

# Annual Report 2015



**SEMCON**

## THIS IS SEMCON



**AROUND 3,000 EMPLOYEES**

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**GLOBAL REACH**

PAGE 14

## OFFER



**ENGINEERING SERVICES**

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**PRODUCT INFORMATION**

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## FOCUS INDUSTRIES



**AUTOMOTIVE**

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# Creating the future

With passion for user-friendliness and technology we develop our customers' products and businesses. We contribute to a positive future through our breadth of knowledge, determination and exciting innovations.

Semcon is an international technology consultancy company in the field of engineering services and product information. We have around 3,000 highly skilled employees who constantly challenge one another to find even better solutions and clearer competitive benefits for our customers. We do this by developing products, processes and product information.

Follow us into the future.

# 2015: The year in brief

2015 was a year of challenges for Semcon. The measures taken had a major negative impact on results, but are necessary for Semcon to remain competitive over the long-term. The restructuring work carried out at Engineering Services Germany, to adapt the organisation to the current market situation, meant major costs, amounting to SEK 46 million. The realignment to a more sales-oriented organisation will probably take more time before realising

the full effect. The Product Information business area reported a drop in sales towards year-end due to less business in the UK and China.

A number of partnership agreements were signed with global customers over the year. Semcon also increased ownership in the Norwegian company Devotek. Semcon's largest business area, Engineering Services Nordic, began to see the effect of working with value-based total solutions.

INCOME (SEK)

**2.6**  
billion

NUMBER OF EMPLOYEES

**2,936**  
people

INCOME  
OUTSIDE SWEDEN

**53**  
per cent

- **Operating income:** SEK 2,557 m (2,726)
- **Operating profit:** SEK 10 m (102)
- **Operating margin:** 0.4% (3.8)
- **Profit after tax:** SEK 3 m (75)
- **EPS after dilution:** SEK 0.20 (4.16)
- **Equity/assets ratio:** 45% (48)
- **Return on equity:** 1% (12)
- **The Board proposes a dividend of SEK 1.25 (2.50) per share**

2015	Q1	Q2	Q3	Q4
Operating income	SEK 677 m (704)	SEK 632 m (679)	SEK 611 m (612)	SEK 637 m (731)
Organic growth	-6%	-8%	-2%	-12%
Operating profit	SEK 34 m (41)	SEK -29 m (3)	SEK 13 m (32)	SEK -9 m (27)
Operating margin	5.1% (5.9)	-4.5% (0.4)	2.2% (5.2)	-1.5% (3.6)
Number of employees at end of period	2,935 (3,042)	2,886 (3,032)	2,864 (3,050)	2,936 (2,990)

## Important events during the year

### Q1

- Semcon moved to a new head office in Lindholmen, which is Gothenburg's hub for developmental technology companies.

### Q2

- Semcon signed a development contract with a European premium automotive manufacturer at the end of April. More than 70 of Semcon's engineers will at most be involved in the development project, which will be carried out at Semcon's offices in Germany, Sweden, the UK and India. The project is expected to run for approximately 18 months and includes interior development for two new car models.
- Semcon appointed Per Nilsson as Corporate communications and marketing director in May. Per joins Semcon from Volvo Trucks where he was Global PR Director. He started work in mid-August and is a member of the Group management team

### Q3

- Semcon appointed Udo Glenewinkel as its new President of business area Engineering Services Germany in September. Udo joins Semcon from NGA Human Resources where he was CEO for the operations in DACH (Germany, Austria, Switzerland) and Eastern Europe. He started work on 1 November and is a member of the Group management team.

### Q4

- Semcon strengthened its presence in Norway by extending its shareholding in technology company Kongsberg Devotek AS to 97 per cent to further focus on strategic expansion on the Norwegian market.
- Semcon signed a new global framework agreement with Atlas Copco in November, with Semcon appointed as a Preferred Supplier. The agreement includes a number of different areas of expertise in research and development. The new agreement covers more areas of expertise than previously, giving Semcon the opportunity of taking on more responsibility in future development projects.
- Semcon was appointed as Preferred Supplier for Project Management by Vattenfall Projects & Services in December. This means an extended collaboration between Semcon and Vattenfall. Semcon has already developed Vattenfall's project model, based on Semcon's XLPM methodology. The collaboration will mainly include energy production for Vattenfall, where Semcon is already designated as an A-supplier.
- Semcon signed a new agreement in December for autonomous vehicle systems with a global automotive partner. The assignment is mainly based in Brazil as part of Semcon's global strategy to involve cutting edge expertise in high-tech development projects from different countries. The new agreement will initially employ 15 specialists from Semcon in Brazil and Europe who will be working on a joint development project in close collaboration with the customer.

## ■ Key figures

	2015	2014	2013	2012	2011
Operating income (SEK m)	<b>2,557</b>	2,726	2,508	2,571	2,452
Operating profit (SEK m)	<b>10</b>	102	125	193	111
Operating margin (%)	<b>0.4</b>	3.8	5.0	7.5	4.5
Equity/assets ratio (%)	<b>45.2</b>	48.4	48.5	46.6	38.4
Debt/equity ratio (times)	<b>0.1</b>	–	–	0.1	0.5
Return on equity (%)	<b>0.5</b>	11.6	14.6	27.7	17.3
Cash flow per share (SEK)	<b>1.51</b>	4.54	7.45	10.28	4.84
Dividend per share (SEK)	<b>1.25*</b>	2.50	2.50	2.00	–
EPS after dilution (SEK)	<b>0.20</b>	4.16	4.86	7.80	3.83
Share price at year-end (SEK)	<b>42.40</b>	49.40	60.50	48.00	24.00
Number of employees at year-end	<b>2,936</b>	2,990	3,001	3,000	2,894

\*Board's proposal



## CEO'S COMMENTS

# “The challenges we faced in 2015 were bigger than expected – but Semcon is well positioned for the future”

We find ourselves in challenging and exciting times. We took a number of measures in 2015 to improve our competitive edge and position ourselves for the future. These measures negatively affected results but were necessary for ensuring growth and improved profitability. Following a tough year we head into 2016 with a modern, global organisation with efficient processes and innovative employees. We are seeing an increasingly high demand for development services and that technical developments are advancing in a fascinating way. Products are becoming increasingly connected, more climate-aware and user-friendlier. Our working methods are often both virtual and global, in line with more customers collaborating with us on a strategic level surrounding their product design, product development and product information. In this change process Semcon has a strong position through our extensive offer and capacity to handle major projects in global teams.

### REFLECTING ON THE PAST YEAR

#### Investing for the future negatively affected results for 2015

The past year was not as expected and results are far behind our objectives. Sales in 2015 amounted to SEK 2,557 million

with an operating margin of 0.4 per cent, compared with 3.8 per cent in 2014.

This is partly an effect of the major program of measures introduced throughout the Group over the year, both in the form of cost-cutting and proactive investments for strengthening our competitive edge.

### NEW MEASURES

To gear-up and meet these challenges we have introduced a program of measures that's expected to pay off over the next few years.

#### Tough year for the German engineering business

The major restructuring carried out in Germany over the year to create a more sales-oriented organisation,

which was also adapted to German legislation to promote project deliveries, resulted in restructuring costs of SEK 46 million. We are now ready to meet the large ongoing development requirements, mainly in the automotive industry, and our strategy is completely in line with the new market situation in Germany. Customers can benefit from Semcon's offer of package solutions, something that also leads to more customer dialogue on a strategic level. With a new German management in place there is also now the incentive to promote developments towards successively improved results.

#### Positive trend for engineering services in the Nordics

Semcon's biggest business area, Engineering Services Nordic, has developed its offer, which is now clearer and



“Our strategy for a greater share of project deliveries is starting to pay off.”

Markus Granlund, President and CEO

more customer-oriented, which began paying off in 2015. We saw greater demand, mainly in the automotive and life science industries, while activity was more subdued amongst companies in the energy sector and other manufacturing industries. Semcon increased its shareholding in the Norwegian company Devotek at the end of the year, which really fits our business. This provides us with a strong foothold in Norway, while integrating it into the Group negatively affected results. As a whole, the Engineering Services Nordic business area improved results by SEK 12 million.

The Product Information business area lost sales towards the latter part of 2015 due to less business from the UK and China. We expect to compensate for this somewhat by expanding business relationships with a global telecoms company, involving colleagues in China, Hungary and Sweden. The assignment is in line with the business area's strategy aimed at more, bigger partnership deals and there are opportunities for further similar projects in 2016.

Engineering Services International reported improved results despite the very poor market position in Brazil. Meanwhile, the Brazilian business, together with Semcon in Europe, signed a new agreement for a system for autonomous vehicles with a global automotive customer. This shows that we have the ability to cut customers' development costs, while providing specialist expertise through our global teams. It's in the global structure that

we find one of Semcon's biggest strengths – the ability to work flexibly between countries and produce the highest quality. We are seeing greater demand in this area and major potential for the years to come.

#### FOCUS AND FUTURE INVESTMENTS

##### The global structure – a major advantage for Semcon

We're seeing lots of our customers wanting to work with fewer suppliers and that the selected suppliers are expected to have a global presence. Companies are now looking for partners that can handle major projects and increasingly, entire functions within companies, such as in product information. It's also critical for customers that their products develop as quickly and efficiently as possible. Time-to-market has long been central as a means of competition and is steadily increasing in significance. This is where Semcon has an advantage, with more than 40 offices around the world. We meet customers locally, but also benefit from global networks, consisting of our around 3,000 employees. Specialists from offices in different countries often work on project assignments together. 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 role in these deliveries as skills centres for both engineering services and product information. The offices are well established and have the capacity to take part in major, advanced projects. A global presence is therefore a clear

# “There is a wealth of curiosity and motivation at Semcon to create solutions that make life easier for people.”

Markus Granlund, President and CEO

success factor for Semcon that will become an increasingly important part of our offer in the future. We're also seeing how it supports our strategy for, and increased share of, project deliveries.

## Common working practices make us more efficient

With our global structure in place we are constantly working on improving and harmonising working processes throughout the Group. In 2015 we invested in training and certifying employees in Semcon's own project management system, Semcon Project Model. We also implemented a joint CRM tool as part of enhancing focus on sales. Most of the investment has now been made and are now looking forward to seeing it pay off in 2016. Customer satisfaction in all business areas is high, with an average of 5 on a scale of 1-6, but we obviously want to see improvements in this area too.

## Investing in human resources and communication

We want Semcon to attract the best employees and that they stay with us for a long time. The global shortage of engineers means that the competition for a qualified workforce is tough. We therefore ensure that we are properly represented at universities and technical colleges. We carried out a lot of labour market activities in 2015, which resulted in Semcon being nominated for "Newcomer of the Year" in Sweden in employer branding. But this is not enough. We need to be seen more and be clearer in communicating our brand, which in 2016 we will see more examples of. Just as important as being seen is taking care of our new recruits.

We ensure that Semcon meets the expectations

of a modern employer by carrying out comprehensive induction training, development programs and frequent career development talks.

## Multi-dimensional social responsibility

Companies' attitudes to sustainability in terms of the environment and various ethical issues increase in significance when people choose their employer, but is also important to business partners and investors. Succeeding with sustainability issues requires a long-term approach on a number of levels. We are of most use when we, together with our customers, develop new, effective products that have a smaller carbon footprint and higher levels of safety than ever before.


During 2015 Semcon highlighted the issue of sustainability even more, which is something the Group will continue with in 2016. We have also continued to build on, and enhance, our working relationship with SOS Children's Villages, both in India and in connection with the refugee crisis being witnessed in Europe.

## Ready for the future

There is a wealth of curiosity and motivation at Semcon to create solutions that make life easier for people, both in their everyday lives and in industry - often in ways that break new ground. We will continue to push the boundaries in 2016.

**Markus Granlund**  
President and CEO  
23 March 2016





**Hanna Ljungström,  
Industrial designer**

“Futurologists began talking 30 years ago about a major industrial shift that puts people, not technology, in the spotlight. Today, we are in the middle of this shift, from brain to heart, from product to service and from ownership to sharing. Our customers need to alter their mindset – processes, methodologies, organisations and expertise – to successfully compete on future markets.”

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# Semcon’s vision, mission , desired position

Semcon carries out annual reviews of the company’s objectives and strategies to better reflect Semcon’s business and future ambitions. This is composed in Semcon’s desired position and strategic priorities.

## Semcon’s desired position

- A strong brand
- A sustainable business approach

*From an employee’s perspective to:*

- Attract, develop and retain the best talents and leaders in the industry.

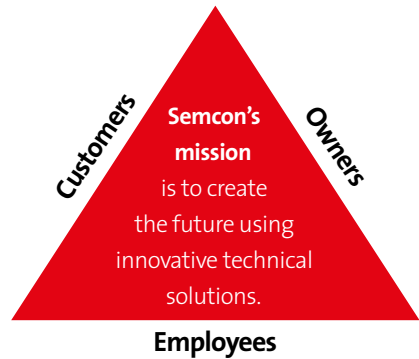
*From a customer’s perspective to:*

- Contribute to our customer’s success through superior deliveries.
- Establish close relationships with our customers
- Provide a customer-focused service portfolio that challenges market needs.
- Ensure a balanced mix of customers, geographic markets and industries.

*From an owner’s perspective to achieve:*

- An operating margin of at least 8 per cent over a business cycle.
- An equity/assets ratio of over 30 per cent.
- The share dividend from a long-term perspective is at least one third of the profit after tax.

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



## Semcon’s strategic priorities

- Strengthen Semcon’s brand as an employer through passion for technology and innovative ideas
- Add maximum value for each customer and exceed expectations
- Increase solution-based deliveries
- Prioritise profitable growth

# and strategic priorities

## Strategic priorities and outcome in 2015

### ■ Strengthen Semcon's brand as an employer through passion for technology and innovative ideas

**OUTCOME:** This long-term investment was prioritised by all business areas. The work consisted of internal and external initiatives. For employees, this meant skills development and constant dialogue followed up in individual professional development plans. The focus externally was on highlighting Semcon's employer branding for potential employees. An employer branding pilot project was completed in 2015 on the Swedish market, resulting in more interest for Semcon as an employer.

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

**OUTCOME:** We have a high number of customer repurchases and Semcon is often asked to carry out complex assignments. In addition, we carry out customer surveys that show that our customers are very pleased with the services we provide. Over the past year customer satisfaction improved from already high levels. We also carry out internal project valuations to constantly improve and refine our processes.

We also carried out a major initiative of changes at our two biggest business areas, providing engineering services on the Nordic and German market respectively. Both business areas worked on restructuring and packaging their service offers to become even more market-oriented.

### ■ Increase solution-based deliveries

**OUTCOME:** The Group implemented a joint project methodology, Semcon Project Model, over the year. This builds on XLPM, a project methodology that we successfully provide our customers. The training adapts to employees' various roles in our project deliveries. We also launched a web-based project platform that supports the various stages of the project deliveries and safeguards the internal processes. Overall we are seeing that our global customers want to sign agreements with fewer suppliers who have global coverage. In these cases we are seeing that interest in our project-based deliveries is increasing, both at our home market and internationally. There is, not least of all, a major interest in our FOBO model, where we utilise the proximity to the customer, combined with our international delivery ability. The Front Office is responsible for project coordination, while the Back Office carries out the project.

### ■ Prioritise profitable growth

**OUTCOME:** Semcon has continued to focus heavily on long-term growth and profitability in the assignments/projects it delivers. We failed to achieve this objective in 2015 mainly because of the realignment, taking place in the Engineering Services Germany business area and less business from China and the UK in the Product Information business area.

## Financial objectives

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

**OUTCOME:** The operating margin amounted to 0.4 per cent (3.8). The operating profit was weak partly as a result of major restructuring costs in the Engineering Services Germany business area. The Product Information business area also saw figures decline due to less business from the UK and China, negatively affecting results.

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

**OUTCOME:** The equity/assets ratio was 45 per cent (48). The Group's financial position remains healthy with an equity/assets ratio of over 30 per cent.

### ■ The share dividend from a long-term perspective is at least one third of the profit after tax

**OUTCOME:** The profit after tax amounted to SEK 3.5 million (75.4). The Board proposes a share dividend of SEK 1.25 per share (2.50). The proposed dividend amounts to SEK 22.6 million (45.3).





**Ruigiang Zhou**  
**Project manager**

“The advantage of digital information is that it’s dynamic, can be changed and adapted. You can send new information in real time to the web or mobile apps. This can’t be done with printed material, which is static as soon as it’s printed. The customer gets flexibility – without major overheads.”

# Tailored solutions that utilise Semcon's global pool of expertise

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

We provide this by expertly packaging managed services, projects and specialist services, thereby helping boost customer's commercial advantages. This is done by delivering according to our core values: credibility, responsibility and excellence.

Semcon has seen an increasing number of project requests from customers in recent years, something that is expected to continue increasing over the next few years. We trained our employees in Semcon's own project methodology in 2015, the Semcon Project Model, which builds on XLPM. This is a joint project tool with an associated web-based project platform that supports the entire project lifecycle.

An important part of Semcon's strategy is being located where our customers are and providing resources and services from an international perspective. Semcon currently has offices in more than 40 locations in nine countries. Business was carried out in 36 countries in 2015, meaning we provide our services globally.

Semcon's proximity to its customers, coupled with the Group's ability to supply services internationally, creates the opportunity to enjoy the best of both worlds, known as the FOBO model. The Front Office assumes responsibility for project coordination and the Back Office for implementing the actual assignment. Customers can be in Lund or Shanghai, with the project carried out in Bangalore or Budapest.

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

To complement deliveries to customers, Semcon collaborates with many subcontractors.

In assignments where Semcon provides specialist services it is mainly the number of employees, fees and degree of utilisation that decide income growth and profits. In assignments where Semcon provides projects or where Semcon takes over entire functions with customers it is the ability to achieve a high degree of efficiency, quality and security of the deliveries that are crucial.

Semcon's main business builds on three business models that complement one another. This means that Semcon has the opportunity of creating an optimal delivery through flexible business solutions that link our expertise around the world.

## → Managed services

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

## → Projects

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

## → Specialist services

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





# Local presence with international resources

## SWEDEN

Eskilstuna  
Falun  
Gothenburg  
Jönköping  
Karlstad  
Karlskrona  
Kristianstad  
Lidköping  
Linköping  
Ludvika  
Lund  
Oskarshamn  
Stenungsund  
Stockholm  
Södertälje

## Trollhättan

Uppsala  
Västerås  
Växjö  
Örebro

## GERMANY

Bad Friedrichshall  
Ingolstadt  
Munich  
Rüsselsheim  
Sindelfingen  
Wolfsburg

## UNITED KINGDOM

Havant  
Leavesden  
South Woodham Ferrers  
Warwick

## BRAZIL

Porto Real  
Resende  
São Paulo

## CHINA

Beijing  
Shanghai

## INDIA

Bangalore

## HUNGARY

Budapest

## NORWAY

Kongsberg

## SPAIN

Antas

## History

**1980** Semcon founded in Västerås.

**1985** Head office moved to Gothenburg.

**1994** International expansion starts with office opened in England.

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

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

**2006** Company gets new main owner, JCE Group, which now owns around 22 per cent of shares.

**2007** Two major acquisitions, IVM Automotive in Germany and Caran in Sweden.

**2011** Several important deals during the year with German vehicle manufacturers.

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

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

**2015** Semcon moves to a new head office at Lindholmen, Gothenburg's hub for developmental technology companies.

Semcon increases ownership in Norwegian company Kongsberg Devotek AS, active in engineering and development services.



**Martin Kaalhus**  
Systems developer for embedded systems

“Mind control is when you, with the help of electrodes on your head, measure EEG signals from the brain and then uses those signals to get various systems to react. The automotive industry for example could use this technology to develop systems making it possible, using mind control, to raise and lower the volume on the radio, regulate temperatures or even give commands when it’s time to overtake another vehicle.”

# Expanding markets provide both opportunities and challenges

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

Semcon follows the trends and investments in research and development (R&D) on respective markets and industries.

Global investments in R&D are expected to rise by an average of 1.1 per cent annually, to EUR 1,253 billion by 2018, according to an analysis carried out by the research organisation Battelle. Forecasts indicate investments will rise, but this increase will level off somewhat compared with previous years. The US, Europe, China and Japan are expected to account for 79 per cent of R&D investments in 2018, an increase of 1 per cent compared with 2014. 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, which is a drop of 1 per cent over the 2014 – 2018 period. According to Battelle the factors mainly affecting and driving global R&D investments over the next three years will be governments' ability to understand scientific and technological changes, market demand for sustainable energy and global climate change.

## Good market growth for ESP services

The ESP market (Engineering Service Provider), where Semcon is active, can be described as technological R&D outsourced by industrial companies mainly in the manufacturing industry. The global ESP market is expected to amount to EUR 175 billion by 2018, an increase of 7.2 per cent annually over the 2014 – 2018 period, according to

analyses carried out by Battelle, OECD and the World Bank. The annual growth rate for ESP services is strongest in Asia (12 per cent annually) and weaker on the more mature markets in Europe and North America.

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

## Automotive

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 OEMs accounted for EUR 62 billion of 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 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. Oliver Wyman presented a study in 2012 that estimated that the outsourced share would amount to 7 per cent and expected to increase to 12 per cent by



2025, an annual growth rate of 12 per cent. It is furthermore suggested that Europe will retain its good reputation and strengthen its position as market leader in R&D in the global automotive industry. Four key market trends in the automotive industry that also affect Semcon's focus and alignment, is the increased development of car models and derivatives, focus on eco-friendly transport, interconnectivity of vehicles to various systems and OEMs increasing share of outsourcing to Engineering Service Providers.

### **Life science**

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

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

### **Industry**

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

to Battelle. The aviation industry, which accounts for much of overall R&D investments, is reporting a greater need for adapting existing airliners to meet new requirements. Aviation manufacturers filled their order books in 2015 and there are increased volumes of aircraft to be delivered over the coming years. Like most other industries, the companies' R&D investments are in strong correlation to the companies' net profits. It is likely that customer companies will continue with their strategies of entering partnerships with fewer major suppliers. The telecom industry has seen constant high investment driven by new technologies, a change in customer patterns and changes due to market demands. The telecom industry is undergoing a technological shift, where R&D investments are focusing on various kinds of cloud services, and technologies tied to cloud-based services are expected to increase, in future accounting for the majority of R&D investments in the industry.

### **Energy**

This industry is dominated by global oil and gas companies. Alternative energy sources and energy technology are the areas that will result in industry shares of the overall R&D investments increasing over the next few years, according to Battelle. Other areas in the industry expected to drive R&D investments include advanced material developments for sustainable technology. It is also expected, according to Battelle, that major R&D investments in the nuclear power industry

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

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

	Automotive	Life science	Industry	Energy
1	Germany	USA	USA	Germany
2	Japan	UK	Japan	USA
3	USA	Germany	Germany	China
4	China	Japan	China	Japan
5	UK	China	UK	UK

will take place, mainly for upgrading existing systems, but also for the phasing out of old nuclear power stations. Oil prices in 2015 fell by around 30 per cent, with the price of a barrel falling from USD 48 to USD 33, which has directly affected R&D investments due to greater uncertainty on the market and the effect of companies' net profits.

#### Global trends for Semcon

- Continued healthy growth expected for ESP services in the automotive industry as a result of a greater share of outsourcing.
- Increased R&D budgets expected at biggest customers in the future.
- Opportunities for strategic acquisitions of mid-sized ESP companies.
- Growth potential in Asia and Europe where R&D investments are expected to increase.
- Greater demand for international projects from customers where Semcon has the benefit of already being established and where the competition has high costs on the market. Customers are demanding greater flexibility when carrying out international projects and also in pricing.

