

ANNUAL AND SUSTAINABILITY REPORT 2021

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Information about Semcon's business, financial reporting, previous Annual Reports, share information, corporate governance, activities and press releases, etc. can be found on Semcon's website at semcon.com, where you can also subscribe to and order financial information via e-mail.

For sustainability reasons, Semcon only distributes the Annual Report to shareholders and stakeholders who have specifically requested a copy. You are welcome to order a printed copy of the Annual Report by e-mailing ir@semcon.com or on our website semcon.com.

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PEOPLE FIRST, THEN TECHNOLOGY.

We put people first. As far as we are concerned, technology has no purpose of its own - it's the value it adds to people and our planet that matters. By uniting physical and digital solutions, we create user experiences that make a difference.

UNITING PHYSICAL AND DIGITAL WORLDS.

We are convinced that we will in the future, just as we do today, live in a society full of physical and digital solutions – solutions that will become increasingly intertwined. Those who are best at navigating and uniting these worlds will also be able to generate extra value and benefit for those who use the technology. And this will enhance the competitiveness of our customers.

At Semcon, we have unique experience and expertise in both physical solutions and digital services. In advanced engineering skills and digital excellence. A number of players can develop these separately, but few can improve them together. Always based on human needs and behaviours.



SEMCON'S 2021

This is Semcon

Semcon is an international technology company that unites physical and digital worlds to create user experiences that make a difference – for people and our planet. Whether you are striving to upgrade an existing product or service, invent new, sustainable technology or think in completely new ways about future needs. Our focus is always on human needs and behaviours. By combining more than 40 years of advanced engineering skills, strategic innovation, digital services and product information solutions, we are pushing developments forwards in several sectors, including life science, industry, telecom & IT, automotive/mobility and energy. We are more than 2,000 dedicated employees in over 30 locations in seven countries.

NET SALES

1.7

SEK BILLION



Experience and expertise in the fight against COVID-19

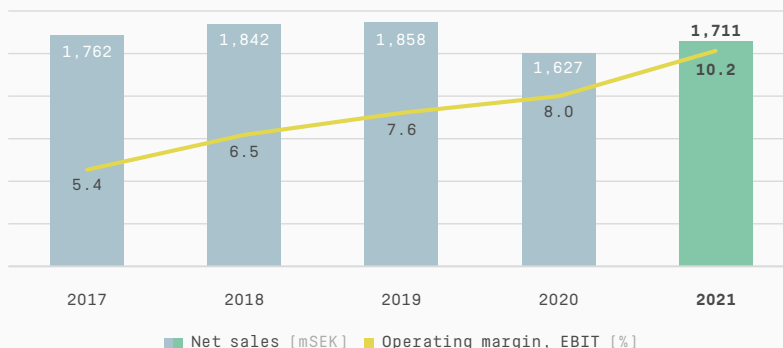
The COVID-19 pandemic has required new approaches by pharmaceutical companies that are developing vaccines. One of these is American Novavax, which Semcon has supported in the production of the adjuvant component of its COVID-19 vaccine. Developing a vaccine normally takes several years, but this was a fight against the clock and production needed to scale up quickly. Semcon and Novavax have collaborated for many years and Semcon's senior life science consultants provided support to Novavax with expertise in validation, project management, analytical chemistry, quality control and production.

OPERATING
PROFIT

175

SEK MILLION

Net sales and operating margin



2021	Q1	Q2	Q3	Q4
Net sales	SEK 418 million [491]	SEK 445 million [400]	SEK 371 million [335]	SEK 477 million [401]
Operating profit	SEK 46 million [50]	SEK 40 million [3]	SEK 33 million [28]	SEK 56 million [49]
Operating margin	11.0% [10.2]	8.9% [0.7]	9.0% [8.5]	11.8% [12.1]
Number of employees at the end of the period	1,898 [2,267]	2,016 [2,060]	1,989 [2,016]	2,045 [1,821]

The acquisition of the Swedish IT companies Squeed and Tedsys further strengthened Semcon's digital position. At the turn of the year, the UK company Walkgrove was acquired and expanded Semcon's leading offering in digital learning.

The Board resolved to initiate a separation of the Product Information business area and prepare for a potential public listing.

The year in brief

The performance during the year was a show of strength for the business, with double-digit sales growth noted for three consecutive quarters. This growth is based on healthy organic development, where the Group is well-positioned to meet trends such as sustainability and digitalisation, combined with acquisitions. Profitability developed positively in 2021 and with an EBITA margin of 10.4 per cent [8.2] for the full year, we achieved the financial objective set by the Board at the beginning of the year. Each business area reported healthy development, driven by high demand and the continued successful strategic shift in terms of the offering and industry diversification. Earnings per share amounted to SEK 7.57 [5.70]

Key figures

	2021	2020
Net sales [mSEK]	1,711	1,627
EBITA [mSEK]	178	133
EBITA margin [%]	10.4	8.2
Operating margin, EBIT [%]	175	130
Operating margin, EBIT [%]	10.2	8.0
Equity/assets ratio [%]	58.8	59.9
Return on capital employed [%]	20.2	16.7
Earnings per share after dilution [SEK]	7.57	5.70
Share price at year-end [SEK]	126.80	79.00
Number of employees at year-end	2,045	1,821

NUMBER OF
EMPLOYEES

2,045

Important events during the year are presented in the Directors' Report on page 49.

A SHOW OF STRENGTH FOR THE BUSINESS

Despite a challenging and changing world due to the COVID-19 pandemic, we delivered fantastic projects and record profitability in 2021. The favourable results stemmed from high demand at the same time as we continued our successful strategic shift. Employee satisfaction was at a historically high level and we welcomed new colleagues through the acquisitions of Squeed, Tedsys and Walkgrove. The Board resolved to separate the Product Information business area and initiate preparations for a potential public listing.

Macro trends drive demand

The pace of many structural changes in society has accelerated in recent years and digitalisation and developments in sustainability have moved swiftly. We can see this clearly among our customers. A growing number of companies are digitalising their operations and setting new, ambitious sustainability targets. They need expert help in this transition and there is high demand for our services. After slower growth during the first quarter, due to remaining effects of the pandemic, we noted double-digit growth for three consecutive quarters, through organic growth in combination with acquisitions. We have good momentum in the business and are moving in the right direction towards our financial objective of annual growth of at least 10 per cent.

Stronger sustainability offering

Semcon's greatest contribution to a sustainable society can be found in the services we offer and we are now further strengthening our sustainability offering. We are already active in a number of projects within green technology, including electric transport solutions and renewable energy. Moreover, we can help our customers in their climate transition and the shift to a circular economy. To achieve this in a credible manner, we must set a good example ourselves. Over the years, Semcon has undertaken many sustainability-related improvements within our own operations, such as reducing emissions from business travel and increasing the share of environmentally certified offices. In 2021, we accelerated our climate action agenda and joined several initiatives working for exponential climate action. We also began work to calculate our emissions throughout our value chain and to set science-based climate targets.

Profitability that bears comparison

The margin trend was positive during the year and EBITA margin for the full year was at the historically high 10.4 per cent. We therefore reached the margin target set by the Board in February and I can see that we are well placed in terms of profitability compared with similar companies. In recent years, we have carried out a successful shift of our offering and industry focus where we now support our customers in many different industries with advanced expertise in areas such as electrification, digitalisation, autonomous services and digital aftersales solutions. We now deliver higher up in the value chain and to a greater extent than previously through team deliveries. In parallel, we have expanded the offering in digitalisation and learning, which has also had a positive impact on profitability. Part of the profitability improvement is due to a lower cost level due to remote working, but I can see that we can continue to retain a lower cost level even after the pandemic. For example, the need for office space has decreased and we are reviewing how we can create dynamic and creative meeting points for our employees, while some work can be performed elsewhere.

A strong employer brand

Flexibility and adaptability are important in a changing world and I am very proud of how we at Semcon have tackled the pandemic situation and constantly maintained our customer focus and looked out for one another. We delivered fantastic projects and results for our customers, while productivity was very high. To capitalise on the positive lessons learnt from remote working, we formalised flexible working methods in a new corporate policy in 2021. We also have a programme for employees who need to upgrade their workspace in the home.

As society reopened again, staff mobility increased following a period with extraordinarily low employee turnover. This pattern has been reported in many industries and companies and I believe it is a temporary effect. It is gratifying that, despite a skills shortage in the market for engineers and system developers, we receive many applications from talented individuals who are interested in working at Semcon. We remain focused on providing our fantastic employees with exciting projects so they choose to stay and continue developing at Semcon. Most encouragingly, the positive trend in the employee surveys continued during the year and we reached a new record level for the employee Net Promoter Score.

Growth and strong financial position

As I wrote one year ago, our ambition – in addition to healthy organic growth – is to also grow through strategic acquisitions. I am pleased that we have since worked in a structured manner with this topic and have a good process in place. During 2021, we welcomed two fantastic IT companies to Semcon, Squeed and Tedsys, where our approximately 150 new colleagues contribute strong expertise in system development and embedded systems, and offer access to new customers and industries. At the turn of the year, the UK company Walkgrove also became part of Semcon and expanded our leading offering in professional digital learning with 20 employees and a local presence in the UK. The three acquisitions contribute about SEK 180 million in annual sales and they all have expertise that complements our existing business. At the end of the year, we had more than SEK 200 million in net cash and significant opportunities for further interesting acquisitions.

Exciting year ahead

In conclusion, 2021 was a show of strength when the business grew at the same time as we reported record profitability. Demand was high for both Product Information and Engineering & Digital Services and we believe demand will remain healthy as we move forward, despite the geopolitical situation with the terrible events in Ukraine.

Over time, Product Information has grown to become a significant share of the Group and as the Board sees potential for even higher growth for two independent companies, it resolved in September 2021 to separate the business areas and to explore the possibility for a public listing of Product Information. The operations already today have separate offerings and decentralised organisations and the aim of the split is to offer customers, employees and investors greater clarity – while also increasing internal focus. In February 2022, the Board resolved to proceed and initiate preparations for a potential public listing. The aim is



Markus Granlund, President and CEO

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*I am proud of
working at a company
that contributes to
sustainable solutions
of the future.*

to conclude the separation in 2022 and the intention, assuming the circumstances at the time are deemed suitable, is to propose the distribution and subsequent listing during the fourth quarter of 2022. I would like to thank all of our committed shareholders, customers, colleagues and partners for a successful year – with exciting times ahead for Semcon!

Göteborg, 9 March 2022

Markus Granlund
President and CEO

THE WORLD AROUND US.

Semcon has identified a number of trends and drivers that affect demand for our services – both today and tomorrow. The trends reflect the needs and behaviours of people and provide guidance for the changes required by our society, which Semcon can support through sustainable and innovative solutions.



Sustainability

Climate change is driving an increased frequency of extreme weather and natural disasters and to avoid the most serious consequences we must, as a society, do our utmost to ensure the average global temperature does not increase by more than 1.5°C. This requires substantial systematic changes, such as transition to renewable energy, circular industry and manufacturing, fossil-free transports and buildings, and sustainable agriculture and forestry.

Sustainability-related legislation and voluntary standards are increasing rapidly. The EU taxonomy is driving investments in green technology and there is draft legislation and guidelines on due diligence from an environmental and human rights perspective throughout the value chain. This drives companies to set increasingly ambitious sustainability targets with corresponding requirements throughout the supply chain. Sustainability is increasingly viewed as an opportunity and many companies are now integrating sustainability aspects into their strategies and business models.

Digitalisation

Digital technology is rapidly changing products and services and this is impacting companies in every industry. Digitalisation is in response to human needs and behaviours, but is also part of the solution to reduce greenhouse gas emissions and to optimise resource use. Investments in smart and connected solutions are growing rapidly and digitalisation can optimise product and production as well as aftersales solutions. It also opens for new sustainable business models.





Flexible workplace

Flexible working methods, which accelerated during the pandemic, offer benefits to employees and companies. For companies, more remote working reduces travel costs for meetings and could possibly reduce premises costs as the need for office space decreases. There are also benefits for employees, in the form of lower costs for commuting and greater flexibility in their everyday lives. Remote working also reduces the significance of an employee's geographic location, which opens for even greater cost-efficient solutions with team members from different offices and countries.



Artificial intelligence (AI)

The fact that computers and software can understand their surroundings and can make their own decisions is still relatively new, but an area for the future that is becoming more prevalent in society and is having an increasing impact on us humans. The development of AI is expected to have a significant impact on future competitiveness in most industries and based on large amounts of data, AI fields are being developed such as machine learning [ML] and deep learning [DL].

Servitisation

Historically, many companies' business models were built on and revolved around the value generated by a product to customers. Through continuous product development using new technology and new materials, the value provided by the product is retained or increased. Many of these traditional business models are being put to the test due to faster technology development, increased electrification and the acceleration provided by digitalisation. Instead, packaging of products and services into solutions is increasingly possible. Servitisation creates new opportunities in a variety of areas and not least sheds new light on the after-sales market. Moreover, servitisation creates the incentives required for the transition to a circular economy.





SEMCON'S STRATEGY FOR INCREASED GROWTH AND PROFITABILITY.

Technology and innovation have never been more relevant than they are today. Most industries are experiencing a transformation that mainly concerns how to make products and services smarter, optimise manufacturing, extend the service life of products and improve their utilisation rates by the correct aftersales solutions. Sustainability requirements are increasing rapidly and companies in all industries are facing a climate transition and a shift to a circular economy. To succeed, new innovative solutions and business models are needed.

Mission

To turn technology into excellent user experiences.

Brand promise

People first, then technology.

Positioning

We combine digital excellence and advanced engineering.

Values

We are people who put people first.

Purpose

At Semcon, we always put people first. As far as we are concerned, technology has no purpose of its own – it's the value it adds to people and our planet that matters. By uniting physical and digital solutions, we create user experiences that make a difference.

What we do

We develop and optimise products, production and aftersales solutions.

Sustainable innovation

Semcon develops sustainable products and services for our customers through the following three perspectives:

- * **Recharge** – upgrading customers' existing products and services with increased sustainability
- * **Reinvent** – developing new sustainable products and services for our customers
- * **Reimagine** – establishing sustainable business models and offerings for the future

Semcon has a unique offering that combines advanced engineering skills and digital excellence, which means we are well positioned to contribute valuable expertise to society that supports sustainable development. We are convinced that we will in the future, just as we do today, live in a society full of physical and digital solutions – solutions that will become increasingly intertwined. Those who are best at navigating and uniting these worlds will be most successful in developing sustainable solutions that create value for people and our planet. Now and in the future.

Our society is facing a new era as companies in all sectors must change and within a few decades transition their business to net zero emissions. This means continuous improvements are no longer enough, and sustainability is rapidly affecting the strategies and business models of our customers. Semcon's greatest contribution to a sustainable society is through our customer assignments, though we are also making dedicated sustainability efforts within our own operations. Semcon's sustainability agenda is based on the UN Global Compact's principles of anti-corruption, human rights, fair labour standards and the environment as well as the UN Sustainable Development Goals. Work is continuously ongoing to integrate sustainability into our strategy and to ensure sustainability is a part of Semcon's vision, values and culture. We focus on people and the planet – in our organisation and value chain, in our customer assignments and in society. We have assessed which of the UN's 17 sustainable development goals we most clearly contribute to, but we also regularly contribute to other sustainable development goals

in connection with various customer assignments and CSR projects.

Even if all sustainable development goals are equally important and interconnected, the climate-related goals can be seen as a prerequisite for the other sustainable development goals. A well-functioning planet is crucial in realising the social and economic sustainable development goals. Semcon supports the Paris Agreement and has committed to set science-based climate targets that are in line with the 1.5°C ambition. In 2021, Semcon became a partner of the Exponential Roadmap Initiative, an international network for companies, organisations and other players who collaborate for an exponential climate transition. The Exponential Roadmap Initiative's 1.5°C Business Playbook is used as a framework to integrate the 1.5°C ambition into Semcon's strategy. Based, inter alia, on this framework, we are working to reduce emissions from our own organisation and value chain, to integrate the climate transition into Semcon's offering and customer assignments as well as working for climate transition in society.

Contribution to the UN Sustainable Development Goals (SDGs):

- * **In our own operations and value chain:**
Primarily SDG 5, 8, 12 and 13.
- * **In our customer assignments:**
Primarily SDG 3, 7, 9, 11, 12 and 13.
- * **In Society:**
Primarily SDG 13 and 17.



Strategy for growth

Drive digital transformation for our customers

Since all industries are currently undergoing a digital transformation, our ability to develop new digital strategies and solutions is becoming increasingly relevant and in demand.

An inspiring workplace attracts the right talent

If we are to grow, we must continue to attract and develop talent with various areas of expertise and from different backgrounds. We do this by offering an inspiring and flexible workplace with leaders who put people and the planet first.

Support transformation in more industries

Companies in all industries need services that support a digital and sustainable transition. We can see substantial growth potential even in less technology-centric industries, where we have a limited presence today and where we can contribute unique know-how and drive change.

Greater effect of long-term partnerships

Acting as a strategic partner with long-term assignments will allow us to make a greater difference, together with our customers. This will lead to efficiency improvements and ensures recurring income and stability for growth.

Increased demand for sustainable innovation

Our customers, employees and investors are increasingly aware of the importance of a clear sustainability focus in Semcon's services and solutions. We work with green technologies in many of our customer projects. We can also help our customers in their climate transition and the shift to circular business models.

Financial stability and strategic acquisitions

A strong financial position is a priority for growth, both organically and through acquisitions. We shall be among the most profitable in our industry, which creates opportunities to further develop our business.



Results of work with strategic priorities in 2021

■ Stronger digital offering

We have continued to strengthen our digital offering in line with the Group's strategy – both organically and through the acquisitions of the IT companies Squeed and Tedsys, which are part of the Engineering & Digital Services business area. The acquisitions have further strengthened expertise in system development and software, which consolidates Semcon's unique ability to offer customers digital excellence and advanced engineering solutions. As a result of the acquisitions, the internal pool of expertise has grown and access has been granted to new customers and industries. Demand for digital expertise in aftersales and training solutions remains high, which contributed to the positive trend for the Product Information business area. Almost all industries are facing a digital transformation – often linked to sustainability – making Semcon's offering more relevant than ever. The Product Information business area is today a leading provider of digital aftersales solutions while, in parallel, Engineering & Digital Services has further strengthened its digital excellence through restructuring and acquisitions.

■ Increase sales from solution-based deliveries and functional sourcing

One important element in Semcon's strategic shift is the growing share of solution-based deliveries and functional sourcing. This enhances flexibility, stability and productivity. In 2021, the proportion of these delivery models increased for the Group as a whole, as both of Semcon's business areas implemented positive shifts towards more long-term sourcing. In the Product Information business area, more than 75 per cent of income is from long-term business assignments, which increased resilience and reduced the negative impact of the pandemic. Even if the share of solution-based deliveries and functional sourcing is lower for Engineering & Digital Services, the restructuring of the business area and its strategic shift in expertise and industry has increased the share of long-term assignments. Above all, this has created a position and offering that provides the potential for the company to continue its shift. Through rising demand for sustainability and Semcon's ability to offer physical and digital solutions, the conditions are in place to take responsibility for the full spectrum of deliveries and functional sourcing.

■ Inspire our employees and be an attractive employer

Semcon's main asset is its employees. This is why a number of initiatives have been launched during the year to create a nurturing and inspirational environment – regardless of whether the workplace is at the office or in the home. For example, Semcon has

drawn up a new remote working policy that offers greater freedom for employees to vary their place of work. A number of projects were also started for professional development and collaborative platforms. Several sustainability initiatives began in 2021 to raise competences with respect to sustainability. We also have CSR projects where employees become involved to support work for a better society. Responsiveness to the needs of employees is high on the agenda and is closely linked to Semcon's culture and value principles. It is clear that inspired employees are reflected in a higher level of performance and productivity. Customer satisfaction reached record levels, at the same time as productivity was high. The Group's employee Net Promoter Score, which reflects the willingness to recommend Semcon as an employer, was also at a historically high level. A range of communication activities were undertaken to attract more employees to the Group. Further initiatives are planned to inspire both current and potential employees.

■ Clarify and develop the offering in sustainability

Since the company was established more than 40 years ago, Semcon has developed sustainable technology. This accelerated in 2021 and the share of business in climate-smart solutions is increasing, including assignments in electrification, hydrogen gas and digitalisation. Group-wide work has begun to further clarify and develop Semcon's offering to help companies achieve their sustainability targets. Semcon has major opportunities to make a difference through cutting-edge expertise in climate-smart technology, circular design, digitalisation and so forth – all the way to sustainable aftersales solutions and circular business models. In addition to the opportunities Semcon creates through customer assignments, substantial work has also been carried out to reduce our own environmental impact, which includes a reduction in business travel and a shift to electrified company cars. New partnerships were also initiated with the Exponential Roadmap Initiative, the Science Based Targets initiative and the Race to Zero campaign. During the year, a new Head of Sustainability was appointed, who reports directly to the CEO, with the ambition to further strengthen the Group's sustainability agenda.

■ Greater industry diversification

Since 2015, Semcon has worked strategically to increase the industrial mix in net sales distribution. This is partly to reduce dependence on individual industries and customers, and partly to increase the value Semcon can contribute through the transfer of crucial know-how to customers in more industries. Net sales was previously dominated by the automotive industry, but now has a better balance as other industries become more important



or have been added. At the end of the year, automotive/mobility accounted for approximately 30 per cent of the Group's total sales and remains an important sector for Semcon. Contracts have moved from mechanics to new technologies, such as electrification, connectivity and autonomy. For the Engineering & Digital Services business area, sales have continued to grow in life science, which now account for 18 per cent of sales. The acquisitions of the IT companies Squeed and Tedsys also increased business to the public sector. In Product Information, telecom & IT still accounts for approximately 24 per cent of the industrial mix of the business area, while the offering in digital learning has been further strengthened, which increased Semcon's presence in the public sector. The rail industry is also a prioritised area where initiatives were implemented to increase market share.

Digitalisation and servitisation are clearly areas that affect all industries and where sustainable technology and expertise is today easier to transfer.

■ Profitability, financial position and acquisitions

Early in the year, the company's Board set a new profitability target for an EBITA margin of at

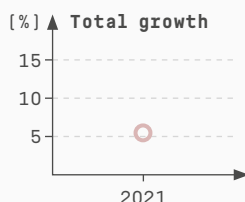
least 10 per cent. Already in the first year, the Group achieved this new target – with a historical high of 10.4 per cent. The positive momentum from the end of 2020 continued and accelerated further during the year, largely driven by macro trends that boosted demand, such as digitalisation, sustainability and aftersales focus. During the year, both of Semcon's business areas reported high productivity and utilisation rates, while costs were lower as a result of remote working. The strategy to increase the share of long-term assignments and team deliveries has been successful, which created a flexibility in expertise between projects. Meanwhile, Semcon's strategic strengthening of cutting-edge expertise in digitalisation, including the two acquisitions, further improved margins and the greater industry diversification in the customer portfolio was a positive factor, particularly as a result of the growth in life science. The Engineering & Digital Services business area has successfully raised its operating margin by almost five percentage points compared with last year to 10 per cent and Product Information successfully retained its historically high operating margin of more than 15 per cent.

Financial objectives and development

In February 2021, Semcon's Board established new financial objectives for the Group since all of the previous objectives had been achieved. Following determined work over a number of years to raise profitability and strengthen the balance sheet, the Group's focus is now on profitable growth while retaining financial stability.

Objective for sales growth

Sales growth, including acquisitions, of at least 10 per cent per year

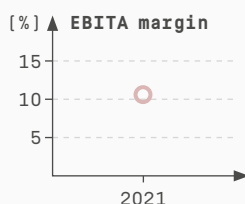


Comments:

The effects of the pandemic impacted the first quarter, but subsequently growth was double-digit for three consecutive quarters due to a combination of organic growth and acquisitions.

Objective for EBITA margin

EBITA margin of at least 10 per cent



Comments:

The margin improved 2.2 percentage points during the year and ended on 10.4 percent for the full year. Hence, the margin objective was achieved.

Guideline for debt/equity ratio

Based on the premise of a strong balance sheet and financial flexibility, the net debt/EBITDA ratio should not exceed approximately 1.5x.

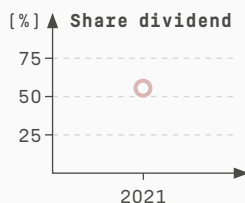
Net cash of SEK 214 million.

Comments:

A strong financial position that provides scope for a dividend and additional strategic acquisitions.

Dividend policy

Approximately half of profit after tax over time is to be distributed to shareholders.



Comments:

The Board of Directors proposes a dividend of SEK 4.00 per share, which is aligned with Semcon's dividend policy. The proposed dividend represents 53 per cent [53] of profit per share after dilution and is equivalent to a total dividend of SEK 70 million [52].

For more key figures, see the five-year summary on page 127.

SEMCON AS AN INVESTMENT.

Growing need for digitalisation and sustainable, innovative solutions creates excellent growth opportunities for Semcon. The combination of digital excellence and advanced engineering skills forms a unique offering, while the strategic shift in recent years of the offering, customer portfolio and business model has further strengthened Semcon's position in the market. Strong profitability and financial position offer the right conditions for continued profitable growth.

1. Growing need for technology

Strong macro trends support the high demand for innovative technology. The need for a sustainable and digital transition is clear in all industries and investments in new technical solutions, such as digitalisation, electrification, autonomous applications, AI and other disruptive technologies, is expected to rise sharply in the years ahead. This will often take place through prioritised and less cyclically sensitive initiatives. Many companies need to make the transition to achieve the sustainability targets that they are increasingly setting, which boosts demand for climate-smart technology development for products and production as well as new aftersales solutions. Concurrently, the time to market for new, often more complex technology is shorter than ever, which further increases the need for Semcon's services.

2. Increased focus on service and aftersales solutions

As customers increasingly prioritise a more efficient service and aftersales business, demand is on the rise for digital product information and learning, an area where Semcon's offering is at the forefront worldwide. More than 75 per cent of sales from the Product Information business area comprise solution-based deliveries and functional sourcing, which create a good foundation for long-

term and profitable cooperation. This percentage is expected to increase further given a strengthening outsourcing trend as the need for specialist expertise grows in combination with a tendency among customers to streamline their operations.

3. Unique combination produces higher value

In contrast to companies specialising in either IT or engineering, Semcon can offer its customers both: a unique combination of digital services and advanced product and production development. Integrated solutions create the conditions for higher value for customers and improved growth and efficiency for Semcon. This also entails greater relevance for a broader customer base, from traditional technology development to the latest AI solutions.

4. Broad customer portfolio provides stability

A broad customer portfolio helps to spread risk and increase stability across cyclical fluctuations. Semcon's broad industry presence also allows it to balance available expertise on the basis of demand and profitability, which produces long-term and less cyclically sensitive partnerships. High-tech expertise from the automotive industry is increasingly in demand from other industries that are facing comprehensive sustainability and digitalisation challenges.

5. Inspired and satisfied colleagues

The combination of Semcon's international cutting-edge expertise and the diversity of its perspectives creates the conditions for smart solutions that put people and the planet first. It creates satisfied users, which means both customers and Semcon become more competitive and profitable. The foundation for creativity and innovation is inspired colleagues who enjoy their work – and Semcon's attractiveness as an employer is crucial for long-term success. Customer satisfaction and employee commitment are at record levels.

*Demand driven
by strong macro trends
and we are in
a good position for
profitable growth.*



6. High profitability and strong financial position

Over the past five years, Semcon's profitability has almost doubled and was 10.4 per cent [EBITA] in 2021. Cash flow has also been strong and the Group's financial position is good with net cash of SEK 214 million on 31 December 2021. In 2021, the Board adopted new financial objectives for Semcon and the Group now aims to grow sales by 10 per cent per year, through a combination of organic growth and acquisitions, while EBITA margin is to reach at least 10 per cent. Healthy profitability and the strong balance sheet form a stable foundation for further growth.

7. Long-term value creation

Semcon's operations are positively affected by the transition to sustainable and digital solutions and create value for end users and employees, customers, shareholders and society as a whole. Over the past five years [2017-2021], the share price for the Semcon share has risen 176 per cent, compared with 94 per cent for OMX Stockholm PI. Total return for the Semcon share during the same period was 225 per cent, compared with 126 per cent for OMX Stockholm GI. *

SEMCON'S SHARES.

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

Price trend and sales

The final share price paid on 31 December 2021 was SEK 126.80 per share, corresponding to an increase of 61 per cent compared with the closing price on 31 December 2020, which was SEK 79.00. During the same period, OMX Stockholm's PI index rose 35 per cent. On 31 December 2021, Semcon's market capitalisation was SEK 2,297 million [1,431]. The highest price paid was SEK 135.00 on 2 July and 9 September and the lowest price paid was SEK 75.70 on 12 January. A total of 3.7 million Semcon shares were traded on Nasdaq Stockholm during the year valued at SEK 427 million [4.0 million shares valued at SEK 234 million]. The turnover rate, calculated as the number of shares traded in relation to the overall number of shares in the company, was 21 per cent [22].

Share capital and number of shares

Semcon's share capital on the closing date was SEK 18.1 million, divided between 18,112,534 ordinary shares all with a quotient value of SEK 1 each. Each ordinary share entitles the shareholder to one voting right and an equal right to a share of the company's capital and profits. Changes to the share capital and number of shares over time are presented in Note 21 on page 85.

Holding of own shares

Semcon's holding of its own shares on 31 December 2021 amounted to 572,585 [730,658].

Ongoing incentive schemes

Semcon has two ongoing long-term performance-based share savings schemes for senior executives and key employees in the Semcon Group ["Performance-based share savings scheme 2018" and "Performance-based share savings scheme 2021"]. Semcon's current holding of own ordinary shares is considered to fulfil obligations under these schemes. For further information, see Note 9 on page 76.

Shareholder structure

On 31 December, Semcon had 5,530 shareholders [4,890]. The registered amount of foreign own-

ership at year-end was amounted to 45.6 per cent [42.5]. At the end of the year, Semcon's three largest shareholders were JCE Group, which owned 25.9 per cent, Nordea Investment Funds, which owned 8.8 per cent and Otus Capital Management, which owned 8.6 per cent. On 31 December, the ten largest known shareholders controlled 62.4 per cent [63.3] of the share capital and voting rights, of which the three largest shareholders controlled 43.3 per cent [45.3].

Share dividends

According to Semcon's new dividend policy, approximately half of profit after tax over time is to be distributed to shareholders. For the 2021 financial year, the Board proposes a dividend of SEK 4.00 [3.00] per share. The proposal corresponds to 53 per cent [53] of earnings per share after dilution and a dividend yield of approximately 3.1 per cent [3.8] calculated on the share price at the end of the year. The proposed dividend is equivalent to a total dividend of SEK 70 million [52].

Analysts

In 2021, Semcon was covered by Stefan Knutsson, stefan.knutsson@abgsc.se, at ABG Sundal Collier, Introduce.se.

Contacts with the market

The company regularly publishes information in order to facilitate an accurate valuation of Semcon's shares. In 2021, presentations and meetings were held with investors and analysts, mainly as virtual meetings. Telephone conferences with slide presentations were held in connection with the publication of the interim reports. The presentations were subsequently also available on the Semcon website.

Stock market contacts are mainly carried out through interim and year-end financial reports, press releases, financial information on semcon.com and company presentations for investors and analysts. The financial information contacts are mainly Semcon's CEO and CFO as well as the Investor Relations Manager.

Financial calendar: Interim report Jan-Mar, 29 April, Annual General Meeting, 29 April, Interim report Jan-Jun, 19 July, Interim report Jan-Sep, 26 October, and 2022 Year-end report, 8 February 2023.

Shareholder structure *

Shareholding	No. of share-holders	No. of Votes, shares	%	Market value, TSEK
1-500	4,505	534,851	3.0	67,819
501-1,000	487	397,137	2.2	50,357
1,001-10,000	459	1,316,748	7.3	166,964
10,001-100,000	56	1,998,242	11.0	253,378
100,001-	22	13,292,971	73.4	1,685,549
Own shares	1	572,585	3.2	72,604
Total	5,530	18,112,534	100.0	2,296,671

10 largest shareholders **

Pertains to the ten largest known shareholders in Semcon AB [publ].

Name	No. of shares	Share-holding, %
JCE Group	4,682,991	25.9
Nordea Fonder	1,586,742	8.8
Otus Capital Management	1,564,962	8.6
Ennismore Fund Management	763,784	4.2
Amiral Gestion	731,757	4.0
Dimensional Fund Advisors	566,500	3.1
Allianz Global Investors	439,579	2.4
Avanza Pension	437,552	2.4
Waag & Zübert Value AG	300,000	1.7
Johan Hagberg	234,825	1.3
Total	11,308,692	62.4
Own shares	572,585	3.2
Other	6,231,257	34.4
Total	18,112,534	100.0

* Data on 31 December 2021. Source: Euroclear Sweden AB.

