

# Interim report

## January – June 2009



### SECOND QUARTER

- Incoming orders amounted to 303 MSEK (430)
- Turnover amounted to 328 MSEK (429)
- Profit before tax amounted to 6,9 MSEK (36)
- Profit after tax amounted to 4,5 MSEK (25)
- Earnings per share amounted to 0,21 kr (1,08)

### FIRST SIX MONTHS

- Incoming orders amounted to 654 MSEK (880)
- Turnover amounted to 699 MSEK (861)
- Profit before tax amounted to 32 MSEK (85)
- Profit after tax amounted to 23 MSEK (60)
- Earnings per share amounted to 0,99 kr (2,59)
- Further streamlining measures determined



## CEO comments

The recession has taken a firm grip on large parts of the economy and OEM has been affected by a fall in demand in the majority of markets. OEM has a broad customer base with customers in most industrial sectors, but in this downturn most customers both here in Sweden and abroad have been affected, regardless of the industry.

During Q4 2008, we saw the first signs of reduced demand and decided to implement a number of streamlining measures during Q1 2009. Demand fell by around 20 % during Q1 2009, but the measures meant that the business was largely adapted to the new market situation. In order to strengthen the market position in the short and long term, market canvassing was intensified, while the customer offer was expanded.

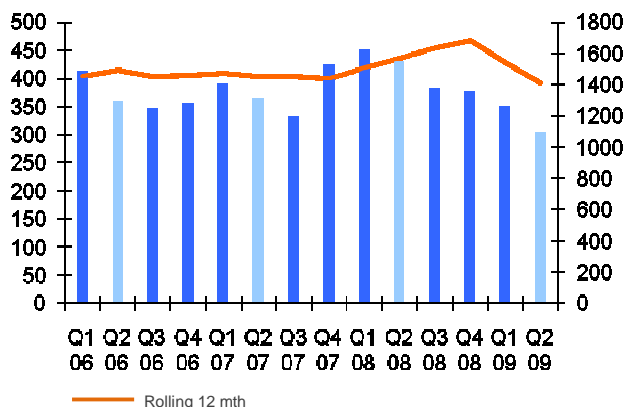
During Q2, demand fell further and was around 30 % lower compared with the same period in 2008. We cannot yet see any positive bucking of the trend and are planning for demand to remain at this level for a couple of quarters. In order to guarantee competitiveness and acceptable profitability, another rationalisation scheme will be implemented. This is expected to reduce costs by around SEK 40 million on an annual basis. This means that there will be a reduction in the number of employees from the current level of 580 to around 500 by the end of 2009/start of 2010. At the same time, work will be stepped up to adapt stock levels to release working capital that can be used for future investments.

Our aim of increasing competitiveness and expanding means that we will continue to prioritise investments in new product ranges and vigorous market canvassing, mainly focused on customers within growth areas.

