b>25.1</b>	<b>12.9</b>	<b>322.5</b>	<b>378.6</b>
<b>Comprehensive income</b>					
Profit/loss for the year	—	—	—	52.1	52.1
Total other comprehensive income	—	—	—	—	—
Total comprehensive income	—	—	—	52.1	52.1
<b>Transactions with shareholders</b>					
Share dividend	—	—	—	—35.9	—35.9
Total transactions with shareholders	—	—	—	—35.9	—35.9
<b>Opening balance on 1 January 2014</b>	<b>18.1</b>	<b>25.1</b>	<b>12.9</b>	<b>338.7</b>	<b>394.8</b>
<b>Comprehensive income</b>					
Profit/loss for the year	—	—	—	2.5	2.5
Total other comprehensive income	—	—	—	—	—
Total comprehensive income	—	—	—	2.5	2.5
<b>Transactions with shareholders</b>					
Share dividend	—	—	—	—44.9	—44.9
Total transactions with shareholders	—	—	—	—44.9	—44.9
<b>Closing balance on 31 December 2014</b>	<b>18.1</b>	<b>25.1</b>	<b>12.9</b>	<b>296.3</b>	<b>352.4</b>

## Parent company's cash flow statement

SEK m	Note	2014	2013
<b>CURRENT ACTIVITIES</b>			
Operating profit/loss		—23.6	—16.8
Impairment	14	0.2	0.3
Interest received and similar items		8.3	26.0
Interest paid and similar items		—25.3	—2.8
Income tax paid		—18.7	—4.9
<b>Cash flow from current activities before changes in working capital</b>		<b>—59.1</b>	<b>1.8</b>
<b>CHANGES IN WORKING CAPITAL</b>			
Changes in current receivables		30.7	59.6
Changes in current liabilities		75.8	—9.1
<b>Total change in working capital</b>		<b>106.5</b>	<b>50.5</b>
<b>CASH FLOW FROM CURRENT ACTIVITIES</b>		<b>47.4</b>	<b>52.3</b>
<b>FINANCING ACTIVITIES</b>			
Changes to overdraft facilities	23	44.9	5.3
Repayment of loans	22	—47.4	—60.0
Share dividend		—44.9	—35.9
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		<b>—47.4</b>	<b>—90.6</b>
<b>CASH FLOW FOR THE YEAR</b>		<b>—</b>	<b>—38.3</b>
Cash and bank balances at the start of the year		—	38.3
<b>CASH AND BANK BALANCES AT YEAR-END</b>		<b>—</b>	<b>—</b>

# 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 registered in Göteborg, Sweden. The company is listed on the NASDAQ OMX Stockholm Small Cap list under the SEMC ticker.

The Group's main business is providing product development services and product information, which are described in the Directors' Report in this Annual Report. The Consolidated Accounts for the financial year ending 31 December 2014 were approved by the Board on 12 March 2015 and will be presented to the AGM on 28 April 2015 for final approval.

## Note 2 Accounting policies

The most important accounting policies applied when these Consolidated Accounts were prepared are stated below. These policies have been applied consistently for each year represented, unless otherwise stated.

### 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, IFRIC interpretations, the Swedish Annual Accounts Act and recommendation RFR 1.3 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 recommendation RFR 2.2 (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 method. Preparing reports in accordance with IFRS requires using a number of important estimates for accounting purposes. It is also necessary for senior management to make a number of estimates when applying the Group's accounting policies. The areas that require a high degree of assessment, which are complex or are such areas where assumptions and estimates are of considerable significance for the Consolidated Accounts appear in Note 4, page 62.

### Changes to the accounting policies and disclosures

#### New and amended IFRS standards and interpretations for 2014

New and amended standards did not have any effect on the Group's financial reports in 2014.

#### New and amended standards and interpretations that have not yet come into force

The International Accounting Standards Board (IASB) has issued the following new standards, which have yet to come into force:

IFRS 15 Revenue from contracts with customers was issued on 28 May 2014 and will replace IAS 18 Revenue and IAS 11 Construction Contracts. Application of IFRS 15 is compulsory for all IFRS reporting companies from the financial year starting on 1 January 2017 or later. IFRS 15 includes a revenue recognition model for almost all income arising through contracts with customers, with the exception of leasing contracts, financial instruments and insurance contracts. The basic principle for revenue recognition is that companies must report revenue when all risks and benefits associated with the goods and/or services transfer to the customer in exchange for remuneration for these goods and/or services. The standard might affect service contracts, sales with various elements of goods and/or services, long-term contracts, consultancy fees, licensed-based sales and possibly underlying guarantee contracts. A detailed analysis of the effects when applying IFRS 15 has yet to be carried out, which is why the effects cannot yet be quantified.

Other new and amended standards and interpretations are not expected to have any significant effect on the Group's financial reports when they are applied for the first time.

### 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 purchase price and the calculated value of equity at the time of the acquisition is reported as consolidated goodwill. All transaction costs relating to acquisitions are expensed. 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 profit brought forward. The consolidated shareholders' equity includes the parent company's equity and the part of the subsidiaries' equity accumulated after the date of acquisition.

The current method was used for calculating the income statement and balance sheets. This method 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 reported in other comprehensive income.

### Pricing between Group companies

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

### Affiliated transactions

Affiliated transactions follow market norms.

### Associated companies

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 profits on transactions between the Group and associate companies are eliminated in relation to the Group's holding in the associate company.

### Segment reporting

Operating segments are reported so they correspond to the internal reports submitted to the highest executive function. The highest executive function is the CEO who runs the operation along with the rest of group management.

### 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 risk. 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 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 "Invoiced but non-processed income".

#### *Income from sales of goods*

Income from the sale of hardware and software is reported upon delivery, which coincides with the time when risks and benefits accrue to the buyer.

### One-off items

One-off items are reported separately in the financial statements when it is necessary to explain the Group's results. One-off items include significant income or cost items reported separately due the significance of their character or amount.

### 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, which are reported as tangible 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 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:

- Plant and machinery depreciated over 5–10 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. Goodwill is distributed among cash-generating units and is tested for possible 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 of 3–8 years. Expenses for internally developed goodwill, trademarks and similar rights are reported as they arise.

### Impairment

The company's management continually assesses the value of any impairment requirement. Impairment is 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 when expected to be used in the business, plus the current net sales value at the end of the utilization period. A previous impairment is returned when the assumptions used to establish the asset's

recovery value have changed, meaning the impairment is no longer appropriate. Returns of previous impairments are tested individually and are reported in the income statement. Impairment of goodwill is 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, account receivables, receivables from associate companies 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 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.

#### **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 reported in the balance sheets and cash flow statements include cash and bank balances as well as other current investments with the due date within three months of the acquisition date. 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.

#### **Provisions**

When a formal or informal commitment exists as a result of an event that has occurred and it is possible that resource will be required to fulfil the commitment and a 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**

The Group does not have any tangible 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**

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 liability reported in the balance sheets for defined benefit pension plans is the current value of the defined benefit obligations at the end of the reporting period minus the fair value of the plan assets. The current value of the defined benefit obligations are set by discounting the estimated future cash flow by using the interest rate for first-class company bonds issued in the same currency as the remuneration paid, with a duration comparable with the actual pension obligation. Actuarial gains and losses as a result of experience-based adjustments and changes to actuarial assumptions are reported in other comprehensive income over the period they arise.

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.

**Accounting policies of the parent company**

The parent company has drawn up its Annual Report in accordance with the Annual Accounts Act and RFR 2.2 (Accounting for legal entities).

**Changes to accounting policies**

The RFR 2 changes that came into force for the 2014 financial year did not have any significant effect on the parent company's financial reports.

**New statement from the Swedish Financial Reporting Board**

UFR 10. Reporting ITP 2 pension plan, financed through insurance with Alecta is proposed to replace UFR 3. Classification of ITP plans, financed through Alecta and UFR 6. Multi-employer pension plans. The proposal is not expected to lead to any fiscal changes for companies applying RFR 2.

The differences between the Group and parent company's accounting policies appear below.

**Group companies**

Participations in Group companies 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 generate 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 Group companies.

**Financial guarantees**

The parent company applies the exception rule in RFR 2 to avoid applying 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 such an 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, RFR 2, Group contribution paid in order to minimize the Group's total tax reported under appropriations. Group contributions paid classed the same as dividends are reported as financial income with the recipient. All Group contributions to the parent company can be classed the same as dividends and therefore can be reported in the income statement.

## Note 3

### 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 more expensive. Credit agreements consist of an overdraft facility of SEK 152 million (153) and a revolving credit facility of EUR 22.8 million (22.8). The loan falls due on 17 July 2016. The loan is conditional on the customary covenants being fulfilled in the form of equity/assets ratio, debt/equity ratio and net loan debt (excluding pensions) in relation to the operating profit/loss before amortization. All loan conditions were met by healthy margins as of 31 December 2014.

#### Interest rate risk

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 by 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 1 month. During 2014 the short-term interest rate was lower than the longer-term interest rates. An alteration in market rates of +/- 1 per cent would affect future profit by around SEK 1 million based on the borrowings as of 31 December.

#### Liquidity risks

Liquidity risks are the risks associated with not having access to liquid assets or unutilized credits to fulfil payment commitments. The Group's liquid assets at year-end amounted to SEK 152 million (153). In addition, the Group has an unused overdraft facility of SEK 273 million (262). 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 currencies.

#### Maturity analysis for contracted payment

The Group, SEK m	Up to 3 months	3–12 months	Over 12 months
Liabilities to credit institutions	97.8	–	–
Accounts payable	102.8	–	–
Other liabilities	82.1	–	–

In addition, interest is payable on any unutilized credit. Based on the current interest and currency exchange rates on 31 December 2014 the annual interest payments are around SEK 2 million, calculated on utilized amounts as at year-end.

#### 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 per cent would affect profits before tax by around SEK 2-3 million and the profit after tax and shareholders' equity by around SEK 1-2 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 risk

##### Customer credit risk

Most financial assets consist of accounts receivable and processed but non-utilized income. The creditworthiness of these items that have neither fallen for payment due or in need of impairment have been assessed according to external credit ratings (if available) or the customer's payment history. All new customers are checked with respect to their creditworthiness, and monitoring is also carried out for existing customers. The Group's accounts receivable are largely made up of receivables of large international Swedish and German companies whose financial position is considered good. Certain customers have a particular credit insurance policy where the self-risk (excess) part is 10 per cent. Of the Group's total accounts receivable most are accounts receivable not fallen due for payment. The majority of the due and non-reserved accounts receivable have very short maturity date. The joint credit risk is considered small. The maximum credit exposure is countered by the assets' booked value. The maturity structure of accounts receivable is explained in Note 17 on page 72.

#### Cash and bank balances

Cash and bank balances are made up of bankable funds at all the major European banks and the assets are not considered to pose any risk. The maximum credit exposure is countered by the 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 2014, the equity/assets ratio was 48.4 per cent (48.5). 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. Loans are restricted by financial covenants in the loan agreement with the bank that is more clearly described in the section "Financing risks".