#### Development in Semcon's markets

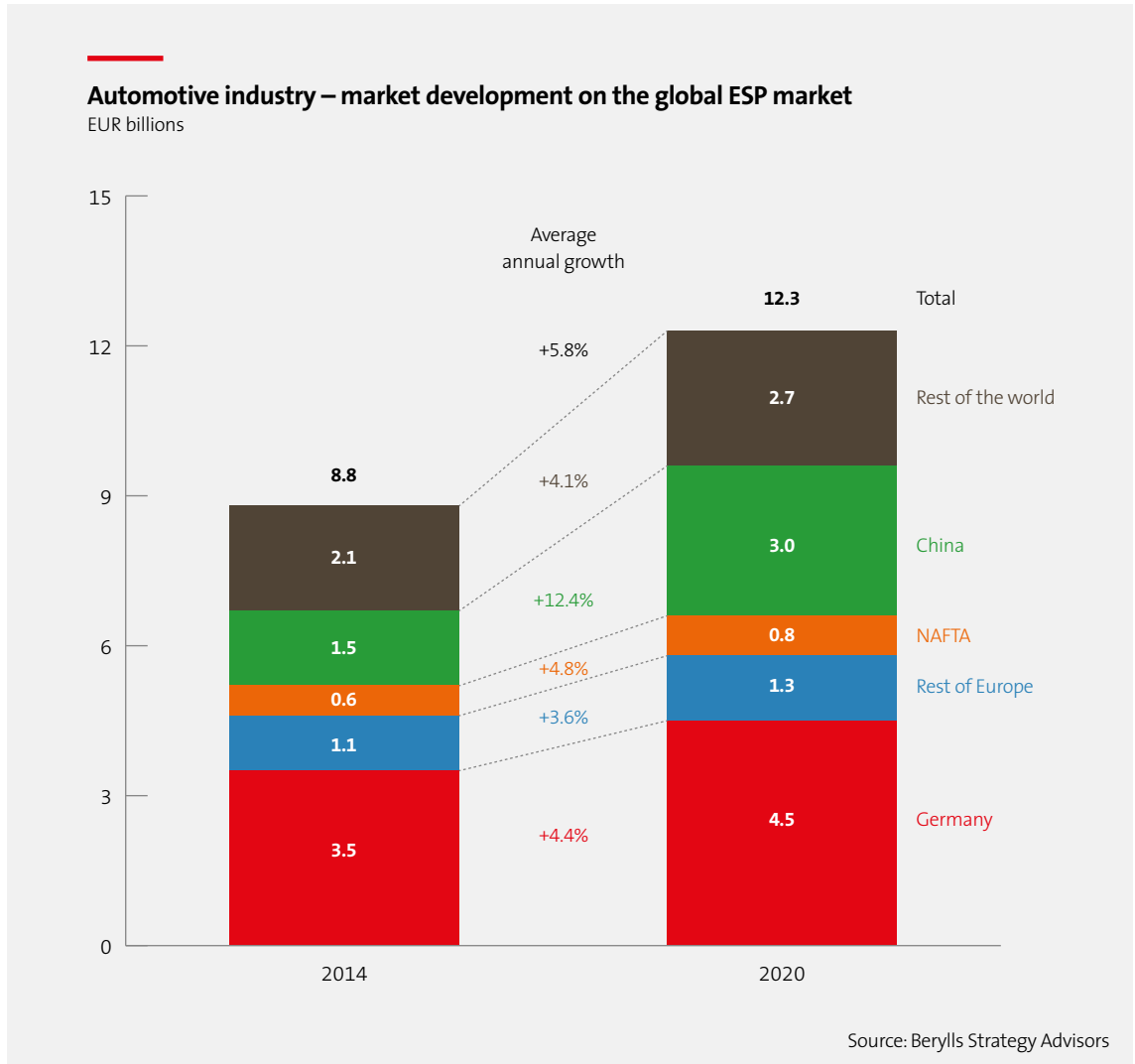
Semcon's international presence continued to grow in 2015. An increasing number of customers are demanding projects carried out with various expertise and cost structures, allowing a greater utilisation of Semcon's global offer and organisation. The company's sales outside Sweden amounted to 53 per cent in 2015. Sales growth took place

in the UK, Hungary, Sweden and India. Germany, Brazil and China reported a drop in sales.

Semcon's largest market is Sweden, where turnover for services related to product development and technical information (in industrial technology) was expected to reach SEK 23.1 billion in 2015 with 21,100 employees, according to the trade association Swedish Federation of Consulting Engineers and Architects. The trade association also ranks Semcon 2nd in terms of turnover amongst the top 50 companies active in industrial technology by STD. Semcon's Swedish market grew by 2 per cent in terms of turnover over the year. Omega's service indicator (December 2015) shows that production in the private sector rose by 3 per cent in 2015.

Germany, which is Semcon's second largest market, reported a drop in turnover of 13 per cent in local currency. The engineering services business is mainly geared towards the automotive industry, with product information activities representing a minor part. In 2015 the consolidation, started in 2013, continued on the engineering services market towards the German automotive industry, resulting in a reduced number of independent companies and we are now seeing an increasing number of larger international players. The manning directive, introduced in 2013, continued to impact on customers' purchase patterns. This means that sales of individual consultancy services based on hourly rates continued falling and the number of projects and managed services continued to increase. According to VDA and Berylls R&D investments in the German automotive industry 2014 amounted to EUR 34 billion. Outsourcing in





Germany in relation to R&D investments to Engineering Service Providers amounts to 12 per cent, which is higher than the international figure, which is around 7 per cent.

According to Berylls the service market for engineering services in Germany amounted to EUR 3.5 billion in 2014. Semcon’s market share amounts to around 3 per cent.

The average annual growth for engineering services in the automotive industry in Germany is expected to be 4.4 per cent annually between 2014 and 2020. The market value is expected to rise from EUR 3.5 billion in 2014 to EUR 4.5 billion in 2020.

The UK, which is Semcon’s third largest market, reported growth of 17 per cent in local currency. The business runs engineering services and product information and is mainly geared towards the automotive and industry sectors.

The UK as a market is expected to have the potential for continued high growth, both in current and new industries.

On other markets where Semcon is active, the need for engineering development services and product information is expected to be significant. China and India are considered the two countries where growth rates remain high. According to VDA and Berylls, the service market for engineering services in the automotive industry in China amounted to EUR 1.5 billion in 2014 with an average annual growth for engineering services in the automotive industry in China at 12.4 per cent for the 2014 – 2020 period. This means that China will account for 24 per cent of the overall volume, equivalent to EUR 3 billion by 2020.

The Brazilian market remains difficult to read following weak developments in 2014 and 2015. ●

# Long-term trends affecting Semcon

## Fewer and larger suppliers winning customers' trust

Customers want fewer, larger suppliers with an international presence to achieve project efficiency. Customers want cost-effective solutions and suppliers that can supply globally. A shift has been seen in recent years towards more projects and more managed services. Different types of incentive models are discussed and customers are asking for models that steer towards their end products becoming as good as possible as quickly as possible. This provides opportunities of working with more variables than just the number of hours and fees, while projects' methodology and internal processes are becoming increasingly important in order to enable partnerships with customers.

## More products, models and faster development processes

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



## The internet of things

The internet of things is developing rapidly. Many products around us are connected to the internet and companies are investing vast sums of money to develop in this area. It is predicted that not only simple products will be connected to the internet, but also large-scale areas, such as Nice in France, which is developing a smart city concept. This places demands on companies like Semcon to further develop its offer and expertise in this area.

## Focus on product information and traceability

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

## Shortage of engineers contributing to talent hunt

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

## The ageing population will mean challenges for future generations

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

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





# Semcon's focus industries

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



## Automotive

Sales to the automotive industry accounted for 67 per cent of Semcon's sales in 2015.

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

Development has mainly benefited German, Chinese

and South Korean manufacturers, which boosted turnover during the financial crisis. Meanwhile, many of the other European, US and Japanese manufacturers are facing challenges to achieve the same manufacturing volumes as back in 2007. Germany has a strong position and remains the catalyst of the European automotive industry with BMW, Audi, Mercedes-Benz and Volkswagen leading the field. According to VDA, the German automotive industry employed 100,000 people in R&D in 2015. The German automotive manufacturers are expected to increase their investments in research and development from EUR 20 billion in 2014 to EUR 21 billion in 2015. According to the European Commission the German automotive industry accounts for one third of all global investments in R&D.



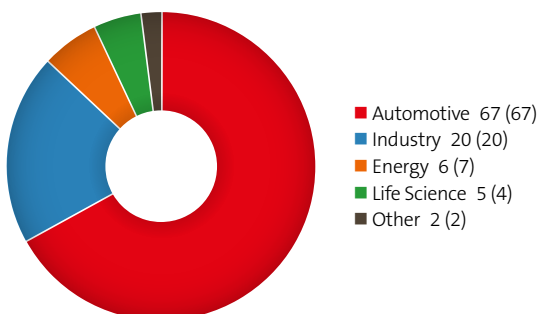
## Industry

Sales to the industry sector accounted for 20 per cent of Semcon's sales in 2015.

Semcon's customers not only include many world-leading companies in the technology, manufacturing, process, telecommunications, rail, marine and aviation industries, but also a number of manufacturers of consumer products. The Swedish economy, according to the Swedish National Institute of Economic Research, will strengthen in 2016 with GDP expected to be 3.9 per cent. Companies remain optimistic and economic indicators showed in December 2015 that the manufacturing industry, along with plant, construction and retail industries, are contributing heavily to the upswing. The manufacturing industry is vital for Swedish industry with growth reported in 2015 compared with 2014. Germany is one of the world's leading industrial nations and its manufacturing industry grew less than expected in 2015 following a relatively weak end to the year.

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

Group sales per industry (%)



lifecycles. This means extra technology development investment and innovative product development, which will probably be reflected in greater R&D investments.

## Energy

Sales to the energy sector accounted for 6 per cent of Semcon's sales in 2015.

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 significantly reduce carbon dioxide emissions.

The technical challenges involve everything from "clean" coal plants, producing more energy-efficient products, developing energy distribution systems and extending the life of existing nuclear power plants and in some cases decommissioning nuclear power plants safely, to developing and streamlining renewable energy sources like solar, wind and hydro-electric power. This challenge applies not least in Germany, which is decommissioning its nuclear power stations by 2022 and

where R&D will be crucial for how well they succeed in replacing nuclear power with new energy sources.

## Life science

Sales to the life science sector accounted for 5 per cent of Semcon's sales in 2015.

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

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

## ■ The competition

Competitor	Country	Website	No. of employees	Sales, SEK m <sup>1</sup>	Ownership structure	Year
Akka Technologies <sup>2</sup>	France	akka.eu	12,222	9,265	Listed	2015
Altran	France	altran.com	25,935	17,991	Listed	2015
Alten	France	alten.com	20,400	14,253	Listed	2015
Bertrandt	Germany	bertrandt.com	12,367	8,646	Listed	2014/15
Cowi	Denmark	cowi.com	6,400	6,971	Cowi Foundation & employees	2015
Edag	Germany	edag.de	7,484	6,382	Listed	2014
Etteplan	Finland	etteplan.com	2,077	1,305	Listed	2015
Formel D	Germany	formeld.com	6,000	1,535	Deutsche Beteiligungs AG etc.	2014
IAV	Germany	iav.com	6,500	6,382	Volkswagen, Continental etc.	2015
Norconsult	Norway	norconsult.no	2,900	3,842	Private	2014
Rejlers	Sweden	rejlers.com	1,876	2,082	Listed	2015
<b>Semcon</b>	<b>Sweden</b>	<b>semcon.com</b>	<b>2,936</b>	<b>2,557</b>	<b>Listed</b>	<b>2015</b>
Sigma	Sweden	sigma.se	1,700	1,620	Danir-Group	2014
ÅF	Sweden	afconsult.com	7,852	9,851	Listed	2015

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

1) When converting from domestic currencies to SEK the exchange rates were as follows: EUR/SEK 9.25, NOK/SEK 1.00 and DKK/SEK 1.25.

2) Akka Technologies owns 65% of MB Tech-Group with activities mainly in Germany. The German division of Akka Technologies reported annual sales in 2015 of SEK 3,116 million with 3,266 employees.



# Products and solutions that drive customers forward



## Engineering services

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

*Read more on page 26*

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



### Automotive development

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



### Quality

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



### Calculation & simulation

- Structural calculations
- Crash simulations
- MBS
- CFD



### Mechanics

- Construction
- Hydraulics



### Plant and facility design

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



### Design

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



### User experience

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



### Project management

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



### Electronics & embedded systems

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



### Automation

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



### Testing & measuring

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



### Production technology

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



### Sound

- Noise and vibration solutions
- Sound design



## Product information

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

*Read more on page 32.*

### Aftermarket information • Distribution



#### Information strategy

- Purpose and objectives
- Target group strategy
- Roadmap
- Evaluation



#### Product & user information

- Market information
- Product information
- User information
- Owner information
- User portal



#### Illustrations & graphics

- Technical illustrations
- Animations
- 3D images



#### Information design

- Information architecture
- Usability guidelines
- Graphic and content guidelines
- Template design
- User experience



#### Information management

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



#### Service information

- Installation
- Reparation
- Maintenance
- Labour times
- Diagnostics
- Service portal



#### Digital distribution

- Content Management System (CMS)
- Distribution platform
- Mobile applications
- User interface
- Service Level Agreement (SLA)
- Translation



#### Serviceability

- Design requirements
- Engineering impact
- Warranty cost optimisation



#### Training

- Curriculum
- E-learning
- Classroom training
- Train the trainer



#### Spare parts & accessory information

- Spare parts engineering
- Spare parts information
- Accessory information

# Engineering services

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

**S**emcon helps customers develop products, systems and facilities with innovative solutions for the whole development chain, from needs analyses to finished product. We provide our customers with more than 35 years' expertise and experience of engineering challenges in a range of development-intensive industries.

Over the past year the two largest business areas for engineering services, Engineering Services Nordic and Engineering Services Germany, have focused on further adapting their offer to the market. This work will be the bedrock of continued strategic business development and be a guide in sales processes and marketing.

## **Automotive**

Semcon is one of a few major independent companies with the expertise to carry out major development projects for cars and commercial vehicles.

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

**ASSIGNMENT: CYBAERO**

## Apid One – autonomous helicopters for new tasks

CybAero asked Semcon to develop and take the company's autonomous Apid One helicopter to the next level, with the aim of optimising it for specific tasks. After a lot of intense work this resulted in 3D models, choice of colours and materials and full-scale models turned into three different products for rescue missions, surveillance and border control. The Apid One helicopter series can fly long distances in tough conditions and can be custom fitted for specific missions and equipped with thermal imaging cameras, bio-chemical sensors and laser scanning devices.

**ASSIGNMENT: VIRTUAL REALITY**

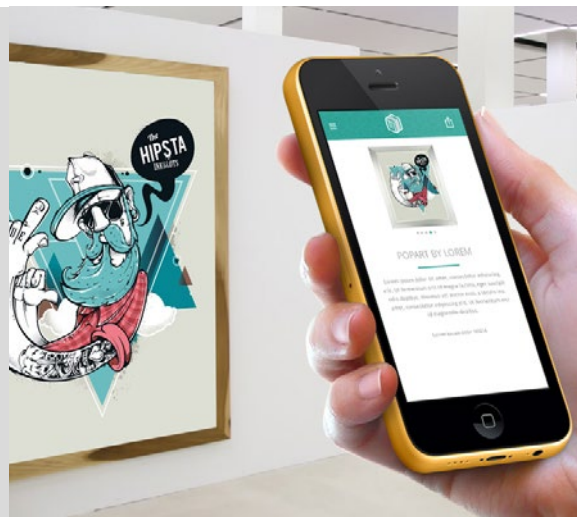
## VirDa – gaming world meets industry

The range of uses for virtual reality (VR) are expanding and spreading outside the gaming and leisure industry. Semcon has developed unique software, VirDa, for the Oculus Rift virtual reality headset. Industry customers can now experience everything from production environments to extreme details. The software delivers complete textures of a 3D object and creates an enhanced feeling of reality. The technology's biggest potential is in detailed environments such as drivers' cabs, production lines or on oil platforms.

**ASSIGNMENT: WIBRICK SOLUTIONS**

## Revolution for future customer interaction

Imagine walking into a clothes store and your mobile phone suddenly receives a message with tips about products and special offers. Semcon has helped WiBrick Solutions design and construct a module that sends location-based content to smart phones – technology that could change our experience in everything from shops to events. The WiBrick module is based on the Bluetooth Low Energy and Apple's iBeacon standards. WiBrick dashboard is a cloud-based service where units and campaigns are managed with ease. WiBrick will be fully commercialised in 2016 following extensive tests in a number of areas.





**ASSIGNMENT: CEVT**

## Joint framework for simulations at CEVT

CEVT is responsible for coming up with joint vehicle platforms for Geely Cars' C segment. Development includes everything from architecture and drivelines to the cars' exterior design. To get working methods to flow in simulations they asked Semcon for help. The new joint framework for simulations means a speedier concept development phase. This also means increased model portability, more efficient working processes and access to simulation-based virtual development.

**ASSIGNMENT: LIVELLO**

## Bicycle with unique cargo space

When Livello needed help updating frame calculations and other construction of its urban cargo bicycle, they contacted Semcon. Following the initial concept phase the seat and cover were integrated, giving a flexible, light and cost-effective solution, which has a patent pending. The user gets maximum cargo space, which together with Livello's safety features, like roll bar and seatbelt, are unique for the product segment.

**ASSIGNMENT: HASSELBLAD**

## New camera body shows more detail in poor light

Camera manufacturer Hasselblad turned to Semcon to upgrade its H4 with new hardware and software. To improve the camera's communication capabilities it was updated with a larger memory and new processor. This change and new drive routines also saw the addition of a new operating system. The new H5D model performs better, the user interface is faster and the new sensor makes it possible to take exceptionally good photos in poor light.



“We provide our customers with more than 35 years’ expertise and experience of engineering challenges in a range of development-intensive industries.”

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### Industry

Semcon provides complete solutions and expertise in products, production and plants. Engineering development and industrial design are two areas where Semcon has extensive experience and wide-ranging specialist skills. Semcon also has great expertise in embedded systems, which help companies develop intelligent and communicative products with high standards of safety, reliability and durability.

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

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

### Energy

Semcon offers complete solutions to both distributors and producers of energy, along with complete studies including programs for large energy use. Customers benefit from Semcon’s expertise and experience from

other industries, which can be used to great effect by the energy sector. One such example is the fully developed quality methodology in validation and traceability, from the life science industry, used in the nuclear industry. Another example is experience with turbines, gearboxes and control electronics from the automotive industry, which helped towards innovative solutions for the energy sector.

Semcon’s plant and facility design services for energy technology includes services for network construction and energy production, as well as renovations and upgrades of hydro-power plants. For oil and gas, Semcon also provides project and quality management and construction.

Semcon also has solid experience of product development for developing energy-smart solutions.

### Life science

With more than 20 years’ experience of integrating system solutions and quality and project management in the pharmaceutical and medical device markets, Semcon helps customers meet regulatory requirements, while shortening project times. Semcon streamlines production and safeguards the right quality and clear traceability, plus it manages and carries out major projects, such as project managing entire processes. Semcon also has a complete range of services in medical devices. ●

# Engineering Services business areas

The Engineering Services business area is divided into three geographic business areas:

- Engineering Services Nordic
- Engineering Services Germany
- Engineering Services International

## ■ Engineering Services Nordic



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

### Business

The business area's around 1,100 employees provide services in areas such as product development, plant engineering and production development services.

### Markets and customers

Business activities mainly focus on the energy, automotive, industrial and life science sectors in the

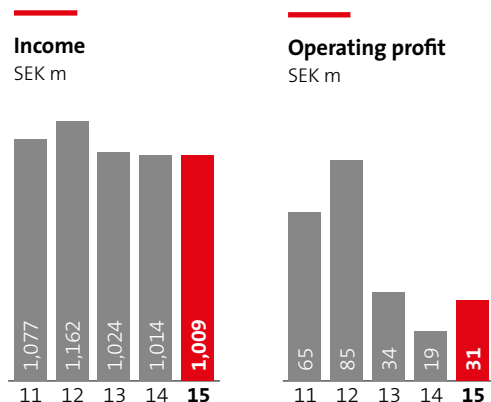
Nordic region.

Activities are mainly run in Sweden and Norway, but projects and assignments are also carried out for customers in Denmark and Finland. Customers include ABB, AB Volvo, Alstom, AstraZeneca, Bombardier, CEVT, Geely, Fortum, General Electric, Getinge, Husqvarna, Metso, Rolls-Royce Marine, Saab, Scania, Siemens, Vattenfall and Volvo Cars.

### Development 2015

The business area's sales amounted to SEK 1,009 million (1,014) and, adjusted for divestments, sales remained generally unchanged. Sales to the automotive industry and life science sector were relatively healthy, while industry and energy customers generally took a more

wait-and-see approach to new investments. The operating profit amounted to SEK 31 million (19), giving an operating margin of 3.0% (1.9). Restructuring costs negatively affected last year's Q4 by SEK 11 million. Some offices reported weak utilisation ratios over the year, negatively impacting results. Sharp focus is being placed on measures to boost growth and profits. Part of the development of the business area's offer over the year has been on working on business development. Sharp focus is being placed on measures to improve growth and profitability. This resulted in eight different value areas with high market potential where Semcon can significantly improve customers' competitive edge.



## ■ Engineering Services Germany



**President:**  
**Udo Glenewinkel**

### Business

The business area's around 950 employees provide services to customers primarily in the German automotive industry.

### Markets and customers

The business area provides services to customers in German industry. Customers not only include many of the world's leading automotive

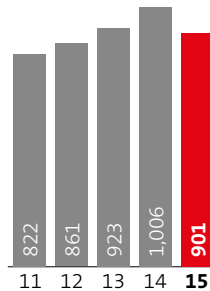
manufacturers, such as Audi, BMW, Daimler, Opel/GM, Porsche and Volkswagen, but also customers in other industries such as Sell and Vattenfall.

### Development 2015

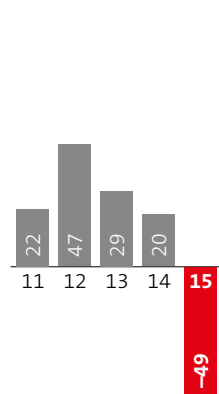
The business area's sales amounted to SEK 901 million (1,006), which meant a fall in local currencies of 13%. The business area reported lower sales, due to the transition underway in the German market. The operating loss was SEK 49 million (+20), giving an operating margin of -5.4% (+2.0). A change in purchase patterns, due to new legislation, has involved the automotive industry in particular, moving over to buying more projects and packaged services instead of having specialists on site with customers. Measures have been implemented to

meet these new customers new requirements, meaning that restructuring costs of SEK 46 million (6) impacted the year's operating profit, of which SEK 26 million (4) was in Q4. Measures taken in Q4 aim at strengthening the customer offer and boosting sales. This means, among other things, a new business structure and fewer administrative staff in the business area. Udo Glenewinkel took over as new President of the business area on 1 November. The German automotive customers are, however, expected to retain a high demand for development services.

**Income**  
SEK m



**Operating profit**  
SEK m



## ■ Engineering Services International



**President:**  
**Markus Granlund**

### Business

The business area's around 350 employees provide product and production development services.

### Markets and customers

The business area has business activities in the UK, Brazil and India, mainly in the automotive industry. Customers include a number of leading industrial companies such as AB Volvo,

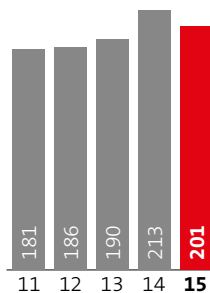
Aston Martin, Autoliv, BMW, General Electric, GKN, Jaguar Land Rover, Mahindra Reva, MAN, Mercedes-Benz, Scania, Siemens, Volvo Cars and Volkswagen.

### Development 2015

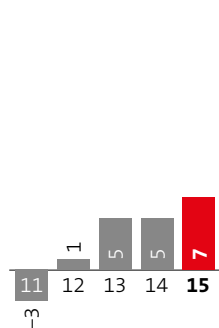
The business area's sales amounted to SEK 201 million (213), which adjusted for currency effects meant a fall of 7%. The UK operations sale of services to other countries

as negatively affected by the stronger UK pound. The operating profit amounted to SEK 7 million (5), giving an operating margin of 3.2% (2.3). The market in Brazil is currently weak, which resulted in redundancies for 17 people in the first half of the year and meant restructuring expenses of SEK 2 million (1) affecting the operating profit.

