

A warm, intimate photograph of a grandmother and her grandson lying in bed. The grandmother, with short brown hair and a gentle smile, is on the left, wearing a green t-shirt. Her grandson, a young boy with curly blonde hair and blue eyes, is on the right, wearing a light blue t-shirt and resting his chin on his hand. They are both looking at a silver tablet device held in the grandmother's hands. The background is a soft, out-of-focus bedroom setting with pillows and a bedsheet.

# ANNUAL REPORT 2017

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Information about Semcon's business, financial reporting, previous Annual Reports, 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 to and order financial information via e-mail.

For sustainability reasons, Semcon has chosen to only distribute the Annual Report to shareholders who have specifically requested a copy. 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 versions of the Annual Reports.

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This is a translation of the Swedish language original. In the event of any differences between this translation and the Swedish original the latter shall prevail.





**PRODUCT  
DEVELOPMENT  
BASED ON  
HUMAN  
BEHAVIOUR.**

# PEOPLE FIRST, THEN TECHNOLOGY.

For us, a deep understanding of people and their behaviours is central to everything we do. This knowledge makes it possible to develop better products. Better for the end user, but also better for our customers, as a product of higher perceived quality provides a greater competitive advantage – and usually increased sales too.

User experience is the real proof of quality and is crucial for all companies and organisations. We are convinced of this. And if it is crucial for our customers' future then there is nothing more important for us at Semcon.





# SEMCON'S 2017.

## This is Semcon

Semcon is an international technology company that develops products for our customers based on human needs and behaviours. We strengthen our customers' competitiveness by always starting from the end user, because the one who knows most about the user's needs creates the best products and the clearest benefits. Semcon's customers are primarily in the automotive, industry, energy, life science and telecom & IT sectors. With more than 2,000 dedicated employees, Semcon has the expertise to take care of the entire product development cycle - from strategy and technology development to design and product information. Semcon was founded in Sweden in 1980 and has offices in over 30 locations in eight different countries.

Semcon divested  
Business Area  
Engineering Services  
Germany in February  
2017.

2017	Q1	Q2	Q3	Q4
Operating income	SEK 475 million [434]	SEK 447 million [473]	SEK 367 million [383]	SEK 473 million [467]
Operating profit	SEK 40 million [20]	SEK 10 million [27]	SEK 9 million [16]	SEK 37 million [32]
Operating margin	8.5% [4.7]	2.1% [5.6]	2.4% [4.2]	7.7% [6.9]
Number of employees at the end of the period	2,077 [1,987]	2,077 [2,023]	2,082 [2,036]	2,076 [2,044]

OPERATING PROFIT  
**95**  
SEK MILLION

## Income and operating margin



INCOME  
**1.8**  
SEK BILLION

### The year in brief

Despite two fewer working days, results were in line with the preceding year and the year ended with a good quarter in terms of earnings. Improved earnings for the fourth quarter were due to efforts to increase productivity in operations and a positive development in terms of sales of Semcon's concept offering. Measures to strengthen margins are starting to yield results in the Business Area Engineering Services. In the Business Area Product Information, several new collaborations, not least in digital information solutions, failed to fully compensate for lower volumes in the partnership with a major customer in the UK. The strong financial position, after the divestment of the German engineering business, has enabled the Board to propose an extra dividend, at the same time as there is scope to grow through acquisitions.



Autonomous snowploughs were developed during the year. In March 2018, they will be demonstrated for the first time in their true environment - at a snowy airport in Norway. Yeti Snowtechnology, which is jointly owned by Semcon and Øveraasen, is developing the autonomous snow removal vehicle for the Norwegian airport operator Avinor. This should lead to fewer delays for passengers and more efficient management for airports.

### Key figures

	2017	2016
Operating income [mSEK]	<b>1,762</b>	1,756
Operating profit [mSEK]	<b>95</b>	95
Operating margin [%]	<b>5.4</b>	5.4
Equity/assets ratio [%]	<b>61</b>	45
Debt/equity ratio [multiple]	-	0.2
Return on capital employed [%]	<b>14.1</b>	13.2
Dividend per share [SEK]	<b>3.50*</b>	2.25
Earnings per share after dilution [SEK]	<b>4.00</b>	3.75
Share price at year-end	<b>47.70</b>	46.00
Number of employees at year-end	<b>2,076</b>	2,044

\*Board's proposal

### NUMBER OF EMPLOYEES

**2,076**

Important events during the year are presented in the Director's Report on page 35.

# WE ARE STRONGER AS WE MOVE INTO 2018.



Markus Granlund, President and CEO

uring 2017, Semcon strengthened its position as strategic partner in digitization in all of the industries where we operate: automotive, industrial, energy, life science and telecom & IT. Our mission, to use technology to create the best user experience, has never been more relevant than at times like these, with rapid and radical technology shifts. At Semcon, we prioritise people ahead of technology. Everything we do focuses on the end user, our customers, our employees and our partners.

Constant improvements in the business gradually yield results and Semcon proudly received the Stora Leverantörspriset 2017 [2017 Supplier Award] from the Scandinavian Automotive Supplier Association [FKG]. This was thanks to our committed employees and a successful collaboration with our customers.

## **Strong financial position and favourable end to 2017**

One of our main priorities in recent years has been to strengthen our financial position and at the end of 2017 the Group had net cash of SEK 78 million.

In the fourth quarter, Business Area Engineering Services further improved its margin and achieved an operating margin of 9 per cent. Business Area Product Information achieved a healthy margin of 9 per cent for the full-year 2017, despite lower production volumes in customer projects in progress. In the light of Semcon's strong financial position, the Board proposed a raised share dividend and an extra dividend.

## **Successful collaboration to develop the technology of the future**

Following the divestment of the Business Area Engineering Services Germany, we assembled the remaining business areas for engineering services into a new business area, Engineering Services. This has helped us to create a more efficient organisation with greater collaboration and enhanced synergies. Close interaction between our markets and divisions offers a major advantage to our customers, who are thereby provided with better access to Semcon's total international expertise and delivery capacity.

During the year, Semcon continued industrial cooperation in key fields of technology. ESPLANADE is an example of a project where Semcon is collaborating with the Swedish automotive industry, academia and specialists to guarantee safety in autonomous vehicles. Another example of pioneering technological cooperation is the Born to Drive project, where we provided expertise to allow newly manufactured cars to move driverlessly through the logistics chain.

The trend is also clear for more autonomous solutions in products and manufacturing outside the automotive industry, which is reflected in the rising number of customer projects in sectors where Semcon operates.

We can see continued rising demand for our offering in Automotive Projects, Energy Solutions, Smart Services [Smart Products and Production] and in Design Management. During the year, we noted healthy demand from the automotive industry and the share of Semcon's deliveries in the system field also grew.

A number of partnerships began during the year with customers who are taking the next step in their product development by utilising the opportunities offered by digitization in terms of greater benefits to end users. Semcon assists in preparing a digitization strategy, in constructing prototypes and then implements the solution in the customer's future product development.

The Design Management offering is becoming increasingly relevant as product design, brand and function interact more. It is therefore particularly pleasing that Semcon's design department was awarded two Red Dot Awards for product design during the year.

In 2017, demand from the energy sector in the Nordic region was at relatively low levels, but at the end of the year we signed new substantial contracts in the energy sector, primarily related to services in hydropower.

As an internationally leading player in product information, Semcon continues to optimise its

“

*Semcon's greatest asset is our employees and our culture. Recruiting, retaining and developing our employees is therefore a top priority.*

customers' aftermarket business. We have extended collaboration with several customers who understand the advantage of raising quality, of benefiting from digital distribution and of enhancing efficiency in producing product information. Our services in the field can be used to create the best user experience of complex products, systems and factories, which enhances competitiveness for our customers.

## Focus remains on our employees

Semcon's greatest asset is our employees and our culture. Recruiting, retaining and developing our employees is therefore a top priority. As part of our striving to be an even more attractive employer, we appointed a new Director HR and Sustainability at Group level during the year. Our ambition is that the appointment will further accentuate work with sustainability, diversity and employee issues moving forward. This will help ensure that Semcon remains an attractive company for customers and employees in the future. Semcon's mentoring programme for women at upper secondary schools is one example of an initiative in 2017 that aims to increase gender equality in our industry.

## Stronger brand

To fully capitalise on our offering, we work actively to strengthen our brand. Our brand campaigns have reached a broad audience and received attention around the world. During the year, we received a large number of awards for our creative communication, and Semcon received the Årets Varumärkesresa [Brand Journey of the Year] award 2017 in Sweden. Traffic to our website has never been higher and contact with new customers and potential employees through social media has increased significantly.

## Priorities for 2018

In 2018, we will further strengthen our margin by becoming an even more attractive employer, by enhancing productivity and cost efficiency regardless of business model, and will accelerate our strategic shift by boosting sales of Semcon's offering.

Semcon is a company in constant change and plays an ever more important role in developing products that make life easier for people in all parts of the world. I would like to thank our fantastic employees who are dedicated to pushing developments forwards towards more user-friendly products. I would also like to thank our customers and partners for a successful and exciting year together. Last, but not least, I would like to thank our shareholders, for your strong engagement.

Gothenburg, 20 March 2018

Markus Granlund  
President and CEO

# SEMCON'S STRATEGY FOR INCREASED GROWTH AND PROFITABILITY.

We will turn technology and innovation into excellent user experiences. With satisfied end users, our customers will become more competitive – as will we. Because growth and profitability are a result of successful product development. It is therefore crucial for us to attract and retain the right employees for our continuing success.

## **Mission**

＊ To turn technology into excellent user experiences.

## **Positioning**

＊ Product development based on human behaviour.

## **Brand promise**

＊ People first, then technology.

## **Philosophy**

＊ We believe that a positive user experience is the true measure of quality. That you have to understand the user's needs in order to develop the best products with the clearest benefits.

## **Long-term strategic priorities**

**Employees** – attract, develop and retain the best talents in our industry through a strong brand and a successful culture.

**Offering** – prioritise areas with substantial potential for profitable growth with increased focus on digitization.

**Market** – increase our presence in markets and industries where we can make a difference through user-focused technology and innovations.

**Operations** – increase the proportion of solution-based deliveries, where we can utilise Semcon's global potential, at the same time as we develop our efficient direct services.

## **Short-term objectives 2018–2019**

To further strengthen our margin by becoming an even more attractive employer, by enhancing productivity and cost-efficiency regardless of business model, and to accelerate our strategic shift by boosting sales of Semcon's concept offering, primarily in smart and connected technology.

## **Financial objectives**

＊ An operating margin of at least 8 per cent

＊ An equity/assets ratio of over 30 per cent

＊ A share dividend from a long-term perspective of at least one-third of profit after tax



## Result of work with strategic priorities in 2017

### \* Strengthen Semcon's brand

**Outcome:** By strengthening our brand we become a more interesting choice – among current and potential customers, employees and partners. During the year, both award-winning strategic campaigns and tactical activities were undertaken to increase interest in Semcon and our offerings. We are reaching more people than before, breaking records for the number of followers on social media and traffic to the website has never been higher. The impact was also positive internally, with a high level of involvement. Semcon received the Årets Varumärkesresa [Brand Journey of the Year] award 2017 in Sweden.

### \* Add value for each customer and exceed expectations

**Outcome:** In both business areas, surveys show that customer satisfaction remains at high levels and that deliveries often exceed expectations. This is largely due to our focus on benefits for the end user, based on needs and behaviour, with solutions tailored for the specific situations and conditions of our customers. New insights and knowledge can be implemented through close collaboration with universities and research institutions. Semcon received the Stora Leverantörspriset 2017 [2017 Supplier Award] from the Scandinavian Automotive Supplier Association [FKG].

### \* Increase solution-based deliveries

**Outcome:** Several initiatives were undertaken to increase the share of project deliveries in the Group. These included organisational changes to further move expertise and markets closer together, in order to offer a more flexible and cost-efficient delivery. Deliveries in product information traditionally have a larger share of overall responsibility, while greater changes will need to

occur in engineering services. The percentage of project deliveries have increased in both business areas, though there remains a substantial potential, particularly in Engineering Services.

### \* Prioritise profitable growth

**Outcome:** The year was permeated by a focus on profitability. In addition to a review of costs, a number of activities were performed to enhance productivity and utilisation. The prospects for a closer collaboration between markets and industries improved, which increased the mix in project deliveries. In order to better focus on profitable core business, the German engineering business was also divested during the first quarter. A strong financial position offers scope for future strategic acquisitions that can benefit further profitable growth.

## Result of financial objectives in 2017

### \* An operating margin of at least 8 per cent

**Outcome:** In 2017, the operating margin amounted to 5.4 per cent [5.4].

### \* An equity/assets ratio of over 30 per cent

**Outcome:** The equity/assets ratio was 61 per cent [45] at year-end.

### \* A share dividend from a long-term perspective of at least one-third of profit after tax

**Outcome:** The Board of Directors proposes a regular dividend of SEK 2.50 [2.25] per share, which represents 62.5 per cent [60.0] of earnings per share for continuing operations. In addition, the Board proposes an extra dividend of SEK 1.00 [-] per share in view of the company's strong financial position. \*

# FOR PEOPLE. BY PEOPLE.



End users' needs and behaviour are key in everything we do. The more we understand the user, the better products we develop. This contributes towards a favourable workplace, more satisfied customers and higher profitability.

We are an international employer with dedicated employees. It is important that we create the conditions so everyone can do a really good job, feel content and develop.

Our main strength is in the opportunities we can offer through the breadth of our services and our organisation and the proximity to our customers. The regular employee surveys we conduct give high ratings to working environment, particularly for management, fellowship and support between colleagues.

## Satisfied employees lead to growth

It is pleasing to see that all of the key metrics in our employee surveys continue to move in the right direction. Most of our employees express that they are strong ambassadors for Semcon. This is something we are proud of, as we are convinced that it has a significant impact on our ability to ensure that potential and existing employees continue to choose us as employer.

The results of the employee surveys indicate again this year that our main strengths as an employer is a good working environment and strong

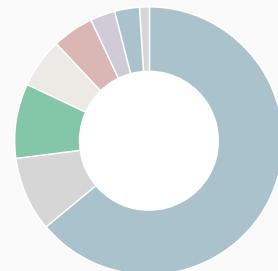
leadership. The main change during the year was in the field of communication, particularly that employees now consider that they are increasingly provided with information promptly.

In addition to this, we are pleased with the positive development for how employees view opportunities to participate in networks and to share expertise with colleagues. Harnessing all of the expertise and knowledge available in the Group not only increases our chances to perform well and to have satisfied customers, it also means we create a workplace that is more enjoyable and focuses on professional development.

During the year, we continued to focus on, and launched initiatives within, professional development for managers and employees.

## Number of employees by country

Sweden 1,335 [1,338]
Hungary 189 [159]
Brazil 184 [193]
India 121 [119]
The UK 108 [108]
Norway 63 [61]
China 54 [48]
Germany 22 [18]





### Smart innovation could prevent future accidents

Any car door that's opened suddenly can have serious consequences, especially if cyclists or motorcyclists are approaching from the rear. Semcon's patent pending solution is called Life Sticker.

LifeSticker can easily be stuck to a door mirror, no matter what kind of car you have – old or new. When a cyclist approaches, the driver is alerted in time and can avoid opening

the door into the cyclist, thereby preventing an accident. The concept was developed as part of an internal competition at Semcon and a prototype was developed in partnership with Semcon's Innovation Lab. Life Sticker was launched in November and received considerable publicity in the media. A good example of how innovation capacity among our employees can be used to really make a difference.

### Diversity is a prerequisite

For us at Semcon, people matter most. Even if we are a technology company, we always put people before technology – the people who are to use the product and the people who develop it. Given that we develop products that are used by people around the world, we understand the importance of broadening our perspective to include different types of end users. This requires a broad mix of experiences and different backgrounds among our employees. At the end of 2016, we set an ambitious target to increase the gender balance in our organisation, whereby we want at least 40 per cent women, both in the company as a whole and in managerial positions, by the end of 2022. During the year, we initiated a number of targeted activities and we will increase the intensity of this work. At the end of 2017, we had an average of 30 per cent women employees, though with major variations in different markets.

We are proud of our mentoring programme where women engineers offer guidance and inspiration to young women who are interested in engineering at a large number of upper secondary schools across Sweden. Role models are important for development.

It is not only important for us to achieve a good gender balance. It is also important that our employees reflect the diversity in the environment where our end users are. To make wise decisions, insight is needed into user behaviour, otherwise

decisions could be made for the wrong reasons.

This is why we also want to make space for diversity in terms of nationality and ethnicity. Currently, people of more than 40 different nationalities work in the Swedish part of the Group. We are conducting several initiatives to enhance our ability to fully leverage our differences. One example is the "Language café" at our Gothenburg office. Here you can learn to speak better Swedish; but can also get to know new colleagues and understand other parts of our business. In 2017, employees with a total of 23 different native tongues attended the café.

### Management provides direction

Semcon's attractiveness is created through our culture – the people we are and what we do. This requires that our managers are skilful at attracting and developing talented employees. Managers and leaders at Semcon are role models through their thoughts, attitudes and choices, which we see as vital in creating a successful Semcon. We carry out management courses on a continuous basis to support the leaders in this work. We are proud that employees gave management a 5.0 out of 6.0 in the "Leadership index" survey, which measures specific leadership criteria. It is also important for us to continue to identify and develop the next generation of managers. A number of our employees have

## 14 EMPLOYEES

advanced into management positions using internal career opportunities offered through our talent programme.

### Discussions for professional development and business acumen

In 2017, we had a particular focus on improving the form and the frequency of continuous discussions between managers and employees. The discussions aim to support the individual development of employees and improve job satisfaction, but also to enhance the business acumen of employees to make it easier for them to identify opportunities for us and for our customers. The discussions are a development of the more traditional performance reviews and support our managers in an agile and attentive leadership based on the perspectives of employees and customers.

### Recruitment and growth

At a time when competition for skilled labour is increasing in the market, Semcon has invested in strengthening its position through a number of activities in 2017.

**Easier to apply for work at Semcon:** During the first six months of the year, a new, international recruitment system was launched, aimed at improving the application experience, in part through

creating a feeling of belonging in advertisements, and by using application forms and advertising that are adapted to groups of candidates. The system also aims to offer a simplified and more efficient handling of internal users and supports easier sharing in social media.

#### Initiative to strengthen the digitization offering:

New target groups were identified and recruited to strengthen the offering in IT and digitization. The initiative includes investments in operative recruitment support in close collaboration with marketing activities.

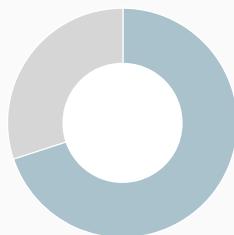
**Re-attract:** A very large majority of employees who leave Semcon state that they may wish to return in the future. A campaign was rolled out at the beginning of the year to open up for a potential return. Further activities are planned for 2018.

**Strengthen relations with future employees:** As a long-term investment, Semcon has in recent years chosen to focus further on future skills supply by establishing good relationships with technology universities and students. As part of a move to produce internal ambassadors at universities, student ambassadors are recruited each year at the main locations. We hope this will further confirm Semcon's position as a future employer. \*

### Gender division, women and men\* [%]

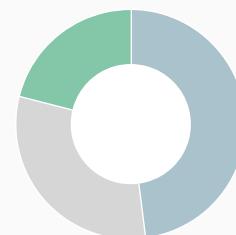
Men 70 [71]  
Women 30 [29]

Percentage of women in Sweden 31 [30]



### Average employment duration\* [%]

> 3 years 48 [49]  
1-3 years 31 [28]  
< 1 year 21 [23]



\*31 December 2017

### Key figures

	2017	2016	2015	2014	2013
Number of employees at year-end	2,076	2,044	1,979	2,990	3,001
Average number of employees	1,982	1,956	1,855	2,887	2,874
Average age	37	38	38	38	38
Employee turnover <sup>1</sup> [%]	21	22	22	21	20

2013-2014 including discontinuing operations.

<sup>1</sup>Average for the Group due to where major variations occur between countries.

# ALMOST 40 YEARS OF PRODUCT DEVELOPMENT.

Semcon has a long tradition of being close to customer's business and needs. This is how we have grown into an international Group with cross-border partnerships in 2017.

- 1980** Semcon was founded in Västerås. The name is an abbreviation of Scandinavian Engineering and Marketing Consultants.
- 1983** Expansion to more locations and fields of competence begins.
- 1985** Head office moves to Gothenburg.
- 1994** International expansion starts with operations in the UK.
- 1997** Semcon listed on the stock exchange.
- 2006** JCE Group becomes main owner.
- 2007** Acquisition of IVM Automotive with operations in Germany, Brazil and Spain as well as Caran with operations in Sweden and India.
- 2010** 30th anniversary.
- 2012** Acquisition of Germany-based product information company Comet.
- 2013** Extensive organisational changes towards a market-oriented structure within engineering services.
- 2014** Acquisition of Norway-based ibruk AS, with operations in product information.
- 2015** Increased shareholding in Norway-based Kongsberg Devotek AS, active in engineering and development services.
- 2016** Launch of new communication strategy and positioning.
- 2017** Business Area Engineering Services Germany divested in February. In April, Engineering Services Nordic and Engineering Services International were merged into one business area, Engineering Services.

## Intuitive technology that reduces anxiety in traffic

Sometimes a sudden splash of water covers the windscreen and it takes a while for the wiper system or the driver to react. And it is perhaps not surprising that 50 per cent of all car drivers are anxious before overtaking a truck on a wet road. This is why Semcon has developed ProActive Wipers: smart windscreen wipers that activate even before the water hits the windscreen.

PAW is a proprietary and patent pending innovation from Semcon, which uses information from the car's existing equipment. The feature has been evaluated in real conditions and the software could easily be implemented in today's cars. The development team can see several other opportunities using PAW - not least when autonomous cars come to market.

Spray zone



# SEMCON'S SHARES.

Semcon's shares have been quoted on the Nasdaq Stockholm Small Cap in the industrial sector, under the SEMC ticker since May 1997.

## Price trend and sales

The company's share price noted a positive trend in 2017 with a 4 per cent increase. Overall, the share price rose by SEK 1.70 from SEK 46.00 to SEK 47.70, representing a market capitalisation of SEK 864 million. The highest price paid was SEK 68.50 on 8 June and the lowest price paid was SEK 43.10 on 20 November. Semcon's shares are quoted on Nasdaq Stockholm and trading on this exchange represented 100 per cent of overall turnover of shares in 2017. A total of 9 million Semcon shares were traded, valued at SEK 500 million. The turnover rate, calculated as the number of shares traded in relation to the overall number of shares in the company, was 50 per cent.

## Share capital and number of shares

Semcon's share capital on the closing date was SEK 18.1 million, divided between 18,112,534 ordinary shares all with a quotient 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 capital and profits. Changes to the share capital and number of shares over time are presented in Note 21 on page 70.

## Buy-back of own shares

On 6 December 2017, the Board resolved to buy-back no more than 200,000 ordinary shares pursuant to the authorization of the 2017 Annual General Meeting [AGM]. The Board's decision aims to improve the company's capital structure. Acquisitions may be made on one or more occasions during the period between 11 December 2017 and the 2018 AGM. Up until 31 December, 40,044 shares had been repurchased.

## Holding of own shares

Semcon's holding of its own shares on 31 December amounted to 281,719 [242,718].

## Ongoing incentive schemes

A decision was made at the AGM on 26 April 2017 to introduce a long-term performance-based share savings scheme for senior executives and key employees in the Semcon Group. The scheme will extend for four years, starting in July 2017, and cover no more than 200,000 shares, equivalent to 1.10 per cent of the total number of shares outstanding. The existing holding of own ordinary shares held by Semcon is deemed sufficient to cover the fulfilment of the obligations in the "Performance-based share

savings schemes" for 2015 and 2017. For more information about current incentive schemes, see Note 9 on page 62.

## Shareholder structure

On 31 December, Semcon had 4,440 shareholders [4,478]. The registered amount of foreign ownership at year-end was 33.1 per cent [29.9], of which 14.2 per cent [14.0] is made up of owners in Finland, 4.3 per cent [2.9] in the UK and 8.1 per cent [8.2] in the US. The JCE Group owned 25.9 per cent [25.9] of Semcon's shares, Nordea Investment Funds 7.9 per cent [7.2], Ålandsbanken 5.0 per cent [5.1], DNB Carlson Fonder 3.6 per cent [3.3] and BNYM RE Regents 3.5 per cent [3.4]. The ten largest shareholders controlled 59.9 per cent [56.8] of the share capital and voting rights, of which the three largest shareholders controlled 38.8 per cent [38.1].