Jörgen Zahlin, CEO

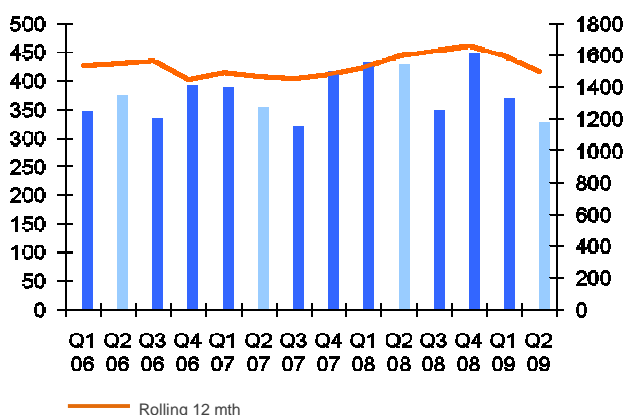
## The Group

### Incoming orders (SEK million)



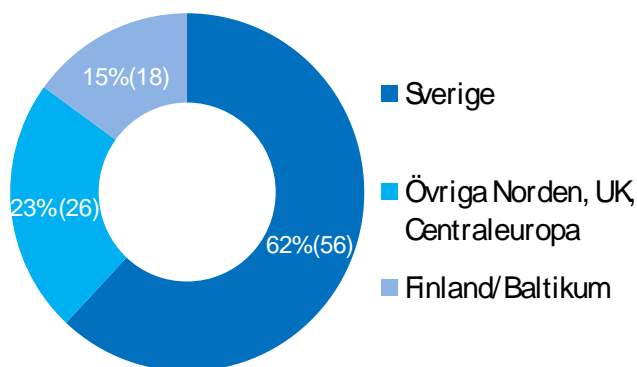
Incoming orders during the second quarter fell by 30 % to SEK 303 million (430), compared with the previous year. During the first half of the year, incoming orders fell by 26 % to SEK 654 million (880), compared with the previous year. For comparable units, incoming orders fell by 31 %. Incoming orders have been effected by adjustment for acquisitions, currency changes and price adjustments by 35%. The order book value as of 30 June 2009 was SEK 205 million (277).

### Net turnover (SEK million)



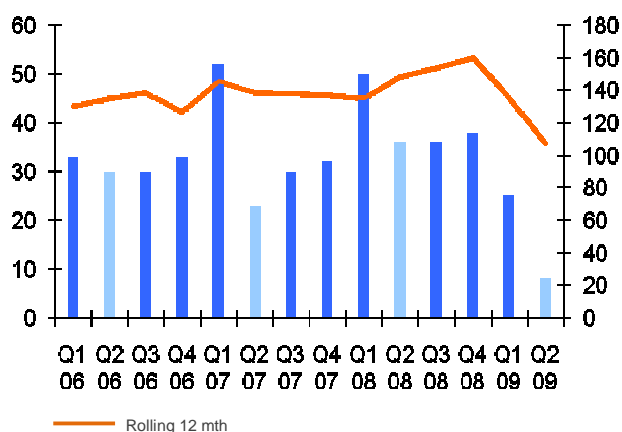
Turnover during the second quarter fell by 23 % to SEK 328 million (429), compared with the previous year. During the first half of the year, turnover fell by 19 % to SEK 699 million (861), compared with the previous year. For comparable units, sales fell by 25 %. Net turnover have been effected by adjustment for acquisitions, currency changes and price adjustments by 30%. The reduction in turnover is due to reduced demand as a result of the recession.

### Sales by geographic market



Sweden's share of the turnover in the group increased during the period due to acquisitions in the previous year. Activities in Norway were affected least by the current market conditions, while Finland, the Baltic states and the Czech Republic saw the weakest trend.

## Operating income (SEK million)

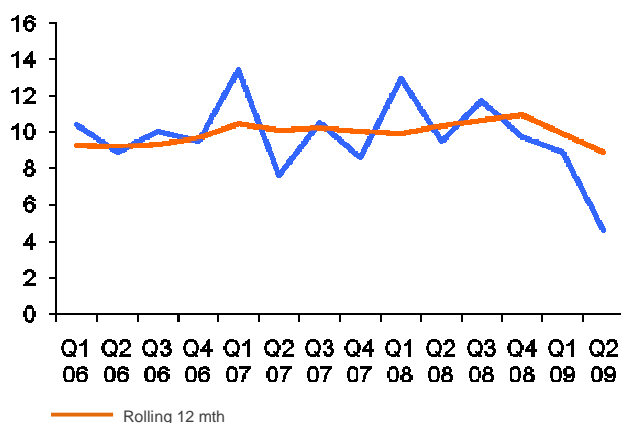


The operating income amounted to SEK 7 million (36) during the second quarter. This deterioration is due to the lower turnover and implemented cost savings not yet having their full effect.

For the first half of the year, the operating income amounted to SEK 33 million (86). The income for the previous year contained a capital gain from property sales of SEK 5 million.