**Income**  
SEK m



**Operating profit**  
SEK m



# Product information

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

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

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

Semcon's main focus is on two markets for product information services: Europe and China. Our international presence allows us to carry out

assignments by combining front office/back office deliveries (FOBO model). More offices involved also means that deliveries are more effective in terms of cost, expertise and time management.

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



**ASSIGNMENT: VOLVO CARS**

## New technical manual for the new Volvo XC90

As the technology in Volvo's cars becomes increasingly advanced there is a growing need for an educational way of explaining it to the automaker's service technicians. As Volvo's new XC90 was being developed, Volvo asked Semcon to design technical training material and facts about all the components. The car is Volvo's most advanced to date, and everything from simple functions to advanced communication between the car's more than 100 control units and its computers needed documenting. The 650 page technical manual has been translated into 18 different languages and is now used to train Volvo's service technicians around the world.

**ASSIGNMENT: KVÆRNER**

## E-learning package for big dockside crane

Kværner Stord has invested in Northern Europe's biggest gantry crane (Storen) that can lift up to 800 tons. The crane is used to lift large offshore constructions. Kværner needed a simple, easily accessible training material for operation and maintenance of the crane. Semcon was given the task of creating two e-learning packages: one for Storen and one for the lifting mechanism with numerous lifting points. The e-learning comes with illustrations and images, where key information is easy to understand. The project was carried out in collaboration with employees from Norway and Hungary.

**ASSIGNMENT: SMART**

## Modular, user-oriented and smart

Since 2015, Semcon has produced a target group-oriented manual with modern information architecture for Daimler's Smart cars. Drivers can now find the information more quickly. The content is structured according to a theme-based principle that makes it easier to organise information modules and maintain data. Semcon has also introduced a simple graphic concept that means it doesn't need changing as often. The result of this work is half the number of pages, reduced costs and improved user experience for Daimler's customers.



## Offer

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

This cycle can be described in the following six steps:

- **Strategy** – Analysis and definition of target groups, target definition plus strategic development plan.
- **Design** – Designing information architecture, usability guidelines, illustrations, graphics and content guidelines and template design.
- **Development** – Data collection, methodology and process development, content creation, as well as reviews, tests and verifications.
- **Control** – Management of configuration, document management, quality assurance and document administration.
- **Delivery** – Translation, printing, publishing, distribution and training.
- **Evaluation** – Statistics, accomplishment of targets and improvements.

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

### Aftermarket product information solutions

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

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

### Information distribution

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

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

### Information management

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

# Product Information business area

## Business

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



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

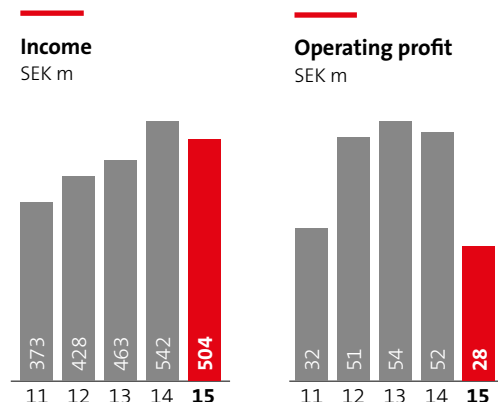
Apart from the drop in sales to Jaguar Land Rover in Q4, profits were also negatively affected by sales to one of the larger customers in China ended in Q3. This has negatively affected the results both by the write-down of accounts receivable and additional operating costs. Sales to the Norwegian oil and gas industry were also weak, which also influenced the weaker earnings. A new long-term partnership deal was signed in Q3 with a customer in telecom with a gradual ramping up of the business during Q4, to involve 20 people.

## Markets and customers

Product Information now has offices in Sweden, the UK, Germany, Hungary, China and Norway. Customers are mainly in the automotive, engineering, telecom and IT, energy and med-tech sectors. These include: ABB, AB Volvo, Baxter, Bombardier, CEVT, ESAB, Jaguar Land Rover, Saab, Siemens, UniCarrier and Volvo Cars.

## Development 2015

The business area's sales amounted to SEK 504 million (542), which adjusted for currency effects, acquisitions and divestments, means a drop of 4%. Deliveries in Q4 from the partnership with Jaguar Land Rover fell meaning 40 or so fewer people are now involved in deliveries. The operating profit amounted to SEK 28 million (52) giving an operating margin of 5.6% (9.6).





**Lynda Herczeg**  
**Technical writer**

“Semcon’s FOBO model is cost-effective, flexible and ensures a high level of quality work. It’s also helps that we work with people with different backgrounds, allowing us to get more varied perspectives.”

# Proactive HR initiatives to highlight our employees' engagement

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

Work on profiling Semcon as an employer has intensified over the year. The aim, with the support of Semcon's vision and strategies, has been to continue to work with clarifying the messages, highlighting development areas and running improvement initiatives with the purpose of safeguarding Semcon's short and long-term ability to attract new talents as well as retain existing.

We put a lot of emphasis on the induction training to give our new colleagues a good start in their new chosen career with us in order to create an understanding and insight into the company and the expertise we possess. We also carry out leadership development throughout the Group with a number of targeted training programs for managers. These courses build on our leadership criteria, which in turn should permeate leadership throughout Semcon.

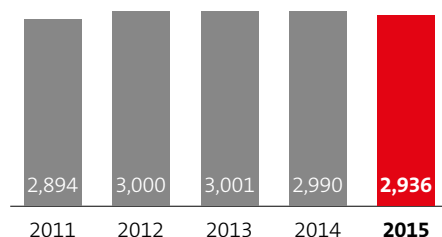
Semcon has also worked on initiatives over the year

to clarify our career development paths. We have focused on how employees can develop and build careers in our various technological areas and in varying positions at the company.

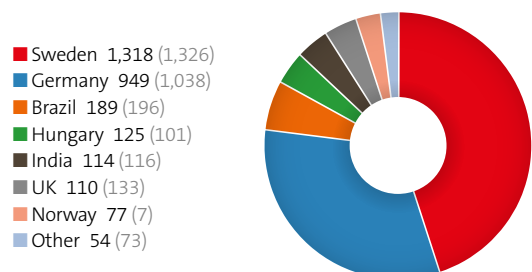
Because feedback from employees is important we carry out various forms of employee surveys throughout the year that follow employees' lifecycles at Semcon.

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

## Number of employees



## Number of employees by country

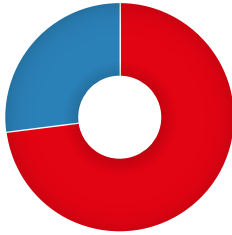




**Gender division\* (%)**

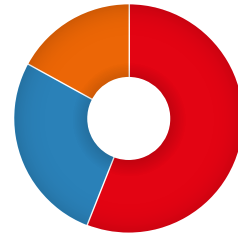
- Men 73 (74)
- Women 27 (26)

Percentage of women in Sweden: 31 (30)



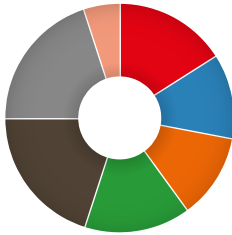
**Average employment duration\* (%)**

- > 3 years 56 (51)
- 1–3 years 27 (30)
- < 1 year 17 (19)



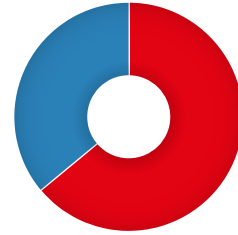
**Age of employees\* (%)**

- 51– 16 (15)
- 46–50 12 (11)
- 41–45 12 (12)
- 36–40 15 (15)
- 31–35 20 (20)
- 26–30 20 (21)
- –25 5 (6)



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

- College/university 64 (65)
- Sixth-form college 36 (35)



\*31 December 2015

■ Key figures	2015	2014	2013	2012	2011
Total number of employees 31 Dec	<b>2,936</b>	2,990	3,001	3,000	2,894
Average number of employees	<b>2,795</b>	2,887	2,874	2,891	2,727
Average age	<b>38</b>	38	38	38	37
Employee turnover* (%)	<b>21</b>	21	20	23	24

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



**SEMCON'S STUDENT AMBASSADORS** spreading our employer brand at prioritised universities and colleges around Sweden.

## Three HR initiatives in 2015

### **Pilot project to strengthen employer brand**

A pilot project got underway at the start of the year at the Swedish organisation to enhance focus on the realisation of Semcon's employer branding. A central team with dedicated resources at Semcon's offices carried out activities in eight different focus areas.

The offices organised events and other marketing activities in order to boost awareness of Semcon as an employer. The initiative also included a very popular student ambassador program, aimed at boosting Semcon's presence at prioritised colleges and universities from where we have identified extensive recruitment needs. Students also got a mentor with the same educational background for ongoing dialogue and coaching over a year.

The concept, which builds on a few core messages, was well received by the target group and resulted in a nomination in the "Newcomer of the Year" award by research company Universum.

### **Skills development days – more highly skilled employees creates added value amongst our customers**

To match current and future skills requirements Semcon has continued to develop skills development days for its employees. These customised development days are designed and carried out by internal experts to boost employees' skills in strategically prioritised areas. The Product Information business area's skills development days over the year included the affect digitalisation has on the production of product information. The skills development days are very appreciated by participants and support customers and the company to maintain a leading position in product information.

### **Talent program to identify future leaders early on**

Semcon sees all its employees as talents, which provide us with the breadth and keenness we need to achieve our long-term objectives. A pilot project is being run in the Engineering Services Nordic business area in the form of a 1-year High Potential Program to ensure the growth of new managers and leaders. 16 individuals have been chosen due to excellent performance at work plus the interest and potential for leadership. The aim of the program is to highlight these talents and create the prerequisites for them to grow in a role as a future leader at Semcon. The program is built to provide participants with an increased insight into our business and train them in leadership at Semcon. Apart from taking part in Semcon's leadership course modules, participants are also given the opportunity of taking part in the respective division's management teams and sales meetings, plus the business area's management team meetings.

# Sustainability at Semcon

## A sustainable business approach

At Semcon we are convinced that we best contribute to a sustainable society by creating the future's innovative and technical solutions.

This means that:

- Semcon creates the future with innovative technical solutions for a more sustainable society and provides knowledge, creates added value and builds sound relationships based on responsibility for our employees, customers and other interested parties.
- To achieve this requires a company with sustained profits, respecting the environment, social commitment and a strong corporate culture where our employees thrive.

## Semcon's five sustainability perspectives

Semcon has chosen to present sustainability from the five perspectives relevant to our business. For us, sustainability is a matter of acting professionally, creating long-term relationships with our employees and customers, respecting the environment and taking a social responsibility in the world around us. In this way Semcon will make a difference. Our "Sustainability at Semcon" platform, also available externally at semcon.com, is part of our extensive focus on sustainability. The platform helps us highlight concrete examples of projects and initiatives. This is done to inspire and encourage participation concerning sustainability issues,

allowing all employees to know what we are doing in this area.

## Employees

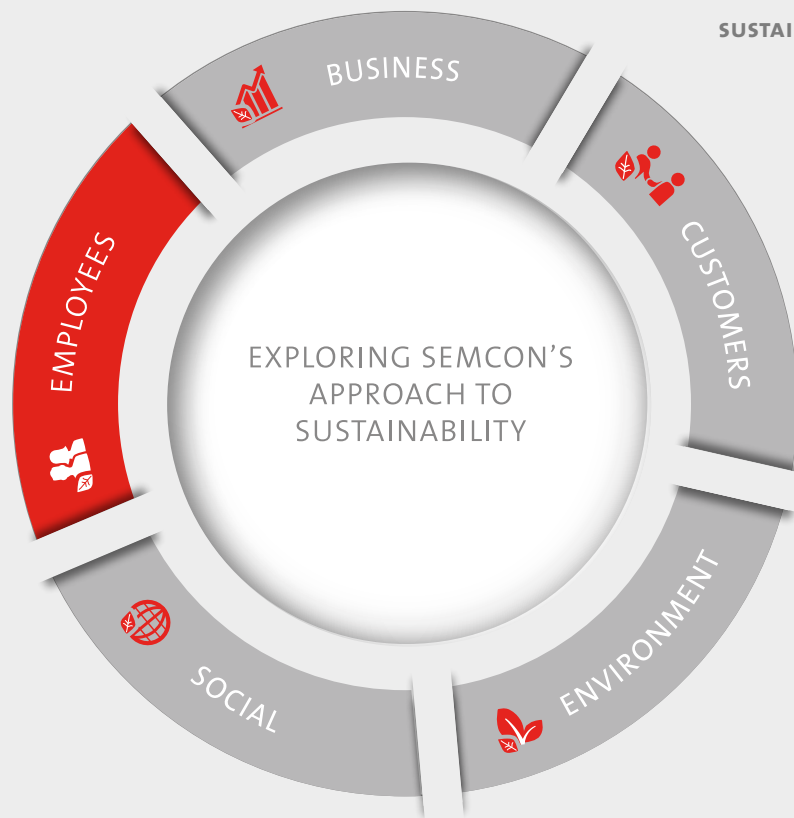
*– through a corporate culture where our employees thrive*

We are proud that our employees like working at Semcon. The employee surveys carried out show that employees feel respected by colleagues and managers. They appreciate the working climate, characterised by openness, fairness and professionalism. Semcon works actively for greater diversity with respect taken for gender, age, equal treatment, sexual orientation plus ethnical and cultural background. A positive effect is that the share of women in the Group has risen in recent years. Another effect is that by moving towards more project deliveries it improves integration between employees in different countries. Semcon carries out a number of activities to encourage various forms of keeping fit. This, together with a good working environment, helps towards fewer days off sick throughout the Group. To continue to raise employees already high skills level, the Group is constantly investing in skills development.

## Business acumen

*– through responsible business focusing on long-term profitability*

Business acumen is central for creating long-term profitability and a sustainable business. Semcon places great emphasis on building long-term customer



relationships by providing innovative solutions. As an international consultancy firm we handle risks by acting on a number of markets in various industries and in different customer segments. The move from specialist services to project business and managed services in highly competitive areas, provides Semcon with more opportunities to achieve good levels of profitability, such as through effective deliveries according to our FOBO model and our satellite offices. The move improves efficiency, meaning greater revenue and improved productivity.

### Customers

#### – by creating solutions for a more sustainable society

Our goal is for customers to see the benefits of working with Semcon, not only on the basis of our deliveries, but also because deliveries are carried out as efficiently as possible to minimise the environmental impact. Semcon understands customers' business requirements and it is our employees' knowhow and experience that safeguard sustainable deliveries. Semcon also takes part in various sustainability-related research projects in four areas: Safe, Green, Light and Smart. These research projects give us the opportunity of working closely with universities, research institutes and customers. Semcon has taken part in various research projects focusing on energy, recycling, sustainable transport and future vehicles. All projects aim at reducing environmental impact and the effective use of resources. We also help provide solutions

that encourage innovation and the use of product information and functions that reduce energy use.

### Environment

#### – through environmental consideration

Semcon's main contribution towards sustainable development consists of the technical solutions it creates for its customers. Our employees' understanding of, and knowledge about, the environmental challenges that lie ahead are a key insight in our customer deliveries. The objective internally is to constantly cut our environmental impact in terms of travel, purchases, waste management and handling of harmful substances. Semcon strives to buy green and follow strict waste management directives. Semcon is ISO 14001 certified.

### Socially

#### – through social responsibility

Semcon is an international company with business activities in many areas around the world. As a responsible company it is not just our ability to provide our customers' needs that are important. It is just as important how and with whom we do business. Semcon's Code of Conduct is the foundation of our business. These rules of ethics are based on the UN's 10 Global Compact Principles for companies in areas of human rights, labour laws, environment and anti-corruption. Semcon's aim is to create added value and build relationships based on respect, responsibility and trust with employees and interested parties. ●

# Semcon's commitment to SOS Children's villages makes a difference

Semcon has been a partner company to SOS Children's Villages since the spring of 2014. Semcon chose to support the organisation's activities in India in order to help more children get access to education and a safe upbringing. This collaboration aims at involving Semcon's employees, with internal ambassadors nominated each year to spread the word internally about the partnership. The ambassadors went on a field trip in November 2015 to SOS Children's Villages in Bangalore and Bhimtal. Semcon's employees in India also volunteer to work at the children's villages in Bangalore, Tirupati and Puducherry. Activities Semcon's employees are involved in include study groups and courses in computer literacy.

Semcon has financed the renovation of the children's village in Bhimtal in northern India in 2014 and 2015 and Semcon will, in 2016, be supporting a youth accommodation and the family strengthening program in Alibaug, south of Mumbai.

Many local initiatives were carried out in 2015 with Semcon's employees making voluntary donations. The Group's Christmas fund-raising campaign saw Semcon match the funds raised. The donation was sent to SOS Children's Villages collection for the refugee disaster around the Mediterranean.



**SEMCON'S CEO** Markus Granlund handing over a cheque for the money raised in Semcon's Christmas campaign 2015 to Catharina Gehrke, general secretary of SOS Children's Villages in Sweden.





**SEMCON'S EMPLOYEES** visiting SOS Children's Village in Bhimtal in northern India. Semcon has financed the renovation of the children's village, which is home to 119 children. The work included new roofing, plumbing and electrics. The children now have new beds and desks with better lighting that makes homework much easier. Semcon's employees from left to right are: Ashwin Prabhu, Anders Atterling, Femke Johansson, Marie Gullander-Koch and Ayush Saxena.



**SEMCON'S INTERNAL AMBASSADORS** Femke Johansson and Marie Gullander-Koch visiting SOS Children's Village in Bangalore.

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# Directors' report

The Board and CEO of Semcon AB (publ) co.reg.no. 556539 -9549 herewith present the annual report and consolidated accounts for the 2015 financial year.

## Business activities

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

## Semcon's business areas

Semcon is organised into four business areas – Engineering Services Nordic, Engineering Services Germany, Engineering Services International and Product Information. The engineering services business areas work with product, plant and production development. The Product Information business area works with product information and develops information solutions for the entire product lifecycle.

## Events during the year

- Semcon signed a development contract with a European premium automotive manufacturer at the end of April. More than 70 of Semcon's engineers will at most be involved in the development project, which is carried out at Semcon's offices in Germany, Sweden, UK and India. The project is expected to run for approximately 18 months and includes interior development for two new car models.
- Semcon appointed Per Nilsson as Corporate communications and marketing director in May. Per joins Semcon from Volvo Trucks where he was Global PR director. He started work in mid-August and is a member of the Group management team.
- Semcon appointed Udo Glenewinkel as new President of business area Engineering Services Germany in September. Udo joins Semcon from NGA Human Resources where he was CEO for the operations in DACH (Germany, Austria, Switzerland) and Eastern Europe. He started work on 1 November and is a member of the Group management team.
- Semcon extended its shareholding in technology company Kongsberg Devotek AS in November to 97 per cent. The investment is part of Semcon's strategic expansion on the Norwegian market, where Devotek's offer and delivery model suits Semcon's structure well. Semcon previously owned 30 per cent of the shares in the company.
- Semcon signed a new global framework agreement with Atlas Copco in November, with Semcon appointed as a Preferred Supplier. The agreement includes a number of different areas of expertise in research and development. The new agreement covers more areas of expertise than previously, giving Semcon the opportunity of taking on more responsibility in future development projects.
- Semcon was appointed Preferred Supplier for Project Management by Vattenfall Projects & Services in December. This means an extended collaboration between Semcon and Vattenfall. Semcon has already developed Vattenfall's project model, based on Semcon's XLPM methodology. The collaboration will mainly include energy production for Vattenfall, where Semcon is already designated as an A-supplier.
- Semcon signed a new agreement in December for autonomous vehicle systems with a global automotive partner. The assignment is mainly based in Brazil as part of Semcon's global strategy to involve cutting edge expertise in high-tech development projects from different countries. The new agreement will initially employ 15 specialists from Semcon in Brazil and Europe who will be working on a joint development project in close collaboration with the customer.

## Income and results

The operating income amounted to SEK 2,557 million (2,726). Adjusted for currency effects, acquisitions and divestments, income fell by 7%.

The Engineering Services Germany business area, adjusted for currency effects, reported a drop in income of 13%, due to the transition underway in the German market. The Group's operating profit amounted to SEK 10 million (102), giving and operating margin of 0.4% (3.8). The Engineering Services Germany business area reported significantly weaker results due to the drop in sales and restructuring costs of SEK 46 million (6). The Product Information business area's results were negatively affected by fewer deliveries in Q4 to Jaguar Land Rover and by sales to one of the larger customers in China ended in Q3. This has negatively affected results through the writing down of accounts receivable and extra operational costs. Sales have also been weak towards the Norwegian oil and gas industry, which has also contributed towards the weaker results.

Net financial items amounted to SEK -4 million (-5), giving a profit before tax of SEK 5 million (97). The tax expense for the year amounted to SEK 2 million (22). The profit after tax amounted to SEK 3 million (75) and EPS after dilution amounted to SEK 0.20 (4.16).

The Engineering Services Nordic business area's sales amounted to SEK 1,009 million (1,014), and adjusted for divestments, sales remained generally unchanged. Sales to the automotive industry and life-science sector were relatively



healthy, while industry and energy customers generally took a more wait-and-see approach to new investments. The operating profit amounted to SEK 31 million (19), giving an operating margin of 3.0% (1.9). Some offices reported weak utilisation ratios over the year, negatively impacting results. Sharp focus is being placed on measures to improve growth and profitability.

The Engineering Services Germany business area's sales amounted to SEK 901 million (1,006), which meant a fall in local currency of 13%. The business area reported lower sales due to the transition underway in the German market. The operating loss was SEK 49 million (+20), giving an operating margin of -5.4% (+2.0). A change in purchase patterns, due to new legislation, has involved the automotive industry in particular, moving over to buying more projects and packaged services instead of having specialists on site with customers. Measures have been implemented to meet these new customer requirements, meaning that restructuring costs of SEK 46 million (6) impacted the year's operating profit, of which SEK 26 million (4) was in Q4.

Measures taken in Q4 aim at strengthening the customer offer and boosting sales. This means, among other things, a new business structure and fewer administrative staff in the business area.

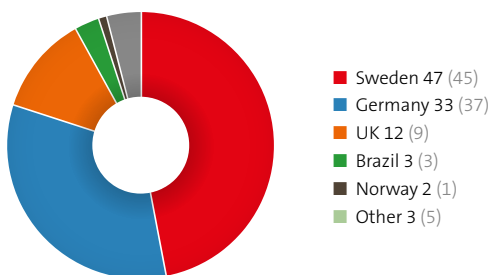
Udo Glenewinkel took over as new president of the business area on 1 November. German automotive customers

are expected to retain a high demand for development services.

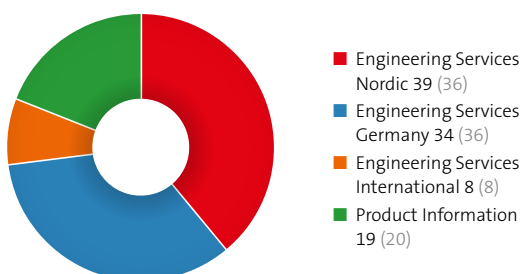
The Engineering Services International business area's sales amounted to SEK 201 million (213), which when adjusted for currency effects meant a fall of 7%. The UK operation's sale of services to other countries was negatively affected by the stronger UK pound. The operating profit amounted to SEK 7 million (5), giving an operating margin of 3.2% (2.3). The market in Brazil is currently weak, which resulted in redundancies for 17 people in the first half of the year and meant restructuring expenses of SEK 2 million (1) affecting the operating profit.

