

# Annual Report 2002

# Opcon develops unique systems for a better environment

*Opcon develops unique systems and products for the auto, small engine and engineering industries. These products and systems include ignition systems, control devices, compressors and heat exchangers for cars, trucks, chainsaws, motorbikes, boats and other applications.*

*The Group's objective is to develop and manufacture products and systems that can contribute to reducing the environmental impact of the end-product. Opcon is a market leader in several of its areas of activity.*

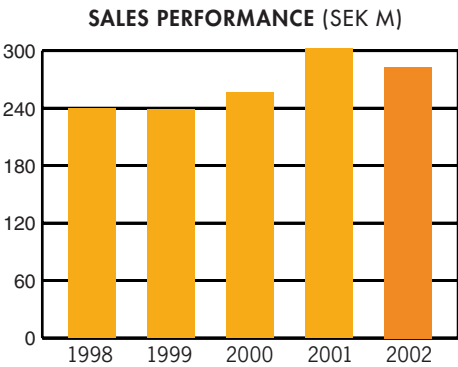
*The Group reported sales of SEK 283 million in 2002 and has operations in Sweden and the US, with the head office in Åmål, Sweden.*

*The Opcon share is listed on the Stockholmsbörsen O-list.*

*Cover picture: The flanges on Laminova's heat exchanger sit very tightly. The unique properties of the heat exchanger enable oil, for example, to be cooled in a highly efficient way.*

## THE YEAR IN BRIEF

- Sales turnover in 2002 amounted to SEK 282.9 million (301.8 m in 2001).
- The loss after financial items was SEK 18.4 million (+2.6 m).
- The loss after tax was SEK 12.7 million (+1.4 m).
- Earnings per share after tax were SEK -1.90 (+0.21). The Board proposes that no dividend be paid.
- A placement of new shares during the year raised SEK 20 million for the Group.
- The Group's liquid funds at the end of the year amounted to SEK 30.5 million (11.5 m).
- Disruptions to Opcon Autorotor AB's production and an unfavourable product mix for SEM AB had a negative impact on earnings.
- During the year SEM AB broke into a new market by signing a delivery agreement with Cummins Inc. concerning ignition systems for natural gas engines.
- A series of measures is being introduced at SEM AB that will significantly reduce costs, boost competitiveness and improve profitability.
- The development of fuel cell vehicles was boosted by the announcement of new development projects in the US and the EU.



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# Fuel cells and cleaner engines are multi-billion markets

In 2002 it took the company a long time to achieve production cost targets in connection with production starts for new products and there were significant costs involved in decommissioning unprofitable ignition systems.

Reduced deliveries to Saab during the final quarter also had a negative impact on earnings. Growth was just 3%. Including the new share issue, which raised SEK 20 million, liquid funds at the end of the year stood at SEK 30.5 million.

## New generation of car engines

In the US, Europe and Japan, fuel cells are being prioritised as the replacement for traditional combustion engines. In his State of the Union address in February 2003 President George Bush proclaimed the fuel cell as the engine of the future and announced that the US will invest an additional USD 1.2 billion to speed up the pace of development and commercialisation of the fuel cell. In this way the US will reduce its dependence on imported oil while there will be positive benefits for the environment and for human health.

Fuel cell technology is being driven forward not only by its ability to produce electrical energy without using oil and without producing dangerous emissions. Car and engine designers also see the opportunity to use fuel cells to increase safety, improve driving performance, reduce noise levels, increase comfort and produce a car with better aerodynamics and new aesthetic appeal.

The following example illustrates the opportunity presented by the fuel cell.

Imagine a fuel cell car like a power station generating around 70 kW. A car is normally driven for around 400 hours a year. For the remaining hours of the year it can be parked up and produce energy for other needs, such as heating ten normal Swedish homes. This is an exciting and

challenging scenario for carmakers and friends of the environment all over the world.

At the present time it is impossible to state exactly how the market for vehicles powered by fuel cells will develop, but various forecasters, such as Frost & Sullivan, have stated that it will be worth several billions by 2010.

The Opcon subsidiary, Opcon Autorotor, is the market leader in the development and supply of air systems for fuel cells. In 2002 several new air system projects connected with fuel cells were announced across the world. Fuel cells are taking giant leaps towards commercial success.

In 2003 over 100 fuel cell cars will be launched in test fleets. Opcon Autorotor AB has delivered, or will deliver, air systems to most of these cars.

In the past year Opcon made key advances towards ensuring that it will continue to deliver the best air systems in the future. In September 2002 a licence agreement was signed with the Swedish company AB Kompositprodukter, concerning a patented high-speed motor that will drive the air system's compressors. Opcon already has compressors, expanders and heat exchangers in its product range.

During 2003 Opcon will find a high-efficiency fre-

quency-changer that can be integrated with the electric motor.

Important alliance agreements will also be signed with key customers and technology partners.

## Cleaner engines required

The position of the combustion engine remains strong. It has had over 100 years of development and production. It is cheap, flexible and very effective. Development has made it better and cleaner. But it is powered by fossil fuels, which means that it consumes a finite natural resource, and it still pollutes our environment.

New laws and regulations in various countries have forced carmakers to make cleaner engines. However, the same technical development has not occurred in other segments, such as engines for boats and motorbikes.

To meet demands for new technology in the above segments, Opcon has developed an engine control system that uses ion sense technology. In Europe alone, the market for motorbikes is massive, and the company aims to win a share of it by 2005.

Opcon has prioritised development of a new ignition

system for gas engines, a market that is growing strongly due to stricter environmental laws. SEM AB has successfully launched the new system and signed an agreement with Cummins, one of the world's largest engine manufacturers.

The patented innovation that led to the breakthrough in the natural gas engine segment resulted from the EU-financed Elevate project, in which SEM participated together with Opcon Autorotor, the French Petroleum Institute, car-maker Lotus and the universities in Belfast and Milan. The system is now ready for launching to other large gas engine manufacturers, and the goal is that the market segment will achieve sales turnover of around SEK 100 million.

The world market for super-charged combustion engines is also growing strongly. The advantage is better driving performance for diesel-powered engines and better fuel economy for petrol-powered engines.

Laminova's heat exchanger has recorded excellent results as an intercooler in several high-volume projects currently run by the company.

Orders from two other intercooler projects are expected to be signed in the middle of 2003.



Sven G. Oskarsson, CEO



# A period of sustainable growth due to new products will begin after 2003.

Small combustion engines used in, for example, chain-saws, lawn trimmers and lawn mowers are also subject to new, tougher regulations regarding emissions. SEM has already produced the next generation of ignition systems for engines such as these.

The Opcon Group has a small part of its business in the industrial market, and it is growing fast from a low starting point. REAC AB and SEM AB have won new orders and manufacturing will start in the third quarter of 2003.

SEM AB

The rationalisation programme within SEM AB will bear fruit during 2003 when the company is expected to increase its volumes.

During the second quarter the production capacity of one ignition system will be increased by 50% to reach 1.2 million systems per year.

During the third quarter a new ignition system will be put into production. The volume is 400,000 units per year. This means that production of small ignition systems is increasing while deliveries to Saab are decreasing.

After 2003, the company will enter a period of sustainable growth through boosted deliveries of new products and reduced dependence on Saab. The rationalisation programme at SEM AB is expected to result in lower annual costs of SEK 14 million. Once the programme is completed the company will be growing with good profitability.

REAC AB

SEM Drive AB has changed its name to REAC AB. This company has good profitability, but did not achieve the growth planned for 2002 due to a customer delaying a production start. In 2003 several new products will enter production and boost sales by SEK 25 million when they reach full volume in 2004.

A new manufacturing process for control devices is being developed and is expected to improve the company's competitive capability in the long term.

Opcon Autorotor AB

Opcon Autorotor is in the OEM and aftermarket sector for air systems for both combustion and fuel cell engines. Strong growth is expected in this sector in the future.

At the start of 2003 the company had more orders than ever before. Sales in 2003 are expected to rise by 50% and the company should make an operating profit.

Laminova Production AB

Laminova is facing a moderate year in 2003. Negotiations are currently taking place regarding deliveries of an inter-cooler for a new engine programme, with manufacturing

due to start in early 2004. All the tests have been completed with good results. The first order is expected in mid 2003 and should provide annual sales of SEK 10 million.

Heat exchangers as intercoolers have been tested in many new supercharged engines with excellent results and the company expects this to be a market with considerable growth.

Opcon Inc.

The company is currently involved in three large inter-cooler projects with US companies. Tests have shown that Laminova's heat exchanger have the best efficiency, which is the decisive factor for fuel economy and power generation. The projects are expected to result in orders during 2003 and production start-ups in the near future.

The company is beefing up resources so that it can increase its share of the aftermarket sector for compressors for combustion engines.

Opcon Inc. has a good position from which it can supply Group products on the US market, which is one of the largest in the world for Opcon's products.

Key activities in 2003

- SEM AB's rationalisation scheme
- Laminova receiving new orders for intercoolers
- Alliance agreement with customers and technical partners
- SEM AB and REAC AB to start production of new products
- Further development of air systems for fuel cells
- Increased volumes on the US aftermarket sector
- Increased advantages over competitors within air systems for fuel cells

  
Sven G. Oskarsson  
CEO

Opcon develops and manufactures products and systems that use unique technology to create the right conditions for cleaner air, a better environment and more reliable machinery. The company's products are used in vehicles, chainsaws, motorbikes, fuel cell vehicles and boats.

History

The foundations of the current Opcon were laid during the First World War when imports of ignition devices for boats from Germany were halted and Svenska Elektromagneter AB was formed in Åmål to produce them. Production of ignition devices continued into the 1970s when electronic systems made their breakthrough. Electronic ignition systems for vehicles and small engines have dominated production at SEM AB since then.

The Group also produces electro-mechanical devices, screw compressors and heat exchangers, mainly for the auto industry.

Organisation

The Group is based in Åmål, Sweden, and is organised in five independent business areas: SEM AB, Opcon Autorotor AB, Laminova Production AB, Opcon Inc. and SEM Drive AB which changed name to REAC AB. On 1 January 2002 SEM Drive AB acquired Reac i Eskilstuna AB, which produces control devices and which has changed name to REAC i Eskilstuna AB.

SEM AB and REAC AB are located in Åmål. Opcon Autorotor AB operates from Nacka, Stockholm. Laminova Production AB has development, marketing and management functions in Sollentuna, and its production in Åmål. Opcon Inc. has its operations in Old Saybrook, Connecticut, USA.

At the end of 2002 the Opcon Group had 309 (354) employees, of whom 135 (159) are women.

Throughout the 1990s Opcon conducted intensive product development in the areas of ignition systems, control devices and compressors. This development work was

financed by private investment and the new share issue in connection with the 1998 stock exchange flotation. This strategy meant that the company reported a loss for several years.

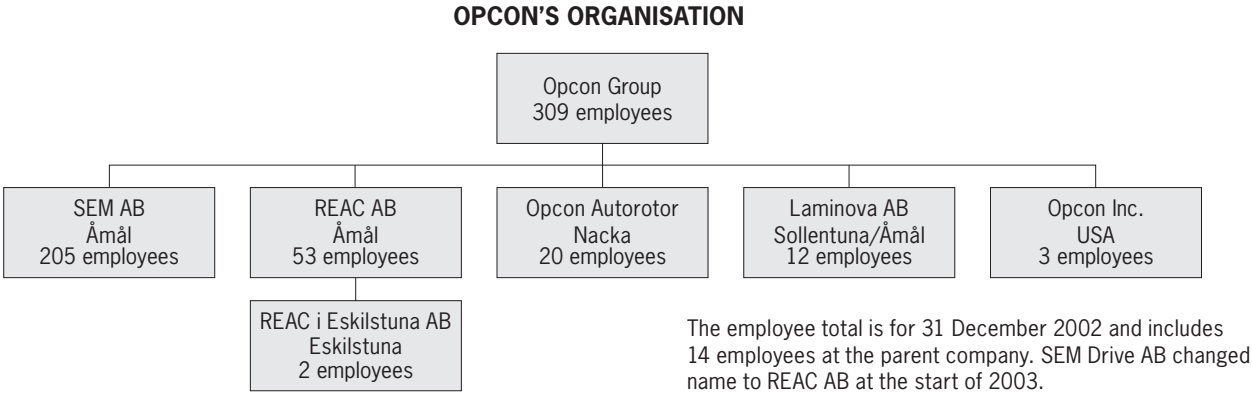
Development work has led to signed contracts and agreements under negotiation which are evidence that a solid platform has been built from which the Group can achieve its objectives of annual growth of 20% per year with a return on capital employed of 15%.