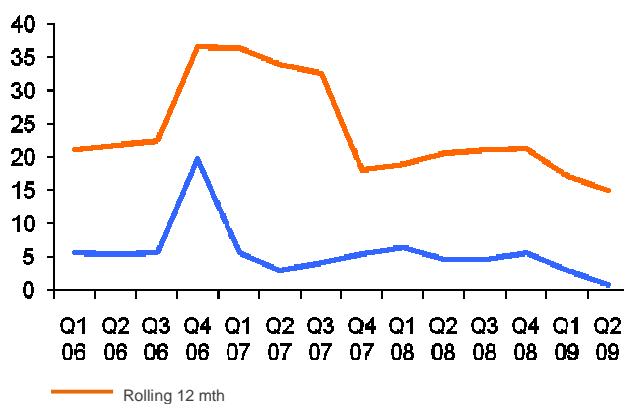
Cost adjustments implemented during the first half of the year burden the result with SEK 4 million and reduced costs by SEK 50 million on an annual basis from the cost level we saw during the second half of 2008. The new rationalisation scheme planned will reduce operating costs by a further SEK 40 million.

## Operating margin (%)



The operating margin fell to 4.6 % (9.5 %) during the second quarter compared with the same period in the previous year. This change is largely the result of a drop in sales. For the first half of the year as a whole, the operating margin fell to 6.9 % (11.2 %). Excluding costs for capacity adjustments, the operating margin amounted to 7.5 % for the half year.

## Return on shareholders' equity (%)



The return on shareholders' equity during the first half of the year amounted to 4 % (11.4%). The reduction is due to the poor result and increased shareholders' equity.

Shareholders' equity amounts to SEK 546 million (522) with an equity/assets ratio of 60 % (61 %).

## The divisions

The Group comprises three divisions. The structure is conceptually organised with the aim of creating stability and making use of economies of scale.

### Division Automation

*Automation supplies electrical components, flow components, and installation components.*

SEK million	Q1-Q2 2009	Q1-Q2 2008	Full year 2008	Rolling 12
Incoming orders	<b>484</b>	564	1,127	1,047
Sales	<b>506</b>	553	1,058	1,011
Operating income	<b>34</b>	74	123	83
Operating marg. (%)	<b>9</b>	14	13	9

Sales dropped by 8 % during the first half of the year. For comparable units, sales fell by 17 %. The weak Swedish currency has had a positive effect on sales and results for the Swedish units. Demand in Finland and the Czech Republic fell most, while demand in Norway fell slightly. The launch of new ranges during the period intensified and, to some extent, will counteract falling demand.

### Division Components

*Components supplies bearings, seals and appliance components.*

SEK million	Q1-Q2 2009	Q1-Q2 2008	Full year 2008	Rolling 12
Incoming orders	<b>116</b>	225	373	274
Sales	<b>141</b>	203	378	316
Operating income	<b>8.7</b>	9.1	22	22
Operating marg. (%)	<b>7</b>	5	6	7

Sales fell by 18 % for comparable units during the first half of the year. The weak Swedish currency has generated a positive effect on turnover and the result for the Swedish units. The previous year's structural changes and completed measures to adapt the business to lower demand have led to an improved operating margin. Demand in Sweden and Finland has fallen, while demand in Poland has increased.

### Division Production Technology

*Production Technology supplies machinery, peripheral equipment, input material and support for electronics production.*

SEK million	Q1-Q2 2009	Q1-Q2 2008	Full year 2008	Rolling 12
Incoming orders	<b>44</b>	89	189	144
Sales	<b>51</b>	104	222	169
Operating income	<b>-0.5</b>	3.3	10	13
Operating marg. (%)	<b>-1</b>	3	5	8

Turnover fell by 51 % during the first half of the year. Demand for new production equipment is low, and no major machine deliveries have been made during the first half of the year. As sales have largely been in the nature of investments, the turnover varies significantly between the quarters. Demand for consumable supplies is on a par with last year. During the first half of the year, the agency takeover was completed, with an annual turnover of SEK 6 million.

