OPCON – THE ENERGY AND ENVIRONMENTAL TECHNOLOGY GROUP

FINANCIAL STATEMENT

INTERIM REPORT OCTOBER–DECEMBER

2006

Earnings trend remains strong as strategic changes are implemented to ensure growth

- Profit before tax (EBT) was SEK 43.9 million (–12.5 m), of which SEK 8.2 million (–5.0 m) was in the final quarter.
- Earnings in the final quarter were affected by one-off year-end items amounting to SEK 3.5 million in the form of write-downs of asset values.
  EBT, adjusted for these one-off items, was therefore SEK 11.7 million, compared with the previous forecast of at least SEK 10 million.
- The conversion of the company into a specialised energy and environmental technology business gained sharper focus during the period. A new organisation of the Group was presented at the start of 2007. There are three new business areas:
  – Renewable Energy
  – Engine Efficiency
  – Mobility Products
- Sales increased by 21% to SEK 416.9 million (343.8 m), of which SEK 103.2 million (106.3 m) was in the final quarter.
- Operating profit (EBIT) increased to SEK 49.0 million (–6.9 m), of which SEK 9.5 million (–3.2 m) was in the final quarter.
- Profit after tax was SEK 47.0 million (–12.7 m), of which SEK 20.6 million (–5.1 m) was in the final quarter.
- Earnings per share after tax was SEK 3.29 (–1.11), of which SEK 1.44 (–0.36) was in the final quarter.
- Investment continued during the quarter in Opcon Energy Systems (OES). The focus is on commercialising Opcon's technology for generating electricity from surplus heating.
- During the final quarter a declaration of intent was announced concerning the acquisition of Refrigeration Technology of Scandinavia AB and Mitec AB. These acquisitions will be completed during the first quarter of 2007.
- The process of selling activities in Lysholm Technologies AB during the first half of 2007 began after the end of the report period. An intention agreement concerning the sale was signed in February 2007.
- The order situation in the first quarter of 2007 remained strong.
- Earnings before financial items (EBIT) for the first quarter of 2007 was calculated at least SEK 8 million.

GROUP

October-December

Sales for the final quarter were SEK 103.2 million (106.3 m).

Operating profit was SEK 9.5 million (–3.2 m).

Profit before tax for the final quarter was SEK 8.2 million (–5.0 m).

Profit after tax was SEK 20.6 million compared with SEK –5.1 million the previous year, which represents earnings per share of SEK 1.44 (–0.36).

January-December

Sales for the January-December period improved by 21% to reach SEK 416.9 million (343.8 m).

Profit before tax was SEK 43.9 million (–12.5 m).

Profit after tax was SEK 47.0 million compared with SEK –12.7 million the previous year, which represents earnings per share of SEK 3.29 (–1.11).

Financial position

The Group's liquid assets at the end of the period of were SEK 4.2 million (1.9 m) and interest-bearing liabilities were SEK 75.6 million (94.3 m).

The consolidated equity ratio increased to 51.0% (34.2%).

Opcon's shares

The total number of registered shares at the end of the period was 14,897,845.

At the extraordinary general meeting held in November 2005 an options programme was introduced in the company. It was decided to grant 715,000 options.

The Board has since decided to only exercise 600,000 of these options. At the end of 2006 the number of shares increased by 600,000 through the redemption of options.

The company has no conversion loans or share warrants.

The Board proposes that no dividend be paid.

Investments/depreciation

Investments in non-current assets during the final quarter totalled SEK 10.5 million (2.3 m). In addition, SEK 2.7 million in development costs has been capitalised during the period.

Investment in non-current assets include the activation of product development costs concerning customer project, amounting to SEK 8.2 million. SEK 5.7 million of these costs were activated in the first three quarters.

Investments in non-current assets during the January-December period totalled SEK 14.9 million (4.8 m). In addition, SEK 6.3 million in development costs has been capitalised during the same period (6.2 m).

Employees

At the end of the period the Group had 396 employees (432).

Parent company

The parent company had sales of SEK 4.7 million (4.7 m) in the final quarter. Sales primarily relate to invoicing for internal administration services and rental of premises.

The parent company's loss before tax for the same period was SEK 3.0 million (–6.7 m).

Sales for the period January-December were SEK 19.1 million (16.4 m) and the loss after tax was SEK 11.0 million (–8.4 m).

Investments in non-current assets during the January-December period amounted to SEK 0.3 million (–).

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

Non-current liabilities and overdraft facilities at the end of the period were SEK 12.1 million (23.3 m).