#### Estimating the fair value

For accounts receivable, accounts payable and other non interest-bearing receivables and liabilities, reported at the accrued acquisition value with deductions for possible impairment, the fair value is judged to correspond to the reported value.

The Group's borrowing is mainly carried out with short-term fixed interest rates. The fair value is therefore judged to correspond with the reported value.

The Group's currency forward agreements are set by using currency forward rates on the balance sheet day, where the resulting value is discounted to the present value. The fair value of these contracts amounts to SEK -14.9 million (-6.6).

There are no other financial liabilities that are measured at fair value through the income statement or any financial assets that can be sold.

#### 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 on page 57 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 13 on page 69 there is an account of the significant estimations carried out upon examining the need for goodwill impairment. As of 31 December 2014 the reported value of the consolidated goodwill was SEK 456.3 million.

#### Assessment of loss carry-forwards

The reported deferred tax assets in the Group concerning loss carry-forwards amounted to SEK 37.4 million on 31 December 2014. The reported value of these tax assets was examined on the balance sheet date and it is judged likely that the tax relief can be used against future tax. The tax assets refer to Germany where loss carry-forwards can be used for an unlimited period. A positive result in 2014 means that 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 profit might result in differences in valuing deferred tax assets. If the future taxable profit in Germany deviates by 10 per cent from management's estimate then the Group would be forced to cut its deferred tax asset by SEK 4 million.

#### 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 increases, 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 2014 the Group's pension allocations amounted to SEK 68.5 million.

If the discount rate changed by 0.25 per cent then the current value of the pension obligations would need to be adjusted by around SEK 2 million. Actuarial assumptions appear in Note 21 on page 73.

#### Evaluating projects

Evaluating 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.

## Note 5

### Segment reporting

The Group's four business areas, Engineering Services Nordic, Engineering Services Germany, Engineering Services International and Product Information made up the Group's reportable operating segments in 2014. Engineering Services Nordic provides engineering services aimed at the energy, automotive, industrial and life science sectors. Engineering Services Germany provides engineering services to customers in the German industry sector, mainly to the automotive industry. Engineering Services International provides product development services on the respective geographic market of the UK, Brazil, India and China, mainly towards the automotive industry. Product Information provides complete information solutions, mainly focusing on customers' after-market business. These four segments are the highest level at which management and the Board carries out follow-ups. The highest executive position in the Group is CEO, who together with the rest of the senior executives, runs the business. The three first operating segments receive revenues mainly from engineering services for designing, developing

products and production, while Product Information mainly receives its revenues by developing product information for entire product lifecycles. No other information concerning income divided between services is given as it is not part of financial reporting, and the cost of producing the information is not justifiable.

The segments' accounting policies follow the same policies as when compiling the consolidated accounts, which appear in Note 2 on page 57.

The Group reports sales between the segments at current market prices. The senior executives follow up the segments' earnings based on the operating profit. Financial items are not divided by segment because they are affected by measures taken by the central financial manager. Taxes aren't divided by segment either. The segments' assets and liabilities include directly attributable items together with such items that can reliably be allocated to the respective segment. The Group's long-term borrowing is not considered as a liability by the segments and instead refers to the financial management.

SEK m	Engineering Services Nordic		Engineering Services Germany		Engineering Services International		Product Information		Non-allocated items		The Group total	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
<b>Income</b>	<b>1,013.7</b>	<b>1,024.3</b>	<b>1,005.7</b>	<b>923.0</b>	<b>212.6</b>	<b>189.8</b>	<b>542.4</b>	<b>463.3</b>	<b>-48.7</b>	<b>-92.0</b>	<b>2,725.7</b>	<b>2,508.4</b>
<b>Operating profit/loss</b>	<b>19.4</b>	<b>33.8</b>	<b>20.1</b>	<b>29.5</b>	<b>4.9</b>	<b>4.9</b>	<b>52.3</b>	<b>54.2</b>	<b>5.7</b>	<b>2.4</b>	<b>102.4</b>	<b>124.8</b>
Net financial items	—	—	—	—	—	—	—	—	—5.0	—7.0	—5.0	—7.0
<b>Profit/loss before tax</b>	<b>19.4</b>	<b>33.8</b>	<b>20.1</b>	<b>29.5</b>	<b>4.9</b>	<b>4.9</b>	<b>52.3</b>	<b>54.2</b>	<b>0.7</b>	<b>-4.6</b>	<b>97.4</b>	<b>117.8</b>
<b>Other disclosures</b>												
Operating assets	486.8	487.4	364.2	377.8	42.1	44.4	185.2	121.2	—	—	1,078.3	1,030.8
Shares in associated companies	17.0	18.8	—	—	—	—	—	—	—	—	17.0	18.8
Total operating assets	503.8	506.2	364.2	377.8	42.1	44.4	185.2	121.2	—	—	1,095.3	1,049.6
Non-divided assets	—	—	—	—	—	—	—	—	274.7	256.0	274.7	256.0
<b>Total assets</b>	<b>503.8</b>	<b>506.2</b>	<b>364.2</b>	<b>377.8</b>	<b>42.1</b>	<b>44.4</b>	<b>185.2</b>	<b>121.2</b>	<b>274.7</b>	<b>256.0</b>	<b>1,370.0</b>	<b>1,305.6</b>
Operational liabilities	154.6	178.1	145.7	129.2	16.3	19.7	110.5	88.6	—	—	427.1	415.6
Non-divided liabilities	—	—	—	—	—	—	—	—	280.4	256.6	280.4	256.6
Total consolidated liabilities	154.6	178.1	145.7	129.2	16.3	19.7	110.5	88.6	280.4	256.6	707.5	672.2
Shareholders' equity	—	—	—	—	—	—	—	—	662.5	633.4	662.5	633.4
<b>Total shareholders' equity and liabilities</b>	<b>154.6</b>	<b>178.1</b>	<b>145.7</b>	<b>129.2</b>	<b>16.3</b>	<b>19.7</b>	<b>110.5</b>	<b>88.6</b>	<b>942.9</b>	<b>890.0</b>	<b>1,370.0</b>	<b>1,305.6</b>
Investments	2.3	6.6	14.3	13.7	2.1	1.3	3.0	0.9	13.6	1.6	35.3	24.1
Depreciation	6.4	2.9	12.4	10.2	2.1	2.3	2.7	2.0	3.7	4.4	27.3	21.7

Geographic location	Sales according to geographic location		Intangible assets and tangible assets		Investments	
	2014	2013	2014	2013	2014	2013
Sweden	1,228.6	1,118.5	268.0	263.8	16.1	8.6
Germany	1,007.8	950.9	241.6	225.2	14.7	13.7
Other	489.3	439.0	13.2	7.1	4.5	1.8
<b>Total</b>	<b>2,725.7</b>	<b>2,508.4</b>	<b>522.8</b>	<b>496.1</b>	<b>35.3</b>	<b>24.1</b>

The Group had no individual customers that contributed to more than 10 per cent of the Group's overall sales over the year.

## Note 6

### Net sales

Of net sales, income from services accounts for 93.4 per cent (94.5). Other sales comprise licenses, sales of computers, assignment computers, training, sales of materials and goods in projects.

The parent company's sales attributable to Group companies amounted to SEK 24.9 million (26.3) and purchases amounted to SEK 1.1 million (0.9).

## Note 7

### Remuneration to auditors

SEK m	The Group		Parent company	
	2014	2013	2014	2013
<b>Deloitte</b>				
Auditing assignments	2.2	2.1	0.4	0.4
Services in addition to auditing assignments	0.1	0.1	0.1	0.1
Tax consultancy	–	0.1	–	–
Other services	–	–	–	–
<b>Total</b>	<b>2.3</b>	<b>2.3</b>	<b>0.5</b>	<b>0.5</b>
<b>Other auditors</b>				
Auditing assignments	0.1	0.2	–	–
<b>Total</b>	<b>0.1</b>	<b>0.2</b>	<b>–</b>	<b>–</b>
<b>Total remuneration to auditors</b>	<b>2.4</b>	<b>2.5</b>	<b>0.5</b>	<b>0.5</b>

## Note 8

### Personnel

The Group	2014		2013	
	Average number of employees	of whom women, %	Average number of employees	of whom women, %
Sweden	1,279	29	1,298	27
Germany	1,035	22	1,045	21
Brazil	185	19	155	20
UK	121	17	127	16
India	116	9	119	6
Hungary	82	24	81	27
China	57	42	47	49
Norway	7	29	—	—
Spain	5	—	2	—
<b>The Group total</b>	<b>2,887</b>	<b>24</b>	<b>2,874</b>	<b>23</b>

Parent company	2014	2013
Sweden	12	42
<b>Parent company total</b>	<b>12</b>	<b>42</b>

SEK m	2014			2013		
	Total salaries and other remuneration	Payroll overheads	Of which pension costs	Total salaries and other remuneration	Payroll overheads	Of which pension costs
<b>Salaries, remuneration and payroll overheads</b>						
Parent company	15.1	9.2	3.6	12.8	8.8	3.2
Subsidiaries	1,295.9	398.1	74.4	1,240.2	384.7	70.8
<b>The Group total</b>	<b>1,311.0</b>	<b>407.3</b>	<b>78.0</b>	<b>1,253.0</b>	<b>393.5</b>	<b>74.0</b>

SEK m	2014			2013		
	Total salaries and other remuneration	Of which bonuses	Pension costs	Total salaries and other remuneration	Of which bonuses	Pension costs
<b>Of which remuneration to senior executives</b>						
CEO of the parent company	2.9	—	1.0	2.8	—	1.0
CEO of subsidiaries	1.0	0.2	0.3	3.2	0.2	0.1
The Board	1.6	—	—	1.5	—	—
Other senior executives	13.7	0.3	3.3	11.0	0.3	2.7

**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 fixed 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 the fees to the Board in 2014 the Chairman of the Board received remuneration amounting to SEK 550,000 (500,000). Other external members received SEK 265,000 (250,000). Board fees totalled SEK 1.610 million (1.5).

**Other senior executives.** Other senior executives, 10 individuals (9), refers to Semcon's senior management besides the company's CEO and responsible for the Group's staff functions. Other senior executives are entitled to bonuses based on how well they meet their respective business targets. Bonuses paid will be a maximum six times the fixed monthly salary. The period of notice given to other senior executives is a maximum 12 months. The pension agreements for senior executives are paid in accordance with the ITP plan, except for one executive whose monthly premium is 35 per cent of salary.

**Gender of senior executives.** Two of Semcon's five Board members are women. In 2014 the Group management team consisted of six people, of which one woman.

**Other.** Remuneration to the Board is decided by the AGM after proposals by the nominations committee. Remuneration to the CEO and other senior executives is decided by the Board in its entirety. Benefits concerning company cars amounted to SEK 76,000 (71,000) for the CEO and SEK 587,000 (497,000) for other senior executives.

