

# Interim report

## January - September 1999

### Strong third quarter !

- Sales up by 27 percent to SEK 623.9 million (491.1)
- Operating profit up by 14 percent to SEK 59.1 million (52.0)
- Earnings per share amounted to SEK 2.46 (2.23)

Business area (SEKm)	Turnover		Profit	
Competence & process	132.5	+ 64 %	11.5	+ 35 %
Industrial IT	171.0	+ 55 %	20.0	+ 60 %
Product & production	320.4	+ 7 %	27.6	- 11 %

### Important events during the period

- Acquisition of a consultancy company Extern Engineering AB
- Basic agreement signed with Ericsson
- Basic agreement signed with AstraZeneca
- Semcon chosen for consultancy work when Akzo Nobel outsourced its maintenance work.
- Letter of Intent signed with Polimoon
- Increased co-operation with Collins & Aikman

### Important events after the end of the period

- SPP pension refund on SEK 18,9 million

**SEMCON®**

## Continued strong growth with good margin

Despite a weak market during the third quarter, Semcon succeeded through powerful efforts, to achieve a strong growth and a good margin. Semcon's stable development thus continued and Group turnover amounted to SEK 623.9 million (491.1), an increase of 27 percent. Operating profit rose to SEK 59.1 million (52.0), an increase of 14 percent, which provides a margin of 9.5 percent. Profit after financial items amounted to SEK 59.2 million (55.2).

An important step in Semcon's growth was the acquisition of the consultancy company Extern Engineering AB from Collins & Aikman and Anders Thornberg. Extern has 35 employees and the largest customers are the automotive industry and system suppliers. Extern adds to the services Semcon can offer with specialist services such as model- and prototype development, interior design and also benchmarking. By means of this acquisition, Semcon has strengthened its position as a leading total solution supplier of consultancy services within automotive development, and is thus expanding its customer base of system suppliers to the global automotive industry.

Two highly strategic basic agreements were signed with Ericsson and AstraZeneca during the period, which creates a good platform for further expansion and which is in line with Semcon's strategy to grow within the Telecom and Pharmaceutical sector.

Business area	Turnover (SEK millions)		Operating profit (SEK millions)		Proportion of turnover
	30-09-99	30-09-98	30-09-99	30-09-98	%
Competence and Process development	132.5	80.7	11.5	8.5	21.2 (16.4)
Industrial information technology	171.0	110.0	20.0	12.5	27.4 (22.4)
Product and Production Development	320.4	300.4	27.6	31.0	51.4 (61.2)
<b>TOTAL</b>	<b>623.9</b>	<b>491.1</b>	<b>59.1</b>	<b>52.0</b>	<b>100 (100)</b>

### Competence and Process Development

Turnover in this area increased to SEK 132.5 million (80.7), an increase of 64 percent. Operating profit rose to SEK 11.5 million (8.5), an increase of 35 percent. Investment in new departments and concept development was carried out during the period. The training side further increased its efforts to broaden the base of client companies with particular investment in training courses within project management and leadership, and also in technical information and process engineering courses. A pilot project within Internet based distance learning was carried out during the period. In addition, a large number of Internet courses were put on, orientated towards e-commerce, security, reliability and the development of web sites.

Semcon Industrial had a very positive development during the period, due to a positive customer response on new concepts. New customers for this activity include Mitsubishi Electric Automotive Europe, Volvo Aero and Victor Hasselblad.

### Industrial Information Technology

Turnover in this area rose by 55 percent to SEK 171 million (110), and operating profit rose to SEK 20 million (12.5), an increase of 60 percent. Interactive media are an increasing part of business in this area, and during the period our consultancy departments within IT were further strengthened with additional skills within web technology, multimedia and animation. Demand for PDM services and more efficient information handling continue to increase with several new commissions as result. Semcon's position as a service provider to Ericsson was strengthened during the period, with the acquisition of Ericsson Mobile Data Design in Gothenburg as a new customer.

**Product and Production Development**

This business area increased its turnover by 7 percent to SEK 320.4 million (300.4). Operating profit amounting to SEK 27.6 million (31.0), a decrease of 11 percent. At the start of the third quarter the market was marked by a certain hesitancy especially in Western Sweden, which resulted in a lower utilisation rate. The position changed however at the end of the third quarter and increased demand was noted. Semcon's consistent focus on growing the business within electronics developed well, and resulted in, among other things that Ericsson ETX became a new customer. Akzo Nobel Surface Chemistry in Stenungsund outsourced its maintenance work during the period. Semcon was one of the suppliers chosen, which means a long-term agreement for consultancy services. Semcon ATC (Analysis & Test Center) signed a letter of intent with Polimoon Automotive Development Center, previously Dynoplast, with the aim of securing long-term partnership. The agreement with Polimoon, who develop components for the European automotive industry, is also a part of Semcon's strategy to become a total solution provider to the automotive industry and is a good complement to the acquisition of Extern Engineering.

**The parent company**

Semcon AB is the parent company of the Group and responsible for matters applying to the Group as a whole, such as strategy, information and marketing. Turnover amounted to SEK 14.9 million (9.7). Profit after depreciation amounted to SEK 0.6 million (1.4). Parent company liquidity amounted to SEK 5.2 million (2.2). Company investment in inventories amounted to SEK 4.7 million (0). Investment in shares in subsidiaries amounted to SEK 40.8 million (0).