## Other financial information

### Cash flow

Cash flow from current operations amounted to SEK 46 million (89) and has been affected by individual supplier payments of SEK 40 million that originate to one business from last year. For the rolling 12 months, the cash flow from current operations amounted to SEK 118 million. The total cash flow for the rolling 12 months amounted to SEK -11 million and during the period it has been affected by, among other things, dividends of SEK 70 million and acquisitions of SEK 55 million.

### Investments

Net investments in fixed assets for the group amounted to SEK 27 million (4.6), attributable to property, plant and equipment. Investment in a new logistics centre is responsible for SEK 20 million.

### Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances, together with granted but unused credit amounted to SEK 280 million (321) in total as of 30 June 2009.

### Intangible assets

The systematic amortisation of goodwill is no longer permitted following the company's transition to new accounting policies under IFRS (International Financial Reporting Standards) on 1 January 2005. However, the goodwill items and other intangible assets will be examined for any write-down requirements. An amortisation of intangible assets totalling SEK 7.0 million (2.0) has had an effect on performance. The book value in the balance sheet amounts to SEK 108 million (46) as of 30 June 2009.

### Equity/assets ratio

The equity/assets ratio as of 30 June 2009 was 60 % (61 %).

### Employees

The average number of employees in the group during the period was 595 (580), 32 of whom come from companies acquired in 2008.

### Share repurchase

The company has not repurchased any shares during the period. The company did not hold any of its own shares on 30 June 2009. The Annual General Meeting's authorisation for the repurchase of shares extends to 10 % of the number of shares, i.e. 2,316,930 shares.

### Accounting principles

This report for the group has been drafted in accordance with IAS 34 and RFR 1.1. Furthermore, relevant provisions from the Swedish Annual Accounts Act and Securities Market Act have been applied. The same accounting principles and calculation methods were applied as in the latest annual report, with the following exceptions. From 1 January 2009 a new standard becomes effective, IFRS 8 Operating Segments. IFRS 8 is a purely informative standard, which is why it has no effect on the Group's reporting of comprehensive income, financial position, cash flow or changes in shareholders' equity. The operating segments have changed since the latest annual report, as the Group was previously divided into four company groups. From 2009, it comprises three divisions. These new divisions are also described in the latest annual report. In addition to IFRS 8, changes have also been made to IAS 1 Presentation of Financial Statements and IAS 23 Borrowing Costs. IAS 1 does not affect reporting of comprehensive income, financial position, cash flow or changes in shareholders'

equity. IAS 23 means that borrowing costs are capitalised instead of being written off, and this affects the group's building of its logistics centre.

The parent company follows the Swedish Annual Accounts Act and recommendation RFR 2.2 Accounting for Legal Entities issued by the Swedish Financial Reporting Board. The same accounting principles and calculation methods were applied as in the latest annual report.

### Significant risks and uncertainties

The OEM Group is exposed to both business-related risks and financial risks through its activities. Business-related risks include competition and operational risks, and financial risks include liquidity risk, interest rate risk and currency risk. The financial operations of the OEM Group and management of financial risks are mainly handled by the parent company. Systems for risk management procedures and risk mitigation are in place. These systems are intended to reduce the risk level to a minimum. The basis is structured and efficient management of the financial risks that arise in the business. For a complete report on the risks affecting the Group, please refer to the annual report for 2008.

### After the end of the reporting period

An agreement was signed, with the purpose of taking over the activities of Lasa Maskin AS, which has a turnover of around SEK 10 million annually, from 1 September 2009. The takeover increases the product range for OEM Automatic in Norway with pumps from ITT/Jabsco, which is the global leader in high-quality pumps for marine and industrial applications.

### Future reports

The interim report for the period January - September 2009 will be published on 27 October 2009.