The Group will achieve its objectives in the following ways:

- By continuing to develop and commercialise products and achieve patents for solutions that contribute to low environmental impact.
- By intensifying and extending co-operation with national and international customers in order to share financing for development projects, secure markets for developed products and spread risk.
- By retaining and extending production knowledge in order to be a reliable supplier to the automotive and engineering industries.
- By co-ordinating marketing of the Group's products.

Measure to achieve the goals:

- Plan for serial production of air systems for combustion engines and fuel cell engines.
- Continue the launch of ignition systems for gas engines
- Intensify marketing of SEM Direct.
- Increase efforts to broaden the customer base in industrial segments.
- Strengthen resources on the US market.
- Acquire companies that can complement and strengthen the Group's business areas.
- Continue investigating the possibility of establishing production in a low-cost country.
- Take over production of ignition systems for customers who decide to outsource production.



# THE OPCON SHARE

The Opcon share has been listed on the O-list of Stockholmsbörsen since 1998.

During 2002, a total of 645,161 new shares were issued, raising SEK 20 million for Opcon.

In April 2002 the AGM authorised the Board to increase the share capital by issuing a maximum of 2,100,000 new shares up to the date of the next Annual General Meeting. No other new share issues were carried out during the year.

### Ownership

At the end of 2002 the largest owners of Opcon AB were Deutsche Bank, Erling Edmundson, Four Seasons Venture Capital AB and AB Kompositprodukter.

Together the four largest owners control 53.5% of the voting rights in the company.

At the end of 2002 Opcon had 2,243 shareholders.

### Share performance and trading

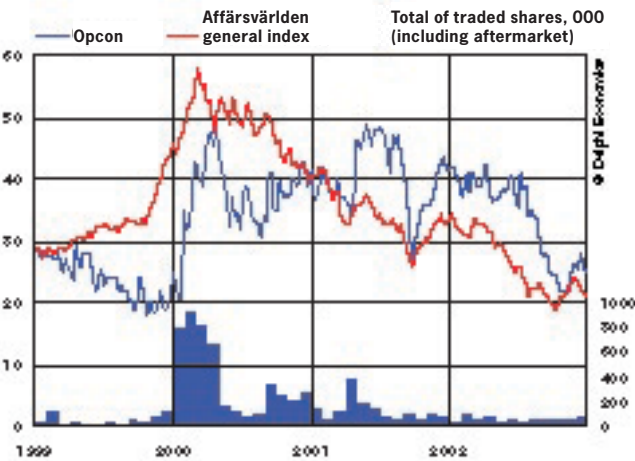
The share price at the start of the year was SEK 41.40, and the final price at the end of the year was SEK 25.00. The highest price during the year was SEK 42.50.

### Dividend

The Board proposes that no dividend be paid for the 2002 financial year.

### Options scheme

Opcon AB had no options scheme in place during 2002.



DATA PER SHARE	2002	2001	2000	1999	1998
Profit/loss per share, SEK	-1,90	0,21	0,66	-0,95	-0,97
Shareholders' equity per share, SEK	15,97	16,62	15,34	14,68	15,63
Dividend per share, SEK	0	0	0	0	0
Average total shares, 000	6 699	6 484	6 242	6 242	6 242
No. of shares at end of 2002	7 129				

### LARGEST SHAREHOLDERS, 30 DECEMBER 2002

	No. of shares	%
Deutsche Bank	1 462 400	20,5
Erling Edmundson	839 157	11,8
Four Seasons Venture Cap. AB	824 740	11,6
AB Kompositprodukter	685 961	9,6
Skandia	268 050	3,8
Sven G. Oskarsson	223 500	3,1
Kragmore Properties Ltd.	212 801	3,0
Credit Suisse	171 000	2,4
Banco Småbolagsfond	139 800	2,9
Lannebo Småbolag	125 400	1,8

Source: VPC

### SIZE OF SHAREHOLDING, 30 DECEMBER 2002

Holding	No. of owners	No. of shares	Holding, %
1-500	1 560	306 115	4,3
501-1000	412	359 245	5,0
1001-10 000	230	703 602	9,9
10 001-50 000	23	480 036	6,7
50 001-100 000	5	326 900	4,6
100 001 -	13	4 952 809	69,5
<b>Total</b>	<b>2 243</b>	<b>7 128 707</b>	<b>100</b>

Source: VPC

### OWNER DISTRIBUTION

	No. of owners	No. of shares	Holding, %
Legal entity	174	4 726 323	66,3
Individuals	2 069	2 402 384	33,7
<b>Total</b>	<b>2 243</b>	<b>7 128 707</b>	<b>100</b>
of whom, resident in Sweden	2 192	4 909 051	68,9

Source: VPC



The core of Laminova's heat exchanger has a unique design, featuring thin, tightly packed flanges, as shown in detail on the front cover of this annual report.

## 5-YEAR SUMMARY OF THE GROUP

PROFIT AND LOSS STATEMENT (SEK 000)	2002	2001	2000	1999	1998
Net sales	282 936	301 780	256 289	238 751	240 182
Other operating income	0	4 719	0	0	160
Operating profit before depreciation	7 036	29 148	30 836	17 465	21 002
Depreciation of tangible fixed assets	-17 357	-18 819	-18 224	-19 194	-15 187
Depreciation of intangible fixed assets	-5 448	-5 267	-4 471	-4 247	-9 639
Operating profit/loss	-15 769	5 062	8 141	-5 976	-3 824
Financial items	-2 620	-2 505	-2 105	-2 009	-4 284
Profit/loss after financial items	-18 389	2 557	6 036	-7 985	-8 108
Tax	5 683	-1 170	-1 901	2 059	2 055
Minority shares	0	1	-2	2	10
<b>Profit/loss for the year</b>	<b>-12 706</b>	<b>1 388</b>	<b>4 133</b>	<b>-5 924</b>	<b>-6 043</b>
BALANCE SHEET (SEK 000)	2002	2001	2000	1999	1998
Intangible assets	21 507	19 457	7 896	6 090	7 702
Tangible assets	66 257	71 898	69 421	76 212	72 459
Financial assets	14 095	8 570	9 321	11 222	9 163
Total fixed assets	101 859	99 925	86 638	93 524	89 324
Inventories	41 426	39 748	37 135	39 283	38 838
Accounts receivable – trade	42 306	52 882	51 698	45 077	44 542
Other current assets	10 378	20 423	8 671	5 577	4 557
Liquid funds/short-term investments	30 484	11 464	25 766	14 274	33 311
Total current assets	124 594	124 517	123 270	104 211	121 248
<b>Total assets</b>	<b>226 453</b>	<b>224 442</b>	<b>209 908</b>	<b>197 735</b>	<b>210 572</b>
Shareholders' equity	113 843	107 769	95 750	91 617	97 541
Minority shares	0	608	609	607	609
Interest-bearing provisions/liabilities	63 215	62 606	59 047	59 027	53 931
Deferred tax	1 677	1 976	656	655	656
Current non-interest-bearing liabilities	47 718	51 483	53 846	45 829	57 835
<b>Total liabilities and equity</b>	<b>226 453</b>	<b>224 442</b>	<b>209 908</b>	<b>197 735</b>	<b>210 572</b>

## 5-YEAR SUMMARY OF THE GROUP

RATIOS	2002	2001	2000	1999	1998
Shareholders' equity, SEK 000	113 843	107 769	95 750	91 617	97 541
Net financial debt, SEK 000	32 731	51 142	33 281	44 753	20 620
Net operating assets, SEK 000	146 574	159 519	129 640	136 977	118 770
Return on equity, %	-11,5	1,4	4,4	-6,3	-7,9
Return on net operating assets, %	-10,3	3,5	6,1	-4,7	-3,2
Return on assets, %	-6,5	2,7	4,2	-2,6	-2,0
Gross margin, %	2,5	9,7	12,0	7,3	8,7
Operating margin, %	-5,6	1,7	3,2	-2,5	-1,6
Profit margin, %	-6,5	0,8	2,4	-3,3	-3,4
Equity/assets ratio, %	50,3	48,3	45,9	46,6	46,6
Proportion of risk-bearing capital, %	51,0	49,2	46,2	47,0	46,9
Interest cover, x	-3,98	1,78	3,33	-1,94	-0,80
Debt gearing, %	55,5	58,1	61,7	64,4	55,3
R&D costs, SEK 000	22 888	17 772	12 533	9 576	8 129
of which capitalized	7 156	4 703	4 553	1 581	0

CASH FLOW (SEK 000)	2002	2001	2000	1999	1998
Cash flow from current operations	3 335	28 259	28 731	15 456	16 718
Change in working capital	15 099	-17 912	450	-15 211	2 736
Cash flow from investment activities	-19 494	-38 208	-17 710	-25 582	-27 298
Cash flow from financing activities	20 080	13 559	21	6 300	39 694
Cash flow, net	19 020	-14 302	11 492	-19 037	31 850

DATA PER EMPLOYEE (SEK 000)	2002	2001	2000	1999	1998
Average number of employees	284	326	308	313	308
Sales per employee	996	926	832	763	780
Operating profit per employee	-56	16	26	-19	-12



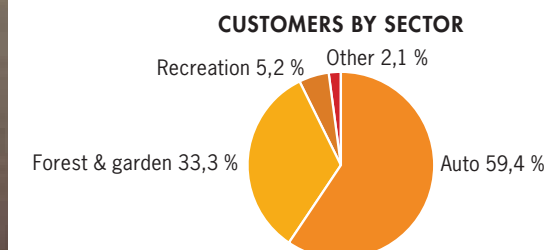
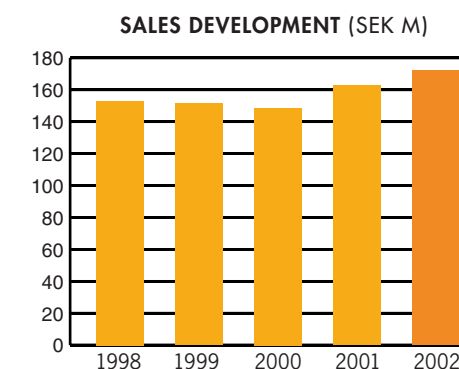


SEM AB has around 15 years of experience of serial manufacturing of ignition systems that feature ion sense technology. This ignition cassette is supplied to Saab.



Svein Valheim, Managing Director of SEM AB

RESULTS	2002	2001
Sales, SEK m	172,2	162,8
Operating profit, SEK m	-5,7	6,0
Profit margin, %	-3,3	3,7
Profit after financial items, SEK m	-9,3	3,4
Investment in machinery/equipment, SEK m	9,2	17,5
Investment in research/development, SEK m	6,6	3,8
Average no. of employees	174	170



## Breakthrough into new, growth market

SEM AB's sales turnover in 2002 reached SEK 172.2 million (162.8 m) and the loss after financial items was SEK 9.3 million (+3.4 m).

Several factors had negative effects on earnings. A large increase in volumes of small ignition systems caused disruption to production as, among other things, capacity for assembling circuit cards was not sufficient. To meet delivery commitments, overtime and weekend shifts were introduced.

Against the background of falling volumes, higher production costs and a falling exchange rate against the US dollar, it was decided to end production of an ignition project for Stihl that was destined for the US. Due to the poor exchange rate it was decided that sufficient investment was not possible to expand production equipment for circuit cards in order to raise capacity. Negotiations resulted in both partners agreeing to an acceptable decommissioning plan.

After summer, work started aimed at increasing the production efficiency of small ignition systems. By the end of the year these products were being produced in the targeted time.

In the final months of the year sales to Saab declined.

Together with the reduction of deliveries to Stihl this meant there was overmanning in production. A scheme to strengthen SEM AB's profitability and competitiveness has therefore been drawn up.

In 2002 the focus for SEM Direct, the engine control system that has been developed over several years, was on contacts with the US partner, Cannondale, and a large number of generators was delivered to them. Towards the end of 2002 Cannondale got into financial difficulty and the company is now being re-organised.

### Market breakthrough

During the year an agreement was signed with Cummins concerning the delivery of ignition coils for the natural gas engines manufactured by Cummins in the UK. This was a key breakthrough for SEM AB on a new, growing market.

In addition, a joint development project was started as part of the agreement whereby SEM AB will supply a complete ignition system, which also measures combustion quality, to the Cummins factory in the US. Prototypes were delivered in 2002 for testing and the main delivery will start according to plan towards the end of 2003.

The ignition system is designed for small gas engines used in trucks and school buses, among other applications. SEM AB will continue to place great importance in co-operation with Cummins in future.

### Long-term development

Work in 2003 will focus on achieving profitability. Measures needed to be taken include rationalising production, reducing costs and finding new customers so as to boost revenues.