## Note 9

### Interest income and similar items

The Group	SEK m	2014	2013
Interest income		1.0	1.2
Other financial income		–	0.1
<b>Total</b>		<b>1.0</b>	<b>1.3</b>
Parent company	SEK m	2014	2013
Interest income		8.3	10.1
Exchange rate differences		–	15.9
<b>Total</b>		<b>8.3</b>	<b>26.0</b>

## Note 10

### Interest expenses and similar items

The Group	SEK m	2014	2013
Interest expenses		–4.1	–5.6
Exchange rate differences		–0.3	–1.5
Other financial expenses		–1.6	–1.2
<b>Total</b>		<b>–6.0</b>	<b>–8.3</b>
Parent company	SEK m	2014	2013
Interest expenses		–2.4	–1.8
Exchange rate differences		–21.5	–
Other financial expenses		–1.4	–1.0
<b>Total</b>		<b>–25.3</b>	<b>–2.8</b>

## Note 11

**Tax**

<b>The Group</b>	SEK m	<b>2014</b>	<b>2013</b>
Current tax		10.5	26.7
Tax concerning previous tax years		0.1	0.1
Deferred tax expense attributable to temporary differences		13.4	8.7
Deferred tax income attributable to temporary differences		-2.0	-5.8
<b>Total</b>		<b>22.0</b>	<b>29.7</b>
<b>Parent company</b>	SEK m	<b>2014</b>	<b>2013</b>
Current tax		0.9	14.9
Deferred tax expense attributable to temporary differences		-0.1	-
<b>Total</b>		<b>0.8</b>	<b>14.9</b>
<b>Differences between Group's reported tax and tax expense based on current tax rate</b>			
Reported profit/loss before tax		97.4	117.8
Tax according tot current tax rate in Sweden, 22.0% (22.0)		21.4	25.9
<b>Tax effect of:</b>			
Non-deductible expenses		1.4	1.5
Non-taxable income		-2.5	-0.3
Adjustments for previous years' tax		-0.1	0.1
Effects of other tax rates abroad		1.4	1.2
Other		0.4	1.3
<b>Tax for the year</b>		<b>22.0</b>	<b>29.7</b>
<b>Differences between parent company's reported tax and tax expense based on current tax rate</b>			
Reported profit/loss before tax		3.3	67.0
Tax according tot current tax rate in Sweden, 22.0% (22.0)		0.7	14.7
<b>Tax effect of:</b>			
Non-deductible expenses		0.2	0.4
Non-taxable income		-0.1	-0.2
<b>Tax for the year</b>		<b>0.8</b>	<b>14.9</b>
Temporary differences apply in cases where assets or liabilities reported and taxable values are different.			
<b>The Group's temporary differences have resulted in deferred tax assets and deferred tax liabilities for the following items</b>			
<b>Deferred tax assets</b>			
Loss carry-forwards		37.4	40.7
Equity hedge loan		0.3	-
Temporary differences, accounts receivable		-	0.1
Temporary differences, pension obligations		8.3	4.5
Other		0.4	0.2
Netting against deferred tax liabilities		-0.1	-1.0
<b>Total</b>		<b>46.3</b>	<b>44.5</b>

The Group	SEK m	2014	2013
<b>Deferred tax liabilities</b>			
Untaxed reserves		2.4	2.7
Temporary differences, reprocessed non-invoiced income		15.7	16.4
Equity hedge loan		–	0.9
Goodwill		2.6	5.1
Other		2.5	3.0
Netting against deferred tax assets		–0.1	–1.0
<b>Total</b>		<b>23.1</b>	<b>27.1</b>

The taxable loss carry-forward is SEK 321.8 million (329.1). Of this, SEK 2.0 million (4.7) falls due within 5 years, SEK 7.9 (0.0) after 5 years and for the remaining 311.9 million (324.4) there is no maturity date. For SEK 197.0 million (193.5) of the taxable loss carry-forward no deferred taxes recoverable have been reported because of uncertainty when sufficient taxable surplus is reported in the future. Deferred income taxes recoverable have been reported at SEK 37.4 million (40.7) as it is judged likely, due to positive results in 2014, that the taxable surplus will be available in future, against which this deficit can be offset.

## Note 12

### Earnings per share

The Group	2014		2013	
	Before dilution	After dilution	Before dilution	After dilution
Earnings attributable to parent company's shareholders, SEK m	75.4	75.4	88.1	88.1
Weighted average number of shares during the year, (ooo)	17,970	18,113	17,970	18,113
<b>Earnings per share, SEK</b>	<b>4.20</b>	<b>4.16</b>	<b>4.90</b>	<b>4.86</b>

#### 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 excluding buy-back shares held as own shares by the parent company, see Note 20 on page 73.

#### 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.

## Note 13

### Intangible assets

The Group	SEK m	2014	2013
<b>Goodwill</b>			
Opening acquisition value		626.8	616.3
Acquisitions		5.7	—
Divestments		−2.0	—
Translation difference for the year		18.3	10.5
<b>Closing accumulated acquisition value</b>		<b>648.8</b>	<b>626.8</b>
Opening impairment		−186.5	−183.0
Translation difference for the year		−6.0	−3.5
<b>Closing accumulated impairment</b>		<b>−192.5</b>	<b>−186.5</b>
<b>Closing booked value</b>		<b>456.3</b>	<b>440.3</b>

#### Specification of goodwill

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

Engineering Services Nordic	246.1	248.1
Engineering Services Germany	199.8	187.8
Product Information	10.4	4.4
<b>Closing booked value</b>	<b>456.3</b>	<b>440.3</b>

Testing for impairment losses for goodwill is carried out 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 management's calculated usable value. These calculations use the estimated future cash flow for 2015. The budgeted cash flow is based on the current year's results, orders and management's expectations for market development in 2014. For 2016–2020 an assumption has been made that revenues will rise by 3 per cent annually and then a long-term growth of 2 per cent. Sensitivity analyses have been carried out and if the assumed growth worsens by one per cent then there will be no need for impairment.

The cash flow has been discounted with a weighted capital cost equivalent to 9 per cent. 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. If the discount rate after tax increased by 1 per cent to 10 per cent, it means that the beneficial value is still greater than the reported value.

Further assumptions used when calculating value in use for 2014:

Exchange rates and share of income	Exchange	Share of income per currency			
		Engineering Services Nordic	Engineering Services Germany	Engineering Services International	Product Information
SEK	1.00	95%	—	25%	41%
EUR	9.00	2%	99%	4%	8%
GBP	12.00	—	—	32%	36%
Other		3%	1%	39%	15%
		100%	100%	100%	100%
Average tax rates		23%	30%	24%	21%

The estimated value in use for 2014 exceeded the reported values by a good margin. The same long-term growth, and weighted capital cost were used for estimating value in use for 2013. The rates used for 2013 were Engineering Services Nordic 23 per cent, Engineering Services Germany 30 per cent, Engineering Services International 24 per cent and for Product Information 22 per cent. The exchange rates used in 2013 were EUR 8.50 and GBP 10.30.

The Group	SEK m	2014	2013
<b>Other intangible assets</b>			
Opening acquisition value	91.4	88.2	
Sales/disposals	-23.9	-3.3	
Investments	9.1	5.9	
Translation difference for the year	2.2	0.6	
<b>Closing accumulated acquisition value</b>	<b>78.8</b>	<b>91.4</b>	
Opening depreciation	-74.8	-70.5	
Depreciation for the year	-9.3	-6.6	
Sales/disposals	23.9	3.2	
Translation difference for the year	-1.9	-0.9	
<b>Closing accumulated depreciation</b>	<b>-62.1</b>	<b>-74.8</b>	
<b>Closing booked value</b>	<b>16.7</b>	<b>16.6</b>	

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

## Note 14

### Tangible fixed assets

The Group	SEK m	2014	2013
<b>Plant and machinery</b>			
Opening acquisition value	98.4	93.8	
Investments	7.7	4.3	
Sales/disposals	-13.5	-2.5	
Reclassification	1.4	0.8	
Translation difference for the year	5.2	2.0	
<b>Closing accumulated acquisition value</b>	<b>99.2</b>	<b>98.4</b>	
Opening depreciation	-82.3	-78.8	
Sales/disposals	13.4	2.5	
Depreciation for the year	-4.8	-4.2	
Translation difference for the year	-4.0	-1.8	
<b>Closing accumulated depreciation</b>	<b>-77.7</b>	<b>-82.3</b>	
<b>Closing booked value</b>	<b>21.5</b>	<b>16.1</b>	
<b>Inventories, computers and equipment</b>			
Opening acquisition value	170.4	158.9	
Investments	18.5	13.9	
Sales/disposals	-46.8	-6.9	
Reclassification	-1.4	-0.8	
Translation difference for the year	7.0	5.3	
<b>Closing accumulated acquisition value</b>	<b>147.7</b>	<b>170.4</b>	

<b>The Group</b> SEK m	<b>2014</b>	<b>2013</b>
Opening depreciation/impairment	-147.3	-138.5
Sales/disposals	46.5	6.9
Impairment for the year	-13.2	-10.9
Translation difference for the year	-5.4	-4.8
<b>Closing accumulated depreciation/impairment</b>	<b>-119.4</b>	<b>-147.3</b>
<b>Closing booked value</b>	<b>28.3</b>	<b>23.1</b>
<b>Parent company</b> SEK m	<b>2014</b>	<b>2013</b>
<b>Inventories, computers and equipment</b>		
Opening acquisition value	1.7	1.7
<b>Closing accumulated acquisition value</b>	<b>1.7</b>	<b>1.7</b>
Opening depreciation	-1.5	-1.2
Depreciation for the year	-0.2	-0.3
<b>Closing accumulated depreciation</b>	<b>-1.7</b>	<b>-1.5</b>
<b>Closing booked value</b>	<b>-</b>	<b>0.2</b>

## Note 15

### Shares in Group companies

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	9.8	556534-4651	Göteborg
<b>Total</b>	<b>84.1</b>					

The accumulated acquisition value of shares in Group companies amounts to SEK 307.1 million. A statutory specification of company registration number and registered office of all Group companies in the Group can be obtained from Semcon's head office.

## Note 16

### Shares in associated companies

Parent company	Group company	Capital share, %	Voting rights, %	Booked value, SEK m	Co.Reg.No	Registered office
Semcon International AB	Kongsberg Devotek AS	30	30	17.0	883 602 382	Kongsberg, Norway
<b>Total</b>	<b>17.0</b>					

SEK m	<b>2014</b>	<b>2013</b>
<b>Shares in associated companies</b>		
Opening booked value	18.8	19.1
Share of earnings	-1.8	-0.3
<b>Closing booked value</b>	<b>17.0</b>	<b>18.8</b>

The share in associated companies' revenue was SEK 37.3 million (43.2), share of assets was SEK 9.9 million (11.7) and share of liabilities was SEK 7.5 million (7.5).