The Product information business area's sales amounted to SEK 504 million (542), which adjusted for currency effects, acquisitions and divestments meant a drop of 4%. Deliveries in Q4 from the partnership with Jaguar Land Rover fell, meaning 40 or so fewer people are now involved in deliveries. The operating profit was SEK 28 million (52), giving an operating margin of 5.6% (9.6). Apart from the drop in sales to Jaguar Land Rover in Q4, profits were also negatively affected by sales to one of the larger customers in China ended in Q3. This has negatively affected the results both by the write-down of accounts receivable and additional operating costs. Sales to the Norwegian oil and gas industry were also weak, which also influenced the weaker earnings. A new long-term partnership deal was signed in Q3 with a customer in telecom, with a gradual ramping up of the business during Q4 to involve 20 people.

### Sales per market (%)



### Sales per business area (%)



### Cash flow and financial position

The operating cash flow from current activities was SEK 27 million (82). The Group's liquid assets amounted to SEK 126 million (152) with additional non-utilised credit of SEK 226 million (273) as at 31 December.

Shareholders' equity amounted to SEK 604 million (662) and the equity/assets ratio was 45% (48). During Q2 a dividend worth SEK 45 million (45) was paid to shareholders. In addition, share buy backs were carried out to acquire 100,000 Semcon shares for SEK 6 million. The Group's net debt amounts to SEK 78 million (14). Excluding pension commitment, net debt amounted to SEK 10 million (net cash 55). The debt/equity ratio was 0.1 times (0.0) with an interest coverage ratio of 2.4 times (24.8).

### Investments

Investments in hardware, licenses, office supplies and equipment amounted to SEK 26 million (35).

### Acquisitions and divestments

Semcon increased ownership of Kongsberg Devotek AS to 97 per cent in November via a directed share issue of NOK 5 million. Semcon already owned 30 per cent of the shares in the company. Devotek provides technical expertise in project form, mainly to customers in the oil and gas, maritime,

automotive, and industry in general. The company had sales of NOK 104 million in 2015, had 74 employees and its head office in Kongsberg, Norway. Further information appears in Note 16 on page 72.

**Employees**

The headcount on 31 December was 2,936 (2,990). The number of employees in active service was 2,796 (2,891) with an average of 2,795 (2,887) employees, of which 1,213 (1,279) in Sweden, 951 (1,035) in Germany, 185 (185) in Brazil, 113 (82) in Hungary, 114 (116) in India, 141 (121) in the UK, 53 (57) in China, 20 (7) in Norway and 5 (5) in Spain.

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 2015 64 per cent (65) of employees had university or college education. 56 per cent (51) had worked for more than 3 years in the Group. 27 per cent (30) between one and three years and 17 per cent (19) shorter than one year. The number of women in the Group amounted to 27 per cent (26) and in Sweden this figure was 31 per cent (30).

In the respective business areas the headcount is as follows: Engineering Services Nordic 1,098 (1,038), Engineering Services Germany 957 (1,044), Engineering Services International 352 (359) and Product Information 529 (549).

**R&D**

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

Other development costs are taken as costs in the accounts. These amounts are not large. Exceptions are made for costs for development of specific programs or technical platforms, which are activated in accordance with IAS 38. Semcon also takes part in several external research projects in the field of connected vehicles, sustainable product development and new materials in order to ensure a prominent position in terms of expertise.

**Sustainability**

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

**Risks in the Group’s business**

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

**Financial risks**

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

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

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

**Business-related risks**

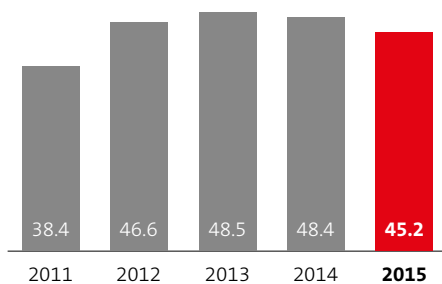
The company has identified the following business-related risks that could affect earnings including:

**Economic climate dependency**

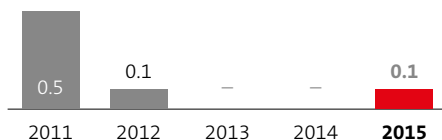
**RISKS:** Semcon’s customers are affected to varying degrees by a poor economic climate as this can negatively affect demand for Semcon’s services.

**RISK MANAGEMENT:** Semcon constantly works to broaden its customer base to minimise dependency on individual customers affected by a poor economic climate. Semcon’s

**Equity/assets ratio (%)**



**Debt/equity ratio (ggr)**





customer base consists mainly of leading European companies in the automotive industry and Nordic industrial companies in various industries even though new customers from other geographic markets like China, India and Brazil have arrived in recent years.

#### Industry dependency

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

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

#### Single customer dependency

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

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

#### Employees

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

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

#### Sustainability

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

**RISK MANAGEMENT:** Semcon reduces its exposure to sustainability-related risks using set regulations, such as the company's Code of Conduct, quality and sustainability policy, which all follow the UN's Global Compact. Semcon has a certified environmental management system in place to ensure that environmental legislation is followed throughout the Group. Semcon has a zero tolerance for any kind of corruption and has a framework in place that enables the ethical rules for Semcon's behaviour in relationships with customers. In 2015 a compulsory sustainability course was drawn up for all employees with customer contact regarding bribery legislation. In addition a whistleblowing function has been developed, where every employee is given the opportunity to anonymously report any suspected breaches of these set regulations. These processes will be implemented in 2016.

#### Price pressure

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

**RISK MANAGEMENT:** Semcon offers competitive prices on all markets but also gives customers the opportunity of using Semcon's entire network of local and international offices. Semcon is continuing 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.

#### Fixed price

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

**RISK MANAGEMENT:** All projects are planned, budgeted and carried out according to joint, fixed working methods. The Semcon Group actively works with project management and is ISO 9001 and ISO 14001 certified.

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

#### Responsibilities

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

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

#### Sensitivity analysis

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

Variable	Change	Sales	Profit before tax
Utilisation	± 1%	SEK 23m	SEK 23m
Fees	± 1%	SEK 25m	SEK 25m
Staff costs	± 1%	–	SEK 17m
Working days	± 1 day	SEK 10m	SEK 8m
Interest	± 1%	–	SEK 1m

#### Seasonal variations

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

No. of working days Sweden	Q1	Q2	Q3	Q4	Total
2011	63	59	66	64	252
2012	64	58	65	62	249
2013	62	59	66	62	249
2014	62	58	66	62	248
2015	62	58	66	63	249
2016	61	61	66	64	252
2017	64	58	65	63	250

### Performance-based share savings scheme

A decision was made at the Annual General Meeting on 28 April 2015 to introduce a long-term performance-based share savings scheme for around 110 senior executives and key employees in the Semcon Group. The scheme will run for four years, starting in July 2015, and cover no more than 242,718 shares, equivalent to 1.34 per cent of the total number of outstanding shares. The cost of the incentive scheme in 2015 amounted to SEK 0.2 million.

### The work of the Board of Directors

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

### Remuneration to the Board and senior executives

Remuneration to the Board was decided by the Annual General Meeting in 2015 following proposals from the nominations committee. Remuneration to the Board until the Annual General Meeting 2016 amounted to SEK 1,610,000, of which SEK 550,000 for the Chairman and SEK 265,000 for other Board members not employed by the company. The Board decides remuneration to the CEO. Semcon has decided that the Board in its entirety will carry out the remuneration committee's assignments.

All senior executives in the Group management team are entitled to a fixed salary and a flexible remuneration of no more than six months' salary, based on how well they meet their respective targets. The remuneration shall be reasonable, competitive and in line with market conditions. The fixed salary is set every calendar year. In addition to following current collective agreements etc. senior executives have the right to individually arrange a pension, upon which salary or bonus sacrifices can be carried out to increase pension provisions given it does not affect costs for the company over time.

All pension solutions agreed upon henceforth will be premium-based. Remuneration guidelines included the individuals, who during the time the guidelines applied, were part of the Group management team. The Board has the right to deviate from the guidelines if there is just cause to do so in special circumstances. Senior executives' remuneration and bonuses are reported in Note 8 on page 65.

### Class of shares and ownership structure

At year-end 2015 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 limits to the shares transfer.

As of 31 December 2015 the JCE Group owned 22.2 per cent (22.2) of Semcon's shares, Swedbank Robur Fonder 8.4 per cent (8.4), Nordea Investment Funds 6.3 per cent (6.3), Ålandsbanken 5.2 per cent (-) and Fjärde AP-fonden 3.6 per cent (3.0). The ten biggest shareholders owned 58.7 per cent (62.0) of the capital and voting rights in the company. Semcon owned 242,718 (142,718) of the company's shares. Semcon had 4,671 (3,657) shareholders, of whom 27.5 per cent (26.7) were registered abroad.

### Financial objectives

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

- An operating margin of at least 8 per cent over a business cycle
- An equity/assets ratio of at least 30 per cent
- The share dividend from a long-term perspective is at least one third of the profit after tax.

### Events after balance sheet date

No significant events have taken place since year-end 2015.

### Proposed dividend

According to Semcon's financial objectives, a share dividend should be paid to shareholders and from a long-term perspective is at least one third of the profit after tax. The Board of Directors proposes a share dividend of SEK 1.25 per share (2.50). The dividend is equivalent to SEK 22.6 million (45.3). The record day for the right to a share dividend is proposed as Monday, 2 May 2016.

### Parent company

Income amounted to SEK 24 million (25) and the profit after financial items was SEK 29 million (8).

### Proposed allocation of profits

The Annual General Meeting has the following at its disposal in the parent company:

SEK	
Profit brought forward and capital contribution	258,648,751
Profit for the year according to the income statement	13,612,964
<b>Total</b>	<b>272,261,715</b>
<b>The Board proposes that the profits be disposed of as follows:</b>	
Dividend to shareholders	22,640,668
Carried forward	249,621,048
<b>Total</b>	<b>272,261,715</b>

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

## Consolidated income statement

SEK m	Note	2015	2014
<b>OPERATING INCOME</b>			
Net sales	5, 6	2,557.4	2,725.7
<b>OPERATING EXPENSES</b>			
Purchase of goods and services		-560.6	-611.4
Other external expenses	7, 28	-233.1	-239.6
Staff costs	8	-1,730.0	-1,742.6
Amortisation of intangible assets	13	-5.0	-9.3
Amortisation of tangible assets	14	-16.3	-18.0
Results from shares in associated companies		-2.8	-2.4
<b>Operating profit</b>		<b>9.6</b>	<b>102.4</b>
<b>FINANCIAL ITEMS</b>			
Interest income and similar items	9	1.3	1.0
Interest expenses and similar items	10	-5.6	-6.0
<b>Profit/loss before tax</b>		<b>5.3</b>	<b>97.4</b>
Tax	11	-1.8	-22.0
<b>PROFIT/LOSS FOR THE YEAR</b>		<b>3.5</b>	<b>75.4</b>
<b>Of which attributable to:</b>			
Company's shareholders		3.6	75.4
Non-controlling interests		-0.1	-
<b>Total profit after tax</b>		<b>3.5</b>	<b>75.4</b>
EPS before dilution, SEK	12	0.20	4.20
EPS after dilution, SEK	12	0.20	4.16
Number of shares at year-end	12	18,112,534	18,112,534
Average number of shares	12	18,112,534	18,112,534
Average number of shares excluding number of own shares	12	17,908,566	17,969,816

## Consolidated statement of comprehensive income

SEK m	2015	2014
Profit/loss for the year	3.5	75.4
<b>Items that cannot be reclassified for the results</b>		
Actuarial profit and loss	-3.4	-12.4
Tax	1.0	3.7
<b>Total</b>	<b>-2.4</b>	<b>-8.7</b>
<b>Items that can be reclassified for the results</b>		
Translation differences for the year	-17.9	29.9
Hedging of net investments	11.5	-29.0
Cash flow hedging	0.3	-
Tax relating to hedging of net investments and cash flow hedging	-2.6	6.4
<b>Total</b>	<b>-8.7</b>	<b>7.3</b>
<b>Total other comprehensive income</b>	<b>-11.1</b>	<b>-1.4</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>-7.6</b>	<b>74.0</b>
<b>Of which attributable to:</b>		
Parent company's shareholders	-7.5	74.0
Non-controlling interests	-0.1	-
<b>Total comprehensive income for the year</b>	<b>-7.6</b>	<b>74.0</b>

## Consolidated balance sheet

SEK m	Note	31 dec 2015	31 dec 2014
<b>ASSETS</b>			
<b>Fixed assets</b>			
<b>Intangible assets</b>			
	13		
Goodwill		465.9	456.3
Other intangible assets		18.9	16.7
<b>Tangible fixed assets</b>			
	14		
Plant and machinery		30.8	21.5
Inventory, computers and equipment		20.2	28.3
<b>Financial assets</b>			
Shares in associated companies and joint ventures		–	17.0
Deferred tax recoverable	11	61.3	46.3
<b>Total fixed assets</b>		<b>597.1</b>	<b>586.1</b>
<b>Current assets</b>			
Accounts receivable	17	433.1	416.1
Current tax receivables		4.5	3.9
Other receivables		12.8	25.6
Accrued non-invoiced income	18	108.2	157.9
Prepaid expenses and accrued income	19	54.4	28.1
Cash and bank balances		126.1	152.3
<b>Total current assets</b>		<b>739.1</b>	<b>783.9</b>
<b>TOTAL ASSETS</b>		<b>1,336.2</b>	<b>1,370.0</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity</b>			
Share capital	20	18.1	18.1
Other shareholders' contribution		34.5	34.5
Statutory reserve		–16.8	–5.7
Profit brought forward including profit for the year		568.7	615.6
<b>Total shareholders' equity</b>		<b>604.5</b>	<b>662.5</b>
<i>Of which non-controlling interests</i>		<i>–0.1</i>	<i>–</i>
<b>Long-term liabilities</b>			
Pension obligations	21	68.4	68.5
Deferred tax	11	28.9	23.1
<b>Total long-term liabilities</b>		<b>97.3</b>	<b>91.6</b>
<b>Current liabilities</b>			
Accounts payable		81.0	102.8
Current tax liability		4.7	16.8
Borrowings	22, 23	136.1	97.8
Other liabilities		93.6	82.1
Non-accrued invoiced income	18	86.1	57.3
Accrued expenses and prepaid income	24	232.9	259.1
<b>Total current liabilities</b>		<b>634.4</b>	<b>615.9</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>1,336.2</b>	<b>1,370.0</b>
Pledged assets	25	3.3	2.8
Contingent liabilities	26	–	4.0

## Consolidated changes in shareholders' equity

SEK m	Share capital	Other capital contribution	Reserves	Profit brought forward	Total	Minority share	Total shareholders' equity
<b>Opening balance on 1 January 2014</b>	<b>18.1</b>	<b>34.5</b>	<b>-4.3</b>	<b>585.1</b>	<b>633.4</b>	<b>-</b>	<b>633.4</b>
<b>Comprehensive income</b>							
Profit for the year	-	-	-	75.4	75.4	-	75.4
<b>Items that cannot be reclassified for the results</b>							
Actuarial gains and losses	-	-	-12.4	-	-12.4	-	-12.4
Tax	-	-	3.7	-	3.7	-	3.7
Total	-	-	-8.7	-	-8.7	-	-8.7
<b>Items that can be reclassified for the results</b>							
Exchange rate differences for the year	-	-	29.9	-	29.9	-	29.9
Hedging of net investments	-	-	-29.0	-	-29.0	-	-29.0
Tax relating to hedging of net investments and cash flow hedging	-	-	6.4	-	6.4	-	6.4
Total	-	-	7.3	-	7.3	-	7.3
Total other comprehensive income	-	-	-1.4	-	-1.4	-	-1.4
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-1.4</b>	<b>75.4</b>	<b>74.0</b>	<b>-</b>	<b>74.0</b>
<b>Transactions with company owners</b>							
Share dividend	-	-	-	-44.9	-44.9	-	-44.9
Total transactions with company owners	-	-	-	-44.9	-44.9	-	-44.9
<b>Opening balance on 1 January 2015</b>	<b>18.1</b>	<b>34.5</b>	<b>-5.7</b>	<b>615.6</b>	<b>662.5</b>	<b>-</b>	<b>662.5</b>
<b>Comprehensive income</b>							
Profit/loss for the year	-	-	-	3.6	3.6	-0.1	3.5
<b>Items that cannot be reclassified for the results</b>							
Actuarial gains and losses	-	-	-3.4	-	-3.4	-	-3.4
Tax	-	-	1.0	-	1.0	-	1.0
Total	-	-	-2.4	-	-2.4	-	-2.4
<b>Items that can be reclassified for the results</b>							
Exchange rate differences for the year	-	-	-17.9	-	-17.9	-	-17.9
Hedging of net investments	-	-	11.5	-	11.5	-	11.5
Cash flow hedging	-	-	0.3	-	0.3	-	0.3
Tax relating to hedging of net investments and cash flow hedging	-	-	-2.6	-	-2.6	-	-2.6
Total	-	-	-8.7	-	-8.7	-	-8.7
Total other comprehensive income	-	-	-11.1	-	-11.1	-	-11.1
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-11.1</b>	<b>3.6</b>	<b>-7.5</b>	<b>-0.1</b>	<b>-7.6</b>
<b>Transactions with company owners</b>							
Buy-back of own shares	-	-	-	-5.6	-5.6	-	-5.6
Share-related remuneration	-	-	-	0.1	0.1	-	0.1
Share dividend	-	-	-	-44.9	-44.9	-	-44.9
Total transactions with company owners	-	-	-	-50.5	-50.5	-	-50.5
<b>Closing balance on 31 December 2015</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>



## Consolidated cash flow statement

SEK m	Note	2015	2014
<b>CURRENT ACTIVITIES</b>			
Operating profit/loss		9.6	102.4
Depreciation/impairment	13, 14	21.3	27.3
Profit from machinery sold and subsidiaries		-1.4	-12.6
Shares in associated companies		2.1	1.8
Other items not affecting cash flow		1.5	2.0
Prepaid pensions and paying into pension plans	21	-4.1	-3.0
Interest received and similar items		1.3	0.8
Interest paid and similar items		-3.9	-4.0
Income tax paid		-27.1	-27.5
<b>Cash flow from current activities before changes to working capital</b>		<b>-0.7</b>	<b>87.2</b>
<b>CHANGES IN WORKING CAPITAL</b>			
Changes in work in progress		54.1	34.5
Change in current receivables		-13.2	-43.3
Change in current liabilities		-12.9	3.9
<b>Total changes in working capital</b>		<b>28.0</b>	<b>-4.9</b>
<b>CASH FLOW FROM CURRENT ACTIVITIES</b>		<b>27.3</b>	<b>82.3</b>
<b>INVESTMENT ACTIVITIES</b>			
Acquisition and divestment of subsidiaries	16	2.6	-1.1
Investments in intangible assets	13	-7.4	-9.1
Investments in tangible fixed assets	14	-25.4	-19.2
Payment from sales of fixed assets		0.4	0.1
<b>CASH FLOW FROM INVESTMENT ACTIVITIES</b>		<b>-29.8</b>	<b>-29.3</b>
<b>FINANCING ACTIVITIES</b>			
Changes to overdraft facilities	23	40.2	44.9
Repayment of loans	22	-9.6	-65.7
Buy-back of own shares		-5.6	-
Share dividend		-44.9	-44.9
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		<b>-19.9</b>	<b>-65.7</b>
<b>CASH FLOW FOR THE YEAR</b>		<b>-22.4</b>	<b>-12.7</b>
Cash and bank balances at the start of the year		152.3	153.3
Translation differences		-3.8	11.7
<b>CASH AND BANK BALANCES AT YEAR-END</b>		<b>126.1</b>	<b>152.3</b>

## Parent company's income statement

SEK m	Note	2015	2014
<b>OPERATING INCOME</b>			
Net sales	6	23.7	25.0
<b>OPERATING EXPENSES</b>			
Other external expenses	7, 28	-25.6	-24.0
Staff costs	8	-28.3	-24.4
Depreciation of tangible fixed assets	14	-	-0.2
<b>Operating loss</b>		<b>-30.2</b>	<b>-23.6</b>
<b>FINANCIAL ITEMS</b>			
Interest income and similar items	9	20.5	8.3
Group contribution received		42.6	48.2
Interest expenses and similar items	10	-3.8	-25.3
<b>Profit after financial items</b>		<b>29.1</b>	<b>7.6</b>
<b>APPROPRIATIONS</b>			
Transfer to tax allocation reserve		-7.1	-
Reversal of depreciation		-	0.2
Group contribution paid		-3.6	-4.5
<b>Profit before tax</b>		<b>18.4</b>	<b>3.3</b>
Tax	11	-4.8	-0.8
<b>PROFIT FOR THE YEAR</b>		<b>13.6</b>	<b>2.5</b>

## Parent company's statement of comprehensive income

SEK m	2015	2014
Profit for the year	13.6	2.5
<b>Other comprehensive income</b>		
Other comprehensive income	-	-
<b>TOTAL OTHER COMPREHENSIVE INCOME</b>	<b>13.6</b>	<b>2.5</b>

## Parent company's balance sheets

SEK m	Note	31 Dec 2015	31 Dec 2014
<b>ASSETS</b>			
<b>Fixed assets</b>			
<b>Tangible fixed assets</b>			
Equipment, computers and inventory	14	–	–
<b>Financial assets</b>			
Shares in Group companies	15	84.1	84.1
Deferred tax assets		0.6	0.7
Receivables in Group companies		369.2	369.2
<b>Total fixed assets</b>		<b>453.9</b>	<b>454.0</b>
<b>Current assets</b>			
Receivables in Group companies		145.6	170.0
Current tax receivables		–	0.7
Other receivables		1.1	0.8
Prepaid expenses and accrued income		8.1	1.5
<b>Total current assets</b>		<b>154.8</b>	<b>173.0</b>
<b>TOTAL ASSETS</b>		<b>608.7</b>	<b>627.0</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity</b>			
<b>Restricted shareholders' equity</b>			
Share capital	20	18.1	18.1
Statutory reserve		25.1	25.1
<b>Unrestricted shareholders' equity</b>			
Share premium reserve		12.9	12.9
Profit brought forward		245.8	293.7
Profit for the year		13.6	2.5
<b>Total shareholders' equity</b>		<b>315.5</b>	<b>352.3</b>
<b>Untaxed reserves</b>			
Tax allocation reserve		7.1	–
<b>Total untaxed reserves</b>		<b>7.1</b>	<b>–</b>
<b>Current liabilities</b>			
Accounts payable		1.8	1.0
Liabilities to Group companies		136.1	156.4
Current income tax liabilities		2.6	–
Borrowings	22, 23	137.5	96.4
Other liabilities		0.7	0.6
Accrued expenses and prepaid income	24	7.4	20.3
<b>Total current liabilities</b>		<b>286.1</b>	<b>274.7</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>608.7</b>	<b>627.0</b>
Pledged assets		–	–
Contingent liabilities	26	0.7	0.5

## Parent company's changes in shareholders' equity

SEK m	Share capital	Statutory reserve	Share premium reserve	Profit brought forward incl. profit/loss for the year	Total shareholders' equity
<b>Opening balance on 1 January 2014</b>	<b>18.1</b>	<b>25.1</b>	<b>12.9</b>	<b>338.7</b>	<b>394.8</b>
<b>Comprehensive income</b>					
Profit/loss for the year	–	–	–	2.5	2.5
Total other comprehensive income	–	–	–	–	–
Total comprehensive income	–	–	–	2.5	2.5
<b>Transactions with shareholders</b>					
Share dividend	–	–	–	–44.9	–44.9
Total transactions with shareholders	–	–	–	–44.9	–44.9
<b>Opening balance on 1 January 2015</b>	<b>18.1</b>	<b>25.1</b>	<b>12.9</b>	<b>296.3</b>	<b>352.4</b>
<b>Comprehensive income</b>					
Profit/loss for the year	–	–	–	13.6	13.6
Total other comprehensive income	–	–	–	–	–
Total comprehensive income	–	–	–	13.6	13.6
<b>Transactions with shareholders</b>					
Share dividend	–	–	–	–44.9	–44.9
Buy-back of own shares	–	–	–	–5.6	–5.6
Total transactions with shareholders	–	–	–	–50.5	–50.5
<b>Closing balance on 31 December 2015</b>	<b>18.1</b>	<b>25.1</b>	<b>12.9</b>	<b>259.4</b>	<b>315.5</b>

## Parent company's cash flow statement

SEK m	Note	2015	2014
<b>CURRENT ACTIVITIES</b>			
Operating profit/loss		–30.2	–23.6
Impairment	14	–	0.2
Interest received and similar items		20.5	8.3
Interest paid and similar items		–3.8	–25.3
Income tax paid		–1.4	–18.7
<b>Cash flow from current activities before changes in working capital</b>		<b>–14.9</b>	<b>–59.1</b>
<b>CHANGES IN WORKING CAPITAL</b>			
Changes in current receivables		60.2	30.7
Changes in current liabilities		–35.9	75.8
<b>Total change in working capital</b>		<b>24.3</b>	<b>106.5</b>
<b>CASH FLOW FROM CURRENT ACTIVITIES</b>		<b>9.4</b>	<b>47.4</b>
<b>FINANCING ACTIVITIES</b>			
Changes to overdraft facilities	23	40.2	44.9
Repayment of loans	22	0.9	–47.4
Acquisition of own shares		–5.6	–
Share dividend		–44.9	–44.9
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		<b>–9.4</b>	<b>–47.4</b>
<b>CASH FLOW FOR THE YEAR</b>		<b>–</b>	<b>–</b>
Cash and bank balances at the start of the year		–	–
<b>CASH AND BANK BALANCES AT YEAR-END</b>		<b>–</b>	<b>–</b>

# Notes

## Note 1

### General information

Semcon AB (publ) is a Swedish listed public company registered with the Swedish Companies Registration Office with co.reg. 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 engineering 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 2015 were approved by the Board on 23 March 2016 and will be presented to the Annual General Meeting on 28 April 2016 for final approval.

