



## financial statement interim report for october–december



### Restructuring of Opcon begins to produce results Positive profit forecast for first quarter of 2006

- Sales turnover rose by 10% to SEK 343.8 million (312.2 m), of which SEK 106.3 million (81.8 m) was in the final quarter, a climb of 30%.
- The operating loss (EBIT) was SEK 6.9 million (–40.0 m), of which SEK –3.2 million (–36.1 m) was in the final quarter.
- Earnings for 2005 were affected by an allocation for costs resulting from a legal dispute in the US, the write-down of stock assets, project costs for starting up the production company in China and capital gains from the sale of property, a total of SEK 14.4 million, of which SEK 4.7 million came in the final quarter.
- The operating profit (EBIT) excluding one-off items was SEK 7.5 million, of which SEK 1.5 million was in the final quarter.
- The loss after tax was SEK 12.7 million (–43.8 m), of which SEK –5.1 million (–37.9 m) was in the final quarter. Earnings per share after tax for the year were SEK –1.11 (–5.11).
- The Board has decided to deliver quarterly earnings forecasts in 2006.
- The Group forecasts earnings after financial items (EBT) of at least SEK 10 million for the first quarter in 2006.

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#### Future information

- 2005 Annual Report presented in April 2006
- AGM held on 20 April 2006
- Q1 report presented on 20 April 2006
- Q2 report presented on 23 August 2006
- Q3 report presented on 20 October 2006

Opcon is a manufacturing group with businesses in Sweden, USA, and China. The group consists of the mother company Opcon AB and eight daughter companies – SEM AB, REAC AB, Svenska Rotor Maskiner AB (SRM), Lysholm Technologies AB, Opcon Autorotor AB, Laminova Production AB, Opcon Inc. and Opcon Co., Ltd. The number of employees is about 430. The share is quoted on the Stockholm exchange market's O-list.

## THE GROUP

### Final quarter of 2005

Sales turnover for the final quarter climbed to reach SEK 106.3 million, compared with SEK 81.8 million in the same period last year.

The operating loss for the final quarter was SEK 3.2 million (–36.1 m).

The loss after financial items for the final quarter was SEK 5.0 million (–37.7 m).

The loss after tax was SEK 5.1 million (–37.9 m), which translates into earnings per share of SEK –0.36 (–4.42).

One-off restructuring costs during the quarter amounted to SEK 2.1 million and related to the relocation of activities in the US and the closure of an office and the co-ordination of development resources in Stockholm.

Earnings were also affected by the write-down of customer receivables by SEK 1.4 million. Project costs relating to the start-up of the production company in China amounted during the quarter to SEK 1.2 million.

Excluding one-off costs, the Group made an operating profit for the quarter of SEK 1.5 million.

During the period production started of replacement ignition cassettes for delivery to Saab in accordance with the agreement signed in the third quarter.

The agreement means a significant rise in production of ignition cassettes in coming years. Production increases for ignition cassettes have meant that previously announced job losses, relating to the relocation of production of small ignition systems in China, will not now be so comprehensive.

### Full year 2005

Sales turnover for the full year in 2005 climbed to reach SEK 343.8 million, compared with SEK 312.2 million in 2004.

The operating loss was SEK 6.9 million (–40.0 m).

The loss after financial items was SEK 12.5 million (–44.5 m).

The loss after tax was SEK 12.7 million (–43.8 m), which translates into earnings per share of SEK –1.11 (–5.11).

One-off costs amounted to SEK 18.1 million.

Earnings for 2005 also included capital gains from the sale of property amounting to SEK 3.7 million.

Excluding one-off costs and capital gains from property sales, the Group reported an operating profit of SEK 7.5 million.

A complete income statement and balance sheet in accordance with IFRS is presented at the end of this report. The adoption of IFRS means that Opcon will no longer amortise goodwill according to plan. The absence of goodwill amortisation affected earnings and shareholders' equity by SEK 2.4 million.

### Financial position

The Group's liquid funds at the end of the period amounted to SEK 1.9 million (3.8 m) and interest-bearing liabilities amounted to SEK 94.3 million (87.4 m). The Group's equity/assets ratio increased to reach 34.2% (29.2%).