Mechanics

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

Sales in the final quarter were SEK 21.3 million (33.0 m). The operating loss for the same period was SEK 6.2 million (–8.3 m).

The Laminova business reported a lower delivery rate during the quarter with a corresponding weakening in earnings, but the full-year result was strong due to earlier cost adjustments. Deliveries from Laminova to carmaker Proton, will mean a addition to volumes for 2007 and beyond.

During the quarter Opcon Autorotor reported a significant rise in volumes due to new orders. Delivery problems experienced by suppliers of strategic components, however, lead to delays in deliveries of completed air systems.

The fuel cell market is project-related by nature, and demand and orders vary between quarters. Opcon Autorotor is performing largely according to plan. Rising fuel prices and increased environmental awareness is leading to increased interest in vehicles powered by fuel cells. The number of inquiries concerning development assignments from China, the world's fastest growing market for the car sector, is growing significantly.

Lysholm Technologies continued to improve its distribution activities during the quarter. Profitability has improved, but is not satisfactory. Current orders and adjustments to the cost base completed in the final quarter will lead to improvements in 2007. A strategic assessment of how the business will be managed within the framework of Lysholm Technologies has resulted in a decision to sell activities in the company during the first half of 2007.

Delays in SRM's project-related business were partly recovered during the final quarter. SRM's development of systems for recovery of electricity from low-value surplus heat in the power and process industries has generated much

SALES TURNOVER AND OPERATING PROFIT/LOSS PER BUSINESS AREA (SEK MILLION)

		Q 4 2006	Q 4 2005	Full year 2006	Full year 2005
Mechanics	Sales	21.3	33.0	108.4	120.3
	Operating profit/loss	–6.2	–8.3	–4.4	–16.7
	Investments	3.8	3.8	8.5	7.3
	Depreciation	2.0	2.4	8.5	9.8
	Net assets	117.3	68.6	117.3	68.6
Electromechanics	Sales	81.8	73.0	308.1	222.7
	Operating profit/loss	18.8	12.0	64.3	18.5
	Investments	9.1	3.4	12.4	7.0
	Depreciation	2.8	3.5	10.6	14.0
	Net assets	45.8	27.0	45.8	27.0

interest and commercialisation of this technology intensified during the quarter within the newly formed Renewable Energy business area in the subsidiary, Opcon Energy Systems, OES.

Opcon Energy Systems

Opcon Energy Systems started up its business during the third quarter and the commercialisation of Opcon's unique technology has started. This technology has been developed by SRM based on its screw compressor technology. The technical solutions are adapted for applications in the power and process industries, but can also be used in large stationary and marine diesel engines.

The solution has been presented to the power, marine and process sectors and earned an enthusiastic response. Quotations have been made for a number of customer applications. Major energy savings can be made by generating electricity from surplus heat and significant commercial value can be created in the customer chain in the form of electricity.

Opcon's investment in this area is the biggest investment Opcon has made in organic growth using technology it has developed itself. The market is global and the potential is estimated at several billion kronor within a few years.

The focus in the final quarter was on building up the organisation and on marketing. The aim is to secure at least one customer order by the first quarter of 2007.

Electromechanics

(SEM AB, REAC AB and Opcon Technology Suzhou, OTS)
Sales for the final quarter were SEK 81.8 million, compared with SEK 73.0 million last year. Operating profit for the period amounted to SEK 18.8 million (12.0 m).

The business in China is now working at full scale.

All customer requirements for small ignition systems are now manufactured in China as of the final quarter. Efforts within digital ignition systems for small engines continue at full speed and SEM has received orders from customers for delivery in the final quarter. SEM's deliveries of ignition systems for gas engines are running to plan, with strongly increasing volumes. New applications in the form of bio-gas converted diesel engines have been tested in Germany and commercial deliveries to customers have started.

Additional volumes from Saab in conjunction with the recall of cars for replacement of ignition cassettes have increased the production base. This generates significant profitability effects.

The extra volumes for Saab will gradually decline during the first half of 2007, and adjustments for the resulting lower production volumes were implemented.

To meet the fall in demand and because of the transfer of production to China, around 60 people were given dismissal notices at SEM in Åmål in the final quarter.

Saab's success with ethanol-fuelled cars that contain SEM's ignition cassettes has led to major volume increases and opened up new market potential for SEM with other car makers. The technology used in the ignition cassette is well suited for cars powered by ethanol, which is one of the strongest trends within the car industry at present. Major investments are being carried out at present in a number of EU countries to build infrastructure for ethanol operation, which will enable fast changes within the auto sector.