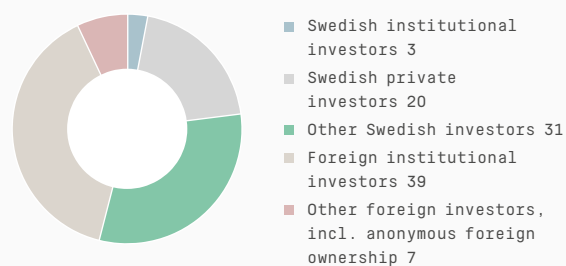
** Data on 31 December 2021. Source: Monitor by Modular Finance AB. Data compiled and processed from sources including Euroclear, Morningstar and Finansinspektionen.

Share price development 2017–2021

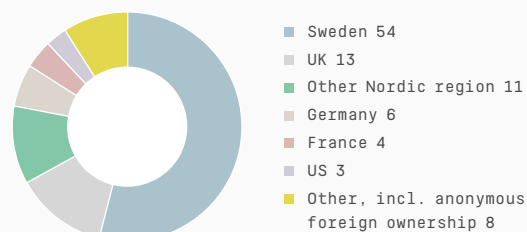
■ OMX Stockholm PI ■ The share



Ownership structure ** [%]



Swedish and foreign shareholding ** [%]



PEOPLE FIRST.

We at Semcon are driven by a genuine curiosity about people and their behaviour. Our focus is on the people who use our customers' products and services – the end users – and their needs and behaviours always steer technology development. Our values are also about people. The fact that we are “people who put people first” guides us in relationships with each other, our customers and business partners.

Our employees



the employee survey, which takes place twice per year, improved to new record levels. These key figures reflect the well-being, loyalty and pride among employees, and include factors such as collaboration, diversity and inclusion, engagement, leadership and development. A variety of perspectives is necessary for innovation and we are proud that the area of diversity and inclusion received the highest results in the survey. Equal opportunities, appreciation for the person you are and valuing different perspectives are also highlighted among Semcon's strengths. The strong result for leadership indicates that Semcon's managers are working successfully with communica-

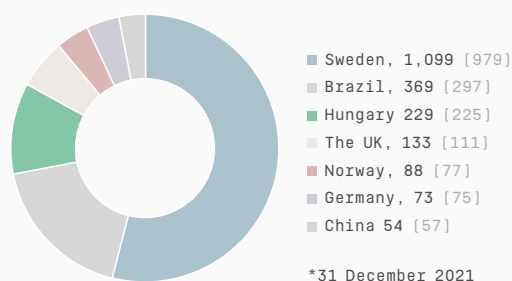
tion, cooperation, health and well-being. Even temporary issues linked to the company's handling of the pandemic received high scores for both Group management and individual managers. Local initiatives by employees, such as virtual lunches, film and reading groups and lunch-time concerts on social media platforms, were appreciated and strengthened the strong feeling of belonging at a time when many were working from home. In total, more than 80 per cent of employees give Semcon a high score as a recommended workplace, which gives us an employee Net Promoter Score at the high level of +41. The increase by 7 points since 2020 shows a continued positive trend that began several years ago.

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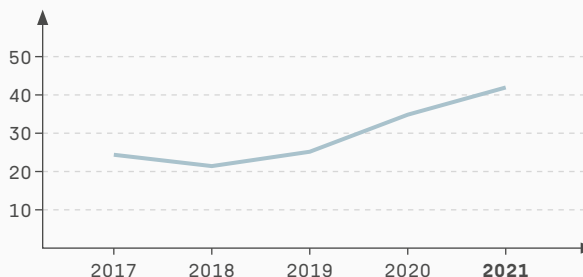
Flexible workplace

Semcon's ability to create sustainable innovation for our customers is based on the creativity and team work of our employees. The workplace at the office is an important place for inspiration and belonging, for both existing and new employees.

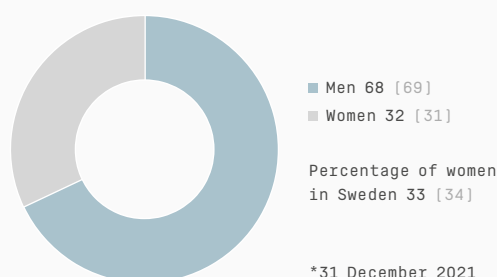
Number of employees by country*



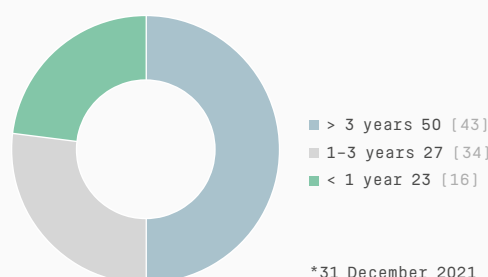
Employee Net Promoter Score



Gender division, women and men* [%]



Average employment duration* [%]



Key figures

	2021	2020	2019
Number of employees at year-end	2,045	1,821	2,262
Average number of employees	1,995	1,999	2,202
Average age	38	38	37
Employee turnover ¹ [%]	23	15	17
Employee Net Promoter Score	+41	+34	+25
Sick leave [%]	2.2	2.1	2.8

¹Average for the Group, with major variations between countries.

Read more about Semcon's sustainability work related to our employees on pages 94-111.

During the pandemic, remote working was part of everyday life for most employees at Semcon and as we can now increasingly meet face-to-face again there are valuable experiences that we can harness. For example, remote working has made geographic location less important, so we can become better at utilising our entire expertise when assembling a team. It has also led to increased productivity and for many employees a better work-life balance when commuting time decreased. We believe the right way forward is to combined the best of the two models into a hybrid working approach, that offers a flexible working method. This is supported by the responses in our employee surveys. During the year, we have therefore adopted a new remote working policy that offers our employees an opportunity to alternate working between Semcon's offices, on-site at the customer and remotely – based on what best suits the customer, team and individual. To promote a good work environment even when working from home, courses have been launched with guidance

and recommendations for home working, as well as a contribution towards the purchase of equipment for the home.

Learning and development

The opportunity to learn more and new things is important for Semcon's employees and a dynamic and attractive learning environment is therefore important if we are to develop and retain existing employees and attract new ones. During the year, we increased the share of digital training solutions and developed the support system for learning used by all countries. Our Semcon Training Experience Platform (STEP) offers employees access to needs-driven and flexible learning through digital courses and articles. The platform also enables knowledge sharing and interaction, across areas of knowledge and countries, through discussion forums about technical solutions, project results and other inspiration. We have also developed a portal for onboarding future employees, who are

introduced to Semcon before their first day at work through short presentations on our history, corporate culture, organisation, product and service offering, sustainability agenda and ambitions for the future. Customer Learning Programmes have also been created with a focus on customer-specific learning and development. This enables a more rapid introduction for new employees to various customer projects and further development of existing employees in projects where knowledge about customer processes, tools and products or services is key. The development programme for leaders has also been digitalised to varying degrees for existing and future managers and leaders. Several participants have taken up new management roles during the year, which will create new opportunities for development and learning.

Additional and new expertise

There is high demand for Semcon's services, driven by trends that include sustainability and digitalisation. In order to meet customer demand, we want to grow and it is therefore important to recruit

the right people and to ensure that our employees choose to stay at Semcon. During the year, we launched initiatives to clarify Semcon's position as an employer that included the recruitment campaign "Add perspectives", which spotlights the importance of diversity and inclusion, employee job satisfaction and the development of our customers for Semcon. If we are to retain our employees, it is also important that we continue to listen to their various needs, which include flexibility, and offer relevant skills development and interesting career opportunities.

Semcon's combination of digital and physical solutions means we can offer our employees exciting projects that extend from the early design phase all the way to the end solution. During the year, Semcon acquired two exciting IT companies that will strengthen our digital expertise – Squeed and Tedsys – and added about 150 employees with strong expertise in software development and agile change management. At year-end, we also acquired the UK company Walkgrove, with 20 competent employees in professional digital learning.

New expertise strengthens Semcon's digital position

In 2021, Semcon welcomed about 150 new employees with the acquisition of the IT companies Squeed and Tedsys. The new expertise in system and application development, embedded system development and agile change management further strengthens Semcon's digital position and provides an important puzzle piece to transform technology into valuable user experiences. Squeed's employees primarily strengthen Semcon's presence in Göteborg and Stockholm, while Tedsys is an important component in Semcon's operations in southern Sweden.



Semcon's value principles

Inspiration is at the very heart of everything we do. Inspired people broaden their perspectives and drive innovation.

We believe in the power of collaboration. Teamwork built on trust and engagement is key to success. Because we are always stronger when working together.

We want to make the world a better place – a little bit every day. We create sustainable solutions that improve lives all over the world.

We embrace diversity. People with different backgrounds and experiences make us see things from various perspectives. With every new perspective, we broaden our understanding of human needs and behaviours.

We believe that work needs to be fun. Because fun is the basis of creativity and it makes people want to go to work. We always strive to have a healthy work environment in which people enjoy themselves.

Good relationships mean good business. Which is why we constantly aim to challenge and exceed customer expectations in everything we do. Always people and the planet first.

Our customer assignments

3 GOOD HEALTH AND WELL-BEING



People and their needs and behaviours are always the starting point when Semcon develops physical and digital solutions. Within our customer assignments, our contribution to the social sustainable development goals are clearest in the life science sector. The challenge of an ageing population, life-style-related diseases and rapid technological advances are increasing demands for such items as

user-friendly medical devices, quality-assured drugs and efficient digital information solutions. In these areas, we provide benefits to many people in their everyday lives. Another important opportunity is the ability to use innovation, data and digital technology to change production, distribution and consumption of food in the food sector. At an overarching level, a well-functioning planet is a prerequisite to realise human needs. Read more about our work for a future-proof planet on page 28.

Development and design of the next generation wheelchair

Semcon's design team was awarded the task of renewing Etac's market-leading wheelchair model, Etac Cross. In close collaboration with Etac's product developers, the project progressed through Semcon's entire design process, which ensures that goals are achieved, and includes visualisation, conceptualisation, design and implementation. In addition, the process offers a platform that enables optimum utilisation of all the skills required for such a complex project.

And the result? The new Cross 6 model has an improved, modern design, enhanced user-friendliness with clearer and simpler settings and an improved environmental profile.



New technology to reduce blood loss after injury

When a critical injury to an arm or leg results in intense blood loss, an emergency tourniquet must be applied. Through innovative solutions, competence in industrialisation and eco-design, Semcon is supporting health tech company Aristeia in the development of its unique tourniquet for bleeding control.

Our role in society

Semcon's focus on people means we want to be involved and take a social responsibility in all markets where we conduct operations. Within the scope of our CSR programme, Semcon's employees can therefore spend 2,000 hours each year contributing knowledge and commitment to local CSR projects focusing on societal benefits. The idea is that these

projects will contribute to the UN Sustainable Development Goals as our employees become engaged in local charitable projects and social assistance activities. Every part of the organisation has its own CSR representative who is responsible for planning and organising the local activities.



We shop, who pays?

Semcon supports the Fair Action organisation, which together with Ung Media Sverige is running a three-year project called "Vi handlar, vem betalar?" [We shop, who pays?]. The project is financed by the Swedish Inheritance Fund and aims to offer young people of upper secondary school age tools to use when examining a company's sustainability work. Semcon's assignment was, based on user studies with teachers and pupils, to design and build the project's digital platform.

A helping hand during the pandemic

As part of Semcon's CSR programme, employees in Brazil started a collection to provide food to vulnerable families who suffered from the pandemic. In collaboration with a local charity, food baskets were distributed in several cities around Rio de Janeiro.



Peacebuilding online

Norwegian Church Aid works in some of the world's most vulnerable countries. When the organisation saw an increased need for digital tools in their global peace work, they asked Semcon for support to find the way forward. The initiative is called Tech for Peace and will counter online disinformation and polarisation through participation and dialogue. Semcon has helped NCA with innovation processes by clearly defining problems and then finding the best way forward. The cooperation between NCA and Semcon has led to the creation of an Advisory Board, consisting of participants from business and academia. The purpose is to find new solutions that can meet the challenge of fake news and hate speech in digital channels.

We listen to the needs of our employees and in 2021 formalised opportunities for a new and flexible way of working.





PLANET.

The industrialisation in combination with strong population growth have created an unsustainable pressure on our planet. To ensure a sustainable future, people must learn to live within the planetary boundaries. This requires system changes and sustainable innovation with a focus on human needs and a sustainable planet. Many companies are facing a climate transition and a shift to a circular economy. Semcon can support in this.

The planetary boundaries

Scientists have identified a framework with nine planetary boundaries that illustrate various environmental processes that create stability for life on earth, and estimated science-based limits for each planetary boundary that should not be exceeded¹¹. All processes are today impacted by human activities and five of the planetary boundaries are currently being exceeded: climate change, land-system change, biosphere integrity, biochemical flows and environmental pollutants and other novel entities. It is important to consider how the planetary boundaries influence each other in order to be able to take measures that are sustainable in the long term and do not push other environmental processes in the wrong direction. Important puzzle pieces to successfully reverse the trend include sustainable innovation with a focus on human needs and a sustainable planet and new perspectives on technology development.

Exponential climate transition

Climate change is accelerating and our society must now take the necessary steps to slow down global warming. The ambition is that the average global temperature shall not increase more than 1.5°C above pre-industrial levels and the longer we wait the faster the transition must take place. If this fails, there is a risk of self-reinforcing effects on the climate system that, at worst, could drive an uncontrollable global warming. Opinion is divided on whether the 1.5°C ambition is a realistic scenario, but this is the ambition. To be successful, global greenhouse gas emissions must be halved

every decade with 2030 as the first milestone and reach net-zero emissions no later than 2050. This requires system change in most sectors, and the transition of the energy sector, industry sector, construction sector, transport sector, food sector, agricultural and forest sector are particularly critical if we as a society are to succeed.

A shift from our current linear economy to a circular economy is a prerequisite for an exponential climate transition. Currently, roughly twice the amount of natural resources are consumed on a global basis compared to what the planet can regen-

¹¹ <https://stockholmresilience.org/research/planetary-boundaries.html>

erate during a year and this figure is constantly rising. Moreover, every individual product entails emissions linked to the extraction of natural resources, transportation, production, use and so forth. A reduction in greenhouse gas emissions and

a reduction in resource usage are also two of the most important measures to slow the loss of biodiversity. In this respect, Semcon can make a major difference for its customers' transition, see page 30.

Our own operations and value chain



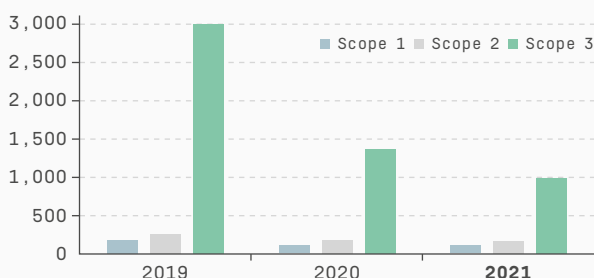
Semcon is a consultancy organisations and we therefore have a relatively limited environmental impact

within the scope of our own operations and value chain. We must still do our part to ensure that we succeed with the climate transition.

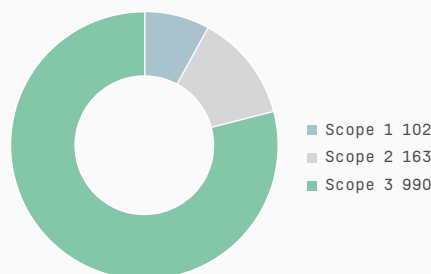
For many years, Semcon has taken measures to reduce the environmental impact of our operations. These include the measurement and reduction of emissions from business travel, an increase in the proportion of offices in environmentally certified buildings, and the establishment of environmental guidelines for purchasing. In 2021, we took the next step in accelerating Semcon's climate agenda and committed to set science-based climate targets in line with the Paris Agreement's 1.5°C ambition,

within the framework of the Science Based Target initiative. The total greenhouse gas emissions from operations was measured in accordance with the GHG protocol standard in Scope 1, 2 and 3 for the 2019-2021 period. This includes all emissions in Semcon's value chain and encompass everything from electricity, heating and cooling, emissions from company cars, purchased goods and services, business travel, and employees' travel to and from work. Work is now ongoing to set a roadmap with targets to reduce emissions throughout our value chain that are aligned with the 1.5°C ambition. Until we have established our definitive targets, our minimum ambition is to halve emissions throughout our value chain by 2030 and to have net zero emissions no later than 2045, with 2019 as a base year. For more detailed information about how we work with climate and the environment in our own operations and value chain, see "Sustainability notes" on pages 94-111.

Emissions 2019–2021 [tCO₂e]



Emissions 2021 [tCO₂e]



Carbon footprint of Wellspect's catheter reduced by 50 per cent

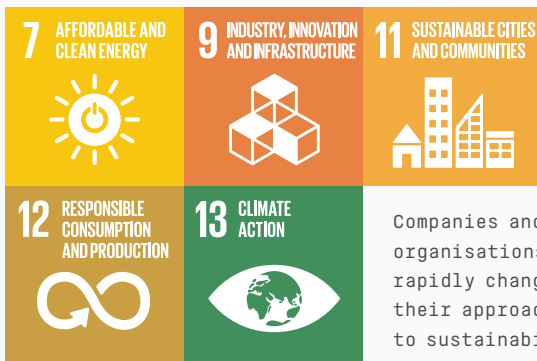
The medtech company Wellspect's urine catheter Lofric® helps sufferers of urinary tract problems to live active lives. Expanding the production made it necessary to replace the process equipment, and Wellspect decided to address the coating process to reduce the product's carbon footprint. The catheter's unique coating makes it gentle and easy to use and the requirement in the change process was that the unique characteristics of the catheter had to be the same as before, as should the high quality. In the transition process, Semcon's experienced life science consultants supported Wellspect in several areas, in particular with excellence in validation. The result? Carbon footprint halved and quality retained – for the best possible user experience.

Electric delivery truck improves urban environment

As engineering partner to Volkswagen Caminhões e Ônibus in Brazil, Semcon Brazil has contributed with expertise in electrification, product and test engineering and structural analyses to get the e-Delivery truck ready for the market. e-Delivery is the first vehicle developed within the framework of the project with a capacity to transport up to 14 tonnes. The truck has a range of 200 kilometres and brakes that charge the batteries while driving. Many densely populated countries are facing huge challenges when it comes to infrastructure and mobility and electric vehicles are an important step in decreasing emissions, air pollution and noise in the world's largest cities.



Our customer assignments



Companies and organisations are rapidly changing their approach to sustainability. Sustain-

ability is no longer viewed as a risk, but also as an opportunity. Many of our customers are setting increasingly ambitious climate targets. A transition to renewable energy and electrified transport is often not enough for those who have undertaken to halve emissions by 2030. Many must also address the issue of product-related emissions throughout the entire lifecycle. In a short period of time, climate-related issues have become one of the most important strategic issues for many companies, whereby a strategy based on continuous improvement is no longer enough.

At Semcon we have major opportunities to contribute to the climate transition through our

customer assignments. We work continuously in various customer projects within green technology, such as renewable energy and electrified transport solutions, where we have long-standing expertise in battery technology and fuel cells. We also work with energy audits and energy optimisation of buildings and production systems. Digitalisation and automation create tremendous opportunities to improve the efficiency of various processes and thereby reduce emissions and resource usage. For example, it is possible to optimise energy consumption using connected and automated production systems, buildings, infrastructure and so forth. Connected vehicles can be used for smart logistics solutions to reduce transports. However, it is important to use digitalisation responsibly since it can also lead to increased emissions.

Semcon also has major opportunities to contribute to the transition to a circular economy. This shift was progressing very slowly, but we can now see major momentum for a transition, in part due to a shortage of natural resources and ambitious targets for emission reductions set by companies. At Semcon, we work with physical and digital products and the interface in between, and we can support our customers in the shift to circular products and business models. When we work with manufacturing

Our role in society

companies, we use four perspectives – people, planet, business model and technology. In a circular economy, the focus is shifted from ownership rights to access, and the focus on physical products is replaced with a focus on user needs and how these can be satisfied in the best way possible within the planetary boundaries. Products can be designed for low emissions and with the aim of keeping products and materials in use for as long as possible. Digitalisation also creates conditions to use products and materials more efficiently, such as through new business models where the user rents or shares products, or purchases a function instead of a physical product. In circular business models, it is natural to maximise the service life of products which in turn creates the right incentives for a shift to a circular economy.

Semcon also has expertise in a number of disruptive technologies that will play an increasingly important role in the climate transition, such as Internet of Things, AI, digital twins, additive manufacturing/3D printing, Augmented Reality and Virtual Reality. AI can be used to develop products with a minimum amount of emissions and waste, digital twins to optimise products and production systems, additive manufacturing/3D printing to manufacture components on site from recycled and recyclable materials, blockchain to create traceability of materials and products and so forth. The potential is particularly significant when disruptive technologies are combined. Semcon is participating in various types of research projects in collaboration with universities, research institutes and customers with the aim of creating sustainable solutions for the future, see pages 32 and 46.



Since 2019, Semcon has been a member of Digitaliseringskonsulterna, a Swedish organisation that works

to help politicians, the business community and the public sector to understand the role of digitalisation in the transition to a fossil-free society. Semcon participates in two of Digitaliseringskonsulterna's working groups: one to set guidelines for the calculation of avoided emissions and one that works to create a digital sustainability training for certain member companies' employees. The training aims to help all employees to understand how we can, through our consultancy assignments, contribute in the shift to a sustainable society, with a specific focus on the climate transition.

Semcon has been a partner of the Exponential Roadmap Initiative (ERI) since 2021, an initiative that brings together companies, organisations and other players who strive for an exponential climate transition in accordance with the 1.5°C ambition of the Paris Agreement. We participate in various initiatives run by the ERI and its partners and, through the membership, Semcon is also part of the UN Race to Zero initiative and the We Mean Business Coalition. Ahead of the COP26 climate summit, Semcon signed the We Mean Business Coalition's letter, together with 600 other companies, which encouraged the leaders of the G20 countries to do their utmost to limit the average global temperature to 1.5°C, to set tough targets for 2030, and to ensure that national targets are achieved. ✨

Big savings thanks to smarter documentation

ESAB is one of the world's leading manufacturers of equipment and consumables for welding and cutting. Their equipment requires detailed user manuals that are translated into 30 different languages. Previously, the manuals were printed, and sent out with their products, but the information quickly became out of date and most of the content was superfluous as the manual contained all of the languages. When ESAB decided to digitalise their documentation, Semcon was entrusted with the assignment. The result was digitalised and searchable user manuals managed by Semcon through its proprietary content management system [CMS]. The digitalisation of the documentation resulted not only in better quality but also major time savings, significantly lower costs and positive effects on the environment.



New technology supports future energy needs

Semcon is collaborating with Norwegian company Hystar to develop new technology to optimise hydrogen gas production, where the gas is produced from water instead of natural gas. When electricity from renewable sources is used for this process, the result is classified as green hydrogen. The R&D project aims to increase the amount of hydrogen gas produced through electrolysis by more than 150 per cent compared with current technology – without using more energy. There is also the potential to reduce the capital cost of electrolysis by up to 60 per cent.

Traditional production processes emit large amounts of CO₂, so a more eco-friendly alternative is to use water electrolysis. Green hydrogen plays a key role in the energy transition and is one of the European Commission's priorities in reducing the use of fossil fuels in various industries.





TECHNOLOGY DEVELOPMENT WITH A FOCUS ON END USERS.

Semcon is a partner in the entire product development chain. Operations are organised into two business areas: Engineering & Digital Services, which offers services that support innovative and sustainable product and production development, and Product Information, which offers digital aftersales solutions and digital learning.

Engineering & Digital Services

Advanced engineering services

Semcon has more than 40 years of experience in product and production development and we create new products, systems and services in close collaboration with customers in a range of industries. There are many challenges and demands to consider on the road from concept to finished product. Everyday, we help our customers make their ideas a reality. And create innovative products and solutions that optimise user experiences through the use of new technology. Our focus on research and UX means we can combine technology, usability and design in an innovative and sustainable manner. Today's rapid development cycles place higher

demands on companies to develop more models to production standard in an ever shorter time frame. Semcon has a broad palette of expertise and experience and we are accustomed to optimising products: for production, aftersales and, above all, the user. This means we help our customers with everything from more efficient and sustainable product development, reducing maintenance costs and creating faster production flows to digitalising all or part of product or production development.

Supported by our proprietary project methodology, Semcon's experts in project management help customers to become more successful in their projects. We also have extensive experience of

Semcon helps its customers create services that optimise the value of the product throughout its life cycle.

working in all of the different roles that are part of quality control, requirements management and validation to ensure the products are safe for end users when they reach the market.

Digital hub

All companies and organisations need to develop sustainable strategies for digital transformation. Semcon has digital excellence and the experience needed to help our customers move from an initial concept to a complete service or product. Always with its focus on the planet and users. This could involve the development of new, sustainable and digital business models, the electrification of vehicles and machinery or to make products smart and connected through the Internet of Things. Through our broad experience in AI and data management, we have developed a unique data management platform based on the very latest in artificial intelligence.

For several years, we have also conducted re-

search and development into autonomous solutions for machinery and vehicles. Autonomous solutions open up completely new business models and are one of the first steps many companies take towards becoming a service provider. We are also experienced in a range of other disruptive technologies that will play a crucial role in the climate transition, including digital twins, 3D printing, blockchain and AR/VR. Semcon's digital competence was further strengthened in 2021 with the acquisitions of the IT companies Squeed and Tedsys. The approximately 150 new employees contribute expertise in system and application development, embedded system development and agile change management.

Strategic design and innovation

In order to help our customers create solutions for the future, we need to understand what the future will entail. And what will impact people's lives, and thereby the companies around them. In this work, Semcon can create value for customers through our services in strategic design work and servitisation.

Design is the discipline that links together innovation capacity, trend insights, technology and an understanding of the end user and the planet into a single strong concept.

Rapid technology development, enhanced competitiveness, major social challenges and changes in customer behaviour mean manufacturing companies need to increase the service content of their business models and operations. For many years, Semcon has helped its customers create services that optimise the value of the product throughout its life cycle, increase customer satisfaction and create new revenue streams.



Market-leading racket sports system on global expansion journey

MATCHi.se is Sweden's leading racket sports system and brings together all of the functionality needed to create a successful venue. It is easy for players to find and book a court, time and opponent while the facilities gain an excellent overview and can easily manage bookings, lighting, tournaments and so forth. As part of a long-term collaboration, Squeed is supporting MATCHi in developing its platform to enable a large-scale global expansion. Squeed's experts in fullstack, front and backend and agile coaching have been working closely with MATCHi in a small team to meet the customer's needs and desires in the best way possible.



Product Information

Digital product information solutions

The right information available at the right time can be essential if a user needs to understand how a product or system can be used, or how it can be maintained and repaired efficiently to achieve maximal uptime. Semcon is an expert in aftersales with a leading offering of services and solutions that aims to improve the experiences of different users of complex and advanced technology. We support our customers every day, at every step of the journey to create technical information that generates value for end users. For product information, this is about more than creating texts, illustrations and animations. It also involves helping our customers to define a clear strategy for how the product information can create added value and to use information architecture that enables the best possible digital user experience, to produce cost-efficient information or to ensure the distribution and consumption of information tailored for end users.

We can help our customers develop aftersales strategies that focus on product information, produce user and operator information, develop diagnostics and troubleshooting methods, draw up service and repair concepts, or create spare parts information. Moreover, we have extensive experience of digitalisation of product information. Digitalisation creates opportunities for companies to enhance the user experience and to add value to their products and systems by ensuring the right type of product information is available in several different channels. Semcon's offering includes many types of proprietary system solutions and

tools, such as AI tools, platforms for dynamic digital distribution, portals to make information accessible, digital spare-parts catalogues and content management systems [CMS].

Learning

In a world of constant change and increasing complexity, there is a great need for continuous learning and knowledge transfer. And this is increasing all the time. Semcon is today the largest provider in the Nordic region of digital learning and brings together all of the necessary expertise to develop effective and engaging learning for companies and organisations. This covers everything from educational advisors, screenwriters, art directors, developers, animators, sound and film producers to LMS consultants and experts in UX and web accessibility.

Our experienced project managers and well-defined processes support the customer all the way from training strategy to effective digital learning. We have more than 20 years of experience in producing web-based learning, such as traditional courses, microlearning or other forms of social learning. We also have broad and profound knowledge of various learning platforms and have a long-standing partnership with Totara, which offers LMS [Learning Management System] and LXP [Learning eXperience Platform]. A learning platform facilitates distribution, administration and follow-up of learning within an organisation, but is also a place for interaction. The right choice of platform lays the foundation for a positive and effective learning experience.

Digital training to facilitate conversations about mental illness

If more people dared to talk about suicide and ask when someone doesn't seem to be doing okay, more lives could be saved. Semcon is developing a digital training course for Suicide Zero that specifically addresses the issue of daring to talk about suicide. Every year, nearly 1,600 people in Sweden take their own lives, and Suicide Zero is dedicated to raising awareness about this issue, identifying societal shortcomings and disseminating knowledge. The lecture "Våga fråga" ["Dare to Ask"] is already in a digital format and the e-learning course will mean Suicide Zero can reach even more people. Experts from Semcon who participated in the project include filmmakers, screenwriters and art directors. Semcon is also responsible for the distribution of the course, which will be directed primarily at organisations, companies and municipalities.



SEMCON'S INDUSTRY PRESENCE.

The need for a sustainable and digital transition is clear in all industries and investments in new solutions, such as digitalisation, electrification, autonomous applications, AI and other disruptive technologies, are expected to rise sharply in the years ahead. Semcon's broad industry presence means we can transfer expertise and experience between industries that are in different stages of the transition.

Industry

For some time now, consumer demands for new products and models, combined with growing competition in the industry sector, has resulted in shorter product life cycles. This has required increased investments in technology development alongside innovative product development. The fourth generation of industrial processes, Industry 4.0, and a more distinct focus on digitalisation, artificial intelligence and other disruptive technologies are already impacting demand and will probably influence product development processes, production development and aftersales solutions to an even higher extent moving forward. Industrial companies must also address the increased focus on sustainability among consumers and in the world around us.

Circularity and traceability are new key concepts that industrial companies must embrace and implement in processes and business models. With its expert knowledge in innovative technical solutions, Semcon can support customers in the transition needed to achieve the ambitious sustainability targets that many companies are now setting.

Railway industry

With the acquisition of the Germany-based product information company HAAS Publikationen in 2018, Semcon strengthened its offering to the railway industry. As with most other industries, digitalisation pervades much of the railway industry. A greater degree of automation, artificial intelligence and robotics is already visible and digitalisation is influencing and changing train operations, infrastructure and other central processes in the railway industry. If the industry is to be successful in a future with competition from autonomous vehicles, it will be necessary to focus on service levels and reduced costs, according to a report from Oliver Wyman. This can be achieved through the use of new technology and digital product information solutions. For example, costs for

down-time and service are reduced by ensuring that service technicians have the right training and access to up-to-date and relevant product information at the right time and in the right distribution channel.

Life science

The life science industry can generally be split in three categories: biotech, pharmaceuticals and medtech. The macro trends of an ageing population, greater prevalence of lifestyle-related diseases and rapid technological advances are increasing demands for user-friendly products in medtech, quality-assured drugs and digital and efficient production environments. One clear trend linked to life science is the growing number of companies that conduct operations on the borderline between IT and life science. These are primarily active in the field of digital health, with a strong likelihood that this field will become increasingly important in life science in the future.

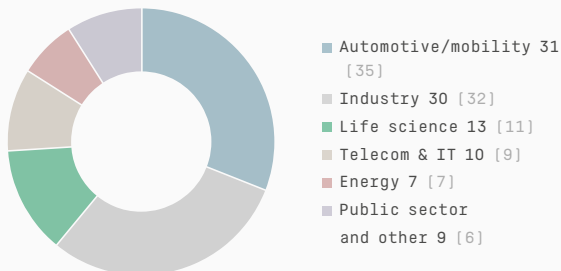
Demand for more efficient health and long-term care will accelerate the rate of digitalisation of processes and solutions. Semcon can see substantial growth potential in the life science industry, thanks to our excellence in these highly regulated sectors and our combined offering of sustainable, digital and physical solutions.

Automotive/mobility

The automotive industry is characterised by a radical technology shift. The most prominent trend in the automotive industry is electrification. The number of electric vehicles on roads worldwide is expected to grow to 125 million in 2030 from four million in 2018. While it took 60 months to reach one million vehicles sold in 2015, it took only six months to go from three to four million vehicles sold in 2018.

In addition to electrification, there are a number of other important market trends that influence

Net sales per industry [%]



Semcon's focus and direction. In connected vehicles [Car IT] - meaning when a vehicle collects, processes and presents information - development is progressing rapidly. The same applies to autonomous vehicles. Another trend that is clearly influencing the automotive industry is servitisation, whereby the traditional ownership model is being challenged when customers - supported by developments in digitalisation - are expected to buy mobility in a fundamentally new way using subscription and sharing models instead of conventional ownership. We can also see a clear commitment to circularity in this industry.