### Opcon's shares

The total number of registered shares at the end of the period was 14,297,845.

The number of new shares issued in the recent share issue was 5,719,138 shares.

At the Extraordinary General Meeting in November an options

scheme was adopted for the company and it was decided to issue 715,000 options. The Board has since decided to exercise only 600,000 of these options. The increase in share capital in the event of full subscription of shares via options will be a maximum of SEK 3,575,000, or a dilution of 5% of the share capital and voting rights.

At present there is no options scheme.

The company has no conversion loans or subscription options.

The Board proposes that the dividend be zero.

### Investments/depreciation

Investment in machinery and tools during the final quarter totalled SEK 2.3 million (6.4 m). In addition, costs of SEK 2.8 million (3.8 m) for development were capitalised.

Investment in machinery and tools in 2005 totalled SEK 4.8 million (10.9 m).

Costs amounting to SEK 6.2 million (12.7 m) for development were capitalised during the year.

Property in Nacka, Stockholm, was sold during the year. The acquisition value of the property was SEK 9.1 million and accumulated depreciation was SEK 2.8 million.

Depreciation that affected profits during the final quarter amounted to SEK 6.0 million (5.3 m) and during the full year to SEK 24.6 million (25.3 m).

### Employees

At the end of the period the Group had 432 employees (297). The increase is mainly due to recruitment at the factory in China. At the end of the year the Group had 144 employees in China.

### Parent company

The parent company reported sales turnover of SEK 4.2 million (4.7 m) in the final 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 6.7 million (–5.9 m).

For the full year, sales turnover was SEK 16.4 million (17.7 m) and the loss after financial items was SEK 8.4 million (–11.2 m).

Investments in fixed assets was 0.0 (0.2 m).

Earnings in 2005 were affected by capital gains from the sale of property amounting to SEK 3.7 million.

At the end of the period liquid funds in the parent company totalled SEK 0.1 million (1.5 m).

Long-term liabilities and bank facilities at the end of the year amounted to SEK 23.3 million (18.8 m).

### Mechanics

(Opcon Autorotor AB, Laminova Production AB, Svenska Rotor Maskiner AB, Lysholm Technologies AB and Opcon Inc.)

Sales turnover in the final quarter reached SEK 33.0 million (32.2 m). The operating loss for the same period was SEK 8.3 million (–20.8 m).

Sales volumes for Lysholm Technologies AB declined due to falling deliveries to the US aftermarket resulting from the previously reported agreement dispute, while Svenska Rotor Maskiner AB reported lower deliveries than planned, which had a negative impact on earnings.

Earnings in the final quarter were affected by restructuring costs and other one-off costs amounting to SEK 3.5 million. The corresponding amount for the full year was SEK 12.5 million.

**SALES TURNOVER AND OPERATING PROFIT PER BUSINESS AREA, SEK MILLION**

		Q 4 2005	Q 4 2004	Full year 2005	Full year 2004
<b>Mechanics</b>	Sales turnover	33.0	32.2	120.3	117.5
	Operating profit/loss	–8.3	–20.8	–16.7	–20.6
	Investment	3.8	4.2	7.3	14.3
	Depreciation	2.4	5.1	9.8	10.6
	Assets	156.2	143.6	156.2	143.6
	Debt	87.6	76.5	87.6	76.5
	Balance sheet total	156.2	143.6	156.2	143.6
<b>Electromechanics</b>	Sales turnover	73.0	48.9	222.7	192.6
	Operating profit/loss	12.0	–11.7	18.5	–10.1
	Investment	3.4	6.6	7.0	9.9
	Depreciation	3.5	4.2	14.0	16.0
	Assets	139.9	108.4	139.9	108.4
	Debt	112.9	96.3	112.9	96.3
	Balance sheet total	139.9	108.4	139.9	108.4

In the final quarter the number of employees at Laminova's office in Stockholm was reduced and activities were re-assigned to the company's office in Åmål. Opcon Inc.'s business was reformed as a purely distribution company in the final quarter.