## Note 17

### Accounts receivable

The Group	SEK m	2014			2013		
		Gross	Reserve	Reported value	Gross	Reserve	Reported value
Accounts receivable, not due for payment	348.1	–	348.1	318.9	–	318.9	318.9
Due for payment, 1–30 days	59.8	–0.2	59.6	47.3	–	47.3	47.3
Due for payment, 31–60 days	4.0	–0.2	3.8	3.0	–	3.0	3.0
Due for payment, over 60 days	15.9	–11.3	4.6	7.5	–5.4	2.1	2.1
<b>Total</b>	<b>427.8</b>	<b>–11.7</b>	<b>416.1</b>	<b>376.7</b>	<b>–5.4</b>	<b>371.3</b>	

The Group	SEK m	2014		2013
<b>Provisions for bad debts</b>				
Provisions at the start of the year		–5.4		–5.0
Reservations for expected losses		–9.5		–1.7
Confirmed losses		1.4		–
Actual payments of reserve receivables		1.8		1.4
Translation difference		–		–0.1
<b>Provisions at year-end</b>		<b>–11.7</b>		<b>–5.4</b>

## Note 18

### Accrued non-invoiced income and invoiced but non-processed income

Accrued non-invoiced income is reported in the consolidated accounts by project at the net value of the invoice in line with processing minus invoiced sub-amounts and deductions for possible losses. In 2014 the accrued non-invoiced income stood at SEK 100.6 million (115.5).

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.

The Group	SEK m	2014		2013
<b>Processed but non-invoiced income</b>				
Income/assignment expenses		228.9		328.2
Partly invoiced amount		–71.0		–155.5
<b>Total</b>		<b>157.9</b>		<b>172.7</b>
<b>Invoiced but non-processed income</b>				
Income/assignment expenses		79.7		82.2
Partly invoiced amount		–137.0		–139.4
<b>Total</b>		<b>–57.3</b>		<b>–57.2</b>

## Note 19

### Prepaid expenses and accrued income

The Group	SEK m	2014	2013
Accrued income		3.7	9.8
Prepaid expenses		24.4	19.9
<b>Total</b>		<b>28.1</b>	<b>29.7</b>

## Note 20

### Share capital

Date	Type of issue	Number of shares issued	Share capital after issue, SEK
7 March 1997	Formation of 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 issue	330,000	18,112,534

The parent company's holding of own shares on 31 December was 142,718 (142,718).

## Note 21

### 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 employees. The Group does not have access to such information that makes it possible to report this plan as a defined benefit plan for the 2014 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. These plans have been closed for many years for new participants. 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.

The Group	SEK m	2014	2013	2012	2011	2010
<b>Reconciliation of pension obligations</b>						
Current value of pension obligations		85.9	67.8	62.1	61.9	62.1
Managed assets		−17.4	−16.4	−15.4	−15.9	−15.9
<b>Total</b>		<b>68.5</b>	<b>51.4</b>	<b>46.7</b>	<b>46.0</b>	<b>46.2</b>
Non-reported actuarial profit (+) and loss (−)		−	−	0.9	3.0	2.2
<b>Net provision in the balance sheet</b>		<b>68.5</b>	<b>51.4</b>	<b>47.6</b>	<b>49.0</b>	<b>48.4</b>

The Group	SEK m	2014	2013
<b>Specification of changes in the defined benefit obligation</b>			
At the start of the year		67.8	62.1
Costs for employment during the current year		1.4	1.1
Interest expenses		2.6	2.4
Payment of pensions		−3.3	−3.1
Actuarial profit (−) or loss (+)		12.5	2.8
Exchange rate differences		4.9	2.5
<b>At year-end</b>		<b>85.9</b>	<b>67.8</b>

The Group	SEK m	2014	2013
<b>Specification of changes in managed assets</b>			
At the start of the year	16.4	15.4	
Plan payments paid	-0.3	-	
Return on managed assets	0.3	0.4	
Exchange rate differences	1.0	0.6	
<b>At year-end</b>	<b>17.4</b>	<b>16.4</b>	
<b>Specification of managed assets</b>			
Shares	1.0	0.8	
Interest-bearing securities	12.5	11.8	
Cash and bank balances	3.5	3.5	
Other	0.4	0.3	
<b>Total managed assets</b>	<b>17.4</b>	<b>16.4</b>	
<b>Specification of changes in pension provisions</b>			
At the start of the year	51.4	47.6	
Net cost reported in the income statement	3.7	3.1	
Payment of pensions	-3.3	-3.1	
Plan payments paid	0.3	-	
Actuarial profit (-) or loss (+)	12.5	1.9	
Exchange rate differences	3.9	1.9	
<b>At year-end</b>	<b>68.5</b>	<b>51.4</b>	
<b>Specification of total cost for pension payments reported in the income statement</b>			
Cost for defined benefit plans			
Costs for employment during the current year	-1.4	-1.1	
Yield on managed assets	0.3	0.4	
Interest expenses	-2.6	-2.4	
<b>Costs for defined benefit plans</b>	<b>-3.7</b>	<b>-3.1</b>	
<b>Costs for defined contribution plans</b>	<b>-76.6</b>	<b>-72.9</b>	
<b>Total costs reported in the income statement</b>	<b>-80.3</b>	<b>-76.0</b>	
Of which:			
Amounts that negatively affected the operating profit/loss (staff costs)	-78.0	-74.0	
Amounts that negatively affected financial income and costs	-2.3	-2.0	
<b>Total costs reported in the income statement</b>	<b>-80.3</b>	<b>-76.0</b>	
<b>Significant actuarial assumptions, %</b>			
Discount rate	2.4	3.9	
Expected salary increase	3.0	3.0	
Future pension increase	1.5	1.5	

Expenses during the year for ITP-2 pension insurance policies signed with Alecta amounted to SEK 30.9 million (30.5). The defined benefit plan premiums for retirement pensions and family pensions are individually calculated and depend on factors including salary, previously accrued pensions and expected remaining period of active service. 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 methods and assumptions, which do not comply with IAS 19. The collective consolidation level is usually permitted to vary between 125 and 155 per cent. If Alecta's collective consolidation level falls below 125 per cent or exceeds 155 per cent then measures must be taken to create the conditions for the consolidation level to return to normal. If the consolidation level falls, then one measure might be to raise the agreed price for new subscriptions and to increase existing benefits. If the consolidation level rises, then one measure might be to introduce premium reductions. At year-end 2014 Alecta's surplus in the form of the collective consolidation level was 143 per cent (148).

## Note 22

### Borrowings

The Group	SEK m	2014	2013
<b>Borrowings</b>			
Liabilities to credit institutions		97.8	94.7
<b>Total borrowings</b>		<b>97.8</b>	<b>94.7</b>

Parent company	SEK m	2014	2013
<b>Borrowings</b>			
Liabilities to credit institutions		96.4	98.9
<b>Total borrowings</b>		<b>96.4</b>	<b>98.9</b>

The loan was taken out for the acquisition of Group companies and reported as translated to the acquisition date's rate in the parent company, according to the method for net investments.

## Note 23

### Overdraft facilities

Of the Group's permitted overdraft facility of SEK 153.6 million (153.3), SEK 50.3 million (5.3) has been utilized. The credit runs on an annual basis. Of the parent company's permitted overdraft facility of SEK 150.0 million (150.0), SEK 50.3 million (5.3) has been utilized.

## Note 24

### Accrued expenses and prepaid income

The Group	SEK m	2014	2013
Staff-related costs		159.5	166.4
Other items		99.6	64.8
<b>Total accrued expenses and prepaid income</b>		<b>259.1</b>	<b>231.2</b>
 <b>Parent company</b> SEK m			
Staff-related costs		4.3	3.8
Other items		16.0	8.7
<b>Total accrued expenses and prepaid income</b>		<b>20.3</b>	<b>12.5</b>

## Note 25

### Pledged assets

The Group	SEK m	2014	2013
<b>For rental guarantees</b>			
Frozen bank assets		2.8	2.4
<b>Total pledged assets</b>		<b>2.8</b>	<b>2.4</b>

## Note 26

### Contingent liabilities

<b>The Group</b>	SEK m	<b>2014</b>	2013
Conditional loan, Swedish Energy Agency		4.0	3.8
<b>Total contingent liabilities</b>		<b>4.0</b>	<b>3.8</b>
<b>Parent company</b>	SEK m	<b>2014</b>	2013
Guarantees provided		0.5	0.5
<b>Total contingent liabilities</b>		<b>0.5</b>	<b>0.5</b>

## Note 27

### Transactions with related parties

#### **The Group**

Sales to associated companies amounted to SEK 0.6 million (0.0) with no purchases made. The JCE Group is Semcon AB's largest shareholder with a shareholding of 22.2 per cent (31 December 2014). Sales to companies in the JCE Group amounted to SEK 0.0 million (0.0) with no purchases made.

#### **Parent company**

No transactions have taken place between associated companies or shareholders. For purchases/sales between Group companies, see Note 6 on page 64.

Remuneration to senior executives appears in Note 8 on page 65.

## Note 28

### Operational leasing

The Group rents offices at around forty sites in Sweden, Brazil, the UK, India, China, Spain, Germany and Hungary. All rental contracts have been signed according to usual market rates and with normal duration periods. Besides the rental agreements the Group has a number of leasing contracts mainly for company cars. These contracts run in line with usual market terms and with a remaining contract term of one to three years.

<b>The Group</b>	SEK m	<b>2014</b>			<b>2013</b>		
		Rent for premises	Other	Total	Rent for premises	Other	Total
Within 1 year	65.4	11.7	77.1	57.8	10.5	68.3	
Between 1 and 5 years	176.7	9.5	186.2	146.9	13.0	159.9	
More than 5 years	126.6	—	126.6	115.1	—	115.1	
<b>Future minimum leasing charges</b>	<b>368.7</b>	<b>21.2</b>	<b>389.9</b>	<b>319.8</b>	<b>23.5</b>	<b>343.3</b>	
Minimum leasing charges for the year	66.5	13.9	80.4	64.6	10.9	75.5	
<b>Parent company</b>	SEK m						
Within 1 year	—	0.5	0.5	—	0.5	0.5	
Between 1 and 5 years	—	0.5	0.5	—	0.2	0.2	
More than 5 years	—	—	—	—	—	—	
<b>Future minimum leasing charges</b>	<b>—</b>	<b>1.0</b>	<b>1.0</b>	<b>—</b>	<b>0.7</b>	<b>0.7</b>	
Minimum leasing charges for the year	—	0.5	0.5	—	0.6	0.6	

## Note 29

### Events after the end of the year

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No significant events have taken place since year-end 2014.

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

Göteborg, 12 March 2015

Kjell Nilsson  
Chairman of the Board

Markus Granlund  
CEO

Marianne Brismar  
Board member

Gunvor Engström  
Board member

Håkan Larsson  
Board member

Joakim Olsson  
Board member

Christer Eriksson  
Board member

Monique Pehrsson  
Board member

Mats Sällberg  
Board member

Our audit was issued on 12 March 2015.  
Deloitte AB

Hans Warén  
Authorized Public Accountant

# Auditor's report

To the annual general meeting of Semcon AB  
Corporate identity number 556539-9549

## Report on the annual accounts and consolidated accounts

We have audited the annual accounts and consolidated accounts of Semcon AB for the financial year 2014. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 45–77.