These trends also create growth opportunities for Semcon as we have extensive experience and knowledge of mobility development with a focus on end user behaviours and needs.

Energy

World energy demand is rising sharply while the effects on the environment from, for example, the use of fossil energy sources, are becoming increasingly visible. In addition to political will and financial resources, major technological advances and innovations will be required to reduce carbon dioxide emissions. Alternative energy sources and energy technologies are the areas that will result in the industry's share of overall R&D investments increasing as we move forward. In this context, Semcon acts as a partner to optimise processes and structures to reduce emissions and other environmental impacts as well as costs in connection with energy production. One area that can contribute to the transition from fossil fuels to renewable energy sources is the development of green hydrogen gas. Semcon has extensive experience in the development of fuel cells, hydrogen gas and integration in both research projects and customer projects.

Telecom & IT

The telecom & IT industry has seen a constant level of high investment driven by new technologies,

such as 5G, altered customer behaviour patterns and changes in market demands. Digitalisation and servitisation are seen as the greatest structural changes in the industry in recent years. The industry is also undergoing a technological shift, where R&D investments are focusing on various kinds of cloud services. Semcon's offering in cloud services is strong and there is significant potential to grow in these segments in the future. The number of technologies tied to cloud services is expected to increase, in future accounting for the majority of R&D investments in the industry.

Public sector & other

The COVID-19 pandemic has forced many activities in the public sector to take giant steps forward in their digitalisation. Both citizens and employees are expectant that this trend will continue in life after the pandemic. A recent survey by Microsoft, conducted by EY in 2020, into the use of AI in the European public sector found that two-thirds of the respondents in the study viewed AI as a digital priority. However, only 4 per cent have so far scaled up initiatives and achieved a high result with substantial changes in the organisation or working methods. The public sector has also increased its focus on climate transition and a shift to a circular economy.

Semcon has extensive experience of projects in the public sector. We help municipalities and municipal companies with efficient project methodology, work with quality and validation in healthcare and medical services and develop user-friendly digital tools for more connected cities. The acquisition of Xtractor in 2020 increased Semcon's sales of digital learning to the public sector.

With the acquisitions of IT companies Squeed and Tedsys, Semcon's customer base increased in sectors including retail, media, finance and insurance. Retail is often used to describe sales in stores and as a sector, it has been forced to adapt to a new normal - not least on account of the COVID-19 pandemic and the rise of e-commerce. Shopping in physical stores is declining, but digitalisation and the possibility to combine an online and physical shopping experience also present major opportunities for the sector.

Solutions based on big data, advanced analysis and AI create completely new opportunities to develop and customise the offering. With expertise in system development, application development, embedded system development and cloud services, we can see tremendous opportunities for further growth in these industries. ✱

MARKET SITUATION.

Following on from 2021, when the global economy rebounded sharply after the fall due to the pandemic in 2020, there is plenty to suggest that the economic growth rate will slow slightly in 2022.¹⁾

Good market position

High inflation at the beginning of 2022 has convinced many central banks to shift monetary policy towards greater austerity and fiscal policies are also facing a period of austerity in most countries as subsidies from the pandemic are phased out. Despite macroeconomic signals – not least linked to the geopolitical uncertainties involving Ukraine – that indicate a more muted business environment in 2022 compared with 2021, Semcon can see a healthy market situation at the present time. Our strategic shift and accelerated transition towards digitalisation as well as a continued focus on growth in such areas as life science, the railway industry and the public sector have created an excellent position for continued growth in 2022. The acquisitions of Squeed, Tedsys and Walkgrove have strengthened our positions in digitalisation, IT and professional digital learning.

Swift transition to remote working

Our international presence and ability to support our customers from more than 30 offices around the

world, combined with our ability to guide customers in a time of increasing digitalisation of products and services, such as support and aftersales information as well as product development and production processes, makes Semcon a well-positioned partner. Our long-established internal processes to collaborate in projects from skills centres in our different markets has helped the swift transition to remote working and to realise many successful and cost-efficient projects. The research firm Radar Ecosystem Specialist forecasts that demand for IT services will be driven by projects that optimise “work where you are” efficiency.³⁾ In 2021, Semcon formalised a new, flexible working method and remains positive to opportunities to support customers with cutting-edge expertise that is not dependent on geographic location.

Trends for Semcon's main markets

* Sweden

Sweden is our main market [73 per cent of sales in 2021], where Semcon has a market share of 3–4 per cent according to our own estimates. Sales of

Competitor overview

Competitor	Domestic market	Relevant business areas	Number of employees	Sales [mSEK]	Year
HCL Technologies	India	EDS	168,977	88,515	2020/2021
Alten	France	EDS	42,300	29,662	2021
AFRY [ÅF Pöry AB]	Sweden	EDS	17,019	20,104	2021
Tata Technologies	India	EDS	7,954	2,814	2020/2021
Sigma	Sweden	EDS/PI	4,767	4,880	2020
Knowit	Sweden	EDS	3,849	4,812	2021
Etteplan	Finland	EDS/PI	3,629	3,043	2021
Rejlers	Sweden	EDS	2,464	2,908	2021
Combitech	Sweden	EDS/PI	2,045	3,295	2021
HiQ	Sweden	EDS	1,380	1,722	2020
Knightec	Sweden	EDS	719	671	2020
Prevas	Sweden	EDS	772	1,187	2021

When translating from local currencies to SEK, the exchange rates were as follows: EUR 10.14 and IND 0.116.

services related to product development and technical information [in industrial technology] were expected to reach SEK 38.2 billion in 2020 with 29,300 employees, according to the Federation of Swedish Innovation Companies.⁴¹

The market situation in Sweden in 2021 was marked by a shortage of input goods, mainly semi-conductors. Early in the year, this mainly impacted the automotive industry but over the course of the year, the shortage spread to more industries and had a negative impact on industrial production as a whole. However, when restrictions linked to the pandemic are eased in 2022, these bottlenecks are expected to be resolved and GDP growth improve

again. The economic forecast from the Association of Swedish Engineering Industries in November 2021 indicates GDP growth of 3.4 per cent in 2022.¹¹

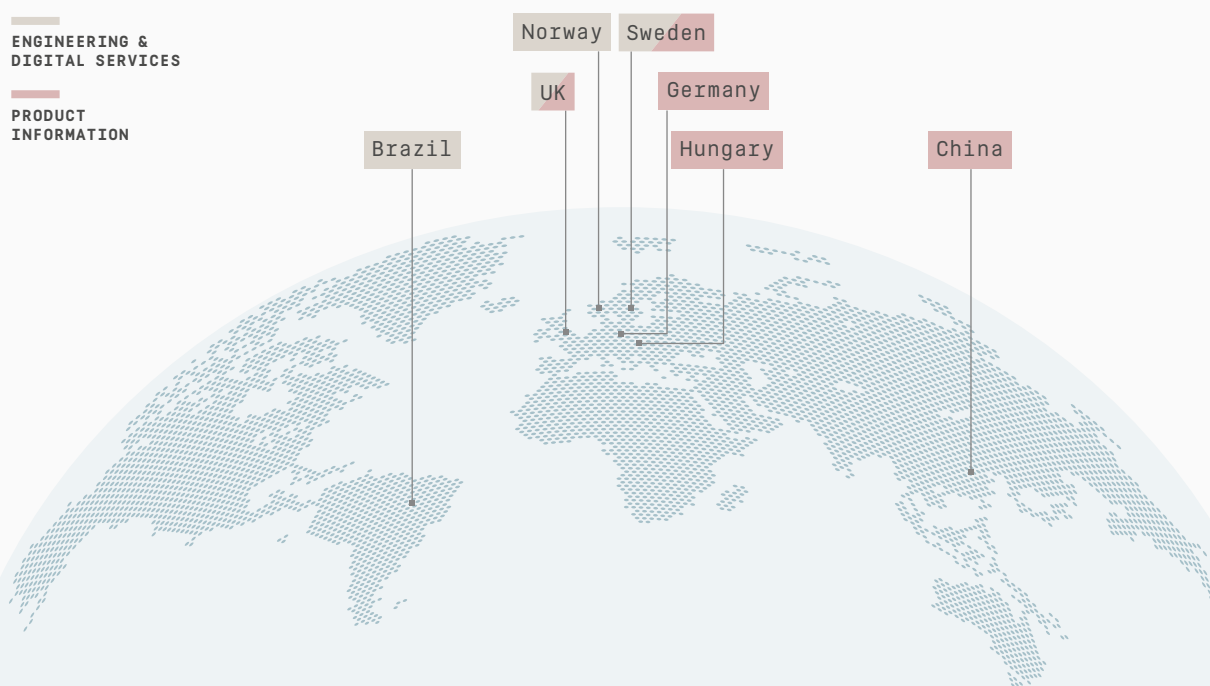
During 2021, Semcon continued its strategic shift in the automotive and mobility industries to build on the global trends of digitalisation, autonomous vehicles and electrification, which are driving a disruptive transformation of the industry. Generally, we can see favourable growth opportunities in the Swedish market in 2022, despite the cautious approach that characterised the economic climate at the beginning of the year.

In December 2019, Sweden's government published a national strategy for life science with the

Market presence

ENGINEERING &
DIGITAL SERVICES

PRODUCT
INFORMATION



overall objective that Sweden is to become a leading life science nation. Semcon grew 23 per cent in life science in 2021. We are optimistic about promises relating to incentives to stimulate the field of R&D, for example, and anticipate continued healthy growth opportunities in the sector.

* Norway

Semcon's operations in Norway accounted for 8 per cent of the Group's sales in 2021, making it the second largest market after Sweden. Compared with 2020, growth was 11 per cent, partially affected by the acquisition of Squeed, which has a small part of operations in Oslo. Despite the tough restrictions linked to the pandemic, the Norwegian economy is recovering faster than many other comparable countries in Europe. The economic forecast from the Association of Swedish Engineering Industries states that the investment survey in Norway indicates a substantial increase in industry investments in 2022 [+20 per cent in volume].¹⁾ SEB's Nordic Outlook in February 2022 indicates growth in mainland GDP of +3.7 per cent in 2022 and total GDP growth of 4.0 per cent in 2022.²⁾ The Norwegian labour market improved sharply in 2021 and employment is expected to return to pre-pandemic levels by the end of 2022, indicating continued strong employment growth. Demand for new technology and innovation will remain strong moving forward and Semcon continues to see favourable opportunities for growth in this market.

* UK

The UK, which introduced comprehensive restrictions to combat the pandemic, was hit hard financially in 2020 with a drop in GDP of -10 per cent. However, GDP recovered faster than in most other countries at the beginning of 2021 as society reopened. The economic forecast from the Association of Swedish Engineering Industries in November 2021, indicated relatively healthy GDP growth of 3.5 per cent in 2022 and SEB forecasts in its outlook in February 2022 GDP growth of 4.5 per cent.

In 2019, the UK's investments in R&D amounted to 1.74 per cent of GDP and there is a long-term national plan to increase investments in R&D to 2.4 per cent of GDP until 2027.

From Semcon's perspective, the outlook in the UK is favourable with opportunities to grow through both new customers and acquisitions. At the turn of the year, Walkgrove was acquired, which strengthens Semcon's offering to the UK market in digital learning. *

¹⁾ Forecast from the Association of Swedish Engineering Industries, November 2021

²⁾ SEB, Nordic Outlook, February 2022

³⁾ Radar Ecosystem Specialists, Radar Nordic Outlook update 2021

⁴⁾ The Federation of Swedish Innovation Companies, Inblick 2021



**Digitalising product information strengthens aftersales business**

When Sandvik's Stationary Crushing & Screening division wanted to take the step to digitalise its technical information and training courses, it chose Semcon to carry out the analysis of how this could be achieved. The division manufactures large and complex machines for stone crushing that require a lot of technical information and training to ensure their correct use and maintenance. Digitalisation modernised and enhanced the experience for both customers and service technicians, thereby helping to streamline the service chain and strengthen aftersales. Semcon provided experts in project management, product information strategy, information architecture, learning and UI (User Interface) to participate in the project.



BUSINESS MODELS AND VALUE CREATION.

Semcon's main business model is based on three flexible delivery solutions with the ability to tie together our expertise around the world and give our customers the solution that best suits their situation. In recent years, our business has witnessed a clear shift, with a rising share of functional sourcing and solution-based deliveries, which we consider as confirmation of the value we can add to our customers in these business models.

Semcon contributes to society by creating the technical solutions of the future in an innovative and sustainable manner. Our strength is in our ability to combine the human end user perspective and

the needs of the planet with all phases of product development, from business and concept development to technical development, production development and aftersales solutions. In 2021, 50 per cent

The right information exactly when needed

Imagine if the service technician could receive information about how the service should be performed directly from the machine. Or that the car points out when the child safety seat is incorrectly fitted – and shows how it should be. Semcon's Lodges distribution platform distributes the right information in an effective and dynamic way – always tailored to the specific needs of the recipient. The information exchange between manufacturers and customers also increases understanding for how the product is used, which ultimately enables the development of even better services and products. The right information at the right time also opens up for the smarter use of products, which means they may last longer and be used more efficiently. The use of Lodges strengthens Semcon's partnership with customers and yields recurring license revenue.



of sales were from solution-based deliveries and functional sourcing, up 3 percentage points year-on-year.

Specialist services

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

Solution-based deliveries

Semcon is comprehensively responsible for all or part of a project. Delivery consists of a specified result. In projects in which Semcon assumes responsibility for part of the process, it is a question of improving or developing elements of a

product, plant or service for the customer. In cases in which Semcon assumes overall responsibility, the company is responsible for the entire project process, from planning to delivery.

Functional sourcing

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

Resources	Business models	Value
Employees and partners <ul style="list-style-type: none"> * More than 2,000 dedicated employees and a large network of partners in the form of both major corporations and individual specialists. 	<p>“By uniting physical and digital solutions, we create user experiences that make a difference.”</p>	Employees <ul style="list-style-type: none"> * Professional development through work with innovation and projects with various customers in a variety of industries. * A flexible work environment where customer value and user experience are essential elements. * Semcon's leadership promise puts people first – every day.
Market presence <ul style="list-style-type: none"> * Semcon has the required size and breadth in our offerings, and also the flexibility to drive small projects using local specialists at more than 30 offices worldwide. 	Offer <ul style="list-style-type: none"> * Advanced engineering services * Digital hub * Strategic design and innovation * Product Information * Learning 	Customers <ul style="list-style-type: none"> * Sustainable solutions with an expressed focus on the end user. * Through digital excellence and expertise in engineering skills, we make our customers more competitive.
Financial position <ul style="list-style-type: none"> * Semcon's strong balance sheet forms a stable foundation for organic growth and acquisitions. 	Delivery solutions <ul style="list-style-type: none"> * Direct services * Solution-based deliveries * Functional sourcing 	Shareholders <ul style="list-style-type: none"> * During the five-year period 2016–2020, Semcon distributed on average 51 per cent of earnings per share to shareholders. Excluding 2019, which was impacted by COVID-19, the average was 64 per cent. * Over the past five years (2017–2021), the share price for the Semcon share has risen 176 per cent, compared with 94 per cent for OMX Stockholm PI.
Brand <ul style="list-style-type: none"> * A strong brand that represents the human perspective and user experience in technology development. 		Society <ul style="list-style-type: none"> * Digital solutions and smart products that contribute to a decrease in emissions and more efficient use of resources. * We create sustainable innovative solutions that improve lives all over the world.

RESEARCH, DEVELOPMENT AND INNOVATION AT SEMCON.

Semcon continually participates in many different research projects in collaboration with academia, institutes, authorities and customers. This provides us with the latest theoretical knowledge, and also valuable practical experience of future technologies and user needs. Insights from research projects are then available for our customers when we discuss their future challenges. We share this knowledge in our customer projects both by actively proposing new solutions and projects and by regularly taking part in development on-site at customer premises.

The emphasis in research projects is in line with our focus areas, such as design, autonomy, AI and sustainability. For example, it could concern

new user-focused solutions for connected products, or the challenge of safety in autonomous vehicles. We also leverage the experiences gained from research projects in our innovation process with our customers. Here, they can benefit from our expertise in many technology fields and our effective innovation methods, with the ability to quickly assemble concepts and prototypes. Thanks to a structured process for sustainable innovation and extensive experience, we know what is needed to succeed with an innovative approach. With an innovation team containing the right expertise and the right people, we can together with the customer create the best sustainable solution, based on human needs and behaviours. ✱



Research project for safer autonomous vehicles

Considering a car finished when it leaves the factory is something of an outmoded approach nowadays. Vehicle systems will need to be updated and gradually improved as we learn more about how safe autonomous operation actually works. Semcon is a partner in a new research project funded by Vinnova that aims to devise analysis methods and processes for continuous development of safe connected and automated vehicles. Semcon is participating in all six of the project's subprojects and is responsible for one of them, focusing on vehicle components that involve machine learning [ML]. The project is headed by RISE and will be taking place between January 2021 and June 2023.

New design for more efficient recycling stations

Together with Swedish FTI and the Research Institutes of Sweden (RISE), Semcon is conducting a new research project aimed at creating more effective handling at recycling stations, which will also reduce energy consumption during material collection. When the materials for recycling end up in the wrong place, it causes problems, which in turn lead to increased energy use in the handling chain. By starting out by looking at people's behaviours and needs, the project may lead to more efficient handling that makes people recycle more, sort correctly and not leave the wrong things at the recycling stations.



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DIRECTORS' REPORT 2021.

The Board and CEO of Semcon AB [publ] co.id.no. 556539-9549 hereby present the annual report and consolidated accounts for the 2021 financial year.

Business

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

Semcon's business areas

Semcon is organised into two business areas: Engineering & Digital Services and Product Information. The Engineering & Digital Services business area provides engineering and digitalisation services in product and production development. Operations aim to help customers to develop products, services and systems that strengthen their competitiveness by providing innovative solutions along the entire development chain, from studies to specify requirements to the finished product. The business area provides engineering services and digital solutions to customers in industries including automotive/mobility, energy, industrial and life science. The Product Information business area offers services and complete solutions in product information and learning. This includes strategy, architecture, production and distribution of information and training. The information is made available in an appropriate manner for the user – which today increasingly means distribution via digital solutions and consumption using mobile applications.

Important events during the year

- * Semcon and Biometria, a key stakeholder in Swedish forestry, have embarked upon a new partnership to make digital training courses in the forest industry more effective. Semcon's contribution to the project includes a new learning platform and cutting-edge expertise in the fields of system integration and pedagogy.
- * Semcon's CEO Markus Granlund has assumed responsibility for the Engineering & Digital Services (EDS) business area, while former Business Area President Daniel Rundgren is focusing on growth and acquisitions in EDS. Markus will continue in his role as President and CEO of Semcon.
- * Semcon is developing new training solutions for the public transport operator Stagecoach in the UK. This is in line with Semcon's aim to grow its business within product information solutions for the rail industry.
- * The Board has resolved on new financial objectives for Semcon. Read more on page 17.
- * Semcon has acquired the IT company Squeed, whose strong position in software development and agile change management complements Semcon's digital offering, adds new sectors and broadens the Group's customer portfolio. For further information, see Note 26.
- * Sandvik's Stationary Crushing & Screening division selected Semcon to conduct a feasibility study on the possibility of digitalisation of product information and training courses. The goal is to enhance the efficiency of the service chain.
- * Semcon signed a new framework agreement with Vattenfall to continue support for the company's production of reliable, smart and sustainable energy for the future. The framework agreement applies from 2021 to 2024, with the option of a two-year extension, and applies to the purchase of technical consulting for Vattenfall's operations.
- * Semcon has accelerated its climate action agenda and has committed to several sustainability initiatives, as well as the ambition, in line with the Paris Agreement, to limit global warming to 1.5°C. The initiatives are the Exponential Roadmap Initiative, Science Based Targets (SBTi), the UN Race to Zero, and the UN Global Compact.
- * At an Extraordinary General Meeting on 2 July, Semcon's shareholders resolved on payment of a dividend of SEK 3 per share, corresponding to 53 per cent of the earnings per share after dilution for 2020. The dividend amount totalled SEK 52.4 million.
- * Semcon has supported Volkswagen Caminhões e Ônibus in developing a new electric delivery truck that has now been launched. As engineering partner, Semcon Brazil has contributed with expertise in electrification, product and test engineering and structural analyses.
- * The Semcon Board resolved to undertake an internal separation of the Product Information business area and to explore possibilities for a potential public listing of the business area. The measures aim to strengthen conditions for each business to accelerate long-term growth and further develop the offerings, employees and shareholder value.
- * With the help of Semcon, two of Sweden's largest companies in the forest industry sector, Holmen and Södra, are examining how autonomous vehicles can enhance safety at sawmills and other indus-

trial sites A feasibility study began in autumn 2021 and if successful, a pilot project will be planned to test the solution in live production.

- * In October, Semcon acquired the Swedish IT company Tedsys AB, which will strengthen the Group's digital offering in southern Sweden with its expertise in system development. For further information, see Note 26.
- * Semcon, as the sole supplier, has signed a new two-year framework agreement with Region Västmanland. The agreement can be extended for a further two years and covers services in medical technology equipment in connection with the construction of a new emergency hospital.
- * Semcon is collaborating with Norwegian company Hystar to develop new technology for hydrogen gas production that will increase the amount of hydrogen gas that can be produced through electrolysis.
- * In December, Semcon divested its share of the technology company Yeti Move to Husqvarna, but will continue to be an important development partner. The divestment had no material financial impact on the Group.
- * In December, an automotive customer in the UK announced that as of the second quarter of 2022, it intends to begin producing, under its own management, most of the deliveries that are currently carried out by the Product Information business area. The relevant part of the assignment generated net sales of approximately GBP 3.7 million in 2021. The total impact on earnings (based on volumes in 2021) is estimated at GBP 0.8-1.1 million. The outlook in the UK remains favourable with opportunities to grow through both new customers and acquisitions.
- * At the turn of the year, Semcon acquired the UK company Walkgrove, which will expand Semcon's leading offering in digital learning with a local presence in a new geographic market. For further information, see Note 26.

Sales and profit

Net sales amounted to SEK 1,711 million [1,627], entailing growth of 5 per cent. Organic growth amounted to 2 per cent. Growth was weak during the first quarter due to a reduction in sales, mainly to automotive customers, as a result of the strategic restructuring implemented in spring 2020, but gradually improved and reached double-digits for the following three quarters. Sales to life science customers increased by 23 per cent during the year and to the public sector/other by 53 per cent. The year included one extra working day compared with last year. Operating profit amounted to SEK 175 million [130], yielding an operating margin of 10.2 per cent [8.0]. Both business areas reported improved earnings as a result of higher income and a changed industrial mix. Costs for Group-wide/eliminations increased, due in part to extra costs for incentive schemes, investments in

sustainability and the separation of the Product Information business area. In the preceding year, the year's earnings were charged with restructuring costs of SEK -37 million, while the government subsidies received reduced costs by SEK 35 million. Net financial items amounted to SEK -4 million [-5], yielding profit before tax of SEK 171 million [125]. Income tax for the year amounted to SEK -38 million [-25]. Profit after tax amounted to SEK 133 million [100] and earnings per share after dilution totalled SEK 7.57 [5.70].

Cash flow and financial position

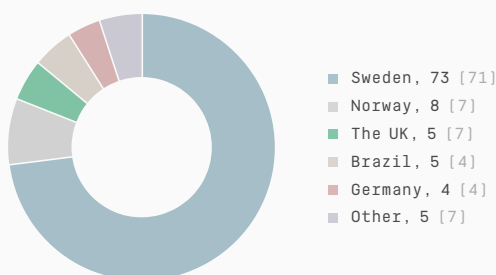
Cash flow from current activities was SEK 221 million [248]. The Group's cash and cash equivalents amounted to SEK 254 million [186]. In addition, the Group had unutilised credit of SEK 250 million [250] as of 31 December. Shareholders' equity amounted to SEK 796 million [698] and the equity/assets ratio was 59 per cent [60]. During the third quarter, a dividend of SEK 52 million [-] was paid to shareholders. The Group's net cash, excluding lease liabilities, amounted to SEK 214 million [199].

Investments

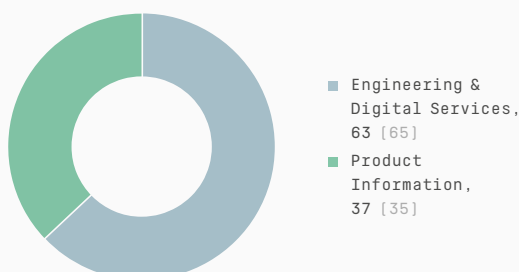
Investments in hardware, licenses, office supplies and equipment amounted to SEK 7 million [7].

Sales growth [%]	2021	2020
Acquisition and divestment	5.6%	2.2%
Currency effects	-2.3%	-1.9%
Organic growth	1.9%	-12.7%
Total	5.2%	-12.4%

Sales per market [%]



Sales per business area [%]



Engineering & Digital Services

Business

The business area's approximately 1,200 employees combine digital excellence with advanced engineering skills to develop products, services and production processes. We take responsibility for the whole product development cycle and create user experiences that make a difference – for people and our planet. Our main offerings are: strategic design and innovation, product and production development and digital services. Engineering & Digital Services has offices in Sweden, Norway, the UK and Brazil.

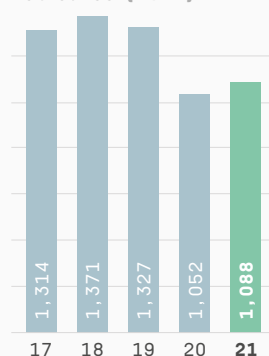
Markets and customers

Customers are mainly in the automotive/mobility, industry, energy and life science sectors and the public sector. Customers include AstraZeneca, CEVT, Dentsply, Epiroc, Getinge, Husqvarna, Kongsberg Group, Powercell, Siemens, the Swedish Transport Administration, Traton Group, Vattenfall, Volvo Cars Group and Volvo Group.

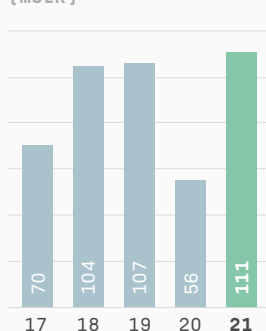
Development in 2021

The business area's net sales amounted to SEK 1,088 million [1,052], entailing growth of 3 per cent for the year. Organic growth was -1 per cent. It was primarily sales to automotive and industrial customers that decreased during the first quarter due to the strategic restructuring that was implemented in the preceding year. Sales to life science customers demonstrated continued highly favourable growth, amounting to 22 per cent for the year, and for the public sector/other, sales growth was 91 per cent. Operating profit amounted to SEK 111 million [56], yielding an operating margin of 10.2 per cent [5.3]. A changed industrial mix, higher productivity and lower costs contributed to the positive trend. Acquisitions and divestments also contributed to the improvement in earnings. In the preceding year, earnings were charged with restructuring costs of SEK -35 million. Government subsidies received reduced costs in the preceding year by SEK 26 million. Work is continuing with full focus on industry diversification and growth in prioritised areas.

Net sales [mSEK]



Operating profit, EBIT [mSEK]



Product Information

Business

The business area's around 800 employees provide complete solutions within product information and digital learning, with the primary focus on customers' aftersales business. The business area's offering supports the use and management of products and systems throughout the product life cycle: from sales and marketing to installation, maintenance, diagnostics, repairs, as well as training service staff. The business area has offices in Sweden, the UK, Hungary, Germany and China.

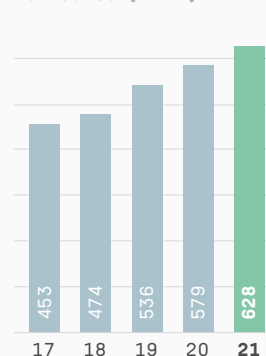
Markets and customers

Customers are mainly in the engineering, automotive, telecom and IT, the public sector and medtech sectors. Customers include ABB, AGCO, Alstom, Baxter, Lynk & Co, Jaguar Land Rover, Knorr Bremse, Siemens, London Electric Vehicle Company, Polestar, SAP, the Swedish National Board of Health and Welfare and Volvo Cars.

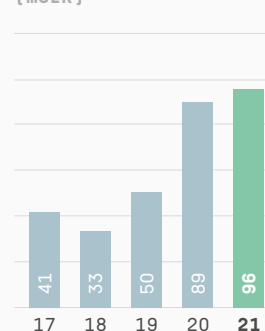
Development in 2021

The business area's net sales amounted to SEK 628 million [579] and sales growth and organic growth were 9 per cent and 8 per cent, respectively, for the year. Growth was favourable, particularly in Sweden, driven by healthy demand from industrial customers, among other sectors. Operating profit amounted to SEK 96 million [89], yielding an operating margin of 15.3 per cent [15.3]. Increased sales and continued high productivity contributed to the earnings improvement. In the preceding year, earnings were charged with restructuring costs of SEK -2 million. Government subsidies received reduced costs in the preceding year by SEK 12 million. Part of the business area's strategy is focused on a high proportion of functional sourcing and a high level of resource efficiency through deliveries involving networking teams from several countries, known as multi-site deliveries.

Net sales [mSEK]



Operating profit, EBIT [mSEK]



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Acquisitions

During the year, the Engineering & Digital Services business area acquired the Swedish IT companies Squeed and Tedsys. At the turn of the year, the Product Information business area acquired the UK company Walkgrove, which is now expanding Semcon's leading offering in digital learning with a local presence in a new geographic market. For further information about the acquisitions, see Note 26.

Employees

At 31 December, there were 2,045 [1,821] employees and 1,920 [1,746] employees in active service. In the respective business areas, the number of employees was as follows: Engineering & Digital Services 1,232 [1,039] and Product Information 813 [782]. The average number of employees was 1,995 [1,999], of which 1,053 [995] in Sweden, 365 [309] in Brazil, 219 [215] in Hungary, 139 [116] in the UK, 91 [74] in Norway, 74 [73] in Germany, 54 [57] in China and – [160] in India. 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 2021, 76 per cent [75] of employees had university or college education. 50 per cent [50] had worked for more than three years in the Group, 27 per cent [31] between one and three years and 23 per cent [16] shorter than one year. The proportion of women was 32 per cent [31]. In Sweden, the proportion of women was 33 per cent [34].

Research and development

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

Sustainability

Semcon is covered by the rules for sustainability reporting and has prepared a sustainability report for Semcon AB and its subsidiaries for the period 1 January 2021 to 31 December 2021 as set out on page 94. In accordance with Chapter 6, Section 11 of the Swedish Annual Accounts Act, Semcon has chosen to prepare the statutory sustainability report as a report separate from the annual report. The sustainability report consists of "Sustainability notes" on pages 94–111 and other sustainability-related information in this Annual and Sustainability Report, see, inter alia, Strategy, page 12, People, page 22, Planet, page 28, Business models, page 44, Research, Development and Inno-

vation, page 46 and Risks, page 52. The report was submitted to the auditors together with the annual report.

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: financial risk, liquidity risk, credit risk and currency risk. For further information about financial risks, see Note 4 on page 72.

Business-related risks

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

Economic climate dependency

RISKS: Semcon's customers are affected to varying degrees by a poor economic climate as this can negatively impact demand for Semcon's services. A pandemic, increased geopolitical uncertainties and disruption to global financial markets are events that may entail a poor economic climate.

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

EXPOSURE: Semcon is an international company with activities in Sweden, the UK, Brazil, Norway, Germany, Hungary and China. The percentage of sales to customers outside Sweden amounts to 27 per cent [29].

Industry dependency

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

MANAGEMENT: To minimise the dependency on individual industries, Semcon is prioritising growth in many different sectors, such as industry, energy, life science and the public sector.

EXPOSURE: Since last year, exposure to individual industries has been reduced and the main sector, automotive/mobility, has decreased to 31 per cent [35] of the Group's total sales.

Single-customer dependency

RISKS: A customer can end an assignment or project at short notice or gradually cut back on business volumes. This can result in a risk, since Semcon

cannot always guarantee full cost coverage, particularly for employees who cannot immediately be transferred to another assignment.

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

EXPOSURE: Semcon's customer base mainly comprises European industrial companies in various sectors. The ten largest customers account for 46 per cent of the Group's total sales, which is 1 percentage point lower than in 2020. One customer accounted for more than 10 per cent of total sales, with a share of 11 per cent.

Employees

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

MANAGEMENT: Semcon endeavours to be an attractive employer and thereby improve employees' job satisfaction. There is considerable focus on training, recruiting and onboarding activities. The November employee survey provided confirmation that Semcon's employees enjoy their work, as our employee Net Promoter Score [those who would recommend Semcon as an employer] increased to 41 [34], a new high for the Group.

EXPOSURE: Increased mobility in the labour market for engineers and system developers meant employee turnover rose to 23 per cent [15] in 2021.