**Electromechanics**

(SEM AB, REAC AB and Opcon Co., Ltd, China)

Turnover in the final quarter amounted to SEK 73.0 million, compared with SEK 48.9 million last year.

The operating profit for the same period was SEK 12.0 million (–11.7 m).

The cost of establishing and starting up the production company in China for small ignition systems amounted to SEK 1.2 million during the final quarter, and to SEK 5.6 million for the full year.

Series delivery from the factory in China has now started and reached full speed, which means that most customer requirements for small ignition systems can be met with deliveries from China. Sales turnover from the Chinese factory during the final quarter amounted to SEK 7.0 million.

As production of ignition systems in China increases, the business area's profitability will improve. Further production capacity exists to meet higher demand and higher volumes from new customers.

Deliveries to Saab started during the final quarter in accordance with the agreement signed by SEM and Saab concerning replacement ignition cassettes.

The agreement means that SEM will not incur any financial disadvantage. Increased delivery volumes will mean that production capacity must be expanded and the labour force must be reorganised.

**Outlook for 2006**

Work aimed at cutting costs and sharpening focus on core business meant that earnings and prospects for 2006 have improved considerably.

The strong order situation and more stable market conditions are creating opportunities for significant improvements in profitability.

The effect on earnings of the new production site in China will start having full effect in 2006 as will the extra volumes produced

by SEM resulting from the agreement with Saab to produce ignition cassettes for Saab's replacement scheme.

Volume trends for Lysholm's aftermarket business remain good, as they were in the final quarter of 2005.

The effect of the cost reductions at Laminova and Opcon Inc. will mean a significant boost to profits in 2006.

Opcon Autorotor's organisational changes to match current market conditions in the fuel cell sector will lead to lower costs. Svenska Rotor Maskiner will continue its focus on product-related projects, which will mean significant volume increases from 2007 onwards.

The Group has improved its underlying profitability at all subsidiaries which will mean significant improvements in earnings in 2006. The strategy of growth developed by the Group means a continued focus on organic growth and complementing company acquisitions, which will lead to higher growth in 2007 and onwards.

The Group has decided to publish quarterly forecasts during 2006. The Group forecasts earnings after financial items (EBT) of at least SEK 10 million for the first quarter in 2006.

**Accounting principles**

This interim report has been drawn up in accordance with International Financial Reporting Standards, IFRS, IAS 34 and recommendation 32 of the Swedish Financial Accounting Standards Council. A description of the changed accounting principles that affect the company's results and financial position is presented at the end of this report. In accordance with the rules for the first-time adoption of IFRS, new principles for financial instruments are applied only in the accounts referring to 2005.

The most significant impact of the adoption of IFRS for Opcon is reporting of goodwill. For more information, see the description of the changed accounting principles at the end of this report.

This report has been subject to an audit by the company's auditors.