Production will be made more efficient by reducing the number of employees and by changing and fine-tuning processes to achieve lower costs for materials and production.

Lower production costs and the rationalisation scheme will have full effect from the third quarter and are expected to reduce costs by SEK 14 million per year.

With products that are more production-friendly the company will be more cost-effective and more competitive.

Small ignition systems are SEM AB's core activity and the aim is to develop a new production process that will enable ignition systems to be produced at the lowest possible cost.

SEM AB is also committed to continuing the development of ignition systems for gas engines used in various applications. This is a profitable and fast-growing market in which the company is looking actively for new customers. Deliveries to Cummins have started and within a few years can reach sales of SEK 40 million per year. There is additional potential among other gas engine manufacturers.

The SEM Direct engine control system will be marketed and introduced to new customers.

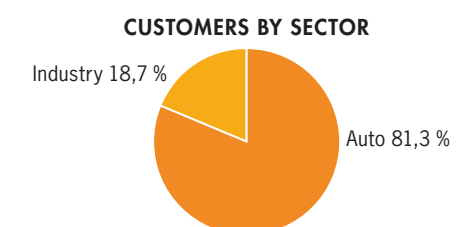
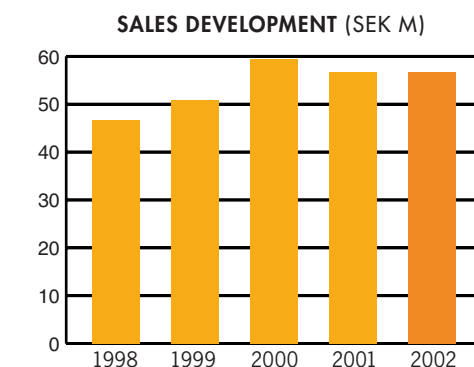
One objective for the company is to find more customers for each product, so that risks can be spread and costs can be distributed better. One of the methods for achieving this is to increase the module concept in production, which will make it easier to quickly adapt products for various customers.

After 2003 the financial goal is to gradually achieve an operating profit that represents 10% of sales turnover.



*Svein Valheim, Managing Director of the REAC Companies*

RESULTS	2002	2001
Sales, SEK m	56,7	56,7
Operating profit, SEK m	5,8	2,3
Profit margin, %	10,2	4,1
Profit after financial items, SEK m	5,3	1,7
Investment in machinery/equipment, SEK m	0,7	0,9
Investment in research/development, SEK m	–	0,4
Acquisition of shares in subsidiaries	2,0	–
Average no. of employees	55	66



## New products can open up new markets

Sales turnover for the REAC companies (formerly SEM Drive AB) reached SEK 56.7 million (56.7 m) and the profit after financial items was SEK 5.3 million (1.7 m).

Results were positively affected by the focus on operational matters that involved the rationalisation of production and has resulted in significantly higher coverage. Results were also boosted by the fact that new customers were found for existing products that could be supplied without the need for development costs.

During 2002 work continued on several customer-financed product development projects, which can result in deliveries in 2003.

SEM Drive AB acquired Reac i Eskilstuna AB in January 2002. The purpose of the acquisition was to complete SEM Drive AB's product range of electro-magnetic control devices. SEM Drive AB has since changed name to REAC AB in order to facilitate marketing and give the company a clearer profile. The name change took place in January 2003.

During the third quarter of 2003 deliveries are expected to start to new customers that were gained via the acquisi-

tion of Reac i Eskilstuna AB. One of these products is a device for a gas starter for boats, a shift-by-wire application that uses electrical signals to activate the device, thus replacing the traditional gas wire.

This can become a large market for the company as development in both the auto and marine sectors is moving away from mechanical control to control by electrical signals. This market is estimated to be worth around SEK 100 million. One agreement can be worth SEK 10 million per year.

### Project progress

The company is involved in several ongoing projects featuring actuators for which the target is to start delivery in 2003. Other current projects include development of an inductive position sensor for heavy vehicles, with production start planned for 2004, and a solenoid for fuel injection for heavy vehicles.

The company has also signed an order for a lifting device that will be used to adjust the height of wheelchairs. This agreement is worth SEK 6 million per year.

During the first quarter of 2003 production of solenoids started for the Swedish company Haldex, a new customer that supplies brake systems for heavy vehicles.

### Bright outlook

The acquisition of Reac gave the company access to a larger distribution network. Inquiries have also been received from potential customers across a wider geographic area.

Large projects entail longer development times and sales cycles. Results in 2003 will not therefore change significantly, but sales turnover is expected to increase considerably in 2004 along with higher profits.

In the long term the company's opportunities look good. The customer base has been diversified successfully and this work will continue.

The auto industry is highly competitive and a small producer can survive only if products or technology provide unique functional or financial benefits. The company's marketing is therefore niche-oriented.



*REAC AB's new product is used in a gas starter for boats. An electrical signal replaces the traditional gas wire.*



# Air systems with growth potential



Roland Ärleback, Managing Director of Opcon Autorotor AB

Sales turnover for Opcon Autorotor AB reached SEK 21.4 million (21.7 m) and the loss after financial items was SEK 9.2 million (-3.0 m).

Results were negatively affected by production disruptions, especially in the autumn, which delayed deliveries considerably.

Work aimed at rectifying these disruptions was intensified towards the end of 2002 and in early 2003 and the problems have now been solved.

Market leader

Opcon Autorotor AB is today the market leader in air systems for fuel cell engines and the company is involved in air system projects with nearly all the major carmakers across the globe. This is the predominant market for the company and it has significant growth potential.

Demand for air systems for fuel cell engines increased in the spring of 2002 and a large boost to orders was noted in the autumn.

The number of fuel cell development assignments in

which the company is involved increased during the year and several important delivery and development agreements are expected to be signed in 2003. In 2002 a new subsidy from Sweden's energy authority (STEM), worth SEK 12 million, was approved regarding the continued development of air systems. Two other Swedish companies, NFO Drives AB and AB Kompositprodukter, cooperate with Opcon Autorotor in this project.

Through a licence agreement with AB Kompositprodukter, Opcon has acquired the exclusive rights to a patented electrical motor specially designed for air systems in fuel cells.

Opcon Autorotor is involved in the CUTE project, which is supported by the EU. Ten major European cities will introduce buses powered by fuel cells in city centres. The first buses were delivered in February 2003 and Stockholm will take delivery of its buses in the autumn of 2003. The buses feature compressors developed and manufactured by Opcon Autorotor AB.

Sales of compressors to established customers in the

aftermarket sector increased in 2002 and the expansion of this market is expected to continue.

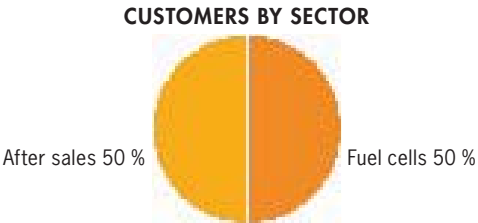
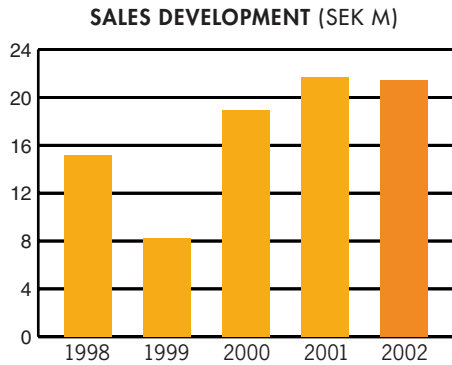
The company also foresees market growth for its compressors in the segment for supercharged combustion engines. The current design of the two-stroke engine will not meet new environmental demands and it will therefore be replaced by the four-stroke engine. A four-stroke engine can be supercharged with a compressor to make it as light and effective as a two-stroke engine.

Long-term development

Opcon Autorotor AB is still primarily a development company, but it is becoming a large-scale producer. As the company transforms itself it needs to develop and safeguard processes and logistics.

Fuel cell engines will soon feature in standard cars. Several major carmakers are starting to deliver the first models to private buyers. A 50% increase in sales and positive earnings is expected for Opcon Autorotor in 2003. Growth of between 40-50% is judged possible for the company in coming years.

RESULTS	2002	2001
Sales, SEK m	21,4	21,7
Operating profit, SEK m	-8,6	-2,6
Profit margin, %	-40,2	-12,0
Profit after financial items, SEK m	-9,2	-3,0
Investment in machinery/equipment, SEK m	2,5	1,7
Investment in research/development, SEK m	0,6	0,5
Average no. of employees	21	15



The company's objective is to become a systems supplier, providing serial deliveries of complete air systems in units. A system can comprise inverter, electric motor, compressor, expander and heat exchanger.

Opcon Autorotor works with Laminova Production AB to integrate Laminova's heat exchangers in air systems for fuel cells and combustion engines.

# Innovative company, cutting-edge technology

Sales turnover for Laminova Production AB in 2002 reached SEK 18.8 million (20.5 m) and the profit after financial items was SEK 1.9 million (1.4 m). Sales turnover was down due to reduced deliveries to Ford.

Unlike most Swedish suppliers to the auto industry, nearly all of Laminova's production is exported, mainly to the UK and the US. Ford, General Motors and Land Rover are the most important customers.

### US market increasingly important

Up to 2002 production volumes were divided 50-50 between the European and US markets, but the US market forged ahead in 2002. The main reason was the fall in sales for Rover following its divorce from BMW, and the change according to plan in the Land Rover engine range, which previously featured Laminova's oil cooler. Meanwhile, sales to Ford increased as the same engine range was introduced for several of its models.

The racing and aftermarket sectors account for a smaller part of sales but they are highly profitable and have a high PR value. The UK is a major market and racing is a popular sport there. Teams such as Mitsubishi Ralliart WRC, Per Eklund Saab and several Nascar teams use Laminova products.

With an increase in marketing there is considerable potential for increased sales in the racing and aftersales sectors. At the present time the focus is on customers in the auto sector in order to safeguard efficient production in large volumes.

### Unique technology

During 2002 the company continued its very active marketing efforts and participated in several of the most important trade exhibitions for the auto industry, which has resulted in valuable contacts with customers.



Thomas Johansson, Managing Director of Laminova Production AB

Laminova Production AB's manufacturing technology for heat exchangers is unique. The company's major competitors use different technology and have different designs. This has meant that customers have designed their engines and other equipment to match the larger suppliers. Despite this, many customers appreciate Laminova's unique solutions due to the technical benefits and the fact that, unlike other heat exchangers, they can be integrated in other engine products.

In general the major auto manufacturers want fewer, larger system suppliers, but at the same time there is room for innovative businesses with cutting-edge technology, including heat exchange methods.



Oil cooling beyond reproach. Laminova's heat exchangers have cooled engines in Ford taxis and police cars for many years.

### New customers

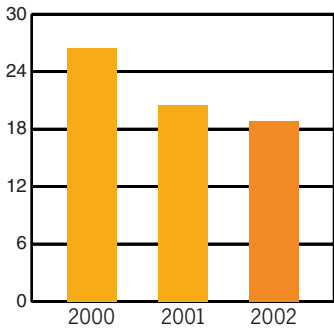
Together with its suppliers, Laminova is developing a surface-treatment method that will make the core of a heat exchanger durable in corrosive environments, such as salt water.

Work aimed at improving the heat exchanger by developing the so-called water side of the core was carried on in 2002 and will continue in 2003. Tests performed so far have been successful.

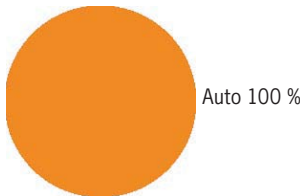
The goal of the development project is to reach new customers outside the auto industry, especially in the marine sector, for heat pumps and cooling equipment. Renewal of production equipment will also continue in 2003.

RESULTS	2002	2001
Sales, SEK m	18,8	20,5
Operating profit, SEK m	0,9	1,1
Profit margin, %	4,8	5,4
Profit after financial items, SEK m	1,9	1,4
Investment in machinery/equipment, SEK m	0,7	1,1
Average no. of employees	15	16

SALES DEVELOPMENT (SEK M)



CUSTOMERS BY SECTOR



### Long-term development

2003 will be an in-between year without growth for Laminova Production AB. New orders should be signed in the middle of 2003 and should lead to increased production volumes from 2004. Since 2001 the company has been involved in several large diesel and petrol engine projects. The order value for these projects is estimated at around SEK 100 million per year.

In future an increasing number of engines in the auto sector will require oil cooling or cooling of air entering the engine (intercooler). The reason is that as the performance of engines improves, cooling efficiency will have to be greater in order to save and recycle energy. This will require greater control of engine temperatures. The same demands are being set in traditional industries such as the electronics industry. The world market potential for heat exchangers is therefore very large.