IT-related risks

RISKS: Semcon's employees depend on access to a properly functioning IT environment and infrastructure. Unscheduled disruption, shortcomings in cybersecurity, breaches and loss of data could have a highly negative impact on operations and loss of income.

MANAGEMENT: Procedures, systems and guidelines for information security regulate, for example, backup management and how employees are to maintain the highest possible security level towards all stakeholders. During the year, additional investments were made in software and tools to prevent data breaches.

EXPOSURE: No serious disruption or incidents were reported during the year.

Sustainability

RISKS: Semcon's presence on the global market carries sustainability risks in the areas of human rights, working conditions, environment and corruption. Given the current climate transition, where many of our customers will need to transform their entire operations, there are major opportunities for Semcon but also transition risks where Semcon needs to further develop its offerings and competences to meet new customer needs.

MANAGEMENT: Semcon reduces its exposure to sustainability-related risks using regulatory frameworks and guidelines, such as the company's Code of Conduct and complementary policies. We take a zero-tolerance approach to any form of corruption and have a framework in place that clarifies the ethical rules for Semcon's conduct towards customers and other stakeholders. In addition, we have a whistleblowing function where each employee is given the opportunity to anonymously report any breaches of law or the Code of Conduct. We have accelerated Semcon's climate action agenda and measure the Group's emissions throughout the value chain. Semcon's climate targets are aligned with the Paris Agreement's 1.5°C ambition and we are now preparing a roadmap to ensure the targets are achieved. We are actively working to integrate relevant sustainability aspects into Semcon's customer offering, to ensure that we have employees with the right expertise and credible business partners.

EXPOSURE: No cases of infringements against the Code of Conduct or other serious irregularities were reported during the year.

Price pressure

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

MANAGEMENT: Semcon offers competitive prices in all markets but also gives customers the opportunity of using Semcon's entire network of local and international offices. Semcon is continuing to adhere to its set plan of moving away from fixed hourly-based pricing towards more functional sourcing contracts. This can increase the risk but also provides opportunities to improve profitability. Price pressure has remained strong, although there are variations between different sectors and markets.

EXPOSURE: Every reduction or increase in total annual fees by one percentage point impacts income and results by about SEK 15 million.

Fixed price projects

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

MANAGEMENT: All projects are planned, budgeted and carried out according to joint, fixed working methods. Semcon actively works with project management and is ISO 9001 and ISO 14001 certified. Meanwhile, projects give the Group the potential of improving profits through efficiency gains and by using expertise from various Semcon offices on projects. During the year, employees received training as part of Semcon's project manager training, which is based on the Group's own project methodology, the Semcon Project Model.

Liabilities

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

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MANAGEMENT: The Group is insured according to industry practice for such eventualities. During the year, a review of insurance cover took place in all of the Group's markets.

EXPOSURE: Over the years, Semcon has only used its insurance on a few occasions.

Sensitivity analysis

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

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

Seasonal variations

The number of working days per quarter varies year on year, which is an important factor to consider when analysing the outcome for the various quarters. Each working day represents around SEK 7 million in income and impacts operating profit by about SEK 6 million.

No. working days in Sweden	Q1	Q2	Q3	Q4	Total
2019	63	58	66	62	249
2020	63	58	66	63	250
2021	62	59	66	64	251
2022	63	59	66	64	252
2023	64	58	65	63	250

Work of the Board

The work of the Board is described in the Corporate Governance Report on page 113.

Remuneration to the Board and senior executives

Remuneration to the Board was decided by the 2021 Annual General Meeting (AGM) following proposals by the Nomination Committee. Remuneration to the Board until the 2022 AGM amounted to SEK 1,785,000, of which SEK 625,000 for the Chair and SEK 290,000 for other Board members not employed by the company.

Guidelines for remuneration to senior executives

The 2020 AGM resolved on guidelines for remuneration to senior executives. The decision applies until further notice, though no later than the 2024 AGM. The Board has not submitted any proposal for new or amended guidelines to the 2022 AGM. The adopted guidelines apply to senior executives in Semcon Group. In these guidelines, senior executives

are the CEO and President and the other members of the Semcon Group's senior management team. The guidelines are to be applied to remuneration under negotiation, and changes made to remuneration already agreed, following the adoption of the guidelines by the 2020 AGM. The guidelines do not apply to remuneration that has been decided by the AGM.

The guidelines' support of the company's business strategy, long-term interests and sustainability

A successful implementation of the company's business strategy and the protection of its long-term interests, requires that the Group can recruit and retain senior executives. These guidelines allow the company to offer its executives competitive remuneration.

For additional information about the company's business strategy, see the Strategy section of the company's annual report.

In 2018 and 2021, the company established long-term share-based incentive schemes. These were adopted by the AGM and are therefore not covered by these guidelines. The schemes apply to senior executives and the company's business area management teams. The performance requirements used to assess the outcome have a clear link to the company's long-term value creation. These performance requirements currently include the development of sales growth and EBITA margin as well as relative total return on the company's share compared with a reference group. The scheme also requires own investment and a holding period of several years. For further information about these schemes, see Note 9.

Variable cash payments covered by these guidelines aim to promote the company's business strategy and long-term interests, including its sustainability.

Forms of remuneration, etc.

Remuneration is to be market-based and may comprise the following components: fixed cash salary, variable cash payments, pension benefits and other benefits. The AGM can in addition – and irrespective of these guidelines – approve, for example, share and share-price-based remuneration.

The fulfilment of the criteria to receive variable cash payments must be measurable over a period of one year. The variable cash payment may not exceed 75 per cent of the total annual fixed cash salary paid during the measurement period.

Criteria for distribution of variable cash payments, etc.

The variable cash payment must be linked to pre-determined and measurable criteria. The criteria could, for example, be linked to operating profit, cash flow, return on capital employed or similar key figures or sustainability targets and must be designed to support the Group's business strategy and long-term interests, including its sustainability.

At the end of the measurement period for fulfilling the criteria to receive variable cash payments, the degree to which the criteria were fulfilled is to be assessed and established.

The Remuneration Committee is responsible for assessing as regards variable cash payments to the CEO. The CEO is responsible for assessing variable cash payments to other senior executives. As regards financial objectives, the assessment is to be based on the company's latest public financial information.

The CEO's pension benefits, including health insurance, are to be defined contribution. Variable cash payments to the CEO are to be pensionable and pension premiums for the defined-contribution pension agreements are not to exceed 35 per cent of the fixed annual cash salary and variable cash payments. For other senior executives, pension benefits, including health insurance, are to be defined contribution unless the executive is covered by defined benefit pension in accordance with compulsory provisions in collective agreements. Variable cash payments to other senior executives are to be pensionable and pension premiums for the defined-contribution pension agreements are not to exceed 35 per cent of the fixed annual cash salary and variable cash payments. Senior executives who are resident outside of Sweden may be offered pension solutions that are competitive in the country where the individuals are, or have been, resident or to which they have a significant connection, preferably defined-contribution solutions.

Other benefits may include life assurance, health care insurance and company cars or other remuneration and benefits may be offered to senior executives to facilitate possibilities to complete work assignments. For the CEO, such benefits may not exceed in total 5 per cent of the fixed annual cash salary and for other senior executives 10 per cent of the fixed annual cash salary.

For employment relationships governed by other rules than Swedish, as regards pension benefits and other benefits, necessary adjustments may be made to comply with compulsory rules or fixed local standards, whereby the overarching purpose of these guidelines is to be satisfied as far as possible.

Termination of employment

When the employment ends, the period of notice is to be a maximum of 12 months. For the CEO and other senior executives, the fixed cash salary during the period of notice, together with severance pay, must not exceed an amount equivalent to the fixed cash salary for 18 months. If notice is given by the executive, the period of notice is to be a maximum of six months, without the right to severance pay.

Salary and employment conditions for employees

When preparing the Board's proposal for these remuneration guidelines, the salary and employment conditions of the company's employees was taken

into consideration as information about total remuneration of employees, the remuneration's components and the rise in remuneration and the rate of increase over time formed one part of the Remuneration Committee's and Board's documentation for decision-making when assessing the fairness of the guidelines and the limitations pursuant to these. Changes in the gap between remuneration of the CEO and remuneration of other employees will be reported in the remuneration report, which is published prior to each AGM.

Remuneration to the Board members

In so far as AGM-elected members of the Board conduct work for the company in addition to Board work, they should receive remuneration for such work through consultancy fees to the Board member or to a company controlled by the member, on the condition that the work carried out contributes to the implementation of the company's business strategy and the protection of the company's long-term interests, including its sustainability. The remuneration is to be market-based and must be approved by the Board.

Decision-making process to establish, review and implement the guidelines

According to the corporate governance code, the Board is to establish a Remuneration Committee, but may also choose to fulfil this obligation itself as a whole. The duties of the Committee include the preparation of the Board's proposal for guidelines for remuneration to senior executives. The Remuneration Committee also monitors and assesses programmes for variable remuneration for company management, the application of the guidelines for remuneration of senior executives and the applicable remuneration structure and remuneration levels in the company.

The Board is to prepare proposals for new guidelines at least every four years and present the proposal for a decision by the AGM. The guidelines apply until new guidelines are adopted by the AGM. The CEO and other members of the company management must not be present during the Board's discussion and decision on remuneration-related matters, in so far that they are affected by the issues.

Deviation from the guidelines

The Board may decide to deviate temporarily from the guidelines partially or entirely if there, in an individual case, are special grounds to do so and a deviation is required to satisfy the company's long-term interests, including its sustainability, or to ensure the company's economic viability. As specified above, the Remuneration Committee's duties include the preparation of the Board's decision on remuneration issues, including decisions on deviating from the guidelines. In 2021, the Board has exercised its right to deviate from the guidelines with respect to the maximum

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variable cash payments. The deviation relates to bonus agreements concluded relating to the separation and possible listing of the Product Information business area. Bonus agreements concluded, together with regular bonus agreements, mean variable cash payments to four senior executives may amount to a maximum of 81-106 per cent of the total fixed salary. The Board of Directors is of the opinion that special grounds are in place for the deviation taking into account the project's importance for the company's long-term interests.

Remuneration decided but not yet due for payment

In addition to the obligations to pay continuous remuneration, such as salary, pension and other benefits, no previously approved remuneration to any senior executive exists that is not yet due for payment. For further information about remuneration of senior executives, see Note 9.

Significant changes to the guidelines and how shareholder views were taken into account

The Board has not submitted any proposal for new or changed guidelines to the 2022 AGM. No shareholder views were submitted.

Class of shares and ownership structure

As of 31 December, Semcon had 5,530 shareholders [4,890], of whom 54.4 per cent [57.5] were registered in Sweden and 45.6 per cent [42.5] were registered abroad. A list of Semcon's largest shareholders at year-end can be found on page 21. The most recent list of Semcon's ten largest shareholders is available on www.semcon.com. The number of ordinary shares at the end of the period was 18,112,534 [18,112,534], all with the quotient value of SEK 1 and equal voting rights. Semcon's holding of its own shares on 31 December amounted to 572,585 [754,416].

Financial objectives

During the year, the Board has resolved on new financial objectives: The new financial objectives aim to create long-term shareholder value. Semcon aims to achieve the following financial objectives for the company:

- * Sales growth, including acquisitions, of at least 10 per cent per year.
- * EBITA margin of at least 10 per cent.

In addition, the Board adopted a new dividend policy and guideline for its financial position:

- * Approximately half of profit after tax over time is to be distributed to shareholders.
- * Based on the premise of a strong balance sheet and financial flexibility, the net debt/EBITDA ratio should not exceed approximately 1.5x.

Proposed dividend

According to Semcon's new dividend policy, as adopted by the Board in February 2021, dividends

to shareholders shall over time amount to approximately half of profit after tax. The Board of Directors proposes a dividend of SEK 4.00 [3.00] per share, which represents 53 per cent [53] of earnings per share after dilution. The proposed dividend of SEK 4.00 per share is equivalent to a total dividend of SEK 70 million [52] excluding the holding of own shares, which does not carry entitlement to a dividend. The record date is proposed as Tuesday, 3 May 2022.

Parent Company

Operating income for the Parent Company amounted to SEK 34 million [37] and relates to payment for intra-Group services. Profit before tax amounted to SEK 82 million [36].

Proposed allocation of profits

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

SEK	
Profit brought forward and other capital contributions	300,504,248
Profit for the year according to the income statement	68,380,682
Total	368,884,930

The Board proposes that the profits be appropriated as follows:

Dividend to shareholders	72,450,136
Carried forward	296,434,794
Total	368,884,930

The maximum amount of the dividend is SEK 72,450,136 if the company owns none of its shares on the record date for the dividend. On 31 December, there were 572,585 own shares that did not carry entitlement to a dividend. Accordingly, the total amount of the dividend, SEK 72,450,136, could be lower depending on the number of own shares held on the record date for the dividend.

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

CONSOLIDATED INCOME STATEMENTS

mSEK	Note	2021	2020
OPERATING INCOME			
Net sales	6.7	1,711.3	1,627.0
OPERATING EXPENSES			
Purchase of goods and services		-262.5	-265.1
Other external expenses	8, 25	-93.8	-86.5
Staff costs	9	-1,137.4	-1,087.2
Amortisation of intangible assets	14	-3.2	-3.3
Depreciation of tangible assets	15	-9.4	-9.1
Depreciation of right-of-use assets	25	-34.1	-39.1
Gain/loss from shares in associated companies	17	4.2	-6.7
Operating profit		175.1	130.0
FINANCIAL ITEMS			
Interest income and similar items	10	2.1	1.5
Interest expenses and similar items	11	-6.4	-6.7
Profit before tax		170.8	124.8
Tax	12	-38.0	-25.0
Profit for the year		132.8	99.8
Attributable to:			
Parent Company's shareholders		132.8	99.8
Earnings per share before dilution, SEK	13	7.60	5.75
Earnings per share after dilution, SEK	13	7.57	5.70
Number of shares at year-end	13	18,112,534	18,112,534
Average number of shares	13	18,112,534	18,112,534
Average number of shares excluding number of own shares	13	17,473,769	17,361,418

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

mSEK	2021	2020
Profit for the year	132.8	99.8
Items that can be reclassified to profit or loss		
Translation differences for the year	7.4	-23.2
Total	7.4	-23.2
Total other comprehensive income	7.4	-23.2
Total comprehensive income	140.2	76.6

CONSOLIDATED BALANCE SHEETS

mSEK	Note	31 Dec 2021	31 Dec 2020
ASSETS			
Fixed assets			
Intangible assets			
Goodwill	14	497.7	367.3
Other intangible assets		5.0	8.0
Tangible assets			
Plant and machinery	15	15.1	15.9
Inventory, computers and equipment		7.8	7.7
Right-of-use assets			
Right-of-use assets properties	25	91.1	115.5
Financial assets			
Deferred tax assets	12	3.1	3.2
Shares in associated companies	17	-	7.0
Total fixed assets		619.8	524.6
Current assets			
Accounts receivable	18	313.4	273.9
Current tax receivables		3.8	5.2
Other receivables		8.0	16.1
Accrued non-invoiced income	19	123.5	124.1
Prepaid expenses	20	32.6	21.1
Cash and cash equivalents		254.1	199.1
Total current assets		735.4	639.5
Total assets		1,355.2	1,164.1
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	21	18.1	18.1
Other capital contributions		34.5	34.5
Reserves		-39.6	-47.0
Profit brought forward including profit for the year		783.5	692.2
Total shareholders' equity		796.5	697.8
Non-current liabilities			
Non-current lease liabilities	25	57.5	82.8
Non-current contingent considerations		24.1	-
Deferred tax	12	49.6	51.0
Total non-current liabilities		131.2	133.8
Current liabilities			
Current lease liabilities	25	33.6	31.8
Current contingent considerations		16.1	-
Accounts payable		65.5	49.0
Current tax liability		34.5	2.9
Other liabilities		74.2	59.2
Invoiced non-accrued income	19	18.3	24.2
Accrued expenses	22	185.3	165.4
Total current liabilities		427.5	332.5
Total shareholders' equity and liabilities		1,355.2	1,164.1

CONSOLIDATED CHANGES IN SHAREHOLDERS' EQUITY

mSEK	Share capital	Other capital contribu- tions	Reserves	Profit brought forward	Total share- holders' equity
Opening balance on 1 January 2020	18.1	34.5	-23.8	591.3	620.1
Comprehensive income					
Profit for the year	-	-	-	99.8	99.8
Items that can be reclassified to profit or loss					
Translation differences for the year	-	-	-23.2	-	-23.2
Total other comprehensive income	-	-	-23.2	-	-23.2
Total comprehensive income	-	-	-23.2	99.8	76.6
Transactions with shareholders					
Share-based remuneration	-	-	-	1.1	1.1
Share dividend	-	-	-	-	-
Total transactions with shareholders	-	-	-	1.1	1.1
Opening balance on 1 January 2021	18.1	34.5	-47.0	692.2	697.8
Comprehensive income					
Profit for the year	-	-	-	132.8	132.8
Items that can be reclassified to profit or loss					
Translation differences for the year	-	-	7.4	-	7.4
Total other comprehensive income	-	-	7.4	-	7.4
Total comprehensive income	-	-	7.4	132.8	140.2
Transactions with shareholders					
Share-based remuneration	-	-	-	1.9	1.9
Share dividend	-	-	-	-52.4	-52.4
Acquisition proceeds, own shares	-	-	-	9.0	9.0
Total transactions with shareholders	-	-	-	-41.5	-41.5
Closing balance on 31 December 2021	18.1	34.5	-39.6	783.5	796.5

CONSOLIDATED CASH FLOW STATEMENTS

mSEK	Note	2021	2020
CURRENT ACTIVITIES			
Operating profit		175.1	130.0
Depreciation/amortisation	14, 15, 25	46.7	51.4
Shares in associated companies	17	-4.2	6.7
Other items not affecting cash flow		1.6	1.0
Interest received and similar items		2.8	1.5
Interest paid and similar items		-6.5	-6.7
Income tax paid		-21.4	-37.9
Cash flow from current activities before changes in working capital		194.1	146.0
CHANGE IN WORKING CAPITAL			
Change in work in progress		10.7	3.6
Change in current receivables		0.5	43.5
Change in current liabilities		15.7	54.8
Total change in working capital		26.9	101.9
Cash flow from current activities		221.0	247.9
INVESTING ACTIVITIES			
Acquisition of subsidiaries	26	-87.8	-48.1
Divestment of subsidiaries		-	3.1
Divestment/Investment in associated companies	17	11.5	-11.3
Investments in intangible assets	14	-0.2	-1.1
Investments in tangible assets	15	-7.0	-5.7
Payment from divestment of fixed assets		-	0.2
Cash flow from investing activities		-83.5	-62.9
FINANCING ACTIVITIES			
Repayment of lease liabilities	25	-33.2	-37.3
Shareholder dividend		-52.4	-
Cash flow from financing activities		-85.6	-37.3
Cash flow for the year		51.9	147.7
Cash and cash equivalents at the start of the year		199.1	63.0
Translation differences		3.1	-11.6
Cash and cash equivalents at year-end		254.1	199.1

CONSOLIDATED SPECIFICATIONS

mSEK	2021	2020
CAPITAL EMPLOYED		
Total assets	1,355.2	1,164.1
Deferred tax liabilities	-49.6	-51.0
Accounts payable	-65.5	-49.0
Invoiced non-accrued income	-18.3	-24.2
Other non-interest-bearing current liabilities	-294.0	-227.5
Total capital employed	927.8	812.4
Average capital employed	873.7	783.3
CHANGE IN NET CASH		
Opening balance	199.1	63.0
Cash flow from current activities	221.0	247.9
Net investments	-7.2	-6.6
Acquisition of subsidiaries	-87.8	-48.1
Contingent considerations	-40.2	-
Divestment/Investment in associated companies	11.5	-11.3
Divestment of subsidiaries	-	3.1
Shareholder dividend	-52.4	-
Repayment of lease liabilities	-33.2	-37.3
Translation differences	3.1	-11.6
Closing balance	213.9	199.1

PARENT COMPANY'S INCOME STATEMENTS

mSEK	Note	2021	2020
OPERATING INCOME			
Net sales	7, 24	33.9	37.4
OPERATING EXPENSES			
Other external expenses	8, 25	-12.5	-10.8
Staff costs	9	-40.7	-32.1
Operating loss		-19.3	-5.5
FINANCIAL ITEMS			
Interest income and similar items	10	21.8	44.3
Interest expenses and similar items	11	-0.8	-2.6
Profit after financial items		1.7	36.2
APPROPRIATIONS			
Tax allocation reserve		-19.9	-
Reversal of tax allocation reserve		7.1	-
Group contributions received		92.6	-
Group contributions paid		-	-0.2
Profit before tax		81.5	36.0
Tax	12	-13.2	0.5
Profit for the year		68.3	36.5

PARENT COMPANY'S STATEMENT OF OTHER COMPREHENSIVE INCOME

mSEK	2021	2020
Profit for the year	68.3	36.5
Other comprehensive income	-	-
Total comprehensive income	68.3	36.5

PARENT COMPANY'S BALANCE SHEETS

mSEK	Note	31 Dec 2021	31 Dec 2020
ASSETS			
Fixed assets			
Financial assets			
Shares in Group companies	16	92.0	92.0
Deferred tax assets		2.5	3.5
Receivables from Group companies		131.2	140.0
Total fixed assets		225.7	235.5
Current assets			
Receivables from Group companies		166.0	154.2
Tax assets		–	2.0
Other receivables		0.2	0.1
Prepaid expenses and accrued income		0.2	0.9
Cash and cash equivalents		176.2	153.4
Total current assets		342.6	310.6
Total assets		568.3	546.1
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Restricted shareholders' equity			
Share capital	21	18.1	18.1
Statutory reserve		25.1	25.1
Unrestricted shareholders' equity			
Share premium reserve		12.9	12.9
Profit brought forward		287.7	294.5
Profit for the year		68.3	36.5
Total shareholders' equity		412.1	387.1
Untaxed reserves			
Tax allocation reserve		69.4	56.6
Total untaxed reserves		69.4	56.6
Current liabilities			
Accounts payable		0.7	1.0
Liabilities to Group companies		57.0	89.0
Current tax liability		11.2	–
Other liabilities		1.9	2.1
Accrued expenses and deferred income	22	16.0	10.3
Total current liabilities		86.8	102.4
Total shareholders' equity and liabilities		568.3	546.1

PARENT COMPANY'S CHANGES IN SHAREHOLDERS' EQUITY

mSEK	Share capital	Statutory reserve	Share premium reserve	Profit brought for- ward incl. profit/loss for the year	Total share- holders' equity
Opening balance on 1 January 2020	18.1	25.1	12.9	294.5	350.6
Comprehensive income					
Profit for the year	-	-	-	36.5	36.5
Total comprehensive income	-	-	-	36.5	36.5
Transactions with shareholders					
Share dividend	-	-	-	-	-
Total transactions with shareholders	-	-	-	-	-
Opening balance on 1 January 2021	18.1	25.1	12.9	331.0	387.1
Comprehensive income					
Profit for the year	-	-	-	68.3	68.3
Total comprehensive income	-	-	-	68.3	68.3
Transactions with shareholders					
Share dividend	-	-	-	-52.4	-52.4
Acquisition proceeds, own shares	-	-	-	9.0	9.0
Total transactions with shareholders	-	-	-	-43.3	-43.3
Closing balance on 31 December 2021	18.1	25.1	12.9	356.0	412.1

PARENT COMPANY'S CASH FLOW STATEMENTS

mSEK	2021	2020
CURRENT ACTIVITIES		
Operating profit	-19.3	-5.5
Interest received and similar items	21.8	44.3
Interest paid and similar items	-0.8	-2.6
Income tax paid	0.9	-18.0
Cash flow from current activities before changes in working capital	2.6	18.2
CHANGE IN WORKING CAPITAL		
Change in current receivables	90.4	66.2
Change in current liabilities	-26.8	44.4
Total change in working capital	63.6	110.6
Cash flow from current activities	66.2	128.8
FINANCING ACTIVITIES		
Acquisitions with own shares	9.0	-
Shareholder dividend	-52.4	-
Cash flow from financing activities	-43.4	-
Cash flow for the year	22.8	128.8
Cash and cash equivalents at the start of the year	153.4	24.6
Cash and cash equivalents at year-end	176.2	153.4

NOTES.

NOTE 1

General information

Semcon AB [publ] is a Swedish listed public company registered with the Swedish Companies Registration Office with the co.id.no. 556539-9549. The company is registered in Göteborg, Sweden. The head office is located in Göteborg, visiting address Lindholmsallén 2. The company is listed on the Nasdaq Stockholm Small Cap list under the SEMC ticker.

The Group's main business is providing product

and production development and aftersales solutions, which are described in the Directors' Report in this Annual Report. The Annual Report for the financial year ending 31 December 2021 was approved by the Board on 9 March 2022 and will be presented to the Annual General Meeting on 29 April 2022 for final approval.

NOTE 2

Significant changes during the reporting period

In May, the Engineering & Digital Services business area acquired the IT company Squeed AB, incl. subsidiaries, with its registered office in Göteborg, Sweden. The company has about 90 employees and sales of SEK 108 million in 2021.

In addition to this, two minor acquisitions were completed during the year. In October, the Engineering & Digital Services business area acquired the IT company Tedsys AB with its registered office

in Malmö, Sweden. The company has about 50 employees and sales of SEK 52 million in 2021. On 31 December, the Product Information business area acquired the UK company Walkgrove Ltd, with its offering in digital learning. The company has about 20 employees and sales of GBP 1.4 million in 2021.

For further information about the acquisitions, see Note 26 on page 86.

NOTE 3

Accounting policies

The most important accounting policies applied when these consolidated accounts were prepared are stated below. These policies have been applied consistently for each year represented, unless otherwise stated.

Basis for preparing the reports

The consolidated accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU, IFRIC interpretations, the Swedish Annual Accounts Act and recommendation RFR 1 of the Swedish Financial Accounting Standards Council (Supplementary Accounting Rules for Groups). Recommendations that come into effect after the closing date will not have any significant effect on either the results or the financial position of the Group. The Parent Company's annual accounts have been prepared in accordance with the Swedish Annual Accounts Act and recommendation RFR 2 (Accounting for Legal Entities).

The Parent Company's functional currency is SEK, which is also the Group's reporting currency. All sums in the financial statements are given in SEK millions, mSEK, unless otherwise stated.

The consolidated accounts have been prepared in accordance with the acquisition method, with the exception of:

- * financial assets and liabilities (including derivative instruments) – which are measured at fair value
- * assets held for sale – which are measured at fair value

Preparing reports in accordance with IFRS requires using a number of important estimates for accounting purposes. It is also necessary for Group management to make a number of estimates when applying the Group's accounting policies. The areas that require a high degree of assessment, which are complex or are such areas where assumptions and estimates are of considerable significance for the consolidated accounts are presented in Note 5 on page 73.

Changes to the accounting policies and disclosures

New and amended standards applied by the Group

None of the new standards and amendments that were applied by the Group for the first time in the fi-

financial year that began on 1 January 2021 had any effect on the Group's financial reporting.

New standards and interpretations that have not yet been applied by the Group

A number of new standards and interpretations come into effect for the financial year beginning 1 January 2022 and these were not applied in the preparation of these financial statements. The new standards and interpretations are not expected to have a material impact on the Group's financial statements for the current or future periods nor on future transactions.

Consolidated accounting

In addition to the Parent Company, the Group consists of all subsidiaries in which the Group owns shares and directly or indirectly has the majority of voting rights, or through agreements has a controlling influence. Acquired companies are included in the consolidated accounts from the acquisition date. These consolidated accounts have been prepared in accordance with the purchase method, which means that the cost of the shares in Group companies is divided among identifiable assets and liabilities at the acquisition date at the fair value. The difference between the cost and the calculated value of equity in the acquisition analysis is recognised as consolidated goodwill. All transaction costs relating to acquisitions are expensed. Deferred tax is seen as the difference between the fair values of assets and liabilities and taxable residual values. The consolidated shareholders' equity includes the Parent Company's equity and the part of the subsidiaries' equity accumulated after the date of acquisition.

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

Pricing between Group companies

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

Transactions with related parties

Transactions with related parties follow market norms.

Associated companies

Associated companies are recognised when the Group is considered to have a significant but not decisive influence over operations and financial control and the company is neither a subsidiary nor a share in a joint venture. A significant influence is considered to exist if the company has a minimum holding of between 20 per cent and 50 per cent of the voting rights, or in any other way has a significant influence, but where there is no parent/subsidiary relationship. Holdings in associated companies are recognised in the consolidated

income statement and balance sheet according to the equity method from the time that a significant influence is established. The equity method means that shares in a company are recognised at cost at the date of acquisition and then adjusted using the Group's share of the change in the company's net assets. Shares in associated companies' earnings are recognised on two levels in the consolidated income statement. Shares in earnings before tax is included in consolidated operating profit and shares in the taxes of associated companies is recognised in the consolidated tax expense. Unrealised gains on transactions between the Group and associated companies are eliminated in relation to the Group's holding in the associated company.

Segment reporting

Operating segments are reported so they correspond to the internal reports submitted to the chief operating decision maker. The chief operating decision maker is the CEO, who runs the operation together with the other members of Group management.

Cash flow statement

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

Revenue recognition

The Group recognises revenue when a performance obligation is satisfied, which is when the promised service is delivered to the customer and the customer assumes control of the service. Revenue consists of the amount that is expected to be received as remuneration for the transferred services. If the Group is to recognise revenue from contracts with customers, every customer contract is analysed using the five step model. The Group's primary revenue pertains to revenue from services, such as engineering services. An agreement is in place when enforceable rights and obligations arise for the Group and for the customer. These rights and obligations normally arise when both parties sign the agreement. The Group also has framework agreements with certain customers. These framework agreements have no guaranteed volumes. In cases of a framework agreement without guaranteed volumes, an agreement with the customer arises first when an order/call, made by a customer according to the terms of a framework agreement, is approved as it is only then that enforceable rights and obligations arise for the Group and the customer.

The Group's agreements comprise both fixed price agreements and cost plus contracts with a fixed hourly rate. Variable remuneration in the form of, for example, discounts is not used. The service conducted by the Group does not create alternative uses for Semcon and Semcon is entitled to remuneration, including margin, for service rendered. This means control is transferred over time, and revenue is accordingly recognised over time. The Group applies an input method and recognises the revenue based on work performed, which is based

on costs incurred in relation to the estimated total expenditure. On-account invoices received are recognised net against capitalised contract costs. If the net of the costs paid and on-account invoices received is positive, then the project is recognised as "Accrued non-invoiced income". Conversely, if on-account invoices received exceed contract costs incurred, projects are recognised as "Invoiced non-accrued income."

Receivables and liabilities in foreign currencies

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

Research and development costs

The majority of Semcon's research and development costs concern development within the scope of customer projects. In other cases, the company's development costs are of an ongoing nature and are carried as an expense in the period in which they occur. These costs are not considered to be significant. Exceptions to this are costs incurred for the development of specific computer programs, which are recognised as an intangible asset [see below for more information].

Intangible assets

Goodwill

Acquired goodwill has an indeterminate useful life and is measured at cost with deductions for accumulated impairment. Goodwill is distributed among cash-generating units and is tested for possible impairment annually.

Other intangible assets

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

Tangible assets

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

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

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

Right-of-use assets

Right-of-use assets are amortised on a straight-line basis over the shorter of the useful life and the lease term between 2–10 years.

Impairment

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

Financial instruments

Financial instruments are every form of agreement that gives rise to a financial asset in a company and a financial liability or equity instrument in another company. Financial instruments recognised in the balance sheet include, among assets, accounts receivable and cash and cash equivalents. Liabilities recognised include accounts payable and borrowings (liabilities to credit institutions, overdraft facilities and other liabilities).

A financial asset and a financial liability is recognised when Semcon becomes party to this in accordance with the instrument's contractual conditions. Accounts receivable are recognised when an invoice has been sent and the right to remuneration is unconditional. A liability is recognised when the counterparty has performed and there is a contractual obligation to pay, even if the invoice has not yet been received. Accounts payable are recognised when invoices have been received. A financial asset and a financial liability are offset and recognised in a net amount in the balance sheet only when there is a legal right to offset the amounts and there is an intention to settle in a net amount or to simultaneously realise the asset and settle the liability. A financial asset is derecognised from the balance sheet when the contractual rights to the asset are realised, expire or when control is lost. A financial liability is removed from the balance sheet when the contractual obligations have been met or have been extinguished in any other way. On each reporting occasion, the company assesses whether there is objective indication of impairment of a financial asset.

The Group's financial assets are classified in the following class: Amortised cost. These assets are measured initially at fair value plus

the transaction charges. Accounts receivable are initially recognised at the invoiced value and thereafter the asset is measured in accordance with the effective interest method. These assets are held according to the business model to collect contractual cash flow only as payments of the principal amount and interest on the principal amount outstanding. Assets are subject to a loss provision for expected loan losses.

