



Interim report

for 1 January-30 September 2004

- The profit after financial items for the third quarter was SEK 1.7 million (-4.8 m).
- Sales turnover in the January-September period amounted to SEK 230.3 million (184.7 m), of which SEK 66.9 million (49.3 m) was in the third quarter.
- The loss after financial items in the January-September period was SEK 8.6 million (-14.6 m). In the third quarter the Group made a profit of SEK 1.7 million (-4.8 m).
- Results for the January-September period were affected by costs totalling SEK 9.2 million for the start-up of the production company in China, restructuring and rejects. In the third quarter these costs totalled SEK 1.5 million.
- A delivery agreement has been signed with a leading fuel cell developer.
- The loss after tax in the January-September period was SEK 7.7 million (-10.6 m). In the third quarter the Group made a profit after tax of SEK 0.6 million (-3.7 m).
- Earnings per share after tax in the January-September period were SEK -0.90 (-1.48). Earnings per share after tax in the third quarter were SEK 0.07 (-0.51).
- An integration and co-ordination project involving Group companies is being implemented to achieve increased efficiency and reduced costs.

Opcon develops, manufactures and markets systems and products that contribute to generating clean and environment-friendly power, and thus reduce the environmental impact of end products. In 2003 Opcon AB had sales turnover of SEK 247 million. The Opcon Group comprises SEM AB, REAC AB, Opcon Autorotor AB, Laminova Production AB, Svenska Rotormaskiner AB (SRM), Lysholm Technologies AB, Opcon Inc. and Opcon Co., Ltd.

The Group employs around 290 employees in Åmål, Nacka, Sollentuna, Sweden, and in the US and China. Products made within the Group include ignition systems, electro-mechanical devices, screw compressors, heat exchangers and air systems for fuel cells. Most of the Group's customers are within the auto, small engine and engineering industries.

Opcon AB is listed on the O-List of Stockholmsbörsen.

THE GROUP

JULY-SEPTEMBER

Sales turnover for the third quarter reached SEK 66.9 million, compared with SEK 49.3 million in the same period last year. The rise in turnover compared with last year was due to the addition of turnover from the two companies, Svenska Rotormaskiner AB and Lysholm Technologies AB, which were acquired at the end of 2003.

The profit after financial items was SEK 1.7 million (-4.8 m).

The profit after tax was SEK 0.6 million (-3.7 m), which translates into earnings per share of SEK 0.07 (-0.51).

Earnings were affected by costs of SEK 1.5 million for start-up of the production company in China.

One of the company's main customers in the US for heat exchangers has started a phase of reconstruction (Chapter 11). The customer is a supplier to a major carmaker and owes Opcon around SEK 3.1 million.

Based on information currently available the company expects to receive this sum.

Delayed deliveries of compressors to new OEM customers and to the US aftermarket contributed to the lower sales turnover and earnings during the third quarter.

A five-year delivery agreement with a leading fuel cell developer was signed during the period.

This agreement has considerable significance for the continued focus on the development of air systems for fuel cell engines.

The Electromechanics business area reported a clear improvement in profitability. Productivity increases and a better adapted cost structure helped to deliver positive results for the period.

The start-up of the production company in China is proceeding according to plan and production is expected to start in the first quarter of 2005.

JANUARY-SEPTEMBER

Sales turnover for the first nine months of 2004 amounted to SEK 230.3 million, compared with SEK 184.7 million last year. The loss after financial items was SEK 8.6 million (-14.6 m).

The loss after tax was SEK 7.7 million, compared with a loss of SEK 10.6 million last year, which represents earnings per share of SEK -0.90 (-1.48).

Comparisons of sales turnover and earnings between 2003 and 2004 are affected by company acquisitions made at the end of 2003.

FINANCIAL POSITION

The Group's liquid funds at the end of the period amounted to SEK 6.0 million (15.9 m) and interest-bearing liabilities amounted to SEK 90.8 million (62.0 m). The Group's equity/assets ratio was 40.9% (49.2%).

OPCON'S SHARES

The total number of shares at the end of the period was 8,578,707.

At present there is no options scheme.

INVESTMENTS/DEPRECIATION

Investment in machinery and tools during the third quarter totalled SEK 1.9 million (2.3 m). In addition, costs of SEK 6.2 million (0.5 m) for development were capitalised.