## Responsibilities of the Board of Directors and the Managing Director for the annual accounts and consolidated accounts

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts and consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

## Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company



as of 31 December 2014 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act, and the consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2014 and of their financial performance and cash flows in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual general meeting of shareholders adopt the income statement and balance sheet for the parent company and the group.

## Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have examined the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Semcon AB for the financial year 2014.



## **Responsibilities of the Board of Directors and the Managing Director**

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act.

### **Auditor's responsibility**

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit we examined whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors

or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Opinions**

We recommend to the annual general meeting that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Göteborg, 12 March 2015

Deloitte AB

Hans Warén  
Authorized Public Accountant

## Definitions

### Balance sheet total

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

### Capital employed

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

### Cash flow per share

Cash flow for the year divided by the weighted average number of outstanding shares over the year adjusted for the dilution effect on potential shares.

### Debt/equity ratio

Net borrowings divided by shareholders' equity including minority interests.

### EPS before dilution

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

### 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 of potential shares.

### Equity/assets ratio

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

### Interest cover ratio

Profit before tax plus interest costs divided by interest costs.

### Net borrowings

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

### Operating margin

Operating profit as a percentage of net sales.

### P/E ratio

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

### P/S ratio

Price per share at year-end divided by net sales per share.

### Profit margin

Profit before tax as a percentage of net sales.

### Return on average capital employed

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

### Return on average shareholders' equity

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

### Shareholders equity per share after dilution

Shareholders' equity divided by the number of shares at year-end adjusted for the dilution effect on potential shares.

### Shareholders equity per share before dilution

Shareholders' equity divided by the number of shares at year-end excluding shares held as own shares by the company.

## Glossary

### Embedded system

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

### Employer branding

Initiatives for strengthening our brand as employer.

### Front office/back office (FOBO model)

Semcon's principle for the model front office/back office is that assignments and work should be carried out where we have the best skills and available resources. Back office carry out the main part of the work and the front office is responsible for project coordination and customer interaction.

### Life science

Collective name for the pharmaceutical, medtech and biotech industries.

### Product development cycle

The cycle from idea to end product.

### Product lifecycle

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

### Production development

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

### Skill centres

Semcon offices with cutting-edge skills in specific.

### SLA

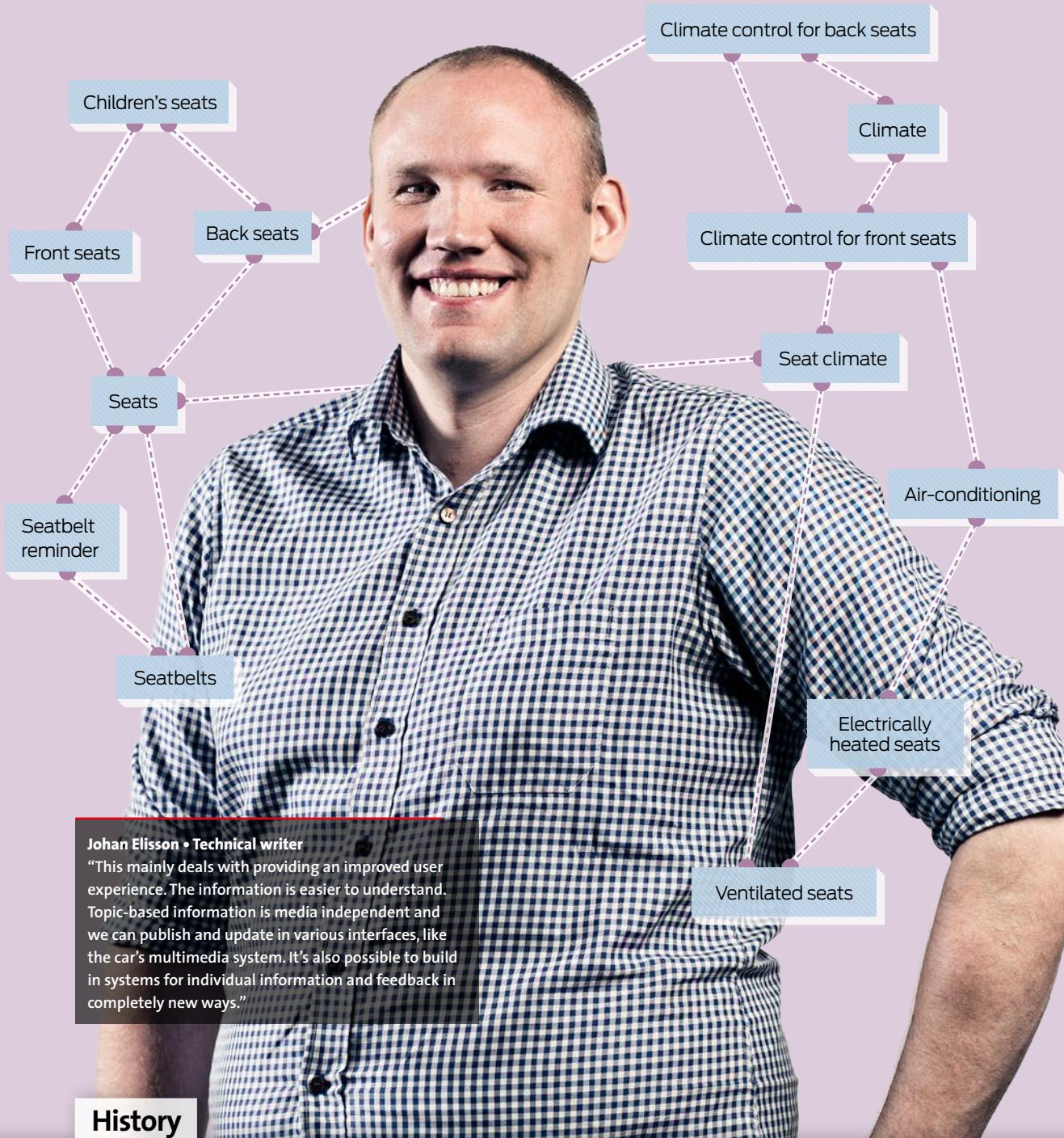
Service-Level Agreement.

An agreement between two or more parties, where one is the customer and the other is the service provider.

### XLPM

Excellence in Project Management.

Project methodology developed by Semcon based on Ericsson's PROPS methodology.



## History

**1980** Semcon founded in Västerås.

**1985** Head office moved to Göteborg.

**1994** International expansion starts with a project office in the UK.

**1997** Semcon was listed on the Swedish stock exchange on 26 May.

**2000–2005** International expansion continues with new offices in Hungary and China.

**2006** The company gets a new main owner, JCE Group, which now owns around 22 per cent of Semcon's shares.

**2007** Two major acquisitions, IVM Automotive in Germany and Caran in Sweden. Major outsourcing agreement with Jaguar Land Rover.

**2010** Semcon celebrates its 30th Anniversary as one of the leading companies in the technical consultancy industry.

**2011** Several important business agreements, including Chinese Qoros Auto and several German vehicle manufacturers.

**2013** Move towards more project and packaged solutions in all business areas.

**2014** Semcon establishes itself in Norway with the acquisition of ibruk, with activities in product information.

# Semcon's shares

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

## Price trend and turnover

The company's share price saw a negative trend in 2014 with an 18 per cent drop. Overall, the share price fell by SEK 11.10 from SEK 60.50 to SEK 49.40, representing a market capitalization of SEK 895 million. During the same period the OMX Stockholm PI index rose by 12 per cent. The highest price paid in 2014 was SEK 74.50 (9 April) and the lowest price paid was SEK 45.10 (13 October).

## Turnover of shares

Semcon's shares are quoted on the Nasdaq OMX Stockholm stock exchange and trading on this exchange represented 99.75 per cent of overall sales of shares in 2014. The remaining 0.25 per cent was traded on the Burgundy trading facility. A total of 6.5 million Semcon shares were traded, valued at SEK 405 million. The turnover rate, calculated as the number of shares traded in relation to the overall number of shares in the company was 36 per cent.

## Share capital and number of shares

Semcon's share capital on the closing day was SEK 18.1 million, divided between 18,112,534 ordinary shares all with a nominal value of SEK 1 each. Each ordinary share entitles the shareholder to one voting right and an equal right to a share of the company's assets and profits. Changes to the share capital and number of shares over time appear in Note 20 on page 73.

## Holding of own shares

Semcon's holding of its own shares amounted to 142,718 (142,718).

## Long-term incentive scheme

Semcon did not have any share-related incentive schemes in 2014.

## Shareholders

On 31 December 2014, Semcon had 3,657 shareholders (3,782). The registered amount of foreign ownership at

year-end was 26.7 per cent (27.3) of which 12.0 per cent (11.1) is made up of owners in the UK, 6.5 per cent (7.4) in Finland and 4.5 per cent (5.9) in the US.

On 31 December the JCE Group owned 22.2 per cent (22.2) of Semcon's shares, Swedbank Robur Fonder 8.4 per cent (8.4), Handelsbanken Fonder 6.9 per cent (5.7), Nordea Investments Funds 6.3 per cent (6.3) and Andra AP-fonden 5.3 per cent (5.3). The ten largest shareholders controlled 62.0 per cent (61.2) of the share capital and voting rights, of which the three largest shareholders controlled 37.5 per cent (36.9).

## Share dividends

One of Semcon's financial objectives is that dividends to shareholders over the long-term will be equivalent to at least one third of the profit after tax. In accordance with Semcon's dividend policy, consideration is given to the company's financial position and capital requirements for continued expansion. Based on reported results for 2014, the Board proposes that a dividend of SEK 2.50 per share be paid (2.50). Overall, the proposed dividend of 60 per cent (51) of the Group's profit after tax amounts to SEK 45 million (45). The record date for the dividend is proposed as Thursday 30 April 2015.