## Note 2

### Accounting principles

The most important accounting principles applied when these Consolidated Accounts were prepared are stated below. These principles 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 (Additional consolidated accounting regulations). Recommendations that come into effect after the closing day will not have any significant effect on either the results or the financial position of the company. The parent company's annual accounts have been prepared in accordance with the Swedish Annual Accounts Act and recommendation RFR 2 (Accounting for legal entities).

The parent company's functional currency is SEK, which is also the Group's reporting currency. All sums in the financial report are given in SEK millions, unless otherwise stated. The Consolidated Accounts have been prepared in accordance with the acquisition method. Preparing reports in accordance with IFRS requires using a number of important estimates for accounting purposes. It is also necessary for senior management to make a number of estimates when applying the Group's accounting principles. The areas that require a high degree of assessment, which are complex or are such areas where assumptions and estimates are of considerable significance for the Consolidated Accounts appear in Note 4. Page 63.

#### Changes to the accounting policies and disclosures

##### *New and amended IFRS standards and interpretations for 2015*

New and amended standards did not have any effect on the Group's financial reports in 2015.

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

The new and amended standards and interpretations issued, but which come into force on 1 January 2016 or later are not yet applied by the Group. Below are the standards and interpretations expected to affect the Group's financial reports when applied for the first time.

IFRS 15 Revenue from contracts with customers was issued on 28 May 2014 and will replace 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 principle for revenue recognition according to IFRS 15 is that companies must report revenue when all risks and benefits associated with the goods and/or services transfer to the customer in exchange for remuneration for these goods and/or services. IFRS provides significantly more guidance for specific areas and information requirements are significant. IFRS 15 is applicable from 1 January 2018 or later with early application allowed. The standard has yet to be adopted by the EU. A detailed analysis of the effects when applying IFRS 15 has yet to be carried out, which is why the effects cannot yet be quantified.

IFRS 16 Leases was issued on 13 January 2016 and will replace IAS 17 Leasing Contracts. IFRS 16 introduces a "right of use model", meaning that the lessee must report all leasing contracts in the balance sheets so classification in operational and financial leasing contracts are therefore not necessary. Exceptions are leasing contracts with leasing periods 12 months or shorter and leasing contracts of minimal value. The income statement includes depreciation of assets and interest expenses on borrowings. The standard includes greater information disclosure requirements compared with the current standard. IFRS 16 is applicable from 1 January 2019 with early adoption allowed only if IFRS 15 is applied at the same time. The standard has yet to be adopted by the EU. A detailed analysis of the effects when applying IFRS 15 has yet to be carried out, which is why the effects cannot yet be quantified.

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

#### Consolidated accounting

In addition to the parent company, the Group consists of all subsidiaries where the Group owns shares and directly or indirectly has the majority of voting rights, or through agreements has a controlling influence. Acquired companies are included in the consolidated accounts from the acquisition date. These consolidated accounts have been prepared in accordance with the purchase method, which means that the acquisition value of the shares in Group companies is divided into identifiable assets and liabilities at the time of the acquisition at the fair value. The difference between the purchase price and the calculated value of equity at the time of the acquisition is reported as consolidated goodwill. All transaction costs relating to acquisitions are expensed. An allowance is made in the acquisition analysis for deferred tax on acquired untaxed reserves. In addition, deferred tax is seen as the difference between the fair values of assets and liabilities and taxable residual value.



Untaxed reserves accumulated after acquisition are divided into deferred tax liability and the remaining part, which is reported under profit brought forward. The consolidated shareholders' equity includes the parent company's equity and the part of the subsidiaries' equity accumulated after the date of acquisition.

The current method was used for calculating the income statement and balance sheets. This method means that the balance sheets are translated at the closing day rate and the income statements are translated at the average rate for the year. Translation differences are reported in other comprehensive income.

#### **Pricing between Group companies**

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

#### **Affiliated transactions**

Affiliated transactions follow market norms.

#### **Associated companies**

Associated companies are included where the Group has a significant but not decisive influence over operations and financial control and the company is neither a subsidiary nor a share in a joint venture. A significant influence is considered to exist if the company has a minimum holding of between 20 per cent and 50 per cent of the voting rights, or in any other way has a significant influence, but where there is no parent/subsidiary relationship. Holdings in associate companies are reported in the consolidated income statement and balance sheet according to the equity method from the time that a significant influence is established. The equity method means that shares in a company are reported at the acquisition value at the time of acquisition and then adjusted using the Group's share of the change in the company's net assets. In the consolidated income statement, the shares in profits of associated companies are reported on two levels. Semcon's share of the associate company's earnings after tax is reported in the consolidated income statement. Unrealised profits on transactions between the Group and associate companies are eliminated in relation to the Group's holding in the associate company.

#### **Segment reporting**

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

#### **Cash flow statement**

The cash flow statement is produced using the indirect method. Reported cash flow includes only those transactions that have involved payments into or out of the company.

#### **Revenue recognition**

##### *Income from sales of services*

Work in progress is taken up as revenue in line with work being carried out. Fixed-rate work is taken up as revenue in proportion to the respective assignment's degree of completion (successive revenue recognition) on the closing date after

reservation for loss risk. The degree of completion is assessed without accrued assignment expenses for work carried out in relation to the assignment's estimated total costs. On account invoices received are reported net against activated assignment expenses. If the net of the expenses paid on account invoices received is positive then the project is reported as an asset in the balance sheet as "Processed but non-invoiced income". Projects are reported as liabilities for which on account invoices received exceed assignment expenses paid as "Invoiced but non-processed income".

##### *Income from sales of goods*

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

#### **Receivables and liabilities in foreign currencies**

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

#### **Research and development costs**

The majority of Semcon's development costs concern development in the framework of customer projects. In other cases the company's development costs are of an ongoing nature and are carried as an expense in the period they occur. These costs are not considered to be significant. Exceptions to this are costs incurred for the development of specific computer programs, which are reported as tangible assets (see below for more information).

#### **Tangible fixed assets**

Tangible fixed assets mainly consisting of computers, inventory, property and investments in leased premises have been valued at the purchase price with deductions for accumulated depreciation and impairment losses.

Depreciation is based on the acquisition value and is carried out over the expected utilisation period. Depreciation according to plan has been based on the expected utilisation period as follows:

- Plant and machinery depreciated over 5–10 years
- Computers depreciated over 3–5 years
- Equipment depreciated over 5 years

#### **Intangible assets**

##### *Goodwill*

Acquired goodwill has an indeterminate utilisation period and is valued at its acquisition value with deductions for accumulate impairment. Goodwill is distributed among cash-generating units and is tested for possible impairment annually.

##### *Other intangible assets*

Other intangible assets include programs developed internally acquired licenses and technical platforms. Other acquire intangible assets are valued at acquisition value with deduction made for accumulated depreciation and impairment losses. Acquisition value comprises activated costs that arise from the date when the program or platform is considered to be

commercially viable and other criteria according to IAS 38 are fulfilled. Expenses are depreciated over the expected utilisation period of 3-8 years. Expenses for internally developed goodwill, trademarks and similar rights are reported as they arise.

#### **Impairment**

The company's management continually assesses the value of any impairment requirement. Impairment is made in cases where an asset's reported value exceeds its estimated recoverable value. Recoverable value is the higher of the utilisation value of the asset in the business and the net sales value. The utilisation value is the current value of all inward and outward payments relating to the asset during the period when expected to be used in the business, plus the current net sales value at the end of the utilisation period. A previous impairment is returned when the assumptions used to establish the asset's recovery value have changed, meaning the impairment is no longer appropriate. Returns of previous impairments are tested individually and are reported in the income statement. Impairment of goodwill is not however returned in successive periods.

#### **Financial instruments**

Financial instruments are valued and reported in the Group according to regulations in IAS 39. Financial instruments reported in the balance sheet include, among assets, account receivables, receivables from associate companies and cash and bank balances. Liabilities and shareholders' equity includes accounts payable – trade, borrowings plus convertibles. Financial instruments are initially reported at their acquisition value equivalent to the instruments' actual value with additional transaction costs for all financial instruments, except concerning those belonging to the financial assets (liabilities) category reported at their actual value in the income statement. Reporting and valuing then takes place according to how the financial instrument has been classified.

Trade date reporting is applied when buying and selling of money market and capital market instruments on the spot market. Other financial assets and liabilities are reported in the balance sheet when the company becomes party to the instruments contracted terms. Accounts receivable are reported in the balance sheet when the invoice has been issued. Liabilities are taken up in the balance sheet when the counter-party has performed its agreed liability to pay, even if the invoice has not yet been received. Accounts payable are reported in the balance sheet when the invoice has been received. A financial asset is removed from the balance sheet when the rights of the agreement have been reached, fall due or the company loses control over them. The same applies for parts of financial assets. A financial liability is removed from the balance sheet when the liabilities of the agreement are met or in any other way become extinct. The same applies for parts of a financial liability.

#### **Assessment of fair value of financial instruments**

Official market listings on the closing date are used when setting the fair value of financial instruments. If listings are not available, valuation is carried out by using generally accepted methods such as discounting future cash flow at the quoted

market price for the respective validity. Translation to SEK is made at the price quoted at the end of the accounting period. Unless otherwise stated the booked value will be a good approximation of the instrument's actual value due to the asset's or liability's short-term nature or fixed-interest term.

#### **Accrued acquisition value**

The accrued acquisition value is calculated using the effective interest method, meaning that any premiums or discounts and directly attributable costs or income is distributed over the term of the contract with the help of the estimated effective interest. The effective interest is the interest that provides the instrument's acquisition value as a result when current value estimating future cash flow.

#### **Net reporting of financial assets and liabilities**

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

#### **Accounts receivable and current receivables**

Accounts receivable and current receivables in associated companies and joint ventures are categorised as "Loan receivables and accounts receivable", which means reporting the accrued acquisition value. The account receivable's expected duration is short, which is why the value is reported at a nominal amount without discounts with deductions for any possible write-down. Unreliable accounts receivable are considered individually and any possible write-down is reported in the company's liabilities.

#### **Liquid assets**

Liquid assets reported in the balance sheets and cash flow statements include cash and bank balances as well as other current investments with the due date within three months of the acquisition date. Liquid assets are made up of bank balances categorised as "Loan receivables and accounts receivable", whereby reporting takes place at the accrued acquisition value. Because bank balances are payable on demand the accrued acquisition value is equivalent to the nominal amount.

#### **Accounts payable-trade**

Accounts payable-trade are categorised as "Other financial liabilities", meaning reporting them at their accrued acquisition value. Accounts payable-trade are expected to have a short duration, which is why the liability is reported at a nominal amount without discounting.

#### **Other liabilities**

Liabilities to credit institutions, overdraft facilities and other liabilities are categorised as "Other financial liabilities" and valued at their accrued acquisition values. For liabilities in foreign currencies reported in accordance with the hedging method of net investments, the exchange rate gains and exchange rate losses are reported under equity.

#### **Provisions**

When a formal or informal commitment exists as a result of

an event that has occurred and it is possible that resource will be required to fulfill the commitment and a reliable estimate can be made of the amount required, then such a commitment is reported as a provision if the amount and payment date are uncertain.

#### **Income tax**

The Group's tax expense and tax income are reported as current tax, changes in deferred tax as well as tax in changes to untaxed reserves.

#### **Current tax**

Current tax is the tax estimated on the taxable results for the period in accordance with the tax regulations in each country. Current tax also includes possible adjustments from previous taxation.

#### **Deferred tax**

This tax is calculated on the basis of the taxable and tax-deductible temporary differences respectively between the reported and fiscal value of assets and liabilities. Deferred tax liability of loss carry-forwards have only been taken into account to the extent where it is probable that the loss carry-forwards can be deducted from the taxable surplus in future.

#### **Leasing**

The Group does not have any financial leasing contracts. The Group rents offices, cars and some office equipment. Rental agreements in which the risks and benefits associated with ownership remain to a significant extent with the lease provider are reported as operational leasing agreements. The costs are reported directly in the income statement during the rental period.

#### **Employee remuneration**

Employees' remuneration is reported as earned and paid wages plus bonus earned. Full remuneration is paid for various commitments such as non-utilised holiday entitlement and payroll overheads.

#### **Pensions**

For pensions, Semcon reports remuneration to employees according to IAS 19. According to IFRS, pensions are divided between defined contribution and defined benefit pensions. Defined contribution plans are defined as plans where the company pays a fixed amount to a third party and where the company no longer becomes liable once the payment has been made. Such plans are reported as a cost when the premium is paid. Other plans include defined benefit plans where the liability remains within the Group. These liabilities and costs concerning work during the current period are estimated as actuarial with application of the "Projected unit credit method". External actuaries are used for these estimates. The liability reported in the balance sheets for defined benefit pension plans is the current value of the defined benefit obligations at the end of the reporting period minus the fair value of the plan assets. The current value of the defined benefit obligations are set by discounting the estimated future cash flow by using the interest rate for

first-class company bonds issued in the same currency as the remuneration paid, with a duration comparable with the actual pension obligation. Actuarial gains and losses as a result of experience-based adjustments and changes to actuarial assumptions are reported in other comprehensive income over the period they arise.

Commitments for retirement pensions and family pensions for salaried employees in Sweden are safeguarded via insurance with Alecta. According to a statement from the Swedish Financial Reporting Board. UFR 3, this is a defined-benefit plan that encompasses several employers. As in previous years the company has not had access to information to enable it to report this plan as a defined benefit plan, which means that the ITP pension plans secured via insurance with Alecta are therefore reported as defined contribution plans.

#### **Redundancy pay**

Redundancy pay is paid when employment ceases before reaching retirement age, or when an employee terminates employment in return for redundancy pay. The Group reports redundancy pay when it is clear that it is either a case of voluntary redundancy in accordance with the set plan without the possibility of reprisals or that the redundancy offer given was to encourage the voluntary redundancy and accepted by the person who received the offer. Benefits that fall due for payment more than 12 months after the closing date are discounted to the current value, if they are significant.

#### **Bonuses**

The Group reports liabilities and costs for bonus payments when they are linked to a contract or when there is an established practice that has created an informal duty.

#### **Share-related remuneration**

The Group has a share-related remuneration scheme, paid in shares, where the company receives services from employees as payment for the shares. According to IFRS 2 salary costs should be reported relating to the remuneration scheme with an equivalent increase of the share capital. Costs are estimated from the number of shares expected to be issued by the end of the accrued period, conditional to an expected employee turnover rate being taken into consideration. Real value of the shares has been based on the share price at the time the employee invested in the shares.

The total cost is reported divided over the accrued period, which is the period the accrual 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 accrued. Any deviation to the original estimates that the re-evaluation gives rise to is reported in the income statement and equivalent adjustments are made to shareholders' equity. When shares are issued, the social security contributions must be paid for the value of the employee's benefit. This value is based in general on the market value on the issue day. During the accrual period an allocation is made for these expected social security contributions, and costs are treated as cash regulated share-related remuneration.

### Accounting policies of the parent company

The parent company has drawn up its Annual Report in accordance with the Annual Accounts Act and RFR 2 (Accounting for legal entities).

#### Changes to accounting policies

The changes in RFR 2, Accounting for legal entities, which came into force in the 2015 financial year did not have any significant effect on the parent company's financial reports.

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

Group management does not expect RFR 2 changes yet to have come into force to have any significant effect on the parent company's financial reports 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 reported at the acquisition value in the parent company's financial reports. Dividends are reported as income for the part they refer to profits generate after the acquisition. Dividends in excess of these profits are considered as repayment of investments and thereby cut the reported value of participations in the Group companies.

### Financial guarantees

The parent company applies the exception rule in RFR 2 to avoid applying the rules in IAS 39 for financial guarantees concerning Group and associate companies. In these cases rules in IAS 37 are applied meaning that financial guarantee agreements must be reported as an allocation in the balance sheet when Semcon has a legal or informal commitment as a result of a previous event and it is likely that an outflow of resources will be required to regulate such an action. It must also be possible to carry out a reliable estimate of the value of such an action.

### Taxes

In the parent company, untaxed reserves are reported including deferred tax liabilities, as opposed to the consolidated accounts where untaxed reserves are divided into deferred tax liabilities and shareholders' equity.

### Group contribution/shareholders' contribution

The company reports Group contributions according to a statement from the Swedish Financial Reporting Board, RFR 2, Group contribution paid in order to minimise the Group's total tax reported under appropriations. Group contributions paid classed the same as dividends are reported as financial income with the recipient. All Group contributions to the parent company can be classed the same as dividends and therefore can be reported in the income statement.

## Note 3 Financial risks

### Financing risks

Financing risks are risks associated with financing the Group's capital needs and refinancing of outstanding loans made more difficult or more expensive. Credit agreements consist of an overdraft facility of SEK 153 million (153) and a revolving credit facility of EUR 22.8 million (22.8), which fall due on 13 October 2018. The loan is conditional on the customary covenants being fulfilled in the form of debt/equity ratio, interest cover ratio and net borrowings (excluding pensions) in relation to the operating profit/loss before amortisation. All loan conditions were met as of 31 December 2015.

### Interest rate risk

Interest risks are the risks associated with effects on profit and cash flow in case of long-term changes to the market rates. Profit sensitivity can however be limited by selected interest maturity structure. The Group's average fixed interest rate term on loans will not exceed two years. At year-end the fixed interest term was 1 month. During 2015 the short-term interest rate was lower than the longer-term interest rates. An alteration in market rates of +/- 1 per cent would affect future profit by around SEK 1 million based on the borrowings as of 31 December.

### Liquidity risks

Liquidity risks are the risks associated with not having access to liquid assets or unutilised credits to fulfil payment commitments. The Group's liquid assets at year-end amounted to SEK 126 million (152). In addition, the Group has an unused overdraft facility of SEK 226 million (273). Liquidity in the Group will be placed in cash pools. Cash pools allow Semcon 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

The Group, SEK m	Up to 3 months	3–12 months	Over 12 months
Liabilities to credit institutions	45.7	90.4	–
Accounts payable	81.0	–	–
Other liabilities	93.6	–	–

In addition, interest is payable on any unutilised credit. Based on the current interest and currency exchange rates on 31 December 2015 the annual interest payments are around SEK 2 million, calculated on utilised amounts as at year-end.

### Currency risks

Semcon's accounting takes place in Swedish kronor, but the Group has business in a number of countries around the world. This means that the Group is exposed to currency risks. The majority of the currency risk is made up of translation differences that arise when foreign companies' income statements are translated to SEK. A change in EUR against the SEK of +/- 10 per cent would affect profits before tax by around

SEK 4-5 million and the profit after tax and shareholders' equity by around SEK 3-4 million.

#### **Transaction exposure**

Semcon has export income and expenses in a number of currencies, meaning the Group is therefore exposed to currency fluctuations. This currency risk is currently very limited and known as transaction exposure and affects the Group's operating profit.

#### **Translation exposure (net investments)**

The foreign subsidiaries' net assets make up an investment in foreign currency that upon consolidation causes translation difference. To limit the negative effects of the translation differences on the Group's shareholders' equity most of the hedging takes place through loans in the equivalent foreign currency.

#### **Translation exposure (income statement)**

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

#### **Credit risk**

##### *Customer credit risk*

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

##### *Cash and bank balances*

Cash and bank balances are made up of bankable funds at all the major European banks and the assets are not considered to pose any risk. The maximum credit exposure is countered by the assets' booked value.

#### **Capital risk management**

The Group's aim regarding its capital structure is to safeguard the Group's ability to continue its business, so that it can continue to generate dividends for shareholders and benefits to other interested parties, and maintain an optimal capital structure to keep capital costs down. One of Semcon's financial aims is to have an equity/assets ratio of over 30 per cent. This key figure is calculated as shareholders' equity divided by total

assets. At the end of 2015, the equity/assets ratio was 45.2 per cent (48.4). To maintain or adjust the capital structure, the Group can change the dividend paid to shareholders repay capital to shareholders, issue new shares, or sell assets to reduce liabilities. Loans are restricted by financial covenants in the loan agreement with the bank that is more clearly described in the section financing risks.

#### **Estimating the fair value**

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

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

The Group's currency forward agreements are set by using currency forward rates on the balance sheet day, where the resulting value is discounted to the present value. The fair value of these contracts amounts to SEK 2.7 million (-14.9).

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



## Note 4

### Critical estimations and assessments

When compiling the annual report in accordance with IFRS and good accounting practices, the Group has made estimations and assessments about the future, which affect the reported values of the assets and liabilities. These estimations and assessments are valued on an ongoing basis and are based on historical experience and other factors considered reasonable under the prevailing conditions. In cases where it is not possible to fix the reported value of assets and liabilities through information from other sources these estimations and assessments are the basis of the valuation. Using other estimations and assessments the result can differ and the actual result will, according to definition, rarely be equivalent to the actual result. The estimations and assessments have the greatest influence over Semcon's results and position as detailed below.

#### Impairment test for goodwill

Every year the Group tests impairment for goodwill in accordance with Note 2 on page 57 concerning accounting policies. The examination requires an estimate of parameters that affect the future cash flow and stipulation of a discount factor. The recoverable amount of the cash-generating units has thereafter been set using an estimate of the value in use. In Note 13 on page 69 there is an account of the significant estimations carried out upon examining the need for goodwill impairment. As of 31 December 2015 the reported value of the consolidated goodwill was SEK 465.9 million.

#### Assessment of loss carry-forwards

The reported deferred tax assets in the Group concerning loss carry-forwards amounted to SEK 55.5 million on 31 December 2015. The reported value of these tax assets was examined on the balance sheet date and it is judged likely that the tax relief can be used against future tax. The tax assets refer to Germany where loss carry-forwards can be used for an unlimited period. A positive result in 2015 means that the Group's business in this country is expected to generate a surplus and therefore it is considered that the loss carry-forwards attributable to the tax assets may be used against future taxable surplus.

Changes to estimations about forecasted future taxable profit might result in differences in valuing deferred tax assets. If the future taxable profit in Germany deviates by 10 per cent from management's estimate then the Group would be forced to cut its deferred tax asset by SEK 5 million.

#### Pension obligations

Reporting of provisions for defined benefit pension plans and other pension benefits, is based on actuarial estimates that use the assessments for discount rates, future wage increases, staff turnover and demographic conditions. The assessments made concerning these estimates affect the value of the total pension obligations and major changes to the estimates would be able to affect the Group's results and position. The same is true of a change to the estimates concerning whether pension insurances in Alecta should be reported as a defined

contribution plan or not. On 31 December 2015 the Group's pension allocations amounted to SEK 68.4 million.