The use of SEM's ignition systems in large diesel engines converted for gas operation represents yet further market potential where energy costs are the major driving force.

REAC's actuator production is running to plan with increasing volumes in the Mobility products segment, including products such as electrical wheelchairs, as well as in "shift-by-wire" applications. Interest in small electrical vehicles is increasing in line with rising fuel prices and several actuators are often included in an electrical vehicle platform. Tesla Roadster, the world's first electrically powered sports car, has been launched and contains a number of REAC actuators.

The truck market remains strong, which is contributing to increased transducer deliveries.

Outlook for 2007 and beyond

Work aimed at reducing costs and a sharper focus on activities together with a strong order book and more stable market conditions have resulted in significantly improved earnings in 2006 and created opportunities for improvements in profitability in 2007.

The profitability effect of the factory in China had full impact during 2006, along with the additional volume of ignition cassettes SEM has gained through the agreement with Saab for its replacement programme. Adapting the Swedish organisation to meet a fall in orders from Saab and the final transfer of small ignitions activities to China started in the final quarter.

The effect of the cost reductions at Laminova and Opcon Inc. will mean continued profitability improvements in 2007.

Opcon Autorotor's organisational changes to suit prevailing market conditions in the fuel cell market involve reduced costs which, combined with increased demand, create the conditions for profitability improvements in 2007.

SRM continues its investment in product-related projects. Project-managed operations are by nature difficult to forecast as it is hard to predict the timing of customer orders. This means that profit development can be difficult to monitor on a quarterly basis. The quotation situation ahead of 2007 is good and the profitability potential in quoted customer projects may lead to significant improvements in profitability.

The growth strategy adopted by the Group involves continued focus on organic growth and complementary acquisitions, which will lead to increased growth from the second half of 2007 and beyond.

Against the background of rising oil prices, many new business opportunities are being created, and several of the Group's companies are active in areas and products that contribute to more efficient energy use and environmental improvements.

The Group is now focusing hard on restructuring operations so that they better reflect the conversion to energy and environment technology. At the start of 2007 a new organisation was implemented with three new business areas:

– Renewable Energy; containing the following subsidiaries: Svenska Rotor Maskiner (SRM), Opcon Autorotor, Opcon Energy Systems (OES).
– Engine Efficiency; containing the following subsidiaries: SEM, Lysholm, Laminova, Opcon Inc. and Opcon Technology Suzhou (OTS).
– Mobility Products; containing the following subsidiary: REAC

The purpose of establishing a new organisation is to create optimum conditions for raising business tempo and sharpening focus on the Group's investments and thus increasing growth. In 2007 resources will be increasingly focused on the transformation of the Group and on the organisational changes that will enable Opcon to grow with new product applications.

The previous business areas of Mechanics and Electromechanics has now been replaced with a new business areas.

The new focus on supplying energy-efficient products and systems requires organisation adaptations and a strengthening of the competence base. The Group's subsidiaries have significant growth potential.

SEM's utilisation of its ignition cassette technology in the market for ethanol cars has significant potential. Gas engines equipped with SEM's ignition systems represent a further opportunity for growth. Diesel engines converted to bio-gas for production of green electricity represent yet another opportunity. The digitalisation of ignition systems for small engines will lead to more efficient combustion and save fuel and thus have environmental benefits.

Electrical vehicle platforms are also an area of significant potential for REAC. The continued focus on fuel cell technology within Opcon Autorotor points to an exciting and profitable future.

The greatest potential is probably within Opcon Energy Systems, whose technology for generating electricity from surplus heat, which would not otherwise be used, will have its commercial breakthrough in early 2007. The market is global and worth several billion kronor per year. The Swedish market alone has the potential to be worth several hundred million kronor within 3-5 years.

All of these technologies have been developed within Opcon and the profile created for Opcon as a supplier of alternative solutions for efficient energy consumption and improved environmental benefits will be further strengthened during 2007.

The Group is currently studying a number of possible acquisitions that will actively support the development of Opcon as an energy and environmental technology Group.

After the end of the reporting period an agreement was signed with Tutgra AB to buy back property, Skarpnäs 13:2, which was sold in 2005. (Mats Gabrielsson is a part owner in both Tutgra AB and Opcon AB.)

The Group forecasts that profit before financial items (EBIT) will reach SEK 8 million in the first quarter of 2007.