**Staff and organisation**

The organic growth in number of employees amounted to 16 percent, ie. 1222 employees (1053). Furthermore the acquisition of Extern Engineering increased the number of employees by 35. During the period Semcon started a trainee programme to strengthen competitive power and facilitate recruitment of students from universities and technical colleges. At the end of the period Semcon presented a new offer of home PC to all new staff. Internal competence development on SEK 9 million (6.5) were carried through during the period, in order to strengthen Semcon's future offer of services.

**Financial items and investment**

The Group's total investment, mainly in hard- and software, amounted to SEK 23.9 million (24.5). At the end of the period the equity ratio amounted to 35.6 percent (39.8), (after the acquisition of Extern). Liquid assets at the end of the period amounted to SEK 28.1 million (9.7). Total overdraft facilities amount to SEK 45 million. Shareholders' equity amounted to SEK 119.7 million (80.3). Investments in business premises amounted to SEK 8.3 million (0) and investments in good-will amounted to SEK 17.1 million (0). According to information from SPP, Semcon will receive SEK 18,9 million in pension refund.

**Prospects for the whole year**

The market development is hard to estimate, but through continued strong efforts from Semcon, the board's assessment for the whole year is unchanged, which means a positive growth in turnover and profits to be on a par with last year's.

## Further information

This report has not been scrutinised by the company's auditors. Statement of accounts for the period January to December 1999 will be published on the 8 February, 2000. For further info please contact: Group Chief Executive Hans Johansson, Tel: +46-31-721 08 66; Mobile: +46-70-591 43 34 or Bengt Nilsson, Finance Executive, Tel: +46-31-721 08 68; Mobile: +46-70-582 82 96.

Gothenburg, 27 October, 1999

SEMCON AB (publ)  
The Board of Directors

## Semcon AB Group accounts, summary

<b>Profit and loss accounts (SEK thousand)</b>	<b>1999 Jan-sept</b>	<b>1998 Jan-sept</b>	<b>1998 Full-year</b>
Net sales	623,927	491,061	708,908
Costs and expenses	-548,490	- 427,271	- 610,405
Operating profit after depreciation	75,437	63,790	98,503
Depreciation of machinery and equipment	- 16,320	- 11,763	-16,611
Operating profit after depreciation	59,117	52,027	81,892
Net interest profit	78	- 333	- 574
Income from option scheme	-	3,522	3,522
Profit after financial items	59,195	55,216	84,840
Taxes	- 16,575	- 16,565	- 25,111
Net profit	42,620	38,651	59,729

<b>Balance sheets (SEK thousand)</b>	<b>30/9/99</b>	<b>30/9/98</b>	<b>31/12/98</b>
<b>Assets</b>			
Fixed assets	70,323	34,583	39,340
Current assets	266,387	167,046	218,274
<b>Total</b>	<b>336,710</b>	<b>201,629</b>	<b>257,614</b>
<b>Shareholders' equity and liabilities</b>			
Shareholders' equity	119,705	80,279	101,358
Provisions	25,510	17,710	25,510
Long-term liabilities	-	5,355	-
Current liabilities	191,495	98,285	130,746
<b>Total shareholders' equity and liabilities</b>	<b>336,710</b>	<b>201,629</b>	<b>257,614</b>

<b>Analysis of cash flow<sup>1</sup> (SEK thousand)</b>	<b>1999 Jan-Sept</b>	<b>1998 Jan-Sept</b>	<b>1998 Full-year</b>
Funds internally provided	40,606	38,556	59,837
Investing activities	- 22,624	- 24,499	-35,487
Financing activities	- 24,274	- 14,469	-10,403
<b>Changes in cash and cash equivalents</b>	<b>- 6,292</b>	<b>- 412</b>	<b>13,947</b>

<sup>1</sup> The acquisition of Extern Engineering AB is excluded in the analysis of the cash flow, since the acquisition was carried-through at the turn of the month.

The investment in Extern Engineering AB amounted to SEK 40 million and the Company's cash-account amounted to SEK 10.4 million at the acquisition.

<b>Key ratios</b>	<b>Note</b>	<b>30/9/99</b>	<b>30/9/98</b>	<b>1998 Full-year</b>
Operating margin, (%)	1	9.5	10.6	11.6
Return on average shareholders' equity, (%)	2	42.6	63.5	75.5
Return on average capital employed, (%)	3	56.4	85.4	102.4
Equity ratio, (%)	4	35.6	39.8	39.3
Risk capital ratio, (%)	5	43.1	48.6	49.6
Earnings per share after tax, (SEK)	6	2.46	2.23	3.44
Earnings per share incl. 764 300 options, (SEK)	7	2.35	2.14	3.30
Shareholders' equity per share, (SEK)	8	6.90	4.63	5.85
Shareholders' equity per share incl. 764 300 options, (SEK)	9	6.61	4.43	5.60
Average number of employees	10	1141	898	955
Value added per employee, (SEK thousand)	11	343	378	505
Profit after financial items per employee, (SEK thousand)	12	51.9	61.5	88.8
Investments, (SEK million)		23.9	24.5	35.9
Investments in good-will		17.1	-	-
Investments in real estate		8.3	-	-
Number of shares, (thousand)		17,338	17,338	17,338

**Notes:**

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

**Other definitions:**
*Net profit*

Net profit after tax.

**FINANCIAL INFORMATION**

During the year 2000, Semcon intends to publish the following financial information:

- Statement of accounts on 8 February
- Annual report mid-March
- Part-year report Jan-March, on 4 May
- Part-year report Jan-June on 22 August
- Part-year report, Jan-September on 24 October

The Annual General Meeting will be held on 15 March in Gothenburg.