If the discount rate changed by 0.25 per cent then the current value of the pension obligations would need to be adjusted by around SEK 2 million.

Actuarial assumptions appear in Note 21 on page 73.

#### Evaluating projects

Evaluating projects is based on estimates of the results of projects in progress. Some projects stretch over the long-term, which is why it cannot be discounted that the result of the projects in progress can have an effect on the Group's results and position.

## Note 5

### Segment reporting

The Group's four business areas, Engineering Services Nordic, Engineering Services Germany, Engineering Services International and Product Information made up the Group's reportable operating segments in 2015. Engineering Services Nordic provides engineering services aimed at the energy, automotive, industrial and life science sectors. Engineering Services Germany provides engineering services to customers in the German industry sector, mainly to the automotive industry. Engineering Services International provides product development services on the respective geographic market of the UK, Brazil and India, mainly towards the automotive industry. Product Information provides complete information solutions, mainly focusing on customers' aftermarket business. These four segments are the highest level at which management and the Board carries out follow-ups. The highest executive position in the Group is CEO, who together with the rest of the Group management, runs the business. The three first operating segments receive revenues mainly from engineering services for designing, developing products and

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

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

The Group reports sales between the segments at current market prices.

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

SEK m	Engineering Services Nordic		Engineering Services Germany		Engineering Services International		Product Information		Non-allocated items		The Group total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
<b>Income</b>	<b>1,008.7</b>	<b>1,013.7</b>	<b>900.8</b>	<b>1,005.7</b>	<b>200.8</b>	<b>212.6</b>	<b>503.7</b>	<b>542.4</b>	<b>-56.6</b>	<b>-48.7</b>	<b>2,557.4</b>	<b>2,725.7</b>
<b>Operating profit/loss</b>	<b>30.5</b>	<b>19.4</b>	<b>-48.6</b>	<b>20.1</b>	<b>6.5</b>	<b>4.9</b>	<b>28.4</b>	<b>52.3</b>	<b>-7.2</b>	<b>5.7</b>	<b>9.6</b>	<b>102.4</b>
Net financial items	-	-	-	-	-	-	-	-	-4.3	-5.0	-4.3	-5.0
<b>Profit/loss before tax</b>	<b>30.5</b>	<b>19.4</b>	<b>-48.6</b>	<b>20.1</b>	<b>6.5</b>	<b>4.9</b>	<b>28.4</b>	<b>52.3</b>	<b>-11.5</b>	<b>0.7</b>	<b>5.3</b>	<b>97.4</b>
<b>Other disclosures</b>												
Operating assets	525.4	486.8	407.9	364.2	32.6	42.1	124.6	185.2	-	-	1,090.5	1,078.3
Shares in associated companies	-	17.0	-	-	-	-	-	-	-	-	-	17.0
Total operating assets	525.4	503.8	407.9	364.2	32.6	42.1	124.6	185.2	-	-	1,090.5	1,095.3
Non-divided assets	-	-	-	-	-	-	-	-	245.7	274.7	245.7	274.7
<b>Total assets</b>	<b>525.4</b>	<b>503.8</b>	<b>407.9</b>	<b>364.2</b>	<b>32.6</b>	<b>42.1</b>	<b>124.6</b>	<b>185.2</b>	<b>245.7</b>	<b>274.7</b>	<b>1,336.2</b>	<b>1,370.0</b>
Operational liabilities	172.0	154.6	220.6	145.7	13.0	16.3	65.6	110.5	-	-	471.2	427.1
Non-divided liabilities	-	-	-	-	-	-	-	-	260.5	280.4	260.5	280.4
Total consolidated liabilities	172.0	154.6	220.6	145.7	13.0	16.3	65.6	110.5	260.5	280.4	731.7	707.5
Shareholders' equity	-	-	-	-	-	-	-	-	604.5	662.5	604.5	662.5
<b>Total shareholders' equity and liabilities</b>	<b>172.0</b>	<b>154.6</b>	<b>220.6</b>	<b>145.7</b>	<b>13.0</b>	<b>16.3</b>	<b>65.6</b>	<b>110.5</b>	<b>865.0</b>	<b>942.9</b>	<b>1,336.2</b>	<b>1,370.0</b>
Investments	1.0	2.3	10.6	14.3	1.7	2.1	1.1	3.0	11.3	13.6	25.8	35.3
Depreciation	1.3	6.4	11.2	12.4	1.7	2.1	2.8	2.7	4.3	3.7	21.3	27.3
<b>Geographic location</b>												
			Sales according to geographic location		Intangible assets and tangible assets				Investments			
			2015	2014	2015	2014	2015	2014	2015	2014		
Sweden			1,204.4	1,228.6	292.3	268.0	12.4	16.1				
Germany			850.5	1,007.8	231.2	241.6	10.7	14.7				
Other			502.5	489.3	12.3	13.2	2.7	4.5				
<b>Total</b>			<b>2,557.4</b>	<b>2,725.7</b>	<b>535.8</b>	<b>522.8</b>	<b>25.8</b>	<b>35.3</b>				

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

## Note 6

### Net sales

Of net sales, income from services accounts for 91.6 per cent (93.4). Other sales comprise licenses, sales of computers, assignment computers, training, sales of materials and goods in projects.

The parent company's sales attributable to Group companies amounted to SEK 22.8 million (24.9) and purchases amounted to SEK 0.9 million (1.1).

## Note 7

### Remuneration to auditors

SEK m	The Group		Parent company	
	2015	2014	2015	2014
<b>Deloitte</b>				
Auditing assignments	2.3	2.2	0.4	0.4
Services in addition to auditing assignments	0.1	0.1	0.1	0.1
Tax consultancy	–	–	–	–
Other services	–	–	–	–
<b>Total</b>	<b>2.4</b>	<b>2.3</b>	<b>0.5</b>	<b>0.5</b>
<b>Other auditors</b>				
Auditing assignments	0.1	0.1	–	–
<b>Total</b>	<b>0.1</b>	<b>0.1</b>	<b>–</b>	<b>–</b>
<b>Total remuneration to auditors</b>	<b>2.5</b>	<b>2.4</b>	<b>0.5</b>	<b>0.5</b>

## Note 8

### Employees

The Group	2015		2014	
	Average number of employees	Of whom women, %	Average number of employees	Of whom women, %
Sweden	1,213	29	1,279	29
Germany	951	21	1,035	22
Brazil	185	22	185	19
UK	141	19	121	17
India	114	9	116	9
Hungary	113	33	82	24
China	53	68	57	42
Norway	20	15	7	29
Spain	5	–	5	–
<b>The Group total</b>	<b>2,795</b>	<b>25</b>	<b>2,887</b>	<b>24</b>
<b>Parent company</b>				
Sweden	14	36	12	42
<b>Parent company total</b>	<b>14</b>	<b>36</b>	<b>12</b>	<b>42</b>

SEK m	2015			2014		
	Total salaries and other remuneration	Payroll overheads	Of which pension costs	Total salaries and other remuneration	Payroll overheads	Of which pension costs
<b>Salaries, remuneration and payroll overheads</b>						
Parent company	16.8	9.7	4.1	15.1	9.2	3.6
Subsidiaries	1,297.9	396.5	72.2	1,295.9	398.1	74.4
<b>The Group total</b>	<b>1,314.7</b>	<b>406.2</b>	<b>76.3</b>	<b>1,311.0</b>	<b>407.3</b>	<b>78.0</b>

SEK m	2015			2014		
	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	3.1	–	1.1	2.9	–	1.0
CEO of subsidiaries	–	–	–	1.0	0.2	0.3
The Board	1.6	–	–	1.6	–	–
Other senior executives	14.6	–	3.6	13.7	0.3	3.3

**Remuneration to the CEO.** According to the terms of the CEO's employment contract, upon notice of dismissal from Semcon, severance pay will be paid for 12 months. If the CEO resigns, notice time is 6 months. A bonus may also be paid in accordance with the rules established by the Board and at a maximum of 6 times the fixed monthly salary. The contract also includes a non-competition clause, which limits the CEO from running a competitive business for 24 months from the time of termination of employment. The CEO is entitled to a retirement benefit in the form of a pension scheme. The monthly premium for this pension scheme is 35 per cent of the fixed monthly salary. Remuneration to the CEOs of subsidiaries does not include remuneration to CEOs that are members of the Group's other senior management teams.

**The Board.** Of the fees to the Board in 2015 the Chairman of the Board received remuneration amounting to TSEK 550 (550). Other external members received TSEK 265 (265). Board fees totalled SEK 1,610 million (1,610).

**Other senior executives.** Other senior executives, 11 individuals (10), refers to Semcon's senior management (besides the company's CEO) and responsible for the Group's staff functions. Other senior executives are entitled to bonuses based on how well they meet their respective business targets. Bonuses paid will be a maximum six times the fixed monthly salary. The period of notice given to other senior executives is a maximum 12 months. The pension agreements for senior executives are paid in accordance with the ITP plan, except for one executive whose monthly premium is 35 per cent of salary.

**Gender of senior executives.** Two of Semcon's five Board members are women. In 2015 the Group management team consisted of seven people, of which one woman.

**Other.** Remuneration to the Board is decided by the Annual General Meeting after proposals by the Nominations Committee. Remuneration to the CEO and other senior executives is decided by the Board in its entirety. Benefits concerning company cars amounted to TSEK 74 (76) for the CEO and TSEK 612 (587) for other senior executives.

**Share-related remuneration.** A decision was made at the Annual General meeting on 28 April 2015 to introduce a long-term performance-related share-savings scheme for around 110 senior executives throughout the Semcon Group. The scheme will run for four years, starting in July 2015 and include no more than 242,718 shares, equivalent to 1.34% of the overall outstanding shares. To be able to take part in the scheme requires participants to invest in shares. Employees who take part in the scheme can save an amount equivalent to 5 per cent of their fixed gross salary to buy ordinary shares on the Nasdaq Stockholm over a 12-month period from the time the scheme was implemented. If the shares bought by the employee are kept for three years from the time of the investment and employment within the Semcon Group throughout the entire 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-related shares will be issued. For performance matching requires for Semcon's average annual percentage Earnings Per Share between 2014 and 2017 be at least 5 per cent. The base value for calculating this increase of EPS will be the EPS reported in 2014. The maximum number of performance-related shares will be issued if the average increase of EPS is 15 per cent or more. Performance-related shares will not be issued if the average annual EPS increase is less than 5 per cent. The matching of performance-related shares with an annual increase of EPS between 5 and 15 per cent will be linear. The share savings scheme cost Semcon SEK 0.2 in 2015.

## Note 9

### Interest income and similar items

The Group SEK m	2015	2014
Interest income	1.3	1.0
Other financial income	–	–
<b>Total</b>	<b>1.3</b>	<b>1.0</b>
Parent company SEK m	2015	2014
Interest income	6.1	8.3
Exchange rate differences	14.4	–
<b>Total</b>	<b>20.5</b>	<b>8.3</b>

## Note 10

### Interest expenses and similar items

The Group SEK m	2015	2014
Interest expenses	–3.9	–4.1
Exchange rate differences	–0.2	–0.3
Other financial expenses	–1.5	–1.6
<b>Total</b>	<b>–5.6</b>	<b>–6.0</b>
Parent company SEK m	2015	2014
Interest expenses	–2.3	–2.4
Exchange rate differences	–	–21.5
Other financial expenses	–1.5	–1.4
<b>Total</b>	<b>–3.8</b>	<b>–25.3</b>

## Note 11

### Tax

The Group SEK m	2015	2014
Current tax	13.6	10.5
Tax concerning previous tax years	0.3	0.1
Deferred tax expense attributable to temporary differences	7.7	13.4
Deferred tax income attributable to temporary differences	–19.8	–2.0
<b>Total</b>	<b>1.8</b>	<b>22.0</b>
Parent company SEK m	2015	2014
Current tax	4.7	0.9
Deferred tax expense attributable to temporary differences	0.1	–0.1
<b>Total</b>	<b>4.8</b>	<b>0.8</b>

	2015	2014
<b>Differences between Group's reported tax and tax expense based on current tax rate</b>		
Reported profit before tax	5.3	97.4
Tax according to current tax rate in Sweden, 22.0% (22.0)	1.2	21.4
<b>Tax effect of:</b>		
Non-deductible expenses	2.2	1.4
Non-taxable income	-0.2	-2.5
Adjustments for previous tax years	-0.1	-0.1
Effects of other tax rates abroad	-0.9	1.4
Other	-0.4	0.4
<b>Tax for the year</b>	<b>1.8</b>	<b>22.0</b>
<b>Differences between parent company's reported tax and tax expense based on current tax rate</b>		
Reported profit for the year	18.4	3.3
Tax according to current tax rate in Sweden, 22.0% (22.0)	4.0	0.7
<b>Tax effect of:</b>		
Non-deductible expenses	0.9	0.2
Non-taxable income	-0.1	-0.1
<b>Tax for the year</b>	<b>4.8</b>	<b>0.8</b>
Temporary differences apply in cases where assets or liabilities reported and taxable values are different.		
<b>The Group's temporary differences have resulted in deferred tax assets and deferred tax liabilities for the following items</b>		
	2015	2014
<b>Deferred tax assets</b>		
Loss carry-forwards	55.5	37.4
Equity hedge loan	-	0.3
Temporary differences, accounts receivable	0.1	-
Temporary differences, pension obligations	6.0	8.3
Other	0.4	0.4
Netting against deferred tax liabilities	-0.7	-0.1
<b>Total</b>	<b>61.3</b>	<b>46.3</b>
<b>Deferred tax liabilities</b>		
Untaxed reserves	4.5	2.4
Temporary differences, reprocessed non-invoiced income	16.3	15.7
Equity hedge loan	1.2	-
Goodwill	5.1	2.6
Other	2.5	2.5
Netting against deferred tax assets	-0.7	-0.1
<b>Total</b>	<b>28.9</b>	<b>23.1</b>

The taxable loss carry-forward is SEK 395.2 million (321.8). Of this, SEK 0.0 million (2.0) falls due within 5 years, SEK 0.0 million (7.9) after 5 years and for the remaining 395.2 million (311.9) there is no maturity date. For SEK 207.7 million (197.0) of the taxable loss carry-forward no deferred taxes recoverable have been reported because of uncertainty when sufficient taxable surplus is reported in the future. Deferred income taxes recoverable have been reported at SEK 55.5 million (37.4) as it is judged likely, due to restructuring measures taken in 2015, that the taxable surplus will be available in future, against which this deficit can be offset.



## Note 12

### Earnings per share

The Group	2015		2014	
	Before dilution	After dilution	Before dilution	After dilution
Earnings attributable to parent company's shareholders, SEK m	3.6	3.6	75.4	75.4
Weighted average number of shares during the year, (ooo)	17,909	18,113	17,970	18,113
<b>Earnings per share, SEK</b>	<b>0.20</b>	<b>0.20</b>	<b>4.20</b>	<b>4.16</b>

#### Before dilution

Earnings per share before dilution are calculated by dividing earnings attributable to parent company shareholders by a weighted average number of outstanding ordinary shares during the period excluding buy-back shares held as own shares by the parent company, see Note 20 on page 73.

#### After dilution

When calculating earnings per share after dilution the weighted number of outstanding ordinary shares is adjusted for the dilution effect of all potential ordinary shares.

## Note 13

### Intangible assets

The Group	SEK m	2015	2014
<b>Goodwill</b>			
Opening acquisition value		648.8	626.8
Acquisitions		16.2	5.7
Divestments		–	–2.0
Translation difference for the year		–10.6	18.3
<b>Closing accumulated acquisition value</b>		<b>654.4</b>	<b>648.8</b>
Opening impairment		–192.5	–186.5
Translation difference for the year		4.0	–6.0
<b>Closing accumulated impairment</b>		<b>–188.5</b>	<b>–192.5</b>
<b>Closing booked value</b>		<b>465.9</b>	<b>456.3</b>
<b>Specification of goodwill</b>			
Goodwill is distributed across the Group's business areas as follows:			
Engineering Services Nordic		262.3	246.1
Engineering Services Germany		191.8	199.8
Product Information		11.8	10.4
<b>Closing booked value</b>		<b>465.9</b>	<b>456.3</b>

Testing for impairment losses for goodwill is carried out annually and when there are indications that impairment losses are required. Recoverable amounts for each business area (cash-generating units) have been set according to management's calculated usable value. These calculations use the estimated future cash flow for 2016. The budgeted cash flow is based on the current year's results, orders and management's expectations for market development in 2016. For 2017-2021 an assumption has been made that revenues will rise by 3 per cent annually and then a long-term growth of 2 per cent. Sensitivity analyses have been carried out and if the assumed growth worsens by one per cent then there will be no need for impairment.

The cash flow has been discounted with a weighted capital cost equivalent to 9 per cent. This is calculated using the Group's targeted capital structure, current risk-free long-term interest rate and a risk premium for shareholders' equity of 5 per cent and a margin for borrowed capital of 1 per cent. If the discount rate after tax increased by 1 per cent to 10 per cent, it means that the beneficial value is still greater than the reported value.

Further assumptions used when calculating value in use for 2015:

Exchange rates and share of income	Share of income per currency				
	Exchange	Engineering Services Nordic	Engineering Services Germany	Engineering Services International	Product Information
SEK	1.00	92%	–	19%	50%
EUR	9.00	2%	99%	7%	10%
GBP	12.75	–	–	44%	33%
Other		6%	1%	30%	7%
		100%	100%	100%	100%
Average tax rates		23%	30%	23%	20%

The estimated value in use for 2015 exceeded the reported values by a good margin. The same long-term growth, and weighted capital cost were used for estimating value in use for 2014. The rates used for 2014 were Engineering Services Nordic 23 per cent, Engineering Services Germany 30 per cent, Engineering Services International 24 per cent and for Product Information 21 per cent. The exchange rates used in 2014 were EUR 9.00 and GBP 12.00.

The Group SEK m	2015	2014
<b>Other intangible assets</b>		
Opening acquisition value	78.8	91.4
Sales/disposals	–	–23.9
Investments	7.4	9.1
Translation difference for the year	–2.3	2.2
<b>Closing accumulated acquisition value</b>	<b>83.9</b>	<b>78.8</b>
Opening depreciation	–62.1	–74.8
Depreciation for the year	–5.0	–9.3
Sales/disposals	–	23.9
Translation difference for the year	2.1	–1.9
<b>Closing accumulated depreciation</b>	<b>–65.0</b>	<b>–62.1</b>
<b>Closing booked value</b>	<b>18.9</b>	<b>16.7</b>

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

## Note 14 Tangible fixed assets

The Group SEK m	2015	2014
<b>Plant and machinery</b>		
Opening acquisition value	99.2	98.4
Acquisitions	2.0	–
Investments	10.1	7.7
Sales/disposals	–2.4	–13.5
Reclassification	37.6	1.4
Translation difference for the year	–4.2	5.2
<b>Closing accumulated acquisition value</b>	<b>142.3</b>	<b>99.2</b>

The Group	SEK m	2015	2014
Opening depreciation		-77.7	-82.3
Acquisitions		-0.2	-
Sales/disposals		1.7	13.4
Depreciation for the year		-7.3	-4.8
Reclassification		-31.4	-
Translation difference for the year		3.4	-4.0
<b>Closing accumulated depreciation</b>		<b>-111.5</b>	<b>-77.7</b>
<b>Closing booked value</b>		<b>30.8</b>	<b>21.5</b>
<b>Inventories, computers and equipment</b>			
Opening acquisition value		147.7	170.4
Investments		8.3	18.5
Sales/disposals		-4.0	-46.8
Reclassification		-37.6	-1.4
Translation difference for the year		-4.3	7.0
<b>Closing accumulated acquisition value</b>		<b>110.1</b>	<b>147.7</b>
Opening depreciation/impairment		-119.4	-147.3
Sales/disposals		3.8	46.5
Impairment for the year		-9.0	-13.2
Reclassification		31.4	-
Translation difference for the year		3.3	-5.4
<b>Closing accumulated depreciation/impairment</b>		<b>-89.9</b>	<b>-119.4</b>
<b>Closing booked value</b>		<b>20.2</b>	<b>28.3</b>
<b>Parent company</b> SEK m			
<b>Inventories, computers and equipment</b>			
Opening acquisition value		1.7	1.7
Sales/disposals		-1.7	-
<b>Closing accumulated acquisition value</b>		<b>-</b>	<b>1.7</b>
Opening depreciation		-1.7	-1.5
Sales/disposals		1.7	-
Depreciation for the year		-	-0.2
<b>Closing accumulated depreciation</b>		<b>-</b>	<b>-1.7</b>
<b>Closing booked value</b>		<b>-</b>	<b>-</b>

## Note 15

### Shares in Group companies

Parent company	Group company	Capital share, %	Voting rights, %	Booked value, SEK m	co.reg.no.	Registered office
Semcon AB	Semcon Förvaltnings AB	100	100	58.8	556530-6403	Gothenburg
	Semcon Informatic AB	100	100	15.5	556606-0363	Gothenburg
	Semcon International AB	100	100	9.8	556534-4651	Gothenburg
<b>Total</b>				<b>84.1</b>		

The accumulated acquisition value of shares in Group companies amounts to SEK 307.1 million. A statutory specification of co.reg.no. and registered office of all Group companies in the Group can be obtained from Semcon's head office.

## Note 16

### Business acquisitions

Semcon increased ownership of Kongsberg Devotek AS (name changed to Semcon Devotek AS) to 97 per cent on 2 November via a directed share issue of NOK 5 million. Semcon already owned 30 per cent of the shares in the company. The investment is part of Semcon's strategic expansion on the Norwegian market, where Devotek's offer and delivery model suit Semcon's structure very well. Devotek provides technical expertise in project form, mainly to customers in the oil and gas, maritime, automotive sectors and other industries. The company has a headcount of 74 with its head office in Kongsberg, Norway. The company was consolidated from November with sales over the November – December period amounting to SEK 15.9 million and an operating loss of SEK 5.7 million. Sales in 2015 amounted to SEK 104.2 million and an operating loss of SEK -14.4 million. The table below shows a summary of the purchase price, real value of acquired assets and acquired assets and liabilities, plus minority shareholding reported on the acquisition date and the affect on the Group's liquid assets.

The goodwill arising from the acquisition is in the form of human resources in the forma of employee expertise and synergy effects arising from integrating into Semcon's structure.

The Group SEK m	2015
Purchase price paid/new share issue	5.0
Fair value of shareholding before the new share issue	14.9
<b>Total purchase price paid</b>	<b>19.9</b>
<b>Reported amount of identifiable acquired assets and liabilities</b>	
Liquid assets	7.6
Tangible fixed assets	1.8
Deferred tax assets	3.9
Accounts receivable and other receivables	18.8
Accounts payable and other liabilities	-26.9
Borrowings	-1.5
<b>Total identifiable net assets</b>	<b>3.7</b>
<b>Non-controlling interests</b>	<b>-</b>
<b>Goodwill</b>	<b>16.2</b>
<b>Total identifiable assets and goodwill</b>	<b>19.9</b>
Liquid assets in acquired company	7.6
Purchase price paid/new share issue	-5.0
<b>Affect on Group's liquid assets</b>	<b>2.6</b>

## Note 17

### Accounts receivable

The Group SEK m	2015			2014		
	Gross	Reserve	Reported value	Gross	Reserve	Reported value
Accounts receivable, not due for payment	357.8	-	357.8	348.1	-	348.1
Due for payment, 1–30 days	69.3	-	69.3	59.8	-0.2	59.6
Due for payment, 31–60 days	5.5	-	5.5	4.0	-0.2	3.8
Due for payment, over 60 days	4.1	-3.6	0.5	15.9	-11.3	4.6
<b>Total</b>	<b>436.7</b>	<b>-3.6</b>	<b>433.1</b>	<b>427.8</b>	<b>-11.7</b>	<b>416.1</b>

The Group SEK m	2015	2014
<b>Provisions for bad debts</b>		
Provisions at the start of the year	-11.7	-5.4
Reservations for expected losses	-8.5	-9.5
Confirmed losses	5.4	1.4
Actual payment of reserve receivables	11.1	1.8
Translation difference	0.1	-
<b>Provisions at year-end</b>	<b>-3.6</b>	<b>-11.7</b>

## Note 18

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

Accrued non-invoiced income is reported in the consolidated accounts by project at the net value of the invoice in line with processing minus invoiced sub-amounts and deductions for possible losses. In 2015 the accrued non-invoiced income stood at SEK 22.1 million (100.6).