Depreciation during the third quarter amounted to SEK 5.6 million (4.3 m).

Investment in fixed assets during the first nine months of 2004 reached SEK 4.5 million (11.1 m). In the same period development costs of SEK 8.9 million (3.6 m) were capitalised.

Depreciation during the first nine months of 2004 amounted to SEK 20.0 million (15.9 m).

EMPLOYEES

At the end of the period the Group had 289 employees, of which 48 work for the newly acquired companies. The figure for last year was 276, which does not include staff at the newly acquired companies.

PARENT COMPANY

The parent company reported sales turnover of SEK 4.2 million (4.0 m) in the third quarter. Sales primarily concern invoicing for internal administration services and building rents. The parent company's loss after financial items for the same period was SEK 1.2 million (-1.1 m). The parent company's sales turnover in the first nine months of 2004 totalled SEK 13.0 million (14.3 m) and the loss after financial items was SEK 5.3 million (-4.7 m).

Investments totalled SEK 0.2 million in the first nine months of the year.

At the end of the period liquid funds in the parent company totalled SEK 4.5 million (5.9 m).

MECHANICS

(Opcon Autorotor AB, Laminova Production AB, Svenska Rotormaskiner AB, Lysholm Technologies AB)

Sales turnover in the third quarter reached SEK 25.2 million (9.9 m). The operating profit for the same period was SEK 1.3 million (-1.4 m).

The business area's sales turnover and earnings were affected by delays in deliveries of compressors to a new OEM customer (Ford) and to the US aftersales market.

During the period a five-year delivery agreement was signed with Ballard Power Systems AG, the leading fuel cell developer. This agreement is of major significance for Opcon Autorotor and secures a base level of coverage for coming years. Opcon Autorotor will produce and deliver air modules and spare parts for air supply systems in fuel cell engines.

Work continues aimed at generating synergies among the companies within the business area.

ELECTROMECHANICS

(SEM AB, REAC AB)

Turnover in the third quarter amounted to SEK 40.1 million, compared with SEK 37.5 million last year.

The operating profit for the same period was SEK 4.3 million (-1.0 m). Rationalisation within the business area has now

SALES TURNOVER AND OPERATING PROFIT PER BUSINESS AREA, SEK MILLION

(The companies acquired as of 30 December 2003, SRM and Lysholm, are not included in the figures for 2003)

		JULY-SEPT 2004	JULY-SEPT 2003	JAN-SEPT 2004	JAN-SEPT 2003	JAN-DEC 2003
Mechanics	Sales turnover	25.2	9.9	82.1	35.2	45.6
	- of which. internal turnover	3.2	3.0	10.1	9.3	10.6
	Operating profit/loss	1.3	-1.4	-1.9	-5.2	-8.6
	Investment	6.6	0.6	10.1	3.7	4.4
	Depreciation	2.2	0.6	7.0	2.1	3.8
	Assets	139.7	57.4	139.7	57.4	54.9
	Debt	64.9	22.4	64.9	22.4	18.4
	Balance sheet total	139.7	57.4	139.7	57.4	54.9
Electromechanics	Sales turnover	40.1	37.5	143.7	144.0	194.6
	- of which. internal turnover	0	0	0	0.2	0
	Operating profit/loss	4.3	-1.0	5.3	-1.9	-5.3
	Investment	1.1	1.5	2.9	10.4	12.4
	Depreciation	3.0	2.9	12.0	11.6	16.5
	Assets	119.2	116.2	119.2	116.2	115.0
	Debt	99.9	103.5	99.9	103.5	102.7
	Balance sheet total	119.2	116.2	119.2	116.2	115.0
North America	Sales turnover	4.4	4.5	13.3	13.3	15.6
	- of which. internal turnover	0	0	0	0	0.1
	Operating profit/loss	-0.1	-0.4	0.2	0.3	-0.9
	Investment	0	0	0	0	0.1
	Depreciation	0	0	0.1	0.1	0.3
	Assets	8.5	10.0	8.5	10.0	5.9
	Debt	2.0	2.4	2.0	2.4	0.3
	Balance sheet total	8.5	10.0	8.5	10.0	5.9
Asia	Sales turnover	0	0	0	0	0
	- of which. internal turnover	0	0	0	0	0
	Operating profit/loss	-1.5	0	-3.7	0	0
	Investment	0.3	0	0.4	0	0
	Depreciation	0	0	0	0	0
	Assets	2.3	0	2.3	0	0
	Debt	3.0	0	3.0	0	0
	Balance sheet total	2.3	0	2.3	0	0

resulted in a clear improvement in profitability.