The Group's financial liabilities are classified at amortised cost. These liabilities are initially measured at fair value including transaction charges. The subsequent measurement takes place at amortised cost in accordance with the effective interest method. The expected duration of accounts receivables is short, which is why the value is recognised at a nominal amount without discounting with deductions for any impairment. Any impairment is recognised in operating expenses.

Cash and cash equivalents comprise cash, as well as immediately available balances in banks and corresponding credit institutes as well as short-term investments with a maturity, from the time of acquisition, of less than three months. Cash and cash equivalents are subject to the demands of loss provisions for expected loan losses.

Amortised cost is calculated using the effective interest method, meaning that any premiums or discounts and directly attributable costs or income are distributed over the term of the contract applying the estimated effective interest. The effective interest rate is the interest rate that provides the instrument's cost as a result in conjunction with current value calculation of future cash flows. Accounts payable are expected to have a short duration, which is why the liability is recognised at a nominal amount without discounting.

Unless otherwise stated, the carrying amount is considered to be a good approximation of the instrument's fair value due to the asset's or liability's short maturity or fixed-interest term.

The Group's financial assets and contract assets [Accrued non-invoiced income] are subject to impairment for expected loan losses. Impairment for loan losses according to IFRS 9 is forward-looking and a loss provision is made when there is exposure to credit risk, normally at initial recognition. Expected loan losses reflect the present value of all shortfalls in cash flow relating to default, either for the next 12 months or for the expected remaining time to maturity for the financial instrument, depending on the class of asset and the credit deterioration since initial recognition. Expected loan losses reflect an objective, probability-weighted outcome that takes into account a number of scenarios based on reasonable and verifiable forecasts.

The modified retrospective approach is applied for accounts receivable and contract assets. A loss provision is recognised, in the modified retrospective approach, for the receivable or asset's expected remaining time to maturity. For other items covered by expected loan losses, an impairment model with three steps is applied. Initially,

and on every balance sheet date, a loss provision is recognised for the next 12 months, alternatively for a shorter period depending on the remaining time to maturity [step 1]. If there has been a material increase in credit risk since the initial recognition, resulting in a rating of less than investment grade, a loss provision is recognised for the asset's remaining time to maturity [step 2]. For assets where credit is deemed to have deteriorated, the provision for expected loan losses remains until the asset matures [step 3]. For assets and receivables where credit has deteriorated, an estimate of interest income is based on the asset's carrying amount, net of loss provisions, unlike on the gross amount in the preceding steps. The measurement of expected loan losses is based on various methods. Method for accounts receivable and contract assets is based on historical bad debt losses combined with forward-looking factors. Other assets are impaired according to a rating-based method using external credit ratings. Expected loan losses are measured for the product on the probability of default, loss assuming default and exposure in the event of default. For assets and receivables where credit has deteriorated, an individual assessment is made taking into account historical, current and forward-looking information. The measurement of expected loan losses takes into account any collateral and other credit enhancements in the form of guarantees. These financial assets are recognised in the balance sheet at amortised cost, meaning net of gross value and loss provisions.

Changes to loss provisions are recognised in profit or loss. The calculations undertaken of expected loan losses as of 31 December 2021 do not add up to any material amounts for the Group.

Provisions

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

Income tax

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

Current tax

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

Deferred tax

Deferred tax is calculated on the basis of the taxable and tax-deductible temporary differences between the carrying amount and taxable values of assets and liabilities. Deferred tax assets re-

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lating to loss carry-forwards have only been taken into account to the extent that it is probable that the loss carry-forwards can be deducted from the taxable profit in the future.

Leases

The Group rents various offices and vehicles. Leases are normally signed for fixed periods of between 2 and 10 years though with the option for an extension.

The leases contain no special conditions or restrictions except that the lessor retains the right to pledged leased assets. Leased assets may not be used as collateral for loans.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the present value of fixed payments and lease payments that will be paid for extension options that it is reasonably certain will be exercised.

Lease payments are discounted by the interest rate implicit in the lease. If this rate cannot be readily determined, which is normally the case for the Group's leases, the lessee's incremental borrowing rate is to be used, which is the rate that an individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value as a right-of-use asset in a similar economic environment with similar conditions and collateral.

The Group determines the incremental borrowing rate as follows:

- * wherever possible, recently obtained financing from an outside party is used as a starting point and then adjusted to reflect changes to financing conditions since the financing was received
- * adjustments are made for specific conditions in the contract, such as lease term, country, currency and collateral

The Group is exposed to any future increases in the variable lease payments that depend on an index or a rate that are not included in the lease liability until they come into effect. When adjustments of lease payments that depend on an index or a rate come into effect, the lease liability is remeasured and adjusted against the right-of-use asset.

Lease payments are divided into amortisation of the liability and interest. The interest is recognised in profit or loss over the lease term in a manner that yields a fixed interest rate for the liability recognised for each period.

Right-of-use assets are measured at cost comprising the following:

- * the amount of the initial measurement of lease liability
- * any lease payments made on or before the commencement date

Right-of-use assets are depreciated on a straight-line basis over the shorter of the useful life and the lease term.

Payments for short-term contracts and leases of low value pertaining to equipment and vehicles are expensed on a straight-line basis in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Extension and termination options are included in most office premise leases across the Group. These terms are used to maximise operational flexibility in terms of managing office premises used in the Group's operations. The extension and termination options held are normally exercisable only by the Group and not by the respective lessor. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). An assessment is made on an ongoing basis of rental contracts that are due to expire within the next 12 months and management evaluates the economic incentives for any extension. Normally, the Group can move to new office premises without substantial costs or disruption to operations. When it is considered reasonably certain that a lease will be extended, the lease is normally extended by one year.

Employee remuneration

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

Pensions

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

Redundancy pay

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

dancy offer given was to encourage the voluntary redundancy and accepted by the person who received the offer. Benefits that fall due for payment more than 12 months after the closing date are discounted to the current value, if they are material.

Bonus

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

Share-based remuneration

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

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

Government subsidies

Support received, primarily government subsidies for short-time working, is allocated and recognised for the period when the short-time working took place. The support is recognised in profit or loss as a reduction in the staff costs item.

Accounting policies of the Parent 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.

Changes to accounting policies

The changes in RFR 2 Accounting for Legal Entities, which came into force in the 2021 financial year, did not have any significant effect on the Parent Company's financial statements.

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

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

Group companies

Participations in Group companies are recognised at cost in the Parent Company's financial statements. Dividends are recognised as revenue insofar as they refer to profits generated after the acquisition. Dividends in excess of these profits are considered as repayment of investments and thereby reduce the carrying amount of participations in Group companies.

Financial guarantees

The Parent Company applies the exception rule in RFR 2 to avoid applying the rules in IAS 39 for financial guarantees concerning guarantee contracts for the benefit of Group and associated companies. In these cases, the rules in IAS 37 are applied, meaning that financial guarantee contracts must be recognised as a provision in the balance sheet when Semcon has a legal or informal commitment as a result of a previous event and it is likely that an outflow of resources will be required to settle the commitment. It must also be possible to reliably estimate the value of the commitment.

Leases

The Parent Company does not recognise operating leases as right-of-use assets and a corresponding liability. Lease payments will be recognised as an expense on a straight-line basis over the lease term.

Tax

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

Group contributions

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

NOTE 4

Financial risks

Financing risks

Financing risks are risks associated with financing the Group's capital requirements and refinancing of outstanding loans being made more difficult or more expensive. Credit agreements consist of an overdraft facility of SEK 150 million and a revolving credit facility of SEK 100 million, which falls due in October 2022. The revolving credit facility is conditional on the customary covenants being fulfilled in the form of interest coverage ratio and net borrowings [excluding lease liabilities attributable to operating leases and pensions] in relation to the operating profit/loss before depreciation/amortisation. All loan conditions were met with ample headroom as of 31 December.

Interest rate risks

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

Liquidity risks

Liquidity risks are the risks associated with not having access to cash and cash equivalents or unutilised credit facilities to fulfil payment commitments. At year-end, the Group's cash and cash equivalents amounted to SEK 254 million [199]. In addition, the Group has a unutilised overdraft facility of SEK 250 million [250]. Liquidity in the Group will be placed in cash pools. Cash pools enable Semcon to carry out centralised liquidity management at national levels. These cash pools match the excess and shortfalls in the local subsidiaries for the respective countries and currencies.

Maturity analysis for contracted payment commitments

Group, mSEK	Up to 3 months	3-12 months	Over 12 months
Accounts payable	65.5	-	-
Lease liabilities	8.4	25.2	57.5
Contingent considerations	14.6	1.5	24.1

Currency risks

Semcon's accounting is conducted in SEK, but the Group has operations in a number of countries around the world. This means that the Group is exposed to currency risks. The majority of the exchange rate differences comprises translation differences that arise when foreign companies' income statements are translated to SEK. Currency exposure relates, for example, to GBP. A change in GBP against the SEK of +/- 10 per cent would affect

profit before tax by about SEK 2 million and profit after tax and shareholders' equity by about SEK 1 million.

Transaction exposure

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

Translation exposure (net investments)

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

Translation exposure (income statement)

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

Credit risks*Customer credit risk*

Financial assets mainly consist of accounts receivable and accrued non-invoiced revenue. The creditworthiness of these items that have neither fallen due for payment nor require impairment have been assessed according to external credit ratings (if available) or on the basis of the customer's payment history. All new customers are checked with respect to their creditworthiness, and existing customers are continuously monitored. The Group's accounts receivable largely consist of receivables from large international companies whose financial position is considered solid. For certain customers, a separate bad debt insurance policy has been signed under which the excess component is 10 per cent. Of the Group's total accounts receivable, the majority relates to accounts receivable not due for payment. The vast majority of the due and non-reserved accounts receivable have a very short maturity date. The joint credit risk is considered small. The maximum credit exposure corresponds to the assets' carrying amount. The maturity structure of accounts receivable is presented in Note 18 on page 84.

Cash and cash equivalents

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

Capital risk management

The Group's aim regarding its capital structure is to safeguard the Group's ability to continue its business, so that it can continue to generate dividends for shareholders and value for other stakeholders, and maintain an optimal capital structure to keep capital costs down. One of Semcon's financial objectives is based on the premise of a strong balance sheet and financial flexibility, the net debt/EBITDA ratio should not exceed approximately 1.5x. At the end of 2021, the Group had no net debt but net cash of SEK 214 million [199]. To maintain or adjust the capital structure, the Group can change the dividend paid to shareholders, buy back shares, repay capital to shareholders, issue new shares, or sell assets to reduce liabilities. Borrowing is restricted by financial covenants in the loan agreements with banks, which is described in more detail in the section on financing risks.

Estimating the fair value

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

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

The fair value of currency forward agreements is set by using currency forward rates on the balance sheet date, where the resulting value is discounted to the present value. The Group had no currency forward agreements outstanding on the balance sheet date.

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

NOTE 5

Critical estimations and assessments

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

Impairment testing of goodwill

Every year, the Group tests goodwill for impairment in accordance with the accounting policy presented in Note 3 on page 68. The test requires estimating the parameters that affect the future cash flow

and establishing a discount rate. The recoverable amount of the cash-generating units has thereafter been set using an estimate of the value in use. An account of the significant assumptions made is presented in Note 14 on page 81.

Recognition of income

The Group's revenue recognition is associated with important estimations and assessments pertaining to when the revenue is recognised over time. Revenue recognition from projects in progress is based on estimates of the results of projects in progress. It cannot be excluded that the outcome of projects in progress may differ from previously made assessments in terms of the total contract costs.

Contingent considerations

Contingent considerations in conjunction with an acquisition are often dependent on future financial performance linked to the acquired operations. The actual outcome may differ from these assumptions, which means previously reported contingent considerations are amended.

NOTE 6

Segment reporting and distribution of income

The Group's two business areas, Engineering & Digital Services and Product Information, made up the Group's reportable operating segments in 2021. Engineering & Digital Services provides engineering services aimed at the energy, automotive/mobility, telecom and life science sectors. Product Information provides complete information

solutions, mainly focusing on customers' after-sales business. These two segments are the highest level at which management and the Board carries out follow-ups. The chief operating decision maker in the Group is the CEO, who runs the operation together with the other members of Group management. Engineering & Digital Services generates income

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mainly from engineering services for designing, developing products and production, while Product Information mainly generates its income by developing product information for entire product life cycles. Information concerning income divided between services is not provided as this does not form part of the financial reporting, and the cost of producing the information is not justifiable.

The segments' accounting policies adhere to the same policies as those applied in the preparation of the consolidated financial statements, which are presented in Note 3 on page 66.

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

The Group management follow up the segments' earnings based on the operating profit. Financial

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

The effect of IFRS 16 Leases is applied at Group level and is not allocated to the different segments.

	Engineering & Digital Services		Product Information		Non-allocated items		Group total	
mSEK	2021	2020	2021	2020	2021	2020	2021	2020
Income	1,088.5	1,051.7	628.0	578.5	-5.2	-3.2	1,711.3	1,627.0
Operating loss	111.3	55.9	96.2	88.8	-32.4	-14.7	175.1	130.0
Net financial items	-	-	-	-	-4.3	-5.2	-4.3	-5.2
Profit/loss before tax	111.3	55.9	96.2	88.8	-36.7	-19.9	170.8	124.8
Other disclosures								
Operating assets	603.5	479.1	353.4	323.0	-	-	956.9	802.1
Non-allocated assets	-	-	-	-	398.3	362.0	398.3	362.0
Total assets	603.5	479.1	353.4	323.0	398.3	362.0	1,355.2	1,164.1
Operational liabilities	169.3	144.8	81.6	76.4	-	-	250.9	221.2
Non-allocated liabilities	-	-	-	-	307.8	245.1	307.8	245.1
Consolidated liabilities	169.3	144.8	81.6	76.4	307.8	245.1	558.7	466.3
Shareholders' equity	-	-	-	-	796.5	697.8	796.5	697.8
Total shareholders' equity and liabilities	169.3	144.8	81.6	76.4	1,104.3	942.9	1,355.2	1,164.1
Investments	3.0	2.2	3.0	3.1	1.2	1.5	7.2	6.8
Depreciation/amortisation	2.9	3.1	4.6	4.3	39.2	44.1	46.7	51.5

	Sales according to customers' geographic location		Fixed assets		Investments	
Geographic location	2021	2020	2021	2020	2021	2020
Sweden	1,249.4	1,155.2	514.0	427.3	1.4	2.1
Norway	133.1	119.8	15.9	22.6	2.1	1.2
Brazil	82.9	72.8	3.8	4.3	0.7	0.3
UK	81.6	105.9	34.1	19.3	1.3	0.7
Other	164.3	173.3	52.0	51.1	1.7	2.5
Total	1,711.3	1,627.0	619.8	524.6	7.2	6.8

The Group has a single customer that accounted for income of more than 10 per cent of consolidated sales. Income from the largest customer amounted to SEK 190.0 million [151.0], which is equivalent to 11.1 per cent [9.3] of sales.

Distribution of income

Semcon primarily provides services over a certain period of time, and revenue is recognised in accordance with the percentage of completion method for each assignment.

mSEK	Engineering & Digital Services		Product Information		Group	
	2021	2020	2021	2020	2021	2020
Distribution by country						
Sweden	851.0	803.6	398.4	351.6	1,249.4	1,155.2
Norway	132.1	119.3	1.0	0.5	133.1	119.8
UK	15.3	32.3	66.3	73.6	81.6	105.9
Brazil	82.9	72.8	–	–	82.9	72.8
Germany	3.0	2.4	60.2	59.3	63.2	61.7
Other	4.2	21.3	102.1	93.5	106.3	114.8
Eliminations	–	–	–	–	-5.2	-3.2
Total	1,088.5	1,051.7	628.0	578.5	1,711.3	1,627.0
mSEK	2021	2020	2021	2020	2021	2020
	2021	2020	2021	2020	2021	2020
Distribution by industry						
Automotive/mobility	372.8	404.9	165.2	158.6	538.0	563.5
Industry	295.6	319.2	218.6	198.5	514.2	517.7
Life science	200.4	163.9	18.0	13.7	218.4	177.6
Telecom	17.2	9.9	151.2	140.5	168.4	150.4
Energy	109.6	105.2	13.7	14.9	123.3	120.1
Other	92.9	48.6	61.3	52.3	154.2	100.9
Eliminations	–	–	–	–	-5.2	-3.2
Total	1,088.5	1,051.7	628.0	578.5	1,711.3	1,627.0

NOTE 7**Income****Contract balances**

The Group's contract balances comprise accounts receivable, contract assets [Accrued non-invoiced income] and contract liabilities [Invoiced non-accrued income], see Note 18 and Note 19 on page 84.

The Group's accounts receivable normally fall due for payment in 30 to 60 days. Contract assets, meaning the Group's accrued non-invoiced income arises when the Group has carried out services for a customer that has not yet been invoiced. These assets are reclassified to accounts receivable when the invoice is drawn up. Contract liabilities pertain to the Group's deferred income, meaning receivables that customers have paid in advance for services not yet delivered to the customer and control of the service has therefore not been transferred.

The Group's contract liabilities at the end of the financial year are normally recognised as revenue in the following financial year.

Performance obligations

The Group's sales concerning service assignments are conducted against invoices, normally with payment terms of 30 to 60 days. The Group's performance obligations are included in agreements that normally have an original anticipated duration of no more than one year. The Group's outstanding performance obligation on the balance sheet date pertains to contracted services that have not been carried out. See also Note 3 Accounting policies on page 67.

NOTE 8

Remuneration to auditors

mSEK	Group		Parent Company	
	2021	2020	2021	2020
Ernst & Young				
Auditing assignment	1.3	1.3	0.4	0.4
Services in addition to auditing assignment	-	-	-	-
Tax consultancy	-	-	-	-
Other services	0.1	0.1	-	-
Total	1.4	1.4	0.4	0.4
Other auditors				
Auditing assignment	0.1	-	-	-
Total	0.1	-	-	-

NOTE 9

Employees

Group	2021		2020	
	Average number of employees	Of whom women, %	Average number of employees	Of whom women, %
Sweden	1,053	31	995	34
Brazil	365	22	309	25
Hungary	219	42	215	41
India	-	-	160	12
UK	139	23	116	18
Germany	74	29	73	34
Norway	91	15	74	13
China	54	67	57	67
Group total	1,995	30	1,999	31
Parent Company				
Sweden	11	32	11	28
Parent Company total	11	32	11	28

mSEK	2021			2020		
	Salaries and other remuneration	Social security expenses	Of which pension costs	Salaries and other remuneration	Social security expenses	Of which pension costs
Salaries, remuneration and social security expenses						
Parent Company	23.2	17.4	6.1	18.9	12.3	4.5
Subsidiaries	737.2	269.0	66.3	793.6	267.6	65.0
Group total	760.4	286.4	72.4	812.5	279.9	69.5

mSEK	2021			2020		
	Salaries and other remuneration	Of which bonuses	Pension costs	Salaries and other remuneration	Of which bonuses	Pension costs
Of which remuneration to senior executives						
CEO of the Parent Company	6.6	2.8	2.3	3.3	-	1.1
CEOs of subsidiaries	5.9	0.4	0.5	6.0	0.2	0.7
Board	1.8	-	-	1.7	-	-
Other senior executives	11.4	4.3	3.6	9.6	0.7	2.6

Remuneration to the CEO. According to the terms of the CEO's employment contract, the period of notice is 12 months if termination of employment is initiated by Semcon. If the CEO resigns, the period of notice is six months. If notice is given by Semcon, six months of salary may be paid according to which remuneration from other employment is to be deducted. A bonus may be paid in accordance with the rules established by the Board, which has been set at a maximum of nine times the fixed monthly salary. The CEO is entitled to a retirement benefit in the form of a pension scheme. The monthly premium for this pension scheme is 35 per cent of the fixed monthly salary. Remuneration to the CEOs of subsidiaries does not include remuneration to CEOs who are members of the group "other senior executives." Benefits concerning company cars and healthcare benefits amounted to TSEK 99 [89] for the CEO. Furthermore, costs for share-based remuneration impacted profit for the year in the amount of TSEK 622 [442] relating to the CEO.

Board of Directors. Of the fees to the Board of Directors in 2021, the Chair of the Board received TSEK 625 [625]. Other Board members elected by the Annual General Meeting each received TSEK 290 [290]. Board fees totalled TSEK 1,785 [1,667].

Other senior executives. Other senior executives, four individuals [five], refers to Semcon's Group management [not including the company's CEO]. Other senior executives are entitled to bonuses based on how well they meet their respective business targets. The upper limit for bonuses has been set at 4.5-9 times the fixed monthly salary. The period of notice given to other senior executives is a maximum of 12 months. In addition, an executive may receive redundancy pay equivalent to six months of salary according to which remuneration from other employment is to be deducted. The pension agreements for senior executives are paid in accordance with the ITP plan, except for one executive whose monthly premium is 35 per cent of salary. Benefits concerning company cars and healthcare benefits amounted to TSEK 351 [479] for senior executives. Furthermore, costs for share-based remuneration impacted profit for the year in the amount of TSEK 943 [569] relating to senior executives.

Gender balance among senior executives. Two of Semcon's five Board members elected by the Annual General Meeting are women. In 2021, Group management consisted of five individuals, of whom one is a woman.

Pension obligations. Commitments for defined benefit old-age pensions and family pensions [alternative family pension] under the ITP 2 plan for salaried employees in Sweden are covered through insurance with Alecta. According to a statement from the Swedish Financial Reporting Board [UFR 10 Recognition of ITP 2 pension plan] that is financed through insurance with Alecta, this is a multi-employer defined benefit plan. For the 2021 financial year, the company has not had access to the requisite information to allow reporting of its proportional share of the plan's obligations, plan assets and costs, which means that it was not possible to report the plan as a defined-benefit plan. Accordingly, the ITP 2 pension plan that is secured through insurance with Alecta is recognised as a defined contribution plan. Expenses during the year for ITP 2 pension insurance policies signed with Alecta amounted to SEK 18.5 million [18.4]. Premiums for the defined benefit old-age pensions and family pensions are calculated on an individual basis and are influenced by items including salary, previously earned pension entitlements and remaining period of service. The collective consolidation level is the market value of Alecta's assets as a percentage of the insurance commitment calculated according to Alecta's actuarial methods and assumptions, which do not comply with IAS 19. The collective consolidation level is usually permitted to vary between 125 and 155 per cent. If Alecta's collective consolidation level falls below 125 per cent or exceeds 155 per cent, then measures must be taken to create the conditions for the consolidation level to return to normal. One possible measure with a low consolidation level is to raise the contractual price for new subscriptions and expansion of existing benefits. One possible measure with a high consolidation level is to lower premiums. At year-end 2021, Alecta's preliminary surplus in the form of the collective consolidation level was 172 per cent [148].

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Share-based remuneration. Semcon has two long-term performance-based share savings schemes for senior executives and key employees in the Semcon Group ["Performance-based share savings scheme 2018" and "Performance-based share savings scheme 2021"]. To be able to take part in the schemes, participants must invest in shares. Employees who participate in the schemes can save an amount equivalent to 10 per cent of their fixed gross salary to purchase ordinary shares on Nasdaq Stockholm over a 12-month period from the date the schemes were implemented. If the shares purchased by the employee are retained for three years from the date of the investment and the individual was employed within the Semcon Group throughout the three-year period, then the employee will receive the same amount of ordinary shares ["matching shares"] from the Semcon Group and, as long as performance requirements have been met, then a further two to four performance shares will be issued. 57 per cent of the performance conditions were met for the share savings scheme 2018. The conditions for the performance matching in respect of the share savings scheme 2021 are based on average annual sales growth and EBITA margin between 2021-2023 as well as relative total return on the company's share compared with a reference group for 2021-2023. Refer to the table below for more information about the respective schemes.

Group mSEK

Performance-based share savings scheme for the year	2021	2018
Target for sales growth, %	7.5-15	-
Target for EBITA margin, %	8-12	-
Target for average increase in earnings per share, %	-	5-20
Number of participants on the balance sheet date	14	16
Allocation of matching shares, number	1	1
Allocation of performance shares, number	2-4	2-4
Maximum number of matching shares	23,291	23,425
Maximum number of performance shares	76,709	46,447
Maximum number of shares in total	100,000	69,692
Maximum dilution of earnings per share, %	0.55	0.35
Expensed amount during the year, mSEK	0.5	1.9
Savings period	July 2021-June 2022	July 2018-June 2019
End date	June 2025	June 2022

NOTE 10

Interest income and similar items

Group mSEK	2021	2020
Interest income	1.1	0.9
Exchange rate differences	1.0	0.6
Total	2.1	1.5
Parent Company mSEK	2021	2020
Interest income	0.2	2.3
Dividend received	21.0	42.0
Exchange rate differences	0.6	-
Total	21.8	44.3

NOTE 11

Interest expenses and similar items

Group mSEK	2021	2020
Interest expenses	-4.2	-5.3
Interest expenses, other	-1.6	-0.8
Other financial expenses	-0.6	-0.6
Total	-6.4	-6.7

Parent Company mSEK	2021	2020
Interest expenses	-0.2	-0.5
Exchange rate differences	-	-1.5
Other financial expenses	-0.6	-0.6
Total	-0.8	-2.6

NOTE 12

Tax

Group mSEK	2021	2020
Current tax	38.9	18.7
Tax concerning previous tax years	0.7	0.5
Deferred tax expense attributable to temporary differences	3.5	6.7
Deferred tax income attributable to temporary differences	-4.4	-0.8
Effects of changes to tax rate	-0.7	-0.1
Total	38.0	25.0

Parent Company mSEK	2021	2020
Current tax	-12.3	-
Deferred tax income attributable to temporary differences	-0.9	-0.5
Total	-13.2	-0.5

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

Recognised profit before tax	170.8	124.8
Tax according to current tax rate in Sweden, 20.6% [21.4]	35.2	26.7

Tax effect of:

Non-deductible expenses	4.6	1.9
Non-taxable income	-0.7	-0.8
Adjustments for previous tax years	1.3	0.5
Effects of other tax rates abroad	0.1	0.7
Effects of loss carry-forwards	-1.5	-3.0
Effects of changes to tax rate	-	-0.1
Other	-1.0	-0.9

Tax for the year	38.0	25.0
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Differences between the Parent Company's recognised tax and tax expense based on current tax rate

Recognised profit before tax	81.5	36.0
Tax according to current tax rate in Sweden, 20.6% [21.4]	16.8	7.7

Tax effect of:

Non-deductible expenses	1.0	0.9
Non-taxable income	-5.0	-9.4
Effects of loss carry-forwards	-	0.7
Adjustments for previous tax years	0.4	0.6

Tax for the year	13.2	0.5
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Temporary differences arise in the event of differences between the carrying amounts and taxable values of assets and liabilities.

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

	2021	2020
Deferred tax assets		
Loss carry-forwards	2.0	2.9
Temporary differences for pension obligations	2.7	3.0
Other	1.5	1.5
Netting against deferred tax liabilities	-3.1	-4.2
Total	3.1	3.2
Deferred tax liabilities		
Untaxed reserves	27.1	21.1
Temporary differences for accrued non-invoiced income	19.1	24.5
Goodwill	1.7	6.1
Other	4.8	3.5
Netting against deferred tax assets	-3.1	-4.2
Total	49.6	51.0

The taxable loss carry-forwards are SEK 15.3 million [30.1]. Of this, SEK 3.9 million [14.3] falls due within five years and for the remaining SEK 14.1 million [15.8] there is no maturity date. For SEK 6.2 million [16.5] of the taxable loss carry-forwards, no deferred tax asset has been recognised due to uncertainty as to when sufficient taxable profit will be recognised in the future. A deferred tax asset relating to loss carry-forwards was recognised in the amount of SEK 2.0 million [2.9] as it is judged likely that taxable profit will be available in the future, against which this loss carry-forward can be offset.

NOTE 13

Earnings per share

Group	2021		2020	
	Before dilution	After dilution	Before dilution	After dilution
Profit attributable to Parent Company's shareholders, mSEK	132.8	132.8	99.8	99.8
Weighted average number of shares during the year, [000]	17,474	17,551	17,362	17,522
Earnings per share, SEK	7.60	7.57	5.75	5.70

Before dilution

Earnings per share before dilution are calculated by dividing profit/loss attributable to the Parent Company's shareholders by a weighted average number of outstanding ordinary shares during the period excluding shares held as own shares by the Parent Company, see Note 21 on page 85.

After dilution

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

NOTE 14

Intangible assets

Group mSEK	2021	2020
Goodwill		
Opening cost	459.2	409.0
Acquisitions	129.6	51.8
Translation differences for the year	0.8	-1.6
Closing accumulated cost	589.6	459.2
Opening impairment	-91.9	-91.9
Closing accumulated impairment	-91.9	-91.9
Closing carrying amount	497.7	367.3
Specification of goodwill		
Goodwill is distributed across the Group's business areas as follows:		
Engineering & Digital Services	374.6	262.3
Product Information	123.1	105.0
Closing carrying amount	497.7	367.3

Testing for goodwill impairment is carried out annually and when there are indications that an impairment requirement exists. Recoverable amounts for each business area (cash-generating units) have been set according to management's calculated value in use. These calculations are based on the forecast future cash flows for 2022. The forecast cash flows are based on the current year's results, order intake and management's expectations regarding market development in 2022. For 2023-2026, an assumption has been made that income will rise by 3 per cent annually, while a long-term growth rate of 2 per cent was used for the subsequent period. Sensitivity analyses have been carried out and if the assumed growth or operating margin deteriorates by 1 percentage point, there will be no need for impairment.

Cash flows have been discounted using a weighted cost of capital after tax equivalent to 8 per cent [8]. This is calculated using the Group's targeted capital structure, current risk-free long-term interest rate and a risk premium for shareholders' equity of 5 per cent and a margin for borrowed capital of 1 per cent. If the discount rate were to increase by 1 per cent to 9 per cent, the value in use would still be higher than the carrying amount.

Further assumptions used when calculating value in use for 2021:

Exchange rates and share of income	Exchange rates	Share of income per currency	
		Engineering & Digital Services	Product Information
SEK	1.00	81%	57%
NOK	1.00	11%	-
BRL	1.60	7%	-
GBP	12.00	1%	17%
EUR	10.25	-	19%
Other		-	7%
		100%	100%
Average tax rates		22%	20%

The estimated value in use for 2021 exceeded the carrying amounts by a good margin. The same long-term growth rate was used for estimating value in use for 2020. The rates used for 2020 were 22 per cent for Engineering & Digital Services and 20 per cent for Product Information. The exchange rates used in 2020 were EUR 10.25, GBP 11.50, BRL 1.65 and NOK 0.97.

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Group mSEK	2021	2020
Other intangible assets		
Opening cost	66.9	70.5
Investments	0.2	1.1
Acquisitions	1.5	-
Divestment of subsidiaries	-	-2.3
Sales/disposals	-1.6	-0.3
Translation differences for the year	0.2	-2.1
Closing accumulated cost	67.2	66.9
Opening amortisation	-58.9	-60.3
Acquisitions	-1.4	-
Divestment of subsidiaries	-	2.3
Sales/disposals	1.6	0.3
Amortisation for the year	-3.2	-3.3
Translation differences for the year	-0.3	2.1
Closing accumulated amortisation	-62.2	-58.9
Closing carrying amount	5.0	8.0

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

NOTE 15

Tangible assets

Group mSEK	2021	2020
Plant and machinery		
Opening cost	41.5	45.7
Investments	2.0	0.7
Divestment of subsidiaries	-	-0.3
Sales/disposals	-4.6	-1.5
Reclassification	-0.5	-
Translation differences for the year	2.1	-3.1
Closing accumulated cost	40.5	41.5
Opening amortisation	-25.6	-25.1
Divestment of subsidiaries	-	0.3
Sales/disposals	4.6	1.3
Amortisation for the year	-3.8	-3.8
Reclassification	0.5	-
Translation differences for the year	-1.1	1.7
Closing accumulated amortisation	-25.4	-25.6
Closing carrying amount	15.1	15.9
Inventory, computers and equipment		
Opening cost	55.5	60.6
Investments	5.0	5.0
Acquisitions	1.5	0.2
Divestment of subsidiaries	-	-3.5
Sales/disposals	-10.8	-2.7
Reclassification	-0.1	-
Translation differences for the year	1.0	-4.1
Closing accumulated cost	52.1	55.5

Group mSEK	2021	2020
Opening amortisation	-47.8	-51.1
Acquisitions	-0.9	-0.2
Divestment of subsidiaries	-	2.8
Sales/disposals	10.6	2.8
Amortisation for the year	-5.6	-5.3
Reclassification	0.1	-
Translation differences for the year	-0.7	3.2
Closing accumulated amortisation	-44.3	-47.8
Closing carrying amount	7.8	7.7

NOTE 16

Shares in Group companies

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

The accumulated cost of shares in Group companies amounts to SEK 345.0 million. A statutory specification of co.id.no. and registered office of all Group companies in the Group can be obtained from Semcon's head office.