Stockholm, Sweden, 23 February 2006

Opcon AB (publ) 556274-8623

**The Board of Directors**

CONSOLIDATED INCOME STATEMENT (SEK 000)	Q 4 2005	Q 4 2004	Full year 2005	Full year 2004
Net sales	106 256	81 835	343 843	312 168
Expenses for sold goods *	-87 598	-89 212	-272 885	-270 047
<b>Gross profit</b>	<b>18 658</b>	<b>-7 377</b>	<b>70 958</b>	<b>42 121</b>
Sales and administration expenses *	-16 220	-24 502	-57 492	-57 864
Research and development expenses *	-5 680	-4 250	-24 046	-24 281
Other operating expenses	–	–	3 700	–
<b>Operating profit/loss</b>	<b>-3 242</b>	<b>-36 129</b>	<b>-6 880</b>	<b>-40 024</b>
Financial income	1	91	79	330
Financial expenses	-1 754	-1 679	-5 729	-4 798
<b>Profit/loss after financial items</b>	<b>-4 995</b>	<b>-37 717</b>	<b>-12 530</b>	<b>-44 492</b>
Tax	-652	-216	-652	-182
Deferred tax	498	–	498	856
<b>Profit/loss for the period</b>	<b>-5 149</b>	<b>-37 933</b>	<b>-12 684</b>	<b>-43 818</b>
<b>Earnings per share (SEK) before dilution</b>	<b>-0,36</b>	<b>-4,42</b>	<b>-1,11</b>	<b>-5,11</b>
<b>Earnings per share (SEK) after dilution</b>	<b>-0,35</b>	<b>-4,42</b>	<b>-1,08</b>	<b>-5,11</b>
<b>No. of shares (000)</b>	<b>14 298</b>	<b>8 579</b>	<b>14 298</b>	<b>8 579</b>
<b>Average no. of shares (000)</b>	<b>14 298</b>	<b>8 579</b>	<b>11 439</b>	<b>8 579</b>
* Break-down of costs				
depreciation and write-downs	5 992	9 709	24 575	27 857
remuneration to employees	34 471	32 972	129 265	128 439
materials	50 127	24 292	152 912	117 871
other costs	18 908	50 991	47 671	78 025
<b>Total costs</b>	<b>109 498</b>	<b>117 964</b>	<b>354 423</b>	<b>352 192</b>
CONSOLIDATED BALANCE SHEET (SEK 000)	31 dec 2005		31 dec 2004	
<b>Fixed assets</b>				
Tangible fixed assets			44 262	60 987
Goodwill			25 654	25 251
Other intangible fixed assets			19 245	21 035
Financial fixed assets			229	613
Deferred tax receivable			20 878	21 169
<b>Total fixed assets</b>			<b>110 268</b>	<b>129 055</b>
<b>Current assets</b>				
Inventories			66 432	55 632
Customer receivables and other receivables			91 423	68 311
Liquid funds, including current investments			1 886	3 756
<b>Total current assets</b>			<b>159 741</b>	<b>127 699</b>
<b>Total assets</b>			<b>270 009</b>	<b>256 754</b>
<b>Shareholders' equity</b>			<b>92 422</b>	<b>74 991</b>
<b>Long-term liabilities</b>				
– interest-bearing provisions and liabilities			39 682	57 238
– non-interest-bearing provisions and liabilities			1 733	1 621
<b>Total long-term liabilities</b>			<b>41 415</b>	<b>58 859</b>
<b>Current liabilities</b>				
– interest-bearing liabilities			54 655	30 144
– non-interest-bearing liabilities			81 517	92 760
<b>Total current liabilities</b>			<b>136 172</b>	<b>122 904</b>
<b>Total shareholders' equity and liabilities</b>			<b>270 009</b>	<b>256 754</b>
<b>Pledged securities</b>				
Chattel mortgages			114 625	110 500
Property mortgages			–	6 800
Factoring			36 809	–
Contingent liabilities			3 320	3 117

**KEY FIGURES**

	Q 4 2005	Q 4 2004	Full year 2005	Full year 2004
Operating margin, %	–3,1	–44,1	–2,0	–12,8
Return on operating capital, %	–	–	–4,0	–23,0
Return on equity, %	–	–	–15,2	–45,1
Profit/loss per share, SEK	–0,36	–4,42	–1,11	–5,11
Equity per share, SEK	6,46	8,74	6,46	8,74
Equity/assets ratio, %	34,2	29,2	34,2	29,2
No. of shares, thousands	14 298	8 579	14 298	8 579
Average no. of shares, thousands	14 298	8 579	11 439	8 579

**CHANGE IN SHAREHOLDERS' EQUITY (SEK 000)**

	Full year 2005	Full year 2004
Shareholders' equity, opening balance 1 Jan 2005	74 991	119 535
New share issue	26 767	–
Translation difference	3 348	–726
Profit/loss for the period	–12 684	–43 818
<b>Shareholders' equity, closing balance</b>	<b>92 422</b>	<b>74 991</b>

(Accumulated translation difference affecting shareholders' equity is SEK –2,958,000)