## Share dividends

According to Semcon's financial objectives, a share dividend should be paid to shareholders and, from a long-term perspective, is to be at least one-third of profit after tax. The Board of Directors proposes a regular dividend of SEK 2.50 [2.25] per share, which represents 62.5 per cent [60] of earnings per share for continuing operations. In addition, the Board proposes an extra dividend of SEK 1.00 [-] per share in view of the company's strong financial position. The total dividend proposed of SEK 3.50 [2.25] per share corresponds to SEK 63.4 million [40.8].

## Analysts

In 2017, Semcon was monitored by Fredrik Lithell, fredrik.lithell@danskebank.se, at Danske Bank and Victor Höglund, victor.hoglund@seb.se, at SEB Enskilda Securities.

## Contacts with the market

The company regularly publishes information in order to facilitate an accurate valuation of Semcon's shares. A capital market day was held in Stockholm on 10 May. In addition in 2017, presentations and meetings were held with representatives from financial institutions, mainly in Gothenburg and Stockholm.

Stock market contacts are mainly carried out through interim and year-end financial reports, press releases, financial information at [www.semcon.com](http://www.semcon.com) and company presentations for investors and analysts. The financial information contacts are mainly Semcon's CEO and CFO as well as the Investor Relations Manager. \*



## Shareholder structure\*

Shareholding, %	No. of shareholders	No. of shares	No. of Votes, %	Market value, tSEK
1-500	3,195	474,515	2.6	22,634
501-1,000	583	481,760	2.7	22,980
1,001-10,000	562	1,598,320	8.8	76,240
10,001-100,000	76	2,350,604	13.0	112,124
100,001-	23	12,925,616	71.4	616,552
Own shares	1	281,719	1.5	13,438
<b>Total</b>	<b>4,440</b>	<b>18,112,534</b>	<b>100.0</b>	<b>863,968</b>

Source: Euroclear Sweden AB shareholders' register.

## Semcon's shares

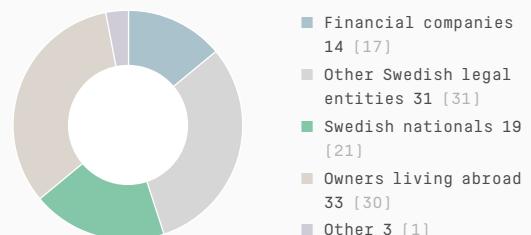


## 10 largest shareholders\*

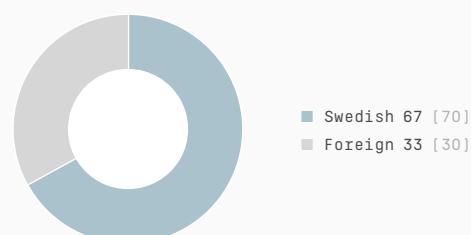
Name	No. of shares	Shareholding, %
JCE Group	4,682,991	25.9
Nordea Investment Funds	1,430,480	7.9
Ålandsbanken	906,595	5.0
DNB Carlson Fonder	644,293	3.6
BNYM RE Regents	632,455	3.5
Lannebo Fonder	597,830	3.3
Avanza Pension	593,648	3.3
Northern Trust Company	514,385	2.8
Europea i Malmö	490,000	2.7
Zur-Non-Resident/Domestic Rates	348,793	1.9
<b>Total</b>	<b>10,841,470</b>	<b>59.9</b>
Own shares	281,719	1.5
Other	6,989,345	38.6
<b>Total</b>	<b>18,112,534</b>	<b>100.0</b>

Source: Euroclear Sweden AB shareholders' register.

## Ownership structure\* [ % ]



## Swedish and foreign shareholding\* [ % ]



\*31 December 2017 For information on key figures for the share, refer to page 91.

# BUSINESS MODELS AND VALUE CREATION.



Knowledge about users, design and technology in all areas of product development makes Semcon unique – and offers customers better control and quality. This has been our core competence for almost 40 years. In addition, we have broad experience in the industry and a solid knowledge bank in the form of our more than 2,000 employees. We also act as a partner to our customers, and our solutions are based on innovation, expertise and the courage to dare to challenge, when necessary. Always with a focus on sustainability and end-users. In this way, we create value for our customers by making them successful through the products they offer end-users.

In recent years, we have seen that more of our customers want to work with fewer suppliers and that the selected suppliers are expected to have an international presence. Companies are now looking for partners that can handle major projects and increasingly, entire functions within companies. Semcon has the required size and breadth in its offering, and also the flexibility to drive small projects using local specialists. Time-to-

market has long been central as a means of competition. Therefore, it is also critical for customers that their products are developed as quickly and efficiently as possible. Semcon has the potential to react rapidly to meet customer needs at short notice.

This is where we have an advantage, with more than 30 offices around the world. We meet customers locally, but also benefit from an international network, consisting of our partners. Specialists from offices in different countries often work on project assignments together, such as in the development of technology for self-driving vehicles or in the implementation of a modularised product platform. By offering a cost-effective mix of expertise, we save time and money for customers. Our offices in India, China and Hungary play a vital

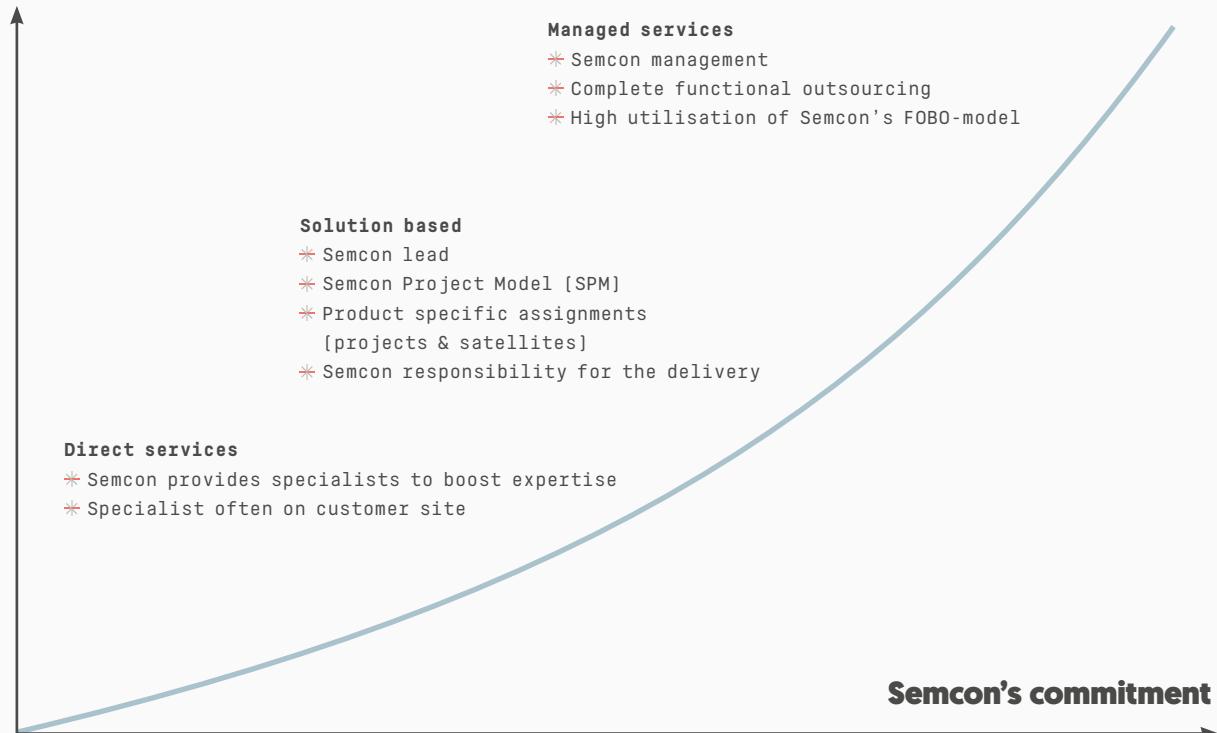
*Our solutions  
are based on  
innovation,  
expertise and  
the courage to  
challenge when  
necessary.*

role in these deliveries as skills centres for both engineering services and product information. We call this type of delivery model FOBO, where the Front Office is responsible for project coordination, while the Back Office carries out several parts of the project. The offices are well established and have the capacity to take part in major, advanced projects. Semcon also works on satellite

projects, whereby employees at a Semcon office work in a customer's IT system from our own offices.

Semcon's main business model is based on three flexible delivery solutions with the ability to tie together our expertise around the world and give our customers the solution that best suits their situation.

## Semcon's delivery solutions



### ＊ Direct services

Semcon provides specialists in a number of areas. We work as an integrated part of our customers' organisations, providing knowledge that strengthens their capacity.

es in which Semcon assumes overall responsibility, the company is responsible for the entire project process, from planning to delivery.

### ＊ Solution based

Semcon is comprehensively responsible for all or part of a project, with delivery consisting of a specified result. In projects in which Semcon assumes responsibility for part of the process, it is a question of improving or developing elements of a product, plant or service for the customer. In cas-

es in which Semcon assumes overall responsibility, the company is responsible for the entire project process, from planning to delivery.

**＊ Managed services**

Semcon assumes overall responsibility for a defined function designed to provide products and services, such as product information. Semcon takes over customer processes in this area and manages the work from our own offices supported by proprietary systems. Customers receive the latest expertise in the field at the same time as their flexibility and cost-control are improved. \*

**Think twice before you connect**

There are expected to be 50 billion connected devices by 2020 – at the same time as surveys show a growing frustration with technology. At Semcon, we develop smart products that actually make a real difference – not simply because we can. Just because something is connected doesn't mean it's smart.

We chose to illustrate this using a format that is not usually associated with Semcon: "The Internet of Sh\*t Song" with a related music video. It shows how wrong it can be when things are connected without proper consideration. The music video has more than one million views on Youtube. In addition to the video, we started a help line for anyone who wanted to vent about their frustration with technology.

“

*It is time to seriously enter into the market for connected devices. The market is maturing, not to mention the opportunities. Though it is easy to end up in the wrong place. We help to increase the precision of connected products, so they really work in everyday situations, both for consumers and customers in the industry.*

Markus Granlund, President and CEO

Watch the film and be inspired by our offering in Smart:  
[semcon.com/smart](http://semcon.com/smart)







# PRODUCT DEVELOPMENT WITH A FOCUS ON END-USERS.

Semcon is a partner for all phases of product development: from target group analysis and concept to production systems and user support. Our deliveries are often complex and can rarely be compared with each other, but generally we can divide what we do into four overarching areas which are all deeply rooted in product development.

## **Business Development**

How can you optimise your income and become more competitive? Create greater value for end users? Increasingly, we find ourselves engaged in a dialogue with our customers about these issues. In particular, since technology, users, the world around us and organisations influence each other today. And things are moving rapidly. We provide a solid analysis and solutions that work in the real

world. From strategies and concept development right through to business models for aftermarket or the sustainable recycling of the product.

Semcon's offering includes business modelling, strategy services with a focus on product and product portfolio strategies, as well as services related to quality management and quality assurance.

## **Concept development and design**

Successful concept development begins with collecting requirements. Especially from the people who are going to use the final product. We work in close proximity to our customers, often in workshops, to distinguish what is important and what creates the most value and innovation. By rapid prototyping, we can try different routes and even challenge traditional methods to make the final

product even easier, smarter, safer – and more profitable.

Semcon offers a range of design services targeting most industries. User experience [UX] is an important puzzle piece in the product development process. Products are becoming increasingly complex and often have both a physical form and built-in software. They can also be interconnected and it is often possible to control them through cloud solutions and apps. Semcon's offering encompasses the entire design process and covers all aspects of the product.

### Technical development

Semcon has a strong tradition in technical development. More than 100 competencies within Semcon collaborate to make the product optimal: in terms of production, the aftermarket and most importantly, the user. Our offering includes production de-

*Semcon has a strong tradition in technical development. More than 100 competencies collaborate to make the product optimal: in terms of production, the aftermarket and most importantly, the user.*

velopment in the form of automation and production technology, calculation and simulation, embedded systems, sound and vibration solutions and mechanics.

To meet the requirements and keep focused, we use our own project methodology, XLPM, with clear processes and specific tollgates. Many disciplines work efficiently together and we continuously

employ virtual verification methods within various fields such as sound, vibration, structural strength and safety. We also work in modules so that different parts can be easily changed or adapted, without restarting the entire product development. Intelligent systems will soon be present in every new product in the home, the car, the office and industry. The ability to control a product using a smartphone or connect them with other products is something we increasingly take for granted. By bringing in specialist expertise in strategic areas such as software, hardware, architecture, testing and verification, dynamic control systems and cabling, we help our customers to develop competitive products.

### Product Information

The importance of product information for complex and advanced technology products, systems and plants is increasing. Modern product information has to satisfy the needs of different users, whether it comes to marketing or selling a product, or providing a quick start to understanding and using a product or a system. And also to facilitate troubleshooting, service and repairs and to order the right spare parts or to train service technicians.

Semcon's product information services include the entire development cycle from strategy development and design via production to distribution and evaluation. The current trend is digitization, where product information is integrated into the product, such as in infotainment systems, or an operator panel, or is distributed digitally to be presented via mobile applications or animations on the internet. This means information is more accessible and can be personalised to better meet user needs, and that new technologies can be used to increase value, such as through the use of animation or augmented reality solutions.

Semcon's offering also includes a cloud-based distribution service for digital information – Lodges. This service helps our customers cut their distribution costs, boost business benefits and improve user experience of products. The solution means, for example, that user/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 customised according to their specific requirements. \*

# MACRO TRENDS.

Semcon has identified a number of macro and industry trends that influence the company's operations to varying degrees. These are often complex events that Semcon needs to consider and they entail challenges and opportunities depending on how they are managed. By having a proactive approach, the courage to think differently, and a business acumen that permeates the organisation, opportunities are created both to develop our offering and to strengthen our brand.

## **Fewer and larger suppliers**

A growing number of customers choose fewer, larger suppliers with an international presence in order to increase cost efficiency and resource utilisation in their projects.

**Business opportunities and challenges for Semcon:** Semcon is well-positioned with a global delivery capacity where cost-efficient solutions are provided through our flexible delivery models, such as overall responsibility for a defined function.

**Development 2017:** Semcon has noted a sharp increase in demand for global delivery capacity with cost-efficient, complete solutions.

## **Internet of things (IoT)**

Information gathered through the Internet of Things about the behaviour of end-users can be used to optimise existing products and services or as a business case for product development.

**Business opportunities and challenges for Semcon:** This area is evolving rapidly, which offers significant business opportunities at the same time as it makes demands on us as suppliers.

**Development 2017:** Semcon has identified a sharp rise in demand in this field and has recruited more employees with system development expertise.

## **Digital transformation**

Traditional intermediaries are disappearing with the new digital services. This change has been identified in all of Semcon's focus industries.

**Business opportunities and challenges for Semcon:** This trend requires the development of existing competence and an increased focus on system development.

**Development 2017:** Semcon has noted a rise in demand for this type of expertise, and many customer projects look upon digitization as a competitive advantage. Recruitment efforts in several markets have focused on system development expertise.

## **Shortage of engineers**

In the near future, there will be a shortage of engineers and already there is tough competition for talented workers. This is mainly because too few engineers are trained and because of the large number of engineers who will shortly retire.

**Business opportunities and challenges for Semcon:**

The search for talent is tough, and it requires a clear positioning strategy to highlight Semcon's employer offering.

**Development 2017:** During the year, Semcon strengthened its brand through several global strategies combined with local activities in the markets where Semcon operates.

### **Faster development processes**

There is a growing number of products and models as well as faster development processes due to consumer demand for innovation and increasing international competition.

**Business opportunities and challenges for Semcon:** In this context, Semcon acts as a development partner for most of our customers, as our deliveries contribute to shorter development processes.

**Development 2017:** Semcon has noted healthy demand for deliveries in these areas.

### **Resource streamlining**

Processes and structures are needed to streamline resources and reduce costs and environmental impact. The world's population is growing and people are living longer, which changes consumer patterns and makes demands on product development.

#### **Business opportunities and challenges for Semcon:**

The company has increased its investments in sustainability and various forms of streamlining projects, which provides Semcon with more opportunities to offer services and products.

**Development 2017:** Semcon has developed the customer offering within prioritised value areas where resource streamlining is a recurring theme. During the year, Semcon secured several strategically important assignments, for which the key initial parameters from the customers were streamlining and demands for faster product development that requires fewer resources.

### **Consolidation**

In recent years, the industry has undergone a structural change. Competitors have either become bigger and broader or smaller with more niched solutions.

**Business opportunities and challenges for Semcon:** It is becoming more important to position oneself with a clear brand strategy and to regularly review an attractive offering mix.

**Development 2017:** The customer offerings developed by Semcon in 2016 in prioritised fields were launched in the market in 2017, and had a substantial impact and were successful in several strategic customer projects. Semcon's overarching communication strategy to strengthen the brand was highly successful and was identified by existing and potential employees as well as customers. In 2017, Semcon received a number of awards linked to its strategic brand building.

### **Outsourcing**

Companies are concentrating on their core business, which means a growing share of product development is outsourced to external partners.

**Business opportunities and challenges for Semcon:** When outsourcing increases, markets where Semcon operates become stronger.

**Development 2017:** Outsourcing has increased during the year within most of Semcon's focus industries: automotive, industry, life science and telecom & IT.

# SEMCON'S FOCUS INDUSTRIES.



The industries where most of Semcon's customers operate are characterised by major development needs and a high rate of change.

## Automotive

The automotive industry is still experiencing tough competition. Players in the industry often debate value creation and the constant requirement to enhance cost efficiency, combined with stricter demands on product development, sustainability and innovation.

According to a study carried out by analysts VDA and Berylls in 2015, the automotive industry's investments in R&D amounted to EUR 155 billion in 2014. The automotive industry's Original Equipment Manufacturers [OEM] accounted for EUR 62 billion of these investments and the remainder was accounted for by subcontractors. Of the EUR 155 billion outsourced, EUR 8.8 billion was allocated to Engineering Service Providers, equivalent to a share of around 6 per cent. Analysts Oliver Wyman estimate that the outsourcing trend in the automotive

industry will increase over the 2015–2025 period, but will level off somewhat compared with developments of previous years.

There are a number of important market trends that influence Semcon's focus and direction. One area where the rate of change is high is connected vehicles [Car IT], meaning when a vehicle collects, processes and presents information. In this field, there are growth opportunities for Semcon to establish a strong position using our expertise where the end-users requirements and needs govern the technology.

## Industry

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. R&D investments in this sector are, therefore, expected to increase by 3 per cent annually over the 2015–2025 period, according to Battelle.

We are in the middle of Industry 4.0, also known as the fourth industrial revolution. This entails the assembly of a series of technologies and concepts within automation, process industrial IT and manufacturing technologies. Another major trend is the Internet of Things [IoT], which creates opportunities and challenges, as completely new products and services have been created by connecting together computers and mobile phones into ubiquitous networks. By 2020, 50 billion products are expected to be connected, which is expected to have a global impact on most industrial players. With its focus on end-users and technology as a facilitator, Semcon has a good mix of product offerings. Semcon can also help to shorten conversion and lead times for customers and create more flexible manufacturing processes.

## Energy

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 to reduce carbon dioxide emissions. This challenge applies not least in Germany, which is decommissioning its nuclear power stations by 2022. Alternative energy sources and energy technology are the areas that will result in the industry's shares of the overall R&D investments increasing over the next few years, according to Battelle. In this context, Semcon acts as a partner to optimise processes and structures to reduce environmental impact and costs during energy production.

## Life science

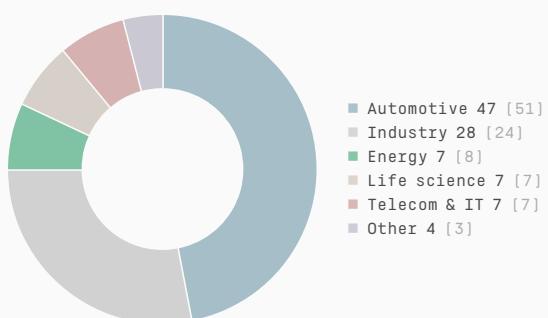
The life science industry can generally be split into the more established and global pharmaceutical companies, where outsourcing is relatively low, and the recently established and small pharmaceutical companies in terms of volume, where outsourcing is higher. Because it is costly and risky developing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

In the future, we will witness increasing and changing care needs as the population ages. This will make demands on both new medical device solutions and more efficient health and long-term care. This will provide substantial opportunities for Semcon's offerings within life science.

## Telecom & IT

The telecom & IT industry has seen a constant level of high investment driven by new technologies, a change in customer patterns and changes in market demands. Digitization and servitisation are seen as the greatest structural changes in the industry in recent years. The industry is also undergoing a technological shift, where R&D investments are focusing on various kinds of cloud services. Semcon's offering for cloud services is strong and there is significant potential to grow in these segments. Technologies tied to cloud services are expected to increase, in future accounting for the majority of R&D investments in the industry. \*

## Income per industry [ % ]



# MARKET SITUATION.

## Global investments in R&D continue to grow

Global investments in research and development [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 organisation Battelle. According to Battelle, the three factors that have mainly affected and driven global R&D investments in recent years were: the ability of governments to understand scientific and technological changes, market demand for sustainable energy and global climate change.

According to the forecast, the rate of investment will rise, but will be slow compared with previous years. The US, Europe, China and Japan are expected to account for 79 per cent of R&D investments in 2018. By 2022 China's investments in R&D are expected to overtake that of the US. Germany, France and the UK are expected to account for 37 per cent of European R&D investments in 2022.

## Good market growth for ESP services

The Engineering Service Provider [ESP] market is the market for technological R&D outsourced by industrial companies, mainly in the manufacturing industry. Many of Semcon's customers are found in this market. Continued healthy growth is expected for ESP services in the automotive industry as a result of a greater share of outsourcing. 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, the OECD and the

World Bank. The annual growth rate for ESP services is greatest in Asia [12 per cent annually] and weaker in the more mature markets in Europe and North America.

## Trends for Semcon's main markets in 2017

Semcon's main market is Sweden, with a market share of about 5 per cent according to own estimates. Sales of services related to product development and technical information [in industrial technology] was expected to reach SEK 29.3 billion in 2017 with 25,800 employees, according to the trade association Swedish Federation of Consulting Engineers and Architects. The trade association also ranks Semcon fifth in terms of sales amongst the top 50 companies active in industrial technology. Almega's service indicator [December 2017] forecasts that production in the private sector will decline slightly in 2018 compared with the service indicator in 2017, which was 3.6 per cent.

The UK is Semcon's second largest market, with a market share of about 1 per cent according to own estimates. The UK as a market is expected to have strong potential for continued high growth, both in current and new industries, despite the UK's decision to leave the EU. According to the audit and advisory company KPMG, there are major opportunities for the UK automotive industry to – through greater innovation capacity and continuous improvements, together with digitization – increase production by GBP 74 billion over the next two decades. \*

## Competitor overview

Competitor	Domestic market	Number of employees	Income mSEK	Year
HCL Technologies	India	119,040	63,640	2016/2017
Alten	France	28,000	18,964	2017
ÅF	Sweden	9,865	12,658	2017
Tata Technologies	India	8,500	3,617	2016/2017
Sigma	Sweden	2,785	2,878	2016
Etteplan	Finland	2,062	2,802	2017
Rejlers	Sweden	1,994	2,470	2017
Combitech	Sweden	1,439	1,756	2016
Prevas	Sweden	538	735	2017
Knightec	Sweden	503	486	2016/2017

When translating from domestic currencies to SEK, the exchange rates were as follows: EUR 9.60 and IND 0.13.

# RESEARCH AND DEVELOPMENT AT SEMCON.

Semcon continually participates in many different research projects in collaboration with academia, institutes and customers. This provides us with the latest theoretical knowledge, and also valuable practical experience of future technologies and user needs.