Partnership projects with Opcon Autorotor show further development potential for heat exchangers. Temperature problems in fuel cells must be solved and Laminova's heat exchangers can be the answer.



# Profiting from focus on fuel cells in the US

Sales turnover for Opcon Inc. in 2002 reached SEK 26.1 million (28.7 m) and the profit after financial items was SEK 0.3 million (1.6 m).

Earnings were negatively affected by the decommissioning of two products in 2002. One of these products was a servo-steering cooler for GM, produced by Laminova Production AB and assembled by Opcon Inc. in the US. The product was decommissioned because GM ended production of a car model.

The other decommissioned product was a combined engine and transmission cooler that was also delivered to GM. Production of a car model was ended unexpectedly and sales fell accordingly.

The build-up of the company's sales operation in the US continues. The largest part of sales continues to come from heat exchangers made by Laminova Production AB. The main customer is Ford and the biggest seller is an oil cooler for police cars. Ford has an 80% share of the relatively stable US market for police cars.

**Intercooler projects**

The US market has not recovered from the terrorist attacks of 11 September 2001. Businesses and private individuals are delaying purchasing decisions which is affecting manufacturers and planned deliveries which cannot start in the current climate.



Stefan Dunert, Managing Director of Opcon Inc.

A strong, expanding market is forecast, however, for Laminova's intercoolers. The high performance of these products has attracted interest from a new customer who is a leading supplier to the car industry.

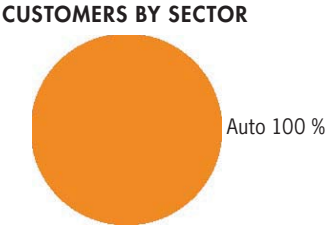
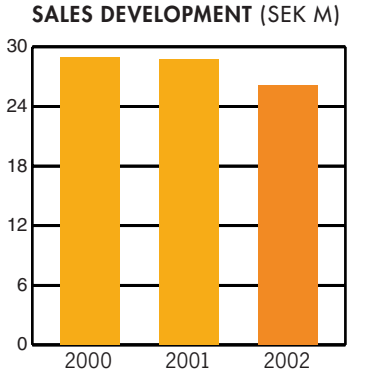
Several projects were started in partnerships in 2002 and will lead to deliveries of prototypes in 2003. Co-operation may be extended via links with a Japanese customer.

Air systems for fuel cell engines are a key market of the future and the first cars with fuel cell engines will be launched in 2004.

Opcon benefits from research programmes in the US. The US aims to end its dependence on imported energy and wants to make significant environmental improvements.

Research programmes worth USD 1.7 billion are cur-

RESULTS	2002	2001
Sales, SEK m	26,1	28,7
Operating profit, SEK m	-0,3	1,5
Profit margin, %	-1,1	5,2
Profit after financial items, SEK m	-0,3	1,6
Investment in machinery/equipment, SEK m	0,1	0,1
Average no. of employees	4	4



rently lined up in the field of fuel cell development.

The large US aftermarket sector for supercharger kits is relatively constant. Kenne Bell is currently the largest buyer of Laminova's intercoolers and Opcon Autorotor screw compressors, primarily for cars made in America.

**Aftermarket sector growing**

One of Opcon Inc.'s goals is to expand in the aftermarket sector. Work has started on a new project with a large potential customer focused on supercharging kits for the sport compact sector. This is a fast-growing market especially in California.

Exhibitions and similar activities are very important for building business contacts. In 2002 Opcon Inc. participated for the first time at the Performance Racing Industry exhibition in Indianapolis. Great interest was shown by visitors for Opcon's products and the company will return to the exhibition in 2003.



### Group overview

Opcon's business concept is to develop, manufacture and market systems and products that contribute to generating environment-friendly power, when power is needed.

The Group's product range comprises ignition and engine management systems, electro-mechanical devices, screw compressors and heat exchangers. Customers are mainly in the automotive, small-engine and engineering industries.

The Group operates through five incorporated business areas.

The operations of the parent company, Opcon AB, comprise management and corporate services.

The company is located in Åmål, Sweden, and has been listed on the O-list of Stockholmsbörsen since 31 December 1998.

### Invoicing and results

#### The Group

Sales turnover in 2002 amounted to SEK 283 million, compared with SEK 302 million in 2001, which for comparable units represents an increase of 2.8%. Sales turnover in 2001 included Transformator-Teknik i Åmål AB, which was sold off at the end of 2001.

The operating loss was SEK 15.8 million, compared with a profit of SEK 5.1 million in 2001. Earnings were negatively affected by one-off items amounting to SEK 7.5 million. These costs were mainly for the decommissioning of unprofitable ignition systems and the cancellation of development projects.

The decision to decommission ignition systems was made due to falling volumes and high production costs.

The loss after financial items was SEK 18.4 million (+2.6 m). The loss after tax was SEK 12.7 million (+1.4 m), which corresponds to earnings per share of SEK -1.90 (+0.21).

The order book at the end of 2002 amounted to SEK 172 million (175 m).

During the first quarter, SEM Drive AB, which has changed its name to REAC AB, acquired Reac i Eskilstuna AB. The acquisition gives the subsidiary a complete product range of electro-magnetic devices.

A significant improvement in earnings was reported for REAC AB (formerly SEM Drive AB) for the year while the sales turnover remained at the same level as in 2001.

Sales turnover for SEM AB increased by 6% during the year due to continued growth in ignition systems for the small engines segment. Earnings were negatively affected by the decommissioning of an unprofitable ignition system range and the ending of a development project. One-off extra costs of SEK 5.4 million were also included.

Opcon Autorotor AB's continuing concentration on the development of applications featuring screw compressor technology has resulted in increased assignments from the fuel cell sector. The aftermarket sector for compressors used to supercharge combustion engines is also expanding.

Production capacity was extended during the year. Start-up costs and delayed deliveries had a negative impact on earnings. These problems have now been solved.

Volume performance for Laminova Production AB was lower than expected due to decommissioning of products by US customers.

### Investments

Investment in machinery, tools, goodwill and rights during the year totalled SEK 17 million (22.4 m).

The Group invests large resources in developing new technology. Development costs during the year amounted to SEK 15.7 million (13.1 m).

In addition, costs for research and development amounting to SEK 7.2 million (4.7 m) have been carried forward.

Most of amount carried forward is attributable to the development of a modular ignition system for motorbikes (SEM Direct).

Opcon has acquired the remaining shares in its subsidiary SEM AB and now owns all of the shares. The outstanding shares represented 4% of the total.

### Financial position

The Group's liquid funds at the end of the year amounted to SEK 30.5 million (11.5 m) and interest-bearing liabilities amounted to SEK 63.2 million (62.5 m). The Group's equity/assets ratio was 50.3% (48.3%).

During September a placement of new shares raised SEK 20 million in new capital for the Group.

### Employees

At the end of 2002 the Group had 309 employees (354), of whom 135 (159) were women.

The average number of annual employees was 284 (326).

Further information about employees, salaries and social costs is included in note 2.

### The environment

Opcon companies have received permission in accordance with current laws and statutes in order to conduct their activities.

Permission is granted by the National Chemicals Inspectorate and Labour Inspectorate and applies for the use of chemicals in the production process, including epoxy containing acid halogenide, methylene chloride and trichloroethylene. Current permits are valid until 31 December 2003.

The Group's main environmental impact consists of emissions from the burning of oil for heating and transport, ventilation emissions and dumped waste from plastic moulding and washing operations.

### Foreign currency

The Group makes sales and purchases in foreign currencies. Exposure is mainly to the US dollar and the euro. Up to 50% of flows in foreign currency are hedged.

Of total Group invoicing, SEK 53.7 million (53.5 m) or around 19% (18%) is in US dollars, and SEK 15.7 million (8.6 m) or 6% (3%) is in euros.

The Group's purchases in foreign currency totalled SEK 77.5 million (79 m), of which SEK 31.3 million (35.6 m) was in US dollars, SEK 40.9 million (38.1 m) was in euros and SEK 5.3 million (5.3 m) was in other currencies.

### Parent company

The operations of the parent company cover internal services and the management of the Group's assets.

The shared functions of the Group are finance, administration, human resources, information, IT, the environment and property.

The parent company's invoiced sales amounted to SEK 20.8 million (20.9 m) and were derived mainly from rentals and corporate services to the subsidiaries.

The parent company made a loss after financial items of SEK 6.4 million (+0.4 m).

The Group's liquid funds at the end of the year totalled SEK 19.2 million (0.4 m).

### Board of Directors and its working methods

Opcon AB's Board of Directors has five members. The Chief Executive Officer is a member of the Board.

Working procedures for the Board are established annually in accordance with the Swedish Companies Act. Procedures include details about the division of responsibility among members of the Board, the chairman and the CEO.

The Board will make decisions on issues that are not a part of regular administration or are of major importance such as key financial measures, contracts, investments and organisational changes. The Board determines the financial policy of the company.

The Board's work follows an annual plan with a fixed agenda for each Board meeting.

The company's Chief Financial Officer participates at Board meetings as the secretary. Other Group employees may make presentations to Board meetings.

Six Board meetings were held in 2002.

### Ownership structure

The company has 2,243 shareholders. The total number of shares on 31 December 2002 was 7,128,707 shares.

The largest individual shareholders are Deutsche Bank, Erling Edmundson, Four Seasons Venture Capital AB and AB Kompositprodukter.

### Outlook for 2003 and beyond

SEM AB has started a cost-cutting programme which will reduce costs by SEK 14 million per year. This is expected to build a platform of profitability for future growth.

During the autumn the main focus will be on the introduction of two new product groups.

In 2002 delivery agreements were signed with Cummins



*One of REAC AB's new products, a lifting bar that adjusts the height of a wheelchair.*

Inc. in the US and the UK, which within a couple of years will generate additional annual sales turnover of around SEK 40 million. Deliveries will start at the end of 2003.

REAC AB continues to develop positively. In 2003 new product ranges will be introduced that are expected to boost both sales and earnings. Growth will also take place outside the auto sector. The acquisition of Reac i Eskilstuna AB means that the company can offer a more comprehensive range of electro-magnetic devices, which will further strengthen expansion opportunities for the company.

Opcon Autorotor AB has a good position on the new growth markets for fuel cells and supercharged combustion engines for mobile applications.

The company has a high level of orders in the growing fuel cell sector.

The company is expected to enter a stable period of growth starting in 2003. Key delivery and development agreements are expected to be signed in the coming year.

Laminova Production AB is expected to achieve sales at the same level as 2002 and start expanding at the end of 2003 when production of larger volumes will start.

The aftermarket sector for the company's products is growing due to product integration of Opcon Autorotor's compressors with Laminova's intercooler for fuel cell and combustion engine applications.

The Group

The Opcon Group is expected to grow in 2003 and achieve better earnings than in 2002. Company acquisitions may be considered. Large resources will continue to be invested in the development of the Group's products in connection with new customers and markets.

Proposed allocation of loss

The Group's unrestricted equity according to the consolidated balance sheet amounts to SEK 3,663,000, including the loss from 2002 of SEK 12,706,000.

No allocation to restricted reserves is proposed.  
The following amount is at the disposal of the Annual General Meeting:  
Amount brought forward ..... 2,591,731  
Group contribution after tax ..... 2,708,640  
Loss for the year..... -5,300,371  
Total ..... 0  
The amount to be allocated is zero.

Results and financial position

The results and financial position of the Group and the parent company are presented in the following income statements, balance sheets, cash flow statements and notes to the accounts.



Linoid, a new product from REAC AB, which is ready to launch. Linoid is the best choice when a longer movement is required.