Tranås, 23 July 2009

**Jan Svensson**  
Chairman of the Board

**Hans Franzén**  
Board Member

**Kerstin Lindberg Göransson**  
Board Member

**Agne Svenberg**  
Board Member

**Ulf Barkman**  
Board Member

**Lars-Åke Rydh**  
Board Member

**Jörgen Zahlin**  
Managing Director and CEO

*This interim report has not been examined by OEM International AB's auditors.*

For further information, please contact MD Jörgen Zahlin on +46 (0)75-242 40 22 or Finance Director Jan Cnattingius on +46 (0)75-242 40 03.

The information in this report is such that OEM International AB (publ) is obliged to publish in accordance with the Swedish Securities Market Act. The information was released to the media for publication on 23 July 2009 at 14.00.

## Sales and results for the divisions

### SALES AND RESULTS BY DIVISION

#### Net sales (SEK million)

	Jan- June 2009	Jan- June 2008	Q2 2009	Q1 2009	Q4 2008	Q3 2008	Q2 2008	Rolling 12 mth	Full year 2008
Automation	506	553	238	268	267	237	279	1 011	1 058
Components	141	203	65	76	86	89	100	316	378
Production Technology	51	104	25	26	94	24	50	169	222
Other operating segments	0,5	0,5	0,3	0,2	0,9	0,2	0,2	1,6	2
	699	861	328	370	449	350	429	1 498	1 660

#### Operating income (SEK million)

	Jan- June 2009	Jan- June 2008	Q2 2009	Q1 2009	Q4 2008	Q3 2008	Q2 2008	Rolling 12 mth	Full year 2008
Automation	34	74	12	22	20	29	35	83	123
Components	8,7	9,1	1,6	7,1	4,5	8,6	2,8	22	22
Production Technology	-0,5	3,3	-0,8	0,3	7,9	-1,1	1,8	6,3	10
	42	86	13	30	32	37	40	111	155

#### Group results (SEK million)

	Jan- June 2009	Jan- June 2008	Q2 2009	Q1 2009	Q4 2008	Q3 2008	Q2 2008	Rolling 12 mth	Full year 2008
Operating income, above segments	42	86	13	30	32	37	40	111	155
Group-wide functions	-9,5	-0,8	-5,4	-4,1	5,6	-0,7	-4,0	-4,6	4,1
Net financial items	-0,4	-0,3	-0,4	0,0	-2,5	0,4	0,3	-2,6	-2,4
Profit before tax	32	85	6,9	25	35	36	36	104	157

# The Group's outcome and financial position

## SUMMARY STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME (SEK MILLION)

	Jan- June 2009	Jan- June 2008	Q2 2009	Q1 2009	Q4 2008	Q3 2008	Q2 2008	Rolling 12 mth	Full year 2008
Net sales	699	861	328	370	449	350	429	1 497	1 660
Other operating income	0,3	5,4	0,3	0,0	7,4	0	0	7,7	13
Operating expenses	-651	-770	-314	-337	-412	-309	-388	-1 372	-1 491
Depreciation	-15	-11	-7,4	-7,6	-6,0	-5,1	-5,2	-26	-22
<b>Operating income</b>	<b>33</b>	<b>86</b>	<b>7,3</b>	<b>25</b>	<b>38</b>	<b>36</b>	<b>36</b>	<b>107</b>	<b>159</b>
Net financial income/expenses	-0,4	-0,3	-0,4	0,0	-2,5	0,4	0,3	-2,5	-2,4
<b>Profit before tax</b>	<b>32</b>	<b>85</b>	<b>6,9</b>	<b>25</b>	<b>35</b>	<b>36</b>	<b>36</b>	<b>104</b>	<b>157</b>
Taxes	-9,8	-25	-2,4	-7,4	-3,3	-11	-11	-24	-40
<b>Profit for the period</b>	<b>23</b>	<b>60</b>	<b>4,5</b>	<b>18</b>	<b>32</b>	<b>25</b>	<b>25</b>	<b>80</b>	<b>117</b>
Other comprehensive income									
Translation differences for the period from									
translation of overseas operations	3,5	1,3	2,7	0,8	8,0	4,3	3,8	16	14
<b>Other comprehensive income for period</b>	<b>3,5</b>	<b>1,3</b>	<b>2,7</b>	<b>0,8</b>	<b>8,0</b>	<b>4,3</b>	<b>3,8</b>	<b>16</b>	<b>14</b>
<b>Total comprehensive income for period</b>	<b>26</b>	<b>61</b>	<b>7,2</b>	<b>19</b>	<b>40</b>	<b>30</b>	<b>29</b>	<b>96</b>	<b>131</b>
Earnings per share, SEK									
	0,99	2,59	0,21	0,78	1,38	1,10	1,08	3,47	5,05
Earnings per share from remaining business units, SEK									
	0,99	2,59	0,21	0,78	1,38	1,10	1,08	3,47	5,05

