

# Interim report

## January– September 2009



### THIRD QUARTER

- Incoming orders amounted to SEK 286 million (382)
- Turnover amounted to SEK 293 million (350)
- Profit before tax amounted to SEK 15 million (36)
- Profit after tax amounted to SEK 10 million (25)
- Earnings per share amounted to SEK 0.45 (1.10)

### JANUARY – SEPTEMBER

- Incoming orders amounted to SEK 940 million (1,262)
- Turnover amounted to SEK 991 million (1,211)
- Profit before tax amounted to SEK 48 million (121)
- Profit after tax amounted to SEK 33 million (85)
- Earnings per share amounted to SEK 1.44 (3.69)



## CEO comments

Third quarter figures indicate that demand is still weak. Turnover was 16% lower than the corresponding quarter in 2008 which can be compared with the second quarter which was 25% lower than the corresponding quarter last year. On a positive note however, incoming orders for the latter part of the quarter exceeded invoicing.

Turnover levels have stabilised in the Swedish, Finnish and UK units. Demand in Norway has been relatively healthy throughout the year, while the Danish and Czech units continue to report weak demand. In Poland, a series of new ventures parried the decline in turnover but investments in conjunction with these ventures means that the operations report a zero result.

The decline in Production Technology is due to the lack of machinery investments. The assessment is that the immediate future will hold few machinery orders, which means that turnover will primarily stem from spare parts, service and components.

The extensive task of adapting the organisation to new market conditions has cut annual operating costs by about SEK 80 million compared with the figures around the close of 2008. These measures have gradually been realised and will reach full effect as of the turn of the year. If all capacity adjustments had reached full effect during the year's first nine months, the operating margin would have amounted to around 8%.

The profit for the third quarter was SEK 15 million, which can be compared with SEK 6 million for the second quarter. The capacity adjustments decided on the close of the previous quarter burden the result with SEK 4 million.

The task of adapting stock levels to current demand has freed up capital and contributed to a strong cash flow of SEK 23 million for the third quarter.

The current market conditions are rocky, making it difficult to predict with any certainty how long it will take before volumes are on par with that of previous years. However, the swift adjustments we made in operating costs and our strong financial position gives us the muscles to continue to aggressively canvass the market and expand our product range