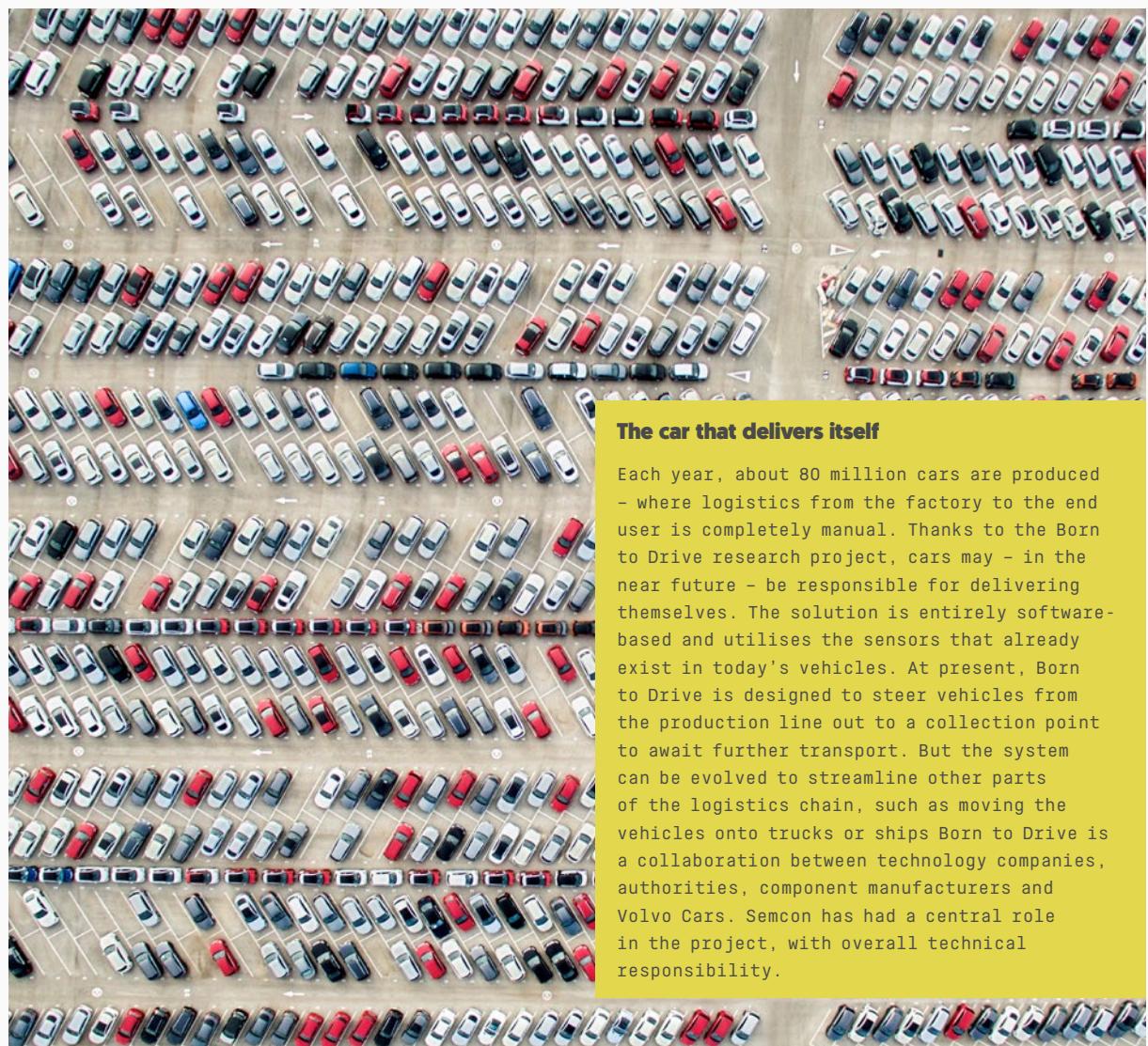
Insights from research projects are then available for our customers when we discuss their future challenges. We share this knowledge in our customer projects both by actively proposing new solutions and projects and by regularly taking part in development on-site at customer premises.

The emphasis in research projects is in line with our focus areas, such as design, vehicles and connected products. For example, it could concern

new user-focused solutions for connected products, or the challenge of safety in autonomous vehicles.

We also leverage the experiences gained from research projects in our Innovation Lab. Here, our customers can learn about our expertise in many technology fields and innovation methods in our lab environment, with the ability to quickly assemble concepts and prototypes.

The Innovation Lab has a clear user perspective and a business-oriented approach. We operate some projects entirely on our own, such as Life Sticker, an idea that was born, developed and carried out in our Innovation Lab. Read more about Life Sticker on page 13. \*



# SUSTAINABILITY AT SEMCON.

This Sustainability Report, on pages 30–33, has been prepared in accordance with the Swedish Annual Accounts Act for Semcon AB and its subsidiaries.

## Structure and framework for Semcon's sustainability work

At Semcon, sustainability work is an integrated part of our operations and our everyday work. We are dedicated to a long-term approach in respect of the technology we develop, in our relationships to our customers and owners and in the corporate culture our employees represent. The Group's objective is to contribute to a sustainable future, satisfied customers that return to us and a corporate culture where our employees develop and flourish. We believe we can then offer long-term profitability to our owners. We take responsibility for our environmental footprint and base our business operations on ethical principles. The foundation for our work is our Quality and Sustainability Policy and Code of Conduct.

Our Code of Conduct is based on the UN's 10 Global Compact Principles relating to human rights, labour laws, environment and corruption. We are focusing on the targets that are most relevant for our business and where we can make the greatest contribution, based on the materiality analysis conducted.

The foundation for Semcon's sustainability is to conduct operations using a thoroughly reliable and long-term business approach. Sustainability

work is governed and followed-up in our integrated management system and has targets and metrics that are relevant for the business operations.

Since 2017, the Group's head of sustainability is also a member of Group management and reporting on sustainability work is presented regularly at Group management meetings. A knowledge-intensive company such as Semcon has favourable prospects for a proactive and integrated sustainability agenda.

During 2018, we will continue to detail and define the foundation for our internal values and an online training course in sustainability will be launched to all employees, to further raise awareness and reliability.

## Integrated approach

Semcon has chosen to define sustainability using five perspectives that represent our integrated approach to sustainable development: **Employees** – through a corporate culture where our employees thrive **Business activities** – through responsible business focusing on long-term profitability

**Customers** – through customer value, based on end users

**Environment** – through sustainable innovation and responsibility for our own environmental footprint

**Social** – through social commitment

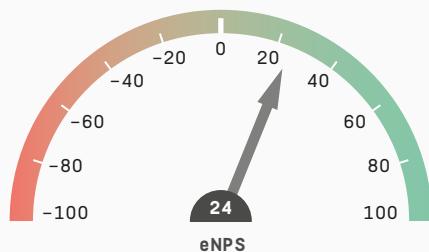
## Employees

Employees are at the heart of Semcon. Given that we develop products for people around the world,



we understand the importance of broadening our perspective to include and understand all different types of end users. This requires a broad mix of experiences and different backgrounds among our employees. It is important that we create the conditions to be an inspirational workplace where everyone can do a really good job, feel content and develop.

We are an international employer with dedicated employees. Our consistent work using employee surveys is continuing to illustrate our progress. The three surveys conducted in 2017 show continuous improvements from already high levels. Our employees, from engineers, designers and technical writers to administrators and managers, are particularly satisfied with the good working environment and management. They also state to a large extent that they would recommend Semcon as an employer. We measure our internal attractiveness as an employer using eNPS, which stands for Employee Net Promoter Score, and is used as a measure for how willing employees are to recommend their workplace to friends and acquaintances. An eNPS value can vary from -100 to +100. A good value tends to vary between different industries, countries and cultures but a guiding principle is usually that a result above 0 is good, above +20 is very good and above 50 is exceptional. In the latest survey, Semcon's eNPS was +24.



Semcon's basis in all recruitment, skills development, promotion or other interaction is the equal value of all people. In 2017, we took part in several recruitment events aimed at helping the many newly arrived academics who have come to Sweden in the major migration flows of recent years to find work and employment. When it comes to the balance between men and women in the company, we have specifically adopted the quantitative target to be an equal-opportunities company [40/60 gender balance] by the end of 2022. Read more about our diversity work on page 13.

As part of work to contribute towards the development of new engineers, we are clear about who we are, when we interact with, for example, universities and colleges. Every year, we supervise a large number of degree projects and similar advanced study projects. We integrate Semcon's work for sustainable solutions for our customers into this work and provide the students with good insight into what Semcon stands for. As an example, read about Mednotes on page 33.

At the beginning of the year, the Semcon Awards

## Gender balance

	Men	Women
Organisation	70%	30%
Managers	75%	25%
Group management	67%	33%
Board of Directors	60%	40%

competition was introduced to all employees in the Group. The ambition was to encourage all of our employees to actively present new ideas that can contribute to achieving the sustainability targets, as formulated by the UN. There was a large response from the organisation and competition entries were sent from every country where Semcon has operations. Semcon Awards provides strong evidence of our innovative ability and the depth of the technical capacity that Semcon possesses – all of which based on human needs and behaviour. Read more about the winning contribution, Life Sticker, on page 13.

## Business activities

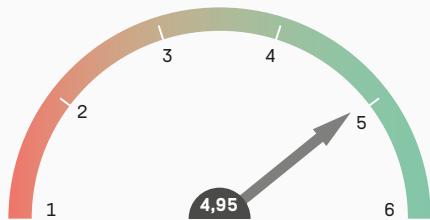
All parts of Semcon's business are to be conducted on a commercial basis, which entails demands on professionalism in both relationships and delivery. Our business activities are clarified through our business models. Read more about these on page 18.

One key aspect of Semcon's professionalism comprises our relationship to customers and other business stakeholders. We build our long-term business commitments on respect and responsibility. Semcon's Code of Conduct is the foundation for how we act in relation to our employees, business partners, shareholders and to the world around us. In the same manner, we also make rigorous demands on our business partners.

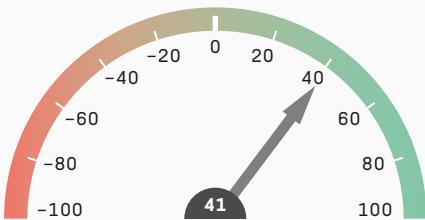
Semcon AB's Board has adopted the company's Code of Conduct. Every employee is responsible for complying with the company's Code of Conduct and other internal guidelines. The fulfilment of the Code of Conduct is ensured through training, management systems, internal control and audits. Our whistleblowing function offers all employees an opportunity to raise suspected infringements of laws, the Code of Conduct or other serious irregularities. No cases of infringements against the Code of Conduct or other serious irregularities were reported during the year.

As an international Group, we also have operations, customers and other business partners in countries where there is a greater risk, for example, of corruption. Specific training has been devised to increase knowledge about corruption. No cases of corruption were reported during the year.

To safeguard the long-term investment by the company's owners, we have established a target for our commercial sustainability of an operating margin of at least 8 per cent. Read more about our risks in the Director's Report on pages 38-39.



Customer Satisfaction Index



Customer Net Promoter Score

## Customers

Semcon has a long history of being close to its customers' business and needs. During our almost 40 years in the market, we have positioned ourselves as an international Group with innovative, sound and cross-border partnerships. We support our customers in their product development and product information processes for a sustainable society. We focus on end users as we know that satisfied users are key to the success of our customers. In our product development process, we place great emphasis on user studies and user experience, as we are convinced that the company that is best at understanding its customers and users is the company that will be most successful and also develop the best solutions.

In order to provide our customers with the latest technology, we continuously participate in research projects in close collaboration with universities, research institutes and customers. For example regarding autonomous vehicles, energy efficiency or connected solutions. Benefits are created both through our efficient and quality-assured processes internally in the project and by encouraging customers to opt for sustainable approaches. By choosing Semcon, customers receive help in implementing their sustainable ambitions and achieve more sustainable complete solutions - from the strategy stage to development, manufacturing and product information. In 2017, several major research-related seminars have been held at our offices and at universities and colleges, with topics including autonomous vehicles and connected products.

When delivery is complete, we follow up how satisfied our customers are, and make rigorous demands on the results. On a scale of 1-6, we aim for an average of 5 over the year. In 2017, our customers gave us a 4.95. We also receive a high ranking for whether our customers would recommend us to others, where our Customer Net Promoter Score was 41 in 2017.

## Social

Semcon has been a proud partner company to SOS Children's Villages since 2014. We provide both financial support and direct involvement in the form of voluntary work by our employees. In India, we help children and young people to find a safer childhood and good education. Our employees have given lectures in how to use computers and offered career advice and more socially-oriented activi-

ties, including visits to museums and other excursions. We have also provided funds towards the renovation of a Children's Village for children with disabilities in Khajuri Kalan in northern India. In January, we attended the opening of a new youth centre for unaccompanied refugees in Hammarkullen, Gothenburg. Our employees also offered help here with homework, for example. During the year, we carried out job inspiration initiatives, where we invited young people to our offices in Gothenburg.

A number of charity fund-raising collections were conducted among staff in 2017 via internal ambassadors for our social responsibility, such as the major Christmas collection, which is fully matched with the same amount by Semcon. All of the proceeds are paid to SOS Katastrofhjälp, which makes long-term contributions and saves lives in areas facing crises, including the Rohingya women and children who have been forced to flee from the violence in Burma and who are living in overcrowded refugee camps in Bangladesh.

## Environment

Climate change and energy consumption are major challenges facing the global community. Semcon's main contribution and potential towards the environment is through the solutions that we develop for our customers. This could include the electrification of vehicles, digitization or green energy recovery. Through our technical solutions, with a focus on the people who use them, we can contribute to the efficient resource utilisation throughout the entire development and manufacturing process. In this work, Semcon contributes its expertise in digitization and in Industry 4.0, which in turn offers our customers sustainable production.

Semcon's head office, which has given Gothenburg a new skyline, has received a Green Building certification. The double-façade provides effective climate protection. The exemplary architectural work has created a workplace and meeting venue that may have needed much more space if another design had been used, which is an important way to economise with resources over time.

Semcon's main environmental impact is otherwise indirect, as the Group provides services and has neither manufacturing nor any significant logistics. Semcon's environmental management system is certified in accordance with ISO 14001 and the management system is audited both internally and externally. \*

## Read more about

Semcon's strategy on page 10 • Semcon's organisation on page 81 • Semcon's markets on page 28

### Auditor's report on the statutory sustainability report

To the general meeting of Semcon AB [publ], corporate, identity number 556539-9549.

#### Engagement and responsibility

The Board of Directors is responsible for that the statutory sustainability report on pages 30-32 has been prepared in accordance with the Annual Accounts Act.

#### The scope of the audit

Our examination of the statutory sustainability report has been conducted in accordance with FAR's auditing standard RevR 12. The auditor's report on the statutory sustainability report. This means that our examination of the statutory sustainability 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. We believe that the examination has provided us with sufficient basis for our opinions.

#### Opinion

A statutory sustainability report has been prepared.

Gothenburg, 21 March 2018

Ernst & Young AB

Staffan Landén  
Authorized Public  
Accountant

Nina Bergman  
Authorized Public  
Accountant



#### Better healthcare by utilising new talent

As often as possible, we try to offer students the option to write their degree projects with us. There are many examples of how this helped us to discover new talented people who have joined Semcon after their studies. This was the case with the two students who developed Mednotes as part of their degree project.

Mednotes is a platform that makes it easier to supply patient information in healthcare to optimise treatments. A smart watch is used to combine self assessments with data collected from sensors. The solution was developed by the students Anton Hallin and Azer Vilic together with Semcon and researchers at the Sahlgrenska University Hospital and the Karolinska Institute.

## Financial statements

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# DIRECTORS' REPORT 2017.

The Board and CEO of Semcon AB [publ] co.id.no. 556539-9549  
hereby present the annual report and consolidated accounts  
for the 2017 financial year.

## Business

Semcon is an international technology company with engineering services and product information activities at more than 30 locations in Sweden, the UK, Brazil, Norway, Germany, Hungary, India and China.

## Semcon's business areas

Semcon is organised into two business areas: Engineering Services and Product Information. Business Area Engineering Services provides engineering services in product, plant and production development. Operations aim to help customers to develop products, systems and plants to strengthen their competitiveness by providing innovative solutions along the entire development chain, from studies to specify requirements to the finished product. The business area provides engineering services focused on the automotive, energy, industrial and life science industries. Business area Product Information offers services and complete solutions in product information. This includes information production and distribution. The information is made available in an appropriate manner for the user – which today means more frequent distribution via digital solutions, such as animations and mobile apps.

## Important events during the year

- ＊ Semcon divested its German engineering business, which formed the Business Area Engineering Services Germany, to Valmet Automotive on 28 February. The business had 775 employees and income in 2016 amounted to SEK 863 million [901] with an operating loss of SEK -51 million [-49]. For further information, see Note 17, page 68.
- ＊ From 1 April, the engineering services business areas, Engineering Services Nordic and Engineering Services International, were merged into one business area, Engineering Services.
- ＊ In April, Semcon launched a mentoring programme in some 30 upper secondary schools across Sweden to encourage women to choose technology programmes at university. The programme includes seminars and mentoring between women engineers

at Semcon and students in the classes.

- ＊ Olof Christensson, Business Area President of Engineering Services, chose to leave Semcon in April to take up a position in another industry. Semcon's President Markus Granlund will be acting Business Area President until Daniel Rundgren assumes his position.
- ＊ In May, Karin Koritz Russberg was appointed new Director HR and Sustainability of Semcon Group tasked with leading the company's strategic HR and sustainability work. Karin assumed her new position on 14 August and reports to the President and is also a member of Semcon's Group management team.
- ＊ Business Area Product Information initiated a number of collaborations in digital information solutions, and a three-year contract was extended in the third quarter with one of the largest customers in the business area.
- ＊ Several new contracts in the field of connected products were awarded to Business Area Engineering Services during the year. In the fourth quarter, a collaboration started with Volvo Bil concerning an automated logistics chain.
- ＊ In December, Business Area Engineering Services began a new partnership with the energy Group Fortum concerning the rebuilding of the hydro-power plants at Kallsjön. Work is expected to take two years and generate revenues of about SEK 20 million.
- ＊ In December, Semcon initiated a new partnership with Kuka Nordic in the field of smart factories. In its role as system supplier, it will work together with Kuka to develop an offering within Industry 4.0 in the Nordic market.

## Sales and profit

Operating income amounted to SEK 1,762 million [1,756] and organic growth was 0 per cent. The year included two fewer working days compared with last year, which had a negative impact on income of 1 per cent. New business in Product Information, to sectors such as telecommunications, was not able to fully offset the reduced scope of the partnership with Jaguar Land Rover in the UK.

## 36 FINANCIAL STATEMENTS

Operating profit amounted to SEK 95 million [95], yielding an operating margin of 5.4 per cent [5.4]. The calendar effect during the year had a negative impact on earnings of about SEK 12 million compared with last year. Engineering Services reported improved earnings while Product Information noted a deterioration. The preceding year included positive non-recurring items of SEK 7 million in Product Information's earnings.

Net financial items amounted to SEK -1 million [-], yielding profit before tax of SEK 95 million [95]. The tax expense for the year amounted to SEK -22 million [-27]. Profit after tax amounted to SEK 72 million [68] and earnings per share after dilution totalled SEK 4.00 [3.75].

### Cash flow and financial position

Operating cash flow from current activities was SEK 38 million [33]. During the fourth quarter, cash flow was negatively affected by changes implemented by a major customer to its invoicing procedures, which entailed a temporary increase in tied-up working capital. The Group's cash and cash equivalents amounted to SEK 81 million [40]. In addition, the Group had non-utilised credit of SEK 375 million [240] as of 31 December. Shareholders' equity amounted to SEK 557 million [529] and the equity/assets ratio was 61 per cent [45]. During the second quarter, a dividend of SEK 40 million [22] was paid to shareholders. The Group's net cash (net debt) amounted to SEK 78 million [-127].

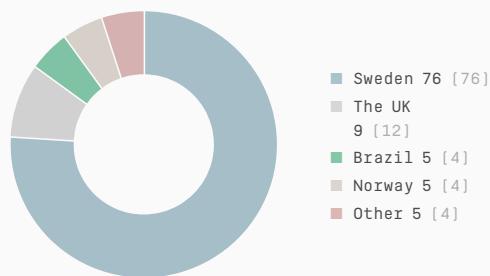
### Investments

Investments in hardware, licenses, office supplies and equipment amounted to SEK 9 million [34].

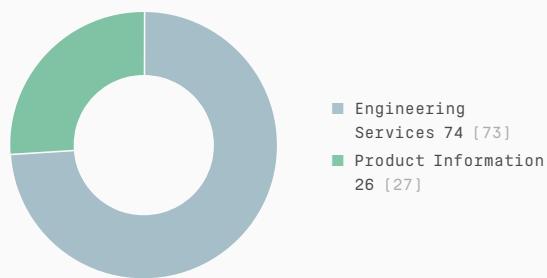
### Acquisitions and divestments of companies

Semcon divested its German engineering business, which formed the Business Area Engineering Services Germany, on 28 February. For further information, see Note 17, page 68.

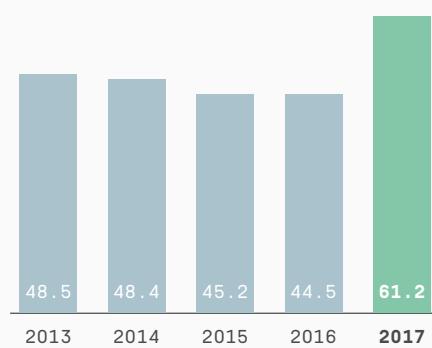
### Income per market [%]



### Income per business area [%]



### Equity/assets ratio [%]



### Change in operating income

compared with preceding year

Acquisitions	- %
Currency effects	- %
Organic growth	0.4%
Total	0.4%

## Engineering Services

### Business

The business area's approximately 1,450 employees provide services in areas such as product development, plant engineering and production development services. The offer is aimed at requirement and concept studies, design, calculations, construction, embedded systems, testing, simulation, quality control, project management, production and process development and expertise in lean production. Engineering Services has offices in Sweden, Norway, the UK, India and Brazil.

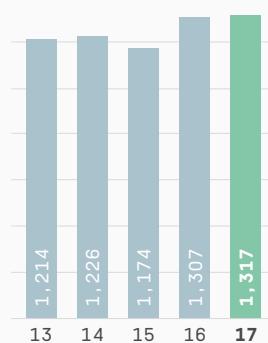
### Markets and customers

Business activities mainly focus on the automotive, industry, energy and life science sectors. Customers include ABB, AB Volvo, Alstom, Aston Martin, AstraZeneca, Autoliv, Bombardier, CEVT, Geely, Fortum, General Electric, Getinge, Husqvarna, Jaguar Land Rover, MAN, McLaren, Metso, Rolls-Royce Marine, Saab, Scania, Siemens, Vattenfall and Volvo Cars.

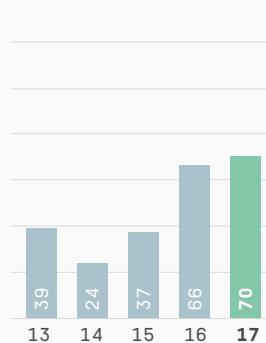
### Development in 2017

The business area's income amounted to SEK 1,314 million [1,307] and organic growth was 0 per cent. A skills shortage in product development, mainly in the Swedish market, impeded growth. Sales to the automotive industry remained favourable, while demand from energy customers in particular was at a lower level. Several new contracts in the field of connected products and smart factories were secured during the year. Operating profit improved to SEK 70 million [66], yielding an operating margin of 5.4 per cent [5.0]. Operations in primarily Norway and Brazil reported earnings improvements. The business area is continuing its efforts to develop a more value-based offering and international deliveries. The strategic shift, together with improved productivity, means growth and profitability are expected to increase moving forward.

### Income [mSEK]



### Operating profit [mSEK]



## Product Information

### Business

The business area's approximately 600 employees provide complete information solutions with the primary focus on customers' aftermarket business. The business area's offering supports products and systems throughout the product life cycle: from sales and marketing to installation, maintenance, diagnostics, repairs, as well as training service staff. The business area has offices in Sweden, the UK, Hungary, Germany, China and Norway.

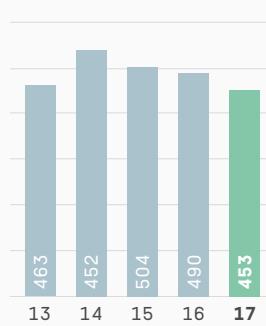
### Markets and customers

Customers are mainly in the automotive, telecom and IT, engineering, med-tech and energy sectors. These include ABB, AB Volvo, Baxter, Bombardier, CEVT/Lynk & Co, ESAB, Jaguar Land Rover, Saab, Siemens, London Electric Vehicle Company, UniCarriers and Volvo Cars.