NOTE 17

Shares in associated companies

Shares in Yeti Snow Technology AS were divested during the year.

mSEK	2021	2020
Shares in associated companies		
Opening carrying amount	7.0	2.4
New issue	-	11.3
Share in profits, net	4.2	-6.7
Divested share	-11.5	-
Translation differences	0.3	-
Closing carrying amount	-	7.0

NOTE 18

Accounts receivable

Group mSEK	2021			2020		
	Gross	Reserve	Carrying amount	Gross	Reserve	Carrying amount
Accounts receivable, not due for payment	295.6	–	295.6	262.6	-0.2	262.4
Due for payment, 1–30 days	14.8	–	14.8	8.5	-0.4	8.1
Due for payment, 31–60 days	3.0	–	3.0	2.9	-0.3	2.6
Due for payment, over 60 days	3.2	-3.2	–	4.5	-3.7	0.8
Total	316.6	-3.2	313.4	278.5	-4.6	273.9

Group mSEK	2021	2020
Change in provisions for expected loan losses		
At the start of the year	-4.6	-1.6
Provision for expected losses	-4.4	-4.4
Confirmed losses	3.1	–
Actual payment of reserved receivables	2.7	1.4
At year-end	-3.2	-4.6

NOTE 19

Accrued non-invoiced income and invoiced non-accrued income

Accrued non-invoiced income is recognised in the consolidated accounts by project at the net value of the invoice in line with the percentage of completion minus invoiced sub-amounts and deductions for possible losses. In 2021, accrued non-invoiced income totalled a net amount of SEK 105.2 million [99.9].

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

Group mSEK	2021	2020
Accrued non-invoiced income		
Income/contract costs	170.3	241.3
Progress billings	-46.8	-117.2
Total	123.5	124.1
Invoiced non-accrued income		
Income/contract costs	86.2	67.8
Progress billings	-104.5	-92.0
Total	-18.3	-24.2

NOTE 20

Prepaid expenses

Group mSEK	2021	2020
Prepaid licenses	3.8	2.7
Other items	28.8	18.4
Total	32.6	21.1

NOTE 21

Share capital

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

The Parent Company's holding of own shares on 31 December was 572,585 [730,658].

NOTE 22

Accrued expenses

Group mSEK	2021	2020
Staff-related costs	144.4	124.2
Other items	40.9	41.2
Total	185.3	165.4

Parent Company mSEK	2021	2020
Staff-related costs	13.2	7.6
Other items	2.8	2.7
Total	16.0	10.3

NOTE 23

Contingent liabilities

Parent Company mSEK	2021	2020
Guarantees provided	2.1	2.1
Total	2.1	2.1

NOTE 24

Transactions with related parties

Group

The JCE Group is Semcon AB's largest shareholder with a shareholding of 25.9 per cent [31 December 2021]. Sales amounting to SEK 1.8 million [0.1] were received from companies in the JCE Group and no purchases took place.

Parent Company

The Parent Company's sales to Group companies amounted to SEK 33.9 million [37.4] and purchases amounted to SEK 0.3 million [-].

In 2021, in addition to regular Board fees, consultancy fees of SEK 75,000 were also paid to the Chair of the Board Eva Elmstedt.

For remuneration to senior executives, see Note 9 on page 77.

NOTE 25

Leases

Right-of-use assets properties

Group mSEK	2021	2020
Cost		
Opening cost	195.1	189.1
New right-of-use assets	9.7	6.0
Closing cost	204.8	195.1
Accumulated depreciation		
Opening depreciation	-79.6	-40.5
Depreciation for the year	-34.1	-39.1
Closing accumulated depreciation	-113.7	-79.6
Closing carrying amount	91.1	115.5

Group mSEK	2021	2020
Lease liabilities		
Non-current	57.5	82.8
Current	33.6	31.8
Closing carrying amount	91.1	114.6

Amounts recognised in profit or loss

Group mSEK	2021	2020
Depreciation of right-of-use assets	-34.1	-39.1
Interest expenses on lease liabilities	-4.2	-5.3
Expenses attributable to short-term leases and low-value leases	-4.5	-4.8

At 31 December 2021, the Group had obligations related to short-term leases and low-value leases that fall due within one year of SEK 4.9 million [7.7] and between one and five years of SEK 3.8 million [5.1].

A weighted average incremental borrowing rate of 3.8 per cent [4.1] was used when calculating the lease liability.

NOTE 26

Acquisitions

Squeed

In May, Semcon acquired 100 per cent of the shares in Squeed AB, incl. subsidiaries, with its registered office in Göteborg, Sweden. Squeed has a strong position in software development and agile change management which complements Semcon's digital offering, adds new sectors and broadens the Group's customer portfolio. The company has about 90 employees and sales of SEK 108 million in 2021. The purchase price for 100 per cent of the shares, on a cash and debt-free basis and before adjustment for normalised working capital, initially amounted to SEK 61 million, of which SEK 56 million was paid in cash and SEK 5 million was paid in the form of 42,585 shares in Semcon. In addition, earn-outs may amount to a maximum of SEK 39 million if the operating profit exceeds certain benchmark levels during 2021-2023. The cash portion was financed using available funds in Semcon while the share portion was met using existing holdings of own shares. The purchase price, including earn-outs, was measured at fair value at the date of transfer.

Tedsys

In October, Semcon acquired the Swedish IT company Tedsys AB, which will strengthen the Group's digital offering in southern Sweden with its expertise in system development. The company has about 50 employees and sales of SEK 52 million in 2021.

Walkgrove

On 31 December, the UK company Walkgrove Ltd was acquired, and is now expanding Semcon's leading offering in digital learning in a new geographic market. The company has about 20 employees and sales of GBP 1.4 million in 2021.

Contribution by acquisitions to Semcon

The acquisitions' net sales in 2021 amounted to SEK 177 million and operating profit to SEK 22 million. For the holding period, net sales amounted to SEK 85 million and operating profit to SEK 10 million. External acquisition-related costs are recognised in operating profit and total SEK 2 million.

Acquired net assets on the date of acquisition

mSEK

Fixed assets	0.9
Financial assets	0.2
Current assets	40.8
Cash and cash equivalents	30.8
Deferred tax liabilities	-0.7
Current liabilities	-34.2
Net assets and liabilities	37.8
Intangible assets, goodwill	129.1
Contingent considerations	-39.4
Consideration, own shares	-9.0
Total purchase price	118.5
Less cash and cash equivalents in acquired companies	-30.7
Impact on consolidated cash and cash equivalents	87.8

The analysis of the acquisitions found that the purchase prices were larger than the carrying amount of net assets, and therefore gave rise to goodwill. In the acquisition of a consultancy firm, the main item acquired consists of human capital in the form of employee expertise, which is why the acquired companies' intangible assets have been assigned to goodwill.

NOTE 27**Events after the balance sheet date**

No significant events occurred after the end of the year.

88 FINANCIAL STATEMENTS

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

Göteborg, 9 March 2022

Markus Granlund
CEO

Eva Elmstedt
Chair of the Board

Carl Backman
Board member

Carsten Browall
Board member

Jeanette Reuterskiöld
Board member

Karl Thedéen
Board member

Maria Svedinger Andersson
Employee representative

Lars-Ove Jansson
Employee representative

Mats Sällberg
Employee representative

Our audit report was issued on 11 March 2022
Ernst & Young AB

Andreas Mast
Authorised Public Accountant



AUDITOR'S REPORT.

To the general meeting of the shareholders of Semcon AB, corporate identity number 556539-9549

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Semcon AB [publ] for the financial year 2021. The annual accounts and consolidated accounts of the company are included on pages 48-88 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2021 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2021 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards [IFRS], as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

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

Basis for Opinions

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

We believe that the audit evidence we have ob-

tained is sufficient and appropriate to provide a basis for our opinions.

Key Audit Matters

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

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

Valuation of goodwill

Description

Goodwill amounts to MSEK 497,7 for the year ended December 31, 2021, equal to 37 percent of total assets for the company. The company prepares an impairment test yearly and if any indication of impairment, that the book value not exceeds the fair value. Fair value amount is calculated for each cash generating unit based on discounted future cash flows. Future cash flows are based on budget for 2022 and a growth rate of 3 % annually for the years 2023-2026 and a long-term growth rate of 2 percent for the subsequent period. The calculations also include also a number of assumptions as result, growth rate, capital expenditures and discount rate.

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

How our audit addressed this key audit matter

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

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

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

Accounting for and valuation of ongoing projects

Description

Total revenues for the year 2021 amounts to MSEK 1711 and the revenue is generated from the company's projects that are run at current account or fixed prices. Revenue from projects on current accounts is recognized in line with work being carried out and revenue from fixed-price projects is recognized in accordance with the percentage of completion method. The percentage of completion is assessed on the basis of costs incurred for work performed in relation to the projects estimated total costs.

Accrued non-invoiced income and invoiced non-accrued income amounts to MSEK 123,5 and MSEK 18,3 for the year ended December 31, 2021.

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

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

For further information, refer to the company's accounting principle for revenues and projects on page 67, note 5 "Critical estimations and assessments" on page 75, note 7 "Revenue" on page 65 and note 19 "Accrued non-invoiced income and invoiced non-accrued income" on page 84.

How our audit addressed this key audit matter

In our audit, we have reviewed and assessed Semcon's procedures for contract management and project accounting to ensure that the procedures are consistently applied and that the follow-up of projects is performed continuously.

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

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

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

We have also audited the appropriateness of the related disclosures.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-47 and 93-127. The remuneration report for the financial year 2021 is also part of other information. The Board of Directors and the Managing Director are responsible for this other information.

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

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

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on

the basis of these annual accounts and consolidated accounts.

A further description of our responsibilities for the audit of the annual accounts and the consolidated accounts is located at the Swedish Inspectorate of Auditors website. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

Report on the audit of the administration and the proposed appropriations of the company's profit or loss

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Semcon AB [publ] for the financial year 2021 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for opinions

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

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

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall

manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

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

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

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

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

A further description of our responsibilities for the audit of the administration is located at the Swedish Inspectorate of Auditors website. This description forms part of our auditor's report.

The auditor's examination of the ESEF report

Opinion

In addition to our audit of the annual accounts and consolidated accounts, we have also examined that the Board of Directors and the Managing Director have prepared the annual accounts and consolidated accounts in a format that enables uniform electronic reporting [the Esef report] pursuant to Chapter 16, Section 4[a] of the Swedish Securities Market Act [2007:528] for Semcon AB for the financial year 2021.

Our examination and our opinion relate only to the statutory requirements.

In our opinion, the ESEF report #[91752e649efaa5bf80917c7454ae0a4b96936c5de-c4149ee09c9a7548d3f8108] has been prepared in a format that, in all material respects, enables uniform electronic reporting.

Basis for opinion

We have performed the examination in accordance with FAR's recommendation RevR 18 Examination of

the ESEF report. Our responsibility under this recommendation is described in more detail in the Auditors' responsibility section. We are independent of Semcon AB in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the Esef report in accordance with Chapter 16, Section 4(a) of the Swedish Securities Market Act [2007:528], and for such internal control that the Board of Directors and the Managing Director determine is necessary to prepare the Esef report without material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to obtain reasonable assurance whether the Esef report is in all material respects prepared in a format that meets the requirements of Chapter 16, Section 4(a) of the Swedish Securities Market Act [2007:528], based on the procedures performed.

RevR 18 requires us to plan and execute procedures to achieve reasonable assurance that the Esef report is prepared in a format that meets these requirements.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an engagement carried out according to RevR 18 and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Esef report.

The audit firm applies ISQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with professional ethical requirements, professional standards and legal and regulatory requirements.

The examination involves obtaining evidence, through various procedures, that the Esef report has been prepared in a format that enables uniform electronic reporting of the annual and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the report, whether due to fraud or error. In carrying out this risk assessment, and in order to design audit procedures that are appropriate in the circumstances, the auditor considers those elements of internal control that are relevant to the preparation

of the Esef report by the Board of Directors and the Managing Director, but not for the purpose of expressing an opinion on the effectiveness of those internal controls. The examination also includes an evaluation of the appropriateness and reasonableness of assumptions made by the Board of Directors and the Managing Director.

The procedures mainly include a technical validation of the Esef report, i.e. if the file containing the Esef report meets the technical specification set out in the Commission's Delegated Regulation [EU] 2019/815 and a reconciliation of the Esef report with the audited annual accounts and consolidated accounts.

Furthermore, the procedures also include an assessment of whether the Esef report has been marked with iXBRL which enables a fair and complete machine-readable version of the consolidated statement of financial performance, financial position, changes in equity and cash flow.

Ernst & Young AB with Andreas Mast as responsible auditor, was appointed auditor of Semcon AB by the general meeting of the shareholders on the 29 April 2021 and has been the company's auditor since 2017.

Göteborg, 11 March 2022
Ernst & Young AB

Andreas Mast
Authorized Public Accountant



DEFINITIONS.

Return on shareholders' equity

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

Return on capital employed

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

EBITA margin

EBITA as a percentage of operating income.

EBITDA margin

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

Shareholders' equity per share before dilution

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

Shareholders' equity per share after dilution

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

Cash flow per share

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

Net cash/net debt

Cash and cash equivalents and interest-bearing receivables with deductions for interest-bearing provisions and liabilities, excluding lease liabilities.

Sales growth

Change in sales during the year expressed as a percentage of sales during the preceding year.

Organic sales growth

Year-on-year sales growth adjusted for currency effects, acquisitions and divestments.

P/E ratio

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

P/S ratio

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

Earnings per share (EPS) before dilution

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

Earnings per share (EPS) after dilution

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

Operating margin (EBIT)

Operating profit as a percentage of operating income.

Operating profit before amortisation of intangible assets (EBITA)

Operating profit before amortisation of intangible assets.

Operating profit before amortisation/depreciation (EBITDA)

Operating profit plus amortisation/depreciation of intangible assets, tangible assets and right-of-use assets.

Debt/equity ratio

Net debt divided by EBITDA. Excluding impact of IFRS 16, meaning net debt excluding lease liability and EBITDA adjusted so the total lease liability is charged to EBITDA.

Equity/assets ratio

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

Capital employed

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

Profit margin

Profit before tax as a percentage of operating income.

SUSTAINABILITY NOTES.

Sustainability report

Sustainability is integrated into Semcon's business strategy and business models, which means that the entire Annual Report contains sustainability-related information. These sustainability notes include more detailed information concerning Semcon's sustainability work. The sustainability notes, together with all the additional sustainability-related information in the Annual Report, constitutes Semcon's sustainability report for 2021 according to the Swedish Annual Accounts Act.

Semcon's sustainability report has been prepared in accordance with the Global Reporting Index [Core Option], see GRI index on page 108, and the Task Force on Climate-Related Financial Disclosures [TCFD] standards, see TCFD index on page 107. The sustainability report also constitutes Semcon's Communication on Progress [CoP] according to the UN Global Compact's reporting principles.

The sustainability report covers the period 1 January to 31 December 2021. The preceding report covered the period 1 January 2020 to 31 December 2020 and was published on 25 March 2021. No material corrections have been made compared with the report on the preceding year. This is the first time the report has been prepared in accordance with the GRI and TCFD standards and it includes more material aspects than before, but apart from this, there have been no significant changes in respect of boundaries or measurement methods. The report includes information about Semcon's subsidiaries according to the same principles as our financial statements. However, unless otherwise stated specifically, the report excludes the subsidiaries Squeed, Tedsys and Walkgrove, which were acquired in 2021. Squeed, Tedsys and Walkgrove will be covered by Semcon's sustainability report as of 2022 when the operations have been integrated to a greater extent.

Governance

Semcon's business strategy and business models and our sustainability targets constitute the foundation of our sustainability governance. We set targets that are relevant for addressing our material sustainability topics and we have policies, guidelines and management systems in place to ensure that we can address our material sustainability topics.

* Governance

The Board of Directors is continuously informed of Semcon's sustainability work and its results by the CEO and the Head of Sustainability. Sustain-

ability-related aspects are also integrated into strategic issues connected to our business plans and customer offerings, which are presented on a regular basis to the Board of Directors.

Semcon's Group management is ultimately responsible for ensuring that sustainability is integrated into Semcon's strategy and for following up the results of Semcon's sustainability work and related targets. Sustainability-related risks and opportunities are evaluated continuously in relation to Semcon's own organisation and value chain, as well as our customer offerings. Semcon's Head of Sustainability reports directly to the CEO, but is not a member of Group management.

Semcon has a decentralised organisation with two business areas, and local offices in a number of countries. The business areas primarily have a geographical organisation, with certain additional breakdowns into divisions. The heads of each country and division are responsible for ensuring that sustainability-related risks and opportunities are evaluated and managed in accordance with Semcon's strategic focus. Each of the business areas has employees with specific responsibility for ensuring that sustainability is integrated into our customer offerings.

* Policies and guidelines

Semcon's Code of Conduct integrates the UN Global Compact's principles in the areas of human rights, labour, environment and anti-corruption, and provides the foundation for how we act in relation to our employees, business partners, shareholders and the world around us. The Code is adopted by the Board of Directors and serves as a unifying framework that stipulates how Semcon's employees must act internally and externally. The Code of Conduct is a part of employment contracts and each employee is responsible for complying with the Code of Conduct and other internal guidelines. In connection with employment, all new employees review the Code together with their immediate manager to further underline its importance, and Semcon thereafter regularly holds training programmes concerning the Code of Conduct and its contents.

In cases where it is considered necessary, Semcon's Code of Conduct is supplemented with additional policies and guidelines at a central or local level, for example to ensure compliance with local legislation in the various markets where we operate. Compliance with the guidelines in Semcon's Code of Conduct and other policies and guidelines is ensured through training programmes, management systems, employee reviews, internal control, and audits. For additional information about these policies, and how we implement and monitor compliance with them, refer to pages 97-105.

Group-wide policies

- Code of Conduct
- Whistleblower policy
- Inclusion and diversity policy
- Health and well-being policy
- Travel policy
- Remote working policy

Strategy

A sustainable strategy

At Semcon, we have no separate sustainability strategy. Instead, we work continuously to assess sustainability-related risks and opportunities and to integrate our material sustainability topics into our strategy. We assess and manage risks and opportunities with the focus on climate and the environment, human rights, social aspects and ethical business conduct in Semcon's organisation, supply chain and customer assignments, as well as issues connected to our role in society.

We maintain a continuous dialogue with our stakeholders and regularly evaluate which financial, ethical, climate and environmental, and social sustainability topics that they believe we should focus on, see page 96. We have also evaluated which of the UN Sustainable Development Goals [SDGs] that we can make the greatest contribution to in our own organisation and value chain, as well as in our customer assignments and in society, see page 13. The objective is to maximise Semcon's positive impact and minimise our negative impact.

Climate and environmental sustainability, human rights and economic and ethical issues are closely interconnected. If we fail to slow down climate change, the over-consumption of natural resources and the loss of biodiversity, it will not be possible to realise the social and economic sustainable development goals. At Semcon, we therefore focused specifically on accelerating our climate agenda in 2021. Semcon supports the Paris Agreement's ambition that the average global temperature increase should not exceed 1.5°C above pre-industrial levels and we are working to integrate the 1.5°C ambition into our strategy, for example, in accordance with the Exponential Roadmap Initiatives' 1.5°C Business Playbook. In brief, this involves evaluating and reducing greenhouse gas (GHG) emissions in our own organisation and value chain, integrating climate-related risks and opportunities into our strategy, and contributing to driving the climate agenda in society. This is a continuous process, in which we constantly refine Semcon's strategy to ensure the best possible contribution to the climate transition.

The planet – climate-related risks and opportunities

We continuously assess Semcon's climate-related risks and opportunities. We have fantastic po-

tential to contribute to our customers' climate transition, see "Climate-related risks and opportunities" on page 97. For information on identified transition risks, as well as physical risks, refer to page 98.

People – risks and opportunities

We continuously evaluate Semcon's risks and opportunities connected to people and human rights. We work within a variety of projects, including in the life science sector, which creates conditions for better health and well-being, see page 25. In addition, we are pursuing a number of non-profit projects, in which we contribute to a better society, read more about these on page 26. For more information about the evaluation and management of risks and opportunities that are related to our employees, and people in our value chain, see "Our employees" and "Human rights" on page 102 and 101, respectively.

Business ethics – risks

Semcon's Code of Conduct includes requirements on ethical aspects connected to, for example, corruption, cartels, money laundering, tax planning and insider trading. Semcon evaluates risks of violations of the ethical requirements in the Code of Conduct with the help of internal control tools and audits. Violations of the ethical requirements can be reported via Semcon's whistleblowing function, among other channels. For more detailed information about our regulatory compliance programme and how we work to ensure that we comply with our requirements for business ethics, see the section "Compliance and business ethics" on page 104.

Process for assessing risks and opportunities

According to the principle of double materiality, Semcon reports its sustainability-related risks and opportunities from two perspectives. The first perspective involves how the climate transition and other sustainability-related risks and opportunities may impact Semcon's financial position. The second perspective refers to Semcon's potentially negative impact on society and includes significant risks related to climate and the environment, employees, social conditions and corruption in accordance with applicable legal requirements for non-financial reporting.

Climate and other sustainability-related risks that could be considered to have a material negative impact on Semcon from a financial perspective are managed as part of Semcon's ordinary risk-management process, see pages 52-53. Semcon also evaluates and manages risks for negative impacts related to climate, the environment, employees, social conditions and corruption, read more on pages 96-105.

Given that the climate transition, stricter environmental regulations and other sustainability-related issues represent major opportunities for Semcon, sustainability-related opportunities in our customer offerings are continuously evaluated with a particular focus on how we can support our customers in their climate transition. This is done inter alia through dialogues and workshops with our customers and business areas, and with selected business partners.

Sustainability targets and results

Semcon uses various measurement methods and targets to assess the sustainability-related risks and opportunities that are linked to our focus areas: people, the planet and business ethics. These targets and outcomes are presented in different parts of the Annual Report, refer to:

Category	KPI	Page reference
People	Employee Net Promoter Score [eNPS] > +25	102
	Gender equality of Board of Directors, management team, manager level and employees, 2022. Gender equality is categorised as 60/40.	103
The planet	Halve emissions in Semcon's value chain [Scopes 1, 2 and 3] by 2030 and have net zero emissions by 2045, with 2019 as the base year.	99-100
	Continuously reduce carbon emissions from business travel/employee	99
	50 per cent environmentally certified premises 2021	99

Towards science-based climate targets

At Semcon, we committed in 2021 to set science-based climate targets in line with the 1.5°C ambition of the Paris Agreement, within the framework of the Science Based Target initiative. We are now analysing Semcon's total Scope 1, 2 and 3 emissions to be able to set clear climate targets and formulate a roadmap for how to reduce our emissions. Science-based climate targets must, in accordance with the Science Based Targets initiative, be set for the entire company and this project has been delayed due to the approved separation of one of Semcon's two business areas. We are now evaluating whether there is a possibility of setting science-based climate targets that are relevant to both of our business areas. If this is not possible, we will evaluate different targets for each particular business area and then set separate climate targets for each company.

Until we have set Semcon's final emission re-

duction targets, the objective is to halve our value chain emissions by 2030 and to have net zero emissions no later than 2045, with 2019 as a base year. This is in accordance with our undertakings in relation to the Exponential Roadmap Initiative and Digitaliseringskonsulterna. We have chosen 2019 as the base year because it is a year that can best be categorised as a normal year for Semcon's operations, compared with the pandemic years of 2020 and 2021. We are now evaluating how we can achieve these targets in the best possible way through, for example, a transition to renewable energy in leased premises, energy optimisation, environmentally certified premises, premises close to public transport, a transition to electrified vehicles and contracting suppliers with circular business models.

Materiality analysis and stakeholder dialogue

To evaluate Semcon's material sustainability topics, there are continuous dialogues with employees, customers, investors, suppliers and other business partners in connection with projects, meetings and other contacts. During 2020-2021, Semcon performed a materiality analysis and, in this connection, initiated a stakeholder engagement process that involved our employees, Board members, customers, suppliers, investors, business partners and various other external stakeholders. The stakeholders who participated in our stakeholder engagement were selected based on the categories of stakeholders that we consider are

Dialogue	Key issues for stakeholders*
Employees Performance reviews, intranet, workplace meetings, internal training, management programmes, etc.	<ul style="list-style-type: none"> Financial development and sustainable growth strategy Sustainable services and products Compliance and business ethics Whistleblowing function Personal data and IT security Climate-related risks and opportunities Emissions and energy Materials and waste Human rights Attractive employer Equal treatment Health, safety and well-being Freedom of association and collective bargaining Supplier assessment
Investors Investor meetings, Annual General Meeting, etc.	
Customers Customer meetings, project meetings, follow-up meetings, customer events, questionnaires, etc.	
Suppliers Supplier meetings, calls for tender, questionnaires	
Other Meetings, correspondence, questionnaires, etc.	

*Not in order of priority

impacted by Semcon's operations. It was clearly apparent from the stakeholder engagement process that sustainability issues are becoming increasingly important for both our internal and external stakeholders and that more and more sustainability issues are viewed as material for Semcon to focus and report on.

Based on the results of the materiality assessment, we identified the key issues that are present in the "Economic value creation", "Climate and environment in our organisation and value chain", "Human rights", "Our employees" and "Supplier assessment" sections on pages 97-105. These criteria are included in Semcon's GRI report. Semcon has also chosen to include three company-specific criteria that we consider to be particularly relevant for our operations or that are otherwise missing from the GRI standard. These are sustainable products and services, sustainable growth strategy and whistleblowing function.

Economic value creation

Financial development and sustainable growth strategy

All parts of Semcon's business are to be conducted on a commercial basis with a focus on improved profitability. Read more about our strategy and our business models on pages 12-17 and 44-45, respectively. We work continuously to evaluate sustainability-related opportunities within the framework of our customer assignments, see pages 30-31 and 97. Semcon's strategy includes sustainability-related investments, for example, investments in essential IT systems, sustainability training for employees, and new competencies. We do not see any conflict between business acumen, profitability and sustainability. As for other investments, sustainability-related investments are made with the strategic objective of capitalising on business opportunities connected to sustainability, securing better deliveries to our customers, improving our profitability and attracting and retaining talent.

Sustainable products and services

Developing sustainable products and services is a part of Semcon's strategy and an integral part of our business development. Our overall ambition is that the majority of our customer assignments will directly or indirectly contribute to the SDGs and we continuously evaluate how we can maximise our positive impact through our customer assignments, see page 13. Since our customer assignments vary in nature, we can contribute to many of the SDGs, but we primarily contribute to SDG 3 (Good health and well-being), SDG 7 (Affordable and clean energy), SDG 9 (Industry, innovation and infrastructure), SDG 11 (Sustainable cities and communities), SDG 12

[Responsible consumption and production] and SDG 13 [Climate action]. For examples and more information, see pages 25, 29-32, 37 and 47.

Climate-related risks and opportunities

We continuously assess Semcon's climate-related risks and opportunities in accordance with the TCFD standards, see below and the TCFD index on page 107.

* Climate-related opportunities

The need for a rapid and exponential climate transition of our society will undoubtedly have a disruptive impact on many of our customers. Continuous improvements are no longer enough. An increasing number of companies are now setting climate targets that are aligned with the 1.5°C ambition in the Paris Agreement and are undertaking to halve their value chain emissions by 2030. We can see a shift from optimising existing solutions to adapting to new disruptive technologies and business models. To meet the customers' requirements in this process, we are working actively to integrate the 1.5°C ambition into Semcon's customer offering and assignments.

The climate transition will be particularly important within sectors such as energy, vehicles/mobility, industry, buildings, food, forestry and agriculture and we are working strategically in several parts of our operations to focus on customers within green technologies. We are already working in many customer projects related to solar cell technology, fuel cells, electrification of the automotive industry, and efficiency optimization of production systems, and we have good potential to work with more companies within green technologies. There is also evident potential to contribute our electrification competencies in more sectors, such as the agricultural and forestry industries as well as the maritime sector.

Digitalisation generates major potential to optimise processes, which in turn creates opportunities to reduce emissions and resource consumption through, for example, connected vehicles, buildings, production systems and products. If used in the wrong way, digitalisation could also lead to increased emissions. In the future, we also see major potential to use various disruptive technologies in the climate transition, such as for example AI for generative design, digital twins for optimised production, on-site additive manufacturing/3D printing of components using recycled and recyclable material and blockchain for the traceability of materials.

To succeed with the climate transition, we must shift from our current linear economy to a circular economy. The question is not whether this will occur but how fast it will go and how quickly our customers can make the transition. Given that Semcon works with both physical and digital products and the interface in between, we are particularly well po-

sitioned to help companies in the transition to circular product design and circular business models. We also see that the transition to circular product design and more far-reaching legislation requiring a higher level of repairability will lead to a greater need for digital product information and learning. We work continuously to identify the competencies and business partners that we need to help our customers with this in the best possible way.

To remain at the forefront of technology development and innovation, Semcon invests and participates in a range of research projects in collaboration with universities, research institutes and customers. Our participation in research projects allows us to be involved in and develop the technology for tomorrow's products, which is a strength for our customers. Read more about how we work with research, development and innovation on pages 46-47.

Sustainability is also rapidly becoming a more important issue for many of our employees and we see that younger generations are increasingly value-driven. Through an active sustainability agenda, we strengthen our ability to retain and recruit talent.

* Climate-related risks

Climate-related risks can be divided into transition risks and physical risks. Transition risks include technology-related risks, legal risks, market risks and reputation risks. Climate change is resulting in an elevated risk of extreme weather, natural disasters, fires, droughts and other more long-term consequences, such as rising sea levels. As the average global temperature rises, the risk increases that companies will be impacted by physical damage to their own or their subcontractors' facilities and to business disruption due to extreme weather and natural disasters.

Scenario analysis: As a result of the Paris Agreement, most countries have undertaken to take all necessary actions to limit the global temperature increase to well below 2°C, compared with pre-industrial levels, with the objective that the average global temperature shall not exceed 1.5°C compared with pre-industrial levels. It is becoming increasingly clear that climate change, already at a 1.5°C increase in the average global temperature, will have major negative consequences for our society, including an increased frequency of extreme weather and natural disasters. Accordingly, the 1.5°C ambition is currently the self-evident objective for countries, organisations and companies, although there are difference of opinion concerning whether it will be possible to achieve this target. Existing undertakings and promises from countries and companies concerning emissions reductions are still far from sufficient and, according to UN reports, the world is moving towards a global temperature increase of 3°C already during the current century. The longer we wait, the quick-

er the climate transition will have to occur. Given that Semcon is a consultant organisation, we are affected to a great extent by our customers' transition. Our assessment is that the pace of climate transition will increase already in the short term and the quicker our customers need to transition, the faster Semcon will have to adapt its operations to meet the customers' new requirements.

Transition risks: We continuously evaluate how Semcon's operations and strategy are impacted by the climate transition. We have entered a phase in which increasing numbers of companies are setting science-based climate targets and they are also often placing corresponding demands on their supply chain. Essentially, this means that many of our customers are now undertaking to halve their value chain emissions no later than 2030 and to have net zero emissions by 2050. To achieve their climate targets, many customers need to adapt their operations and products to the consequences of climate change across the value chain. The climate transition will generate major opportunities for Semcon but will also entail risks. To remain relevant as a supplier, we need to ensure that Semcon has the right expertise to satisfy customers' requirements in the climate transition. In the near future, sustainability aspects will no longer be an option for our customers, they will be a fundamental prerequisite in all product and production development processes. The transition is moving at an increasingly rapid pace and as the main focus for demand is on new competencies, there is intense competition for talent. Should Semcon fail in this transition, this could result in our customers choosing other suppliers, which could in turn potentially entail negative financial consequences for Semcon.

Physical risks: Although it is not possible to completely provide protection from extreme weather and natural disasters in the wake of global warming, we are of the opinion that Semcon's physical risks are low in a short and medium-term perspective. Given that Semcon is a service provider, our operations are not dependent on deliveries of raw materials or components from subcontractors. Nor do we have offices in areas that are particularly exposed to extreme weather or natural disasters. We lease our premises, which means that we do not have any financial risks connected to damage to the properties in which our operations are conducted. During the pandemic, it has been demonstrated that Semcon's employees have good opportunities to work from home where necessary and we have introduced a remote working policy. If any premises are hit by physical damage to the extent that they become impossible to use for a period of time, we therefore have good opportunities to continue to conduct work remotely. In view of the aforementioned, we have concluded that the financial risk associated with potential physical damage to the premises where Semcon's op-

erations are conducted is low. Regardless of this, there is cause to increasingly consider potential physical risks in the future, such as in connection with the leasing of new premises.