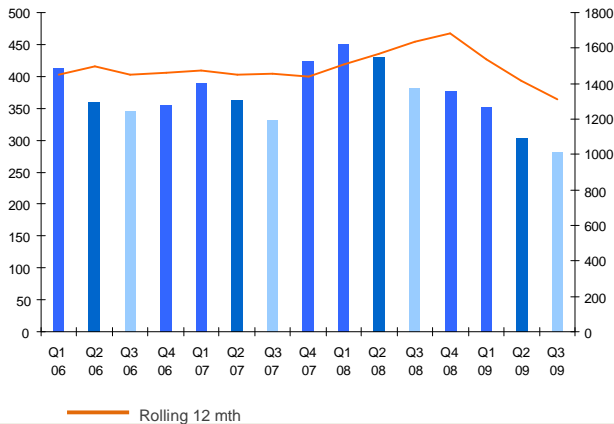


Jörgen Zahlin

Managing Director and Chief Executive Officer

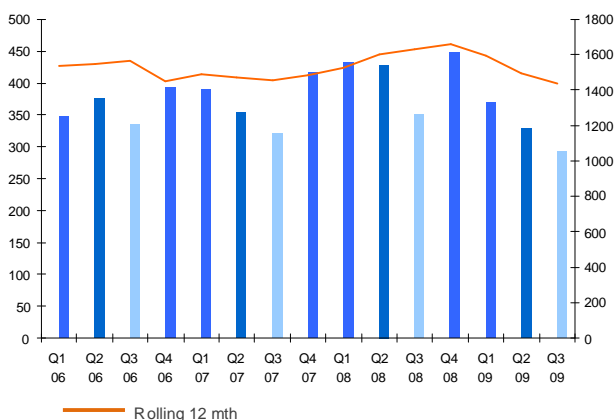
## The Group

### Incoming orders (SEK million)



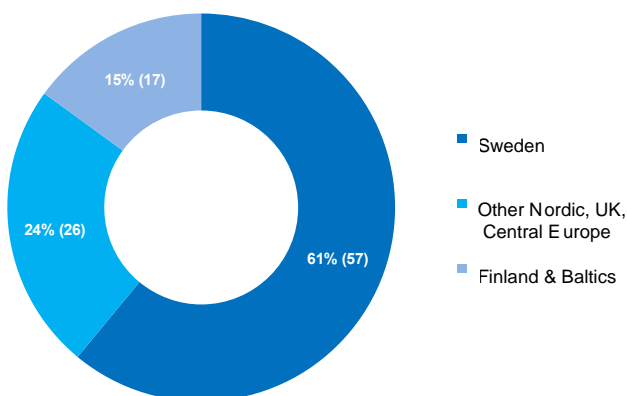
Incoming orders during the third quarter fell by 25% to SEK 286 million (382). In total, incoming orders fell by 26% to SEK 940 million (1,262) for the year's first nine months. For comparable units, incoming orders fell by 32%. Incoming orders have been effected by adjustments for acquisitions, currency changes and price adjustments by 35%. The order book value as of 30 September 2009 was SEK 202 million (310).

### Net turnover (SEK million)



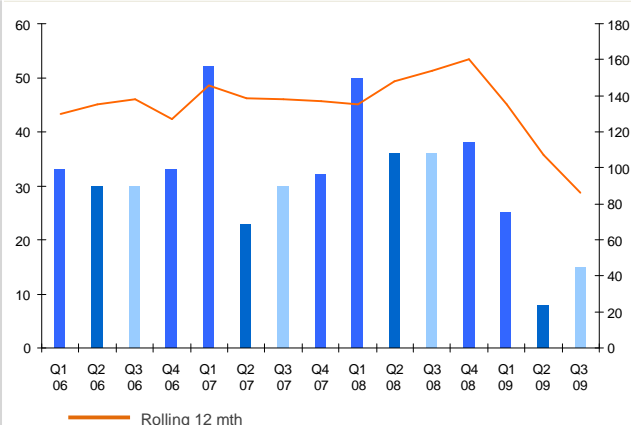
Net turnover for the third quarter fell by 16% to SEK 293 million (350). In total, net turnover fell by 18% to SEK 991 million (1,211) for the year's first nine months. For comparable units, net turnover fell by 25%. Net turnover have been effected by adjustment for acquisitions, currency changes and price adjustments by 30%

### Sales by geographic market



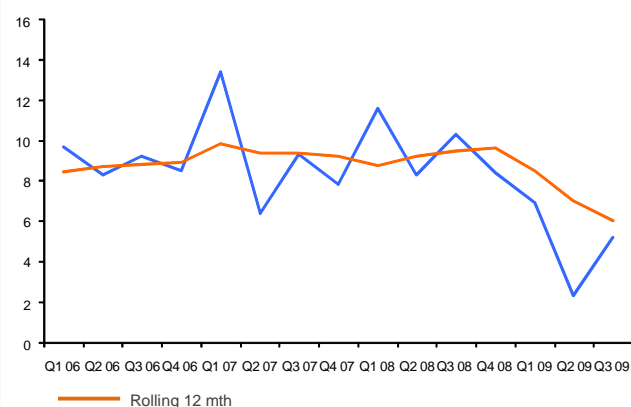
Sweden's share of the Group's turnover increased during the period due to acquisitions and increased turnover due to invoicing currency adjustment factors as a result of the weaker Swedish krona. The market downturn has affected activities in Finland, the Baltic states and the Czech Republic most, while activities in Norway have been affected least.

### Operating income (SEK million)



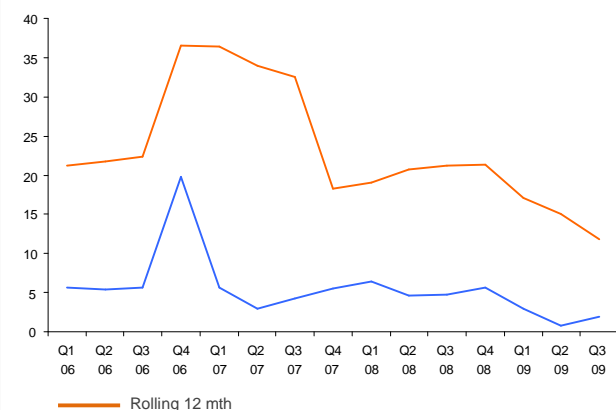
The operating income amounted to SEK 15 million (36) during the third quarter. This deterioration is due to the lower turnover and implemented cost savings not yet having their full effect. The third quarter is burdened with SEK 4 million linked to the rationalisation scheme. For the first nine months of the year, the operating income amounted to SEK 48 million (121). Capacity adjustments implemented in 2009 burden the operating profit with SEK 8 million and are expected to reduce costs by SEK 80 million on an annual basis from the cost level we saw during the latter half of 2008. If all capacity adjustments had reached full effect during the year's first nine months, the operating profit would have amounted to around SEK 75 million.