### Development in 2017

The business area's income amounted to SEK 453 million [490] and organic growth was -7 per cent. New business, to sectors such as telecommunications, was not able to fully offset the reduced scope of the partnership with Jaguar Land Rover in the UK. Several contracts were extended during the year, including a three-year contract with one of the largest customers in the business area. Operating profit amounted to SEK 41 million [49], yielding an operating margin of 9.0 per cent [10.0]. The preceding year included positive non-recurring items of SEK 7 million in business area's earnings. Part of the business area's strategy is focused on a high proportion of Managed Service contracts and a high level of resource efficiency through deliveries involving networking teams from several countries. The first quarter of 2018 is expected to be weaker than the first quarter of 2017, when production volumes were at relatively high levels.

### Income [mSEK]



### Operating profit [mSEK]



### Employees

At 31 December, there were 2,076 [2,044] employees and 1,980 [1,956] employees in active service. The average number of employees was 1,982 [1,956], of which 1,256 [1,251] in Sweden, 191 [193] in Brazil, 176 [149] in Hungary, 121 [119] in India, 108 [108] in the UK, 58 [69] in Norway, 51 [49] in China and 22 [18] in Germany. Employees are trained on an ongoing basis, taking into account employees' requirements and the expertise Semcon expects its customers to require in the future. On 31 December 2017, 64 per cent [72] of employees had university or college education. 48 per cent [49] had worked for more than three years in the Group, 31 per cent [28] between one and three years and 21 per cent [23] shorter than one year. The proportion of women was 30 per cent [29]. In Sweden, the proportion of women was 31 per cent [30]. In the respective business areas, the number of employees was as follows: Engineering Services 1,447 [1,453] and Product Information 629 [591].

### Research and development

The majority of Semcon's development costs concern development within the framework of customer projects. Other development costs are expensed in the accounts. These costs are not considered to be significant. Exceptions are made for costs for development of specific programs or technical platforms, which are capitalised in accordance with IAS 38. Semcon also takes part in several external research projects in the field of connected vehicles, sustainable product development and new materials to ensure a prominent position in terms of expertise.

### Sustainability

Semcon is covered by the new rules for sustainability reporting and has prepared a sustainability report for Semcon AB and its subsidiaries for the period 1 January 2017 to 31 December 2017. In accordance with Chapter 6, Section 11 of the Swedish Annual Accounts Act, Semcon has chosen to prepare the statutory sustainability report as a report separate from the annual report. The sustainability report is available on pages 30-33 of this document and was submitted to the auditors together with the annual report.

Semcon's main contribution for reducing environmental impact is in the products and services the company develops for customers. Semcon's extensive, specific expertise throughout the product lifecycle means that the company can create sustainable, complete solutions covering energy efficiency, both small and large-scale, light constructions, smart products, efficient production development and user behaviour. This provides technology that promotes eco-friendly use or

communicates energy-saving functions in such a way that users understand. Read more about Semcon's sustainability work on pages 30-33 and 39.

### 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 within the organisation and in strategic planning.

#### Financial risks

The company has identified a number of financial risks that could affect earnings including: financial risk, liquidity risk, credit risk and currency risk. For further information about financial risks, see Note 4 on page 57.

#### Business-related risks

The company has identified the following main business-related risks:

##### Economic climate dependency

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

**MANAGEMENT:** Semcon continuously works to broaden its customer base to minimise dependency on different markets and industries as well as individual customers, which may be affected by a poor economic climate. Semcon's customer base consists mainly of companies in the automotive industry and Nordic industrial companies in various industries even though new customers from other geographic markets such as China, India and Brazil have been added in recent years.

**EXPOSURE:** Semcon is a global company with activities in Sweden, the UK, Brazil, Norway, Germany, Hungary, India and China. The percentage of sales to customers outside Sweden amounts to 24 per cent.

##### Industry dependency

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

**MANAGEMENT:** To minimise the dependency on the automotive industry, Semcon is prioritising growth in other industries, such as energy and life science.

**EXPOSURE:** Since last year, exposure to the automotive industry has been reduced and amounts to 47 per cent of the Group's total sales.

##### Single-customer dependency

**RISKS:** A customer can end an assignment/project at short notice or gradually cut back on business volumes. This can result in a risk, since Semcon cannot always guarantee full cost coverage, par-

ticularly for employees who cannot immediately be transferred to another assignment.

**MANAGEMENT:** Semcon works continuously to broaden its customer base to minimise its dependency on single customers.

**EXPOSURE:** Semcon's customer base mainly comprises Nordic industrial companies in various sectors and foreign customers in the automotive industry. The ten largest customers account for 55 per cent of the Group's total sales, which is 2 per cent lower than in 2016.

#### Employees

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

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

**EXPOSURE:** In 2017, employee turnover was 21 per cent.

#### Sustainability

**RISKS:** Semcon's presence on the global market carries sustainability risks in the areas of human rights, working conditions, environment and corruption.

**MANAGEMENT:** Semcon reduces its exposure to sustainability-related risks using set regulations, such as the company's Code of Conduct, which is based on the UN Global Compact, and its Quality and Sustainability Policy. Semcon has a certified environmental management system in place to ensure that environmental legislation is followed throughout the Group. Semcon takes a zero-tolerance approach to any form of corruption and has a framework in place that clarifies the ethical rules for Semcon's conduct in relationships with customers and other stakeholders. In addition, Semcon has a whistleblowing function where each employee is given the opportunity to anonymously report any suspected breaches of the Code of Conduct. No cases of infringements against the Code of Conduct or other serious irregularities were reported during the year.

#### Price pressure

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

**MANAGEMENT:** Semcon offers competitive prices in all markets but also gives customers the opportunity of using Semcon's entire network of local and international offices. Semcon is continuing to adhere to its set plan of moving away from fixed hourly-based

pricing towards more performance-based deliveries. This can increase the risk but also provides opportunities to improve profitability. Price pressure has remained strong, although there are variations between different sectors and markets. Every reduction or increase in total annual fees by one percentage point impacts the outcome by about SEK 15 million. The main priority is to offer the right solutions for customers and that they are based on results instead of primarily hours delivered.

#### Fixed price projects

**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.

**MANAGEMENT:** All projects are planned, budgeted and carried out according to joint, fixed working methods. Semcon 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 expertise from various Semcon offices on projects.

**EXPOSURE:** During the year, employees received training as part of Semcon's project manager training, which is based on the Group's own project methodology, the Semcon Project Model.

#### Liabilities

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

**MANAGEMENT:** The Group is insured according to industry practice for such eventualities.

**EXPOSURE:** During the year, a review of insurance cover took place in all of the Group's markets. Over the years, Semcon has only used its insurance on a few occasions.

#### Sensitivity analysis

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

Variable	Change	Income	Impact on profit before tax
Utilisation	± 1%	mSEK 17	mSEK 17
Price	± 1%	mSEK 15	mSEK 15
Staff costs	± 1%	-	mSEK 12
No. working days	± 1 day	mSEK 7	mSEK 6

### Seasonal variations

The number of working days per quarter varies year on year, which is an important factor to consider when analysing the income for the various quarters. Each working day represents around SEK 7 million in income.

No. of working days Sweden	Q1	Q2	Q3	Q4	Total
2015	62	59	66	63	250
2016	61	61	66	64	252
2017	64	58	65	63	250
2018	63	59	65	62	249
2019	63	58	66	62	249

### Incentive scheme

The AGM, held on 26 April 2017, decided to establish a long-term performance-based share savings scheme for senior executives and key personnel in the Semcon Group. This scheme runs for four years starting in July 2017 and covering a maximum of 200,000 shares. The current holding of own ordinary shares held by Semcon is considered to fulfil obligations under the Performance-based Share Savings Schemes 2015 and 2017.

### Work of the Board

The work of the Board is described in the Corporate Governance Report on page 81.

### Remuneration to the Board and senior executives

Remuneration to the Board was decided by the 2017 AGM following proposals by the Nominations Committee. Remuneration to the Board until the 2018 AGM amounted to SEK 1,720,000, of which SEK 600,000 for the Chairman and SEK 280,000 for other Board members not employed by the company. The Board decides on remuneration to the CEO. Semcon has decided that the Board in its entirety will carry out the Remuneration Committee's assignments.

The Board proposes that the AGM decides to establish the following guidelines for determining salaries and other remuneration to senior executives up to the time of the 2019 AGM.

1. In these guidelines, senior executives are the CEO and President and the other members of the Semcon Group's senior management team.
2. These guidelines shall apply for agreements reached after the 2018 AGM and for previous agreements changed after the 2018 AGM.
3. The company shall have a remuneration level and other employment terms that are needed to recruit and retain senior executives with the right skills and capabilities to achieve the company's objectives. Total remuneration - made up of various components such as fixed salary, bonus, participation in share-based incentive scheme, pension benefits

and other remuneration and benefits - shall be reasonable, competitive and market-based, and shall be decided with regard to, among other things, performance, position and importance for the Group.

4. Fixed salary shall be paid for satisfactory work and shall normally be reviewed once a year.

5. A bonus of a maximum of nine months' salary shall be offered to senior executives. This bonus shall be primarily based on results and bonus targets, established once a year.

6. In addition to applicable collective agreements and similar, senior executives shall be given the right to arrange individual pension solutions, whereupon salary and bonus relinquishment may be utilised to increase pension payments provided no increased cost is incurred for the company over time. All solutions agreed in future shall be defined-contribution pensions.

7. Notice of resignation for senior executives shall be a minimum of six months and maximum of 12 months. If notice is given by the company, a notice period of 12 months is to apply. Dismissal pay and severance pay combined must not exceed 12 months' salary.

8. In addition, other remuneration and benefits may be offered to senior executives to facilitate possibilities to complete work assignments.

9. The Board has the right to deviate from these guidelines in individual cases if there is good reason.

The Board's proposals are in line with previous years' remuneration principles with the exception of the bonus, which could previously amount to no more than six months' salary. Senior executives' remuneration and benefits are presented in Note 9 on page 61.

### Class of shares and ownership structure

At year-end 2017, 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 share class. Every share entitles the holder to equal shares in the company's assets and profits. There are no restrictions on the transferability of shares. At 31 December 2017, the JCE Group owned 25.9 per cent [25.9] of Semcon's shares, Nordea Investment Funds 7.9 per cent [7.2], Ålandsbanken 5.0 per cent [5.1], DNB Carlson Fonder 3.6 per cent [3.3] and BNYM RE Regents 3.5 per cent [3.4]. The ten largest shareholders owned 59.9 per cent [56.8] of the capital and voting rights in the company. Semcon owned 281,719 [242,718] of the company's shares. Semcon had 4,440 [4,478] shareholders, of whom 33.1 per cent [29.9] were registered abroad.

### Buy-back of own shares

On 6 December 2017, the Board resolved to buyback no more than 200,000 ordinary shares pursuant to the authorisation of the 2017 AGM. The Board's decision aims to improve the company's capital structure. Acquisitions may be made on one or more occasions during the period between 11 December 2017 and the 2018 AGM. Up until 31 December, 40,044 shares had been repurchased.

### Financial objectives

The objectives aim to create long-term shareholder value. Semcon aims to achieve the following financial objectives for the company:

- ＊ An operating margin of at least 8 per cent
- ＊ An equity/assets ratio of over 30 per cent
- ＊ A share dividend from a long-term perspective of at least one-third of profit after tax

### Events after the balance sheet date

Daniel Rundgren was appointed as the new Business Area President of Engineering Services. Daniel is joining Semcon from the IT company EVRY and will start as Business Area President not later than August. No other significant events occurred after the end of the year.

### Proposed dividend

According to Semcon's financial objectives, a share dividend should be paid to shareholders and, from a long-term perspective, is to be at least one-third of profit after tax. The Board of Directors proposes a regular dividend of SEK 2.50 [2.25] per share, which represents 62.5 per cent [60.0] of earnings per share for continuing operations. In addition, the Board proposes an extra dividend of SEK 1.00 [-] per share in view of the company's strong financial position. The total dividend proposed of SEK 3.50 [2.25] per share corresponds to SEK 63.4 million [40.8]. The record date is proposed as Friday, 27 April.

### Parent Company

Operating income for the Parent Company amounted to SEK 22 million [26] and relates to payment for intra-Group services. Profit before tax amounted to SEK 91 million [14].

### Proposed allocation of profits

The AGM has the following at its disposal in the Parent Company:

SEK

Profit brought forward and other capital contributions	218,206,073
Profit for the year according to the income statement	90,350,903
<b>Total</b>	<b>308,556,976</b>

**The Board proposes that the profits be appropriated as follows:**

Dividend to shareholders	63,393,869
Carried forward	245,163,107
<b>Total</b>	<b>308,556,976</b>

For additional results of the Group and Parent Company and their financial position, 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 STATEMENTS

mSEK	Note	2017	2016
<b>OPERATING INCOME</b>			
Net sales	6, 7	1,762.4	1,755.9
<b>OPERATING EXPENSES</b>			
Purchase of goods and services		-335.7	-365.4
Other external expenses	8, 27	-146.2	-137.5
Staff costs	9	-1,170.9	-1,146.0
Amortisation of intangible assets	14	-3.1	-3.3
Depreciation of tangible assets	15	-7.9	-8.4
Loss from shares in associated companies		-3.4	-0.2
<b>Operating profit</b>		<b>95.2</b>	<b>95.1</b>
<b>FINANCIAL ITEMS</b>			
Interest income and similar items	10	1.7	3.4
Interest expenses and similar items	11	-2.3	-3.6
<b>Profit before tax</b>		<b>94.6</b>	<b>94.9</b>
Tax	12	-22.2	-26.9
<b>Net profit for the year from continuing operations</b>		<b>72.4</b>	<b>68.0</b>
<b>Net profit/loss for the year from discontinuing operations</b>	17	<b>0.1</b>	<b>-116.3</b>
<b>Profit/loss for the year</b>		<b>72.5</b>	<b>-48.3</b>
<b>Of which attributable to:</b>			
Parent Company's shareholders		72.5	-48.3
Non-controlling interests		-	-
<b>Total profit/loss after tax</b>		<b>72.5</b>	<b>-48.3</b>
Earnings per share before dilution, SEK	13	4.06	-2.70
- of which continuing operations	13	4.05	3.81
Earnings per share after dilution, SEK	13	4.00	-2.67
- of which continuing operations	13	4.00	3.75
Number of shares at year-end	13	18,112,534	18,112,534
Average number of shares	13	18,112,534	18,112,534
Average number of shares excluding number of own shares	13	17,866,914	17,869,816

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

mSEK	2017	2016
Profit/loss for the year	72.5	-48.3
<b>Items that cannot be reclassified to profit or loss</b>		
Actuarial gains and losses	-	-10.0
Tax	-	2.9
<b>Total</b>	<b>-</b>	<b>-7.1</b>
<b>Items that can be reclassified to profit or loss</b>		
Translation differences for the year	-3.5	14.8
Hedging of net investments	-	-15.9
Cash flow hedging	-	-
Tax relating to hedging of net investments and cash flow hedging	-	3.5
<b>Total</b>	<b>-3.5</b>	<b>2.4</b>
<b>Total other comprehensive income</b>	<b>-3.5</b>	<b>-4.7</b>
<b>Total comprehensive income</b>	<b>69.0</b>	<b>-53.0</b>
<b>Comprehensive income attributable to:</b>		
Parent Company's shareholders	69.0	-53.0
Non-controlling interests	-	-
<b>Total comprehensive income</b>	<b>69.0</b>	<b>-53.0</b>
<b>Total comprehensive income for the year attributable to Parent Company's shareholders has arisen from:</b>		
Continuing operations	68.9	68.4
Discontinuing operations	0.1	-121.4
<b>Total comprehensive income</b>	<b>69.0</b>	<b>-53.0</b>

# CONSOLIDATED BALANCE SHEETS

mSEK	Note	31 Dec 2017	31 Dec 2016
<b>ASSETS</b>			
<b>Fixed assets</b>			
<b>Intangible assets</b>	14		
Goodwill		274.7	274.7
Other intangible assets		13.1	14.7
<b>Tangible assets</b>	15		
Plant and machinery		22.7	25.1
Inventory, computers and equipment		8.4	7.9
<b>Financial assets</b>			
Deferred tax assets	12	3.2	4.2
<b>Total fixed assets</b>		<b>322.1</b>	<b>326.6</b>
<b>Current assets</b>			
Accounts receivable	18	337.0	278.9
Current tax receivables		0.4	0.3
Other receivables		6.8	2.0
Accrued non-invoiced income	19	140.3	133.7
Prepaid expenses and accrued income	20	22.6	28.1
Cash and cash equivalents		80.9	39.9
Assets held for sale	17	-	379.9
<b>Total current assets</b>		<b>588.0</b>	<b>862.8</b>
<b>Total assets</b>		<b>910.1</b>	<b>1,189.4</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity</b>			
Share capital	21	18.1	18.1
Other capital contributions		34.5	34.5
Reserves		-25.0	-21.5
Profit brought forward including profit for the year		529.0	498.3
<b>Total shareholders' equity</b>		<b>556.6</b>	<b>529.4</b>
<i>Of which non-controlling interests</i>		-	-
<b>Long-term liabilities</b>			
Pension obligations		3.0	3.5
Deferred tax	12	44.9	36.8
<b>Total long-term liabilities</b>		<b>47.9</b>	<b>40.3</b>
<b>Current liabilities</b>			
Accounts payable		51.6	45.8
Current tax liability		5.6	3.1
Borrowings	22, 23	-	131.3
Other liabilities		67.5	68.9
Invoiced non-accrued income	19	20.5	11.9
Accrued expenses and deferred income	24	160.4	178.7
Liabilities held for sale	17	-	180.0
<b>Total current liabilities</b>		<b>305.6</b>	<b>619.7</b>
<b>Total shareholders' equity and liabilities</b>		<b>910.1</b>	<b>1,189.4</b>

## CONSOLIDATED CHANGES IN SHAREHOLDERS' EQUITY

mSEK	Share capital	Other capital contri- butions	Reserves	Profit brought forward	Total	Non-con- trolling inter- ests	Total share- holders' equity
<b>Opening balance on 1 January 2016</b>	<b>18.1</b>	<b>34.5</b>	<b>-16.8</b>	<b>568.8</b>	<b>604.6</b>	<b>-0.1</b>	<b>604.5</b>
<b>Comprehensive income</b>							
Loss for the year	-	-	-	-48.3	-48.3	-	-48.3
<b>Items that cannot be reclassified to profit or loss</b>							
Actuarial gains and losses	-	-	-10.0	-	-10.0	-	-10.0
Tax	-	-	2.9	-	2.9	-	2.9
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-7.1</b>	<b>-</b>	<b>-7.1</b>	<b>-</b>	<b>-7.1</b>
<b>Items that can be reclassified to profit or loss</b>							
Exchange rate differences for the year	-	-	14.8	-	14.8	-	14.8
Hedging of net investments	-	-	-15.9	-	-15.9	-	-15.9
Tax relating to hedging of net investments and cash flow hedging	-	-	3.5	-	3.5	-	3.5
<b>Total</b>	<b>-</b>	<b>-</b>	<b>2.4</b>	<b>-</b>	<b>2.4</b>	<b>-</b>	<b>2.4</b>
<b>Total other comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-4.7</b>	<b>-</b>	<b>-4.7</b>	<b>-</b>	<b>-4.7</b>
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-4.7</b>	<b>-48.3</b>	<b>-53.0</b>	<b>-</b>	<b>-53.0</b>
<b>Transactions with shareholders</b>							
Acquisitions	-	-	-	-0.1	-0.1	0.1	-
Share-based remuneration	-	-	-	0.2	0.2	-	0.2
Share dividend	-	-	-	-22.3	-22.3	-	-22.3
<b>Total transactions with shareholders</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-22.2</b>	<b>-22.2</b>	<b>0.1</b>	<b>-22.1</b>
<b>Opening balance on 1 January 2017</b>	<b>18.1</b>	<b>34.5</b>	<b>-21.5</b>	<b>498.3</b>	<b>529.4</b>	<b>-</b>	<b>529.4</b>
<b>Comprehensive income</b>							
Profit for the year	-	-	-	72.5	72.5	-	72.5
<b>Items that can be reclassified to profit or loss</b>							
Exchange rate differences for the year	-	-	-3.5	-	-3.5	-	-3.5
<b>Total other comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-3.5</b>	<b>-</b>	<b>-3.5</b>	<b>-</b>	<b>-3.5</b>
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-3.5</b>	<b>72.5</b>	<b>69.0</b>	<b>-</b>	<b>69.0</b>
<b>Transactions with shareholders</b>							
Buy-back of own shares	-	-	-	-1.9	-1.9	-	-1.9
Share-based remuneration	-	-	-	0.3	0.3	-	0.3
Share dividend	-	-	-	-40.2	-40.2	-	-40.2
<b>Total transactions with shareholders</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-41.8</b>	<b>-41.8</b>	<b>-</b>	<b>-41.8</b>
<b>Closing balance on 31 December 2017</b>	<b>18.1</b>	<b>34.5</b>	<b>-25.0</b>	<b>529.0</b>	<b>556.6</b>	<b>-</b>	<b>556.6</b>

## CONSOLIDATED CASH FLOW STATEMENTS\*

mSEK	Note	2017	2016
<b>CURRENT ACTIVITIES</b>			
Operating profit			
Depreciation/amortisation & impairment	14, 15, 17	12.6	88.7
Shares in associated companies		3.4	-
Gain on the divestment of operation		17.1	-
Other items not affecting cash flow		-0.9	4.1
Pensions paid and payments into pension plans		-0.3	-3.1
Interest received and similar items		1.6	0.6
Interest paid and similar items		-1.3	-3.7
Income tax paid		-11.7	-14.4
<b>Cash flow from current activities before changes in working capital</b>		<b>99.4</b>	<b>116.3</b>
<b>CHANGE IN WORKING CAPITAL</b>			
Change in work in progress		-56.4	-10.6
Change in current receivables		-33.0	40.3
Change in current liabilities		27.5	-112.6
<b>Total change in working capital</b>		<b>-61.9</b>	<b>-82.9</b>
<b>Cash flow from current activities</b>		<b>37.5</b>	<b>33.4</b>
<b>INVESTING ACTIVITIES</b>			
Divestment of subsidiaries		164.2	-
Investments in associated companies		-2.5	-
Investments in intangible assets	14	-1.7	-0.8
Investments in tangible assets	15	-7.7	-33.2
Payment from sales of fixed assets		-	0.4
<b>Cash flow from investing activities</b>		<b>152.3</b>	<b>-33.6</b>
<b>FINANCING ACTIVITIES</b>			
Change in overdraft facilities	23	-83.5	-7.0
Repayment of loans	22	-70.2	-11.5
Buy-back of own shares		-1.9	-
Dividend paid		-40.2	-22.3
<b>Cash flow from financing activities</b>		<b>-195.8</b>	<b>-40.8</b>
<b>Cash flow for the year</b>		<b>-6.0</b>	<b>-41.0</b>
Cash and cash equivalents at the start of the year		87.8	126.1
Translation differences		-0.9	2.7
<b>Cash and cash equivalents at year-end</b>		<b>80.9</b>	<b>87.8</b>
<b>Cash flow for the year has arisen from:</b>			
Continuing operations		-5.1	5.0
Discontinuing operations	17	-0.9	-46.0
<b>Total cash flow</b>		<b>-6.0</b>	<b>-41.0</b>

\*Including cash flow from discontinuing operations, see Note 17.