## Contacts with the equity market

Semcon actively informs the market about the company in order to facilitate accurate valuations of the company's shares and in 2014 held lots of meetings with representatives from financial institutions in Göteborg, Stockholm and at a number of locations around Europe. Equity market contacts are mainly carried out through quarterly financial reports, press releases, information at [semcon.com](http://semcon.com) and company presentations for investors and analysts. A capital markets day was held in Stockholm on 7 November. The company has also presented its activities at a number of investment meetings organized by the Swedish Association of Share Investors at a number of locations around Sweden. The financial information contacts are the Group's CEO and CFO. Enquiries can be made by contacting: [ir@semcon.com](mailto:ir@semcon.com) 

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

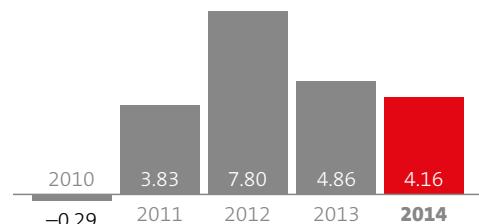
**Danske Bank**

Fredrik Lithell, fredrik.lithell@danskebank.se

**SEB Enskilda Securities**

Victor Höglund, victor.hoglund@seb.se

**EPS after dilution (SEK)**

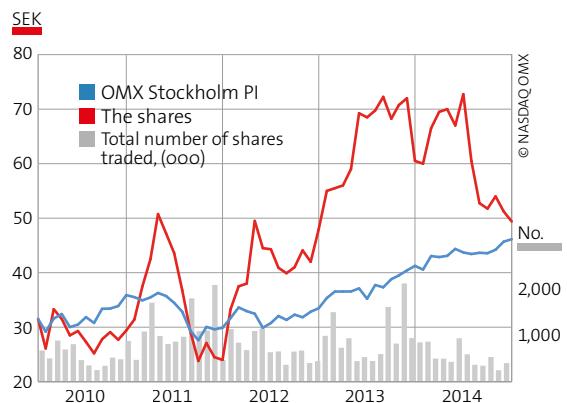


**Share structure**

Size	No. of shareholders	Shareholding	Votes, %	Market value, SEK 000
1–500	2,439	459,073	2.5%	22,678
501–1 000	565	475,792	2.6%	23,504
1 001–10 000	551	1,649,546	9.1%	81,488
10 001–100 000	77	2,264,932	12.5%	111,888
100 001–	24	13,120,473	72.5%	648,152
Own shares	1	142,718	0.8%	7,050
<b>Total</b>	<b>3,657</b>	<b>18,112,534</b>	<b>100.0%</b>	<b>894,760</b>

Source: Euroclear Sweden AB shareholders' register on 31 December 2014.

**Semcon's shares**



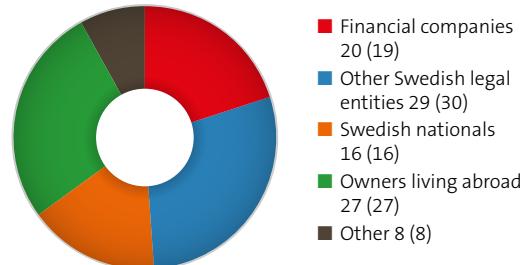
**Semcon's 10 largest shareholders**

Name	No. of shares	Shareholding, %
JCE Group	4,026,271	22.2
Swedbank Robur Fonder	1,521,764	8.4
Handelsbanken Fonder	1,247,548	6.9
Nordea Investments Funds	1,141,196	6.3
Andra AP-fonden	961,998	5.3
CBNY-Norges Bank	584,746	3.2
Fjärde AP-fonden	546,720	3.0
Avanza Pension	476,748	2.6
AMF	442,400	2.4
Europea i Malmö AB	300,000	1.7
<b>Total</b>	<b>11,249,391</b>	<b>62.0</b>
Own shares	142,718	0.8
Other	6,720,425	37.2
<b>Total</b>	<b>18,112,534</b>	<b>100.0</b>

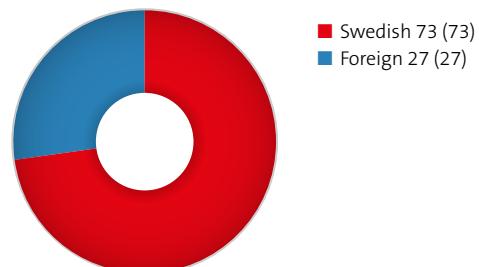
Source: Euroclear Sweden AB shareholders' register on 31 December 2014.

Information concerning data per share over five-year period appears on page 95.

**Ownership structure\* (%)**



**Swedish and foreign shareholding\* (%)**



\*31 December

# Corporate governance report

## Corporate governance report

This corporate governance report has been drawn up in accordance with Swedish corporate law and Semcon's Articles of Association. The 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 [semcon.com](http://semcon.com). 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. The current code is available at: [www.bolagsstyrning.se](http://www.bolagsstyrning.se).

## Annual General Meeting

The Annual General Meeting (AGM) is Semcon's highest decision-making body. 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, Dagens Industri and at [semcon.com](http://semcon.com). That the notice to attend has been published must be advertised in Dagens Industri.

At AGMs, 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. AGM decisions made at the AGM are usually made with a simple majority. A qualified majority is however sometimes required for some decisions.

## Annual General Meeting 2014

The 2013 AGM was held on Monday 28 April 2014 at Semcon's head office in Göteborg. Representatives of 54 per cent of the share capital were present, of which underlying shares held by the members of the nominations committee represented 36 per cent. Kjell Nilsson was elected to chair the meeting. The Board, Group management and a representative for Deloitte were present at the AGM.

### ***The AGM decided on the following:***

- for a dividend of SEK 2.50 per share (2.00) be paid
- to approve the nominations committee's proposal of Board members, remuneration to the Board and its chairman
- that the Board shall consist of five directly elected members

- to re-elect Kjell Nilsson as Chairman of the Board and re-elect Gunvor Engström, Marianne Brismar, Håkan Larsson and Joakim Olsson as Board members
- to re-elect Deloitte as the registered auditing firm until the next AGM.

### ***The AGM also gave the Board, as in previous years, authorization to:***

- carry out a new share issue of a maximum 1,811,253 ordinary shares in the company
- acquire ordinary shares and transfer ordinary shares. Acquisitions may be made at any time for so many ordinary shares that the company holds a maximum of ten per cent of all shares after acquisition.

Full minutes and information from the AGM 2014 are available at: [semcon.com](http://semcon.com).

## Annual General Meeting 2015

The 2014 AGM will be held on Tuesday 28 April 2015 at Semcon's head office in Göteborg. More information is available at Semcon's website at: [semcon.com](http://semcon.com).

## Share structure and voting rights

Semcon has one share class, ordinary shares, with a quotient value of SEK 1 and entitle the owner to one voting right. There were 18,112,534 (18,112,534) ordinary shares at year-end.

## Shareholders

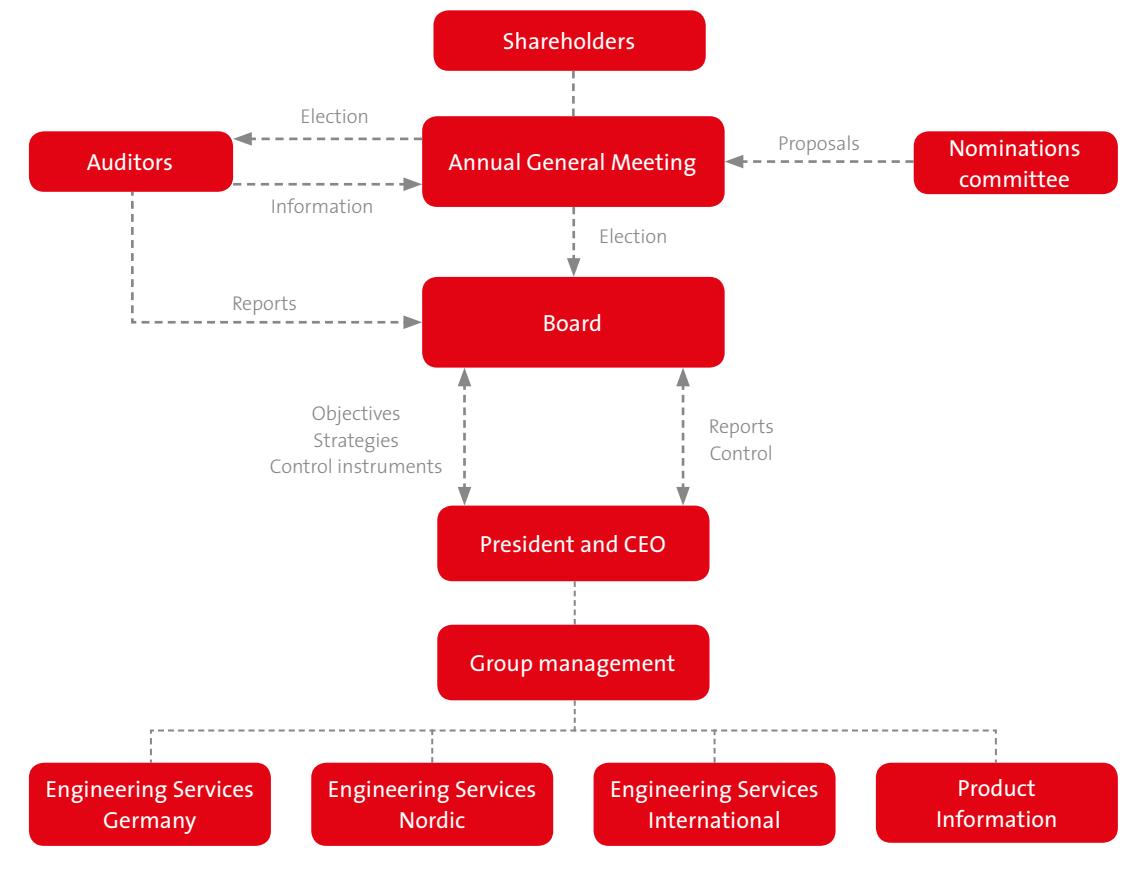
On 31 December 2014, the JCE Group owned 22.2 per cent (22.2) of Semcon's shares, Swedbank Robur Fonder 8.4 per cent (8.4), Handelsbanken Fonder 6.9 per cent (5.7), Nordea Investments Funds 6.3 per cent (6.3) and Andra AP-fonden 5.3 per cent (5.3). Foreign ownership amounted to 27 per cent (27) and the number of shareholders amounted to 3,657 (3,782).

## Nominations committee ahead of the AGM 2015

	Representing	Voting rights, %*
Gabriel Berg	JCE Group	22.2
Evert Carlsson	Swedbank Robur Fonder	8.4
Frank Larsson	Handelsbanken Fonder	6.6
Kjell Nilsson	Semcon AB	0.2
Total		37.4

\* No. of voting rights 28 February 2015

The summary below illustrates how responsibility for management and control of Semcon AB is divided between shareholders at the AGM, the Board and the CEO according to external regulations and internal policies.



### Nominations committee

According to a decision made by the AGM, based on ownership statistics from Euroclear Sweden AB 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 present proposals to the AGM concerning:*

- Chairman of the AGM
- Chairman of the Board and other Board members, remuneration to the Board and in certain cases auditors and remuneration to the Board and auditors
- The decision concerning principles for the structure of the nominations committee.

The nominations committee's members will be announced no later than six months before the AGM. Information about the nominations committee's members and how proposals to the AGM can be submitted are available in press releases at: [semcon.com](http://semcon.com) and in the Q3 report.