### Operating margin (%)



The operating margin fell to 5.2% (10.3%) during the third quarter indicating a recovery compared with the second quarter this year. For the first nine months of the year, the operating margin amounted to 4.9 % (10.0%). Excluding costs for capacity adjustments, the operating margin amounted to 5.6 % for 2009. If all capacity adjustments had reached full effect during the year's first nine months, the operating margin would have amounted to around 7.6%.

### Return on shareholders' equity (%)



The return on shareholders' equity during the first nine months of the year amounted to 5.9% (15.8%). Shareholders' equity amounts to SEK 547 million (552) with an equity/assets ratio of 62% (64%).

## 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-Q3 2009	Q1-Q3 2008	Full year 2008	Rolling 12
Incoming orders	710	808	1 071	972
Net turnover	726	790	1 058	993
Operating income	53	103	123	72
Operating marg. (%)	7	13	12	7

Net turnover dropped by 8% during the first nine months. For comparable units, net turnover fell by 18%. The weak Swedish krona affected turnover positively by 7%. Finland, Denmark and the Czech Republic report the most severe decline in demand. Other markets report a slight increase in demand for the third quarter. During the third quarter, OEM Automatic AS in Norway acquired the business within Lasa Maskin AS. The takeover will signify an increase of the net turnover at 10 MSEK at a yearly basis

### Division Components

*Components supplies bearings, seals and appliance components.*

Q1-Q3 SEK million	Q1-Q3 2009	Full year 2008	Rolling 2008	Rolling 12
Incoming orders	170	311	379	238
Net turnover	198	292	378	284
Operating income	11	18	22	16
Operating marg. (%)	6	6	6	6

Net turnover dropped by 22% for comparable units during the first nine months. The weak Swedish krona affected turnover positively by 9%. Due to the structural changes and capacity adjustments, the margin is largely unchanged compared with last year. Demand in Sweden and Finland has fallen, while demand in Poland is on par with last year.

### Division Production Technology

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

SEK million	Q1-Q3 2009	Q1-Q3 2008	Full year 2008	Rolling 12
Incoming orders	61	143	190	108
Net turnover	67	128	222	161
Operating income	-5,7	2,2	10	2,2
Operating marg. (%)	-9	2	5	1

Net turnover dropped by 48% during the first nine months. Demand for new production equipment is low, and no major machine deliveries have been made this year. The larger part of the net turnover originates therefore from consumable supplies and peripheral equipment. Several new products were launched during the period, but they will not be able to compensate for the lack of machinery sales.

## Other financial information

### Cash flow

Cash flow from current operations amounted to SEK 69 million (116) and has been affected by individual supplier payments of SEK 40 million that originate from a machinery order in Production Technology last year. For the rolling 12 months, the cash flow from current operations amounted to SEK 114 million. The total cash flow for the rolling 12 months amounted to SEK -13 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 32 million (7.9), attributable to property, plant and equipment. Investment in a new logistics centre is responsible for SEK 28 million.

### Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances, together with granted but unused credit amounted to SEK 324 million (318) in total as of 30 September 2009.

### Intangible assets

An amortisation of intangible assets totalling SEK 8.7 million (2.9) has had an effect on performance. The book value in the balance sheet amounts to SEK 103 million (45) as of 30 September 2009.

### Equity/assets ratio

The equity/assets ratio as of 30 September 2009 was 62% (64).

### Employees

The average number of employees in the group during the period was 574 (577), 32 of whom come from companies acquired in 2008. At the close of the period, headcount was 548 compared with 622 at the turn of the year.

### Share repurchase

The company has not repurchased any shares during the period. The company did not hold any of its own shares on 30 September 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 1.2. 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. IFRS 8 Operating Segments will apply from 1 January 2009. Effective 2009, OEM will report on three divisions instead of previous four company groups. These new divisions are also described in the latest annual report. Changes have been made as of 2009 to IAS 1 Presentation of Financial Statements and the term comprehensive income has been introduced. OEM has chosen to present the group's comprehensive income in a report. The report, with changes in shareholders' equity, now presents only transactions with shareholders. In addition to the above changes, IAS 23 Borrowing Costs is also applied as of 2009. 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 operations-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 OEM Group's financial activities and management of financial risks are conducted primarily 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, pages 69-70. No significant risks other than those described in the Annual Report are deemed to have arisen.