## CONSOLIDATED SPECIFICATION OF CAPITAL EMPLOYED AND NET DEBT

mSEK	2017	2016
<b>CAPITAL EMPLOYED</b>		
Total assets	910.1	1,189.4
Deferred tax liabilities	-44.9	-36.8
Accounts payable	-51.6	-45.8
Other non-interest-bearing current liabilities	-254.0	-442.6
<b>Total capital employed</b>	<b>559.6</b>	<b>664.2</b>
<b>Average capital employed</b>	<b>611.9</b>	<b>736.6</b>
<b>CHANGE IN NET CASH/NET DEBT [-]</b>		
Opening balance	-126.7	-78.4
Cash flow from current activities	37.5	33.4
Net investments	-9.4	-33.6
Acquisition and divestment of subsidiaries	216.6	-
Share dividend	-40.2	-22.3
Buy-back of own shares	-1.9	-
Other	2.0	-25.8
<b>Closing balance</b>	<b>77.9</b>	<b>-126.7</b>
<b>NET CASH/NET DEBT [-]</b>		
Cash and cash equivalents	80.9	87.8
Pension obligations	-3.0	-83.2
Interest-bearing liabilities	-	-131.3
<b>Total net debt</b>	<b>77.9</b>	<b>-126.7</b>

## PARENT COMPANY'S INCOME STATEMENTS

mSEK	Note	2017	2016
<b>OPERATING INCOME</b>			
Net sales	7	21.9	26.3
<b>OPERATING EXPENSES</b>			
Other external expenses	8, 27	-26.1	-32.0
Staff costs	9	-29.5	-30.2
<b>Operating loss</b>		<b>-33.7</b>	<b>-35.9</b>
<b>FINANCIAL ITEMS</b>			
Interest income and similar items	10	135.7	4.5
Interest expenses and similar items	11	-31.5	-17.7
<b>Profit after financial items</b>		<b>70.5</b>	<b>20.6</b>
<b>APPROPRIATIONS</b>			
Tax allocation reserve		-	-5.2
Group contributions received		28.4	69.7
Group contributions paid		-8.3	-1.4
<b>Profit before tax</b>		<b>90.6</b>	<b>14.0</b>
Tax	12	-0.2	-3.6
<b>Profit for the year</b>		<b>90.4</b>	<b>10.4</b>

## PARENT COMPANY'S STATEMENT OF OTHER COMPREHENSIVE INCOME

mSEK	2017	2016
Profit for the year	90.4	10.4
<b>Other comprehensive income</b>		
Other comprehensive income	-	-
<b>Total comprehensive income</b>	<b>90.4</b>	<b>10.4</b>

## PARENT COMPANY'S BALANCE SHEETS

mSEK	Note	31 Dec 2017	31 Dec 2016
<b>ASSETS</b>			
<b>Fixed assets</b>			
<b>Financial assets</b>			
Shares in Group companies	16	92.0	100.1
Deferred tax assets		0.2	0.4
Receivables from Group companies		369.2	369.2
<b>Total fixed assets</b>		<b>461.4</b>	<b>469.7</b>
<b>Current assets</b>			
Receivables from Group companies		85.3	128.5
Other receivables		1.6	1.3
Prepaid expenses and accrued income		1.1	0.9
Cash and cash equivalents		42.3	-
<b>Total current assets</b>		<b>130.3</b>	<b>130.7</b>
<b>Total assets</b>		<b>591.7</b>	<b>600.4</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity</b>			
<b>Restricted shareholders' equity</b>			
Share capital	21	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		205.3	237.0
Profit for the year		90.4	10.4
<b>Total shareholders' equity</b>		<b>351.8</b>	<b>303.5</b>
<b>Untaxed reserves</b>			
Tax allocation reserve		12.3	12.3
<b>Total untaxed reserves</b>		<b>12.3</b>	<b>12.3</b>
<b>Current liabilities</b>			
Accounts payable		0.6	0.9
Liabilities to Group companies		217.2	135.8
Current tax liability		-	5.9
Borrowings	22, 23	-	130.5
Other liabilities		1.1	0.6
Accrued expenses and deferred income	24	8.7	10.9
<b>Total current liabilities</b>		<b>227.6</b>	<b>284.6</b>
<b>Total shareholders' equity and liabilities</b>		<b>591.7</b>	<b>600.4</b>

## PARENT COMPANY'S CHANGES IN SHAREHOLDERS' EQUITY

mSEK	Share capital	Statutory reserve	Share premium reserve	Profit incl. profit/loss for the year	Profit brought forward	Total share- holders' equity
					incl. profit/loss for the year	
<b>Opening balance on 1 January 2016</b>	<b>18.1</b>	<b>25.1</b>	<b>12.9</b>	<b>259.4</b>	<b>315.5</b>	
<b>Comprehensive income</b>						
Profit for the year	–	–	–	10.4	10.4	
Total comprehensive income	–	–	–	10.4	10.4	
<b>Transactions with shareholders</b>						
Share dividend	–	–	–	-22.3	-22.3	
Total transactions with shareholders	–	–	–	-22.3	-22.3	
<b>Opening balance on 1 January 2017</b>	<b>18.1</b>	<b>25.1</b>	<b>12.9</b>	<b>247.5</b>	<b>303.5</b>	
<b>Comprehensive income</b>						
Profit for the year	–	–	–	90.4	90.4	
Total comprehensive income	–	–	–	90.4	90.4	
<b>Transactions with shareholders</b>						
Buy-back of own shares	–	–	–	-1.9	-1.9	
Share dividend	–	–	–	-40.2	-40.2	
Total transactions with shareholders	–	–	–	-42.1	-42.1	
<b>Closing balance on 31 December 2017</b>	<b>18.1</b>	<b>25.1</b>	<b>12.9</b>	<b>295.7</b>	<b>351.8</b>	

## PARENT COMPANY'S CASH FLOW STATEMENTS

mSEK	Note	2017	2016
<b>CURRENT ACTIVITIES</b>			
Operating loss		-33.7	-35.9
Interest received and similar items		13.7	4.5
Interest paid and similar items		-1.5	-17.8
Income tax paid		-5.9	-0.1
<b>Cash flow from current activities before changes in working capital</b>		<b>-27.4</b>	<b>-49.3</b>
<b>CHANGE IN WORKING CAPITAL</b>			
Change in current receivables		193.1	93.8
Change in current liabilities		49.2	-15.2
<b>Total change in working capital</b>		<b>242.3</b>	<b>78.6</b>
<b>Cash flow from current activities</b>		<b>214.9</b>	<b>29.3</b>
<b>FINANCING ACTIVITIES</b>			
Change in overdraft facilities	23	-83.5	-7.0
Change in loans	22	-47.0	-
Buy-back of own shares		-1.9	-
Dividend paid		-40.2	-22.3
<b>Cash flow from financing activities</b>		<b>-172.6</b>	<b>-29.3</b>
<b>Cash flow for the year</b>		<b>42.3</b>	-
Cash and cash equivalents at the start of the year		-	-
<b>Cash and cash equivalents at year-end</b>		<b>42.3</b>	-

# NOTES.

## NOTE 1

### General information

Semcon AB [publ] is a Swedish listed public company registered with the Swedish Companies Registration Office with co.id.no. 556539-9549. The company is registered in Gothenburg, Sweden. The company is listed on the Nasdaq Stockholm Small Cap list under the SEMC ticker.

The Group's main business is providing engineer-

ing 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 2017 were approved by the Board on 20 March 2018 and will be presented to the Annual General Meeting on 25 April 2018 for final approval.

## NOTE 2

### Significant changes during the reporting period

In February 2017, Semcon divested Business Area Engineering Services Germany. Operations are recognised in this Annual Report as discontinuing

operations. Financial information about discontinuing operations is provided below in Note 17 on page 68.

## NOTE 3

### 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 of the Swedish Financial Accounting Standards Council [Supplementary Accounting Rules for Groups]. Recommendations that come into effect after the closing date will not have any significant effect on either the results or the financial position of the Group. The Parent Company's annual accounts have been prepared in accordance with the Swedish Annual Accounts Act and recommendation RFR 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 statements are given in SEK millions, mSEK, unless otherwise stated. The consolidated accounts have been prepared in accordance with the acquisition method, with the exception of:

\* Financial assets and liabilities [including derivative instruments] - which are measured at fair value

\* Assets held for sale - which are measured at fair value

Preparing reports in accordance with IFRS requires using a number of important estimates for accounting purposes. It is also necessary for Group 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 are presented in Note 5 on page 58.

#### Changes to the accounting policies and disclosures

##### New and amended IFRS and new interpretations for 2017

New and amended standards and new interpretations did not have any effect on the Group's accounting policies or disclosures for the current or preceding financial year. Neither are they expected to impact forthcoming periods.

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

IFRS 15 Revenue from Contracts with Customers was issued on 28 May 2014 and replaces IAS 18 Revenue and IAS 11 Construction Contracts. 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 princi-

ple of IFRS 15 is that a company is to recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. IFRS 15 provides significantly more guidance for specific areas and stipulates extensive disclosure requirements. IFRS 15 is applicable from 1 January 2018 or later. The Group will apply the standard prospectively with additional disclosure. Group management has completed its evaluation of the effect of the new standard and the new standard will not have any impact on the financial statements, other than the additional disclosure requirements. Semcon primarily provides services over a certain period of time, and revenue is expected to continue being recognised in accordance with the percentage of completion method for each assignment, given that these performances do not create an asset with an alternative use for the Group.

IFRS 16 Leases was issued on 13 January 2016 and will replace IAS 17 Leases. IFRS 16 introduces a right of use model, meaning that the lessee must report essentially all leases in the balance sheet. Classification in operational and financial leases is therefore not necessary. Exceptions are leases with lease terms of 12 months or less or leases of low-value assets. The income statement is also impacted since the cost is recognised as depreciation and interest expense instead of other external expenses. The cash flow statements will be impacted in that cash flows from current activities will be higher given that the bulk of the payments made in relation to the lease liability will be classified in financing activities. The standard includes greater information disclosure requirements compared with the current standard. IFRS 16 is applicable from 1 January 2019 or later. The standard will mainly impact reporting of the Group's operational leases, which mainly consist of rental agreements for office properties. The Group's future minimum leasing fees are presented in Note 28 – Operational leasing. A detailed analysis of the effects when applying IFRS 16 has yet to be carried out, which is why the effects cannot yet be quantified.

The new standard IFRS 9 Financial Instruments, which comes into effect on 1 January 2018, will not have any significant effect on the financial statements.

Group management does not expect other new and amended standards and interpretations to have any material effect on the Group's financial statements when they are applied for the first time.

### Consolidated accounting

In addition to the Parent Company, the Group consists of all subsidiaries in which 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 cost of the shares in Group

companies is divided among identifiable assets and liabilities at the acquisition date at the fair value. The difference between the cost and the calculated value of equity in the acquisition analysis is recognised 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 values. Untaxed reserves accumulated after acquisition are divided into deferred tax liability and the remaining portion, which is recognised 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 rate method was used for translating the income statements and balance sheets. This method means that the balance sheets are translated at the closing day rate and the income statements at the average rate for the year. Translation differences are recognised in other comprehensive income.

### Pricing between Group companies

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

### Transactions with related parties

Transactions with related parties follow market norms.

### Associated companies

Associated companies are recognised when the Group is considered to have 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 associated companies are recognised 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 recognised at cost at the date of acquisition and then adjusted using the Group's share of the change in the company's net assets. Shares in associated companies' earnings are recognised on two levels in the consolidated income statement. Shares in earnings before tax is included in consolidated operating profit and shares in the taxes of associated companies is recognised in the consolidated tax expense. Unrealised gains on transactions between the Group and associated companies are eliminated in relation to the Group's holding in the associated company.

### Segment reporting

Operating segments are reported so they correspond to the internal reports submitted to the chief operating decision maker. The chief operating de-

cision maker is the CEO, who runs the operation together with the other members of Group management.

### Cash flow statement

The cash flow statement is produced using the indirect method. Recognised 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 recognised as revenue in line with work being carried out. Fixed-rate work is recognised as revenue in accordance with the percentage of completion method on the closing date after reservation for risk of loss. The percentage of completion is assessed on the basis of costs incurred for work performed in relation to the assignment's estimated total costs. On-account invoices received are recognised net against capitalised contract costs. If the net of the costs paid and on-account invoices received is positive, then the project is recognised as "Accrued non-invoiced income". Conversely, if on-account invoices received exceed contract costs incurred, projects are recognised as "Invoiced non-accrued income."

#### *Income from sales of goods*

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

### Receivables and liabilities in foreign currencies

Receivables and liabilities in foreign currencies are measured at the closing day rates. Exchange rate differences in current receivables and liabilities are included in operating profit/loss, while the differences in financial receivables and liabilities are recognised under financial items.

### Research and development costs

The majority of Semcon's research and development costs concern development within the scope 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 in which 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 recognised as an intangible asset (see below for more information).

### Tangible assets

Tangible assets mainly consisting of computers, inventories and investments in leased premises have been valued at cost with deductions for accumulated depreciation and impairment losses.

Depreciation is based on the cost and is carried out on a straight-line basis on the useful life of the asset. Depreciation according to plan has been based on the expected useful life as follows:

- \* Plant and machinery depreciated over 5-10 years
- \* Computers depreciated over 3-5 years
- \* Inventories depreciated over 5 years

### Intangible assets

#### *Goodwill*

Acquired goodwill has an indeterminate useful life and is measured at cost 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 and acquired licenses. Other acquired intangible assets are measured at cost with deductions for accumulated amortisation and impairment losses. Cost comprises capitalised costs that arise from the date when the program is considered to be commercially viable and other criteria according to IAS 38 have been fulfilled. Expenses are amortised over the expected useful life of 3-8 years. Expenses for internally developed goodwill, trademarks and similar rights are recognised as they arise.

### Impairment

Group management continually assesses the value of capitalised assets to identify any impairment requirement. Impairment is made in the event an asset's carrying amount exceeds its estimated recoverable amount. The recoverable amount is the higher of the value in use of the asset in the business and the net realisable value. The value in use is the current value of all inward and outward payments relating to the asset during the period in which it is expected to be used in the business, plus the current net realisable value at the end of its useful life. A previous impairment is reversed when the assumptions used to establish the asset's recoverable amount have changed, meaning the impairment is no longer considered necessary. Reversals of previous impairments are tested individually and are recognised in profit or loss. However, impairment of goodwill is not reversed in subsequent periods.

### Financial instruments

Financial instruments are measured and recognised in the Group according to the regulations in IAS 39. Financial instruments recognised in the balance sheet include, among assets, accounts receivable and cash and cash equivalents. Liabilities and shareholders' equity include accounts payable and borrowings. Financial instruments are initially recognised at cost equivalent to the instruments' fair value plus transaction costs for all financial instruments, except those belonging to the financial assets [liabilities] category, which are recognised at fair value in profit or loss. Recognition and measurement subsequently take place according to how the financial instruments have been classified.

Trade date accounting is applied when buying and selling money and capital-market instruments on the spot market. Other financial assets and liabilities are recognised in the balance sheet when the company becomes party to the instrument's contracted terms. Accounts receivable are recognised in the balance sheet when the invoice has

been issued. Liabilities are recognised in the balance sheet when the counterparty has performed and there is a contractual obligation to pay, even if the invoice has not yet been received. Accounts payable are recognised in the balance sheet when the invoice has been received. A financial asset is derecognised from the balance sheet when the rights under the agreement have been realised, 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 contractual obligations have been met or have been extinguished in any other way. The same applies for parts of a financial liability.

### Assessment of fair value of financial instruments

Official market listings on the balance sheet date are used when determining the fair value of financial instruments. If listings are not available, measurement is carried out by using generally accepted methods, such as discounting future cash flows to the listed market interest rate for the particular maturity. Translation to SEK is carried out at the price quoted on the balance sheet date. Unless otherwise stated, the carrying amount is considered to be a good approximation of the instrument's fair value due to the asset's or liability's short maturity or fixed-interest term.

### Amortised cost

Amortised cost is calculated using the effective interest method, meaning that any premiums or discounts and directly attributable costs or income are distributed over the term of the contract applying the estimated effective interest. The effective interest rate is the interest rate that provides the instrument's cost as a result in conjunction with current value calculation of future cash flows.

### Net recognition of financial assets and liabilities

Financial assets and liabilities are offset and recognised in a net amount in the balance sheet when there is a legal right to offset and when it is intended to settle the items with a net amount or to simultaneously realise the asset and settle the liability.

### Accounts receivable

Accounts receivable are categorised as "Loan receivables and accounts receivable," which entails recognition at amortised cost. The expected duration of accounts receivable is short, which is why the value is recognised at a nominal amount without discounting with deductions for any impairment. Doubtful accounts receivable are assessed individually and any impairment is recognised in operating expenses.

### Cash and cash equivalents

Cash and cash equivalents recognised in the balance sheets and cash flow statements include cash and bank balances as well as other current investments with a due date within three months of

the acquisition date. Cash and cash equivalents are categorised as "Loan receivables and accounts receivable," which entails that recognition takes place at amortised cost. Because bank balances are payable on demand, the amortised cost is equivalent to the nominal amount.

### Accounts payable

Accounts payable are categorised as "Other financial liabilities", which entails recognition at amortised cost. Accounts payable are expected to have a short duration, which is why the liability is recognised at a nominal amount without discounting.

### Other liabilities

Liabilities to credit institutions, overdraft facilities and other liabilities are categorised as "Other financial liabilities" and measured at amortised cost. For liabilities in foreign currencies recognised in accordance with the method for hedging of net investments, the exchange rate gains and exchange rate losses are recognised under equity.

### Provisions

When a formal or informal commitment exists as a result of an event that has occurred and it is possible that resources will be required to fulfill the commitment and a reliable estimate can be made of the amount required, then such a commitment is recognised as a provision if the amount and settlement date are uncertain.

### Income tax

The Group's tax expense and tax income are recognised as current tax, changes in deferred tax as well as tax on 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 originating from previous tax assessments.

#### Deferred tax

Deferred tax is calculated on the basis of the taxable and tax-deductible temporary differences between the carrying amount and taxable values of assets and liabilities. The deferred tax as assets set relating to loss carry-forwards have only been taken into account to the extent that it is probable that the loss carry-forwards can be deducted from the taxable profit in the future.

### Leasing

The Group does not have any significant financial leases. 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 recognised as operational leases. The costs are recognised straight-line in the income statement over the rental period.

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### Employee remuneration

Employee remuneration is recognised in the form of earned and paid salaries plus bonuses earned. Full remuneration is paid for various commitments such as unutilised holiday entitlement and social security contributions.

#### Pensions

For pensions, Semcon recognises remuneration to employees according to IAS 19. According to IFRS, pensions are to be divided between defined contribution and defined benefit pensions. Defined contribution plans are defined as plans under which the company pays a fixed amount to a third party and the company has no further obligations once payment has been made. Such plans are recognised as a cost when the premium is paid. Other plans include defined benefit plans under which the obligation remains within the Group. 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 10, this is a defined benefit multi-employer plan. As in previous years, the company has not had access to information to enable it to recognise this plan as a defined benefit plan, which means that the ITP pension plans safeguarded via insurance with Alecta are therefore recognised as defined contribution plans.

#### Redundancy pay

Redundancy pay is paid when employment ceases before reaching retirement age, or when an employee voluntarily terminates employment in return for redundancy pay. The Group reports redundancy pay when it is clear that it is either a case of termination of employment in accordance with a detailed formal plan that is irrevocable 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 material.

#### Bonus

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 obligation.

#### Share-based remuneration

The Group has two share-based remuneration schemes (share savings schemes) according to which the company receives services from employees as payment for the shares. According to IFRS 2, salary costs should be recognised relating to the share savings scheme with an equivalent increase of the share capital. Costs are estimated on the basis of the number of shares expected to be issued by the end of the vesting period, conditional to an expected employee turnover rate being taken into consideration. The fair value of the shares has been based

on the share price prevailing on the date the employee invested in the shares.

The total cost is recognised apportioned over the vesting period, which is the period during which the vesting conditions must be met. At the end of each reporting period, the Group re-evaluates its estimations of how many shares are expected to be vested. Any deviation from the original estimates that the re-evaluation gives rise to is recognised in the income statement and equivalent adjustments are made to shareholders' equity. When shares are issued, social security contributions must be paid on the value of the benefit for the employee. This value is generally based on the market value on the issue date. During the vesting period, a provision is made for these expected social security contributions, and costs are treated as cash-regulated share-based remuneration.

### Accounting policies of the Parent Company

The Parent Company has prepared its Annual Report in accordance with the Annual Accounts Act and RFR 2 Accounting for Legal Entities.

#### Changes to accounting policies

The changes in RFR 2 Accounting for Legal Entities, which came into force in the 2017 financial year, did not have any significant effect on the Parent Company's financial statements.

#### Changes to RFR 2 that have yet to come into force

Group management does not expect changes to RFR 2 that have yet to come into force to have any significant effect on the Parent Company's financial statements when they are applied for the first time.

The differences between the Group and Parent Company's accounting policies appear below.

### Group companies

Participations in Group companies are recognised at cost in the Parent Company's financial statements. Dividends are recognised as income insofar as they refer to profits generated after the acquisition. Dividends in excess of these profits are considered as repayment of investments and thereby reduce the carrying amount of participations in 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 guarantee contracts for the benefit of Group and associated companies. In these cases, the rules in IAS 37 are applied, meaning that financial guarantee contracts must be recognised as a provision 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 settle the commitment. It must also be possible to reliably estimate the value of the commitment.

**Tax**

In the Parent Company, untaxed reserves are recognised including deferred tax liabilities, unlike the consolidated accounts where untaxed reserves are divided into deferred tax liabilities and shareholders' equity.

**Group contributions**

The company recognises Group contributions paid and Group contributions received in the income statement under appropriations.

**NOTE 4****Financial risks****Financing risks**

Financing risks are risks associated with financing the Group's capital requirements and refinancing of outstanding loans being made more difficult or more expensive. Credit agreements consist of an overdraft facility of SEK 150 million [152] and a revolving credit facility of EUR 22.8 million [22.8], which falls due on 13 October 2018. The revolving credit facility is conditional on the customary covenants being fulfilled in the form of debt/equity ratio, interest coverage ratio and net borrowings (excluding pensions) in relation to the operating profit/loss before depreciation/amortisation. All loan conditions were met with ample headroom as of 31 December.

**Interest rate risks**

Interest risks are the risks associated with effects on earnings and cash flow in case of long-term changes to the market rates. However, earnings sensitivity can be limited in the short term through the selected interest maturity structure. The Group's average fixed interest rate term on loans is not to exceed two years. At year-end, the Group had no interest-bearing loans.

**Liquidity risks**

Liquidity risks are the risks associated with not having access to cash and cash equivalents or unutilised credit facilities to fulfil payment commitments. At year-end, the Group's cash and cash equivalents amounted to SEK 81 million [88]. In addition, the Group has a unutilised overdraft facility of SEK 375 million [240]. Liquidity in the Group will be placed in cash pools. Cash pools enable Semcon to carry out centralised 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 commitments**

Group, mSEK	Up to 3 months	3-12 months	Over 12 months
Liabilities to credit institutions	-	-	-
Accounts payable	51.6	-	-

**Currency risks**

Semcon's accounting is conducted in SEK, but the Group has operations in a number of countries around the world. This means that the Group is exposed to currency risks. The majority of the exchange rate differences comprises translation differences that arise when foreign companies' income statements are translated to SEK. Currency exposure mainly relates to GBP. A change in GBP against the SEK of +/- 10 per cent would affect profit before tax by about SEK 2 million and profit after tax and shareholders' equity by about SEK 1 million.

**Transaction exposure**

Semcon has export income and expenses in a number of currencies, meaning the Group is exposed to currency fluctuations. This currency risk, referred to as transaction exposure, is currently limited.

**Translation exposure (net investments)**

The foreign subsidiaries' net assets constitute an investment in foreign currency that, upon consolidation, give rise to a translation difference. To limit the negative effects of the translation differences on the Group's shareholders' equity, hedging sometimes takes place through loans or forward agreements in the equivalent foreign currency.

**Translation exposure (income statement)**

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

**Credit risks***Customer credit risk*

Financial assets mainly consist of accounts receivable and accrued non-invoiced income. The creditworthiness of these items that have neither fallen due for payment nor require impairment have been assessed according to external credit ratings (if available) or on the basis of the customer's payment history. All new customers are checked with respect to their creditworthiness, and existing customers are continuously monitored. The Group's accounts receivable largely consist of receivables from

large international companies whose financial position is considered solid. For certain customers, a separate bad debt insurance policy has been signed under which the excess component is 10 per cent. Of the Group's total accounts receivable, the majority relates to accounts receivable not due for payment. The vast majority of the due and non-reserved accounts receivable have a very short maturity date. The joint credit risk is considered small. The maximum credit exposure corresponds to the assets' carrying amount. The maturity structure of accounts receivable is presented in Note 18 on page 69.

### **Cash and cash equivalents**

Cash and cash equivalents comprise bank balances at primarily all the major European banks and the assets are not considered to pose any risk. The maximum credit exposure corresponds to the assets' carrying amount.

### **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 value for other stakeholders, and maintain an optimal capital structure to keep capital costs down. One of Semcon's financial targets 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 2017, the equity/assets ratio was 61.2 per cent [44.5]. To maintain or adjust the capital structure, the Group can change the dividend paid to shareholders, buy back shares, repay capital to shareholders, issue new shares, or sell assets to reduce liabilities. Borrowing is restricted by financial covenants in the loan agreements with banks, which is described in more detail in the section on financing risks.

### **Estimating the fair value**

For accounts receivable, accounts payable and other non-interest-bearing receivables and liabilities, which are recognised at amortised cost with deductions for possible impairment, the fair value is judged to correspond to the carrying amount.

The Group's borrowing mainly has a short fixed-interest term. The fair value is therefore judged to correspond to the carrying amount.