(SEK 000)	NOTE	Group		Parent company	
		2002	2001	2002	2001
	1				
Net sales		282 936	301 780	20 766	20 874
Cost of goods sold		-245 241	-247 979	-	-
Cost of services		-	-	-20 853	-20 474
Gross profit		37 695	53 801	-87	400
Selling expenses		-7 053	-11 425	-	-
Administrative expenses		-29 559	-27 756	-7 271	-5 800
R&D expenses		-15 732	-13 069	-	-
Other operating income		120	4 719	-	4 992
Other operating expenses		-1 240	-1 208	-	-
Operating profit/loss	2,3,4,5	-15 769	5 062	-7 358	-408
Profit/loss from financial investments					
Interest income	6	1 070	765	1 773	1 813
Interest expenses	6	-3 690	-3 270	-769	-1 053
Profit/loss after financial items		-18 389	2 557	-6 354	352
Tax on profit for the year					
Current tax	20	-140	-985	1 053	627
Deferred tax	19	5 823	-185	-	-
Minority share in profit/loss for the year		-	1	-	-
Profit/loss for the year	7	-12 706	1 388	-5 301	979
Profit/loss per share		-1,90	0,21	-	-
Average total shares, (000)		6 699	6 484	-	-

## BALANCE SHEET GROUP / PARENT COMPANY

		Group		Parent company	
ASSETS (SEK 000)	NOTE	2002	2001	2002	2001
<b>FIXED ASSETS</b>	<b>1</b>				
<b>Intangible assets</b>	<b>5, 8</b>				
Capitalized expenditure for R&D		8 877	7 928	–	–
Goodwill		12 130	11 529	–	–
Other intangible assets		500	–	500	–
<b>Total intangible assets</b>		<b>21 507</b>	<b>19 457</b>	<b>500</b>	<b>–</b>
<b>Tangible assets</b>	<b>9</b>				
Buildings and land		6 392	6 655	6 392	6 655
Plant and machinery		40 473	42 252	161	143
Equipment and tools		19 392	22 991	3 995	4 311
<b>Total tangible assets</b>		<b>66 257</b>	<b>71 898</b>	<b>10 548</b>	<b>11 109</b>
<b>Financial assets</b>					
Deferred tax receivable	<b>19</b>	14 056	8 531	–	–
Participations in Group companies	<b>10</b>	–	–	66 931	66 922
Other long-term holdings in securities	<b>10</b>	39	39	–	–
<b>Total financial assets</b>		<b>14 095</b>	<b>8 570</b>	<b>66 931</b>	<b>66 922</b>
<b>TOTAL FIXED ASSETS</b>		<b>101 859</b>	<b>99 925</b>	<b>77 979</b>	<b>78 031</b>
<b>CURRENT ASSETS</b>					
<b>Inventories, etc.</b>					
Raw materials and consumables		23 314	21 564	–	–
Work in progress		7 235	5 233	–	–
Finished products and goods for resale		10 877	12 951	–	–
<b>Total inventories</b>		<b>41 426</b>	<b>39 748</b>	<b>–</b>	<b>–</b>
<b>Current receivables</b>					
Receivables from Group companies		–	–	30 299	28 695
Accounts receivable – trade		42 306	52 882	225	1 220
Tax receivable		2 098	3 074	289	169
Other receivables		2 574	13 855	64	8 668
Prepaid expenses and accrued income	<b>11</b>	5 706	3 494	3 348	1 383
<b>Total current receivables</b>		<b>52 684</b>	<b>73 305</b>	<b>34 225</b>	<b>40 135</b>
<b>Current investments</b>		<b>7 000</b>	<b>7 355</b>	<b>–</b>	<b>–</b>
<b>Cash and bank balances</b>		<b>23 484</b>	<b>4 109</b>	<b>19 200</b>	<b>428</b>
<b>TOTAL CURRENT ASSETS</b>		<b>124 594</b>	<b>124 517</b>	<b>53 425</b>	<b>40 563</b>
<b>TOTAL ASSETS</b>		<b>226 453</b>	<b>224 442</b>	<b>131 404</b>	<b>118 594</b>

## BALANCE SHEET GROUP / PARENT COMPANY

		Group		Parent company	
SHAREHOLDERS' EQUITY AND LIABILITIES (SEK 000)	NOTE	2002	2001	2002	2001
<b>Shareholders' equity</b>	<b>12</b>				
<b>Restricted equity</b>					
Share capital		35 644	32 418	35 644	32 418
Restricted reserves/Statutory reserve		74 536	57 759	74 462	57 688
<b>Total restricted equity</b>		<b>110 180</b>	<b>90 177</b>	<b>110 106</b>	<b>90 106</b>
<b>Non-restricted equity</b>					
Non-restricted reserves		16 369	16 204	–	–
Profit/loss brought forward		–	–	5 301	1 613
Profit/loss for the year		–12 706	1 388	–5 301	979
<b>Total non-restricted equity/accumulated deficit</b>		<b>3 663</b>	<b>17 592</b>	<b>0</b>	<b>2 592</b>
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>113 843</b>	<b>107 769</b>	<b>110 106</b>	<b>92 698</b>
<b>Minority shareholdings</b>	<b>13</b>	<b>–</b>	<b>608</b>	<b>–</b>	<b>–</b>
<b>Provisions</b>					
Provisions for pensions		5 572	5 355	–	–
Deferred tax	<b>19</b>	1 677	1 976	–	–
<b>Total provisions</b>		<b>7 249</b>	<b>7 331</b>	<b>–</b>	<b>–</b>
<b>Long-term liabilities</b>					
Bank overdraft facilities	<b>15</b>	25 504	24 835	1 919	1 959
Other liabilities to credit institutions	<b>14</b>	32 139	32 337	3 800	3 800
<b>Total long-term liabilities</b>		<b>57 643</b>	<b>57 172</b>	<b>5 719</b>	<b>5 759</b>
<b>Current liabilities</b>					
Liabilities to credit institutions		–	79	–	–
Liabilities to Group companies		–	–	11 061	13 735
Advance payments from customers		484	482	–	–
Accounts payable – trade		16 999	24 601	1 789	3 502
Income tax liability		–	–	–	–
Other liabilities		6 826	5 680	512	603
Accrued expenses and deferred income	<b>17</b>	23 409	20 720	2 217	2 297
<b>Total current liabilities</b>		<b>47 718</b>	<b>51 562</b>	<b>15 579</b>	<b>20 137</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>226 453</b>	<b>224 442</b>	<b>131 404</b>	<b>118 594</b>
<b>Pledged assets</b>	<b>18</b>	<b>86 300</b>	<b>86 300</b>	<b>6 800</b>	<b>6 800</b>
<b>Contingent liabilities</b>	<b>16</b>	<b>3 502</b>	<b>3 482</b>	<b>26 000</b>	<b>30 000</b>



CASH FLOW STATEMENT GROUP / PARENT COMPANY

	Group	Parent company			
(SEK 000)	NOTE	2002	2001	2002	2001
	1, 21				
Current business activities					
Profit/loss after financial items		-18 389	2 557	-6 354	352
Translation differences		-1 221	631	-	-
Adjustments for items not included in the cash flow					
Depreciation		22 805	24 086	1 766	1 768
Current tax		140	985	-	-
Cash flow from current activities before changes in working capital		3 335	28 259	-4 588	2 120
Changes in working capital					
Increase in stock (-)		-1 678	-2 613	-	-
Decrease (+) / increase (-) of short-term receivables		20 621	-12 936	5 910	-12 082
Decrease (-) / increase (+) of short-term liabilities		-3 844	-2 363	-4 558	9 733
Cash flow from current activities after changes in working capital		18 434	10 347	-3 236	-229
Investments					
Acquisition of tangible assets, machinery and equipment		-14 415	-24 676	-1 219	-598
Acquisition of intangible assets, capitalized development expenditure		-7 156	-4 703	-	-
Acquisition of intangible assets, goodwill and material rights		-2 593	-12 125	-500	-
Change in financial assets (excluding deferred tax receivable)		-	7	-	-
Acquisition of financial assets, shares in subsidiaries		-	-	-9	-40 000
Sales of financial assets, shares in subsidiaries		-	-	-	4 287
Sale/scrapping of tangible assets		4 670	3 289	14	-
Cash flow from investments		-19 494	-38 208	-1 714	-36 311
Financing activities					
Group contribution received		-	-	8 384	5 181
Group contribution paid		-	-	-4 622	-2 941
New share issues		20 000	10 000	20 000	10 000
Loans raised		471	5 200	-	20
Change in bank overdraft facilities		-	-	-40	-
Change in minority interests		-608	-	-	-
Change in provisions (excluding deferred tax liability)		217	-1 641	-	-
Cash flow from financing activities		20 080	13 559	23 722	12 260
Cash flow, net		19 020	-14 302	18 772	-24 280
Change in liquid funds and current investments		19 020	-14 302	18 772	-24 280
Liquid funds and current investments, opening balance		11 464	25 766	428	24 708
Liquid funds and current investments, closing balance		30 484	11 464	19 200	428

NOTES TO THE ACCOUNTS

(All figures in SEK '000)

Note 1 Accounting and valuation principles

Opcon AB's accounting and valuation principles have been drawn up in accordance with the annual accounts act and the recommendations and statements of the Swedish Financial Accounting Standards Council.

Consolidated accounts

The consolidated accounts have been drawn up in line with the Swedish Financial Accounting Standards Council recommendations. Acquisition accounting is used for the consolidated accounts. This means that shareholders' equity in subsidiaries at the time of acquisition, defined as the difference between the real value of assets and liabilities, is fully eliminated. Consolidated equity includes only the part of the subsidiary's equity that arises after the acquisition. Goodwill consists of the amount by which the acquisition amount exceeds the actual amount of the Group's share in the acquired subsidiary's net assets at the time of acquisition. Companies acquired during the year are included in the consolidated accounts with amounts for the period after acquisition. All foreign subsidiaries of the Opcon Group are classified as independent subsidiaries, and the current method is therefore used to translate their results. This means that the assets and liabilities of foreign subsidiaries are translated at the closing day rate. All items in the income statements are translated using the average rate for the year. Translation differences are added directly to the Group's shareholders' equity. Minority shares are included in the profit/loss for the year in the consolidated income statement. Minority shares in the subsidiaries' capital are reported as a separate item in the consolidated balance sheet.

Receivables

Receivables are accounted for individually at the amount which they are expected to be paid.

Receivables and liabilities in foreign currency

Receivables and liabilities in foreign currency are valued at the closing day rate. In cases where currency has been hedged, the valid futures rate applies. In the case of hedging of future budgeted flows, the hedging instrument is not revalued when exchange rates change. The complete effect of the exchange rate change is recorded in the profit/loss statement when the hedging instrument falls due for payment.

Inventories

Inventories have been valued by applying the first in/first out (FIFO) principle, i.e. whichever is the lower of the acquisition value and the real value on the balance sheet date. Collective valuation is used for similar products. Individual obsolescence assessments have been made.

Fixed assets

Tangible and intangible fixed assets are recorded at their acquisition value minus depreciation. The cost of improving the performance of an asset beyond its original state increases the recorded value of the asset. The cost of repairs and maintenance is recorded as an expense. Tangible and intangible fixed assets are depreciated based on their estimated economic life spans. The following depreciation times apply:

Buildings.....	25 years
Product-associated tools/product construction costs .....	3 years
Machinery and equipment.....	10 years
Vehicles/computer equipment.....	5 years
Capitalized development expenditure.....	3-5 years
Goodwill .....	10-15 years

When the depreciable amount of assets is determined the remaining value of the asset is taken into consideration where relevant. When the recorded value of an asset exceeds its estimated recycling value, the asset is immediately written down to its recycling value.

Note 1 continued

The goodwill related to the acquisition of the Laminova companies will be depreciated over 15 years, because underlying rights for patents and technical know-how can be used for 15 years at least. The goodwill value at the end of 2002 applies to the acquisition of the Laminova companies and the acquisition during the year of Reac i Eskilstuna AB. Depreciation for assets financed by subsidies is carried out starting from the year when the acquisition value is established. Product-associated tools include the value of purchased or own manufactured equipment designed for producing goods. Product construction costs cover costs for constructing prototypes that will be later produced in series. Product-associated tools and product construction costs are recorded under the heading "Inventories and tools" in the balance sheet.

Income tax

Reported income tax comprises the tax that shall be paid or paid back for the current year, adjustments due to previous years' tax payments and changes in deferred tax. Estimates of all tax liabilities and tax receivables are made as nominal amounts and according to tax rules and rates already in place or which have been announced and are most likely to be implemented. The associated tax effects of items recorded in the profit and loss account are also recorded in the profit and loss account. The tax effects of items recorded directly against shareholders' equity are also recorded against shareholders' equity. Deferred tax is calculated using the balance sheet method for the temporary differences that arise between reported values and tax values for assets and liabilities. Temporary differences arise primarily through tax deficits. Deferred tax receivables concerning deficit deductions or other future tax deductions are reported to the extent that it is probable that the deduction can be settled against surpluses in future taxation.

Leasing agreements

All the significant leasing agreements in the Group are recorded as operational arrangements.

Cash flow statement

The cash flow statement is produced using the indirect method. Reported cash flow includes only those transactions that involve deposits and payments. In addition to cash and bank balances, short-term financial investments are classified as liquid funds.

Research and development

Research costs are recorded as expenses immediately. Costs for development projects (relating to constructing and testing new or improved products) are carried forward as intangible assets in the amount that these costs are expected to generate future financial benefits. Other development costs are recorded as they occur.