## SUMMARY STATEMENT OF THE GROUP'S FINANCIAL POSITION (SEK MILLION)

	2009-06-30	2008-06-30	2008-12-31
<b>Assets</b>			
Intangible fixed assets	108	46	115
Tangible fixed assets	184	161	167
Financial assets	1,4	1,5	2,0
Deferred tax claim	3,8	6,0	3,9
Inventories	242	222	281
Current receivables	241	271	270
Cash and cash equivalents	135	142	163
<b>Total assets</b>	<b>915</b>	<b>849</b>	<b>1 002</b>
<b>Shareholders' equity and liabilities</b>			
Shareholders' equity	546	522	591
Long-term liabilities, interest-bearing	21	19	22
Deferred tax liability	48	31	48
Current liabilities, interest-bearing	98	66	81
<b>Current liabilities, non-interest-bearing</b>	<b>202</b>	<b>211</b>	<b>260</b>
<b>Total shareholders' equity and liabilities</b>	<b>915</b>	<b>849</b>	<b>1 002</b>

## SUMMARY STATEMENT OF GROUP CHANGES IN SHAREHOLDERS' EQUITY (SEK MILLION)

	2009-06-30	2008-06-30	2008-12-31
At the start of the year	591	530	530
Total comprehensive income for period	26	61	131
Issued dividend	-70	-70	-70
<b>At the end of the period</b>	<b>546</b>	<b>522</b>	<b>591</b>

## SUMMARY OF CONSOLIDATED CASH FLOW STATEMENT (SEK MILLION)

	Jan- June 2009	Jan- June 2008	Q2 2009	Q1 2009	Q4 2008	Q3 2008	Q2 2008	Rolling 12 mth	Full year 2008
Cash flow from current operations	19	61	0,6	19	39	32	28	91	133
Changes in working capital	27	28	55	-28	6,5	-5,4	40	28	29
<b>Cash flow before investments</b>	<b>46</b>	<b>89</b>	<b>56</b>	<b>-10</b>	<b>45</b>	<b>27</b>	<b>68</b>	<b>118</b>	<b>162</b>
Investments	-22	-7,3	-16	-6,2	-65	-2,8	0,9	-90	-75
<b>Cash flow after investments</b>	<b>24</b>	<b>82</b>	<b>39</b>	<b>-16</b>	<b>-20</b>	<b>24</b>	<b>69</b>	<b>28</b>	<b>86</b>
Cash flow from financing activities									
- Change in liabilities	16	0,9	-2,9	19	31	-17	-11	30	15
- Paid dividend	-70	-70	-70	0	0	0	-70	-70	-70
<b>Cash flow</b>	<b>-30</b>	<b>14</b>	<b>-33</b>	<b>3,3</b>	<b>12</b>	<b>6,9</b>	<b>-12</b>	<b>-11</b>	<b>32</b>