The fair value of currency forward agreements is set by using currency forward rates on the balance sheet date, where the resulting value is discounted to the present value. The fair value of these contracts amounts to SEK - million [3.9].

There are no other financial liabilities that are measured at fair value through profit or loss or any financial assets that can be sold.

## NOTE 5

### **Critical estimations and assessments**

When compiling the Annual Report in accordance with IFRS and generally accepted accounting principles, the Group has made estimations and assessments about the future, which affect the carrying amounts of the assets and liabilities. These estimations and assessments are reviewed on an ongoing basis and are based on historical experience and other factors considered reasonable under the prevailing conditions. In the event it is not possible to establish the carrying amounts of assets and liabilities using information from other sources, these estimations and assessments form the basis of the valuation. Using other estimations and assessments, the result may differ and the actual result will, by definition, rarely be equivalent to the actual result. The estimations and assessments that have the greatest influence over Semcon's results and financial position are detailed below.

#### **Impairment testing of goodwill**

Every year, the Group tests goodwill for impairment in accordance with the accounting policy presented in Note 3 on page 52. The test requires estimating the parameters that affect the future cash flow and establishing a discount rate. The recoverable amount of the cash-generating units has thereafter been set using an estimate of the value in use.

An account of the significant assumptions made is presented in Note 14 on page 65. As of 31 December 2017, the carrying amount of consolidated goodwill in continuing operations was SEK 274.7 million.

#### **Valuation of projects**

The valuation of projects is based on estimates of the results of projects in progress. Some projects extend over a long period of time, which is why it cannot be ruled out that the results of projects in progress may have an effect on the Group's results and financial position.

#### **Assessment of loss carry-forwards**

The recognised deferred tax assets in the Group concerning loss carry-forwards amounted to SEK 2.8 million on 31 December 2017. The carrying amount of these tax assets was tested on the balance sheet date and it is judged likely that the tax relief can be used against future taxable profit. In addition, there are loss carry-forwards of SEK 45.4 million for which no deferred tax asset has been recognised due to uncertainty as to when sufficient taxable profit will be recognised in the future. The loss carry-forwards refer primarily to Norway where loss carry-forwards can be utilised for an unlimited period. Changes to assumptions regarding

forecast future taxable profit might result in differences in measurements of deferred tax assets. If the future taxable profit in Norway deviates by SEK

10.0 million from management's estimate, then the deferred tax asset would increase or decrease by SEK 2.3 million.

## NOTE 6

### Segment reporting

The Group's two business areas, Engineering Services and Product Information, made up the Group's reportable operating segments in 2017. Engineering Services provides engineering services aimed at the energy, automotive, telecom, industrial and life science sectors. Product Information provides complete information solutions, mainly focusing on customers' aftermarket business. These two segments are the highest level at which management and the Board carries out follow-ups. The chief operating decision maker in the Group is the CEO, who runs the operation together with the other members of Group management. Engineering Services generates income mainly from engineering services for designing, developing products and production, while Product Information mainly generates its income by developing product information for entire product lifecycles. No other information concerning income divided between services is provided as this does not form part of the financial reporting,

and the cost of producing the information is not justifiable.

The segments' accounting policies adhere to the same policies as those applied in the preparation of the consolidated financial statements, which are presented in Note 3 on page 53.

The Group recognises sales between the operating segments at current market prices.

Group management follows up the segments' results on the basis of operating profit. Financial items are not allocated among segments given that these are affected by measures taken by the central finance function. Neither are taxes allocated among the operating segments. The operating segments' assets and liabilities include directly attributable items together with such items that can be reliably allocated to the respective segment. The Group's long-term borrowing is not considered a liability among the segments, and is instead attributable to the finance function.

mSEK	Engineering Services		Product Information		Non-allocated items		Group total	
	2017	2016	2017	2016	2017	2016	2017	2016
<b>Income</b>	<b>1,313.6</b>	<b>1,306.7</b>	<b>453.4</b>	<b>489.8</b>	<b>-4.6</b>	<b>-40.6</b>	<b>1,762.4</b>	<b>1,755.9</b>
<b>Operating profit/loss</b>	<b>70.4</b>	<b>65.6</b>	<b>40.8</b>	<b>49.2</b>	<b>-16.0</b>	<b>-19.7</b>	<b>95.2</b>	<b>95.1</b>
Net financial items	-	-	-	-	-0.6	-0.2	-0.6	-0.2
<b>Profit/loss before tax</b>	<b>70.4</b>	<b>65.6</b>	<b>40.8</b>	<b>49.2</b>	<b>-16.6</b>	<b>-19.9</b>	<b>94.6</b>	<b>94.9</b>
<b>Other disclosures</b>								
Operating assets	605.2	579.6	171.0	152.0	-	-	776.2	731.6
Non-allocated assets	-	-	-	-	133.9	77.9	133.9	77.9
Discontinuing operations	-	-	-	-	-	379.9	-	379.9
<b>Total assets</b>	<b>605.2</b>	<b>579.6</b>	<b>171.0</b>	<b>152.0</b>	<b>133.9</b>	<b>457.8</b>	<b>910.1</b>	<b>1,189.4</b>
Operational liabilities	210.8	203.1	56.3	53.0	-	-	267.1	256.1
Non-allocated liabilities	-	-	-	-	86.4	223.9	86.4	223.9
Discontinuing operations	-	-	-	-	-	180.0	-	180.0
Consolidated liabilities	210.8	203.1	56.3	53.0	86.4	403.9	353.5	660.0
Shareholders' equity	-	-	-	-	556.6	529.4	556.6	529.4
<b>Total shareholders' equity and liabilities</b>	<b>210.8</b>	<b>203.1</b>	<b>56.3</b>	<b>53.0</b>	<b>643.0</b>	<b>933.3</b>	<b>910.1</b>	<b>1,189.4</b>
Investments	3.5	2.4	2.7	20.6	3.2	11.0	9.4	34.0
- of which discontinuing operations	-	-	-	-	1.2	9.9	1.2	9.9
Depreciation/amortisation	3.2	4.0	3.4	3.5	4.4	4.2	11.0	11.7

Geographic location	Sales according to customers' geographic location		Intangible assets and tangible assets		Investments	
	2017	2016	2017	2016	2017	2016
Sweden	1,350.0	1,338.5	296.6	289.6	3.6	1.7
UK	155.1	205.7	16.1	17.6	1.1	19.7
Other	257.3	211.7	6.2	15.2	4.7	12.6
<b>Total</b>	<b>1,762.4</b>	<b>1,755.9</b>	<b>318.9</b>	<b>322.4</b>	<b>9.4</b>	<b>34.0</b>

The Group has a single customer that accounted for income of more than 10 per cent of consolidated sales. Income from this customer amounted to SEK 211.1 million [202.3], which is equivalent to 12.0 per cent [11.6] of sales.

## NOTE 7

### Net sales

Of net sales, income from services accounted for 94.6 per cent [94.2]. Other sales comprise licenses, sales of computers, project computers, training income and sales of materials and goods in projects. The Parent Company's sales attributable to Group companies amounted to SEK 19.3 million [26.1] and purchases amounted to SEK - million [0.2].

## NOTE 8

### Remuneration to auditors

mSEK	Group		Parent Company	
	2017	2016	2017	2016
<b>Ernst &amp; Young</b>				
Auditing assignment	1.3	1.5*	0.4	0.4*
Services in addition to auditing assignment	-	0.1*	-	0.1*
Tax consultancy	-	-	-	-
Other services	0.1	-	-	-
<b>Total</b>	<b>1.4</b>	<b>1.6</b>	<b>0.4</b>	<b>0.5</b>
<b>Other auditors</b>				
Auditing assignments	-	0.1	-	-
<b>Total</b>	<b>-</b>	<b>0.1</b>	<b>-</b>	<b>-</b>
<b>Total remuneration to auditors</b>	<b>1.4</b>	<b>1.7</b>	<b>0.4</b>	<b>0.5</b>

\* Amount in 2016 relates to Deloitte AB.

## NOTE 9

## Employees

Group	2017		2016			
	Average number of employees	of whom women, %	Average number of employees	of whom women, %		
Sweden	1,256	29	1,251	30		
Brazil	191	23	193	20		
Hungary	176	37	149	33		
India	121	15	119	13		
The UK	108	20	108	20		
Norway	58	14	69	13		
China	51	70	49	67		
Germany	22	49	18	52		
<b>Group total</b>	<b>1,982</b>	<b>29</b>	<b>1,956</b>	<b>29</b>		
<b>Parent Company</b>						
Sweden	12	33	13	31		
<b>Parent Company total</b>	<b>12</b>	<b>33</b>	<b>13</b>	<b>31</b>		
mSEK	2017			2016		
	Total salaries and other remuneration	Social security expenses	Of which pension costs	Total salaries and other remuneration	Social security expenses	Of which pension costs
<b>Salaries, remuneration and social security expenses</b>						
Parent Company	18.7	12.7	7.0	17.6	11.8	4.8
Subsidiaries	796.6	303.5	68.0	775.6	306.6	69.4
<b>Group total</b>	<b>815.3</b>	<b>316.2</b>	<b>75.0</b>	<b>793.2</b>	<b>318.4</b>	<b>74.2</b>
mSEK	2017			2016		
	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	3.5	0.2	1.2	3.8	0.7	1.3
CEOs of subsidiaries	3.1	0.1	0.2	-	-	-
Board	1.7	-	-	1.6	-	-
Other senior executives	8.3	0.3	2.3	9.2	1.3	2.6

**Remuneration to the CEO.** According to the terms of the CEO's employment contract, the period of notice is 12 months if termination of employment is initiated by Semcon. If the CEO resigns, the period of notice is six months. A bonus may be paid in accordance with the rules established by the Board, which has been set at a maximum of six times the fixed monthly salary. The contract also includes a non-competition clause, which limits the CEO from pursuing 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. Remuneration to the CEOs of subsidiaries does not include remuneration to CEOs who are members of the group "other senior executives." Benefits concerning company cars amounted to TSEK 74 [74] for the CEO. Furthermore, costs for share-based remuneration impacted profit for the year in the amount of TSEK 119 [39] relating to the CEO.

**Board of Directors.** Of the fees to the Board of Directors in 2017, the Chairman of the Board received TSEK 600 [550]. Other Board members elected by the Annual General Meeting each received TSEK 280 [265]. Board fees totalled TSEK 1,720 [1,610].

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**Other senior executives.** Other senior executives, five individuals [five], refers to Semcon's Group management [not including the company's CEO]. Other senior executives are entitled to bonuses based on how well they meet their respective business targets. The upper limit for bonuses has been set at six times the fixed monthly salary. The period of notice given to other senior executives is a maximum of 12 months. In addition, an executive may receive redundancy pay equivalent to six months of salary according to which remuneration from other employment is to be deducted. 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. Benefits concerning company cars amounted to TSEK 327 [332] for senior executives. Furthermore, costs for share-based remuneration impacted profit for the year in the amount of TSEK 164 [76] relating to senior executives.

**Gender distribution among senior executives.** Two of Semcon's five Board members elected by the Annual General Meeting are women. In 2017, Group management consisted of six individuals, of whom two are women.

**Pension obligations.** Commitments for defined benefit old-age pensions and family pensions [alternative family pension] under the ITP 2 plan for salaried employees in Sweden are covered through insurance with Alecta. According to a statement from the Swedish Financial Reporting Board UFR 10, Recognition of ITP 2 pension plan financed through insurance with Alecta, this is a multi-employer defined benefit plan. For the 2017 financial year, the company has not had access to the requisite information to allow reporting of its proportional share of the plan's obligations, plan assets and costs, which means that it was not possible to report the plan as a defined-benefit plan. Accordingly, the ITP 2 pension plan that is secured through insurance with Alecta is recognised as a defined contribution plan.

Expenses during the year for ITP 2 pension insurance policies signed with Alecta amounted to SEK 26.1 million [27.6]. Premiums for the defined benefit old-age pensions and family pensions are calculated on an individual basis and are influenced by items including salary, previously earned pension entitlements and remaining period of 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. One possible measure with a low consolidation level is to raise the contractual price for new subscriptions and expansion of existing benefits. One possible measure with a high consolidation level is to lower premiums. At year-end 2017, Alecta's surplus in the form of the collective consolidation level was 154 per cent [149].

**Share-based remuneration.** Semcon has two long-term performance-based share savings schemes for senior executives and key employees in the Semcon Group ("Performance-based share savings scheme 2015" and "Performance-based share savings scheme 2017"). To be able to take part in the schemes, participants must invest in shares. Employees who participate in the schemes can save an amount equivalent to 10 per cent of their fixed gross salary to purchase ordinary shares on Nasdaq Stockholm over a 12-month period from the date the schemes were implemented. If the shares purchased by the employee are retained for three years from the date of the investment and the individual was employed within the Semcon Group throughout the three-year period, then the employee will receive the same amount of ordinary shares ("matching shares") from the Semcon Group and, as long as performance requirements have been met, then a further one to four performance shares will be issued. For performance matching to occur, the annual average percentage increase in Semcon's earnings per share must meet certain targets. Refer to the table below for the respective schemes.

mSEK

Performance-based share savings scheme for the year	2017	2015
Basic value, earnings per share, SEK	3.75	4.16
Target for average increase in earnings per share, %	5-20	5-15
Number of participants on the balance sheet date	21	39
Allocation of matching shares, number	1	1
Allocation of performance shares, number	2-4	1-4
Maximum number of matching shares	49,981	37,344
Maximum number of performance shares	150,019	-
Maximum number of shares in total	200,000	37,344
Maximum dilution of earnings per share, %	1.1	0.2
Expensed amount during the year, mSEK	0.3	0.4
Savings period	July 2017–June 2018	July 2015–June 2016
End date	June 2021	June 2019

## NOTE 10

**Interest income and similar items**

<b>Group</b>	<b>mSEK</b>	<b>2017</b>	<b>2016</b>
Interest income		1.7	2.3
Exchange rate differences		-	0.6
Other financial income		-	0.5
<b>Total</b>		<b>1.7</b>	<b>3.4</b>
<hr/>			
<b>Parent Company</b>	<b>mSEK</b>	<b>2017</b>	<b>2016</b>
Interest income		6.4	4.5
Dividend received		122.0	-
Exchange rate differences		7.3	-
<b>Total</b>		<b>135.7</b>	<b>4.5</b>

## NOTE 11

**Interest expenses and similar items**

<b>Group</b>	<b>mSEK</b>	<b>2017</b>	<b>2016</b>
Interest expenses		-0.8	-3.6
Exchange rate differences		-0.3	-
Other financial expenses		-1.2	-
<b>Total</b>		<b>-2.3</b>	<b>-3.6</b>
<hr/>			
<b>Parent Company</b>	<b>mSEK</b>	<b>2017</b>	<b>2016</b>
Interest expenses		-0.4	-1.3
Exchange rate differences		-	-14.9
Impairment		-30.0	-
Other financial expenses		-1.1	-1.5
<b>Total</b>		<b>-31.5</b>	<b>-17.7</b>

## NOTE 12

**Tax**

<b>Group</b>	<b>mSEK</b>	<b>2017</b>	<b>2016</b>
Current tax		16.2	12.5
Tax concerning previous tax years		-2.4	0.8
Deferred tax expense attributable to temporary differences		7.7	18.4
Deferred tax income attributable to temporary differences		0.7	-4.8
<b>Total</b>		<b>22.2</b>	<b>26.9</b>
<hr/>			
<b>Parent Company</b>	<b>mSEK</b>	<b>2017</b>	<b>2016</b>
Current tax		-	3.4
Deferred tax expense attributable to temporary differences		0.2	0.2
<b>Total</b>		<b>0.2</b>	<b>3.6</b>

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### Differences between the Group's recognised tax and tax expense based on current tax rate

Recognised profit before tax	94.6	94.9
Tax according to current tax rate in Sweden, 22.0% [22.0]	20.8	20.9
<b>Tax effect of:</b>		
Non-deductible expenses	1.2	2.4
Non-taxable income	-0.6	-0.4
Adjustments for previous tax years	-2.4	0.9
Effects of other tax rates abroad	1.3	0.8
Loss carry-forwards not measured in the financial statements	2.0	2.2
Other	-0.1	0.1
<b>Tax for the year</b>	<b>22.2</b>	<b>26.9</b>

### Differences between the Parent Company's recognised tax and tax expense based on current tax rate

Recognised profit before tax	90.6	14.0
Tax according to current tax rate in Sweden, 22.0% [22.0]	19.9	3.1
<b>Tax effect of:</b>		
Non-deductible expenses	7.5	0.6
Non-taxable income	-27.2	-0.1
<b>Tax for the year</b>	<b>0.2</b>	<b>3.6</b>

Temporary differences arise in the event of differences between the carrying amounts and taxable values of assets and liabilities.

### The Group's temporary differences have resulted in deferred tax assets and deferred tax liabilities for the following items

	2017	2016
<b>Deferred tax assets</b>		
Loss carry-forwards	2.8	3.1
Temporary differences for inventories	-	0.2
Temporary differences for account receivable	0.1	0.1
Temporary differences for pension obligations	0.7	1.0
Other	0.2	0.1
Netting against deferred tax liabilities	-0.6	-0.3
<b>Total</b>	<b>3.2</b>	<b>4.2</b>
<b>Deferred tax liabilities</b>		
Untaxed reserves	8.4	5.8
Temporary differences, accrued non-invoiced income	27.8	22.5
Equity hedge loan	-	0.7
Goodwill	6.4	5.5
Other	2.9	2.6
Netting against deferred tax assets	-0.6	-0.3
<b>Total</b>	<b>44.9</b>	<b>36.8</b>

The taxable loss carry-forward is SEK 57.7 million [60.5]. Of this, SEK 2.0 million [8.9] falls due within five years, SEK - million [2.1] after five years and for the remaining 55.7 million [49.5] there is no maturity date. For SEK 45.4 million [47.8] of the taxable loss carry-forward, no deferred tax asset has been recognised due to uncertainty as to when sufficient taxable profit will be recognised in the future. A deferred tax asset relating to loss carry-forwards was recognised in the amount of SEK 2.8 million [3.1] as it is judged likely that taxable profit will be available in the future, against which this loss carry-forward can be offset.

## NOTE 13

**Earnings per share**

Group	2017		2016	
	Before dilution	After dilution	Before dilution	After dilution
Profit/loss attributable to Parent Company's shareholders, mSEK	72.5	72.5	-48.3	-48.3
Weighted average number of shares during the year, [000]	17,867	18,113	17,870	18,113
<b>Earnings/loss per share, SEK</b>	<b>4.06</b>	<b>4.00</b>	<b>-2.70</b>	<b>-2.67</b>
<b>Of which continuing operations</b>				
Profit attributable to Parent Company's shareholders, mSEK	72.4	72.4	68.0	68.0
Weighted average number of shares during the year, [000]	17,867	18,113	17,870	18,113
<b>Earnings per share, SEK</b>	<b>4.05</b>	<b>4.00</b>	<b>3.81</b>	<b>3.75</b>

**Before dilution**

Earnings per share before dilution are calculated by dividing profit/loss attributable to the Parent Company's shareholders by a weighted average number of outstanding ordinary shares during the period excluding shares held as own shares by the Parent Company, see Note 21 on page 70.

**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 14

**Intangible assets**

Group	mSEK	2017	2016
<b>Goodwill</b>			
Opening cost		366.6	654.4
Translation differences for the year		-	14.4
Discontinuing operations		-	-302.2
<b>Closing accumulated cost</b>	<b>366.6</b>	<b>366.6</b>	
Opening impairment		-91.9	-188.5
Translation differences for the year		-	-4.7
Impairment of discontinuing operations		-	-66.0
Discontinuing operations		-	167.3
<b>Closing accumulated impairment</b>	<b>-91.9</b>	<b>-91.9</b>	
<b>Closing carrying amount</b>	<b>274.7</b>	<b>274.7</b>	
<b>Specification of goodwill</b>			
Goodwill is distributed across the Group's business areas as follows:			
Engineering Services Nordic		262.3	262.3
Product Information		12.4	12.4
<b>Closing carrying amount</b>	<b>274.7</b>	<b>274.7</b>	

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Testing for goodwill impairment is carried out annually and when there are indications that an impairment requirement exists. Recoverable amounts for each business area [cash-generating units] have been set according to management's calculated value in use. These calculations are based on the budgeted future cash flows for 2018. The budgeted cash flows are based on the current year's results, order intake and management's expectations regarding market development in 2018. For 2019-2023, an assumption has been made that income will rise by 3 per cent annually, while a long-term growth rate of 2 per cent was used for the subsequent period. Sensitivity analyses have been carried out and if the assumed growth or operating margin deteriorates by 1 percentage point, there will be no need for impairment.

Cash flows have been discounted using a weighted cost of capital after tax equivalent to 8 per cent [8]. 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 were to increase by 1 per cent to 9 per cent, the value in use would still be higher than the carrying amount.

Further assumptions used when calculating value in use for 2018:

Exchange rates and share of income	Exchange rates	Share of income per currency	
		Engineering Services	Product Information
SEK	1.00	80%	57%
EUR	9.50	-	14%
GBP	10.75	6%	20%
NOK	1.00	6%	1%
Other		8%	8%
		100%	100%
Average tax rates		23%	19%

The estimated value in use for 2017 exceeded the carrying amounts by a good margin. The same long-term growth rate was used for estimating value in use for 2016. The rates used for 2016 were 23 per cent for Engineering Services and 20 per cent for Product Information. The exchange rates used in 2016 were EUR 9.50 and GBP 11.00.

Group	mSEK	2017	2016
<b>Other intangible assets</b>			
Opening cost		64.9	83.9
Sales/disposals		-0.1	-0.1
Investments		1.7	0.8
Translation differences for the year		-0.9	2.5
Discontinuing operations		-	-22.2
<b>Closing accumulated cost</b>		<b>65.6</b>	<b>64.9</b>
Opening amortisation		-50.2	-65.0
Amortisation for the year		-3.1	-4.7
Sales/disposals		0.1	0.1
Translation differences for the year		0.7	-2.3
Discontinuing operations		-	21.7
<b>Closing accumulated amortisation</b>		<b>-52.5</b>	<b>-50.2</b>
<b>Closing carrying amount</b>		<b>13.1</b>	<b>14.7</b>

Other intangible assets in the Group consist of licenses and computer software. Amortisation occurs straight-line over the useful life.

## NOTE 15

**Tangible assets**

Group	mSEK	2017	2016
<b>Plant and machinery</b>			
Opening cost	49.9	142.3	
Investments	1.5	25.7	
Sales/disposals	-0.3	-8.5	
Reclassification	-0.1	0.6	
Translation differences for the year	-0.2	4.7	
Discontinuing operations	-	-114.9	
<b>Closing accumulated cost</b>	<b>50.8</b>	<b>49.9</b>	
Opening depreciation	-24.8	-111.5	
Sales/disposals	0.3	8.3	
Depreciation for the year	-3.4	-9.7	
Reclassification	-0.3	-0.2	
Translation differences for the year	0.1	-3.9	
Discontinuing operations	-	92.2	
<b>Closing accumulated depreciation</b>	<b>-28.1</b>	<b>-24.8</b>	
<b>Closing carrying amount</b>	<b>22.7</b>	<b>25.1</b>	
<b>Inventory, computers and equipment</b>			
Opening cost	58.3	110.1	
Investments	5.0	7.5	
Sales/disposals	-1.0	-2.0	
Reclassification	1.2	-0.8	
Translation differences for the year	-1.1	3.9	
Discontinuing operations	-	-60.4	
<b>Closing accumulated cost</b>	<b>62.4</b>	<b>58.3</b>	
Opening depreciation	-50.4	-89.9	
Sales/disposals	1.0	1.9	
Depreciation for the year	-4.5	-8.3	
Reclassification	-1.2	0.4	
Translation differences for the year	1.1	-3.0	
Discontinuing operations	-	48.5	
<b>Closing accumulated depreciation</b>	<b>-54.0</b>	<b>-50.4</b>	
<b>Closing carrying amount</b>	<b>8.4</b>	<b>7.9</b>	

## NOTE 16

**Shares in Group companies**

Parent Company	Group company	Capital share, %	Voting rights, %	Carrying amount, mSEK	co.id.no.	Registered office
Semcon AB	Semcon Förvaltnings AB	100	100	58.8	556530-6403	Gothenburg
	Semcon Informatic AB	100	100	17.7	556606-0363	Gothenburg
	Semcon International AB	100	100	15.5	556534-4651	Gothenburg
<b>Total</b>						<b>92.0</b>

The accumulated cost of shares in Group companies amounts to SEK 345.0 million. During the year, a shareholder contribution of SEK 21.9 million was paid and an impairment of SEK 33.0 million was made. A statutory specification of co.id.no. and registered office of all Group companies in the Group can be obtained from Semcon's head office.

