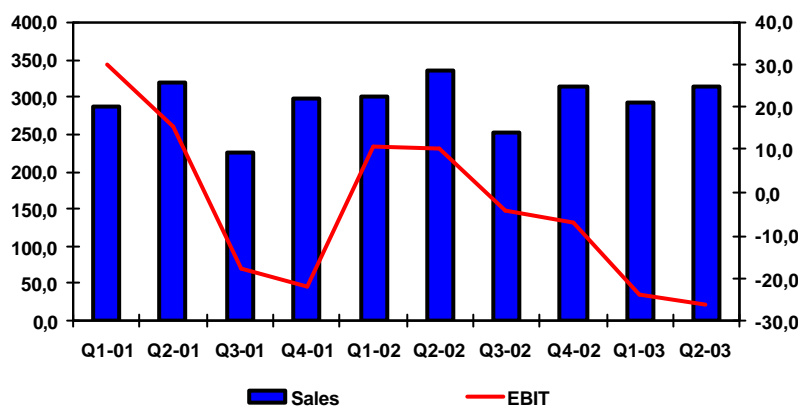


## CONTINUED WEAK MARKET

- Sales amounted to SEK 605.7 million (632.3)
- The loss after tax was SEK 47.0 million (+14.6)
- EPS was SEK –2.7 (0.84)
- Strategically important order for technical information from Saab Automobile

Quarterly performance, SEKm



### Comments by the CEO, Hans Johansson

Our focus on customers and business meant sales amounted to SEK 605.7 million (632.3), a fall of 4% (SEK 26.6 m), but this should be seen in the light of a weak market with stiff downward pressure on prices and that the headcount is lower. The operating loss of SEK 49.9 million (14.6) has been burdened with close-down costs of SEK 38.9 million, reservations of SEK 12.4 million for high-risk projects and the SEK 8.4 million write down of goodwill.

If these items had been omitted from the results a profit of SEK 9.8 million would have been recorded.

The main reason of our loss is the problem with the Danish business, which accounted for 60.1% of our operating loss. A comprehensive restructuring programme has been carried out where we are now focussing on Marine Design and Medical and other activities have been closed down. The cost of the restructuring and future project reserves amounted to SEK 19.4 million. We have also written down goodwill by SEK 5.8 million. In conjunction with this work the management at the Danish companies have been replaced.

"Fast2Profit" – Semcon's rationalisation scheme, is continuing and positive effects will be seen in the autumn. The rationalisation scheme will continue for the rest of the year.

The cost of closing down activities and writing down goodwill means that we will not show a profit at the year-end. It is our opinion that the measures taken are sufficient to underpin a profit for 2004.

Our liquidity will be strained during the autumn, but we believe that we will have sufficient liquid funds to cope with our undertakings this year.

Our customers have continued to show great faith in us and we are constantly signing new contracts for attractive deals.

In the face of strong international competition, we have signed a partnership agreement with GM/Saab Automobile AB in the technical information sector. The agreement is for five years and worth around

SEK 400 million. Semcon will take over the Service Development and Parts Testing unit at Saab Aftersales, which concentrates on service, spare parts and product information.

## Business activities

Sales amounted to SEK 605.7 million (632.3), a reduction of 4.2%, and the operating loss before depreciation of intangible fixed assets was SEK 35.5 million (+26.6) corresponding to a margin of – 5.9% (+4.2). The operating loss after depreciation was SEK 49.9 million\* (+20.9), corresponding to a margin of –8.2% (+3.3). The weak market and problems in Denmark, were the main reasons for the loss trend. Results were burdened with closedown costs of SEK 38.9 million, reserves of SEK 12.4 million for high risk projects and goodwill write-downs of SEK 8.4 million during Q1 and Q2. If the operating loss after depreciation was omitted from these items the profit would have been SEK 9.8 million.