## KEY INDICATORS

	Jan- June 2009	Jan- June 2008	Q2 2009	Q1 2009	Q4 2008	Q3 2008	Q2 2008	Rolling 12 mth	Full year 2008
Return on shareholders' equity, %	4,0	11,4	0,8	3,0	5,6	4,7	4,6	15,0	20,9
Return on capital employed, %	5,0	14,3	1,1	3,6	5,8	6,2	5,8	17,3	25,1
Return on total capital, %	3,5	10,1	0,8	2,6	4,1	4,5	4,2	12,5	17,3
Equity/assets ratio, %	59,7	61,5							59,0
Earnings per share before dilution, SEK	0,99	2,59	0,21	0,78	1,38	1,10	1,08	3,47	5,05
Earnings per share after dilution, SEK	0,99	2,59	0,21	0,78	1,38	1,10	1,08	3,47	5,05
Shareholders' Equity per share, SEK	23,59	22,53							25,51
Average number of shares (thousands)	23 169	23 169	23 169	23 169	23 169	23 169	23 169	23 169	23 169
Average number of shares after dilution (thousands)	23 169	23 169	23 169	23 169	23 169	23 169	23 169	23 169	23 169
Operating margin, %	6,9	11,2	4,6	8,9	9,7	11,7	9,5	8,9	10,9
Growth in turnover, %									12,0

# The parent company's outcome and financial position

## SUMMARY OF PARENT COMPANY'S INCOME STATEMENT (SEK MILLION)

	Jan- June 2009	Jan- June 2008	Q2 2009	Q1 2009	Q4 2008	Q3 2008	Q2 2008	Rolling 12 mth	Full year 2008
Net sales	9,0	8,7	4,8	4,3	33	4,5	4,3	46	46
Operating expenses	-21	-23	-11	-10	-12	-8,9	-13	-42	-44
Depreciation	-1,2	-0,8	-0,6	-0,6	-0,6	-0,5	-0,4	-2,3	-1,9
<b>Operating income</b>	<b>-13,5</b>	<b>-15,1</b>	<b>-7,3</b>	<b>-6,1</b>	<b>20</b>	<b>-4,9</b>	<b>-8,6</b>	<b>1,8</b>	<b>0,2</b>
Income from participation in Group companies	33	0	33	0	6,1	0	0	38,8	6,1
Net financial income/expenses	0,4	1,7	0,3	0,2	0,4	0,6	1,1	1,4	2,7
<b>Profit before appropriations and tax</b>	<b>19,7</b>	<b>-13,4</b>	<b>25,7</b>	<b>-5,9</b>	<b>27</b>	<b>-4,3</b>	<b>-7,5</b>	<b>42</b>	<b>9,0</b>
Appropriations	0	0	0	0	-26	0	0	-26	-26
<b>Profit before tax</b>	<b>19,7</b>	<b>-13,4</b>	<b>25,7</b>	<b>-5,9</b>	<b>0,3</b>	<b>-4,3</b>	<b>-7,5</b>	<b>15,7</b>	<b>-17</b>
Taxes	-5,2	3,8	-6,8	1,6	1,2	1,3	2,1	-2,7	6,3
<b>Profit for the period</b>	<b>14,5</b>	<b>-9,6</b>	<b>18,9</b>	<b>-4,3</b>	<b>1,5</b>	<b>-3,0</b>	<b>-5,4</b>	<b>13,0</b>	<b>-11</b>

## SUMMARY OF PARENT COMPANY'S BALANCE SHEET (SEK MILLION)

	2009-06-30	2008-06-30	2008-12-31
<b>Assets</b>			
Intangible fixed assets	1,4	1,9	1,7
Tangible fixed assets	20	21	21
Financial assets	297	236	296
Current receivables	128	138	231
Cash and cash equivalents	72	48	62
<b>Total assets</b>	<b>519</b>	<b>444</b>	<b>611</b>
<b>Shareholders' equity and liabilities</b>			
Shareholders' equity	253	237	308
Untaxed reserves	74	48	74
Deferred tax liability	1,8	1,8	1,8
Current liabilities, interest-bearing	0	0	0
Current liabilities, non-interest-bearing	190	158	227
<b>Total shareholders' equity and liabilities</b>	<b>519</b>	<b>444</b>	<b>611</b>

OEM is one of Europe's  
leading technical trading  
companies and consists of 26  
operating units in 13  
countries.