## Parent Company

Net turnover was SEK 14 million (13) and the profit after financial items was SEK 17 million (-18).

## After the end of the reporting period

There are no significant events to report.

## Nomination Committee

The Nomination Committee that will convene prior to the Annual General Meeting on 26 April 2010 has the following composition.

Jan Svensson (chairman)

Hans Franzén

Orvar Pantzar

Agne Svenberg

The Nomination Committee can be contacted via Jan Svensson, tel. +46 (0)31 891780, or email: [jan.svensson@latour.se](mailto:jan.svensson@latour.se)

## Future reports

The financial statement for the whole of 2009 will be published on 17 February 2010.

Tranås, 27 October 2009



Jörgen Zahlin

Managing Director and Chief Executive Officer

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 27 October 2009 at 13.00

# Auditor's report

## Introduction

We have carried out a review of the interim report for OEM International AB as per 30 September 2009 and the nine-month period closing that date. The board and Managing Director are responsible for drawing up and presenting this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

## The direction and scope of the review

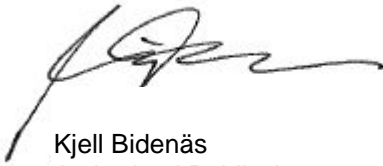
We have carried out our review in accordance with the Swedish Standard on Review Engagements SÖG 2410 *Review of Interim Financial Information performed by the company's elected auditor issued by FAR*. A review consists of making enquiries, primarily of the people responsible for financial issues and accounting issues, carrying out an analytical examination and taking other review measures. A review has a different aim and is of significantly smaller scope than the aim and scope of an audit as per auditing standards in Sweden (RS) and good auditing practice in general. The measures undertaken during a review mean that it is impossible for us to be certain that we are aware of all the important factors that it would have been possible to identify had an audit been carried out. Therefore, the conclusion expressed based on a review does not have the same certainty as a conclusion expressed based on an audit.

## Conclusion

Based on our review, no factors have come to light that give us reason to believe that the attached interim report has not been drawn up in all significant aspects for the Group in accordance with IAS 34 and the Swedish Annual Accounts Act, and, in terms of the parent company, in accordance with the Swedish Annual Accounts Act.

Tranås, 27 October 2009

KPMG AB



Kjell Bidenäs  
Authorised Public Accountant



## Sales and results for the divisions

### TURNOVER AND RESULTS BY DIVISION

#### Net turnover (SEK million)

	Jan- Sept 2009	Jan- Sept 2008	Q3 2009	Q2 2009	Q1 2009	Q4 2008	Q3 2008	Rolling 12 mth	Full year 2008
Automation	726	790	220	238	268	267	237	993	1 058
Components	198	292	57	65	76	86	89	284	378
Production Technology	67	128	16	25	26	94	24	161	222
Other operating segments	0,8	0,7	0,3	0,3	0,2	0,9	0,2	1,6	2,0
	991	1 211	293	328	370	449	350	1 440	1 660

#### Operating income (SEK million)

	Jan- Sept 2009	Jan- Sept 2008	Q3 2009	Q2 2009	Q1 2009	Q4 2008	Q3 2008	Rolling 12 mth	Full year 2008
Automation	53	103	18	12	22	20	29	72	123
Components	11	18	2,6	1,6	7,1	4,5	8,6	16	22
Production Technology	-5,7	2,2	-5,2	-0,8	0,3	7,9	-1,1	2,2	10
	58	123	16	13	30	32	37	90	155

#### Group results (SEK million)

	Jan- Sept 2009	Jan- Sept 2008	Q3 2009	Q2 2009	Q1 2009	Q4 2008	Q3 2008	Rolling 12 mth	Full year 2008
Operating income, above segments	58	123	16	13	30	32	37	90	155
Group-wide functions	-9,7	-1,5	-0,3	-5,4	-4,1	5,6	-0,7	-4,1	4,1
Net financial items	-0,6	0,1	-0,2	-0,4	0,0	-2,5	0,4	-3,1	-2,4
Profit before tax	48	122	15	6,9	25	35	36	83	157