## NOTE 17

**Discontinuing operations**

The engineering business in Germany was divested to Valmet Automotive on 28 February 2017. The operation is recognised in this report as a discontinuing operation. Financial information relating to the divested operation for the period up until the date of divestment is presented below.

Group	mSEK	2017	2016
<b>ANALYSIS OF EARNINGS</b>			
Income		111.1	863.2
Costs		-125.8	-837.2
<b>Operating profit/loss before depreciation/amortisation</b>		<b>-14.7</b>	<b>26.0</b>
Depreciation/amortisation		-1.6	-11.0
Impairment		-	-66.0
<b>Operating loss</b>		<b>-16.3</b>	<b>-51.0</b>
Net financial items		-0.2	-3.5
<b>Loss before tax</b>		<b>-16.5</b>	<b>-54.5</b>
Tax		-0.4	-61.8
<b>Net loss from discontinuing operations after tax</b>		<b>-16.9</b>	<b>-116.3</b>
Gain on the divestment of operation after tax		17.0	-
<b>Net profit/loss from discontinuing operation</b>		<b>0.1</b>	<b>-116.3</b>
<b>ANALYSIS OF CASH FLOWS</b>			
Net cash flow from current activities		0.3	-15.2
Net cash flow from investing activities		-1.2	-9.9

Group	mSEK	2017	2016
ASSETS AND LIABILITIES HELD FOR SALE			
<b>Assets held for sale</b>			
Intangible assets, goodwill		-	134.9
Other intangible assets		-	0.5
Tangible assets		-	34.6
Accounts receivable		-	135.2
Other current assets		-	26.8
Cash and cash equivalents		-	47.9
<b>Total assets held for sale</b>		-	<b>379.9</b>
<b>Liabilities held for sale</b>			
Pension obligations		-	79.7
Accounts payable		-	16.7
Invoiced non-accrued income		-	8.0
Other non-interest-bearing current liabilities		-	75.6
<b>Total liabilities held for sale</b>		-	<b>180.0</b>

## NOTE 18

### Accounts receivable

Group	mSEK	2017			2016		
		Gross	Reserve	Carrying amount	Gross	Reserve	Carrying amount
Accounts receivable, not due for payment		316.0	-	316.0	264.9	-	264.9
Due for payment, 1-30 days		19.0	-	19.0	13.4	-	13.4
Due for payment, 31-60 days		1.4	-	1.4	0.8	-0.2	0.6
Due for payment, over 60 days		1.6	-1.0	0.6	1.9	-1.9	-
<b>Total</b>		<b>338.0</b>	<b>-1.0</b>	<b>337.0</b>	<b>281.0</b>	<b>-2.1</b>	<b>278.9</b>

Group	mSEK	2017	2016
<b>Change in provisions for doubtful accounts receivable</b>			
At the start of the year			
		-2.1	-3.6
Provision for expected losses		-1.0	-0.3
Confirmed losses		0.9	0.5
Actual payment of reserved receivables		1.2	0.8
Discontinuing operations		-	0.5
<b>At year-end</b>		<b>-1.0</b>	<b>-2.1</b>

## NOTE 19

**Accrued non-invoiced income and invoiced non-accrued income**

Accrued non-invoiced income is recognised in the consolidated accounts by project at the net value of the invoice in line with the percentage of completion minus invoiced sub-amounts and deductions for possible losses. In 2017, accrued non-invoiced income totaled a net amount of SEK 119.8 million [121.8].

Projects for which the total of the contract costs as of the closing date exceeds progress billings including deductions for possible losses are recognised in the balance sheet as receivables from customers. Projects for which progress billings exceed the total contract costs are recognised as liabilities to customers.

Group	mSEK	2017	2016
<b>Accrued non-invoiced income</b>			
Income/contract costs		237.8	212.4
Progress billings		-97.5	-78.7
<b>Total</b>		<b>140.3</b>	<b>133.7</b>
<b>Invoiced non-accrued income</b>			
Income/contract costs		16.8	56.1
Progress billings		-37.3	-68.0
<b>Total</b>		<b>-20.5</b>	<b>-11.9</b>

## NOTE 20

**Prepaid expenses and accrued income**

Group	mSEK	2017	2016
Accrued income		7.9	3.0
Prepaid expenses		14.7	25.1
<b>Total</b>		<b>22.6</b>	<b>28.1</b>

## NOTE 21

**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 281,719 [242,718].

## NOTE 22

**Borrowings**

<b>Group</b>	<b>mSEK</b>	<b>2017</b>	<b>2016</b>
<b>Borrowings</b>			
Liabilities to credit institutions		–	131.3
<b>Total</b>		–	<b>131.3</b>
<b>Information concerning the currencies of the loans raised</b>			
SEK		–	69.3
EUR		–	81.4
NOK		–	12.2
GBP		–	-31.6
<b>Total</b>		–	<b>131.3</b>
<b>Parent Company</b>			
<b>mSEK</b>		<b>2017</b>	<b>2016</b>
<b>Borrowings</b>			
Liabilities to credit institutions		–	130.5
<b>Total</b>		–	<b>130.5</b>
<b>Information concerning the currencies of the loans raised</b>			
SEK		–	69.3
EUR		–	80.6
NOK		–	12.2
GBP		–	-31.6
<b>Total</b>		–	<b>130.5</b>

## NOTE 23

**Overdraft facilities**

Of the bank overdraft facilities granted to the Group totalling SEK 150.0 million [152.3], SEK – million [83.5] was utilised.  
 The credit facilities are subject to annual renewal.  
 Of the bank overdraft facilities granted to the Parent Company totalling SEK 150.0 million [150.0], SEK – million [83.5] was utilised.

## NOTE 24

**Accrued expenses and deferred income**

<b>Group</b>	<b>mSEK</b>	<b>2017</b>	<b>2016</b>
Staff-related costs		130.7	139.2
Other items		29.7	39.5
<b>Total</b>		<b>160.4</b>	<b>178.7</b>
<b>Parent Company</b>			
<b>mSEK</b>		<b>2017</b>	<b>2016</b>
Staff-related costs		6.8	7.6
Other items		1.9	3.3
<b>Total</b>		<b>8.7</b>	<b>10.9</b>

## NOTE 25

**Contingent liabilities**

Parent Company mSEK	2017	2016
Guarantees provided	1.0	1.0
<b>Total</b>	<b>1.0</b>	<b>1.0</b>

## NOTE 26

**Transactions with related parties****Group**

The JCE Group is Semcon AB's largest shareholder with a shareholding of 25.9 per cent [31 December 2017]. No sales [SEK 2.4 million] were made to companies in the JCE Group, nor were any purchases made. Sales in the preceding year were made at market prices.

**Parent Company**

No transactions occurred between shareholders. For purchases and sales between Group companies, see Note 7 on page 60.

For remuneration to senior executives, see Note 9 on page 61.

## NOTE 27

**Operational leasing**

The Group rents offices at around 30 sites in Sweden, Brazil, the UK, India, China, Norway, Germany and Hungary. All rental contracts have been signed on commercial rates and with normal duration periods. In addition to rental contracts, the Group has a number of leases, mainly for company cars. These leases are subject to commercial terms and conditions and have a remaining contract term of one to three years.

Group	mSEK	2017			2016		
		Rent for premises	Other	Total	Rent for premises	Other	Total
Within 1 year		38.8	7.7	46.5	39.9	6.7	46.6
Between 1 and 5 years		132.1	6.6	138.7	128.2	5.6	133.8
More than 5 years		21.8	-	21.8	68.1	-	68.1
<b>Future minimum leasing charges</b>		<b>192.7</b>	<b>14.3</b>	<b>207.0</b>	<b>236.2</b>	<b>12.3</b>	<b>248.5</b>
Minimum leasing charges for the year		43.7	5.7	49.3	44.1	6.0	50.1
Parent Company	mSEK						
Within 1 year		-	0.6	0.6	-	0.6	0.6
Between 1 and 5 years		-	0.4	0.4	-	0.3	0.3
More than 5 years		-	-	-	-	-	-
<b>Future minimum leasing charges</b>		<b>-</b>	<b>1.0</b>	<b>1.0</b>	<b>-</b>	<b>0.9</b>	<b>0.9</b>
Minimum leasing charges for the year		-	0.5	0.5	-	0.2	0.2

## NOTE 28

**Events after balance sheet date**

Daniel Rundgren was appointed as the new Business Area President of Engineering Services. Daniel is joining Semcon from the IT company EVRY and will start as Business Area President not later than August. No other significant events occurred after the end of the year.

The Board and CEO give assurance that the consolidated accounts have been prepared 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 prepared 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 gives a fair overview of the development of the Group's and Parent Company's business, position and results and describes significant risks and uncertainties that the Parent Company and the Group companies face.

Gothenburg, 20 March 2018

Markus Granlund  
CEO

Tore Bertilsson  
Chairman of the Board

Marianne Brismar  
Board member

Jan Erik Karlsson  
Board member

Jeanette Saveros  
Board member

Karl Thedéen  
Board member

Christer Eriksson  
Employee representative

Monique Pehrsson  
Employee representative

Mats Sällberg  
Employee representative

Our audit report was issued on 21 March 2018  
Ernst & Young AB

Staffan Landén  
Authorised Public Accountant

Nina Bergman  
Authorised Public Accountant

# AUDITOR'S REPORT.

To the general meeting of the shareholders of Semcon AB [publ], corporate identity number 556539-9549.

## Report on the annual accounts and consolidated accounts

### Opinions

We have audited the annual accounts and consolidated accounts of Semcon AB [publ] for the year 2017. The annual accounts and consolidated accounts of the company are included on pages 34-73 in this document.

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 2017 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. 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 2017 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards [IFRS], 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 general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation [537/2014] Article 11.

### Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing [ISA] and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation [537/2014] Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

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

### Other Disclosures

The audit of the annual report for the year 2016 has been performed by a different auditor who has issued an auditor's report dated 21 March 2017 with unqualified opinions in the "Report on the annual accounts".

### Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

### Valuation of goodwill

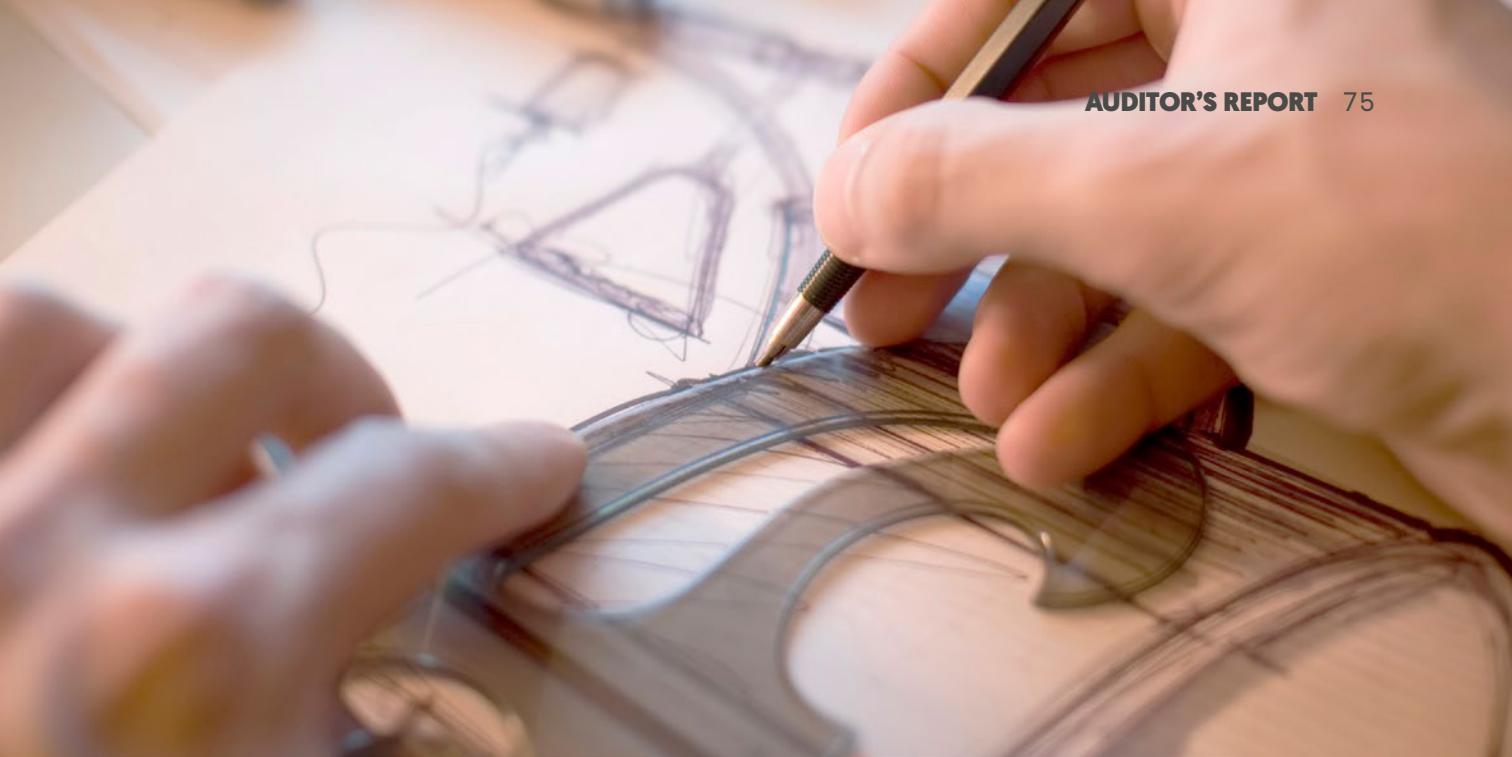
#### Description

Goodwill amounts to MSEK 274.7 for the year ended December 31, 2017, equal to 30 percent of total assets for the company. The company prepares an impairment test yearly and if any indication of impairment, that the book value not exceeds the fair value. Fair value amount is calculated for each cash generating unit based on discounted future cash flows. Future cash flows are based on budget for 2018 and a growth rate of 3 % for the years 2019-2022 and subsequent cash flow for the terminal period. The calculations also includes also a number of assumptions as result, growth rate, capital expenditures and discount rate.

A change in assumptions can lead to a significant impact of the fair value and therefore the assumptions used have significant impact on the fair value calculation. Therefore, we have assessed valuation of goodwill to be a key audit matter. The impairment test procedures performed by the company is presented in note 5 "Critical estimations and assessments" and in note 14 "Intangible assets".

#### How our audit addressed this key audit matter

In our audit, we have assessed and tested the company's impairment test, including assessment of the accuracy of prior year's forecasts and assumptions.



We have compared with other companies to assess the reasonableness of estimated cash flow and growth rates, and by using EY valuation experts we have tested used discount rate and growth rates.

We have also tested the company's impairment model and method to prepare the impairment test and sensitivity analysis. We have also audited the accuracy of the related disclosures.

#### **Accounting for and valuation of projects**

##### **Description**

Total revenues for the year 2017 amounts to MSEK 1 762.4 and 95 % of the revenue is generated from the company's projects that are run at current account or fixed prices. Revenue from projects on current accounts is recognized in line with work being carried out and revenue from fixed-price projects is recognized in accordance with the percentage of completion method. The percentage of completion is assessed on the basis of costs incurred for work performed in relation to the projects estimated total costs.

Accrued non-invoiced income and invoiced non-accrued income amounts to MSEK 140.2 and 20.5 MSEK for the year ended December 31, 2017.

Revenue recognition and valuation of projects is based on a several estimates and assumptions such as degree of completion, estimating remaining costs, profit margin and possible loss risk.

Incorrect estimates and assumptions may have a significant impact on the company's result and financial position.

For further information, refer to the company's accounting principle for revenues and projects on page 54, note 5 "Critical estimations and assessments" on page 58 and note 19 "Accrued non-invoiced income and invoiced non-accrued income" on page 70.

**How our audit addressed this key audit matter**  
In our audit, we have reviewed and assessed Semcon's procedures for contract management and

project accounting to ensure that the procedures are consistently applied and that the follow-up of projects is performed continuously.

We have identified and tested key controls in the project process to be able to rely on the company's controls in our audit.

We have reviewed a selection of significant projects in all business areas and discussed them with responsible project controllers. We have tested the samples against underlying data such as time sheets, contracts and suppliers invoices.

We have analyzed the profitability and the degree of completion assumption in a selection of projects to ensure that the assumptions regarding degree of completion and loss risk in the projects is reasonable.

We have also audited the appropriateness of the related disclosures.

#### **Other information than the annual accounts and consolidated accounts**

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-33 and 78-91. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material

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misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they 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.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Board of Directors, which constitutes the Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

### Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

\* Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may

involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- \* Obtain an understanding of the company's internal control relevant to our audit 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.
- \* Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- \* Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- \* Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- \* Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the

most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

## Report on other legal and regulatory requirements

### Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Semcon AB [publ] for the year 2017 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders 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.

### Basis for opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

### 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. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organisation and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organisation is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

### Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- \* has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- \* in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

Ernst & Young AB, with Staffan Landén as auditor in charge, was appointed auditor of Semcon AB by the general meeting of the shareholders on the 26 April 2017. This is the first year Ernst & Young AB are auditors of the company.

Gothenburg 21 March, 2018  
Ernst & Young AB

Staffan Landén  
Authorized Public  
Accountant

Nina Bergman  
Authorized Public  
Accountant

## DEFINITIONS.

### **Return on shareholders' equity**

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

### **Return on capital employed**

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

### **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.

### **Shareholders' equity per share after dilution**

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

### **Cash flow per share**

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

### **Net debt**

Interest-bearing provisions and liabilities with deductions for cash and cash equivalents and interest-bearing receivables.

### **Organic growth**

Year-on-year increase in income adjusted for currency effects, acquisitions and divestments.

### **P/E ratio**

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

### **P/S ratio**

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

### **Earnings per share [EPS] before dilution**

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

### **Earnings per share [EPS] after dilution**

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

### **Operating margin**

Operating profit as a percentage of operating income.

### **Operating margin before depreciation**

Operating profit before depreciation/amortisation as a percentage of operating income.

### **Operating profit before depreciation**

Operating profit plus amortisation of intangible assets and depreciation of tangible assets.

### **Debt/equity ratio**

Net debt divided by shareholders' equity.

### **Equity/assets ratio**

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

### **Capital employed**

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

### **Profit margin**

Profit before tax as a percentage of operating income.



## GLOSSARY.

**Front office/back office [FOBO model]**

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

**Managed services**

Semcon assumes overall responsibility for a defined function designed to provide products and services.

**Internet of things [IoT]**

Collective term for how connected products and services integrate, which, for example, enables new cloud services.

**Life science**

Collective name for the pharmaceutical, med-tech and bio-tech industries.

**Solution based**

Semcon assumes comprehensive responsibility for parts of or a complete project.

**Original Equipment Manufacturer [OEM]**

Manufacturer of complete products intended for end users.

**Production development**

Development of equipment, tools and processes to produce a product.

**Product development cycle**

The cycle from idea to end product.

**Semcon Project Model [SPM]**

Semcon's project methodology, built on XLPM.

**Satellite project**

Semcon works in the customer's IT system from a Semcon office.

**Direct services**

Semcon provides specialists who work in the customer's organisations.

# CORPORATE GOVERNANCE REPORT.

This Corporate Governance Report has been prepared in accordance with Swedish corporate law and Semcon's Articles of Association. The Articles of Association regulates the alignment of the business and share capital, and how and when the notice to attend the Annual General Meeting takes place. The Articles of Association are available in full on Semcon's website [semcon.com](http://semcon.com). Semcon also complies with applicable Swedish and foreign laws and regulations.

## Application

Semcon applies the Swedish Corporate Governance Code and has no deviations to report. The current code is available at: [www.corporategovernance-board.se](http://www.corporategovernance-board.se).

## General Meeting of Shareholders

The General Meeting of Shareholders is Semcon's highest decision-making body. The notice to attend must be published in the Official Swedish Gazette [PoIT], on [semcon.com](http://semcon.com) and in a press release. That the notice to attend has been published must be advertised in *Dagens Industri*.

At General Meetings of Shareholders, shareholders have the opportunity to exercise 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. Resolutions at General Meetings of Shareholders usually require a simple majority. However, a qualified majority is sometimes required for some resolutions.

## 2017 Annual General Meeting

The Annual General Meeting [AGM] for the 2016 financial year was held on Wednesday, 26 April 2017 at Semcon's head office in Gothenburg, Sweden. Representatives of 41 per cent of the share capital were present, of which underlying shares held by the members of the Nominations Committee represented 35 per cent. Tore Bertilsson was elected to chair the meeting. The Board of Directors, Group management and a representative for Deloitte AB were present at the AGM.

### The AGM resolved on the following:

- \* that a dividend of SEK 2.25 per share [1.25] 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 AGM-elected members
- \* to re-elect Tore Bertilsson, Marianne Brismar,

Jan Erik Karlsson, Jeanette Saveros and Karl Thedéen as Board members. Tore Bertilsson was elected as Chairman of the Board

- \* to newly elect Ernst & Young AB as the registered auditing firm until the close of next AGM
- \* to introduce a long-term performance-based share savings scheme for senior executives and key employees.

*As in previous years, the AGM also granted the Board authorisation 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 10 per cent of all shares following acquisition.

Full minutes and information from the 2017 AGM are available at [semcon.com](http://semcon.com).

## 2018 Annual General Meeting

The AGM for the 2017 financial year will be held on Wednesday, 25 April 2018 at Semcon's head office in Gothenburg, Sweden. More information is available 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.

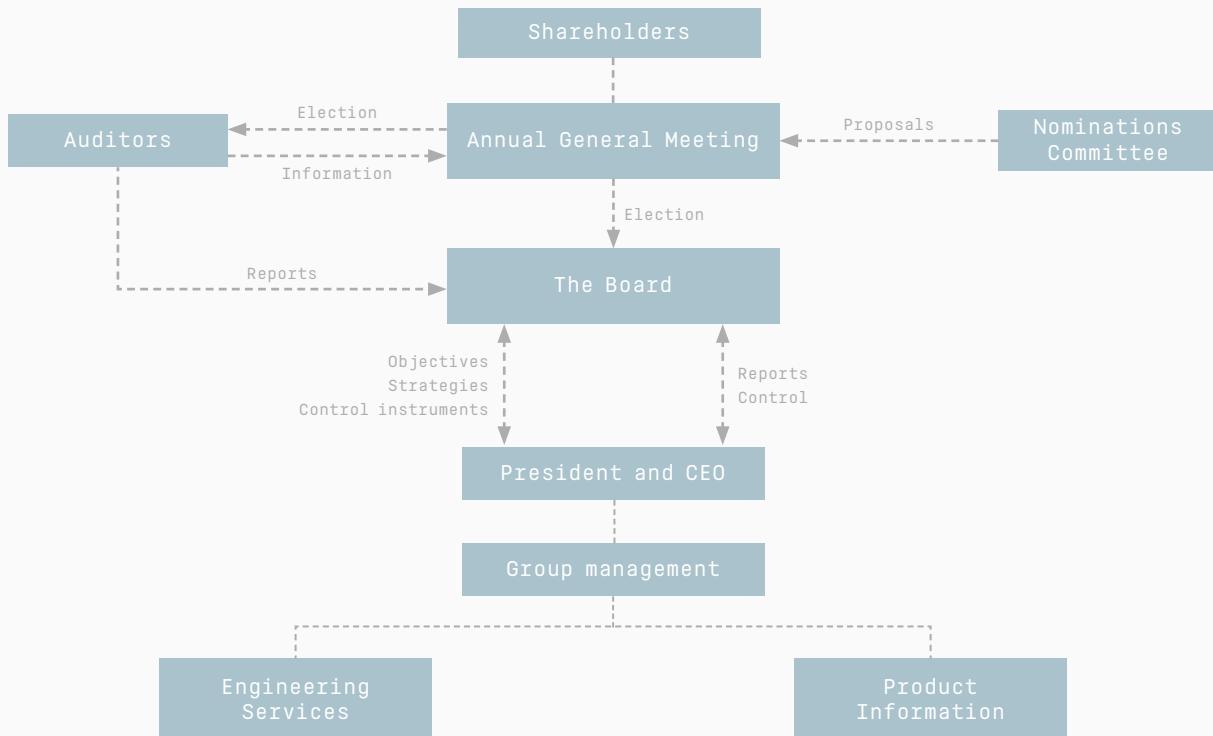
## Shareholder structure

At 31 December 2017, the JCE Group owned 25.9 per cent [25.9] of Semcon's shares, Nordea Investment Funds 7.9 per cent [7.2], Ålandsbanken 5.0 per cent [5.1], DNB Carlson Fonder 3.6 per cent [3.3] and BNYM RE Regents 3.5 per cent [3.4]. Semcon had 4,440 [4,478] shareholders, of whom 33.1 per cent [29.9] were registered abroad.

