







Opcon AB (publ)

Interim report January-June 1999

-  Sales turnover for the first six months of the year amounted to SEK 125.4 million (118.9).
-  The company reported a loss after financial items for the first six months of SEK 5.9 million (-5.3).
-  The development company, Opcon Autorotor AB, reported a continuing loss, of SEK 5.0 million (-6.2).
-  Gradual improvements in order received for the Group will mean better coverage for the second half of the year.
-  Important co-operation agreements for the Group are expected to be signed during 1999.
-  A profit for the full year is forecast.

The Group, first six months of 1999

Sales turnover during the first six months of 1999 amounted to SEK 125.4 million (118.9). The Group's order book showed an improvement during the second quarter compared with the first quarter.

Orders received during the first six months amounted to SEK 125.5 million (127.7). The Group made a loss of SEK 5.9 million (-5.3).

A continuing focus on the development of air systems for fuel cells by the development company, Opcon Autorotor AB, had a negative impact on results of SEK 5.0 million.

Opcon AB in brief

Opcon is based in Åmål, Sweden. The company was listed on the O-list of the Stockholm Stock Exchange on 30 December 1998.

Opcon companies develop, manufacture and market products such as ignition cassettes for cars, ignition systems for chainsaws and motorbikes, electromagnetic devices (opening devices for petrol tank lids, head rests and shift-locks in vehicles for example), transformers and screw compressors for air systems in vehicles.

Operations are organised in four business areas:

Ignition systems – SEM AB, Åmål

Electromagnetic devices – SEM Drive AB, Åmål

Transformers – Transformator-Teknik AB, Åmål

Screw compressors – Opcon Autorotor AB, Nacka

Opcon AB is the parent company of the Group. As of June 30 the Group had 340 employees.

SEM AB and SEM Drive AB both have QS 9000 certification. Work aimed at achieving ISO 9000 certification is in progress at Opcon Autorotor AB. Transformator-Teknik AB has ISO 9001 certification. Environmental certification for the Group is a key objective for coming years.

Ignition systems – SEM AB

- Sales turnover 8% higher than first half of 1998.
- Orders received improved during the second quarter to end at around the same level as in 1998.
- Orders received in the first six months amounted to SEK 81.9 million (83.5)
- Operating profit up by SEK 2.1 million compared with the previous year.
- Continued increase in volume for Saab ignition systems.
- New ignition system introduced, which will mean additional volumes worth around SEK 15-20 million annually.
- Assessment of acquisition alternatives continues.

| SEM AB (SEK 000) | Jan.-June 1999 | Jan.-June 1998 | Latest 12 months | Full year 1998 |
|----------------------------|---------------------------|---------------------------|-----------------------------|---------------------------|
| Sales turnover | 81 266 | 75 178 | 159 065 | 152 977 |
| Operating profit | 5 611 | 3 471 | 11 719 | 9 579 |
| Operating margin, % | 6.9 | 4.6 | 7.4 | 6.3 |
| No. of employees (average) | | | | |

Electromagnetic devices – SEM Drive AB

- Sales turnover 8% higher than first half of 1998.
- Orders received improved during the second quarter to end at around the same level as in 1998.
- Orders received for the first six months amounted to SEK 27.1 million (28.3).
- Changes in product mix yielded lower margins and an increased loss compared with 1998.
- A profit is forecast for the second half of the year due to increased coverage.

| SEM Drive AB (SEK 000) | Jan.-June 1999 | Jan.-June 1998 | Latest 12 months | Full year 1998 |
|-----------------------------------|---------------------------|---------------------------|-----------------------------|---------------------------|
| Sales turnover | 24 812 | 23 056 | 48 353 | 46 597 |
| Operating profit | -2 759 | -1 620 | -4 621 | -3 482 |
| Operating margin, % | -11.1 | -7.0 | -9.6 | -7.5 |
| No. of employees (average) | | | | 67 |

Transformers – Transformator-Teknik AB

- Sales turnover amounted to SEK 15.9 million (15.9).
- Orders received in the first half of the year amounted to SEK 16.6 million (15.7).
- Operating profit up on previous year.

| Transformator- Teknik AB (SEK 000) | Jan.-June 1999 | Jan.-June 1998 | Latest 12 months | Full year 1998 |
|---|---------------------------|---------------------------|-----------------------------|---------------------------|
| Sales turnover | 15 904 | 15 936 | 29 624 | 29 656 |
| Operating profit | 903 | 772 | 1 426 | 1 295 |
| Operating margin, % | 5.7 | 4.8 | 4.8 | 4.4 |
| No. of employees (average) | | | | 50 |

Compressors – Opcon Autorotor AB

- Sales turnover amounted to SEK 4.5 million (6.0).
- Deliveries to USA aftersales market re-started in June. However, there was a shortfall in turnover of around SEK 7 million in the first six months.
- Increase in development assignments for fuel cell segment.