Annual Report/Annual General Meeting

The Annual Report will be made available to shareholders on the company's website and at the head office at Värmdövägen 120, Nacka, Stockholm, two weeks before the Annual General Meeting. The meeting will be held at Malmskillnadsgatan 46, Stockholm, on 19 April at 4 p.m.

Accounting principles

This interim report has been drawn up in accordance with International Financial Reporting Standards, IFRS, IAS 34 and recommendation 31 of the Swedish Financial Accounting Standards Council for the Group and recommendation 32 for the parent company. The same accounting policies are otherwise applied as in the latest annual report. The new recommendations that apply from 2006 have not had any effect on the company's profit and position.

Stockholm, Sweden, 22 February 2007

Opcon AB (publ) 556274-8623
The Board of Directors

Future reports

- 2006 Annual Report: April 2007
- Annual General Meeting: 19 April 2007
- First quarter 2007: 19 April 2007
- Second quarter 2007: 23 August 2007
- Third quarter 2007: 19 October

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AUDITOR'S REVIEW REPORT

We have reviewed the interim report of Opcon AB (publ) for the period 1 January to 31 December 2006. The company's executive management team are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the Standard on Review Engagements SÖG 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by FAR. A review of interim financial information consists of making inquiries, primarily to persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing in Sweden RS and other generally accepted auditing practices in Sweden. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the conclusion expressed based on a review does not give the same level of assurance as a conclusion expressed on the basis of an audit.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the annual accounts act.

Stockholm 22 February 2007

Öhrlings PricewaterhouseCoopers AB
Magnus Brändström
Authorized public accountant

CONSOLIDATED INCOME STATEMENT (SEK '000)	Q 4 2006	Q 4 2005	Full year 2006	Full year 2005
Net sales	103,158	106,256	416,865	343,843
Expenses for sold goods*	–84,655	–91,298	–309,367	–272,885
Gross profit	**18,503**	**14,958**	**107,498**	**70,958**
Sales expenses	–1,294	–2,420	–4,447	–9,684
Administration expenses	–11,500	–13,800	–40,405	–47,808
Research and development expenses	3,752	–5,680	–13,634	–24,046
Other operating expenses	–	3 700	–	3,700
Operating profit/loss	**9,461**	**–3,242**	**49,012**	**–6,880**
Financial income	143	1	168	79
Financial expenses	–1,409	–1,754	–5,257	–5,729
Profit/loss after financial items	**8,195**	**–4,995**	**43,923**	**–12,530**
Tax	–608	–361	–608	–361
Deferred tax	13,014	207	3,677	207
Profit/loss for the period	**20,601**	**–5,149**	**46,992**	**–12,684**
Earnings per share (SEK) before dilution	**1,44**	**–0,36**	**3,29**	**–1,11**
Earnings per share (SEK) after dilution	**1,44**	**–0,35**	**3,29**	**–1,11**
Total no. of shares ('000)	**14,898**	**14,298**	**14,898**	**14,298**
Average no. of shares ('000)	**14,298**	**14,298**	**14,298**	**11,439**
*Break-down of costs				
depreciation and write-downs	4,959	5,992	19,501	24,575
remuneration to employees	35,296	34,471	129,731	129,265
materials	45,879	50,127	185,431	152,912
other costs	7,563	22,608	33,190	47,671
Total costs	**93,697**	**113,198**	**367,853**	**354,423**

CONSOLIDATED BALANCE SHEET (SEK 'OOO)	31 Dec 2006	31 Dec 2005
Fixed assets		
Tangible fixed assets	42,815	44,262
Goodwill	25,323	25,654
Other intangible fixed assets	21,826	19,245
Financial fixed assets	39	229
Deferred tax receivable	24,087	20,878
Total fixed assets	**114,090**	**110,268**
Current assets		
Inventories	71,562	66,432
Customer receivables and other receivables	92,183	91,423
Liquid funds, including current investments	4,158	1,886
Total current assets	**167,903**	**159,741**
Total assets	**281,993**	**270,009**
Shareholders' equity	**143,790**	**92,422**
Long-term liabilities		
– interest-bearing provisions and liabilities	37,026	39,682
– non-interest-bearing provisions and liabilities	1,457	1,733
Total long-term liabilities	**38,483**	**41,415**
Current liabilities		
– interest-bearing liabilities	38,655	54,655
– non-interest-bearing liabilities	61,065	81,517
Total current liabilities	**99,720**	**136,172**
Total shareholders' equity and liabilities	**281,993**	**270,009**
Pledged securities		
Property mortgages	114,625	114,625
Factoring	36,081	36,809
Contingent liabilities	3,323	3,320