# The Group's outcome and financial position

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

	Jan- Sept 2009	Jan- Sept 2008	Q3 2009	Q2 2009	Q1 2009	Q4 2008	Q3 2008	Rolling 12 mth	Full year 2008
Net turnover	991	1 211	293	328	370	449	350	1 440	1 660
Other operating income	0,2	5,4	0	0,3	0,0	7,4	0	7,5	13
Operating expenses	-921	-1 079	-270	-314	-337	-412	-309	-1 333	-1 491
Amortisation intangible fixed assets	-8,7	-2,9	-2,9	-2,9	-3,0	-2,2	-1,0	-11	-5,2
Depreciation property, plant and equipment fixed as	-13	-13	-4,3	-4,5	-4,6	-3,8	-4,1	-17	-17
<b>Operating income</b>	<b>48</b>	<b>121</b>	<b>15</b>	<b>7,3</b>	<b>25</b>	<b>38</b>	<b>36</b>	<b>86</b>	<b>159</b>
Net financial income/expenses	-0,6	0,1	-0,2	-0,4	0,0	-2,5	0,4	-3,1	-2,4
<b>Profit before tax</b>	<b>48</b>	<b>121</b>	<b>15</b>	<b>6,9</b>	<b>25</b>	<b>35</b>	<b>36</b>	<b>83</b>	<b>157</b>
Taxes	-14	-36	-4,6	-2,4	-7,4	-3,3	-11	-18	-40
<b>Profit for the period</b>	<b>33</b>	<b>85</b>	<b>11</b>	<b>4,5</b>	<b>18</b>	<b>32</b>	<b>25</b>	<b>65</b>	<b>117</b>
<i>Other comprehensive income</i>									
Translation differences for the period from translation of overseas operations	-7,5	5,6	-11	2,7	0,8	8,0	4,3	0,5	14
<b>Other comprehensive income for period</b>	<b>-7,5</b>	<b>5,6</b>	<b>-11</b>	<b>2,7</b>	<b>0,8</b>	<b>8,0</b>	<b>4,3</b>	<b>0,5</b>	<b>14</b>
<b>Total comprehensive income for period*</b>	<b>26</b>	<b>91</b>	<b>-0,5</b>	<b>7,2</b>	<b>19</b>	<b>40</b>	<b>30</b>	<b>66</b>	<b>131</b>
Earnings per share, SEK*	1,44	3,69	0,45	0,21	0,78	1,38	1,10	2,82	5,05
Earnings per share from remaining business units, SEK*	1,44	3,69	0,45	0,21	0,78	1,38	1,10	2,82	5,05

\* No effects of dilution present and all results are attributable to the parent company's shareholders.

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

	2009-09-30	2008-09-30	2008-12-31
<b>Assets</b>			
Goodwill	45	21	45
Other intangible fixed assets	58	24	70
Property, plant and equipment	184	162	167
Financial assets	1,2	1,2	2,0
Deferred tax claim	3,7	6,1	3,9
Inventories	212	234	281
Current receivables	246	262	270
Cash and cash equivalents	137	150	163
<b>Total assets</b>	<b>887</b>	<b>860</b>	<b>1 002</b>
<b>Shareholders' equity and liabilities</b>			
Shareholders' equity	547	552	591
Long-term liabilities, interest-bearing	19	10	22
Deferred tax liability	46	31	48
Current liabilities, interest-bearing	91	58	81
Current liabilities, non-interest-bearing	183	209	260
<b>Total shareholders' equity and liabilities</b>	<b>887</b>	<b>860</b>	<b>1 002</b>

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

	2009-09-30	2008-09-30	2008-12-31
At the start of the year	591	530	530
Total comprehensive income for period	26	91	131
Issued dividend	-70	-70	-70
At the end of the period	547	552	591

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

	Jan- Sept 2009	Jan- Sept 2008	Q3 2009	Q2 2009	Q1 2009	Q4 2008	Q3 2008	Rolling 12 mth	Full year 2008
<b>Cash flow from current operations</b>	<b>69</b>	116	23	56	-10	45	27	114	162
<b>Investments</b>	<b>-33</b>	-10	-11	-16	-6,2	-65	-2,8	-98	-75
<b>Cash flow after investments</b>	<b>36</b>	106	12	40	-16	-20	24	16	86
Cash flow from financing activities									
- Change in liabilities	<b>8,3</b>	-16	-7,9	-3	19	31	-17	40	15
- Paid dividend	<b>-70</b>	-70	0	-70	0	0	0	-70	-70
<b>Cash flow for the period</b>	<b>-25</b>	20	5	-33	3,3	12	6,9	-13	32
Cash and cash equivalents at the start of the period	<b>163</b>	127	135	168	163	150	142	150	127
<b>Exchange rate difference</b>	<b>-1</b>	3	-3	0	2	1	1	0	4
<b>Cash and cash equivalents at the end of the period</b>	<b>137</b>	150	137	135	168	163	150	137	163