The cost of starting up a production company in China for small ignition systems is reported as a cost for Opcon Co. Ltd.

The control devices product area continued to develop positively during the third quarter, with among other things expanding volumes for products designed for both the auto sector and other industries.

NORTH AMERICA

(Opcon Inc.)

Turnover in the third quarter amounted to SEK 4.4 million, compared with SEK 4.5 million last year. The operating loss was down to SEK 0.1 million (-0.4 m).

A fall in deliveries to the US aftermarket affected both sales and earnings. Opcon Inc. has responsibility for marketing and sales of the Group's products in the American market.

ASIA

(Opcon Co. Ltd)

This company is in its start-up phase. Staff are currently being recruited and machinery and production equipment are on site. Delays have occurred due to obligatory field tests and late delivery of equipment.

Costs of SEK 3.7 million have been incurred during the first nine months of 2004 in connection with travel, premises, staff and consultants.

OUTLOOK FOR 2004 AND BEYOND

During the third quarter a survey was performed of the current state of the fuel cell sector. All of the companies contacted have plans that will result in production of fuel cell vehicles in significant series production from 2010 and onwards. Up to the start of series production they will

manufacture test fleets for use throughout the world.

On 1 July 2004 DaimlerChrysler acquired Ballard Power Systems AG. The reason for the acquisition is that the fuel cell engine is now an integrated part of future platforms and the company therefore wished to seize control of development. Ballard Power Systems AG previously developed engines for all auto makers but the new owner wishes to keep development details confidential.

In September 2004 Opcon Autorotor signed a five-year delivery agreement with Ballard Power Systems (Ford and DaimlerChrysler) that covers air modules for future fuel cell engines.

ELECTROMECHANICS

SEM continues to be profitable. The productivity improvements and rationalisation carried out in 2003 and the first quarter of 2004 are producing good results. Once SEM has a production unit that can produce ignition systems at more competitive prices the company will be able to win market shares. Negotiations are taking place concerning deliveries of ignition systems to customers who previously considered SEM's prices to be too high.

Production of ignition systems for chainsaws will start in Suzhou, China, in the first quarter of 2005. Equipment at the plant is currently being tested and Swedish staff from SEM will train their Chinese counterparts during the final quarter of 2004.

The current turbulence within the GM Group in Europe concerning production sites will not affect SEM, which has signed a new delivery contract with Saab for the period up to 2009.

REAC is reporting good profitability and growth. The new product range of electric devices now accounts for around 30% of REAC's total sales turnover.

Profitable growth for both companies is expected during 2004 and beyond.

MECHANICS

The business area's co-ordination project continues and should be completed by the first quarter of 2005. All production of OEM compressors will take place at our site in Orminge, with administration and business development taking place in Nacka where we will also establish a Center of Excellence for air systems for auto and industrial applications.

Lysholm Technologies has initiated a programme to speed up deliveries to Ford. Deliveries to Ford were delayed earlier this year. The company will make deliveries according to plan from November 2004. Important negotiations concerning new OEM orders for compressors for future fuel cell engines are taking place and should be completed in the final quarter of 2004. This will significantly increase volumes for Lysholm from 2005.

Laminova's project to deliver oil coolers to the Malaysian carmaker, Proton, has been delayed, but the company expects to begin deliveries during the first quarter of 2005 and to then increase deliveries to meet planned levels in 2005.

Deliveries of heat exchangers to GM's L850 engine were lower than planned during the third quarter. Volumes are

expected to reach planned levels during the final quarter of 2004 and thereafter.

During the current year Opcon Autorotor has been affected by the sale of its largest customer in the fuel cell sector, Ballard Power Systems, to Ford and DaimlerChrysler. During the lengthy negotiations that preceded the sale all development was postponed. The company is now signalling that development will start again quickly to make up for lost time, estimated at around 12 months.

Opcon Autorotor is participating in the EU's HyTRAN project, which aims to develop an optimised 80- and 5 kW fuel cell system for future vehicles. The project will run till 2008. At present technical discussions are taking place among manufacturers (Volvo, DAF, DaimlerChrysler and others) and the project is expected to enter its full-scale phase during the final quarter of 2004.