Receivables from customers are reported in the balance sheet for the projects for which the total of the assignment expense until the closing day exceeds the partly invoiced amount including deductions for possible losses. Customer liabilities are reported for projects for which partly invoiced amounts exceed the total of the assignment expense.

The Group SEK m	2015	2014
<b>Processed but non-invoiced income</b>		
Income/assignment expenses	235.3	228.9
Partly invoiced amount	-127.1	-71.0
<b>Total</b>	<b>108.2</b>	<b>157.9</b>
<b>Invoiced but non-processed income</b>		
Income/assignment expenses	22.1	79.7
Partly invoiced amount	-108.2	-137.0
<b>Total</b>	<b>-86.1</b>	<b>-57.3</b>

## Note 19

### Prepaid expenses and accrued income

The Group SEK m	2015	2014
Accrued income	3.8	3.7
Prepaid expenses	50.6	24.4
<b>Total</b>	<b>54.4</b>	<b>28.1</b>

## Note 20

### Share capital

Date	Type of issue	Number of shares issued	Share capital after issue, SEK
7 March 1997	Formation of company	500,000	500,000
14 April 1997	Cash issue	4,003,700	4,503,700
14 April 1997	Non-cash issue	496,300	5,000,000
25 April 1997	Cash issue	12,338,521	17,338,521
31 August 2001	Cash issue	52,500	17,391,021
1 June–31 December 2006	Conversion of promissory note	351,245	17,742,266
1 January–31 May 2007	Conversion of promissory note	40,268	17,782,534
18 June 2008	New issue	330,000	18,112,534

The parent company's holding of own shares on 31 December was 242,718 (142,718).

## Note 21

### Pension obligations

Commitments for retirement pensions and family pensions for salaried employees in Sweden are safeguarded via insurance with Alecta. According to a statement from the Swedish Financial Accounting Standards Council, UFR 10 Reporting the ITP2 pension plan financed via Alecta insurance, this is a defined benefit plan that encompasses several employees. The Group does not have access to such information that makes it possible to report its proportional share of the plan's duties, plan assets and expenses, meaning that the plan has not been possible to report as a defined benefit plan for the 2015 financial year. Therefore the ITP 2 pension plans secured via insurance with Alecta are reported as defined contribution plans. The plans reported as defined benefit plans below are in Germany. These plans have been closed for many years for new participants. The company's costs and the value of the outstanding obligations have been calculated with the help of actuarial calculation that aims to set the current value of the obligations.

The Group SEK m	2015	2014	2013	2012	2011
<b>Reconciliation of pension obligations</b>					
Current value of pension obligations	84.9	85.9	67.8	62.1	61.9
Managed assets	-16.5	-17.4	-16.4	-15.4	-15.9
<b>Total</b>	<b>68.4</b>	<b>68.5</b>	<b>51.4</b>	<b>46.7</b>	<b>46.0</b>
Non-reported actuarial profit (+) and loss (-)	-	-	-	0.9	3.0
<b>Net provision in the balance sheet</b>	<b>68.4</b>	<b>68.5</b>	<b>51.4</b>	<b>47.6</b>	<b>49.0</b>
<b>The Group SEK m</b>					
<b>Specification of changes in the defined benefit obligation</b>					
At the start of the year			85.9		67.8
Costs for employment during the current year			1.7		1.4
Interest expenses			2.0		2.6
Payment of pensions			-4.6		-3.3
Actuarial profit (-) or loss (+)			3.4		12.5
Exchange rate differences			-3.5		4.9
<b>At year-end</b>			<b>84.9</b>		<b>85.9</b>
<b>Specification of changes in managed assets</b>					
At the start of the year			17.4		16.4
Plan payments paid			-0.5		-0.3
Return on managed assets			0.3		0.3
Exchange rate differences			-0.7		1.0
<b>At year-end</b>			<b>16.5</b>		<b>17.4</b>
<b>Specification of managed assets</b>					
Shares			1.0		1.0
Interest-bearing securities			12.3		12.5
Cash and bank balances			2.9		3.5
Other			0.3		0.4
<b>Total managed assets</b>			<b>16.5</b>		<b>17.4</b>
<b>Specification of changes in pension provisions</b>					
At the start of the year			68.5		51.4
Net cost reported in the income statement			3.4		3.7
Payment of pensions			-4.6		-3.3
Plan payments paid			0.5		0.3
Actuarial profit (-) or loss (+)			3.4		12.5
Exchange rate differences			-2.8		3.9
<b>At year-end</b>			<b>68.4</b>		<b>68.5</b>



The Group	SEK m	2015	2014
<b>Specification of total cost for pension payments reported in the income statement</b>			
Cost for defined benefit plans			
	Costs for employment during the current year	-1.7	-1.4
	Yield on managed assets	0.3	0.3
	Interest expenses	-2.0	-2.6
<b>Costs for defined benefit plans</b>		<b>-3.4</b>	<b>-3.7</b>
<b>Costs for defined contribution plans</b>		<b>-74.5</b>	<b>-76.6</b>
<b>Total costs reported in the income statement</b>		<b>-77.9</b>	<b>-80.3</b>
Of which:			
	Amounts that negatively affected the operating profit/loss (staff costs)	-76.2	-78.0
	Amounts that negatively affected financial income and costs	-1.7	-2.3
<b>Total costs reported in the income statement</b>		<b>-77.9</b>	<b>-80.3</b>
<b>Significant actuarial assumptions, %</b>			
	Discount rate	2.35	2.45
	Expected salary increase	3.0	3.0
	Future pension increase	1.5	1.5

Expenses during the year for ITP-2 pension insurance policies signed with Alecta amounted to SEK 29.3 million (30.9). The defined benefit plan premiums for retirement pensions and family pensions are individually calculated and depend on factors including salary, previously accrued pensions and expected remaining period of active service. The collective consolidation level is the market value of Alecta's assets as a percentage of the insurance commitment calculated according to Alecta's actuarial methods and assumptions, which do not comply with IAS 19. The collective consolidation level is usually permitted to vary between 125 and 155 per cent. If Alecta's collective consolidation level falls below 125 per cent or exceeds 155 per cent then measures must be taken to create the conditions for the consolidation level to return to normal. If the consolidation level falls, then one measure might be to raise the agreed price for new subscriptions and to increase existing benefits. If the consolidation level rises, then one measure might be to introduce premium reductions. At year-end 2015 Alecta's surplus in the form of the collective consolidation level was 153 per cent (143).

## Note 22

### Borrowings

The Group	SEK m	2015	2014
<b>Borrowings</b>			
	Liabilities to credit institutions	136.1	97.8
<b>Total borrowings</b>		<b>136.1</b>	<b>97.8</b>
<b>Parent company</b>			
	Liabilities to credit institutions	137.5	96.4
<b>Total borrowings</b>		<b>137.5</b>	<b>96.4</b>

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

## Note 23

### Overdraft facilities

Of the Group's permitted overdraft facility of SEK 152.8 million (153.6), SEK 90.5 million (50.3) has been utilised. The credit runs on an annual basis. Of the parent company's permitted overdraft facility of SEK 150.0 million (150.0), SEK 90.5 million (50.3) has been utilised.

## Note 24

### Accrued expenses and prepaid income

The Group SEK m	2015	2014
Staff-related costs	189.5	159.5
Other items	43.4	99.6
<b>Total accrued expenses and prepaid income</b>	<b>232.9</b>	<b>259.1</b>
<b>Parent company SEK m</b>	<b>2015</b>	<b>2014</b>
Staff-related costs	4.9	4.3
Other items	2.5	16.0
<b>Total accrued expenses and prepaid income</b>	<b>7.4</b>	<b>20.3</b>

## Note 25

### Pledged assets

The Group SEK m	2015	2014
<b>For rental guarantees</b>		
Frozen bank assets	3.3	2.8
<b>Total pledged assets</b>	<b>3.3</b>	<b>2.8</b>

## Note 26

### Contingent liabilities

The Group SEK m	2015	2014
Conditional loan, Swedish Energy Agency	–	4.0
<b>Total contingent liabilities</b>	<b>–</b>	<b>4.0</b>
<b>Parent company SEK m</b>	<b>2015</b>	<b>2014</b>
Guarantees provided	0.7	0.5
<b>Total contingent liabilities</b>	<b>0.7</b>	<b>0.5</b>

## Note 27

### Transactions with related parties

#### The Group

Sales to associated companies amounted to SEK 0.3 million (0.6) with no purchases made. Sales to associated companies cover the period between Jan and Oct 2015 when Semcon Devotek AS (formerly Kongsberg Devotek AS) was consolidated in full from November 2015. The JCE Group is Semcon AB's largest shareholder with a shareholding of 22.2 per cent (31 December 2015). To companies in the JCE Group no sales or purchases has been made.

#### Parent company

No transactions have taken place between associated companies or shareholders. For purchases/sales between Group companies, see Note 6 on page 65.

For remuneration to senior executives, see Note 8 on page 65.

## Note 28

### Operational leasing

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

The Group	SEK m	2015			2014		
		Rent for premises	Other	Total	Rent for premises	Other	Total
Within 1 year		63.6	10.0	73.6	65.4	11.7	77.1
Between 1 and 5 years		165.4	7.1	172.5	176.7	9.5	186.2
More than 5 years		109.1	0.5	109.6	126.6	–	126.6
<b>Future minimum leasing charges</b>		<b>338.1</b>	<b>17.6</b>	<b>355.7</b>	<b>368.7</b>	<b>21.2</b>	<b>389.9</b>
Minimum leasing charges for the year		69.9	11.3	81.2	66.5	13.9	80.4
<b>Parent company</b>	<b>SEK m</b>						
Within 1 year		–	0.8	0.8	–	0.5	0.5
Between 1 and 5 years		–	1.0	1.0	–	0.5	0.5
More than 5 years		–	–	–	–	–	–
<b>Future minimum leasing charges</b>		<b>–</b>	<b>1.8</b>	<b>1.8</b>	<b>–</b>	<b>1.0</b>	<b>1.0</b>
Minimum leasing charges for the year		–	0.7	0.7	–	0.5	0.5

## Note 29

### Events after the balance sheet date

No significant events have taken place since year-end 2015.

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

Gothenburg, 23 March 2016

Markus Granlund CEO	Kjell Nilsson Chairman of the Board	Tore Bertilsson Board member
Marianne Brismar Board member	Gunvor Engström Board member	Håkan Larsson Board member
Christer Eriksson Employee representative	Monique Pehrsson Employee representative	Mats Sällberg Employee representative

Our audit was issued on 24 March 2016  
Deloitte AB

Hans Warén  
Authorised accountant

# Auditor's report

To the Annual General Meeting of Semcon AB  
co.reg.no. 556539-9549

## Report on the annual accounts and consolidated accounts

We have audited the annual accounts and consolidated accounts of Semcon AB for the financial year 2015. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 45–77.

### Responsibilities of the Board of Directors and the CEO for the annual accounts and consolidated accounts

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

### Auditor's responsibility

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

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

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



### Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2015 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act, and the consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2015 and of their financial performance and cash flows in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. The Director's report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the Annual General Meeting of shareholders adopt the income statement and balance sheet for the parent company and the group.

### Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have examined the proposed appropriations of the



company's profit or loss and the administration of the Board of Directors and the CEO of Semcon AB for the financial year 2015 (2015-01-01-2015-12-31).

#### **Responsibilities of the Board of Directors and the CEO**

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

#### **Auditor's responsibility**

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

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

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated

accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the CEO is liable to the company. We also examined whether any member of the Board of Directors or the CEO has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

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

#### **Opinions**

We recommend to the Annual General Meeting that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the CEO be discharged from liability for the financial year.

Gothenburg, 24 March 2016  
Deloitte AB

Hans Warén  
Authorised accountant

## Definitions

### Balance sheet total

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

### Capital employed

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

### Cash flow per share

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

### Debt/equity ratio

Net borrowings divided by shareholders' equity including minority interests.

### EPS before dilution

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

### EPS after dilution

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

### Equity/assets ratio

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

### Interest cover ratio

Profit before tax plus interest costs divided by interest costs.

### Net borrowings

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

### Operating margin

Operating profit as a percentage of net sales.

### P/E ratio

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

### P/S ratio

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

### Profit margin

Profit before tax as a percentage of net sales.

### Return on average capital employed

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

### Return on average shareholders' equity

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

### Shareholders equity per share after dilution

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

### Shareholders' equity per share before dilution

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

## Glossary

### Embedded system

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

### Employer branding

Initiatives for strengthening our brand as employer.

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

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

### Skill centres

Semcon offices with cutting-edge skills in specific.

### Life science

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

### Original Equipment Manufacturer (OEM)

Manufacturer of complete products intended for end users.

### Product development cycle

The cycle from idea to end product.

### Product lifecycle

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

### Production development

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

### Internet of things

Collective term for how connected products and services integrate, which, among other things, enables new cloud services.

### Semcon Project Model (SPM)

Semcon's project methodology, built on XLPM.

### Satellite offices

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

### Virtual reality (VR)

Virtual reality is a computer-generated world where users have the possibility to integrate. This technology can be applied in a range of different areas, such as training, design and construction.

### XLPM

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





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**Lucas Viana**

**Calculations engineer**

“My most recent project was to calculate how strong the hull of a ship needed to be in order to lift other vessels without sinking or breaking. If anything should go wrong then there was a huge risk to human life, and the financial losses would be huge. By making mathematical models we can test all the products before they're manufactured, find faults early on and solve them. Compare this with testing physical prototypes and you see that this is an extremely time and cost-efficient way of doing things.”

# Semcon's shares

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

## Price trend and turnover

The company's share price saw a negative trend in 2015 with a 14 per cent drop. Overall, the share price fell by SEK 7.00 from SEK 49.40 to SEK 42.40, representing a market capitalisation of SEK 768 million. The highest price paid was SEK 65.25 on 10 April and the lowest price paid was SEK 34.50 on 7 October.

## Turnover of shares

Semcon's shares are quoted on the Nasdaq Stockholm stock exchange and trading on this exchange represented 100 per cent of overall sales of shares in 2015. A total of 8.8 million shares were traded, valued at SEK 394 million. The turnover rate, calculated as the number of shares traded in relation to overall number of shares in the company, was 48 per cent.

## Share capital and number of shares

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

## Holding of own shares

Semcon's holding of its own shares on 31 December amounted to 242,718 (142,718).

## Performance-based share savings scheme 2015

A decision was taken at the Annual General Meeting on 28 April 2015 to introduce a long-term performance-related share savings scheme for around 110 senior executives and key employees throughout the Semcon Group. The scheme will run for four years starting in July 2015 and consist of no more than 242,718 shares, corresponding to 1.34 per cent of the total number of outstanding shares.

## Shareholders

On 31 December 2015, Semcon had 4,671 shareholders (3,657). The registered amount of foreign ownership at year-end was 27.5 per cent (26.7), of which 13.4 per cent (6.5) is made up of owners in Finland, 5.0 per cent (12.0) in the UK and 5.7 per cent (4.5) in the US. The JCE Group owned 22.2 per cent (22.2) of Semcon's shares, Swedbank Robur Fonder 8.4 per cent (8.4), Nordea Investments Funds 6.3 per cent (6.3), Ålandsbanken 5.2 per cent (–) and Fjärde AP-fonden 3.6 per cent (3.6). The ten largest shareholders controlled 58.7 per cent (62.0) of the share capital and voting rights, of which the three largest shareholders controlled 36.9 per cent (37.5).

## Share dividends

One of Semcon's financial objectives is that the share dividend from a long-term perspective is at least one third of the profit after tax. The Board proposes a dividend of SEK 1.25 per share (2.50). The proposed dividend amounts to SEK 22.6 million (45.3).

## Contacts with the equity market

Semcon actively informs the market about the company in order to facilitate accurate valuations of the company's shares and in 2015 held presentations and meetings with representatives from financial institutions, mainly in Gothenburg and Stockholm.

Stock market contacts are mainly carried out through quarterly 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 the Group's CEO, CFO and Corporate communications and marketing director. Enquiries can be made by contacting [ir@semcon.com](mailto:ir@semcon.com). ●

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

#### Danske Bank

Fredrik Lithell, fredrik.lithell@danskebank.se

#### SEB Enskilda Securities

Victor Höglund, victor.hoglund@seb.se

### Share structure\*

Size	No. of share-holders	Share-holding	Votes, %	Market value, SEK 000
1–500	3,303	527,999	2.9	22,387
501–1 000	652	549,114	3.0	23,282
1 001–10 000	622	1,822,000	10.1	77,253
10 001–100 000	71	2,248,929	12.4	95,355
100 001–	22	12,721,774	70.3	539,403
Own shares	1	242,718	1.3	10,291
<b>Total</b>	<b>4,671</b>	<b>18,112,534</b>	<b>100.0</b>	<b>767,971</b>

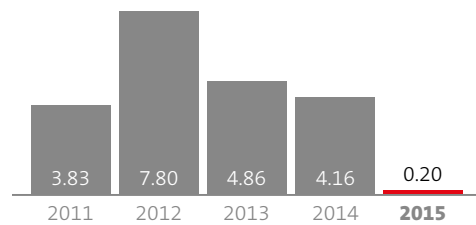
Source: Euroclear Sweden AB shareholders' register.

### Semcon's 10 largest shareholders\*

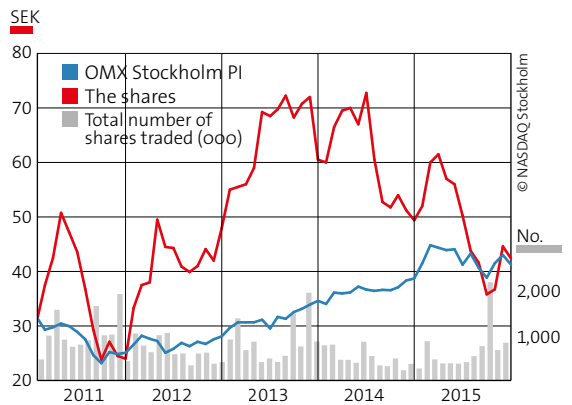
Name	No. of shares	Share-holding, %
JCE Group	4,026,271	22.2
Swedbank Robur Fonder	1,521,764	8.4
Nordea Investments Funds	1,144,196	6.3
Ålandsbanken	946,845	5.2
Fjärde AP-fonden	656,720	3.6
Handelsbanken Fonder	614,552	3.4
CBNY-Norges bank	504,844	2.8
Avanza Pension	427,483	2.4
Europea i Malmö AB	425,200	2.4
AMF	362,400	2.0
<b>Summa</b>	<b>10,630,275</b>	<b>58.7</b>
Own shares	242,718	1.3
Other	7,239,541	40.0
<b>Total</b>	<b>18,112,534</b>	<b>100.0</b>

Source: Euroclear Sweden AB shareholders' register.

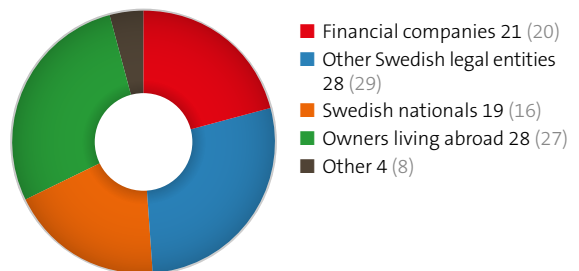
### EPS after dilution (SEK)



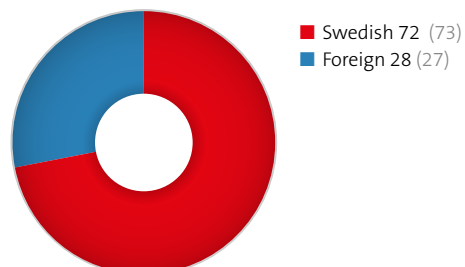
### Semcon's shares



### Ownership structure\* (%)



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



\*31 December 2015. Information concerning data per share appears on page 95.

# Corporate governance report

## Corporate governance report

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

## Application

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

## Annual General Meeting

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

At Annual General Meetings, shareholders get the opportunity to place their voting rights and, in accordance with Swedish corporate law and Semcon's Articles of Association, to take decisions concerning the composition of the Board and other central issues. Shareholders or proxies can vote for the number of shares he/she owns or represents at the meeting. Annual General Meeting decisions made at the Annual General Meeting are usually made with a simple majority. A qualified majority is however sometimes required for some decisions.

## Annual General Meeting 2015

The Annual General Meeting was held on Tuesday 28 April 2015 at Semcon's head office in Gothenburg. Representatives of 54 per cent of the share capital were present, of which underlying shares held by the members of the Nominations Committee represented 38 per cent. Kjell Nilsson was elected to chair the meeting. The Board, Group management and a representative for Deloitte were present at the Annual General Meeting.

### *The Annual General Meeting decided on the following:*

- for a dividend of SEK 2.50 per share (2.50) be paid
- to approve the Nominations Committee's proposal of Board members, remuneration to the Board and its chairman
- that the Board shall consist of five directly elected members
- to re-elect Kjell Nilsson as Chairman of the Board and re-elect Marianne Brismar, Gunvor Engström and Håkan Larsson as Board members and elect Tore Bertilsson as new

Board member

- to re-elect Deloitte AB as the registered auditing firm until the next Annual General Meeting
- to introduce a performance-based share savings scheme for senior executives and key employees
- authorise the Board to decide on the acquisition of no more than 100,000 shares to achieve the company's undertakings according to the performance-based share savings scheme

### *The Annual General Meeting also gave the Board, as in previous years, 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 ten per cent of all shares after acquisition.

Full minutes and information from the Annual General Meeting 2015 are available at: [semcon.com](http://semcon.com).

## Annual General Meeting 2016

The Annual General Meeting will be held on Thursday 28 April 2016 at Semcon's head office in Gothenburg. More information is available at Semcon's website at: [semcon.com](http://semcon.com).