**CONSOLIDATED CASH FLOW STATEMENT (SEK 000)**

	Q 4 2005	Q 4 2004	Full year 2005	Full year 2004
Cash flow from current activities				
Profit/loss for the period	–5 149	–37 933	–12 684	–43 818
Translation differences	–	–1 154	360	–653
Depreciation	5 992	7 255	24 575	25 403
Cash flow from current activities	843	–31 832	12 251	–19 068
Cash flow from change in working capital	–13 202	29 911	–42 155	5 763
Cash flow from investing activities	–2 391	–4 443	–3 475	–17 613
Cash flow from financing activities	14 447	4 108	31 509	22 008
<b>Total cash flow</b>	<b>–303</b>	<b>–2 256</b>	<b>–1 870</b>	<b>–8 910</b>

**CONSOLIDATED INCOME STATEMENT (SEK 000)**

	Q 4 2005	Q 3 2005	Q 2 2005	Q 1 2005	Q 4 2004	Q 3 2004	Q 2 2004	Q 1 2004
(Per quarter)								
Net sales	106 256	67 962	88 934	80 691	81 835	66 871	81 403	82 059
<b>Operating profit/loss</b>	<b>–3 242</b>	<b>–8 007</b>	<b>2 829</b>	<b>1 540</b>	<b>–36 129</b>	<b>3 370</b>	<b>–9 493</b>	<b>2 228</b>
Financial items	–1 753	–1 147	–1 404	–1 346	–1 588	–1 060	–1 086	–734
Profit/loss after financial items	–4 995	–9 154	1 425	194	–37 717	2 310	–10 579	1 494
Tax	–154	1 257	–788	–469	–216	–1 112	2 309	–307
<b>Profit/loss per quarter</b>	<b>–5 149</b>	<b>–7 897</b>	<b>637</b>	<b>–275</b>	<b>–37 933</b>	<b>1 198</b>	<b>–8 270</b>	<b>1 187</b>

**CONSOLIDATED BALANCE SHEET (SEK 000)**

	Q 4 2005	Q 3 2005	Q 2 2005	Q 1 2005	Q 4 2004	Q 3 2004	Q 2 2004	Q 1 2004
(Per quarter)								
Fixed assets	110 268	111 276	119 331	123 660	129 055	132 684	131 146	131 593
Current assets	157 855	138 071	146 017	136 211	123 943	137 689	152 507	148 671
Liquid funds	1 886	2 189	1 412	2 507	3 756	6 012	6 008	2 178
<b>Total assets</b>	<b>270 009</b>	<b>251 536</b>	<b>266 760</b>	<b>262 378</b>	<b>256 754</b>	<b>276 385</b>	<b>289 661</b>	<b>282 442</b>
Shareholders' equity	92 422	94 583	102 481	75 076	74 991	114 152	112 955	121 223
Interest-bearing provisions and liabilities	39 682	39 851	44 328	49 241	57 238	57 151	52 823	49 941
Long-term non-interest-bearing liabilities	1 733	1 046	1 271	1 716	1 621	6 932	7 490	3 790
Current interest-bearing liabilities	54 655	39 877	36 485	48 596	30 144	33 641	35 320	34 972
Current non-interest-bearing liabilities	81 517	76 179	82 195	87 749	92 760	64 509	81 073	72 516
<b>Total shareholders' equity and liabilities</b>	<b>270 009</b>	<b>251 536</b>	<b>266 760</b>	<b>262 378</b>	<b>256 754</b>	<b>276 385</b>	<b>289 661</b>	<b>282 442</b>

**KEY FIGURES**

	Q 4 2005	Q 3 2005	Q 2 2005	Q 1 2005	Q 4 2004	Q 3 2004	Q 2 2004	Q 1 2004
Operating margin, %	–3,1	–11,8	3,2	1,9	–44,1	5,0	–11,7	2,7
Equity/assets ratio, %	34,2	37,6	38,4	28,6	29,2	41,3	39,0	42,9
No. of shares, thousands	14 298	14 298	14 298	8 579	8 579	8 579	8 579	8 579

**Adoption of IFRS 2005**

From 1 January 2005 Opcon is preparing its consolidated accounts in accordance with IFRS. Up to 2004 Opcon has applied the recommendations and statements of Swedish Financial Accounting Standards Council. The transfer to IFRS has been made in accordance with IFRS 1, First-time Adoption of International Financial Reporting Standards, and the transfer date is 1 January 2004. IFRS prescribes that comparable figures for 2004 should also be prepared using IFRS. Financial information from years before 2004 should not be restated. The main principle is that all applicable IFRS and IAS standards, which have come into effect and been approved by the EU as of 31 December, should be applied retroactively. IFRS 1,

however, includes various exceptions from the main principle which are optional for the company to follow.