| Opcon Autorotor (SEK 000) | Jan.-June 1999 | Jan.-June 1998 | Latest 12 months | Full year 1998 |
|------------------------------|-------------------|-------------------|---------------------|-------------------|
| Sales turnover | 4 543 | 5 958 | 13 756 | 15 171 |
| Operating profit | -4 319 | -5 451 | -8 490 | -9 622 |
| Operating margin, % | -95.1 | -91.5 | -61.7 | -63.4 |
| No. of employees (average) | | | | 15 |

The Group

Investments

Investments in machinery and equipment during the first half of 1999 amounted to SEK 12.3 million (13.2).

Financial position

As of 30 June, the Group's liquid funds amounted to SEK 20.0 million (0.7) and interest-bearing debt amounted to SEK 59.9 million (74.7). On 31 December 1998, liquid funds amounted to SEK 33.3 million (1.5) and interest-bearing debt amounted to SEK 53.9 million (63.1). Negative cash flow was recorded during the first six months, primarily due to the costs of raising capital and the stock exchange listing. Other factors included increased need of working capital due to volume increases (SEM) and temporary stock building (SEM Drive, Opcon Autorotor).

Employees

At the end of the first six months the Group had 340 employees (327). On 31 December 1998 there were 343 employees (304).

Comments on 1999

The result in the first six months was worse than expected. The development company, Opcon Autorotor performed notably badly due to investment in the development of an air system for fuel cells and lower invoicing concerning compressors to the aftersales market in the USA. During the second quarter, order received by all of the Group's companies increased and coverage in the second half of the year will be good. Negotiations are entering their final phase regarding alliances with partners and based on the unique competence of the Group and its patented products.

SEM AB launched two new ignition systems on the small engines market during the second quarter, which will mean a gradual increase in delivery value. Negotiations will take place regarding additional volumes.

Deliveries to Brazil remain very low.

Increased volumes will be delivered to Saab Automobile and this product group will exceed forecasts.

SEM DRIVE AB recorded an increase in received orders during the second quarter, especially from the Swedish engineering industry. This means a more favourable product mix and strengthened margins. Coverage for the second half of the year is good. A profit was recorded for July and a profit is also expected for the remainder of the year. Development projects in association with Volvo are proceeding according to plan.

TRANSFORMATOR-TEKNIK AB is helped by the upswing in the economy and the company is expected to exceed its profit forecast for 1999.

OPCON AUTOROTOR AB, the Group's development company for compressors for the combustion and fuel cell engines of the future, continues to operate at a significant loss. The aftersales market has started up again, but at a low level. However, the company continues to receive a growing number of development assignments in the fuel cell segment.

The Opcon Group expects to record a profit for the full year.

Parent company Opcon AB

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, IT and property management. These functions will be retained from 1999 within the parent company, Opcon AB.

Staff from SEM AB, totalling 14 people, now work for the parent company.

In the first six months of 1999, the parent company made a loss after financial items of SEK 3.2 million (−0.3). For the full year, 1998, the parent company made a loss after financial items of SEK 1.7 million.

In the comparison of annual results, costs worth SEK 1.8 million during the first six months of 1999 have been reported by the parent company, rather than the subsidiaries. These costs cover Group management and administration.

Financial information

- The interim report for the period January-September 1999 will be published on 29 October 1999.
- The press release of unaudited annual earnings for 1999 will be published at the end of February 2000.

| Consolidated income statement (SEK 000) | Jan.-June 1999 | Jan.-June 1998 | Latest 12 months | Full year 1998 |
|--|---------------------------|---------------------------|-----------------------------|---------------------------|
| Net sales | 125 386 | 118 895 | 246 673 | 240 182 |
| Other operating revenue | - | - | 160 | 160 |
| Operating profit/loss | -4 491 | -3 570 | -4 745 | -3 824 |
| Financial items | -1 379 | -1 740 | -3 923 | -4 284 |
| Profit/loss after financial items | -5 870 | -5 310 | -8 668 | -8 108 |
| Tax | - | - | - | - |
| Minority shares | -189 | -104 | -75 | 10 |
| Profit/loss for the period | -6 059 | -5 414 | -8 743 | -8 098 |

| Consolidated balance sheet (SEK 000) | 30 June 1999 | 30 June 1998 | 31 Dec. 1998 |
|---|-------------------------|-------------------------|-------------------------|
| Fixed assets | 80 437 | 77 619 | 80 207 |
| Current assets | 95 727 | 87 898 | 87 937 |
| Liquid funds | 19 973 | 725 | 33 311 |
| Total assets | 196 137 | 166 242 | 201 455 |
| Shareholders' equity | 82 365 | 42 501 | 88 424 |
| Minority shares | 799 | 723 | 609 |
| Interest-bearing provisions and liabilities | 59 942 | 74 723 | 53 931 |
| Long-term non-interest-bearing liabilities | 656 | 656 | 656 |
| Short-term non-interest-bearing liabilities | 52 375 | 47 639 | 57 835 |
| Total liabilities and shareholders' equity | 196 137 | 166 242 | 201 455 |