Business areas	Sales (SEK m)		Growth (%)	Operating profit/loss (SEK m)		Operating margin (%)	
	30/6/03	30/6/02		30/6/03	30/6/02	30/6/03	30/6/02
Industrial Design	297.0	306.1	-3.0	-29.4	13.0	-9.9	4.2
e-Design	215.9	246.7	-12.5	-18.5	5.1	-8.6	2.1
Technology Management	92.8	79.5	16.7	-2.0	2.8	-2.2	3.5
<b>TOTAL</b>	<b>605.7</b>	<b>632.3</b>	<b>-4.2</b>	<b>-49.9*</b>	<b>20.9</b>	<b>-8.2</b>	<b>3.3</b>

Note \* If the operating profit after depreciation was omitted from non-operating items the amount would have been SEK 9.8 million.

### INDUSTRIAL DESIGN

*Industrial Design focuses on the development of products and production systems. Our strong connection to industrial design unites people and technology in a unique way.*

Sales amounted to SEK 297.0 million (306.1) and the operating loss was SEK 29.4 million (13.0). The business area accounted for 49% (48.4) of the company's activities. The tough market conditions had a negative impact on the business area's results, mainly within automation. Reservations of SEK 11.0 million have been made for high risk projects and the cutbacks made had an SEK 14.7 million impact on profits. Earnings were also burdened with SEK 5.8 million for goodwill write-downs in Denmark. New projects have been started with Bombardier, FMV, Scania, Tågja, Tetra Pak and Volvo Cars.

### E-DESIGN

*e-Design develops embedded IT systems for products and production systems, interactive information, web solutions and web design, systems solutions and also supplies IT products.*

Sales amounted to SEK 215.9 million (246.7) and the operating loss was SEK 18.5 million (5.1). The business area accounted for 35.6% (39.0) of the company's activities. The negative trend was mainly due to the lower demand in the telecom sector that mainly affected us in Denmark, but also to a certain degree in Norway and the Stockholm region. Cutbacks burdened results with SEK 22.0 million. Reservations of SEK 1.4 million have also been made for projects that made a loss and goodwill write-downs of SEK 0.7 million. New assignments started with AstraZeneca, Ericsson, Sony Ericsson and Volvo Cars during the period.

### Informatic

The agreement with Ericsson that started in Q2 has progressed well. The company signed a partnership agreement with Saab Automobile in Q2 where Semcon is taking on around 30 of Saab Automobile's employees and will invest in essential equipment. The agreement runs for 5 years with a total order value of around SEK 400 million. The new agreement with Saab Automobile coupled with the partnership agreements with Volvo Cars and Ericsson, underpin Semcon's leading position in Europe within Informatic, production of advanced technical information for the after-market.

## TECHNOLOGY MANAGEMENT

*Technology Management improves customer's results by developing strategies for processes, human resources, technology and IT. The business area's work with strategic issues and transforming projects at senior management level, creates opportunities for comprehensive undertakings where the complete range of Semcon's skills can be exploited.*

Sales climbed by 16.7% to SEK 92.8 million (79.5) and the operating loss was SEK 2.0 million (2.8). Results were affected by cutback costs of SEK 2.2 million and the goodwill write-downs of SEK 1.9 million. The business area accounted for 15.3% (12.6) of the company's activities. Demand for the business area's services continued to rise in Q2. This cements our position as one of the leading management consultants in the Nordic region focussing on industry.

### **Industrial management/Project management**

Industrial Management has continued to perform well on the market with new, attractive customers and assignments. Project Management has adapted the size of its activities over the period to the stiff market situation. Customers where new projects have started include Assa Abloy, Besam, BT europe, China Mobil, Saab Tech and Vattenfall.

### **Zipper/Zystems**

Zipper continued its positive growth in Q2, despite lacklustre market conditions. Demand for the company's developed concepts remains strong. New assignments included Akzo Nobel in Holland, Pharmadule Emtunga, Stena Metall, Siemens-Elementa and V&S in Finland and Denmark. Zipper has continued its keen involvement at Volvo Cars, AstraZeneca and SAS.

Zystems also showed positive growth and the "Baseline" systems integration concept was well received by the market. The partnership with IBM has intensified and Zystems is currently working with IBM on producing its systems integration concepts for the future. New assignments included Alfa Laval, Eka Chemicals, ESAB, Pharmadule Emtunga, Scania, Securitas, Sony Ericsson, Sveriges Television and Volvo Cars.