## Nominations Committee

According to a resolution 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 in terms of votes, who each shall appoint one member to the Nominations Committee. Should any of the abovementioned shareholders waive the right to nominate a member, this right will transfer to the next largest shareholder in terms of voting rights. The member nominated by the largest shareholder will serve as the chairman of the Nominations Committee.

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



*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 composition of the Nominations Committee

The Nominations Committee's members will be announced no later than six months prior to the AGM.

Information about the Nominations Committee's members and how proposals to the AGM can be submitted is available in press releases at [semcon.com](http://semcon.com) and in the Interim Report for the third quarter.

#### 2017/2018 Nominations Committee

The Nominations Committee's members in 2017/2018 consisted of Ulf Gillberg, JCE Group Aktiebolag [Nominations Committee's Chairman], Mats Andersson, Nordea Investment Funds, Claes Murander, Lannebo Fonder and Tore Bertilsson, Chairman of the Board of Semcon AB [co-opted member]. No remuneration was paid to the members. The Nominations Committee met twice in the autumn of 2017 and once in 2018. 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 composition. The Nominations Committee's proposal for election of Chairman of the Meeting, Board members, Chairman of the Board and auditors is outlined in the notice to attend the AGM, in addition to proposed remuneration to AGM-elected Board members and auditors. Furthermore, proposals are submitted for appointing a Nominations Committee, which is published at the same time on [semcon.com](http://semcon.com). Questions to the Nominations Committee can be submitted to: [valberedning@semcon.com](mailto:valberedning@semcon.com)

#### Nominations Committee ahead of the 2018 AGM

Representing	Share of voting rights	[%]
Ulf Gillberg	JCE Group	25.9
Mats Andersson	Nordea Investment Funds	7.9
Claes Murander	Lannebo Fonder	3.3
Tore Bertilsson	Semcon AB [co-opted member]	
Total		37.1

\* Share of voting rights 31 December 2017

### Board of Directors

The Board is ultimately responsible for the organisation and management of Semcon's business activities. The work of the Board is regulated by the Companies' Act, the Articles of Association and the rules of procedure adopted annually by the Board.

#### Board structure

The General Meeting of Shareholders elects Board members and their deputies in Semcon AB. According to the Articles of Association, 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 with no deputies, and three members and one deputy elected by the employees. Of the eight Board members, of whom three are women, all are Swedish citizens. The Board's composition meets the requirements for being independent set by the Swedish Corporate Governance Code and by Nasdaq Stockholm. See table on page 83.

#### Work of the Board

During the 2017 financial year, the Board held nine regular meetings and two extraordinary meetings per telephone or per capsulam. 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 for ensuring that the organisation, management and guidelines for administering the company's affairs are suitably structured and that there is an appropriate level of internal control. Furthermore, the Board is 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 sets out guidelines for the company's conduct in society to ensure its long-term value-adding capability. The Board also approves the six-monthly and annual accounts. The work of the Board adheres to 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 addressed. Attendance at Board meetings is presented in the table on page 83. Other salaried employees in the company take part in Board meetings to present reports and as secretary.

#### Board meetings 2017

**February:** Annual accounts and Year-end report 2016, financial report, acquisitions and divestments, remuneration issues, CEO evaluation, auditor procurement, internal control, debriefing of audit [auditors present].

**March:** Review of annual report, proposed resolutions and notice to attend AGM.

**April:** Interim report, January–March, financial report.

**April:** Statutory meeting.

**June:** Review of market, trends and Semcon's position.

**July:** Interim report, January–June, financial report.

**August:** Follow-up and setting of strategies.

**October:** Interim report, January–September, financial report, debriefing of audit [auditors present].

**December:** Business plans and adoption of budget for 2018 for the Group and each of the business areas, decision on share buyback, Board evaluation.

In addition, two Board meetings were held by telephone or per capsulam to consider issues such as the approval of acquisitions and divestments.

#### Statutory meeting

At the statutory Board meeting in connection with the AGM, the Board adopted the rules of procedure for the Board, terms of reference for the CEO, subsidiary instructions, financial reporting instructions, authorisation procedures, Code of Conduct and the financial policy.

#### Board evaluation

Board members have evaluated the Board's work, which has been summarised and made available to the Nominations Committee. The areas evaluated cover such aspects as the composition of the Board, its level of expertise, organisation, day-to-day work and working climate. In addition, the Nominations Committee conducted personal interviews with the AGM-elected Board members.

#### Audit Committee

Semcon has decided that the entire Board will carry out the Audit Committee's tasks. The entire Board strives to maintain close contact with the company's auditors so that it can satisfactorily monitor significant issues concerning the company's accounts, reporting procedures, management of company assets and internal control. These types of issues are therefore dealt with by the Board as a whole. To ensure that the Board's need for information is satisfied, the company's auditors report to the Board at least twice a year. Staffan Landén, authorised public accountant and auditor in charge at Ernst & Young AB, has reported his views over the past year on the Group's internal control and procedures for reporting and accounting, and for reviewing the January–September interim report and annual accounts.

### Remuneration issues

#### Remunerations Committee

Semcon has decided that the Board in its entirety will carry out the Remuneration Committee's assignments.

#### Remuneration to the Board

Remuneration to the Board is decided by the AGM following proposals by the Nominations Committee.

The AGM decided that remuneration to the Board in 2017/2018 should be SEK 600,000 [550,000] for the Chairman and SEK 280,000 [265,000] for each of the 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 for the CEO and senior executives who report to him. The Board decides on remuneration to the CEO.

The CEO's remuneration and benefits are presented in Note 9, page 61. Senior executives' remuneration is proposed by the CEO and approved by the Board. All senior executives in Group management are entitled to a fixed salary, which can be supplemented with a variable salary of no more than six months' salary based on how well they meet their respective targets. The fixed salary is adjusted to conditions in the market and set every calendar year. Remuneration guidelines include the individuals, who during the time the guidelines applied, were part of Group management. The Board has the right to deviate from the guidelines if there is just cause to do so in special circumstances. In 2018, the Board of Directors exercised its right to deviate from the guidelines and variable salary can amount to no more than nine months' salary. Senior executives' remuneration and benefits are presented in Note 9 on page 61.

### Auditors

Ernst & Young AB was elected as the company's auditor by the 2017 AGM until the 2018 AGM. The company's auditor in charge is Staffan Landén [born 1963]. His other audit assignments include Vattenfall AB, Polygon AB, Nederman Holding AB and Moment Group AB.

The auditors' interaction with the Board is described above. In addition to auditing, Ernst & Young also provides Semcon with advice on accounting issues. All services provided in addition to the statutory auditing service are checked spe-

cially to ensure there is no conflict of interest or disqualification issue. No senior executive at Semcon has held any position at Ernst & Young over the past five years. Semcon's remuneration to auditors and purchase of services in addition to auditing is presented in Note 8 on page 60.

### Group management

Group management consists of the CEO, CFO, General Counsel, Director HR and Sustainability, Director Corporate Communications and Marketing and business area presidents, see pages 88-89. 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, Group management are present along with other employees of the Group. Group management strives to maintain close contact with both business areas in order to support and provide help and the tools to enhance efficiency and in relation to marketing, business development and internal exchange of knowledge.

### Business areas

Semcon's business activities were organised into two business areas in 2017. Semcon's organisation is characterised by far-reaching decentralisation, according to which every unit is highly independent and is granted extensive powers. In addition to continuous contacts, Group management's control of the business areas is carried out mainly in the form of monthly internal debriefings by business area presidents, controllers and business area management teams with members of Group management.

### Authorisation and decision-making procedure

The Group has an authorisation and decision-making procedure that clearly regulates powers at every level in the company, from individual employees to Semcon's management. The areas regulated include contract levels, processing of quotes/tenders, investments, rental and lease contracts and over-

### Composition of the Board of Directors

		Elected	Attendance	Dependent	Audit Committee	Remunerations Committee
Tore Bertilsson	Chairman	2015	11 of 11	Yes*	Yes	Yes
Marianne Brismar	Member	2008	11 of 11	No	Yes	Yes
Jan Erik Karlsson	Member	2016	11 of 11	Yes**	Yes	Yes
Karl Thedéen	Member	2016	10 of 11	No	Yes	Yes
Jeanette Saveros	Member	2016	9 of 11	No	Yes	Yes
Christer Eriksson	Employee representative	2007	11 of 11		Yes	Yes
Mats Sällberg	Employee representative	2014	11 of 11		Yes	Yes
Monique Pehrsson	Employee representative	2014	9 of 11		Yes	Yes

\*Tore Bertilsson is not independent of major shareholders.

\*\*Jan Erik Karlsson is not independent of major shareholders.  
A presentation of Board members is available on pages 86-87.

heads. The organisation of an assignment or project varies according to its size, location and complexity. Semcon is certified and applies quality and environmental management systems according to ISO 9001:2008 and ISO 14001:2004, which are reviewed on a regular basis 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 the Articles of Association and Code of Conduct
- \* Information from Semcon's AGMs from 2005 and onwards [notices to attend meetings, minutes, etc.]

## Internal control over 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 Corporate Governance Code, which includes requirements for annual external information disclosure concerning the manner in which the financial reporting is organised.

### Internal control

Semcon has defined internal control as a process designed to provide reasonable assurance that Semcon's objectives are achieved in terms of appropriate, efficient operations, reliable reporting, and procedures for complying with 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 and communication, and monitoring. 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. It also includes the Group's organisational structure, management, decision-making channels, authorisations and responsibilities as well as the expertise of employees. Semcon's mission, objectives and strategies are the basis of day-to-day work. Semcon is characterised by a decentralised organisation based in target-oriented management.

### Internal control over financial reporting

Internal control over financial reporting aims to provide reasonable assurance concerning reliability of the external financial reporting in the form of interim reports, year-end reports and annual reports, and that the external financial reports are prepared in accordance with laws, applicable accounting standards and other requirements imposed on listed companies. The following description has been

drawn up in accordance with the Swedish Corporate Governance Code and the current application instructions and constitutes the Board's report concerning internal control over financial reporting.

### Control environment

The Board has overall responsibility for the internal control over financial reporting. The Board has set out written rules of procedure that clarify the Board's responsibilities and that regulate the work of the Board. The Board will ensure that established principles for financial reporting and internal control are observed and that appropriate relationships with the company's auditors are maintained. The Board has prepared terms of reference for the CEO and instructions for financial reporting. The Group's internal control function provides support for the internal control over financial reporting in the Group's companies and business areas. Internal control instruments for financial reporting consist of the Group's financial policy, credit policy, information policy, investment rules, authorisation 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. In recent years, much time and effort has been spent on the Group's management systems and to establish clearer procedures and regulations for submitting tenders/bids, contractual terms and for signing agreements. To ensure adherence to these rules, a number of training initiatives were completed during the year. A further two projects were carried out in recent years to fully harmonise the Semcon Group's projects, processes and financial processes at all subsidiaries.



*Framework for internal control*

### Risk assessment

Semcon's risk assessment regarding financial reporting - meaning identification and evaluation of the most significant risks in the Group's companies, business areas and financial reporting processes - forms the basis for how these risks are

managed. Management takes the form of accepting, reducing or eliminating the risk. Annual evaluation activities are carried out by the internal control function using 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. Measuring certain assets or liabilities using various assessment criteria might also constitute a risk. The same applies to complex and/or changed 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 over 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 deviations are 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 of, for example, external financial reporting, such as interim reports and the Annual Report. There is a communication manual 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, prompt and transparent, both internally and externally.

### Monitoring

Monitoring to ensure effective internal control over financial reporting is carried out by the Board, CEO, Group management, the internal control function and the Group's companies and business areas. Monitoring is carried out informally and formally and comprises follow-ups of monthly financial statements against budgets and objectives as well as quarterly reports, which in certain cases is supplemented with independent reviews by external auditors. Monitoring and reporting to the Board function effectively. Semcon has introduced a Group-wide reporting system for work related to internal control over financial reporting, which includes self-evaluation of all the Group's companies and business areas. This provides an overview of how the Group's subsidiaries and business areas meet the minimum requirements for internal control over financial reporting for material risks identified and also provides information concerning the status of the work. Each company and business area is responsible for preparing action plans for deviations, which are subsequently followed-up by the respective internal board of each business area. In view of the results of these activities, the company has thus far found no reason to introduce a special internal audit function.

Gothenburg, 20 March 2018

Board of Directors

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

To the general meeting of the shareholders of Semcon AB [publ], corporate identity number 556539-9549.

We believe that the examination has provided us with sufficient basis for our opinions.

### Engagement and responsibility

It is the Board of Directors who is responsible for the corporate governance statement for the year 2017 on pages 80-85 and that it has been prepared in accordance with the Annual Accounts Act.

### Opinions

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the annual accounts and the consolidated accounts and are in accordance with the Annual Accounts Act.

Gothenburg, 21 March 2018  
Ernst & Young AB

**The scope of the audit**  
Our examination has been conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement 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.

Staffan Landén Authorized Public Accountant	Nina Bergman Authorized Public Accountant
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# BOARD OF DIRECTORS.



**Tore  
Bertilsson**

CHAIRMAN OF THE BOARD SINCE 2016.

BOARD MEMBER SINCE 2015.  
BORN 1951.

QUALIFICATIONS: Master of Business Administration [MBA], School of Business, Economics and Law, University of Gothenburg.

PROFESSIONAL BACKGROUND:  
Former deputy CEO and CFO of SKF and bank director of SEB.

NATIONALITY: Swedish.

OTHER BOARD ASSIGNMENTS:  
Chairman of Perstorp, PRI Pensionsgaranti and Ludvig Svensson. Deputy Chairman of Ovako Group. Board member of INGKA Holding BV [IKEA], JCE Group and Salinity.

SHAREHOLDING IN SEMCON:  
17,000.

*Independent in relation to the company and company management. Not independent in relation to major shareholders.*

**Marianne  
Brismar**

BOARD MEMBER SINCE 2008.

BORN 1961.

QUALIFICATIONS: Pharmacist Graduate and Master of Business Administration [MBA].

PROFESSIONAL BACKGROUND:  
Former CEO and owner of Atlet.

NATIONALITY: Swedish.

OTHER BOARD ASSIGNMENTS:  
Axel Johnson International, Concentric, Creades, Almi Företagspartner Väst and JOAB.

SHAREHOLDING IN SEMCON:  
5,000.

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

**Jan Erik  
Karlsson**

BOARD MEMBER SINCE 2016.

BORN 1949.

QUALIFICATIONS: Bachelor of Arts.

PROFESSIONAL BACKGROUND:  
Former CEO of Capgemini Sverige and has held other senior positions at Capgemini Group.

NATIONALITY: Swedish.

OTHER BOARD ASSIGNMENTS: Board member of Itera AS.

SHAREHOLDING IN SEMCON: -  
*Independent in relation to the company and company management. Not independent in relation to major shareholders.*

**Jeanette  
Saveros**

BOARD MEMBER SINCE 2016.

BORN 1974.

QUALIFICATIONS: Construction engineer, Mälardalen University.

PROFESSIONAL BACKGROUND:  
Former CEO of Arcona and Hifab Group.

NATIONALITY: Swedish.

OTHER BOARD ASSIGNMENTS:  
Board member of Sweden Green Building Council.

SHAREHOLDING IN SEMCON:  
1,000.

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



**Karl  
Thedéen**

BOARD MEMBER SINCE 2016.  
BORN 1963.

QUALIFICATIONS: Master of Science [Msc], KTH Royal Institute of Technology, Stockholm.

PROFESSIONAL BACKGROUND: President and CEO of Edgeware and formerly Senior Vice President and business area manager of Infinera and President of Transmode [publ.]. He previously held a number of senior positions at the Ericsson Group.

NATIONALITY: Swedish.

OTHER BOARD ASSIGNMENTS:

Edgeware.

SHAREHOLDING IN SEMCON:  
7,750.

*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.

**Monique  
Pehrsson**

EMPLOYEE REPRESENTATIVE SINCE 2014.  
EMPLOYED SINCE 2011.

BORN 1969.

QUALIFICATIONS: Technical information, Karlstad University.

NATIONALITY: Swedish.

SHAREHOLDING IN SEMCON: -

**Mats  
Sällberg**

EMPLOYEE REPRESENTATIVE SINCE 2014.  
EMPLOYED SINCE 1998.

BORN 1967.

QUALIFICATIONS: Mechanical engineering qualifications from Erik Dahlberg upper-secondary school, Jönköping.

NATIONALITY: Swedish.

SHAREHOLDING IN SEMCON:  
8,000.

# GROUP MANAGEMENT.



**Markus  
Granlund**

**PRESIDENT AND CEO AND ACTING  
BUSINESS AREA PRESIDENT  
ENGINEERING SERVICES**

**BORN 1975.**

**QUALIFICATIONS:** Bachelor of Law, Lund University [LL.M]. Master of International Trade Law, Bond University, Australia.

**OTHER BOARD ASSIGNMENTS:** Chairman of the Swedish Federation of Consulting Engineers and Architects, Board member of Almega – the Employers' Organisation for the Swedish Service Sector, and the Confederation of Swedish Enterprise.

**EMPLOYED SINCE:** 2008.

**SHAREHOLDING IN SEMCON:** 27,984.

**Björn  
Strömberg**

**CFO**

**BORN 1960.**

**QUALIFICATIONS:** Master of Business Administration [MBA], School of Business, Economics and Law, University of Gothenburg.

**EMPLOYED SINCE:** 2007.

**SHAREHOLDING IN SEMCON:** 16,607.

**Carin  
Wiberg**

**GENERAL COUNSEL**

**BORN 1978.**

**QUALIFICATIONS:** Bachelor of Law, University of Gothenburg.

**EMPLOYED SINCE:** 2012.

**SHAREHOLDING IN SEMCON:** 3,329.

**Daniel Rundgren** has been appointed as the new Business Area President of Engineering Services. Daniel is joining Semcon from the IT company EVRY and will start as Business Area President not later than August.



Per  
Nilsson

**DIRECTOR CORPORATE  
COMMUNICATIONS  
AND MARKETING**

BORN 1975.

QUALIFICATIONS: Media and Communication, Karlstad University.

EMPLOYED SINCE: 2015.

SHAREHOLDING IN SEMCON: 991.



Johan  
Ekener

**BUSINESS AREA PRESIDENT  
PRODUCT INFORMATION**

BORN 1964.

QUALIFICATIONS: Master of Science [Msc], Chalmers University of Technology. Master of Business Administration, School of Business, Economics and Law, University of Gothenburg.

EMPLOYED SINCE: 2004.

SHAREHOLDING IN SEMCON: 8,171.



Karin  
Koritz Russberg

**DIRECTOR HR AND SUSTAINABILITY**

BORN 1969.

QUALIFICATIONS: Bachelor of Science, Psychology, University of Gothenburg.

EMPLOYED SINCE: 2017.

SHAREHOLDING IN SEMCON: 500.

# FIVE-YEAR SUMMARY.

Income statement mSEK	2017	2016	2015	2014	2013
<b>Net sales</b>	<b>1,762.4</b>	<b>1,755.9</b>	<b>1,656.6</b>	<b>2,725.7</b>	<b>2,508.4</b>
Operating expenses	-1,667.2	-1,660.8	-1,598.4	-2,623.3	-2,383.6
<b>Operating profit</b>	<b>95.2</b>	<b>95.1</b>	<b>58.2</b>	<b>102.4</b>	<b>124.8</b>
Financial income	1.7	3.4	2.2	1.0	1.3
Financial expenses	-2.3	-3.6	-3.5	-6.0	-8.3
<b>Profit before tax</b>	<b>94.6</b>	<b>94.9</b>	<b>56.9</b>	<b>97.4</b>	<b>117.8</b>
Tax	-22.2	-26.9	-14.2	-22.0	-29.7
<b>Net profit for the year from continuing operations</b>	<b>72.4</b>	<b>68.0</b>	<b>42.7</b>	<b>75.4</b>	<b>88.1</b>
<b>Net profit/loss for the year from discontinuing operations</b>	<b>0.1</b>	<b>-116.3</b>	<b>-39.2</b>	<b>-</b>	<b>-</b>
<b>Net profit/loss for the year</b>	<b>72.5</b>	<b>-48.3</b>	<b>3.5</b>	<b>75.4</b>	<b>88.1</b>
Balance sheet mSEK	2017	2016	2015	2014	2013
Goodwill	274.7	274.7	465.9	456.3	440.3
Other intangible assets	13.1	14.7	18.9	16.7	16.6
Tangible assets	31.1	33.0	51.0	49.8	39.2
Deferred tax assets	3.2	4.2	61.3	46.3	44.5
Other financial assets	-	-	-	17.0	18.8
Accounts receivable	337.0	278.9	433.1	416.1	371.3
Accrued non-invoiced income	140.3	133.7	108.2	157.9	172.7
Other current assets	29.8	30.4	71.7	57.6	48.9
Cash and cash equivalents	80.9	39.9	126.1	152.3	153.3
Assets held for sale	-	379.9	-	-	-
<b>Total assets</b>	<b>910.1</b>	<b>1,189.4</b>	<b>1,336.2</b>	<b>1,370.0</b>	<b>1,305.6</b>
Shareholders' equity	556.6	529.4	604.5	662.5	633.4
Long-term liabilities	-	40.3	97.3	91.6	78.5
Current liabilities	353.5	439.7	634.4	615.9	593.7
Liabilities held for sale	-	180.0	-	-	-
<b>Total shareholders' equity and liabilities</b>	<b>910.1</b>	<b>1,189.4</b>	<b>1,336.2</b>	<b>1,370.0</b>	<b>1,305.6</b>
Cash flow statement mSEK	2017	2016	2015	2014	2013
Cash flow from current activities	37.5	33.4	27.3	82.3	135.0
Cash flow from investing activities	152.3	-33.6	-29.8	-29.3	-23.9
Cash flow from financing activities	-195.8	-40.8	-19.9	-65.7	-78.5
<b>Cash flow for the year</b>	<b>-6.0</b>	<b>-41.0</b>	<b>-22.4</b>	<b>-12.7</b>	<b>32.6</b>

Key figures	2017	2016	2015	2014	2013
Growth in sales [%]	0.4	6.0	-1.5	8.7	-2.4
Organic growth [%]	0.4	4.8	-2.8	4.8	-1.0
Operating margin [%]	5.4	5.4	3.5	3.8	5.0
Profit margin [%]	5.4	5.4	3.4	3.6	4.7
Return on equity [%]	13.4	12.0	6.7	11.6	14.6
Return on capital employed [%]	14.1	13.2	13.4	12.7	16.1
Equity/assets ratio [%]	61.2	44.5	45.2	48.4	48.5
Debt/equity ratio [multiple]	-	0.2	0.2	-	-
Number of employees at year-end	2,076	2,044	1,979	2,990	3,001
Data per share	2017	2016	2015	2014	2013
Earnings per share before dilution [SEK]	4.05	3.81	2.38	4.20	4.90
Earnings per share after dilution [SEK]	4.00	3.75	2.36	4.16	4.86
Shareholders' equity per share before dilution [SEK]	31.22	29.63	33.83	36.87	35.25
Shareholders' equity per share after dilution [SEK]	30.73	29.23	33.37	36.58	34.97
Share price/shareholders' equity per share [multiple]	1.55	1.57	1.27	1.35	1.73
Cash flow per share [SEK]	2.07	1.84	1.51	4.54	7.45
Dividend per share [SEK]	3.50*	2.25	1.25	2.50	2.50
P/E ratio	12	12	18	12	12
P/S ratio	0.5	0.5	0.5	0.3	0.4
Share price at year-end [SEK]	47.70	46.00	42.40	49.40	60.50
Market value at year-end [mSEK]	864	833	768	895	1096
No. of shares at year-end [000]	18,113	18,113	18,113	18,113	18,113
Average no. of shares [000]	18,113	18,113	18,113	18,113	18,113
Number of own shares at year-end [000]	282	243	243	143	143
Average no. of own shares [000]	246	243	204	143	143
No. of shareholders	4,440	4,478	4,671	3,657	3,782

2013-2014 including discontinuing operations.

\*Board's proposal

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# PRODUCT DEVELOPMENT BASED ON HUMAN BEHAVIOUR.