### Nominations committee 2014/2015

The nominations committee's members in 2014/2015 were Gabriel Berg, JCE Group Aktiebolag (nominations committee's chairman), Evert Carlsson, Swedbank Robur Fonder, Frank Larsson, Handelsbanken Fonder and Kjell Nilsson (Chairman of the Board). No remuneration was paid to the members. The nominations committee met three times in autumn 2014 and once in 2015. The basis of the nominations committee's work has mainly been the company's strategies and priorities and an evaluation of the Board and its size and structure. The nominations committee's proposal for election of chairman of the meeting, Board members,

Chairman of the Board and auditors is given in the notice to attend the AGM and also published on Semcon's website. Questions to the nominations committee can be submitted to: valberedning@semcon.se

### **The Board**

The Board is ultimately responsible for the organization and management of Semcon's business activities. 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**

The Annual General Meeting elects Board members and their deputies in Semcon AB. The Board must consist of no fewer than three members and no more than eight members with no more than two deputies. Semcon AB's Board consists of five members elected by the AGM without deputies, of which two are female, and three members with their deputies elected by employees. Of the eight Board members, all are Swedish Citizens. 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 Stockholm. See table on page 87.

### **Work of the Board**

The Board held eight ordinary meetings in 2014. The Board has adopted a number of steering documents and policies. The Board oversees the CEO's work by continuously monitoring the business throughout the year, and is responsible that the organization, management and guidelines for administering the company's affairs are suitably put together and that there is suitable internal control. The Board is furthermore responsible for developing and following-up the company's strategies through plans and objectives, decisions regarding the acquisition and divestment of businesses and major investments. The Board also determines six-monthly and annual accounts. 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 meeting is given in the table on page 87. Other salaried employees in the company take part in Board meetings as co-opted members, speakers and secretary.

### **Board meetings 2014**

- Nr 1:** Final accounts and financial statement 2013, internal control, financial report, remuneration issues, CEO evaluation, debriefing of audit (auditors present).
- Nr 2:** Review of annual report, decision proposals and notice to attend ahead of AGM.
- Nr 3:** Q1 report, January – March, financial report.
- Nr 4:** Statutory meeting.
- Nr 5:** Interim financial statement, January – June, financial report.

**Nr 6:** Follow-up and setting of strategies.

**Nr 7:** Q3 report, January – September, financial report, debriefing of audit (auditors present).

**Nr 8:** Business plans for the business areas and setting budgets for 2015 for the Group, respective business areas and CEO evaluation.

All meetings, except for one, which took place in Kineton, England, took place at the company's head office in Göteborg.

### **Statutory meeting**

The Board decided on a written agenda at the statutory Board meeting, close to the AGM. At the statutory Board meeting, the Board set its agenda, instructions for the CEO, subsidiary instructions, financial reporting instructions, certification procedures and financial policy.

### **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. These kinds of 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. Hans Warén, the responsible authorized public accountant at Deloitte, has reported their views over the past year about the Group's internal control and routines for reporting, financial accounting routines, reviewing the quarterly report for January–September and final balance sheet examination.

### **Remuneration issues**

#### **Remuneration committee**

Semcon has decided that the entire Board will carry out the remuneration committee's tasks.

#### **Remuneration to the Board**

Remuneration to the Board is decided by the AGM following proposals from the nominations committee. The AGM decided that remuneration to the Board in 2014/2015 should be SEK 550,000 for the Chairman and SEK 265,000 for other Board members not employed by the company.

#### **Remuneration to the CEO and senior executives**

The AGM decides on remuneration principles and other employment guidelines concerning the CEO and senior executives that report to him. Remuneration to the CEO is decided by the Board.

The CEO's remuneration and benefits are reported in note 8, page 65. Senior executives' remuneration is proposed by the CEO and decided by the Board. All senior executives

in the Group 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 adjusted to conditions on the market and 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 65.

### Auditors

Deloitte AB was re-elected as the company's auditor by the AGM in 2014 until the AGM in 2015. The company's main auditor is Hans Warén (born 1964). His other audit assignments include Castellum, Ekman, Lindab and SJ.

The auditors' interaction with the Board is described above. In addition to auditing, Deloitte AB also provides advice on accounting issues to Semcon. All services provided in addition to the statutory auditing service are checked specially to ensure there is no conflict of interest or disqualification issue. No senior executive at Semcon has held any position at Deloitte AB. Semcon's remuneration to auditors and purchase of services in addition to auditing, appear in Note 7 on page 64.

### Group management

Group management consists of the CEO, CFO, general counsel and business area managers, see page 92. 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 to the 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 were organized into four business areas in 2014. 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 internal meetings with members of the Group management.

### Certification and decision-making

The Group has certification and decision-making that clearly regulates authorization at every level in the company, from individual employees to Semcon's management. The areas regulated include contract levels, handling quotes/tenders, investment, rental and leasing contracts, insurances, expenses and guarantees. The organization for an assignment/project varies according to the assignment/project's size, location and complexity. Semcon and its Swedish subsidiaries are certified and apply quality and environmental management systems according to ISO 9001:2008 and ISO 14001:2004, which are constantly reviewed by external auditors.

### Further information about corporate governance

The following information is available at [semcon.com](http://semcon.com):

- More in-depth information about internal control instruments, such as Corporate Governance and Code of Conduct.
- Information from Semcon's AGM from 2005 (notices to attend meetings, minutes etc.)

Semcon's Board		Elected	Present	Dependent	Audit committee	Remunerations committee
Kjell Nilsson	Chairman	2007	8/8	Yes*	Yes	Yes
Gunvor Engström	Member	2007	8/8	No	Yes	Yes
Håkan Larsson	Member	2008	7/8	No	Yes	Yes
Marianne Brismar	Member	2008	8/8	No	Yes	Yes
Joakim Olsson	Member	2011	7/8	No	Yes	Yes
Christer Eriksson	Employee representative	2007	7/8		Yes	Yes
Ronny Lundberg**	Employee representative	2011	1/1		Yes	Yes
Kenneth Straschko**	Employee representative	2013	4/4		Yes	Yes
Mats Sällberg	Employee representative	2014	7/7		Yes	Yes
Monique Pehrsson	Employee representative	2014	1/2		Yes	Yes

\*Kjell Nilsson is dependent to the company as he was the company's CEO.

\*\*Ronny Lundberg and Kenneth Straschko left the Board over the year.

A presentation of Board members is available on pages 90-91.

## Internal control for financial reporting

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 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 for 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, financial statements and annual reports, 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.



*Framework for internal control*

### 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 and staff policies complement other rules and instructions for employees. A lot of hard work has been carried out in recent years on the Group's management systems and for clearer routines and regulations for submitting tenders/bids, conditions of contract and drawing up agreements. To make sure these routines are adhered to a number of training initiatives were completed over the year.

A further two projects started in 2014 to fully harmonize the Semcon Group's project processes and financial processes at all subsidiaries.

### 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. Annual evaluation activities are carried out by the internal control function and worked out according to a risk-based model. A number of criteria are considered to assess the degree of risk of inaccuracies occurring in financial reporting. Complex accounting policies might, for example, mean that the financial reporting risks being inaccurate for the items covered by such policies. Valuing certain assets or liabilities

using various assessment criteria might also constitute a risk. The same applies to complex and/or changes to business conditions.

#### **Control activities**

The significant risks identified for financial reporting are managed through various control activities and processes in the Group's companies and business areas and 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.

#### **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 such as quarterly reports and the annual report. There is a communication handbook 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.

#### **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 view of the results of the tests, the company has so far found no reason to introduce a special internal audit function.

Göteborg, 12 March 2015  
The Board

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#### **Auditor's report on the corporate governance report**

To the Annual General Meeting of Semcon AB, corporate identity number 556539-9549.

It is the Board of Directors who is responsible for the corporate governance report for 2014, included in the printed version of this document on pages 84-89 and that it has been prepared in accordance with the Annual Accounts Act.

We have read the corporate governance report and based on that reading and our knowledge of the company and the group we believe that we have a sufficient basis for our opinions. This means that our statutory examination of the corporate governance report is different and substantially less in scope than an

audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

In our opinion, the corporate governance report has been prepared and its statutory content is consistent with the annual accounts and the consolidated accounts.

Göteborg, 12 March 2015  
Deloitte AB

Hans Warén  
Authorized Public Accountant

# The Board



## Gunvor Engström

**BOARD MEMBER SINCE** 2007

**BORN** 1950

**QUALIFICATIONS:** Master of Business Administration (MBA), Stockholm School of Economics

**PROFESSIONAL BACKGROUND:**

Among others, former CEO of Företagarna and Bank2 and county governor of Blekinge

**NATIONALITY:** Swedish

**OTHER BOARD ASSIGNMENTS:**

Länsförsäkringar Fondförvaltning AB, Apoteksgruppen, Tredje AP-fonden and Insamlingsstiftelsen IFS Rådgivningscentrum

**SHAREHOLDING IN SEMCON:**  
(own and family): 30,000

*Independent in relation to the company, company management and major shareholders*

## Christer Eriksson

**EMPLOYEE REPRESENTATIVE**

**SINCE** 2007, employed since 2000

**BORN** 1969

**QUALIFICATIONS:** Master of Engineering, (M.E.) in Mechanical Engineering, Materials and Mechanical technology, Luleå University of Technology

**NATIONALITY:** Swedish

**SHAREHOLDING IN SEMCON:**  
2,492

## Joakim Olsson

**BOARD MEMBER SINCE** 2011

**BORN** 1965

**QUALIFICATIONS:** Master of Business Administration (MBA) from INSEAD Fontainebleau France and graduate engineer from The Royal Institute of Technology in Stockholm

**PROFESSIONAL BACKGROUND:**

Senior Industry Expert, Triton. Former CEO of the SAG Group (Germany), CEO of Haldex AB (publ.) and various senior positions at ABB Ltd. (Germany, Switzerland and Brazil)

**NATIONALITY:** Swedish  
Other board assignments: Seves Group S.à r.l and VCST Holdco Lux S.A.

**SHAREHOLDING IN SEMCON:**  
4,000

*Independent in relation to the company, company management and major shareholders*

## Håkan Larsson

**BOARD MEMBER SINCE** 2008

**BORN** 1947

**QUALIFICATIONS:** Master of Business Administration (MBA), School of Business, Economics and Law, University of Göteborg

**PROFESSIONAL BACKGROUND:**

Among others, former CEO of Rederi AB Transatlantic and before that CEO of Schenker AG

**NATIONALITY:** Swedish

**OTHER BOARD ASSIGNMENTS:**

Chairman of Valea AB, Inpension Asset Management, Wallenius Wilhelmsen Logistics AS and Tyréns AB. Board member of Handelsbanken Region Väst, Rederi AB Transatlantic, Eukor Car Carriers Inc. and Stolt-Nielsen Ltd.

**SHAREHOLDING IN SEMCON:**  
10,000

*Independent in relation to the company, company management and major shareholders*



## Marianne Brismar

**BOARD MEMBER SINCE** 2008

**BORN** 1961

**QUALIFICATIONS:** Pharmacist Graduate, Uppsala University and Master of Business Administration (MBA), School of Business, Economics and Law, University of Göteborg

**PROFESSIONAL BACKGROUND:** Former CEO and owner of Atlet AB

**NATIONALITY:** Swedish

**OTHER BOARD ASSIGNMENTS:**

Axel Johnson International AB, Beijer Alma AB, Concentric AB, Creades AB and Wollenius Invest AB

**SHAREHOLDING IN SEMCON:**

5,000

*Independent in relation to the company, company management and major shareholders*

## Kjell Nilsson

**CHAIRMAN**

**BOARD MEMBER SINCE** 2007

**BORN** 1948

**QUALIFICATIONS:** Economics and Business Studies Graduate from the School of Business, Economics and Law, University of Göteborg.