**KEY INDICATORS**

	Jan- Sept 2009	Jan- Sept 2008	Q3 2009	Q2 2009	Q1 2009	Q4 2008	Q3 2008	Rolling 12 mth	Full year 2008
Return on shareholders' equity, %	<b>5,9</b>	15,8	1,9	0,8	3,0	5,6	4,7	11,8	20,9
Return on capital employed, %	<b>7,3</b>	20,5	2,4	1,1	3,6	5,8	6,2	13,7	25,1
Return on total capital, %	<b>5,2</b>	14,4	1,9	0,8	2,6	4,1	4,5	10,0	17,3
<b>Equity/assets ratio, %</b>	<b>61,7</b>	64,1							<b>59,0</b>
Earnings per share before dilution, SEK	<b>1,44</b>	3,69	0,45	0,21	0,78	1,38	1,10	2,82	5,05
Earnings per share after dilution, SEK	<b>1,44</b>	3,69	0,45	0,21	0,78	1,38	1,10	2,82	5,05
<b>Shareholders' equity per share, SEK</b>	<b>23,63</b>	23,81							<b>25,51</b>
Average number of shares (thousands)	<b>23 169</b>	23 169	23 169	23 169	23 169	23 169	23 169	23 169	23 169
Average number of shares after dilution (thousands)	<b>23 169</b>	23 169	23 169	23 169	23 169	23 169	23 169	23 169	23 169
Operating margin, %	<b>4,9</b>	10,0	5,2	2,3	6,9	8,4	10,3	6,0	9,6
Growth in turnover, %									12,0

## The parent company's outcome and financial position

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

	Jan- Sept 2009	Jan- Sept 2008	Q3 2009	Q2 2009	Q1 2009	Q4 2008	Q3 2008	Rolling 12 mth	Full year 2008
Net turnover	14	13	4,8	4,8	4,3	33	4,5	47	46
Operating expenses	-28	-32	-7,1	-11	-10	-12	-8,9	-40	-44
Depreciation	-1,7	-1,3	-0,5	-0,6	-0,6	-0,6	-0,5	-2,3	-1,9
<b>Operating income</b>	<b>-16</b>	<b>-20</b>	<b>-2,8</b>	<b>-7,3</b>	<b>-6,1</b>	<b>20</b>	<b>-4,9</b>	<b>4,0</b>	<b>0,2</b>
Income from participation in Group companies	33	0	0	33	0	6,1	0	39	6,1
<b>Net financial income/expenses</b>	<b>0,6</b>	<b>2,3</b>	<b>0</b>	<b>0,3</b>	<b>0,2</b>	<b>0,4</b>	<b>0,6</b>	<b>1,0</b>	<b>2,7</b>
<b>Profit before appropriations and tax</b>	<b>17</b>	<b>-18</b>	<b>-2,6</b>	<b>26</b>	<b>-5,9</b>	<b>27</b>	<b>-4,3</b>	<b>44</b>	<b>9,0</b>
Appropriations	0	0		0	0	-26	0	-26	-26
<b>Profit before tax</b>	<b>17</b>	<b>-18</b>	<b>-2,6</b>	<b>26</b>	<b>-5,9</b>	<b>0,3</b>	<b>-4,3</b>	<b>17</b>	<b>-17</b>
Taxes	4,2	5,1	9,4	-6,8	1,6	1,2	1,3	5,4	6,3
<b>Profit for the period</b>	<b>21</b>	<b>-13</b>	<b>6,8</b>	<b>19</b>	<b>-4,3</b>	<b>1,5</b>	<b>-3,0</b>	<b>23</b>	<b>-11</b>

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

	2009-09-30	2008-09-30	2008-12-31
<b>Assets</b>			
Intangible assets	1,2	2,0	1,7
Property, plant and equipment	20	20	21
Financial assets	301	236	296
Current receivables	119	126	231
Cash and cash equivalents	96	71	62
<b>Total assets</b>	<b>537</b>	<b>455</b>	<b>611</b>
<b>Shareholders' equity and liabilities</b>			
Shareholders' equity	260	234	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	202	171	227
<b>Total shareholders' equity and liabilities</b>	<b>537</b>	<b>455</b>	<b>611</b>

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