## Share structure and voting rights

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

## Shareholders

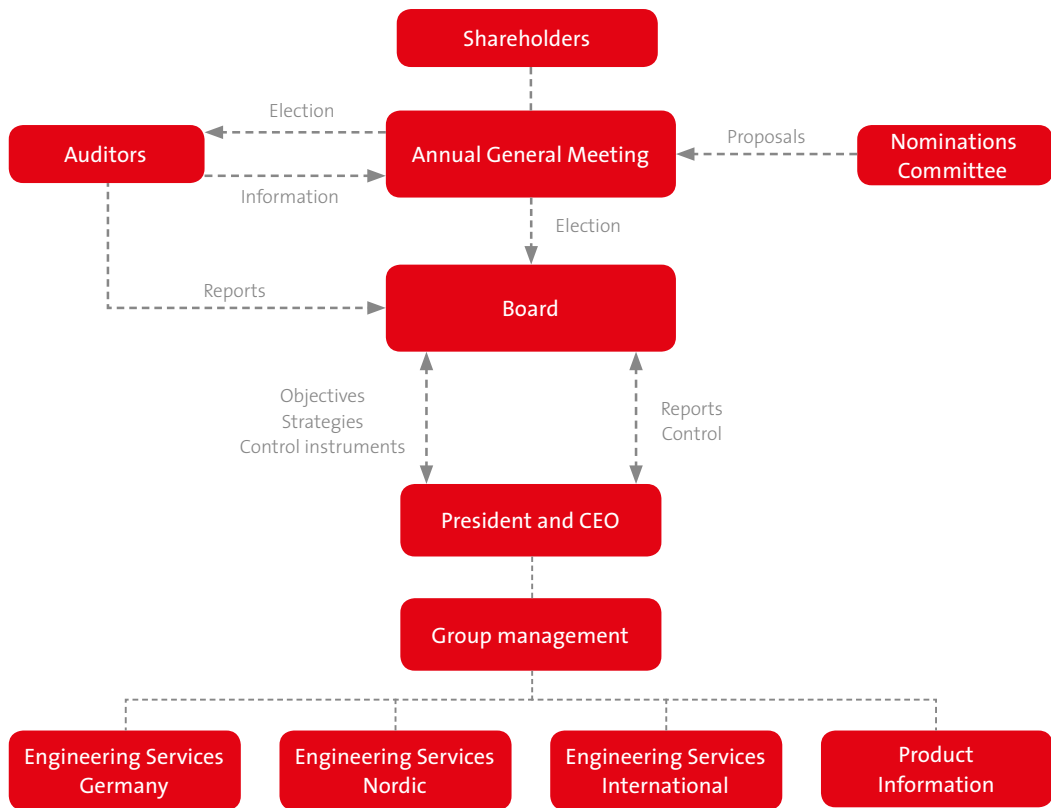
On 31 December 2015, the JCE Group owned 22.2 per cent (22.2) of Semcon's shares, Swedbank Robur Fonder 8.4 per cent (8.4), Nordea Investments Funds 6.3 per cent (6.3),

### Nominations Committee ahead of the Annual General Meeting 2016

	Representing	Voting rights, %*
Olof Cato	JCE Group	22.2
Evert Carlsson	Swedbank Robur Fonder	8.4
Katja Bergqvist	Handelsbanken Fonder	2.8
Kjell Nilsson	Semcon AB	0.2
Total		33.6

\* No. of voting rights 29 February 2016

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



Ålandsbanken 5.2 per cent (-) and Fjärde AP-fonden 3.6 per cent (3.6). Foreign ownership amounted to 28 per cent (27) and the number of shareholders amounted to 4,671 (3,657).

### Nominations Committee

According to a decision made by the Annual General Meeting, based on ownership statistics from Euroclear Sweden AB on 31 August for each respective year, the Chairman of the Board must convene the three largest shareholders in the company, who together shall appoint members of the Nominations Committee. If any of them decline then the right to nominate transfers to the next shareholder in terms of size, who doesn't already have the right to nominate members to the Nominations Committee. The member nominated by the largest shareholder will be the Nominations Committee's chairman.

*The Nominations Committee is to present proposals to the Annual General Meeting concerning:*

- Chairman of the Annual General Meeting
- Chairman of the Board and other Board members, remuneration to the Board and in certain cases auditors and remuneration to the Board and auditors
- The decision concerning principles for the structure of the Nominations Committee.

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

### Nominations committee 2015/2016

The Nominations Committee's members in 2015/2016 consisted of Olof Cato, JCE Group Aktiebolag (Nominations Committee's chairman) Evert Carlsson, Swedbank Robur Fonder, Katja Bergqvist, Handelsbanken Fonder, and Kjell Nilsson (Semcon's Chairman of the Board). No remuneration was paid to the members. The Nominations Committee met twice in Autumn 2015 and twice in January and February 2016. The basis of the Nominations Committee's work has mainly been the company's strategies and priorities and an evaluation of the Board and its size and structure. The Nominations Committee's proposal for election of chairman of the meeting, Board members, Chairman of the Board and auditors is given in the notice to attend the Annual General Meeting, plus proposed remuneration for Annual General Meeting elected Board members and accountants. In addition, proposals are submitted for appointing a Nominations Committee, which is

published on Semcon's website. Questions to the Nominations Committee can be submitted to: valberedning@semcon.se

### **The Board**

The Board is ultimately responsible for the 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 procedures adopted annually by the Board.

#### **Board structure**

The Annual General Meeting elects Board members and their deputies in Semcon AB. The Board must consist of no fewer than three members and no more than eight members with no more than two deputies. Semcon AB's Board consists of five members elected by the Annual General Meeting without deputies and three representatives elected by the employees, of which in total three female. Of the eight Board members, all are Swedish Citizens. The Board's structure meets the requirements for being independent set by the Swedish Code for Corporate Governance and in association with the Nasdaq Stockholm. See table on page 87.

#### **Work of the Board**

The Board held eight ordinary meetings in 2015. The Board has adopted a number of steering documents and policies. The Board oversees the CEO's work by continuously monitoring the business throughout the year, and is responsible that the organisation, management and guidelines for administering the company's affairs are suitably put together and that there is suitable internal control. The Board is furthermore responsible for developing and following-up the company's strategies through plans and objectives, decisions regarding the acquisition and divestment of businesses and major investments. The Board sets out guidelines for the company's performance in society in order to ensure its long-term value-adding capability. The Board also determines six-monthly and annual accounts. The work of the Board follows an agenda with fixed points for Board members. The Chairman leads and delegates Board work and ensures that urgent matters in addition to the fixed points on the agenda are dealt with. Attendance at the Board meeting is given in the table on page 87. Other salaried employees in the company take part in Board meetings as co-opted members, speakers and secretary.

#### **Board meetings 2015**

- No. 1:** Final accounts and Year-end report 2014, internal control, financial report, remuneration issues, CEO evaluation, debriefing of audit (auditors present).
- No. 2:** Review of annual report, decision proposals and notice to attend ahead of Annual General Meeting.
- No. 3:** Interim report, January – March, financial report.
- No. 4:** Statutory meeting, decisions regarding performance-based share savings scheme.

**No. 5:** Interim report, January – June, financial report.

**No. 6:** Follow-up and setting of strategies.

**No. 7:** Interim report, January – September, financial report, debriefing of audit (auditors present).

**No. 8:** Business plans for the business areas and setting budgets for 2016 for the Group, respective business areas and CEO evaluation.

All meetings took place at the company's head office in Gothenburg.

#### **Statutory meeting**

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

#### **Board evaluation**

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

#### **Audit committee**

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

#### **Remuneration issues**

##### **Remuneration committee**

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

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

Remuneration to the Board is decided by the Annual General Meeting following proposals from the Nominations Committee. The Annual General Meeting decided that remuneration to the Board in 2015/2016 should be SEK



550,000 for the Chairman and SEK 265,000 for other Board members not employed by the company.

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

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

The CEO's remuneration and benefits are reported in Note 8, page 65. Senior executives' remuneration is proposed by the CEO and decided by the Board. All senior executives in the Group management team are entitled to a fixed salary and a flexible salary of no more than six months' salary based on how well they meet their respective targets. The fixed salary is adjusted to conditions on the market and set every calendar year. Remuneration guidelines include the individuals, who during the time the guidelines applied, were part of the senior management team. The Board has the right to deviate from the guidelines if there is just cause to do so in special circumstances. Senior executives' remuneration and bonuses are reported in Note 8 on page 65.

#### **Auditors**

Deloitte AB was re-elected as the company's auditor by the Annual General Meeting in 2015 until the Annual General Meeting in 2016. The company's main responsible auditor is Hans Warén (born 1964). His other audit assignments include Castellum, Ekman, Gunnebo, Lindab and SJ.

The auditors' interaction with the Board is described above. In addition to auditing, Deloitte AB also provides advice on accounting issues to Semcon. All services provided in addition to the statutory auditing service are checked specially to ensure there is no conflict of interest or disqualification issue. No senior executive at Semcon has held any position at Deloitte AB. Semcon's remuneration to auditors and purchase of services in addition to auditing, appear in Note 7 on page 65.

#### **Group management**

Group management consists of the CEO, CFO, general counsel, Corporate communications and marketing director and

business area presidents, see page 92. Group management holds regular meetings led by the CEO. The meetings follow an agenda and are minuted. In addition to these meetings, a number of meetings are held where all, or parts of, the Group management are present along with to the employees from the Group.

Group management works towards close contact with every business area in order to support and provide help and the tools to make the business more effective, marketing, business development and internal exchange of knowledge.

#### **Business areas**

Semcon's business activities were organised into four business areas in 2015. Semcon's organisation is characterised by far-reaching decentralisation, where every unit is highly independent with lots of authorisation. Group management's control of the business areas takes place, in addition to continual contacts, mainly through monthly internal debriefings by business area managers and controllers and by internal business board meetings with members of the Group management.

#### **Certification and decision-making**

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

#### **Further information about corporate governance**

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

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

■ Semcon's Board		Elected	Present	Dependent	Audit committee	Remunerations committee
Kjell Nilsson	Chairman	2007	8/8	Yes*	Yes	Yes
Gunvor Engström	Member	2007	8/8	No	Yes	Yes
Håkan Larsson	Member	2008	7/8	No	Yes	Yes
Marianne Brismar	Member	2008	8/8	No	Yes	Yes
Tore Bertilsson	Member	2015	5/5	Yes**	Yes	Yes
Christer Eriksson	Employee representative	2007	8/8		Yes	Yes
Mats Sällberg	Employee representative	2014	8/8		Yes	Yes
Monique Pehrsson	Employee representative	2014	4/8		Yes	Yes

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

\*\*Tore Bertilsson is non-dependent to the major shareholders.

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

## Internal control for financial reporting

The Swedish Companies Act regulates the Board and CEO's responsibility concerning internal control. The Board's responsibility is also regulated by the Swedish Code of Corporate Governance, which also includes demands for annual external information flow concerning how the financial reporting is 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 an appropriate, effective business, reliable reporting and how to follow applicable rules and regulations. The internal control is influenced by the Board, CEO, Group management and other employees and is based on a control environment that creates the basis for the other four components in the process – risk assessment, control activities, information, communication and follow-ups. The process bases itself on the framework for internal control issued by the Committee of the Sponsoring Organisations of the Treadway Commission (COSO). The control environment includes the values and ethics that the Board, CEO and Group management communicate and use and that are documented in Semcon's Code of Conduct and the Group's organisational structure, management, decision-making, authorisation, responsibility and expertise of the employees. Semcon's vision, mission, objectives and strategies are the basis of day-to-day work. Semcon is characterised by a decentralised organisation driven from target-steered management with clear objectives.

### Internal control for financial reporting

Internal control concerning financial reporting aims to give reasonable assurance concerning reliability of the external financial reporting in the form of quarterly reports, financial statements and annual reports, and that the external financial reports are drawn up in accordance with laws, applicable accounting standards and other demands made on listed companies. The following description has been drawn up in accordance with the Swedish Code of Corporate Governance and the current application instructions and make up the Board's report for internal control concerning the financial reporting.

### Control environment

The Board has overall responsibility for the internal control of financial reporting. The Board has set out written standing orders that clarify the Board's responsibilities and that regulate the work of the Board. The Board will ensure that set principles for financial reporting and internal control are observed and that applicable relationships with the company's auditors are maintained. The Board has drawn up instructions for the CEO and for financial reporting. The Group's Internal Control is a support function for the internal control of financial reporting in the Group's companies and business areas. Internal control instruments for financial reporting are made up of the Group's finance policy, information policy, investment rules, 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. A lot of hard work has been carried out in recent years on the Group's management systems and for clearer routines and regulations for submitting tenders/bids, conditions of contract and drawing up agreements. To make sure these routines are adhered to a number of training initiatives were completed over the year. A further two projects have been carried out in 2015 to fully harmonise the Semcon Group's project processes and financial processes at all subsidiaries.

### Risk assessment

Semcon's risk assessment covering financial reporting, i.e. identification and evaluation of the most significant risks in the Group's companies, business areas and processes regarding financial reporting, consist of a foundation for how they are managed. They are managed by the risks being accepted, reduced or eliminated. Annual evaluation activities are carried out by the internal control function and worked out according to a risk-based model. A number of criteria are considered to assess the degree of risk of inaccuracies occurring in financial reporting. Complex accounting policies might, for example, mean that the financial reporting risks being inaccurate for the items covered by such policies. Valuing certain assets or liabilities using various assessment criteria might also constitute



a risk. The same applies to complex and/or changes to business conditions.

### Control activities

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

### Information and communication

Information and communication about internal control instruments for financial reporting is published on Semcon's intranet, which is accessible to every employee. External communication consists, for example, of external financial reporting such as quarterly reports and the annual report. There is a communication handbook to support the information procedures in the Group. This clearly states who is allowed to communicate what type of information and that the information must be correct, coordinated, consistent, fast and able to be monitored, both internally and externally.

### Follow-ups

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

Gothenburg, 23 March 2016  
The Board

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## Auditor's report on the corporate governance report

To the Annual General Meeting of Semcon AB, co.reg.no. 556539-9549.

It is the Board of Directors who is responsible for the corporate governance report for 2015, included in the printed version of this document on pages 84-89 and that it has been prepared in accordance with the Annual Accounts Act.

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

Standards on Auditing and generally accepted auditing standards in Sweden.

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

Gothenburg, 24 March 2016  
Deloitte AB

Hans Warén  
*Authorised Public Accountant*

# The Board



## Mats Sällberg

**EMPLOYEE REPRESENTATIVE**  
SINCE 2014, employed since 1998

**BORN** 1967

### QUALIFICATIONS

Mechanical engineering qualifications from Erik Dahlbergsgymnasiet, Jönköping

**NATIONALITY** Swedish

**SHAREHOLDING IN SEMCON**  
8,000



## Marianne Brismar

**BOARD MEMBER SINCE** 2008  
**BORN** 1961

**QUALIFICATIONS** Pharmacist graduate, Uppsala University and Master of Business Administration (MBA), School of Business, Economics and Law, University of Gothenburg

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

**NATIONALITY** Swedish

### OTHER BOARD ASSIGNMENTS

Axel Johnson International AB, Beijer Alma AB, Concentric AB, Creades AB, JOAB AB and Lindab AB

**SHAREHOLDING IN SEMCON**  
5,000

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



## Tore Bertilsson

**BOARD MEMBER SINCE** 2015  
**BORN** 1951

**QUALIFICATIONS** Master of Business Administration (MBA), School of Business, Economics and Law, University of Gothenburg  
**PROFESSIONAL BACKGROUND**  
Deputy CEO and CFO of AB SKF and bank director in SEB

**NATIONALITY** Swedish

### OTHER BOARD ASSIGNMENTS

Chairman of Perstorp, PRI Pensionsgaranti and Ludvig Svensson, Board member of IKEA, JCE Group, Gunnebo, Stampen and Gamla Livförsäkringsbolaget SEB Trygg Liv

**SHAREHOLDING IN SEMCON**  
6,000

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



## Monique Pehrsson

**EMPLOYEE REPRESENTATIVE**  
SINCE 2014, employed since 2011

**BORN** 1969

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

**NATIONALITY** Swedish

**SHAREHOLDING IN SEMCON:** –





## Håkan Larsson

**BOARD MEMBER SINCE** 2008  
**BORN** 1947

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

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

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

**SHAREHOLDING IN SEMCON**  
10,000

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

## Gunvor Engström

**BOARD MEMBER SINCE** 2007  
**BORN** 1950

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

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

**NATIONALITY** Swedish  
**OTHER BOARD ASSIGNMENTS**  
Länsförsäkringar Fondförvaltning AB, Stockholms Sjukhem and Internationella Företagarföreningen, IFS plus Tredje AP-fonden

**SHAREHOLDING IN SEMCON (OWN AND FAMILY)** 30,000

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

## Christer Eriksson

**EMPLOYEE REPRESENTATIVE SINCE** 2007, employed since 2000

**BORN** 1969  
**QUALIFICATIONS** Master of Engineering, (M.E.) in Mechanical Engineering, Materials and Mechanical technology, Luleå University of Technology

**NATIONALITY** Swedish  
**SHAREHOLDING IN SEMCON**  
2,492

## Kjell Nilsson

**CHAIRMAN SINCE** 2012  
**BOARD MEMBER SINCE** 2007  
**BORN** 1948

**QUALIFICATIONS** Economics and Business Studies Graduate from the School of Business, Economics and Law, University of Gothenburg

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

**NATIONALITY** Swedish  
**OTHER BOARD ASSIGNMENTS**  
Chairman of Lindab AB  
**SHAREHOLDING IN SEMCON**  
31,088

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



# Group management

## 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** 14,388

## Olof Christensson

**BUSINESS AREA PRESIDENT  
ENGINEERING SERVICES NORDIC**

**BORN** 1966

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

**EMPLOYED SINCE** 2013

**SHAREHOLDING IN SEMCON** 1,116

## Carin Wiberg

**GENERAL COUNSEL**

**BORN** 1978

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

**EMPLOYED SINCE** 2012

**SHAREHOLDING IN SEMCON** 1,929

## Udo Glenewinkel

**BUSINESS AREA  
PRESIDENT ENGINEERING  
SERVICES GERMANY**

**BORN** 1960

**QUALIFICATIONS** Dipl.-Ing. Computer technology, Wedel

**EMPLOYED SINCE** 2015

**SHAREHOLDING IN SEMCON** –



## Per Nilsson

**CORPORATE COMMUNICATIONS &  
MARKETING DIRECTOR**

**BORN** 1975

**QUALIFICATIONS** Media and communications science, Karlstad University

**EMPLOYED SINCE** 2015

**SHAREHOLDING IN  
SEMCON** 110

## Johan Ekener

**BUSINESS AREA PRESIDENT  
PRODUCT INFORMATION**

**BORN** 1964

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

**EMPLOYED SINCE** 2004

**SHAREHOLDING IN SEMCON** 5,301

## Markus Granlund

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

**BORN** 1975

**QUALIFICATIONS** Bachelor of Law, Lund University LL.M. International commercial law, Bond University, Australia

**OTHER BOARD ASSIGNMENTS**  
Chairman of Svenska

Teknik&Designföretagen, Board member of Almega.Tjänsteförbunden and Svenskt Näringsliv

**EMPLOYED SINCE** 2008

**SHAREHOLDING IN SEMCON** 17,323



# Other executive management



## Urban Kihlén

**PURCHASING AND SECURITY MANAGER**

**BORN** 1959

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

**EMPLOYED SINCE** 1998

**SHAREHOLDING IN**

**SEMCON (OWN AND**

**FAMILY)** 8,045

## Anders Atterling

**QUALITY AND SUSTAINABILITY MANAGER**

**BORN** 1960

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

**EMPLOYED SINCE** 1991

**SHAREHOLDING IN**

**SEMCON** 18,214

## Anders Löwgren

**GROUP FINANCIAL CONTROLLER**

**BORN** 1965

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

**EMPLOYED SINCE** 1998

**SHAREHOLDING IN**

**SEMCON** 3,052

## Klas Elmby

**IT MANAGER**

**BORN** 1969

**QUALIFICATIONS**

Technical College Engineer, courses taken at HTU and Chalmers University of Technology

**EMPLOYED SINCE** 1990

**SHAREHOLDING IN**

**SEMCON** 20,780

## Peter Ryman

**GROUP BUSINESS CONTROLLER**

**BORN** 1975

**QUALIFICATIONS**

Master of Business Administration (MBA), Uppsala University

**EMPLOYED SINCE** 2014

**SHAREHOLDING IN**

**SEMCON** 841

## Five-year summary

SEK m	2015	2014	2013	2012	2011
<b>Income statement</b>					
<b>Net sales</b>	<b>2,557.4</b>	<b>2,725.7</b>	<b>2,508.4</b>	<b>2,570.9</b>	<b>2,451.9</b>
Operating expenses	-2,547.8	-2,623.3	-2,383.6	-2,377.6	-2,340.7
<b>Operating profit/loss</b>	<b>9.6</b>	<b>102.4</b>	<b>124.8</b>	<b>193.3</b>	<b>111.2</b>
Financial income	1.3	1.0	1.3	1.9	3.8
Financial expenses	-5.6	-6.0	-8.3	-9.3	-14.6
<b>Profit/loss before tax</b>	<b>5.3</b>	<b>97.4</b>	<b>117.8</b>	<b>185.9</b>	<b>100.4</b>
Taxes	-1.8	-22.0	-29.7	-44.7	-31.0
<b>Net profit/loss for the year</b>	<b>3.5</b>	<b>75.4</b>	<b>88.1</b>	<b>141.2</b>	<b>69.4</b>
<b>Balance sheet</b>					
Goodwill	465.9	456.3	440.3	433.3	436.0
Other intangible assets	18.9	16.7	16.6	17.7	21.1
Tangible fixed assets	51.0	49.8	39.2	35.4	36.2
Deferred tax receivables	61.3	46.3	44.5	50.1	64.7
Other financial assets	–	17.0	18.8	19.1	19.0
Accounts receivable	433.1	416.1	371.3	346.6	372.6
Processed but non-invoiced income	108.2	157.9	172.7	174.4	121.7
Other current assets	71.7	57.6	48.9	51.1	41.3
Cash and bank balances	126.1	152.3	153.3	115.6	39.7
<b>Total assets</b>	<b>1,336.2</b>	<b>1,370.0</b>	<b>1,305.6</b>	<b>1,243.3</b>	<b>1,152.3</b>
Shareholders' equity	604.5	662.5	633.4	579.1	442.0
Long-term liabilities	97.3	91.6	78.5	211.0	290.8
Current liabilities	634.4	615.9	593.7	453.2	419.5
<b>Total shareholders' equity and liabilities</b>	<b>1,336.2</b>	<b>1,370.0</b>	<b>1,305.6</b>	<b>1,243.3</b>	<b>1,152.3</b>
<b>Cash flow statement</b>					
Cash flow from current activities	27.3	82.3	135.0	186.2	87.6
Cash flow from investment activities	-29.8	-29.3	-23.9	-23.9	-17.2
Cash flow from financing activities	-19.9	-65.7	-78.5	-83.2	-73.3
<b>Cash flow for the year</b>	<b>-22.4</b>	<b>-12.7</b>	<b>32.6</b>	<b>79.1</b>	<b>-2.9</b>
<b>Key figures</b>					
Sales increase, %	-6.2	8.7	-2.4	4.9	17.3
Organic growth, %	-6.6	4.8	-1.0	6.1	20.3
Operating margin, %	0.4	3.8	5.0	7.5	4.5
Profit margin, %	0.2	3.6	4.7	7.2	4.1
Interest cover ratio, (multiple)	2.4	24.8	22.0	26.8	8.7
Return on shareholders' equity, %	0.5	11.6	14.6	27.7	17.3
Return on capital employed, %	1.1	12.7	16.1	26.2	15.5
Equity/assets ratio, %	45.2	48.4	48.5	46.6	38.4
Debt/equity ratio, (multiple)	0.1	–	–	0.1	0.5
Average number of employees	2,795	2,887	2,874	2,891	2,727
Investments in fixed assets, SEK m	25.8	35.3	24.1	21.9	17.4

	2015	2014	2013	2012	2011
<b>Data per share</b>					
Earnings per share before dilution, SEK	0.20	4.20	4.90	7.86	3.89
Earnings per share after dilution, SEK	0.20	4.16	4.86	7.80	3.83
Shareholders' equity per share before dilution, SEK	33.83	36.87	35.25	32.23	24.71
Shareholders' equity per share after dilution, SEK	33.37	36.58	34.97	31.97	24.40
Share price/equity per share, (multiple)	1.27	1.35	1.73	1.49	0.98
Cash flow from current activities per share, SEK	1.51	4.54	7.45	10.28	4.84
Dividend per share, SEK	1.25*	2.50	2.50	2.00	–
P/E ratio	212	12	12	6	6
P/S ratio	0.3	0.3	0.4	0.3	0.2
Share price at year-end, SEK	42.40	49.40	60.50	48.00	24.00
Market value at year-end, SEK m	768	895	1,096	869	435
No. of shares at year-end, (ooo)	18,113	18,113	18,113	18,113	18,113
Average no. of shares, (ooo)	18,113	18,113	18,113	18,113	18,113
Number of own shares at year-end, (ooo)	243	143	143	143	227
Average no. of own shares, (ooo)	204	143	143	157	273
No. of shareholders	4,671	3,657	3,782	3,828	4,547

\*Board's proposal

## Shareholder service

### Financial information

Interim report Jan–March	28 April
Annual General Meeting	28 April
Interim report Jan–June	15 July
Interim report Jan–Sept	27 October
Year-end report 2016	9 February 2017

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

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

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

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