KEY FIGURES	Q 4 2006	Q 4 2005	Full year 2006	Full year 2005
Operating margin, %	9.2	–3.1	11.8	–2.0
Return on operating capital, %	–	–	24.4	–4.0
Return on equity, %	–	–	39.8	–15.2
Profit/loss per share before dilution, SEK	1.44	–0.36	3.29	–1.11
Equity per share, SEK	9.65	6.46	9.65	6.46
Equity/assets ratio, %	51.0	34.2	51.0	34.2
No. of shares, thousands	14,898	14,298	14,898	14,298
Average no. of shares, thousands	14,298	14,298	14,298	11,439

CHANGE IN SHAREHOLDERS' EQUITY (SEK '000)	Full year 2006	Full year 2005
Shareholders' equity, opening balance sheet 31 Dec	92,422	74,991
New share issue	6,000	26,767
Translation difference	–1,624	1,518
Issued options	–	1,830
Profit/loss for the period	46,992	–12,684
Shareholders' equity, closing balance	**143,790**	**92,422**

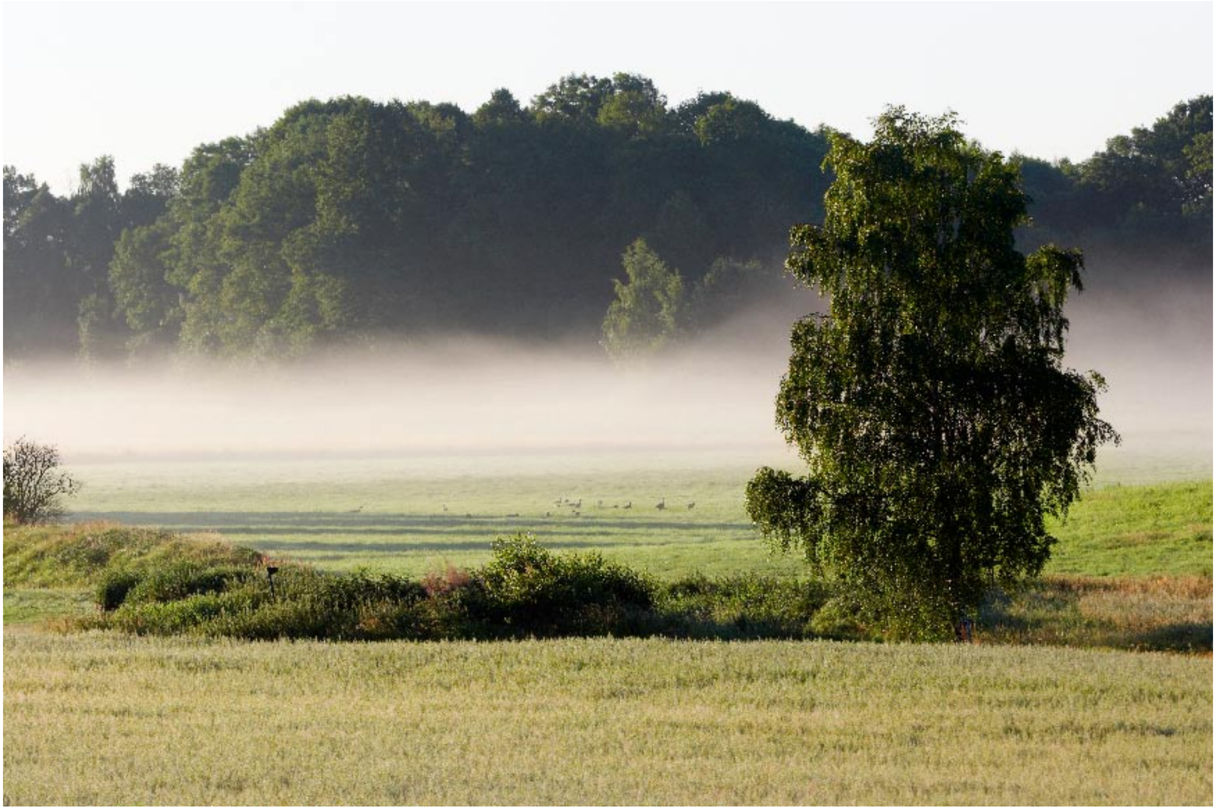
(Accumulated translation difference affecting shareholders' equity is SEK –2,601,000)