The changes in accounting principles that the first-time adoption entails and the effects on the consolidated income statement and balance sheet are presented below. The exceptions to the rules that the company has chosen to observe concerning retroactive application are also presented.

**PRELIMINARY EFFECTS OF APPLYING IFRS TO CONSOLIDATED BALANCE SHEET**

SEK 000s	Note	1 Jan 2004 (transfer date)			31 Dec 2004		
		Swedish accounting principles	Effects of adopting IFRS	IFRS	Swedish accounting principles	Effects of adopting IFRS	IFRS
<b>ASSETS</b>							
<b>Fixed assets</b>							
Tangible fixed assets		72 893	—	72 893	60 987	—	60 987
Goodwill	1	25 433	—	25 433	22 797	2 454	25 251
Intangible assets		16 430	—	16 430	21 035	—	21 035
Deferred tax receivable		21 169	—	21 169	21 169	—	21 169
Other long-term receivables		993	—	993	613	—	613
		<b>136 918</b>	<b>—</b>	<b>136 918</b>	<b>126 601</b>	<b>2 454</b>	<b>129 055</b>
<b>Current assets</b>							
Inventories		58 357	—	58 357	55 632	—	55 632
Customer receivables and other receivables		65 212	—	65 212	68 311	—	68 311
Current investments		7 000	—	7 000	0	—	0
Cash and bank accounts		12 666	—	12 666	3 756	—	3 756
		143 235	—	143 235	127 699	—	127 699
<b>Total assets</b>		<b>280 153</b>	<b>—</b>	<b>280 153</b>	<b>254 300</b>	<b>2 454</b>	<b>256 754</b>
<b>SHAREHOLDER'S EQUITY</b>							
<b>Capital and reserves attributable to shareholders of parent company</b>							
Share capital		42 894	—	42 894	42 894	—	42 894
Restricted reserves		93 386	—	93 386	93 312	—	93 312
Loss carried forward	1	–16 745	—	–16 745	–63 669	2 454	–61 215
<b>Total shareholders' equity</b>		<b>119 535</b>	<b>—</b>	<b>119 535</b>	<b>72 537</b>	<b>2 454</b>	<b>74 991</b>
<b>LIABILITIES</b>							
<b>Long-term liabilities</b>							
Interest-bearing loans		34 328	—	34 328	50 727	—	50 727
Deferred tax liability		2 100	—	2 100	1 244	—	1 244
Pension commitments		6 728	—	6 728	6 511	—	6 511
Other allocations		381	—	381	377	—	377
		<b>43 537</b>	<b>—</b>	<b>43 537</b>	<b>58 859</b>	<b>—</b>	<b>58 859</b>
<b>Current liabilities</b>							
Supplier debts and other liabilities		75 842	—	75 842	89 760	—	89 760
Loans		37 925	—	37 925	30 144	—	30 144
Other allocations		3 314	—	3 314	3 000	—	3 000
		<b>117 081</b>	<b>—</b>	<b>117 081</b>	<b>122 904</b>	<b>—</b>	<b>122 904</b>
<b>Total liabilities</b>		<b>160 618</b>	<b>—</b>	<b>160 618</b>	<b>181 763</b>	<b>—</b>	<b>181 763</b>
<b>Total shareholders' equity and liabilities</b>		<b>280 153</b>	<b>—</b>	<b>280 153</b>	<b>254 300</b>	<b>2 454</b>	<b>256 754</b>

	Note	1 Jan 2004	31 Dec 2004
<b>Shareholders' equity according to previously applied principles</b>		<b>119 535</b>	<b>72 537</b>
Goodwill not amortised after the transfer date	1	–	2 454
<b>Total adjustment of shareholders' equity</b>		<b>–</b>	<b>2 454</b>
<b>Shareholders' equity according to IFRS</b>		<b>119 535</b>	<b>74 991</b>