## The parent company

Semcon AB is the Group's parent company and is responsible for Group-wide issues such as strategy, information and marketing. Sales totalled SEK 4.2 million (8.3) and the profit after depreciation was SEK 4.4 million (1.5). The parent company's liquidity was SEK 32.9 million (43.5). The company's investments in stock totalled SEK 0 million (0).

## Personnel and organisation

The average number of employees was 1,541 (1,639). The total headcount at the end of the period was 1,454 (1,602).

## Financial items and investments

The Group's total investments, mainly in computer hardware and software plus office supplies and equipment in relation to the change of premises, totalled SEK 18.0 million (6.2). At the period's end the equity/assets ratio was 17.7% (28.9). Liquid funds at the period's end amounted to SEK 11.6 million (9.5). Of a total SEK 100 million (100) in bank overdraft facilities, SEK 75.9 million (54.2) was utilised. Investments in subsidiaries amounted to SEK 0.2 million (1.0).

### *Options scheme*

The number of outstanding options held by Semcon's employees was 381,800. Due to the current share price it is estimated that these options will not have any dilution effect.

## Outlook

Our assessment is that the market will continue to be weak for the rest of the year. The cost of closedowns and writing down goodwill means that we will not show a profit at the year-end. It is our opinion that the measures taken are sufficient to underpin a profit for 2004. Our strong position in, above all, Vehicle, coupled with our broad customer base in Industry and Medical & Life Science, paves the way for long-term growth.

## Other information

This quarterly report has been prepared according to the Swedish Financial Accounting Standards Council's recommendation "RR 20 Delårsrapportering" (Quarterly reporting). The same accounting principles and calculation methods have been used in this quarterly report as in the last Annual Report.

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Göteborg, 21 August 2003

**Hans Johansson, CEO**

**SEMCON AB (publ)**  
**Co. Reg. No. 556539-9549**  
**S-417 80 Göteborg**

## Review report

We have reviewed this interim report in accordance with the recommendation issued by the Swedish Institute of Authorised Public Accountants. A review is considerably limited in scope compared with an audit. Nothing has come to our attention that causes us to believe that the interim report does not comply with the requirements of the Annual Accounts Act.

Göteborg, 21 August 2003

**Göran Ekström - Björn Grundvall**  
Authorized Public Accountants  
Ernst & Young AB

**Semcon AB- Consolidated financial summary**

<b>Income statements (SEK 000s)</b>	<b>2003 April-June</b>	<b>2002 April-June</b>	<b>2003 Jan-June</b>	<b>2002 Jan-June</b>	<b>2002 Full year</b>
Operating income	312 547	334 040	605 736	632 262	1 200 201
Staff costs	-227 312	-229 283	-449 548	-442 904	-862 644
Other operating expenses	-94 312	-85 954	-180 765	-151 002	-292 903
Operating profit/loss before depreciation	-9 077	18 803	-24 577	38 356	44 654
Depreciation of tangible assets	-5 238	-5 851	-10 922	-11 749	-23 054
Depreciation of intangible assets	-11 772	-2 855	-14 384	-5 687	-11 489
Operating profit/loss after depreciation	-26 087	10 097	-49 883	20 920	10 111
Net financial items	-492	-772	-875	-1 216	-2 993
Profit/loss after net financial items	-26 579	9 325	-50 758	19 704	7 118
Tax	-85	-1 835	-315	-5 068	-14 787
Deferred tax	-2 726	-	4 044	-	8 616
Minority interest in profit/loss	18	2	18	-1	0
Profit/loss for the period	-29 372	7 492	-47 011	14 635	947
Average number of shares	17 391 021	17 391 021	17 391 021	17 391 021	17 391 021
Earnings per share SEK	-1.69	0.43	-2.70	0.84	0.05