As stated in the previous report, the Opcon Group is expecting to report a significant improvement in results in 2004 compared with 2003, although without breaking even.

ACCOUNTING PRINCIPLES

This interim report has been drawn up in accordance with recommendation RR 20, Interim reports, of the Swedish Financial Accounting Standards Council.

As of 1 January 2004, Opcon has implemented the Swedish Financial Accounting Standards Council's recommendation RR29 on remuneration to employees. Following the recommendation means that defined-benefit pension plans in all subsidiaries will be reported according to the same principles. In the financial reports up to 2003 these plans were reported according to local rules and statutes in each country. In accordance with the transition rules for RR29 an opening liability is established based on 1 January 2004. This opening liability is only marginally different to the liability reported on 31 December 2003, which was based on different principles. There have not been any one-off effects on shareholders' equity worth reporting. In accordance with the transition rules for RR29 Opcon has not recalculated previous years' results using the new recommendation.

Apart from this exception, the same accounting principles and calculation methods have been used in this report as were used in the most recent annual report.

This financial statement has been subject to a general check by the company's auditors.

FUTURE INFORMATION

- 2004 Financial Statement: 25 February 2005
- 2004 Annual Report: April 2005
- Next AGM: 21 April 2005
- Q1 report 2005: 21 April 2005

Åmål, Sweden, 20 October 2004
Opcon AB (publ) 556274-8623

The Board of Directors

CONSOLIDATED INCOME STATEMENT (SEK 000)	JULY-SEPT 2004	JULY-SEPT 2003	JAN-SEPT 2004	JAN-SEPT 2003	LATEST 12 months	JAN-DEC 2003
Net sales	66 871	49 254	230 333	184 683	292 629	246 979
Expenses for sold goods	-48 607	-42 243	-180 835	-155 975	-237 873	-213 013
Gross profit	18 264	7 011	49 498	28 708	54 756	33 966
Sales and administration expenses	-9 118	-7 325	-33 362	-26 270	-43 720	-36 628
Research and development expenses	-5 776	-3 686	-20 031	-14 494	-25 366	-19 829
Other operating expenses	-606	-243	-1 839	-750	-2 092	-1 003
Operating profit/loss	2 764	-4 243	-5 734	-12 806	-16 422	-23 494
Profit/loss from financial assets	17	92	239	491	308	560
Profit/loss from financial liabilities	-1 077	-697	-3 119	-2 314	-4 123	-3 318
Profit/loss after financial items	1 704	-4 848	-8 614	-14 629	-20 237	-26 252
Tax	-1 112	1 198	890	4 063	4 137	7 310
Profit/loss for the period	592	-3 650	-7 724	-10 566	-16 100	-18 942
Earnings per share (SEK)	0.07	-0.51	-0.90	-1.48	-1.96	-2.66
No. of shares (000)	8 579	7 129	8 579	7 129	8 579	8 579
Average no. of shares (000)	8 579	7 129	8 579	7 129	8 217	7 129

CONSOLIDATED BALANCE SHEET (SEK 000)	30-09-04	30-09-03	31-12-03
Fixed assets			
Goodwill	23 807	11 451	25 433
Other intangible fixed assets	20 423	9 560	16 430
Tangible fixed assets	63 710	65 726	72 893
Financial fixed assets	713	39	993
Deferred tax receivable	22 192	18 119	21 169
Total fixed assets	130 845	104 895	136 918
Current assets			
Inventories	65 758	38 080	58 357
Receivables	71 931	51 401	65 212
Liquid funds, including current investments	6 012	15 859	19 666
Total current assets	143 701	105 340	143 235
Total assets	274 546	210 235	280 153
Shareholders' equity	112 313	103 453	119 535
Interest-bearing provisions and liabilities	90 792	61 672	78 981
Long-term non interest bearing liabilities	8 932	1 676	5 795
Current non interest bearing liabilities	62 509	43 134	75 842
Total shareholders' equity and liabilities	274 546	210 235	280 153
Pledged securities	103 800	86 300	103 800
Contingent liabilities	3 114	3 111	3 114