Revenues

Sales of goods are recorded on the date of delivery to the customer in accordance with sales conditions. Sales are recorded net after sales tax, discounts and exchange rate differences when the sale is in a foreign currency. Internal sales within the Group are eliminated fully in the consolidated accounts. Rental revenue is recorded in the rental period.

Current assignments

For completed service assignments, income and expenses are recorded that are related to the assignment and to the extent that the assignment is completed on the closing day (successive income recognition). The extent to which an assignment is completed is determined by comparing expenses incurred by the balance day with estimated total expenses. In cases where a service assignment cannot be estimated reliably, revenues are recorded only to the extent that incurred assignment costs are likely to be remunerated by the customers. An expected loss on an assignment is recorded immediately as an expense.

NOTES TO THE ACCOUNTS / continued

Note 2 Staff

In 2002 the average number of employees, broken-down into men and women, amounted to:

	Parent Company		The Group	
Women	6	(7)	120	(144)
Men	9	(11)	164	(182)
<b>Total</b>	<b>15</b>	<b>(18)</b>	<b>284</b>	<b>(326)</b>

The Group total includes 4 employees at the US subsidiary, of whom one is a woman.

Salaries and remuneration amounted to

	Parent Company		The Group	
The Board and CEO	1 098	(967)	5 442	(3 960)
Other employees	4 287	(4 459)	73 441	(77 551)
<b>Total salaries and remuneration</b>	<b>5 385</b>	<b>(5 426)</b>	<b>78 883</b>	<b>(81 511)</b>

Payroll overheads in line with the law and agreements

2 792	(3 037)	33 585	(33 426)
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**Total salaries, payroll overheads and pension costs**

<b>8 177</b>	<b>(8 463)</b>	<b>112 468</b>	<b>(114 937)</b>
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Payroll overheads include

Pension costs	920	(976)	6 850	(4 800)
of which the Board and CEO	307	(396)	1 362	(1 333)

Remuneration to senior executives

Principles

Remuneration to the Chairman of the Board and to Board members is determined by a vote at the Annual General Meeting.

Board members who are employed by a Group company do not receive remuneration for being a Board member (including employee representatives).

Remuneration to the CEO and other senior executives comprises a basic salary, other benefits (company car) and pension. There are no bonuses or variable compensation.

The Group does not operate an options scheme.

Senior executives are the six people, including the CEO, who make up the senior management team.

Remuneration and other benefits during the year

	Basic salary/ Board fee	Benefits	Pension cost	Other payment	Total
Board chairman	100	–	–	–	<b>100</b>
CEO	858	83	307	–	<b>1 248</b>
Other senior executives	4 335	370	1 357	287	<b>6 349</b>
Total	5 293	453	1 664	287	<b>7 697</b>

The Group only has fee-based pension plans. Pension expenses refer to expenses that affect the year's profit/loss. The pension premium for the CEO amounts to 35% of the pension-based salary.

Pension premiums for other senior executives amount to between 9-35% of the pension-based salary. The retirement age for the CEO and other senior executives is 65.

Terms of dismissal

The company must give the CEO 24 months' notice of dismissal, while the CEO must give the company six months' notice. No redundancy payments will be made in addition to normal salary during the notice period.

For other senior executives, the company must give between 12-18 months' notice of dismissal, while senior executives must give the company three to six months' notice. No redundancy payments will be made in addition to normal salary during the notice period.

Note 2 continued

Procedures

The parent company's Board of Directors has authorised the Chairman of the Board to set salary and remuneration for the CEO. Salary and remuneration for other senior executives are set by the parent company's Managing Director and the CEO and chairman of the Board of the subsidiary in question.

Note 3 Operational expenses

	2002	2001
--	------	------

Exchange rate differences and currency hedging

Group and parent company

The operating profit/loss includes exchange rate differences regarding current receivables and liabilities amounting to:

1 295	–1 131
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A certain amount of expected flows in foreign currency is hedged. At the end of the financial year the hedging instrument comprised a currency forward agreement in USD, amounting to USD 600,000, which falls due six months after the balance day. The Group uses hedging accounting for this contract, which means that it is not revalued if exchange rates change.

	2002	2001
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Unrealised profit/loss not affecting the year's result

482	–29
-----	-----

Unrealised profit/loss affecting the year's result

244	28
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Operational leasing contracts

Leasing revenue and expenses in the financial year concerning leasing agreements and nominal value of future minimum leasing fees concerning non-revocable leasing agreements were as follows:

	2002	2001
--	------	------

The Group

Leasing fees for the year	7 246	6 450
Year's rental income for items rented out	1 809	143
Future leasing fees within one year	7 017	6 672
Future leasing fees beyond one year & within five years	19 392	23 357
Future leasing fees beyond five years	–	608

Parent company

Leasing fees for the year	4 972	4 968
Year's rental income for items rented out	2 634	909
Future leasing fees within one year	4 968	4 972
Future leasing fees beyond one year & within five years	14 684	19 617
Future leasing fees beyond five years	–	–

Remuneration to auditors

The Group

Auditing		
Öhrlings PricewaterhouseCoopers	340	360
Other assignments		
Öhrlings PricewaterhouseCoopers	255	280

Parent company

Auditing		
Öhrlings PricewaterhouseCoopers	115	115
Other assignments		
Öhrlings PricewaterhouseCoopers	190	215

NOTES TO THE ACCOUNTS / continued

Note 4 Depreciation

	2002	2001
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The Group

Opening depreciation of cost of goods sold	16 433	17 657
Opening depreciation of administrative expenses	428	640
Opening depreciation of research and development costs	4 704	4 580
Opening depreciation of other operating expenses	1 240	1 208
<b>Total depreciation</b>	<b>22 805</b>	<b>24 085</b>

Parent Company

Opening depreciation of cost of services sold	1 639	1 529
Opening depreciation of administrative expenses	127	239
<b>Total depreciation</b>	<b>1 766</b>	<b>1 768</b>

Note 5 Government subsidy

	2002	2001
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The Group

The Government subsidy has reduced the cost of goods sold and is mainly an employment benefit

583	1 016
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State subsidy from the State energy authority (STEM), which reduced the acquisition value for capitalized expenses for research and development

247	430
-----	-----

EU subsidy for the ELEVATE project, which reduced the acquisition value for capitalized expenses for research and development

203	419
-----	-----

Note 6 Interest income and interest expenses

	2002	2001
--	------	------

The Group

Interest income	1 070	765
Interest expense	–3 690	–3 270

Parent Company

Interest income, Group companies	1 488	1 464
Interest income, other	285	349
<b>Total interest income</b>	<b>1 773</b>	<b>1 813</b>

Interest expenses, Group companies

–451	–275
------	------

Interest expenses, other

–318	–778
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**Total interest expenses**

<b>–769</b>	<b>–1 053</b>
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Note 7 Earnings per share

	2002	2001
--	------	------

The Group

Profit/loss for assessing EPS	–12 706	1 388
Average no. of shares	6 699	6 484
Earnings per share, SEK	–1,90	0,21
Shareholders' equity per share, SEK	15,97	16,62

Note 8 Intangible assets

	2002	2001
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The Group

**Capitalized expenditure for research and development**

Opening acquisition value	18 915	28 965
Reclassification	–	501
Capitalized expenditure for the year	7 156	4 703
Scrapping	–11 384	–15 254
<b>Closing accumulated acquisition value</b>	<b>14 687</b>	<b>18 915</b>

Note 8 continued

	2002	2001
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The Group

Opening depreciation	–10 987	–21 931
Reclassification	–	–251
Scrapping	9 385	15 254
Depreciation for the year	–4 208	–4 059
<b>Closing accumulated depreciation</b>	<b>–5 810</b>	<b>–10 987</b>
<b>Closing residual value acc. to plan</b>	<b>8 877</b>	<b>7 928</b>

The acquisition value consists of costs for an air supply system (STEM) and modular ignition system for motorbikes (SEM Direct).

	2002	2001
--	------	------

The Group

Material rights

Opening acquisition value	–	5 992
Acquisitions	500	–
Scrapping	–	–5 992
<b>Closing accumulated acquisition value</b>	<b>500</b>	<b>0</b>

Opening depreciation	–	–5 992
Scrapping	–	5 992
<b>Closing accumulated depreciation</b>	<b>0</b>	<b>0</b>
<b>Closing residual value acc. to plan</b>	<b>500</b>	<b>0</b>

The acquisition value consists mainly of rights to a patented electric motor for use in Opcon's air systems for fuel cells.

	2002	2001
--	------	------

Parent company

Material rights

Acquisitions	500	–
<b>Closing accumulated acquisition value</b>	<b>500</b>	<b>0</b>
<b>Closing residual value acc. to plan</b>	<b>500</b>	<b>0</b>

The acquisition value consists mainly of rights to a patented electric motor for use in Opcon's air systems for fuel cells.

	2002	2001
--	------	------

The Group

Goodwill

Opening acquisition value	16 445	4 320
Capitalized expenditure for the year	2 093	12 125
Translation differences	–302	–
<b>Closing accumulated acquisition value</b>	<b>18 236</b>	<b>16 445</b>

Opening depreciation	–4 916	–3 708
Translation differences	50	–
Depreciation for the year	–1 240	–1 208
<b>Closing accumulated depreciation</b>	<b>–6 106</b>	<b>–4 916</b>
<b>Closing residual value acc. to plan</b>	<b>12 130</b>	<b>11 529</b>

Note 9 Tangible assets

	2002	2001
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The Group

Buildings

Opening acquisition value	6 588	6 588
<b>Closing accumulated acquisition value</b>	<b>6 588</b>	<b>6 588</b>

NOTES TO THE ACCOUNTS / continued

Note 9 continued

	2002	2001
<b>The Group</b>		
Opening depreciation	-1 054	-79
Depreciation for the year	-263	-263
<b>Closing accumulated depreciation</b>	<b>-1 317</b>	<b>-1 054</b>
<b>Closing residual value acc. to plan</b>	<b>5 271</b>	<b>5 534</b>

**Assessed value, buildings**

	<b>2 937</b>	<b>2 937</b>
<b>Land</b>		
Opening acquisition value	1 121	1 121
<b>Closing accumulated acquisition value</b>	<b>1 121</b>	<b>1 121</b>
<b>Closing residual value acc. to plan</b>	<b>1 121</b>	<b>1 121</b>
<b>Assessed value, land</b>	<b>578</b>	<b>578</b>

**Plant and machinery**

Opening acquisition value	104 939	91 507
Opening acquisition value, acquired	-	5 938
Reclassification	-	3 044
Purchases	5 938	13 579
Sales and scrapping	-5 699	-9 129
<b>Closing accumulated acquisition value</b>	<b>105 178</b>	<b>104 939</b>

Opening depreciation	-62 687	-57 006
Opening depreciation, acquired	-	-4 109
Reclassification	-	-483
Sales and scrapping	5 074	6 046
Depreciation for the year	-7 092	-7 135
<b>Closing accumulated depreciation</b>	<b>-64 705</b>	<b>-62 687</b>
<b>Closing residual value acc. to plan</b>	<b>40 473</b>	<b>42 252</b>

**Tools and equipment**

Opening acquisition value	91 413	90 965
Opening acquisition value, acquired	232	3 027
Reclassification	-	-3 044
Purchases	8 477	8 568
Sales and scrapping	-32 161	-8 103
<b>Closing accumulated acquisition value</b>	<b>67 961</b>	<b>91 413</b>

Opening depreciation	-68 422	-62 963
Opening depreciation, acquired	-205	-2 327
Reclassification	-	483
Sales and scrapping	30 060	7 806
Depreciation for the year	-10 002	-11 421
<b>Closing accumulated depreciation</b>	<b>-48 569</b>	<b>-68 422</b>
<b>Closing residual value acc. to plan</b>	<b>19 392</b>	<b>22 991</b>

Note 10 Financial assets

Shares in subsidiaries (companies in bold text are subsidiaries of Opcon AB)

	Share of equity	Share of votes	No. of shares	Book value 2002	Book value 2001
<b>SEM AB</b>	100%	100%	24 090	14 881	14 872
<b>REAC AB</b>	100%	100%	20 000	7 050	7 050
REAC i Eskilstuna AB	100%	100%	1 000	-	-
<b>Opcon Autorotor AB</b>	100%	100%	50 000	5 000	5 000
<b>Laminova AB</b>	100%	100%	10 000	32 000	32 000
<b>Opcon Inc. (Laminova US Inc.)</b>	100%	100%	1 000	8 000	3 000
<b>Opcon Inc.</b>	100%	100%	10 000	0	5 000
				<b>66 931</b>	<b>66 922</b>

Note 9 continued

Purchases for the year include costs for product development of SEK 503,000 (1,534,000) with a depreciation period of 3 years. The closing residual value according to plan for these costs is SEK 2,050,000 (3,221,000).