Climate impact of Semcon's organisation and value chain

Since Semcon conducts consultancy activities, our environmental impact is limited, but we must do what we can to reduce the Group's footprint at the pace dictated by science. Semcon's Code of Conduct and our travel policy are overall policy documents governing climate and environment aspects. The Code of Conduct stipulates that Semcon, including all employees, must take a precautionary approach and continuously strive to reduce our environmental impact. Our climate and environmental related sustainability activities are governed and followed up in the Group's management system and are subject to targets and metrics that are relevant to Semcon's operations, see page 96. Our head office in Göteborg is certified according to the ISO 14001 environmental management system and we use corresponding environmental management systems for our other operations even though the other offices are not certified. Given our decentralised business model, the heads of operations in each country and division are responsible for ensuring compliance with the guidelines and that our objectives are met.

Energy and emissions in our organisation and value chain

At Semcon, we have for many years measured and actively worked to reduce our environmental impact connected to business travel. The Group's travel policy includes guidelines for how we should travel to reduce our emissions. According to the guidelines, we should first evaluate if travel is necessary. If it is necessary, we should primarily travel using the mode of transportation that has the least environmental impact. Air travel is only permitted if it generates major efficiency gains. The pandemic has shown that it is fully possible to limit the proportion of physical meetings and business travel, and emission levels from business travel were significantly lower during 2020–2021 compared with prior years. With the help of digital platforms and flexible work methods, we have favourable opportunities to limit emissions from business travel also in the future. For our own fleet of company and pool cars, we have initiated work on replacing the current vehicle fleet with primarily fully electric vehicles, supplemented by hybrids where necessary. We are annually reducing our average emissions per car, based on WLTP calculations, see below.

In addition, we have actively worked for many years to reduce our energy-related emissions. Semcon prioritises office premises that are envi-

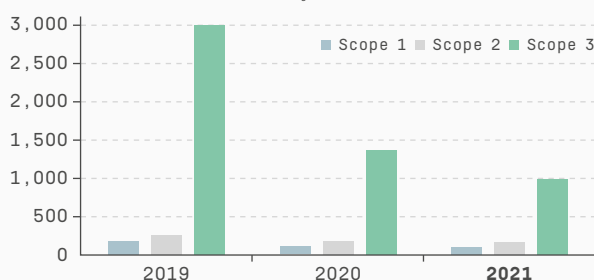
ronmentally certified and the objective has been that at least 50 per cent of our total floor space should be environmentally certified, a goal that we have now achieved. We prioritise landlords who offer premises with green energy, energy optimisation, well-functioning recycling, charging points, etc. Since we do not own our own premises, this serves as an important instrument in reducing our energy consumption and our emissions. We take into account energy consumption when we purchase IT equipment and other electronic products and strive to minimise the number of physical servers to minimise energy consumption. For information on our energy consumption, refer to page 100. To reduce our emissions from commuting to and from work by our employees and from business travel by car, it is important, inter alia, to ensure that our offices are located close to well-functioning public transport services and that there are facilities for bicycle parking and changing rooms for cyclists.

	2021	2020	2019
CO ₂ e/employee, business travel*	128 kg/employee	214 kg/employee	393 kg/employee
Company cars*	100 g/km	114 g/km	110 g/km
Proportion of environment-certified buildings in the Group [%]	57	47	40

*Pertains to Sweden

During 2021, Semcon took the next step in reducing the Group's energy consumption and emissions. We committed to set science-based climate targets for reducing our Scope 1, 2 and 3 emissions throughout the value chain in accordance with the Science Based Target initiative, see page 96. During the year, we calculated Semcon's total emissions across the value chain for the period 2019–2021, see below. Emissions are calculated according to the Greenhouse Gas Protocol and are reported in three different boundaries: Scopes 1, 2 and 3. Semcon has chosen 2019 as the base year because it is a year that can best be categorised as a normal year for our operations, compared with the pandemic years of 2020 and 2021.

Emissions 2019–2021 (tCO₂e)



Emissions (tCO₂e)*

	2021	2020	2019
Scope 1			
Emissions, own vehicle fleet	90	93	165
Emissions, primary energy consumption (heating)	12	10	10
Total Scope 1	102	103	175
Scope 2			
Emissions, energy consumption – location-based method	163	174	256
Emissions, energy consumption – market-based method	363	398	459
Total Scope 2 [location-based method]	163	174	256
Scope 3			
3.1 Purchased goods and services	44	42	111
3.2 Capital goods	92	121	89
3.3 Fuel and energy-related activities	89	92	125
3.5 Waste	10	19	39
3.6 Business travel	159	242	584
3.7 Employees' travel to and from work	596	845	2,048
3.13 Leased premises	0	2	3
Total Scope 3	990	1,363	3,000
Total emissions, Scopes 1, 2 and 3	1,254	1,640	3,431
Intensity of GHG emissions, GHG emissions in relation to net sales [tCO ₂ e/SEK millions]	0.73	1.01	1.85

*Information on boundaries and calculation basis is presented below. A limited number of items have been excluded because reliable data is not yet available.

Energy consumption, Scope 2 (MWh)

	2021	2020	2019
Total energy consumption	2,967	2,850	3,412
Of which, electricity	2,158	2,134	2,509
Of which, district heating and cooling	793	700	882
Energy intensity, energy consumption in relation to net sales [MWh/SEK millions]	1.73	1.75	1.84

*** Boundaries and calculation basis**

Emissions data for Semcon's former operations in India have been excluded for the period 2019–2021 since the company was sold in 2020. According to the boundaries for the sustainability report, emissions data for the companies acquired during 2021 have not been included in calculations but will be included as of 2022, see page 94.

The climate calculations have been performed based on operational controls. Semcon has worked together with a consultancy firm that is an accredited partner of CDP (and thereby also of the Science Based Target initiative). Together with this partner, we conducted a Scope 3 screening and selected emission factors in accordance with the guidelines for the GHG Protocol. The emission factors have been obtained from DEFRA, IEA statistics and EcoInvent, among others.

Scope 1: Direct emissions from operations owned and controlled by Semcon.

Refers to direct emissions from petrol and diesel for the company's own fleet of vehicles as well as the heating of premises, and has been calculated based on actual consumption.

Scope 2: Indirect emissions in respect of consumed electricity, heating and cooling for leased premises.

Refers to Semcon's leased premises and has been calculated based on actual consumption for the majority of our offices, based on responses from Semcon's landlords and energy invoices. For smaller premises, data has been estimated on the basis of consumption for the aforementioned offices. Includes electricity for charging electric cars at the offices where charging stations have been installed.

Scope 3: *Indirect emissions from sources not owned or controlled by Semcon.*

3.1 Purchased goods and services. Refers to mobile phones and the largest categories of consumables and has been calculated based on the number of purchased units. Does not include purchases of furniture and office equipment. Does not include purchases of services from subconsultants working at the customer's premises, using the customer's equipment and working in the customer's networks.

3.2 Capital goods. Refers to IT equipment in the form of desktop computers, laptops, screens and printers and has been calculated based on number of purchased units.

3.3 Fuel and energy-related activities. Refers to extraction, production and transport of purchased fuel and energy and has been calculated based on actual consumption.

3.4 Upstream transportation and distribution. Data excluded due to negligible volumes.

3.5 Waste from operations. Because we are a consultant organisation, waste constitutes a minimal part of Semcon's emissions, and it has been estimated based on waste from a standard office, as well as supplier data.

3.6 Business travel. Refers to flights, trains and private cars and has been calculated based on the actual distance and the number of hotel nights. Does not include taxi trips because no reliable data is available.

3.7 Employee commuting. Based on a survey of the employees' work-related travel habits and has been estimated based on an average result for distance and transport mode.

3.8 Upstream leased assets. Data excluded due to uncertainties in the existing methods of calculation.

3.9 Upstream transportation and distribution. Not applicable [Semcon does not sell physical products].

3.10 Processing of sold products. Not applicable [Semcon does not sell physical products].

3.11 Use of sold products and services. Not applicable [Semcon does not sell physical products or services that are hosted in Semcon's environment].

3.12 End-of-life treatment of sold products.

Excluded as Semcon does not sell physical products.

3.13 Downstream leased assets. Leasing of premises at the Head Office in Göteborg. Has been estimated based on floor space and actual consumption for the Head Office.

3.14 Franchises. Not applicable.

3.15 Investments. Not applicable.

Materials and waste

Given that Semcon is a consultancy organisation, we have very little waste. Computers, mobile phones and other IT equipment are sent for environmentally certified recycling when they are no longer usable and, otherwise, we generally have nothing that can be classified as hazardous waste apart from batteries and lightbulbs, which are sent for recycling of hazardous waste. Waste is one of the aspects that

is managed and evaluated via our management system and we measure emissions connected to our waste in Scope 3, see page 100. We endeavour to ensure recycling of material such as paper, food leftovers, glass, batteries, plastic and packaging materials from our offices and engage in a dialogue about this with our landlords. Recycling is one of the aspects evaluated in conjunction with the leasing of new premises.

As we are a consultancy organisation and do not manufacture any products, we do not purchase materials for products. However, we do have purchases of consumables, such as copying paper and, to a very limited extent, material connected to product development projects on behalf of customers. According to our purchasing policy, we must endeavour to purchase environmentally certified products and services, assuming that the prices of the environmentally certified alternatives are reasonable and that they satisfy functional specifications, alternatively, if no environmentally certified products and services are available, the most eco-friendly alternative that is available considering the aforementioned criteria.

Human rights

The starting point for Semcon's human rights agenda is the UN Global Compact, as well as the UN Guiding Principles on Business and Human Rights. The Group's Code of Conduct stipulates that Semcon respects human rights and that we undertake to ensure that Semcon will not violate or contribute to any human rights violations. An overall evaluation has been conducted of which human rights that are most relevant to Semcon. Requirements related to our salient human rights are included in our Code of Conduct, including principles about diversity, inclusion and equal treatment, zero-tolerance of modern slavery and child labour, freedom of association, fair labour standards and fair working hours, as well as health, safety and well-being. More detailed guidelines are presented in Semcon's diversity and inclusion policy, and in Semcon's health and well-being policy. It is every manager's and employee's responsibility to ensure compliance with the requirements in the Code of Conduct.

We evaluate the risk of violations of the Code of Conduct's requirements, for example with the help of publicly available risk analysis of various countries and in reviews and dialogues with our employees. Generally, we consider that the risk of human rights violations is low in the majority of the countries in which Semcon conducts operations, although operations are conducted in certain countries where, generally speaking, there is a higher risk, such as Hungary, China and Brazil. Given the type of operations conducted by Semcon, we have concluded that the risk of violations or contributions to violations of human rights is low, but cannot be ruled out, particularly in the supply

chain. The risks regarded as greatest in our internal organisation are connected to discrimination due to gender, ethnicity, nationality, religion and sexual preference. Alleged human rights violations can be reported via, inter alia, Semcon's whistleblowing function, see page 105.

For more information on how we work and how we evaluate compliance with the standards contained in the Semcon Code of Conduct in our own organisation and value chain, see pages 102-105.

Our employees

At Semcon, we put people first. Employees are our most important asset and a prerequisite for Semcon's success. Since we develop physical and digital products for everyone, it is important that we continuously widen our perspective to ensure that we understand various types of end users. For this, we need a workforce with a wide range of experiences and backgrounds.

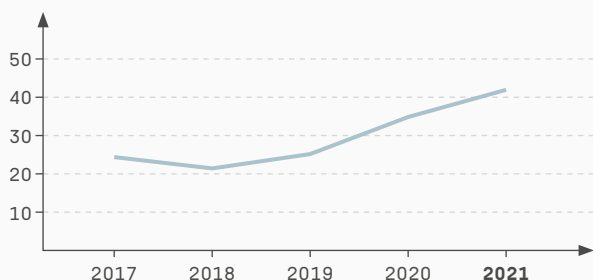
Semcon's Code of Conduct, our diversity and inclusion policy and our health and well-being policy are Group-wide policies governing our social sustainability aspects. Given our decentralised business model, the heads of operations in each country and division are responsible for ensuring compliance with the requirements in our policies and that targets are met.

Attract and retain talent

Semcon strives to be an attractive workplace with good labour standards and sound values, where people thrive and develop, see pages 22-24. We work actively with issues connected to health, safety and well-being, diversity, inclusion and equal treatment, as well as training and assessment, see pages 102-104 for more information.

Our internal employee survey, which is carried out twice a year, measures our attractiveness as an employer. The primary key figure is the employee Net Promoter Score [eNPS], which is used as a measure for how willing employees are to recommend their workplace to others [from -100 to +100]. Even if the benchmark varies between countries, industries and cultures, a value above 0 is generally good, and a value above +20 is very good. During 2021, Semcon's eNPS increased to +41 compared with +34 during 2020.

Employee Net Promoter Score



Semcon's in-house developed People Index is an index showing our desired position in seven strategically important areas that reflect our ability to attract and develop employees [from 0 to +100]. These areas are strategy, cooperation, diversity and inclusion, engagement, leadership, personal development, well-being and work environment. During 2021, Semcon's aggregated People Index increased to +79 compared with +77 during 2020. We had a high score in all index areas, but our highest scores were in diversity and inclusion [+85], management [+82] and well-being and work environment [+79].

Employee turnover increased in 2021 compared with 2020, which is considered to be a result of increased mobility in the labour market when the pandemic situation started to ease.

Employees, forms of employment, employee turnover and subconsultants

	2021	2020	2019
Number of employees*:	1,279/617	1,227/594	1,416/632
Sweden	622/347	642/337	787/380
Norway	69/15	67/10	63/9
UK	101/16	93/18	88/23
Germany	53/20	50/25	53/23
Hungary	132/97	132/93	135/83
China	18/36	19/38	20/38
Brazil	283/86	224/73	270/76
Permanent employment [%]	93	95	95
Fixed-term employment [%]	6	3	4
Other forms of employment [%]	1	2	1
Employee turnover [%]	23	15	17
New recruitment	697	357	644
Subconsultants	165	151	205

*Men/women as per 31 December.

Health, safety & well-being

The requirement in the Group Code of Conduct and Semcon's health and well-being policy constitute the foundation for our work with health, safety and well-being and it is up to each employee and manager to ensure compliance with the requirements. There are also local guidelines, for example ensuring compliance with local legislation in the various markets where we operate.

At Semcon, we continuously assess various risks and opportunities related to our employees health, safety and well-being. Semcon has not implemented a management system for health, safety and well-being, but we have a structured working approach

with requirements and monitoring thereof to ensure compliance.

Semcon conducts a variety of activities to promote the health, safety and well-being of employees, including training, depending on role and customer assignment, a fitness subsidy to promote physical activity and inspirational lectures. The employees in all countries receive various types of occupational healthcare offerings. Customer agreements include the fundamental requirement of a safe and sound work environment at the customer's site and that there are internal guidelines governing how the work environment at the customer is to be evaluated and which actions are to be taken if risks are identified.

During the pandemic, a number of actions were taken, such as extra support from occupational healthcare services concerning the effects of increased remote working as well as regular online social activities. In 2021, we had a high degree of remote working and Semcon introduced a remote working policy that makes it possible for employees to partly work from home insofar as this is possible given the particular work and customer assignment. Remote working has both advantages and disadvantages. Increased remote working creates greater flexibility in daily life, at the same time as there is a risk of a deteriorated work-life balance, as well as a risk of reduced social interaction, which can adversely affect health. Increased remote working imposes new requirements on the work environment at home and Semcon had a temporary policy during the pandemic, whereby employees were offered a contribution for being able to purchase equipment suitable for remote working.

Employee sick leave was lower during the pandemic when, to a great extent, our employees worked from home. Given that most of our employees work in an office environment, serious work-related physical injuries are unusual. Injuries and accidents are reported and monitored according to internal guidelines and in accordance with local law in the particular country.

The employees' experience of health, safety and well-being is evaluated regularly and monitored as a separate area of Semcon's People Index in the employee survey. This is one of the criteria for which Semcon received the highest score in 2021. Evaluation of the work environment also occurs by means of a dialogue with employees, such as in performance reviews and department meetings. Employees have the opportunity to report potential shortcomings in these forums, in discussions with their manager and the HR function and, for serious violations, via our whistleblowing function, see page 105.

Sick leave

	2021	2020	2019
Sick leave [%]	2.2	2.1	2.8

Diversity, inclusion and equal opportunities

The requirements in Semcon's Code of Conduct and Semcon's diversity and inclusion policy constitute the foundation for the Group's work with diversity, inclusion and non-discrimination, and each manager and employee has an obligation to ensure compliance with the requirements. Semcon works actively to increase diversity and to ensure that no discrimination of employees and job applicants occurs. This is achieved, inter alia, through guidelines for recruitment processes and initiatives, such as campaigns, to, for example, increase the proportion of female applicants in male-dominated professions.

Diversity and inclusion is an area of our employee survey where we receive high scores. It is also a metric where we received the highest score in Semcon's People Index. During 2021, we had a recruitment campaign with the message: "Add perspectives". The campaign is based on our fundamental belief that different perspectives lead to better solutions. The objective of the campaign is to increase diversity in the Group. During autumn 2021, training in LGBTQI matters was planned for our employees, which was postponed to 2022 due to the pandemic. For more information about how we work with diversity and inclusion, see page 24.

No cases of discrimination were reported in 2021.

We have set a target to be a gender-equal company by the end of 2022, which is defined as a gender balance of 40/60 generally in the organisation and at management level.

Age breakdown 2021

	<30 years	30-50 years	>50 years
Board of Directors [%]	–	20	80
Group Management [%]	–	60	40
Managers [%]	3	74	23
All employees [%]	26	56	18

Gender balance

	2021 M/W*	2020 M/W*	2019 M/W*
Board of Directors [%]	60/40	60/40	60/40
Group Management [%]	80/20	83/17	71/29
Managers [%]	69/31	66/34	73/27
All employees [%]	67/33	69/31	71/29

*Men/women

Training and evaluation of employees

Training of Semcon's employees is important for many different reasons. Semcon offers various types of training, such as skills development, leadership training, sales training, training programmes in business ethics and sustainability-

ty-related training programmes. During 2021, we expanded our offering of training for employees, read more about this on pages 23-24.

According to Semcon's internal guidelines, all employees shall be offered annual performance reviews, including a skills-development plan. The opportunity for skills development is evaluated through, for example, Semcon's People Index and this is one of the areas where our score increased further in 2021.

Dialogue between employees and management

Dialogue between management and employees is conducted in many different ways, such as through continuous dialogue in connection with department meetings, team meetings and so forth. Performance reviews must be held at least once a year. In connection with new recruitments, we arrange a full day for new employees when they meet a number of our managers and have an opportunity to ask questions. On a couple of occasions each year, Semcon invites a number of employees for a discussion with our CEO. The discussion is about the employees' views of Semcon as an employer and one of the objectives is to provide inspiration for how we can develop further as an employer. Organisational changes that affect employees are announced in due time before the change is implemented. Before organisational changes come into effect, negotiations are held with representatives of the labour unions involved and/or directly with the employees in those cases where there is no union membership.

Semcon's Board of Directors has three regular employee representatives and one deputy, all of whom are appointed by the company's employees.

Freedom of association and collective bargaining

Semcon's employees have the right to join a labour union, as well as the right to refrain from such membership. The same requirements apply to employees of our suppliers. This is stated in our Code of Conduct. In 2021, 76 per cent of our employees were covered by collective agreements, mainly in Sweden, Norway and Brazil. Semcon does not conduct operations in any country where labour union membership is forbidden or where there is a high risk that union membership does not occur voluntarily. There are risks connected to the labour unions' independence as well as the possibility of conducting collective bargaining in certain countries where we operate.

Compliance and business ethics

Regulatory compliance

Semcon has a Group-wide regulatory compliance system that covers corruption and bribery, anti-competitive behaviour and personal data protection. The purpose of the programme is to ensure a well-functioning structure with control of Semcon's international operations and to be able to

manage legal and ethical risks in the countries where Semcon operates.

The compliance programme consists of risk assessments, policies and internal guidelines, training and continuous programme compliance assessments throughout the Group. Given our decentralised business model, the country and division heads are responsible for ensuring compliance with applicable policies and guidelines and that our targets are met.

In addition to the regulatory compliance programme, it is up to the heads of operation in each particular country and division to ensure that Semcon complies with local laws and regulations, for example in respect of labour law and environmental legislation. There may be specific policies, guidelines and training programmes at a local level for ensuring compliance with local laws and regulations. No cases of non-compliance with labour laws or environmental legislation were reported during the year.

Corruption and anti-competitive practices

It follows from Semcon's Code of Conduct that we have zero-tolerance of corruption, and of anti-competitive practices. We continuously evaluate Semcon's risks related to business ethics. As an international group, we have operations, customers and other business partners in certain countries where there is an elevated risk of corruption. General training programmes in business ethics-related issues are held regularly to ensure that our employees have adequate awareness of internal requirements and their purpose. In addition, in-depth training in anti-corruption and competition law is provided, particularly in order to raise employee awareness in these areas. In addition to the training initiatives, guidelines are available to offer employees guidance on how they should act in certain situations. The same requirements and guidelines that apply to Semcon's employees also apply to our subconsultants, which is ensured through our sub-consultancy agreements. Given our decentralised business model, the country and division heads are responsible for ensuring compliance with the requirements and that our targets are met.

No cases of corruption were reported in 2021.

Information security and personal data

Semcon handles confidential information from various stakeholders, as well as personal data, for example, in connection with customer assignments and labour relations. The obligation to handle confidential information and personal data in accordance with laws and agreements is stated in Semcon's Code of Conduct and Semcon has processes and internal requirements in place to ensure that confidential information, trade secrets and personal data are managed in accordance with law, agreements and guidelines. All employees have confidentiality undertakings in their employment contracts, which

also apply after the assignment has been completed and when their employment has terminated. Given our decentralised business model, the country and division heads are responsible for ensuring compliance with the requirements and that our targets are met.

Semcon has internal IT-security requirements and guidelines for the Group's and its suppliers' IT environment. Semcon conducts penetration tests on a frequent basis and acts on these to strengthen its protection. Semcon further works actively to evaluate and test internal security systems in respect of, for example, ransomware attacks. During the year, Semcon implemented a new and more advanced platform for earlier detection of unauthorised access to Semcon's IT environment. Semcon is also working to update employee understanding of IT-related threat scenarios and potentially critical IT incidents are managed within the framework of Semcon's crisis management process for IT and security incidents. In addition, Semcon's IT systems are on a frequent basis evaluated by our customers in order to ensure compliance with our internal security requirements, usually in accordance with ISO 27001. When procuring IT systems, supplier evaluations are conducted that include checks for relevant certifications. Together with Semcon's legal function, an assessment is conducted of whether separate supplemental agreements are necessary for more stringent IT-security requirements and the processing of personal data.

Whistleblowing function

Semcon has a whistleblower policy and a whistleblowing function to ensure that our employees can report suspected breaches of applicable laws, violations of our Code of Conduct and any other material irregularities that they are reluctant to report via our regular channels. Information is submitted to the whistleblowing function using an online tool and is completely anonymous. Retaliation against whistleblowers are forbidden. Submitted reports are read by both internal and external recipients to ensure the information is handled in a correct and impartial manner.

One matter was reported via the whistleblowing function in 2021. The matter was closed without action.

Supplier assessment

Semcon's supply chain consists of subconsultants, landlords and suppliers of cars, furniture, equipment, IT equipment, consumables, etc. Semcon generally uses local suppliers in the countries where operations are conducted.

It follows expressly from Semcon's Code of Conduct that it applies to and must be applied in relation to Semcon's suppliers and subconsultants. Our internal guidelines state that the Code of Conduct shall encompass all supplier agreements,

but exceptions may be made in individual cases if special circumstances prevail. Semcon's Code of Conduct is included in contracts with our subconsultants. In respect of major international suppliers, where Semcon has no realistic possibility of including the Group's Code of Conduct in contracts, the supplier's Code of Conduct is instead assessed to ensure that the principles in the supplier's Code of Conduct correspond in all significant respects with Semcon's Code of Conduct in relation to business ethics, human rights and fair labour standards, as well as climate and the environment. Semcon has a purchasing policy, from which certain additional specific guidelines apply concerning the environment, such as that we shall continuously assess and strive to purchase eco-friendly alternatives (for example, environmentally certified products), that we shall evaluate the products' energy consumption, and that we shall strive to minimise transport, inter alia through local purchases. Given Semcon's decentralised business model, the country and division heads are responsible for ensuring compliance with the requirements.

Customer assessment

Semcon strives to maximise its positive impact and minimise its negative impact throughout the value chain. This means that certain types of customer assignments have to be evaluated before agreements are concluded, to ensure that Semcon will not work in projects that are controversial from an ethical perspective. Semcon has appointed an Ethical Council that evaluates whether we should take on certain customer assignments. This Council can decide on whether Semcon should take on certain projects where there is a risk of a negative impact, for example, connected to climate and the environment, human rights and other ethical considerations. The Ethical Council is made up of Group management, as well as Semcon's Head of Sustainability.

Strategic partnerships and initiatives

Semcon has entered into a number of partnerships and participates in a variety of initiatives to pursue its sustainability agenda. In 2021, Semcon focused particularly on the Group's climate agenda and some of the initiatives that we participated in during 2021 are described below.

Digitaliseringskonsulterna: Since 2019, Semcon has been a member of Digitaliseringskonsulterna, a Swedish organisation that works to support politicians, the business community and the public sector in understanding the huge potential that digitalisation and innovation offer in terms of achieving a rapid reduction in emissions. Digitaliseringskonsulterna has formulated a roadmap for how the

digitalisation consultancy industry can contribute to making Sweden fossil-free by 2045. Semcon is participating in two work groups within the framework of Digitaliseringskonsulterna: one work group that is formulating a framework for avoided emissions and one that is developing a digital training about sustainability.

Exponential Roadmap Initiative (ERI): Exponential Roadmap Initiative brings together innovative, disruptive and transformational organisations and companies that are jointly working for an exponential climate transition in line with the 1.5°C ambition. Through the partnership with ERI, Semcon also participates in the UN's Race to Zero and We Mean Business Coalition.

Global Compact: In 2021, Semcon became a member of the UN Global Compact and during the year we participated in a number of initiatives, including the Climate Ambition Accelerator Program and the SDG Ambition Program.

West Pride: Semcon is a bronze partner of WestPride and participated in the Pride parade in Göteborg during autumn 2021. A planned training programme in LGBTQI matters for our employees was postponed due to the pandemic and is now rescheduled for 2022.

Frihamnsdagarna: Frihamnsdagarna is a new arena in Göteborg for discussions between the general public, politicians and the business community, with a particular focus on democracy, sustainability and integration. Semcon arranged a seminar together with the sustainability consultancy 2050 and the Exponential Roadmap Initiative on the exponential climate transition theme.

FairAction: On a non-profit basis, Semcon has contributed to user studies, and the design and development of a digital platform for schools relating to a sustainability platform for school children, see page 26.

Norwegian Church Aid: On a non-profit basis, Semcon and a number of other players in the business community participated in "Tech for Peace", an innovative project with the objective of reducing fake news and hate speech in digital channels, see page 26.

World's Largest Workshop: On a non-profit basis, Semcon participated in Världens Största Workshop [The World's Largest Workshop], a non-profit project in Göteborg whose aim is that by 2025 Göteborg shall not have any "particularly vulnerable areas."

EU taxonomy

For 2021, reporting according to the EU taxonomy solely covers Semcon's taxonomy-eligible financial activities. A complete report shall be provided next year.

Semcon is involved in a variety of projects that should reasonably be taxonomy-eligible since our consultancy services can be seen as making a direct contribution to various green technologies that are taxonomy-eligible or otherwise contribute to

material emissions reductions for our customers. According to our interpretation of the taxonomy, a very limited proportion of IT and technical consulting services are taxonomy-eligible at this early stage. We assume that consultancy services that contribute to the development of various green technologies or that contribute to material emissions reductions for our customers will become taxonomy-eligible in the future. A significantly larger share of Semcon's financial activities will then be taxonomy-eligible.

Manufacturing and energy

In connection with consultancy assignments for our customers, Semcon contributes to a number of taxonomy-eligible financial activities in the manufacturing and energy sectors. Semcon is involved in various customer projects within the development of green technologies, such as electrified transport solutions, solar cell technology, fuel cells and storage of renewable energy. Consultancy services should reasonably be taxonomy-eligible in such cases where these services contribute significantly to the customer technologies that are taxonomy-eligible. For example, if Semcon participates in a development project that involves electrification based on battery technology or fuel cells, then not only should the customer's activity be taxonomy-eligible (i.e. manufacturing of low-carbon technologies for transport) but also Semcon's services since they contribute to the development of the technology and can thereby be considered to constitute an enabling activity for the customer's technology. We assume that IT and technical consulting services that contribute to the development of various forms of green technologies will become taxonomy-eligible in the future.

Information and telecommunication

Consultancy services are only included to a limited extent in the taxonomy-eligible activities in the information and telecommunication category. Consulting services involving software development are only eligible if the services contribute to climate change adaptation, but not if the services contribute to climate change mitigation. Development of information and telecommunication solutions, such as IoT and AI, for the collection and analysis of data is only eligible if the main objective of the activity is to provide data and analysis for facilitating emissions reduction. On behalf of customers, Semcon currently conducts a variety of projects in which, for example, IoT and AI is used with the aim of achieving increased efficiency and optimisation. Such projects can contribute to significant emissions reductions. The determining factor should not be what the main purpose of a certain activity is but the results of the activity. If it can be proved that a project contributes to significant emissions reductions and does not have a significantly negative impact

on any of the other objectives of the taxonomy then it should reasonably be taxonomy-eligible in the future.

Highly specialised, scientific and technical activities

Technical consultancy services that contribute to climate change adaptation, i.e. adapting infrastructure and buildings to the expected consequences of climate change such as extreme weather and natural disasters, are taxonomy-eligible but technical consultancy services that contribute to climate change mitigation are not eligible. Semcon provides consultancy services involving production optimisation and efficiency enhancement, which contribute to emissions reductions, in part due to

greater energy efficiency. This type of consultancy service should reasonably become taxonomy-eligible in the future insofar as it can be proved that material emissions reductions are achieved and that they have no significant negative impact on the taxonomy's other objectives. Semcon performs energy audits, as well as assessments of the energy performance of buildings. These are services that are taxonomy-eligible and included in the table below. Semcon also participates in various research projects, such as projects designed to develop solutions, processes, technologies, business models and other products that can contribute to reductions or avoid removals of greenhouse gases. These activities are taxonomy-eligible.

EU taxonomy

	Total [SEK million]	Share of taxonomy-eligible financial activities [%]	Share of taxonomy-non-eligible financial activities [%]
Sales	1,711	0.02	99.98
Operating expenses [OpEx]	0	0	0
Capital expenditure [CapEx]	0	0	0

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Auditor's report on the statutory sustainability report

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

Engagement and responsibility

The Board of Directors is responsible for that the statutory sustainability report has been prepared in accordance with the Annual Accounts Act. The sustainability report consists of "Sustainability notes" on pages 94-111 and other sustainability-related information in this Annual and Sustainability Report, see, inter alia, Strategy, page 12, The People, page 22, The Planet, page 28, Business models, page 44, Research, Development and Innovation, page 46 and Risks, page 52.

The scope of the audit

Our examination of the statutory sustainability report has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's report on

the statutory sustainability report. This means that our examination of the statutory sustainability report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

Opinion

A statutory sustainability report has been prepared.

Göteborg 11 March 2022

Ernst & Young AB

Andreas Mast

Authorized Public Accountant



CORPORATE GOVERNANCE REPORT.

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

Application

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

General Meeting of Shareholders

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

At General Meetings of Shareholders, shareholders have the opportunity to exercise their voting rights and, in accordance with Swedish corporate law and Semcon's Articles of Association, to take decisions concerning the composition of the Board and other central issues. Shareholders or proxies can vote for the number of shares he/she owns or represents at the meeting. Resolutions at General Meetings of Shareholders usually require a simple majority. However, a qualified majority or 9/10 majority is sometimes required for some resolutions.

2021 Annual General Meeting

To reduce the risk of transmission of COVID-19, the AGM for the 2020 financial year, on Tuesday, 29 April 2021, was carried out through mandatory advance voting [postal voting]. Representatives of 43 per cent of the share capital were represented, of which underlying shares held by the members of the Nomination Committee represented 36 per cent. Tore Bertilsson was elected to chair the meeting.

The AGM resolved on the following:

- * that all of the profits at the disposal of the meeting be carried forward
- * to approve remuneration to the Board and its Chair
- * that the Board shall consist of five AGM-elected members
- * to re-elect Jeanette Reuterskiöld, Karl Thedéen, Eva Elmstedt and Carl Backman as Board members

and elect Carsten Browall as new Board member.

Eva Elmstedt was elected as Chair of the Board

- * to elect Ernst & Young AB as the registered auditing firm until the close of next AGM
- * to adopt updated Articles of Association where the Board of Directors, prior to a General Meeting of Shareholders, may resolve that shareholders shall be able to exercise their voting rights by post before the General Meeting of Shareholders
- * to introduce a long-term performance-based share savings scheme for senior executives and key employees.