KEY FIGURES	JULY-SEPT 2004	JULY-SEPT 2003	JAN-SEPT 2004	JAN-SEPT 2003	LATEST 12 months	JAN-DEC 2003
Operating margin, %	4.1	-8.6	-2.5	-6.9	-5.6	-9.5
Return on operating capital, %	-	-	-	-	-9.3	-14.4
Return on equity, %	-	-	-	-	-14.9	-16.2
Profit/loss per share, SEK	0.07	-0.51	-0.90	-1.48	-1.96	-2.66
Equity per share, SEK	13.09	14.51	13.09	14.51	13.67	13.93
Equity/assets ratio, %	40.9	49.2	40.9	49.2	40.9	42.7
No. of shares, thousands	8 579	7 129	8 579	7 129	8 579	8 579
Average no. of shares, thousands	8 579	7 129	8 579	7 129	8 217	7 129

	JULY-SEPT 2004	JULY-SEPT 2003	JAN-SEPT 2004	JAN-SEPT 2003	LATEST 12 months	JAN-DEC 2003
Change in shareholders' equity						
Shareholders' equity, according to balance sheet, opening balance			119 535	113 843		113 843
New share issue			-	-		26 100
Translation difference			502	176		-1 466
Profit/loss for the period			-7 724	-10 566		-18 942
Shareholders' equity, closing balance			112 313	103 453		119 535
(Accumulated translation difference affecting shareholders' equity is SEK -1 552)						

CONSOLIDATED CASH FLOW STATEMENT (SEK 000)	JULY-SEPT 2004	JULY-SEPT 2003	JAN-SEPT 2004	JAN-SEPT 2003	LATEST 12 months	JAN-DEC 2003
Cash flow from current activities, excl. working capital	6 149	-541	12 764	1 261	8 220	-3 283
Cash flow from change in working capital	-8 746	1 065	-31 148	45	-19 190	12 003
Cash flow from investing activities	-7 628	-2 769	-13 170	-14 687	-48 912	-50 429
Cash flow from financing activities	3 229	-1 752	17 900	-1 244	50 035	30 891
Total cash flow	-6 996	-3 997	-13 654	-14 625	-9 847	-10 818

CONSOLIDATED INCOME STATEMENT (SEK 000) (Per quarter)	JULY-SEPT 2004	APRIL-JUNE 2004	JAN-MAR 2004	JAN-MAR 2003	APRIL-JUNE 2003	JULY-SEPT 2003	OCT-DEC 2003
Net sales	66 871	81 403	82 059	66 515	68 914	49 254	62 296
Operating profit/loss	2 764	-10 111	1 613	-3 154	-5 409	-4 243	-10 688
Financial items	-1 060	-1 086	-734	-593	-625	-605	-935
Profit/loss after financial items	1 704	-11 197	879	-3 747	-6 034	-4 848	-11 623
Tax	-1 112	2 309	-307	1 030	1 835	1 198	3 247
Profit/loss per quarter	592	-8 888	572	-2 717	-4 199	-3 650	-8 376

CONSOLIDATED BALANCE SHEET (SEK 000) (Per quarter)	JULY-SEPT 2004	APRIL-JUNE 2004	JAN-MAR 2004	JAN-MAR 2003	APRIL-JUNE 2003	JULY-SEPT 2003	OCT-DEC 2003
Fixed assets	130 845	129 913	130 978	103 807	105 235	104 895	136 918
Current assets	137 689	145 507	141 671	101 360	100 012	-89 481	123 569
Liquid funds	6 012	13 009	9 178	25 192	19 856	15 859	19 666
Total assets	274 546	288 428	281 827	230 359	225 103	210 235	280 153
Shareholders' equity	112 313	111 722	120 608	111 302	107 103	103 453	119 535
Interest bearing provisions and liabilities	90 792	88 143	84 913	61 415	63 724	61 972	78 981
Long-term non interest bearing liabilities	8 932	9 490	5 790	1 676	1 676	1 676	5 795
Current non interest bearing liabilities	62 509	79 073	70 516	55 966	52 600	43 134	75 842
Total shareholders' equity and liabilities	274 546	288 428	281 827	230 359	225 103	210 235	280 153

Key figures							
Operating margin, %	4.1	-12.4	2.0	-4.7	-7.8	-8.6	-17.2
Equity/assets ratio, %	40.9	38.7	42.8	48.3	47.6	49.2	42.7
No. of shares, thousands	8 579	8 579	8 579	7 129	7 129	7 129	8 579

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