	<b>2002</b>	<b>2001</b>
<b>Parent company</b>		
<b>Buildings</b>		
Opening acquisition value	6 588	6 588
<b>Closing accumulated acquisition value</b>	<b>6 588</b>	<b>6 588</b>

Opening depreciation	-1 054	-791
Depreciation for the year	-263	-263
<b>Closing accumulated depreciation</b>	<b>-1 317</b>	<b>-1 054</b>
<b>Closing residual value acc. to plan</b>	<b>5 271</b>	<b>5 534</b>

**Assessed value, buildings**

	<b>2 937</b>	<b>2 937</b>
<b>Land</b>		
Opening acquisition value	1 121	1 121
<b>Closing accumulated acquisition value</b>	<b>1 121</b>	<b>1 121</b>
<b>Closing residual value acc. to plan</b>	<b>1 121</b>	<b>1 121</b>
<b>Assessed value, land</b>	<b>578</b>	<b>578</b>

**Machinery and other technical equipment**

Opening acquisition value	406	406
Purchases	48	-
Sales and scrapping	-62	-
<b>Closing accumulated acquisition value</b>	<b>392</b>	<b>406</b>
Opening depreciation	-263	-238
Sales and scrapping	62	-
Depreciation for the year	-30	-25
<b>Closing accumulated depreciation</b>	<b>-231</b>	<b>-263</b>

**Closing residual value acc. to plan**

	<b>161</b>	<b>143</b>
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**Equipment and tools**

Opening acquisition value	23 100	22 502
Purchases	1 171	598
Sales and scrapping	-10 414	-
<b>Closing accumulated acquisition value</b>	<b>13 857</b>	<b>23 100</b>
Opening depreciation	-18 789	-17 309
Sales and scrapping	10 400	-
Depreciation for the year	-1 473	-1 480
<b>Closing accumulated depreciation</b>	<b>-9 862</b>	<b>-18 789</b>

<b>Closing residual value acc. to plan</b>	<b>3 995</b>	<b>4 311</b>
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NOTES TO THE ACCOUNTS / continued

Note 10 continued

On 1 January 2002 the former wholly-owned subsidiary Opcon Inc. merged with Laminova US Inc., which is now called Opcon Inc. The consolidated value of assets and liabilities taken over by Opcon Inc. on the date of the merger were as follows:

Fixed assets	-
Current assets	6 615
Liabilities	3 905
Net	2 710

During the year the parent company acquired the remaining shares in the subsidiary SEM AB.  
Also during the year the subsidiary REAC AB acquired all of the shares in Reac i Eskilstuna AB.

	Reg. office	Co. reg. no.
SEM AB	Åmål	556023-5748
REAC AB	Åmål	556520-2875
REAC i Eskilstuna AB	Eskilstuna	556533-8141
Opcon Autorotor AB	Åmål	556408-6485
Laminova AB	Åmål	556478-6705
Opcon Inc.	Old Saybrook, CT, USA	

	<b>2002</b>	<b>2001</b>
<b>Participations in associated companies</b>		
<b>The Group</b>		
Shares in Åmål's Hälsovårdscentral assoc.	34	34
Participations, other	5	5
	<b>39</b>	<b>39</b>

Note 11 Prepaid expenses and accrued income

	<b>2 002</b>	<b>2001</b>
<b>The Group</b>		
Prepaid rent	477	481
Government/EU subsidy	1 352	1 087
Insurance premiums	374	446
Other items	3 503	1 480
<b>Total</b>	<b>5 706</b>	<b>3 494</b>

**Parent company**

Prepaid rent	407	411
State subsidy	341	214
Insurance premiums	198	92
Other items	2 402	666
<b>Total</b>	<b>3 348</b>	<b>1 383</b>

Note 12 Changes in shareholders' equity

	<b>2002</b>	<b>2001</b>
<b>The Group</b>		
<b>Restricted shareholders' equity</b>		
Opening balance	90 177	80 703
New share issue	20 000	10 000
Reduction of statutory reserve	-	-524
Translation difference	-1 552	224
Transfer between restricted and non-restricted equity	1 555	-226
<b>Closing balance</b>	<b>110 180</b>	<b>90 177</b>

Note 12 continued

	<b>2002</b>	<b>2001</b>
<b>The Group</b>		
<b>Non-restricted equity</b>		
Opening balance	17 592	15 047
Transfer from statutory reserve	-	524
Transfer between restricted and non-restricted equity	-1 555	226
Translation difference	332	407
Profit/loss for the year	-12 706	1 388
<b>Closing balance</b>	<b>3 663</b>	<b>17 592</b>
<b>Total shareholders' equity</b>	<b>113 843</b>	<b>107 769</b>

**Parent company**

<b>Restricted shareholders' equity</b>		
Opening balance	90 106	80 630
Reduction of statutory reserve	-	-524
New share issue	20 000	10 000
<b>Closing balance</b>	<b>110 106</b>	<b>90 106</b>

**Parent company**

<b>Non-restricted equity</b>		
Opening balance	2 592	-524
Transfer from statutory reserve	-	524
Group contribution received	8 384	5 181
Tax relating to Group contribution	-2 347	-1 450
Group contribution repaid	-4 622	-2 941
Tax relating to Group contribution	1 294	823
Profit/loss for the year	-5 301	979
<b>Closing balance</b>	<b>0</b>	<b>2 592</b>
<b>Total shareholders' equity</b>	<b>110 106</b>	<b>92 698</b>

**Parent company**

Number of shares at start of the year	6 483 546	6 242 000
Number of shares at end of year	7 128 707	6 483 546
Nominal amount per share: SEK 5		

Note 13 Minority shareholdings

	<b>2002</b>	<b>2001</b>
Minority shareholdings exist in the following Group company		
SEM AB	-	4 %
Minority shareholding in balance sheet	-	608

Note 14 Long-term liabilities

	<b>2002</b>	<b>2001</b>
<b>The Group</b>		
Liabilities to credit institutions	32 139	32 337
<b>Total</b>	<b>32 139</b>	<b>32 337</b>
Of which SEK 32 139 is amortization-free and extendable one year at a time.		
<b>Parent company</b>		
Liabilities to credit institutions	3 800	3 800
<b>Total</b>	<b>3 800</b>	<b>3 800</b>
The loan is amortization-free and extendable one year at a time.		



NOTES TO THE ACCOUNTS / continued

Note 15 Bank overdraft facilities

	2002	2001
<b>The Group</b>		
Agreed amount of overdraft facilities granted	26 500	26 500
Utilized amount of overdraft facilities	24 504	24 835
<b>Parent company</b>		
Agreed amount of overdraft facilities granted	2 000	2 000
Utilized amount of overdraft facilities	1 919	1 959

Note 16 Contingent liabilities

	2002	2001
<b>The Group</b>		
<b>Other contingent liabilities</b>		
Conditional loan from NUTEK	391	369
Warranty (FPG/PRI)	111	113
Contingent liability regarding debt to PRI	3 000	3 000
<b>Total</b>	<b>3 502</b>	<b>3 482</b>
<b>Parent company</b>		
Contingent liability for the benefit of other Group companies	26 000	30 000
<b>Total</b>	<b>26 000</b>	<b>30 000</b>

Note 17 Accrued expenses and deferred income

	2002	2001
<b>The Group</b>		
Accrued payroll expenses	2 601	2 767
Accrued holiday pay	10 148	9 449
Accrued payroll overheads	6 605	6 538
Accrued interest expenses	740	352
Other items	3 315	1 614
<b>Total</b>	<b>23 409</b>	<b>20 720</b>
<b>Parent company</b>		
Accrued payroll expenses	62	111
Accrued holiday pay	987	955
Accrued payroll overheads	483	513
Other items	685	718
<b>Total</b>	<b>2 217</b>	<b>2 297</b>

Note 18 Pledged assets

	2002	2001
<b>The Group</b>		
<b>Provisions in respect of pensions</b>		
Corporate mortgages	8 000	8 000
<b>Total</b>	<b>8 000</b>	<b>8 000</b>
<b>Provisions in respect of liabilities to credit institutions</b>		
Corporate mortgages	71 500	71 500
Property mortgages	6 800	6 800
<b>Total</b>	<b>86 300</b>	<b>86 300</b>
<b>Parent company</b>		
<b>Provisions in respect of liabilities to credit institutions</b>		
Property mortgages	6 800	6 800
<b>Total</b>	<b>6 800</b>	<b>6 800</b>

Note 19 Deferred tax

	2002	2001
<b>Deferred tax income/expense for the year</b>		
Deferred tax income/expense regarding unutilised loss carry-forward	5 524	-744
Deferred tax income regarding year's change in untaxed reserves	299	559
<b>Total deferred tax in profit/loss account</b>	<b>5 823</b>	<b>-185</b>
<b>Tax regarding items recorded directly under shareholders' equity</b>		
<b>Parent company</b>		
Tax relating to Group contribution paid	-1 294	-823
Tax relating to Group contribution received	2 347	1 450
<b>Total</b>	<b>1 053</b>	<b>627</b>

Temporary differences

Temporary differences arise when the recorded value of assets or liabilities is different to the tax value. Temporary differences regarding the following items have resulted in deferred tax receivables.

	2002	2001
<b>The Group</b>		
Deferred tax liability regarding untaxed reserves	1 677	1 976
Deferred tax receivable regarding deficit deduction	14 056	8 531

The accumulated deficit deduction for the Group amounts to around SEK 50 million (around 30 m).  
Deferred tax receivable and tax liability are offset when there is legal justification and when deferred tax relates to the same tax authority.

Note 20 Tax on profit for the year

	2002	2001
<b>The Group</b>		
Current tax	-	-985
Current tax previous year	-140	-
The tax cost for the year applies to Opcon inc.		

Note 21 Acquisition and disposal of subsidiaries

	2002	2001
<b>The Group</b>		
Fixed assets	-2 121	-11 333
Inventories	-781	1 672
Other current assets	-194	-7 332
Liquid funds	-	-15 679
Provisions	-	1 881
Long-term liabilities	371	-4 000
Short-term liabilities	775	-649
Capital gain on sale of subsidiary	-	4 719
<b>Paid/received purchase price, net</b>	<b>-1 950</b>	<b>-30 721</b>
Liquid funds, net	0	15 679
<b>Effect on Group's liquid funds</b>	<b>-1 950</b>	<b>-15 042</b>

SIGNATURES OF BOARD MEMBERS / AUDITORS' REPORT

Board of directors Opcon AB  
Åmål, Sweden  
14 March 2003

<i>Lars-Olof Gustavsson</i> Chairman	<i>Sven G. Oskarsson</i> CEO	<i>Stig-Arne Blom</i>	<i>Erling Edmundson</i>
<i>Bengt Johnson</i>	<i>Ulrika Ahlquist</i> Employee representative, SIF	<i>Bengt Magnusson</i> Employee representative, Metall	

Our auditors' report was submitted on 26 March 2003.

Ingvar Pramhäll Authorised public accountant	Hans Börsvik Authorised public accountant
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Auditors' report  
To the general meeting of the shareholders of Opcon AB  
Corporate identity number 556274-8623

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the board of directors and the managing director of Opcon AB for the financial year 2000. These accounts and the administration of the company are the responsibility of the board of directors and the managing director. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the board of directors and the managing director, as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts.

As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any board member or the

managing director. We also examined whether any board member or the managing director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts and the consolidated accounts have been prepared in accordance with the Annual Accounts Act and, thereby, give a true and fair view of the company's and the group's financial position and results of operations in accordance with generally accepted accounting principles in Sweden.

We recommend to the general meeting of shareholders that the income statements and balance sheets of the parent company and the group be adopted, that the loss for the parent company be dealt with in accordance with the proposal in the administration report and that the members of the board of directors and the managing director be discharged from liability for the financial year.

Karlstad 26 March 2003

Ingvar Pramhäll Authorised public accountant	Hans Börsvik Authorised public accountant
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## THE BOARD OF DIRECTORS



*Opcon's Board of Directors.*  
*Back row from left:*  
*Ulrika Ahlquist, Erling Edmundson, Stig-Arne Blom, Lars-Olof Gustavsson.*  
*Front row from left:*  
*Sven G. Oskarsson, Bengt Magnusson, Bengt E Johnson.*

**Lars-Olof Gustavsson**

Born 1943. B.Sc. (Econ.) DHG, 1967. Chairman of the Board at Opcon AB since 1989. Chairman of the Board at Svenska Rotormaskiner AB, Broström AB and Four Seasons Venture II AS. Board member at TPC Components AB, Four Seasons Venture Capital AB and Laminova Production AB. Shareholding in Opcon: 0 shares.