As in previous years, the AGM also granted the Board authorisation to:

- * carry out a new share issue of a maximum 1,811,253 ordinary shares in the company
- * acquire ordinary shares and transfer ordinary shares. Acquisitions may be made at any time for so many ordinary shares that the company holds a maximum of 10 per cent of all shares following acquisition.

Full minutes and information from the 2021 AGM are available at semcon.com.

2022 Annual General Meeting

The AGM for the 2021 financial year will be held on Friday, 29 April 2022. More information is available at semcon.com.

Share structure and voting rights

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

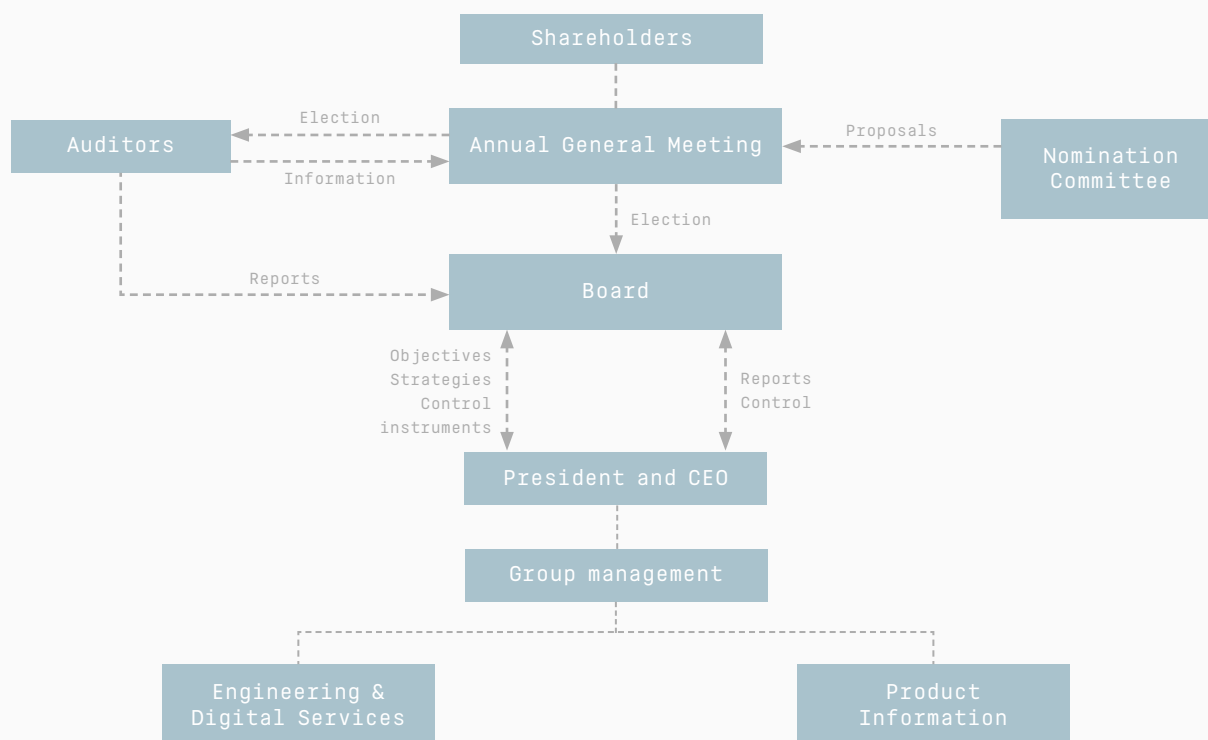
Shareholder structure

On 31 December, Semcon's three largest shareholders were JCE Group, which owned 25.9 per cent, Nordea Investment Funds, which owned 8.8 per cent and Otus Capital Management, which owned 8.6 per cent. The ten largest known shareholders controlled 62.4 per cent of the capital and voting rights in the company on 31 December. Semcon had 5,530 shareholders.

Nomination Committee

According to a resolution by the AGM, based on ownership statistics from Euroclear Sweden AB on 31 August for each respective year, the Chair of the Board must convene the three largest shareholders in the company in terms of votes, who each shall appoint one member to the Nomination Committee. Should any of the abovementioned shareholders waive the right to nominate a member, this right

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



will transfer to the next largest shareholder in terms of voting rights. The member nominated by the largest shareholder will serve as Chair of the Nomination Committee.

The Nomination Committee is to present proposals to the AGM concerning:

- * Chair of the AGM
- * Chair of the Board and other Board members, remuneration to the Board and, in certain cases, auditors, and remuneration to the Board and auditors
- * The decision concerning principles for the composition of the Nomination Committee

The Nomination Committee's members will be announced no later than six months prior to the AGM. Information about the Nomination Committee's members and how proposals to the AGM can be submitted is available in press releases at semcon.com and in the Interim Report for the third quarter.

2021/2022 Nomination Committee

The Nomination Committee's members in 2021/2022 consisted of Karin Dennford, JCE Group AB [Nominations Committee's Chair], Mats Andersson, Nordea Investment Funds, Johan Hagberg and Eva Elmstedt, Chair of the Board of Semcon AB [co-opted member]. No remuneration was paid to the members. The Nomi-

nation Committee held three minuted meetings. The basis of the Nomination Committee's work has mainly been the company's strategies and priorities and an evaluation of the Board and its size and composition. The Nomination Committee's proposal for election of Chair of the Meeting, Board members, Chair of the Board and auditors is outlined in the notice to attend the AGM, in addition to proposed remuneration to AGM-elected Board members and auditors. Furthermore, a proposal is submitted for appointing a Nomination Committee, which is published at the same time on semcon.com. Questions to the Nomination Committee can be submitted to: valberedning@semcon.com

Nomination Committee ahead of the 2022 AGM

	Representing	Share of voting rights, %*
Karin Dennford	JCE Group	25.9
Mats Andersson	Nordea Investment Funds	8.8
Johan Hagberg		1.3
Eva Elmstedt	Semcon AB [co-opted member]	
Total		36.0

*Share of voting rights 31 December 2021

Board of Directors

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

Board structure

The General Meeting of Shareholders elects Board members and their deputies in Semcon AB. According to the Articles of Association, the Board must consist of no fewer than three members and no more than eight members with no more than two deputies. Semcon AB's Board consists of five members elected by the AGM, three members and one deputy elected by the employees.

All of the five elected Board members, of whom three are women, are Swedish citizens. The Board's composition meets the requirements for being independent set by the Swedish Corporate Governance Code and by Nasdaq Stockholm. See table on page 117.

Work of the Board

During the 2021 financial year, the Board held 16 regular meetings. The Board has adopted a number of steering documents and policies. The Board oversees the CEO's work by continuously monitoring the business throughout the year, and is responsible for ensuring that the organisation, management and guidelines for administering the company's affairs are suitably structured and that there is an appropriate level of internal control. Furthermore, the Board is responsible for developing and following up the company's strategies through plans and objectives, decisions regarding the acquisition and divestment of businesses, insurance issues and major investments. The Board sets out guidelines for the company's conduct in society to ensure its long-term value-adding capability. The Board also approves the interim reports and annual accounts. The work of the Board adheres to an agenda with fixed points for Board members. The Chair leads and delegates Board work and ensures that urgent matters in addition to the fixed points on the agenda are addressed. Attendance at Board meetings is presented in the table on page 117. Other salaried employees in the company take part in Board meetings to present reports and as secretary.

Board meetings 2021

February: Acquisition issues

February: Annual accounts and Year-end report 2020, financial report, new financial objectives, remuneration issues, CEO evaluation, internal control, debriefing of audit [auditors present].

March: Share-based incentive schemes

March: Annual report, proposed resolutions and notice to attend AGM.

April: Interim report, January-March, financial report.

April: Review of market, trends and Semcon's position, sustainability and acquisition issues.

April: Statutory meeting.

May: Acquisition issues, strategic review ahead of strategy meeting.

June: Proposed dividend and notice to attend extraordinary general meeting.

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

July: Interim report, January-June and financial report.

September: Follow-up and setting of strategies, decision to separate the Product Information business area and investigate a potential listing of the business area.

September: Strategy issues.

September: Acquisition issues.

October: Interim report, January-September, financial report, debriefing of audit [auditors present], review of sustainability targets.

December: Business plans and adoption of objectives for 2022 for each of the business areas, acquisition and sustainability issues, risk review, Board evaluation.

Statutory meeting

At the statutory Board meeting in connection with the AGM, the Board adopted the rules of procedure for the Board, terms of reference for the CEO, financial reporting instructions and rules of procedure for the Remuneration Committee.

Board evaluation

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

Audit Committee

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



Remuneration issues

Remuneration Committee

The number of members on Semcon's Remuneration Committee is to be at least two, including the Chair. The Remuneration Committee is to hold at least two ordinary meetings every financial year and otherwise when necessary. The current Remuneration Committee consists of Eva Elmstedt, Chair of the Board [Chair of the Remuneration Committee], Carl Backman, Board member, and Jeanette Reuterskiöld, Board member.

Remuneration to the Board

Remuneration to the Board is decided by the AGM following proposals by the Nomination Committee. The AGM decided that remuneration to the Board in

2021/2022 should be SEK 625,000 [625,000] for the Chair and SEK 290,000 [290,000] for each of the other Board members not employed by the company. No special fees are to be paid for work on Board committees.

Remuneration to the CEO and senior executives

The AGM decides on remuneration principles and other employment guidelines for the CEO and senior executives who report to him. The Board decides on remuneration to the CEO.

The CEO's remuneration and benefits are presented in Note 9, page 77. Senior executives' remuneration is proposed by the CEO and approved by the Board. All senior executives in Group management are entitled to a fixed salary, which can be sup-

plemented with a variable salary of no more than nine months' salary based on how well they meet their targets. The fixed salary is adjusted to conditions in the market. Remuneration guidelines include the individuals, who during the time the guidelines applied, were part of Group management. The Board has the right to deviate from the guidelines if there is just cause to do so in special circumstances. Senior executives' remuneration and benefits are presented in Note 9 on page 77.

Auditors

Ernst & Young AB was elected as the company's auditor by the 2021 AGM until the 2022 AGM. The company's auditor in charge is Andreas Mast (born 1979). His other audit assignments include Ellos, Vicore Pharma, Fristads and Jeeves.

The auditors' interaction with the Board is described above. In addition to auditing, Ernst & Young also provides Semcon with advice on accounting issues. All services provided in addition to the statutory auditing service are checked specially to ensure there is no conflict of interest or disqualification issue. No senior executive at Semcon has held any position at Ernst & Young over the past five years. Semcon's remuneration to auditors and purchase of services in addition to auditing is presented in Note 8 on page 76.

Group management

In 2021, Group management consisted of the CEO, CFO, General Counsel, Director Corporate Communications and Marketing and the business area president for Product Information, see pages 122-123. 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 with the business area management teams when Group management are present along with other employees of the Group. Group management strives

to maintain close contact with every business area in order to support and provide help and the tools to enhance efficiency and in relation to marketing, business development and internal exchange of knowledge.

Business areas

Semcon's business activities were organised into two business areas in 2021. Semcon's organisation is characterised by far-reaching decentralisation, according to which every unit is highly independent and is granted extensive powers. In addition to continuous contacts, Group management's follow-up of the business areas is carried out mainly in the form of monthly internal debriefings by business area presidents, controllers and business area management teams.

Authorisation and decision-making procedure

The Group has an authorisation and decision-making procedure that clearly regulates powers at every level in the company, from individual employees to Semcon's management. The areas regulated include contract levels, processing of quotes/tenders, investments, rental and lease contracts and overheads. The organisation of an assignment or project varies according to its size, location and complexity. Semcon is certified and applies quality and environmental management systems according to ISO 9001:2015 and ISO 14001:2015, which are reviewed on a regular basis by external auditors.

Further information about corporate governance

The following information is available at semcon.com:

- * More in-depth information about internal control instruments, such as the Articles of Association and Code of Conduct
- * Information from Semcon's AGMs from 2005 and onwards (notices to attend meetings, minutes, etc.)

Composition of the Board of Directors

		Elected	Attendance	Dependent	Audit Committee	Remuneration Committee
Karl Thedéen	Member	2016	16 of 16	No	Yes	No
Jeanette Reuterskiöld	Member	2016	16 of 16	No	Yes	Yes
Eva Elmstedt	Chair	2019	16 of 16	No	Yes	Yes
Carl Backman	Member	2019	16 of 16	Yes*	Yes	Yes
Carsten Browall	Member	2021	10 of 10	No	Yes	No
Mats Sällberg	Employee representative	2014	16 of 16		Yes	No
Lars-Ove Jansson	Employee representative	2018	16 of 16		Yes	No
Maria Svedinger-Andersson	Employee representative	2020	15 of 16		Yes	No

*Carl Backman is not independent of major shareholders.
A presentation of Board members is available on pages 120-121.

Internal control over financial reporting

The Swedish Companies Act regulates the Board and CEO's responsibility concerning internal control. The Board's responsibility is also regulated by the Swedish Corporate Governance Code, which includes requirements for annual external information disclosure concerning the manner in which the financial reporting is organised.

Internal control

Semcon has defined internal control as a process designed to provide reasonable assurance that Semcon's objectives are achieved in terms of appropriate, efficient operations, reliable reporting, and procedures for complying with applicable rules and regulations. The internal control involves the Board, CEO, Group management and other employees and is based on a control environment that creates the basis for the other four components in the process – risk assessment, control activities, information and communication, and monitoring. The process bases itself on the framework for internal control issued by the Committee of the Sponsoring Organizations of the Treadway Commission [COSO]. The control environment includes the values and ethics that the Board, CEO and Group management communicate and use and that are documented in Semcon's Code of Conduct. It also includes the Group's organisational structure, management, decision-making channels, authorisations and responsibilities as well as the expertise of employees. Semcon's mission, objectives and strategies are the basis of day-to-day work. Semcon is characterised by a decentralised organisation based in target-oriented management.



*Framework for
internal control*

Internal control over financial reporting

Internal control over financial reporting aims to provide reasonable assurance concerning reliability of the external financial reporting in the form of interim reports, year-end reports and annual reports, and that the external financial reports are prepared in accordance with laws, applicable accounting standards and other requirements imposed on listed companies. The following description has been drawn up in accordance with the Swedish Corporate Governance Code and the current application instructions and constitutes the Board's report concerning internal control over financial reporting.

Control environment

The Board has overall responsibility for the internal control over financial reporting. The Board has set out written rules of procedure that clarify the Board's responsibilities and that regulate the work of the Board. The Board will ensure that established principles for financial reporting and internal control are observed and that appropriate relationships with the company's auditors are maintained. The Board has prepared terms of reference for the CEO and instructions for financial reporting. The Group's internal control function provides support for the internal control over financial reporting in the Group's companies and business areas. Internal control instruments for financial reporting consist of the Group's financial policy, credit policy, information policy, investment rules, authorisation rules and the

Group's accounting and reporting rules. Semcon's ethical values are documented in the Group's Code of Conduct, and staff policies complement other rules and instructions for employees. In recent years, much time and effort has been spent on the Group's management systems and to establish clearer procedures and regulations for submitting tenders/bids, contractual terms and for signing agreements. To ensure adherence to these rules, training initiatives were conducted during the year.

Projects were also carried out to fully harmonise the Semcon Group's financial processes at all subsidiaries.

Risk assessment

Semcon's risk assessment regarding financial reporting – meaning identification and evaluation of the most significant risks in the Group's companies, business areas and financial reporting processes – forms the basis for how these risks are managed. Management takes the form of accepting, reducing or eliminating the risk. Annual evaluation activities are carried out by the internal control function using a risk-based model. A number of criteria are considered to assess the degree of risk of inaccuracies occurring in financial reporting. Complex accounting policies might, for example, mean that the financial reporting risks being inaccurate for the items covered by such policies. Measuring certain assets or liabilities using various assessment criteria might also constitute a risk. The same applies to complex and/or changed business conditions.

Control activities

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

Information and communication

Information and communication about internal control instruments for financial reporting is published on Semcon's intranet. External communication consists of, for example, external financial reporting, such as interim reports and the Annual Report. There is a communication policy to support the information procedures in the Group. This clearly states who is allowed to communicate what type of information and that the information must be correct, coordinated, consistent, prompt and transparent, both internally and externally.

Monitoring

Monitoring to ensure effective internal control over financial reporting is carried out by the Board, CEO, Group management, the internal control

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

Göteborg, 9 March 2022

Board of Directors

Auditor's report on the corporate governance statement

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

Engagement and responsibility

It is the Board that is responsible for the corporate governance statement for the year 2021 on pages 113-119 and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

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

Opinion

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

Göteborg, 11 March 2022

Ernst & Young AB

Andreas Mast

Authorised Public Accountant

BOARD OF DIRECTORS.



**Eva
Elmstedt**

CHAIR OF THE BOARD SINCE 2021.
BOARD MEMBER SINCE 2019.
BORN: 1960.
QUALIFICATIONS: B.Sc. in Economics and Computer Science.
PROFESSIONAL BACKGROUND: Former EVP Global Services of Nokia Networks and Nokia Siemens Networks as well as senior positions at Ericsson, 3 and Semcon.
NATIONALITY: Swedish.
OTHER BOARD ASSIGNMENTS: Chair of Arelion, Omegapoint and Proact IT Group. Board member of Addlife, Arjo, Elanders and Smart Eye.
SHAREHOLDING IN SEMCON: 4,500.

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



**Carl
Backman**

BOARD MEMBER SINCE 2019.
BORN: 1971.
QUALIFICATIONS: M.Sc. in Engineering, MBA.
PROFESSIONAL BACKGROUND: CEO of JCE Group Aktiebolag, former Investment Director of Fouriertransform AB and previously CEO of Bure Equity AB.
NATIONALITY: Swedish.
OTHER BOARD ASSIGNMENTS: Chair of Systemite and Board member of Baltic Safety Products, Bruks Siwertell Group, Consafe Logistics and Nohau Solutions.
SHAREHOLDING IN SEMCON: 5,000.

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



**Carsten
Browall**

BOARD MEMBER SINCE 2021.
BORN: 1958.
QUALIFICATIONS: M.Sc. in Business and Economics.
PROFESSIONAL BACKGROUND: Former EVP Nobel Biocare, EVP Capio and CEO RaySafe. Senior positions at Mölnlycke Healthcare.
NATIONALITY: Swedish.
OTHER BOARD ASSIGNMENTS: Chair of GHP Speciality Care and BICO. Board member of Bure Equity.
SHAREHOLDING IN SEMCON: 6,887.

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



**Jeanette
Reuterskiöld**

BOARD MEMBER SINCE 2016.
BORN: 1974.
QUALIFICATIONS: B.Sc. in Engineering.
PROFESSIONAL BACKGROUND: Currently runs Reuteros AB. Former CEO of Arcona and Hifab Group and former Business Area President WSP Management.
NATIONALITY: Swedish.
OTHER BOARD ASSIGNMENTS: Chair of Gunnar Nordfeldts and Board member of Svevia.
SHAREHOLDING IN SEMCON: 1,000.

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



**Karl
Thedéen**

BOARD MEMBER SINCE 2016.
BORN: 1963.
QUALIFICATIONS: M.Sc. in Engineering.
PROFESSIONAL BACKGROUND: President and CEO of Outpost24. Former President and CEO of Edgware, SVP and business area manager of Infinera and President of Transmode. Previously held a number of senior positions at the Ericsson Group.
NATIONALITY: Swedish.
OTHER BOARD ASSIGNMENTS: Board member of SmartOptics AS
SHAREHOLDING IN SEMCON: 16,750.

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



**Lars-Ove
Jansson**

EMPLOYEE REPRESENTATIVE SINCE 2018.
EMPLOYED SINCE 2001.
BORN: 1964.
QUALIFICATIONS: 4-year technology programme, telecommunications engineering.
NATIONALITY: Swedish.
SHAREHOLDING IN SEMCON: 100.



**Maria
Svedinger
Andersson**

EMPLOYEE REPRESENTATIVE SINCE 2020.
EMPLOYED SINCE 2017.
BORN: 1967.
QUALIFICATIONS: MSc in Chemical Engineering.
NATIONALITY: Swedish.
SHAREHOLDING IN SEMCON: -



**Mats
Sällberg**

EMPLOYEE REPRESENTATIVE SINCE 2014.
EMPLOYED SINCE 1998.
BORN: 1967.
QUALIFICATIONS: Mechanical engineering qualifications from Erik Dahlberg upper-secondary school, Jönköping.
NATIONALITY: Swedish.
SHAREHOLDING IN SEMCON: -

GROUP MANAGEMENT.



**Markus
Granlund**

**PRESIDENT AND CEO
AND BUSINESS AREA PRESIDENT
ENGINEERING & DIGITAL SERVICES**

BORN: 1975.

QUALIFICATIONS: Bachelor of Law, Lund University. Master of International Trade Law, Bond University, Australia. Managerial Finance, Marketing & Accounting, Bond University, Australia.

OTHER BOARD ASSIGNMENTS: Board member of Alecta. Member of Nomination Committee for the Swedish Exhibition & Congress Centre Gothia Towers and Board member of Börssällskapet i Göteborg.

EMPLOYED SINCE: 2008.

SHAREHOLDING IN SEMCON: 79,236.



**Carin
Wiberg**

GENERAL COUNSEL

BORN: 1978.

QUALIFICATIONS: Bachelor of Law, University of Gothenburg.

OTHER BOARD ASSIGNMENTS: Board member of Consafe Logistics.

EMPLOYED SINCE: 2012.

SHAREHOLDING IN SEMCON: 13,138.



**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: 30,957.



Per
Nilsson

**DIRECTOR CORPORATE
COMMUNICATIONS AND MARKETING**

BORN: 1975.

QUALIFICATIONS: Media and
Communication, Karlstad University.
EMPLOYED SINCE: 2015.

SHAREHOLDING IN SEMCON: 5,264.



Johan
Ekener

**BUSINESS AREA PRESIDENT PRODUCT
INFORMATION**

BORN: 1964.

QUALIFICATIONS: Master of Science
[MSc], Computer Technology Programme,
Chalmers University of Technology.
Master of Business Administration
[MBA], School of Business, Economics
and Law, University of Gothenburg.

EMPLOYED SINCE: 2004.

SHAREHOLDING IN SEMCON: 36,399.



MORE THAN 40 YEARS AT THE FOREFRONT OF PRODUCT DEVELOPMENT.

- 1980** Semcon was founded in Västerås. The name is an abbreviation of Scandinavian Engineering and Marketing Consultants.
- 1983** Expansion to more locations and fields of competence begins.
- 1985** Head office moves to Göteborg.
- 1994** International expansion starts with operations in the UK.
- 1997** Semcon listed on the stock exchange.
- 2007** Acquisition of IVM Automotive with operations in Germany and Brazil as well as Caran with operations in Sweden and India.
- 2012** Acquisition of Germany-based product information company Comet.
- 2013** Extensive organisational changes towards a market-oriented structure within engineering services.
- 2015** Norway-based Kongsberg Devotek, active in engineering and development services, becomes wholly owned by Semcon.
- 2016** Launch of new communication strategy and positioning.
- 2017** Divestment of the German operations in Engineering Services in February.
- 2018** Acquisition of the German product information company Haas-Publikationen.
- 2019** Semcon's largest business area, Engineering Services, was restructured and changed name to Engineering & Digital Services.
- 2020** Semcon acquired Sweden-based Xtractor, active in digital training solutions. Semcon's Indian operations divested to ASM Technologies.
- 2021** Semcon acquired Swedish IT companies Squeed and Tedsys as well the UK company Walkgrove, active in digital learning.

An aerial photograph of a forest road. The road is a narrow, light-colored path that curves through a dense forest. The trees are mostly evergreens, but there are patches of deciduous trees with bright yellow and orange autumn foliage. The overall scene is a lush, green forest with some autumnal highlights.

Autonomous vehicles to enhance safety at sawmills

With the help of Semcon, two of Sweden's largest companies in the forest industry sector, Holmen and Södra, are to examine how self-driving vehicles can improve the work environment and enhance safety at sawmills and other industrial sites. This type of vehicle has great potential for transporting timber and sawn wood within the sites. Semcon's autonomy specialists will join forces with the management of production development at Holmen and at Södra to carry out a feasibility study starting autumn 2021. This will include process mapping to identify which of the processes is best suited for autonomy, as well as develop a concept solution and make an assessment of the potential of the technology.

FIVE-YEAR SUMMARY.

Income statement mSEK	2021	2020	2019	2018	2017
Net sales	1,711.3	1,627.0	1,858.2	1,842.2	1,762.4
Operating expenses	-1,536.2	-1,497.0	-1,716.4	-1,722.6	-1,667.2
Operating profit	175.1	130.0	141.8	119.6	95.2
Financial income	2.1	1.5	1.4	2.1	1.7
Financial expenses	-6.4	-6.7	-8.2	-2.0	-2.3
Profit before tax	170.8	124.8	135.0	119.7	94.6
Tax	-38.0	-25.0	-28.7	-25.7	-22.2
Net profit for the year from continuing operations	132.8	99.8	106.3	94.0	72.4
Net profit/loss for the year from discontinuing operations	-	-	-	-	0.1
Profit for the year	132.8	99.8	106.3	94.0	72.5

Balance sheet mSEK	2021	2020	2019	2018	2017
Goodwill	497.7	367.3	317.1	316.5	274.7
Other intangible assets	5.0	8.0	10.2	10.6	13.1
Tangible assets	22.9	23.6	30.1	31.5	31.1
Right-of-use assets	91.1	115.5	148.6	-	-
Financial assets	3.1	10.2	5.6	3.2	3.2
Accounts receivable	313.4	273.9	372.7	347.4	337.0
Accrued non-invoiced income	123.5	124.1	145.5	144.9	140.3
Other current assets	44.4	42.4	30.3	37.9	29.8
Cash and cash equivalents	254.1	199.1	63.0	43.5	80.9
Total assets	1,355.2	1,164.1	1,123.1	935.5	910.1
Shareholders' equity	796.5	697.8	620.1	566.9	556.6
Non-current lease liabilities	57.5	82.8	109.1	-	-
Non-current contingent considerations	24.1	-	-	-	-
Other non-current liabilities	49.6	51.0	48.2	40.1	47.9
Current lease liabilities	33.6	31.8	36.8	-	-
Current contingent considerations	16.1	-	-	-	-
Other current liabilities	377.8	300.7	308.9	328.5	305.6
Total shareholders' equity and liabilities	1,355.2	1,164.1	1,123.1	935.5	910.1

Cash flow statement mSEK	2021	2020	2019	2018	2017
Cash flow from current activities	221.0	247.9	130.8	110.5	37.5
Cash flow from investing activities	-83.5	-62.9	-9.5	-63.9	152.3
Cash flow from financing activities	-85.6	-37.3	-101.0	-83.2	-195.8
Cash flow for the year	51.9	147.7	20.3	36.6	-6.0

Key figures	2021	2020	2019	2018	2017
Sales growth [%]	5.2	-12.4	0.9	4.5	0.4
Organic growth [%]	1.9	-12.7	0.5	2.2	0.4
EBITDA margin [%]	13.0	11.2	10.5	7.1	6.0
EBITA margin [%]	10.4	8.2	7.8	6.7	5.6
Operating margin, EBIT [%]	10.2	8.0	7.6	6.5	5.4
Profit margin [%]	10.0	7.7	7.3	6.5	5.4
Return on shareholders' equity [%]	17.7	15.2	18.1	16.9	13.4
Return on capital employed [%]	20.2	16.7	19.4	21.4	14.1
Equity/assets ratio [%]	58.8	59.9	55.2	60.6	61.2
Number of employees at year-end	2,045	1,821	2,262	2,119	2,076

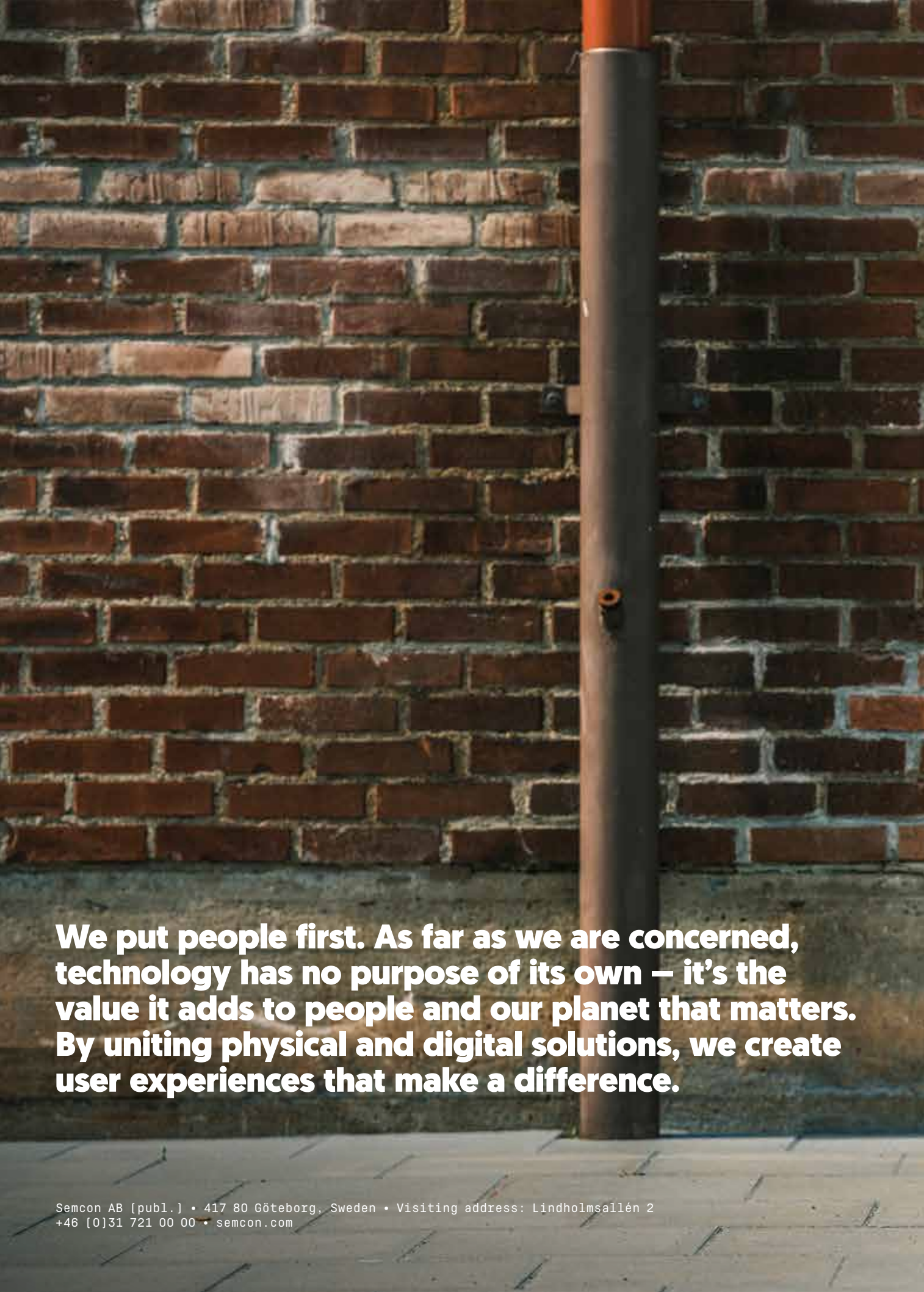
Data per share	2021	2020	2019	2018	2017
Earnings per share before dilution [SEK]	7.60	5.75	6.11	5.34	4.05
Earnings per share after dilution [SEK]	7.57	5.70	6.04	5.25	4.00
Shareholders' equity per share before dilution [SEK]	45.41	40.15	35.72	32.52	31.22
Shareholders' equity per share after dilution [SEK]	43.98	38.53	34.24	31.30	30.73
Share price/shareholders' equity per share [multiple]	2.88	2.05	2.02	1.51	1.55
Cash flow per share [SEK]	12.20	13.69	7.22	6.10	2.07
Dividend per share [SEK]	4.00	3.00	–	3.00	3.50
P/E ratio	17	14	11	9	12
P/S ratio	1.3	0.9	0.7	0.5	0.5
Share price at year-end [SEK]	126.80	79.00	69.20	47.30	47.70
Market value at year-end [mSEK]	2,297	1,431	1,253	857	864
No. of shares at year-end [000]	18,113	18,113	18,113	18,113	18,113
Average no. of shares [000]	18,113	18,113	18,113	18,113	18,113
Number of own shares at year-end [000]	573	731	754	683	282
Average no. of own shares [000]	639	751	714	494	246
No. of shareholders	5,530	4,890	5,310	5,239	4,440

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A photograph of a brick wall with a vertical metal pipe. The wall is made of dark red bricks with light-colored mortar. The pipe is dark grey or black with a small orange ring near the bottom. The scene is lit with warm, golden light, suggesting late afternoon or early morning.

We put people first. As far as we are concerned, technology has no purpose of its own — it's the value it adds to people and our planet that matters. By uniting physical and digital solutions, we create user experiences that make a difference.