**BROFESSIONAL BACKGROUND:** Among others, former CEO of Boliden, Trelleborg and Semcon as well as sitting on various boards

**NATIONALITY:** Swedish

**OTHER BOARD ASSIGNMENTS:**

Chairman of Lindab

**SHAREHOLDING IN SEMCON:**

31,088

*Not independent in relation to the company as he was President and CEO of the company between 2008 and 2012, but is independent in relation to major shareholders.*

## Mats Sällberg

**EMPLOYEE REPRESENTATIVE**

**SINCE** 2014, employed since 1998

**BORN** 1967

**QUALIFICATIONS:** Mechanical engineering qualifications from Erik Dahlbergsgymnasiet, Jönköping

**NATIONALITY:** Swedish

**SHAREHOLDING IN SEMCON:**

4,000

## Monique Pehrsson (Not in picture)

**EMPLOYEE REPRESENTATIVE**

**SINCE** 2014, employed since 2011

**BORN** 1969

**QUALIFICATIONS:** 140 credits for technical information, systems design and computer literacy, Karlstad University

**NATIONALITY:** Swedish

**SHAREHOLDING IN SEMCON:** –

# Group management

## Carin Wiberg

### GENERAL COUNSEL

BORN 1978

QUALIFICATIONS: Bachelor of Law, University of Göteborg

EMPLOYED SINCE 2012

SHAREHOLDING IN SEMCON: 1,000



## Björn Strömberg

### CFO

BORN 1960

QUALIFICATIONS: Master of Business Administration (MBA), School of Business, Economics and Law, University of Göteborg

EMPLOYED SINCE 2007

SHAREHOLDING IN SEMCON: 12,840

## Roland Ziegler

### ACTING PRESIDENT OF ENGINEERING SERVICES GERMANY

BORN 1969

QUALIFICATIONS: Dipl. Eng. (FH), Electronics, Furtwangen University of Applied Sciences

EMPLOYED SINCE 2011

SHAREHOLDING IN SEMCON: –

## Markus Granlund

### PRESIDENT & CEO

### ACTING BUSINESS AREA PRESIDENT, ENGINEERING SERVICES INTERNATIONAL

BORN 1975

QUALIFICATIONS: Bachelor of Law, Lund University LL.M. International commercial law, Bond University, Australia. Courses in business economics, accounting and marketing, (in the LL.B. programme) Bond University, Australia

OTHER BOARD ASSIGNMENTS: Chairman of Svenska Teknik&Designföretagen, board member of Almega Tjänsteförbunden and Svenskt Näringsliv

EMPLOYED SINCE 2008

SHAREHOLDING IN SEMCON: 10,000

## Johan Ekener

### BUSINESS AREA PRESIDENT, PRODUCT INFORMATION

BORN 1964

QUALIFICATIONS: Master of Science (MSc), Chalmers University of Technology. Master of Business Administration (MBA), School of Business, Economics and Law, University of Göteborg

EMPLOYED SINCE 2004

SHAREHOLDING IN SEMCON: 4,000

## Olof Christensson

### BUSINESS AREA PRESIDENT, ENGINEERING SERVICES NORDIC

BORN 1966

QUALIFICATIONS: Master of Business Administration (MBA), Karlstad University

EMPLOYED SINCE 2013

SHAREHOLDING IN SEMCON: 1,000

## Anders Löwgren

**GROUP FINANCIAL CONTROLLER**

**BORN** 1965

**QUALIFICATIONS:** Master of Business Administration (MBA), School of Business, Economics and Law, University of Göteborg

**EMPLOYED SINCE** 1998

**SHAREHOLDING IN SEMCON:** 2,258

## Peter Ryman

**GROUP BUSINESS CONTROLLER**

**BORN** 1975

**QUALIFICATIONS:** Master of Business Administration (MBA), Uppsala University

**EMPLOYED SINCE** 2014

**SHAREHOLDING IN SEMCON:** –



## Anders Atterling

**QUALITY AND SUSTAINABILITY MANAGER**

**BORN** 1960

**QUALIFICATIONS:** Bachelor of Science (B.Sc.), Economics, Örebro University

**EMPLOYED SINCE** 1991

**SHAREHOLDING IN**

**SEMCON:** 17,420

## Urban Kihlén

**PURCHASING AND SECURITY MANAGER**

**BORN** 1959

**QUALIFICATIONS:** Master of Business Administration (MBA), School of Business, Economics and Law, University of Göteborg

**EMPLOYED SINCE** 1998

**SHAREHOLDING IN SEMCON (OWN AND FAMILY):** 7,200

Other executive management

## Five-year summary

SEK m	2014	2013	2012	2011	2010
<b>Income statement</b>					
<b>Net sales</b>					
Operating expenses*	2,725.7	2,508.4	2,570.9	2,451.9	2,090.9
	-2,623.3	-2,383.6	-2,377.6	-2,340.7	-2,087.9
<b>Operating profit/loss</b>	<b>102.4</b>	<b>124.8</b>	<b>193.3</b>	<b>111.2</b>	<b>3.0</b>
Financial income	1.0	1.3	1.9	3.8	2.0
Financial expenses	-6.0	-8.3	-9.3	-14.6	-11.1
<b>Profit/loss before tax</b>	<b>97.4</b>	<b>117.8</b>	<b>185.9</b>	<b>100.4</b>	<b>-6.1</b>
Taxes	-22.0	-29.7	-44.7	-31.0	0.8
<b>Net profit/loss for the year</b>	<b>75.4</b>	<b>88.1</b>	<b>141.2</b>	<b>69.4</b>	<b>-5.3</b>
* Of which:					
One-off items	—	—	—	-30.7	-14.9
<b>Balance sheet</b>					
Goodwill	456.3	440.3	433.3	436.0	437.2
Other intangible assets	16.7	16.6	17.7	21.1	24.7
Tangible fixed assets	49.8	39.2	35.4	36.2	43.0
Deferred tax receivables	46.3	44.5	50.1	64.7	69.9
Other financial assets	17.0	18.8	19.1	19.0	18.2
Accounts receivable	416.1	371.3	346.6	372.6	323.8
Processed but non-invoiced income	157.9	172.7	174.4	121.7	133.9
Other current assets	57.6	48.9	51.1	41.3	37.4
Cash and bank balances	152.3	153.3	115.6	39.7	42.5
<b>Total assets</b>	<b>1,370.0</b>	<b>1,305.6</b>	<b>1,243.3</b>	<b>1,152.3</b>	<b>1,130.6</b>
Shareholders' equity	662.5	633.4	579.1	442.0	372.6
Long-term liabilities	91.6	78.5	211.0	290.8	318.5
Current liabilities	615.9	593.7	453.2	419.5	439.5
<b>Total shareholders' equity and liabilities</b>	<b>1,370.0</b>	<b>1,305.6</b>	<b>1,243.3</b>	<b>1,152.3</b>	<b>1,130.6</b>
<b>Cash flow statement</b>					
Cash flow from current activities	82.3	135.0	186.2	87.6	-55.1
Cash flow from investment activities	-29.3	-23.9	-23.9	-17.2	-11.0
Cash flow from financing activities	-65.7	-78.5	-83.2	-73.3	47.2
<b>Cash flow for the year</b>	<b>-12.7</b>	<b>32.6</b>	<b>79.1</b>	<b>-2.9</b>	<b>-18.9</b>
<b>Key figures</b>					
Sales increase, %	8.7	-2.4	4.9	17.3	-8.3
Organic growth, %	4.8	-1.0	6.1	20.3	-4.5
Operating margin before one-off items, %	3.8	5.0	7.5	5.8	0.9
Operating margin, %	3.8	5.0	7.5	4.5	0.1
Profit margin, %	3.6	4.7	7.2	4.1	-0.3
Interest cover ratio, (multiple)	24.8	22.0	26.8	8.7	0.4
Return on shareholders' equity, %	11.6	14.6	27.7	17.3	-1.4
Return on capital employed, %	12.7	16.1	26.2	15.5	0.6
Equity assets ratio, %	48.4	48.5	46.6	38.4	33.0
Debt/equity ratio, (multiple)	—	—	0.1	0.5	0.8

	2014	2013	2012	2011	2010
Average number of employees	2,877	2,874	2,891	2,727	2,474
Investments in fixed assets, SEK m	35.3	24.1	21.9	17.4	14.5
<b>Data per share</b>					
Earnings per share before dilution, SEK	4.20	4.90	7.86	3.89	-0.29
Earnings per share after dilution, SEK	4.16	4.86	7.80	3.83	-0.29
Shareholders' equity per share before dilution, SEK	37.35	35.25	32.23	24.71	20.57
Shareholders' equity per share after dilution, SEK	37.06	34.97	31.97	24.40	20.57
Share price/equity per share, (multiple)	1.33	1.73	1.49	0.98	1.43
Cash flow from current activities per share, SEK	4.54	7.45	10.28	4.84	-3.04
Dividend per share, SEK	2.50**	2.50	2.00	—	—
P/E ratio	11.87	12.44	6.16	6.27	neg
P/S ratio	0.33	0.44	0.34	0.18	0.25
Share price at year-end, SEK	49.40	60.50	48.00	24.00	29,40
Market value at year-end SEK m	895	1,096	869	435	533
No. of shares at period's end, (ooo)	18,113	18,113	18,113	18,113	18,113
Average no. of shares, (ooo)	18,113	18,113	18,113	18,113	18,113
No. of own shares at year-end (ooo)	143	143	143	227	289
Average no. of own shares, (ooo)	143	143	157	273	291
No. of shareholders	3,657	3,782	3,828	4,547	4,015

\*\*Board's proposal

## Shareholder service

### Financial information 2015

Q1 report Jan–March	28 April
Annual General Meeting	28 April
Interim report Jan–June	16 July
Q3 report Jan–Sept	22 October
Financial statement	11 February 2016

Information about Semcon's business, financial reporting, share information, corporate governance, activities and press releases etc. can be found on Semcon's website at: [www.semcon.com](http://www.semcon.com) where you can also subscribe and order financial information via email.

Previous years' Annual Reports and quarterly reports are available at [semcon.com](http://semcon.com) or can be ordered by telephone on: +46 (0)31 721 00 00 or by email: [ir@semcon.com](mailto:ir@semcon.com).

For environmental and cost reasons Semcon has chosen to only send the Annual Report to shareholders who have specifically requested it. Before the Annual Report is published each year, new shareholders are sent an order form giving them the opportunity of subscribing for the coming printed version of the Annual Report.

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