**Erling Edmundson**

Born 1932. B.Sc. (Econ.) DHG, 1959. Board Member at Opcon AB since 1989. Member of the Board at SEM AB, REAC AB, Opcon Autorotor AB, Laminova Production AB and Opcon Inc. CEO of Opcon AB (1989-1993). CEO of SEM AB (1983-1990). Shareholding in Opcon: 839 157 shares.

**Stig-Arne Blom**

Born 1948. Master of Engineering. Board member at Opcon AB since 2002. Chairman of the Board at Borås Wärfveri AB and Lidhs Förvaltnings AB. Member of the board at Pulsen, Handelsbanken Västra Sverige, Ulricehamns Energi AB, Eton AB, Westergyllen, Broströms, Industri- och Handelskammaren för Västra Sverige, SEM AB and Opcon Autorotor AB. CEO at IRO AB. General manager IRO AB 1982-1986, technical manager IRO AB 1981-1982, Volvo Köpingsverken 1975-1980. Shareholding in Opcon: 0 shares.

**Sven-Gunnar Oskarsson**

Born 1942. BoE. Board Member at Opcon AB since 1989. Chairman of the Board at SEM AB, REAC AB, Opcon Autorotor AB, Laminova Production AB and Opcon Inc. CEO at Opcon AB. MD at Opcon Autosystems AB (1991-94). CEO at SEM AB (1990-96). Shareholding in Opcon: 223 500 shares.

**Bengt E Johnson**

Born 1940. Masters of Engineering. Board Member at Opcon AB since 1997. Member of the Board at Somas Instrument AB, CS Produktion AB, Managing Director of BTG Källe Inventing AB (1982-2000). Geschäftsführer BTG Prozesstechnik, Frankfurt (1991-93), member of Spectris AG Group management (1994-2000). Shareholding in Opcon: 0 shares.

**Ulrika Ahlquist**

Born 1968. Engineer. Board Member at Opcon AB since 2001. Employee representative, Union of Clerical and Technical Employees in Industry. Shareholding in Opcon: 0 shares.

**Bengt Magnusson**

Born 1957. Board Member at Opcon AB since 1996. Employee representative for the Swedish Metal Workers' Union. Shareholding in Opcon: 0 shares.

## GROUP MANAGEMENT /AUDITORS /DEFINITIONS

**Sven G. Oskarsson**, born 1942.  
CEO of Opcon AB, employed since 1990.  
Shareholding in Opcon: 223 500.

**Göran Falkenström**, born 1949.  
Chief Financial Officer of Opcon AB, employed since 1983.  
Director of Opcon Inc.  
Shareholding in Opcon: 1 000 shares.

**Svein Valheim**, born 1960.  
Managing Director of SEM AB and REAC AB, employed since 2000.  
Shareholding in Opcon: 0 shares.

**Roland Ärlebäck**, born 1946.  
Managing Director of Opcon Autorotor AB, employed since 1997.  
Shareholding in Opcon: 2 000 shares.

**Thomas Johansson**, born 1967.  
Managing Director of Laminova Production AB, employed since 2001.  
Shareholding in Opcon: 0 shares.

**Stefan Dunert**, born 1955.  
Managing Director of Opcon Inc., employed since 2001.  
Shareholding in Opcon: 14 493 shares.

**Hans Börsvik**, born 1953.  
Authorized Public Accountant Öhrlings Pricewaterhouse Coopers.  
Company's accountant since 1989.

**Ingvar Pramhäll**, born 1942.  
Authorized Public Accountant Öhrlings Pricewaterhouse Coopers.  
Company's accountant since 1989.

**Financial net debt**

Interest bearing provisions and liabilities, with deductions for liquid funds and current investments.

**Operating capital**

Balance sheet total, with deductions for non-interest bearing liabilities, plus liquid funds and current investments.

**Return on shareholders' equity**

Profit/loss for the year as a percentage of the average opening and closing shareholders' equity.

**Return on operating capital**

Operating profit/loss as a percentage of the average opening and closing operating capital.

**Return on total capital**

Profit/loss after financial items, with added financial expenses, as a percentage of the average opening and closing balance sheet total.

**Gross margin**

Operating profit/loss, with added depreciation, as a percentage of net sales.

**Operating margin**

Operating margin, as a percentage of net sales.

**Profit margin**

Profit/loss after financial items, as a percentage of net sales.

**Equity/assets ratio**

Closing shareholders' equity, including minority shareholdings, as a percentage of the closing total capital.

**Share of risk-bearing capital**

Closing shareholders' equity, including minority shareholdings, with added deferred tax liability, as a percentage of total capital.

**Interest coverage ratio**

Profit/loss after financial items, with added financial expenses, as a percentage of finance costs.

**Debt/equity ratio**

Closing interest-bearing liabilities, in relation to closing shareholders' equity.

**Net investments**

Investments in fixed assets, with deductions for fixed assets sold.

**Research and development costs**

Total research and development costs, including costs written-off as well as capitalized research and development costs, excluding depreciation.

**Operating capital**

Current assets, excluding liquid funds and current investments, with deductions for current non-interest bearing liabilities.

**Change in operating capital**

Operating capital at the end of the year, with deductions for operating capital at the beginning of the year.

**Sales per employee**

Net sales, in relation to the average number of employees.

**Earnings (loss) per share**

Profit/loss for the year, in relation to the average number of shares.

**Equity per share**

Closing shareholders' equity, in relation to the average number of shares.

**Average number of shares**

The average number of shares during the year, adjusted for bonus issue and split.



# TECHNICAL TERMINOLOGY

**Actuator**

A manoeuvring device that uses a switched electrical motor to perform a seamless linear pull or press movement. Used for adjustable tables and beds, for example.

**Air system**

The part of the fuel cell engine that supplies oxygen.

**Compressor**

A component that compresses gas. Opcon's compressors use screw-like rotors to press air and create higher pressure.

**Core**

The internal part of a heat exchanger, equipped with thin flanges, which boosts heat exchange. Laminova's patented heat exchanger components combine high heat exchange with low pressure reduction.

**CUTE project**

CUTE stands for Clean Urban Transport for Europe. Partly financed by the EU, this project will deliver and test 30 hydrogen-powered fuel cell buses in ten European cities, including Stockholm.

**Double-screw compressor**

A compressor with two opposing screws which compresses air at a high pressure.

**Emission**

Release of substance to air, land or water. The word is often used for pollution, but can also apply to a natural process.

**Engine management system**

A system based on a microprocessor that measures key properties such as air temperature, pressure and engine revs, and uses this information to control fuel levels and ignition requirements.

**Expander**

A device that by expanding pressurised air utilises the compression energy in the air. Works in the opposite way to a compressor.

**Fuel cell**

A device that converts fuel, e.g. hydrogen, together with oxygen to generate electrical energy without an intermediate stage. The reaction in the electro-chemical cell produces normal water as the end product.

**Heat exchanger**

In Opcon's operation this is an oil cooler that cools oil (engine, transmission, steering servo, fuel, etc.) using cooling fluid. Oil coolers often use the engine's existing cooling system, which is usually water-based. The unit can also be inverted during cold starts. Heat exchangers function effectively as intercoolers where intake air is cooled in a supercharged engine with a separate cooling fluid unit.

**Intercooler**

A pressurised air cooling system used on a supercharged engine to reduce the temperature of the compressed intake air. Cooling has two purposes: when the temperature falls the density of the intake air increases, which produces increased volumetric efficiency and thus enhanced performance. The lower temperature also helps to reduce the combustion temperature, which leads to lower levels of nitric oxides in exhaust gases.

**Inverter**

Same as static frequency changer.

**Ion flux**

A method of using electronics and the ignition plug to measure, for example, engine misfire, which can increase emissions, or engine knocking, which can damage the engine.

**OEM**

Original Equipment Manufacturer, a supplier of components to the car industry.

**Prototype**

A product made in small numbers for testing and evaluation.

**Solenoid**

A device containing wound copper thread that creates a magnetic field when electric current is applied. The magnetic field pulls magnetic material, such as steel, to create a pulling, pressing, holding or turning movement.

**Static frequency changer**

Converts electrical current and charges into alternating current at the required frequency for controlling revs in an electric motor. (Also called frequency exchanger, inverter.)

**Strike length**

The length of movement of a control device.

**Supercharging**

The process of feeding a combustion engine with over-pressure to get more air and fuel into the engine. Compressed combustion air is pumped in instead of air being sucked in, which increases engine power. Different types of compressor can be used for supercharging, such as turbo, root blower, scroll and screw compressor.

# ANNUAL GENERAL MEETING

Shareholders in Opcon AB (publ) are hereby invited to the Annual General Meeting at 4 p.m. on Tuesday 22 April 2003 at Ingenjörsvetenskapsakademien (IVA) in Stockholm, Sweden. Registration begins at 3 p.m. Shareholders must be registered before 4 p.m. to be included in the voting list.

**Participation**

Shareholders wishing to participate in the proceedings of the Annual General Meeting must:

- be included in the share register kept by the Swedish Central Securities Depository (VPC AB) by no later than Friday 11 April.
- provide notification of their intention to attend the Annual General Meeting at the following address:  
Opcon AB, P.O. Box 30, 662 21 Åmål, Sweden  
fax: +46 (0) 532 120 19, tel: +46 (0) 532 611 00, e-mail: [agren@opcon.se](mailto:agren@opcon.se) by no later than 12.00 noon on Wednesday 16 April 2003. The application must include the participant's name, personal/corporate identity number and daytime telephone number.

**Nominee shares**

Shareholders whose shares are nominee-registered with a bank custodian department or other fund manager must have their shares registered in their own name to be entitled to attend the Annual General Meeting. This registration must be completed by no later than Friday 11 April 2003. This means that shareholders must notify their fund manager of this matter in good time prior to this date.

**Representative**

The rights of a shareholder may be exercised by a representative. The original copy of written authorisation concerning the representative shall be presented. A representative of a legal person shall also present a copy of the registration certificate that indicates the person(s) authorised to sign for the company. Authorisation papers shall accompany notification of the decision to attend the Annual General Meeting.

**Agenda**

- 1) Meeting declared open.
- 2) Chairman of the meeting elected.
- 3) Voting list established and approved.
- 4) Two persons elected to verify the minutes with the Chairman.
- 5) Agenda approved.
- 6) Consideration of whether meeting has been duly convened.
- 7) Annual Report, Auditors' Report, consolidated financial statements and consolidated balance sheet submitted.
- 8) CEO's address.
- 9) Decisions to be made:
  - a) Adoption of income statement and balance sheet, and

the consolidated income statement and consolidated balance sheet.

- b) Disposal of the profit/loss in accordance with the adopted balance sheet.
- c) Discharging Board members and the CEO from liability.
- 10) Determining the remuneration payable to the Board and the auditors.
- 11) Determining the number of Board members and deputies.
- 12) Information regarding assignments in other companies by Board nominees. Election of Board members and deputies.
- 13) Election of auditors.

14) The Board proposes that the Annual General Meeting shall authorise the Board to reach a decision, on one or more occasions up to the next AGM, to increase the share capital, which at present amounts to SEK 35 643,535, by a maximum of SEK 10,500,000 through the issue of at most 2,100,000 shares.

The new shares shall have a nominal value of SEK 5 per share. The authorisation shall include the right to deviate from shareholders' preferential rights in accordance with chapter 4 §2 of the Companies Act.

It is further proposed that the Annual General Meeting shall authorise the Board, CEO or person appointed by the Board, to make small adjustments to the above decisions concerning authorisation that can be necessary in connection with the registration of decisions with the Swedish Patent and Registration Office.

It is intended that this authorisation be used for raising capital in connection with continued investment in Opcon's areas of operation, including the acquisition of companies. Payment will be made through a capital contribution in kind.

- 15) Any other business.
- 16) Meeting declared closed.

**Dividend**

The Board proposes that no dividend be paid for 2002.

**Remuneration to the Board and auditors**

It is proposed that a remuneration of SEK 100,000 be paid to the Chairman of the Board.

It is proposed that a remuneration of SEK 70,000 be paid to each Board member not already receiving a salary from the company.

It is proposed that a remuneration to the auditors for their work up to the next AGM be settled by account.

**Annual Report**

The Annual Report and Auditors' Report will be published in mid April 2003. They can be ordered from Opcon AB's head office, tel. +46 532 611 39 or fax: +46 532 120 19.

The Annual Report is also available at [www.opconab.com](http://www.opconab.com)

Åmål, March 2003  
The Board of Directors





**OPCON AB**

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