| Key figures | Jan.-June 1999 | Jan.-June 1998 | Latest 12 months | Full year 1998 |
|--|---------------------------|---------------------------|-----------------------------|---------------------------|
| Operating margin % | -3.6 | -3.0 | -1.9 | -1.6 |
| Return on net operating assets % | - | - | -3.9 | -3.5 |
| Return on equity, % | - | - | -14.0 | -11.9 |
| Loss per share, SEK | - | - | -1.40 | -1.30 |
| Shareholders' equity per share, SEK | - | - | 13.20 | 14.17 |
| Equity ratio, % | 42.4 | 26.0 | 42.4 | 44.2 |
| Number of shares (000) | 6 242 | 4 242 | 6 242 | 6 242 |

| Cash flow analysis (SEK 000) | Jan.-June 1999 | Jan.-June 1998 | Latest 12 months | Full year 1998 |
|---|---------------------------|---------------------------|-----------------------------|---------------------------|
| Cash flow from ongoing operations | -7 166 | 766 | 11 532 | 19 464 |
| Cash flow from investment operations | -12 373 | -13 231 | -26 440 | -27 298 |
| Cash flow from financing operations | 6 201 | 11 729 | 34 156 | 39 684 |
| Total cash flow | -13 338 | -736 | 19 248 | 31 850 |

| Consolidated income statement (SEK 000) (Quarterly figures) | Jan.- March 1999 | April- June | Jan.- March 1998 | April- June | July- Sept. | Oct.- Dec. |
|--|---------------------------------|------------------------|---------------------------------|------------------------|------------------------|-----------------------|
| Sales turnover | 57 440 | 67 946 | 57 160 | 61 735 | 52 412 | 68 875 |
| Operating profit | -2 748 | -1 743 | -1 013 | -2 557 | -161 | -93 |
| Financial items | -805 | -574 | -1 113 | -627 | -998 | -1 546 |
| Loss after financial items | -3 553 | -2 317 | -2 126 | -3 184 | -1 159 | -1 639 |
| Tax | 0 | 0 | 0 | 0 | 0 | 0 |
| Minority shares | -94 | -95 | -39 | -65 | -95 | 209 |
| Profit/loss for the quarter | -3 647 | -2 412 | -2 165 | -3 249 | -1 254 | -1 430 |

| Consolidated balance sheet (SEK 000) | 31 March 1999 | 30 June 1999 | 31 March 1998 | 30 June 1998 | 30 Sept. 1998 | 31 Dec. 1998 |
|---|--------------------------|-------------------------|--------------------------|-------------------------|--------------------------|-------------------------|
| Fixed assets | 80 593 | 80 437 | 79 998 | 77 619 | 76 690 | 80 207 |
| Current assets | 93 660 | 95 727 | 82 095 | 87 898 | 87 095 | 87 937 |
| Liquid funds | 22 894 | 19 973 | 873 | 725 | 331 | 33 311 |
| Total assets | 197 147 | 196 137 | 162 966 | 166 242 | 164 116 | 201 455 |
| Shareholders' equity | 84 777 | 82 365 | 45 750 | 42 501 | 41 247 | 88 424 |
| Minority shares | 703 | 799 | 658 | 723 | 818 | 609 |
| Interest-bearing provisions and liabilities | 54 410 | 59 942 | 68 409 | 74 723 | 74 221 | 53 931 |
| Long-term non-interest- bearing liabilities | 656 | 656 | 656 | 656 | 656 | 656 |
| Short-term non-interest- bearing liabilities | 56 601 | 52 375 | 47 493 | 47 639 | 47 174 | 57 835 |
| Total liabilities and shareholders' equity | 197 147 | 196 137 | 162 966 | 166 242 | 164 116 | 201 455 |

| Key figures | Jan.- March 1999 | April- June | Jan.- March 1998 | April- June | July- Sept. | Oct.- Dec. |
|------------------------|------------------------|----------------|------------------------|----------------|----------------|---------------|
| Operating margin | -4.8 | -2.6 | -1.8 | -4.1 | -0.3 | -0.1 |
| Equity ratio, % | 43.4 | 42.4 | 28.5 | 26.0 | 25.6 | 44.2 |
| Number of shares (000) | 6242 | 6242 | 4242 | 4242 | 4242 | 6242 |

Åmål, Sweden
31 August 1999

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