CONSOLIDATED CASH FLOW STATEMENT (SEK '000)	Q 4 2006	Q 4 2005	Full year 2006	Full year 2005
Cash flow from current activities				
Profit/loss for the period	8,195	–5,149	43,923	–12,530
Translation differences	511	–	–1,624	1,518
Depreciation	4,959	5,992	19,501	24,575
Other items not affecting liquidity	–247	–	–247	–4,493
Cash flow from current activities	13,418	843	61,553	9,070
Cash flow from change in working capital	3,930	–13,202	–26,342	–45,155
Cash flow from investing activities	–13,653	–2,391	–20,478	–4,073
Cash flow from financing activities	–2,141	14,447	–12,461	38,288
Total cash flow	**1,554**	**–303**	**2,272**	**–1,870**

CONSOLIDATED INCOME STATEMENT (SEK '000)	Q 4 2006	Q 3 2006	Q 2 2006	Q 1 2006	Q 4 2005	Q 3 2005	Q 2 2005	Q 1 2005
(Per quarter)								
Net sales	103,158	84,500	115,415	113,792	106,256	67,962	88,934	80,691
Operating profit/loss	**9,461**	**8,361**	**15,422**	**15,768**	**–3,242**	**–8,007**	**2,829**	**1,540**
Financial items	–1,266	–1,101	–1,260	–1,462	–1,753	–1,147	–1,404	–1,346
Profit/loss after financial items	8,195	7,260	14,162	14,306	–4,995	–9,154	1,425	194
Tax (deferred)	12,406	–2,157	–3,318	–3,862	–154	1,257	–788	–469
Profit/loss per quarter	**20,601**	**5,103**	**10,844**	**10,444**	**–5,149**	**–7,897**	**637**	**–275**

CONSOLIDATED BALANCE SHEET (SEK '000)	Q 4 2006	Q 3 2006	Q 2 2006	Q 1 2006	Q 4 2005	Q 3 2005	Q 2 2005	Q 1 2005
(Per quarter)								
Fixed assets	114,090	93,187	95,617	102,414	110,268	111,276	119,331	123,660
Current assets	163,745	174,164	175,968	171,967	157,855	138,071	146,017	136,211
Liquid funds	4,158	2,604	8,310	1,511	1,886	2,189	1,412	2,507
Total assets	**281,993**	**269,955**	**279,895**	**275,892**	**270,009**	**251,536**	**266,760**	**262,378**
Shareholders' equity	143,790	116,678	111,414	101,310	92,422	94,583	102,481	75,076
Interest-bearing provisions and liabilities	37,026	37,806	37,806	37,708	39,682	39,851	44,328	49,241
Long-term non interest-bearing liabilities	1,457	1,733	1,733	1,733	1,733	1,046	1,271	1,716
Current interest-bearing liabilities	38,655	46,184	51,740	57,560	54,655	39,877	36,485	48,596
Current non interest-bearing liabilities	61,065	67,554	77,202	77,581	81,517	76,179	82,195	87,749
Total shareholders' equity and liabilities	**281,993**	**269,955**	**279,895**	**275,892**	**270,009**	**251,536**	**266,760,**	**262,378**

KEY FIGURES	Q 4 2006	Q 3 2006	Q 2 2006	Q 1 2006	Q 4 2005	Q 3 2005	Q 2 2005	Q 1 2005
Operating margin, %	9.2	9.9	13.4	13.9	–3.1	–11.8	3.2	1.9
Equity/assets ratio, %	51.0	43.2	39.8	36.7	34.2	37.6	38.4	28.6
No. of shares, thousands	14,898	14,298	14,298	14,298	14,298	14,298	14,298	8,579



The Opcon Group

Opcon is an energy and environment technology Group that develops, manufactures and markets systems and products for eco-friendly, effective and resource-efficient energy use.

Opcon has activities in Sweden, the US and China. There are around 400 employees. The company's shares are listed on OMX Nordic Exchange.

Opcon is divided into three business areas:

Renewable Energy focuses on generating electricity from surplus heat, handling systems for natural gas, and air systems for fuel cells. The business area comprises the following subsidiaries: Svenska Rotor Maskiner (SRM), Opcon Energy Systems (OES), and Opcon Autorotor.

Engine Efficiency focuses on ignition systems for combustion engines including ethanol, natural gas and biogas engines. The business area comprises the following subsidiaries: SEM, Opcon Technology Suzhou (OTS), Lysholm Technologies, Laminova and Opcon Inc., USA

Mobility Products, focuses on technology for positioning, movement and regulation for electrical vehicles and electrical wheelchairs. The business area comprises the subsidiary REAC.

OPCON