

# Interim report January-March 1999

- Turnover up by 23 percent to SEK 203.5 million (165.2)
- Profits after financial items rose by 16 percent to SEK 22.3 million (19.1)
- Earnings per share were SEK 0.92 (0.79)
- Strong demand within electronics

## Important events during the period

- Semcon established offices in Norway and Denmark
- Five new departments were started during the period, one within Product and Production Development, two within Industrial IT and two within Competence and Process Development
- Semcon was appointed preferred supplier by Ericsson Mobile Communications and concluded a three-year frame agreement with the Highways Agency for IT services
- Considerable orders for IT training from SwIT worth SEK 28 million and from Labour County Board in Stockholm worth SEK 6.3 million were received during the period.

## Important events after the end of the period

- Semcon Informatic AB was started as a result of a partnership agreement with Volvo Car Corporation AB. The Company's estimated turnover will be SEK 180 million over a three-year period
- Semcon was appointed primary supplier of IT training courses for Saab Automobile AB. At least 1200 pupils will be participating in these courses.

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## Business activity

Group turnover rose to SEK 203.5 million (165.2), an increase of 23 percent over the same period last year. Operating profit increased to SEK 22.2 million (19.1), and profits after financial items amounted to SEK 22.3 million (19.1). The operating margin continued to be satisfactory, amounting to 10.9 percent (11.5). During the period Semcon invested in its expansion in the Nordic countries, first Norway and then Denmark. The Danish establishment started well, whilst the expansion were a bit slower in Norway due to a very weak market.

Business areas (SEK million)	Turnover		Profits after depreciation		Share of turnover
	31-03-99	31-03-98	31-03-99	31-03-98	%
Product- and Production Development	116.4	104.6	14.0	11.0	57 (63)
Industrial Information Technology	48.6	35.6	5.2	4.7	24 (22)
Competence and Process Development	38.5	25.0	3.0	3.4	19 (15)
<b>TOTAL</b>	<b>203.5</b>	<b>165.2</b>	<b>22.2</b>	<b>19.1</b>	<b>100 (100)</b>

### *Product and Production development*

Turnover increased by 11 percent to SEK 116.4 million (104.6). Operating profit increased by 27 percent to SEK 14 million (11), which produced a strong operating margin of 12 percent (10.5). Demand especially for electronic services increased during the period, and a new electronics department was opened in Linköping and there was increased concentration on the Stockholm region. A new offices was established in Oslo, Norway. A partnership agreement was signed with Parametric Technology Corporation (PTC) with the aim of strengthening competence within Pro/Engineer and also to offer customers training and user support. Semcon Analysis & Test Center, which is active within testing and analysis, reversed the negative trend of the previous year and showed a positive result.

### *Industrial Information Technology*

Turnover increased by 36 percent to SEK 48.6 million (35.6). Operating profit increased by 11 percent to SEK 5.2 million (4.7). A new IT department centred on the telecommunications sector was opened in Stockholm, and a section in Technical Information was opened in Trollhättan. Semcon Data was appointed preferred supplier by Ericsson Mobile Communications. New customers acquired during the period included the Highways Agency, where a three-year frame agreement was signed, and Telia Prosoft. The partnership with Volvo Car Corporation AB has resulted in a new company, Semcon Informatic AB, being formed. As from the 1 April the company will be responsible for all technical information for the aftermarket such as driver and servicing instructions for Volvo Cars.

### *Competence and Process Development*

Turnover rose by 54 percent to SEK 38.5 million (25). Operating profit fell by 12 percent amounting to SEK 3.0 million (3.4). Two new offices were opened in Gothenburg and Copenhagen. Setting up new offices and investment in future training courses affected profits for the period. Internet courses under the SwIT agreement were commenced during the period and six full-time courses are currently going on. A total of 400 people will be attending these courses during the year. Saab Automobile AB appointed Semcon Education as their supplier of education courses, which means that more than 1200 people will be participating in IT-courses during the year. Semcon Industrial Management's activity went very well and new customers included Ericsson Hewlett-Packard Telecommunications AB (EHPT) in Göteborg and Poly Peptide in Denmark. The company concluded a partnership agreement with the Danish company KreaConsult relating to creativity tools used principally in product development processes.

### *The parent company*

Semcon AB is the parent company of the Group and responsible for matters concerning the Group as a whole such as strategy, information and marketing. Turnover amounted to SEK 3.8 million (2.5). Profits before balance sheet allocations and tax amounted to SEK -0.2 million (0.5). Parent company liquid assets amounted to SEK 24.9 million (15.0). Company investment amounted to SEK 0.1 million (0).

### **Staff and organisation**

Semcon continued to grow organically and the total number of employees increased by 15 percent to 1089 (946) as over the previous year. The rate of recruitment was deliberately slowed down as compared with the same period last year. The reason for this is the uncertainty prevailing on the market. There was increased concentration on Semcon's internal competence development programme during the period.

### *Share options*

To increase personal involvement with Semcon's long-term development, an option scheme was approved by the AGM during 1998, and was taken up by 508 people in all. 135,700 options were reserved for later employees. These options are now to be made available to new employees and it is expected that the offer will be made during May. Conversion of all the 900,000 options will be carried out during 2001, which means a dilution of 4.9 percent. The total number of shares will then be 18,238,521.