Note\* Of which depreciation of goodwill 8 431

8 431

<b>Balance sheets (SEK 000s)</b>	<b>30/6/03</b>	<b>30/6/02</b>	<b>31/12/02</b>
<b>Assets</b>			
Intangible fixed assets*	68 532	83 576	81 273
Tangible fixed assets	45 796	46 556	43 316
Financial fixed assets	11 852	11 693	11 961
Other long-term receivables	13 074	8 113	9 080
Current assets	423 703	418 860	410 455
<b>Total assets</b>	<b>562 957</b>	<b>568 798</b>	<b>556 085</b>
<b>Shareholders' equity and liabilities</b>			
Shareholders' equity	99 878	164 414	147 594
Provisions	60 580	67 295	60 061
Minority shares	0	437	180
Long-term liabilities	83 582	68 382	57 028
Current liabilities	318 917	268 270	291 222
<b>Total shareholders' equity and liabilities</b>	<b>562 957</b>	<b>568 798</b>	<b>556 085</b>

Note \* Of which goodwill

64 191

79 678

77 973

<b>Cash flow statement (SEK 000s)</b>	<b>2003 Jan-June</b>	<b>2002 Jan-June</b>	<b>2002 Full year</b>
Current activities	-8 572	34 211	28 809
Change in working capital	5 765	-21 002	12 025
Investment activities	-15 458	-7 025	-16 835
Financing activities	-3 209	-3 715	2 024
<b>Change in liquid funds</b>	<b>-21 474</b>	<b>2 469</b>	<b>26 023</b>

<b>Change in shareholders' equity (SEK 000s)</b>	<b>2003 Jan-June</b>	<b>2002 Jan-June</b>	<b>2002 Full year</b>
Shareholders' equity at period's start	147 594	148 921	148 921
Option premium	0	990	1 668
Exchange rate difference	-186	-132	-102
Risk of loss in initial SWAP agreement	- 519	-	-3 840
Profit loss for the period	-47 011	14 635	947
<b>Shareholders' equity at period's end</b>	<b>99 878</b>	<b>164 414</b>	<b>147 594</b>

<b>Key figures</b>	<b>Note</b>	<b>2003 Jan-June</b>	<b>2002 Jan-June</b>	<b>2002 Full year</b>
Growth/Decline in sales, (%)		-4.2	4.6	6.5
Operating margin, (%)	1	-8.2	3.3	0.8
Return on shareholders' equity, (%)	2	-35.6	8.6	0.6
Return on capital employed, (%)	3	-23.8	9.7	5.6
Equity/assets ratio, (%)	4	17.7	28.9	26.5
Debt/equity ratio, (multiple)	5	0.84	0.42	0.43
Interest cover ratio, (multiple)	6	40.8	17.2	2.5
Earnings per share, (SEK) <sup>12</sup>	7	-2.70	0.84	0.05
Shareholders' equity per share, (SEK)	8	5.74	9.45	8.49
Average number of employees	9	1 541	1 639	1 581
Value added per employee, (SEK 000s)	10	255	279	535
Profit/loss after financial items per employee, (SEK 000s)	11	-32.9	12.0	4.5
Investments in machinery and equipment, (SEK 000s)		17 989	6 162	14 755
Investments in subsidiaries' and associate companies' shares, (SEK 000s)		169	1 024	3 766
Number of shares at period's end at a nom. SEK 1		17 391 021	17 391 021	17 391 021
Average number of shares		17 391 021	17 391 021	17 391 021

## Notes:

1. Profit after depreciation as a percentage of operating income.
2. Net profit for the year as a percentage of average shareholders' equity.
3. Profit after net financial items plus financial expenses as a percentage of average capital employed.
4. Shareholders' equity as a percentage of the balance sheet total.
5. Interest bearing liabilities divided by shareholders' equity.
6. Profit/loss after net financial items plus financial expenses divided by financial expenses.
7. Profit/loss for the year divided by the average number of shares.
8. Shareholders' equity divided by the number of shares at period's end.
9. Average number of full-time employees.
10. Profit/loss after depreciation plus payroll expenses and social security contributions divided by average number of full-time employees.
11. Profit/loss after net financial items divided by the average number of full-time employees.
12. A certain dilution effect is not judged to exist for outstanding options because the exercise price exceeds the prevailing share price.

## Other explanations:

Net profit for the year  
Capital employed.

Profit for the year after tax.  
Shareholders' equity plus interest bearing liabilities.