**PRELIMINARY EFFECTS OF APPLYING IFRS TO THE INCOME STATEMENT FOR 2004**

SEK 000s	Note	Full year 2004	
		Swedish accounting principles	Effects of adopting IFRS
Net sales		312 168	–
Expenses for sold goods		–270 047	–
<b>Gross profit</b>		<b>42 121</b>	<b>–</b>
Sales expenses		–8 667	–
Administration expenses		–49 197	–
Research and development expenses		–24 281	–
Other operating income		330	–
Other operating expenses	1	–2 454	2 454
<b>Operating profit/loss</b>		<b>–42 148</b>	<b>2 454</b>
Financial expenses		–4 798	–
<b>Profit/loss before tax</b>		<b>–46 946</b>	<b>2 454</b>
Income tax		674	–
<b>Profit/loss for the year</b>		<b>–46 272</b>	<b>2 454</b>
<b>Earnings per share attributable to parent company shareholders during the year (expressed in SEK)</b>	2	–5,39	–

Of the above, SEK 2,454,000 is the total of returned goodwill amortisation.

**Note 1 Goodwill and other intangible assets**

IFRS 3 Business Combinations prescribes that goodwill and other intangible assets with an indeterminate period of use shall no longer be amortised but instead be tested regularly for a write-down requirement, firstly on the first-time adoption of IFRS, and then annually or more frequently if there is an indication of a write-down requirement. This type of asset should be written down if the reported value is higher than the recovery value. Opcon has tested for the write-down requirement on 1 January 2004 and 31 December 2004 and found no requirement on both occasions. The material used for the tests included the forecasts for future cash flow contained in the business plans and budgets for the years 2005–2009 established by the Board of Directors for each company in the Group.

In accordance with Swedish accounting principles all intangible assets, including goodwill, are amortised over the assessed period of use. This change does not affect shareholders' equity at the time of IFRS adoption, because goodwill amortisation before 1 January 2004 shall not be returned. As a consequence of the adoption of IFRS, the goodwill amortisation sum for 2004 reported in accordance with Swedish accounting principles, SEK 2,454,000, has been returned, which has meant an overall reduction in other operating costs.

**Note 2 Earnings per share in accordance with IFRS for the 2004 financial year**

	Full year 2004
Loss amount for calculation of earnings per share	–43 818
Earnings per share (SEK) before dilution	–5,11
Earnings per share (SEK) after dilution	–5,11
Average no. of shares (000s)	8 579

**Cash flow statement**

The company reports liquid funds as cash and bank accounts. According to IAS 7, the only assets that may be reported as liquid assets are those liquid assets which at the time of acquisition had a remaining maturity not exceeding three months. This means that liquid assets in the cash flow statement are not affected by the introduction of IAS 7.

**Application from 2005 of IAS 39 – Financial instruments and hedge accounting**

IAS 39, Financial Instruments – Recognition and Measurement, is being applied by Opcon from 1 January 2005. As prescribed in IFRS 1, the company has chosen not to restate comparable figures for 2004 concerning financial instruments according to the principles in IAS 39. A review of the reclassification and revaluation of those assets and liabilities that are to be reported in accordance with IAS 39 was performed on 1 January 2005. Financial instruments are reported in comparable figures for 2004 therefore in accordance with previously applied principles. The review of financial instruments on 1 January 2005 resulted in no significant differences being noted between reported values according to IAS 39 and the previously applied principles.

As of 1 January 2005 the company does not have any outstanding financial derivatives, such as forward currency contracts or similar.

**Other information – Remuneration to employees after employment ends**

The Group has defined-benefit pension plans at two subsidiaries. The Group introduced RR 29 on 1 January 2004 and at that time did not detect any significant differences in the reported debt between previously used principles and RR 29, and there was therefore no one-off effect on consolidated shareholders' equity. As the company began observing RR 29 during 2004, the first-time adoption of IFRS has not resulted in any adjustment because RR 29 is in agreement with IAS 19.



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