### *The year 2000*

Since 1996, Semcon has been reviewing its IT-systems in order to improve the infrastructure for future expansion and in order to make them safe for the year 2000. Amongst other things a new financial system has been installed, all internal computer systems having been reviewed and replaced if they did not come up to the required standard. Semcon has also worked actively with all suppliers to ensure that their products survive the millennium bug.

### **Financial items and investment**

Group investment was mainly in equipment such as home-PCs and other computer equipment, and amounted to SEK 6.6 million (6.2). The equity ratio increased from 27.5 percent during 1998 to 32.3 percent. The Group's liquid assets amounted to SEK 24.6 million (14.2), in addition to an unused overdraft facility of SEK 45 million.

### **Future prospects**

The first few months of the year have started well despite extensive customer restructuring. The utilisation rate have nevertheless been somewhat lower than for the corresponding period in 1998. Semcon's assessment is that change of the customers' ownership structure and concentration on activity will continue and that they will elect more and more to work in various forms of partnership with a smaller number of consultancy firms, so-called primary suppliers. Semcon's ambition is to be first choice for development-intensive companies seeking a long-term supplier for consultancy and training activity, and will be actively seeking to develop further partnerships with the customers. Semcon's focus remains on growth in the Stockholm and Öresund regions, especially within electronics. 1999 has good prospects for being yet another prosperous year, since new opportunities are created when the market undergoes change. The assessment for the whole year is therefore for continued, positive growth in turnover and profits.

## Other information

This report has not been scrutinised by the company's auditors.

The next interim report for the period January to June will be issued on the 16 August 1999.

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Gothenburg, the 28 April, 1999

**Semcon AB (publ)**

**The Board of Directors**

## Semcon AB Group accounts, summary

<b>PROFIT AND LOSS ACCOUNTS (SEK thousand)</b>	<b>1999 Jan-March</b>	<b>1998 Jan-March</b>	<b>1998 Full-year</b>
Net sales	203,497	165,245	708,908
Costs and expenses	- 176,120	- 143,049	- 610,405
Operating profit before depreciation	27,377	22,196	98,503
Depreciation of machinery and equipment	- 5,177	- 3,138	-16,611
Operating profit after depreciation	22,200	19,058	81,892
Net interest profit	69	70	- 574
Income from option scheme	-	-	3,522
Profit after financial items	22,269	19,128	84,840
Taxes	- 6,235	- 5,356	- 25,111
Net profit	16,034	13,772	59,729

<b>BALANCE SHEETS (SEK thousand)</b>	<b>31/03/99</b>	<b>31/03/98</b>	<b>31/12/98</b>
<b>Assets</b>			
Fixed assets	40,721	23,411	39,340
Current assets	240,630	162,426	218,274
<b>Total assets</b>	<b>281,351</b>	<b>185,837</b>	<b>257,614</b>
<b>Shareholders' equity and liabilities</b>			
Shareholders' equity <i>note 1</i>	90,996	51,195	101,358
Provisions	25,510	21,776	25,510
Long-term liabilities	0	5,355	0
Current liabilities	164,845	107,511	130,746
<b>Total shareholders' equity and liabilities</b>	<b>281,351</b>	<b>185,837</b>	<b>257,614</b>

*note 1*

The decided but not paid out dividend for 1999 on SEK 24.3 million and for 1998 on SEK 10.4 million, is presented as current liabilities in the quarterly figures.

STATEMENT OF CHANGES IN FINANCIAL POSITION (SEK thousand)	1999	1998	1998
	Jan-March	Jan-March	Full-year
Funds internally provided	34,337	20,685	59,837
Investing activities	-6,558	-6,172	-35,487
Financing activities	-27,197	-10,403	-10,403
<b>Changes in cash and cash equivalents</b>	<b>582</b>	<b>4,110</b>	<b>13,947</b>

KEY RATIOS	Note	31/03/99	31/03/98	1998 Full-year
Operating margin, (%)	1	10.9	11.5	11.6
Return on average shareholders' equity, (%)	2	22.5	35.9	75.5
Equity ratio, (%)	3	32.3	27.5	39.3
Risk capital ratio, (%)	4	41.4	39.3	49.6
Earnings per share after tax, (SEK)	5	0.92	0.79	3.44
Earnings per share after tax incl. 764 300 options, (SEK)	6	0.89	0.76	3.30
Shareholders' equity per share, (SEK)	7	5.25	2.95	5.85
Shareholders' equity per share incl. 764 300 options, (SEK)	8	5.03	2.83	5.60
Average number of employees	9	1081	849	955
Value added per employee, (SEK thousand)	10	138	144	505
Profit after financial items per employee, (SEK thousand)	11	20.6	22.5	88.8
Investments, (SEK thousand)		6,558	6,200	35,891
Number of shares, (thousand)		17,338	17,338	17,338

**Notes:**

1. Operating profit after depreciation as a percentage of net sales.
2. Net profit as a percentage of average shareholder' equity.
3. Shareholders' equity as a percentage of total assets.
4. Shareholders' equity plus deferred tax liabilities divided by total assets.
5. Net profit divided by the number of shares issued.
6. Net profit divided by the number of shares issued plus options.
7. Shareholders' equity divided by number of shares issued.
8. Shareholders' equity divided by number of shares issued plus options.
9. Average number of permanent employees.
10. Profit after depreciation plus salary expenses and social charges divided by average number of permanent employees.
11. Profit after financial items divided by average number of permanent employees.

**Other definitions:**

*Net profit* Net profit after tax.