

# Interim report

## Annual Earnings 2009



### FOURTH QUARTER

- Incoming orders amounted to SEK 343 million (377)
- Turnover amounted to SEK 339 million (449)
- Profit before tax amounted to SEK 15 million (35)
- Profit after tax amounted to SEK 9.5 million (32)
- Earnings per share amounted to SEK 0.42 (1.38)

### FULL YEAR 2009

- Incoming orders amounted to SEK 1,283 million (1,639)
- Turnover amounted to SEK 1,331 million (1,660)
- Profit before tax amounted to SEK 62 million (157)
- Profit after tax amounted to SEK 43 million (117)
- Earnings per share amounted to SEK 1.86 (5.05)
- The Board proposes a dividend of SEK 2.00 per share (3.00)



## CEO comments

In comparison with the second and third quarters, demand improved slightly in the fourth quarter, but sales were down 24% compared with last year. Excluding the smallest division, Production Technology which reports weak sales figures for all of 2009, sales dropped by 11% in the fourth quarter.

In terms of division Automation, the Group's largest business unit, demand improved over the past quarters while division Components reported a stable demand. Another positive sign is that incoming orders have exceeded invoicing since the middle of the third quarter.

For 2009 as a whole, lower demands resulted in a 22% drop in turnover. Excluding acquisitions and foreign currency effects, the decline reached 29%. The extensive task of modifying capacity to coincide with lower demands facilitated an operating margin of 5%. If all capacity modifications had reached full effect in 2009, the operating margin would have been about 7.5%, as compared with last year's figure of 10%.

Despite considerable activity, our acquisition ambitions in 2009 resulted in only a couple of smaller deals. Our internal restructuring activities and the current price expectations limited the prerequisites for making acquisitions. We predict that the situation has improved and we intend to raise the bar on our acquisition ambitions in 2010.

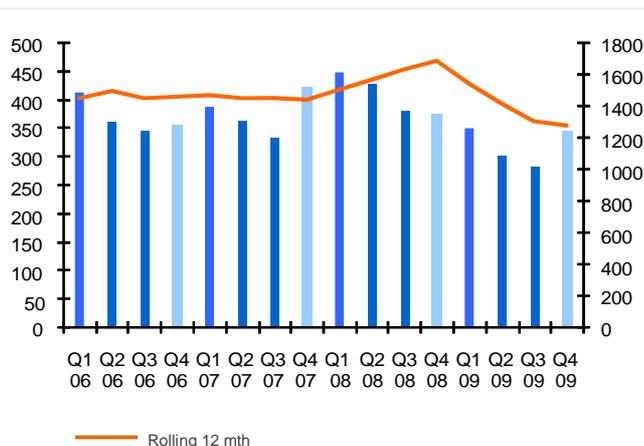
Now that all major capacity modifications have been implemented and taken effect, the organisation will be able to develop our business operations in a more harmonious atmosphere. We foresee a gradual recovery in terms of demand and feel confident about 2010.



Jörgen Zahlin  
Managing Director and Chief Executive Officer

## The Group

### Incoming orders (SEK million)



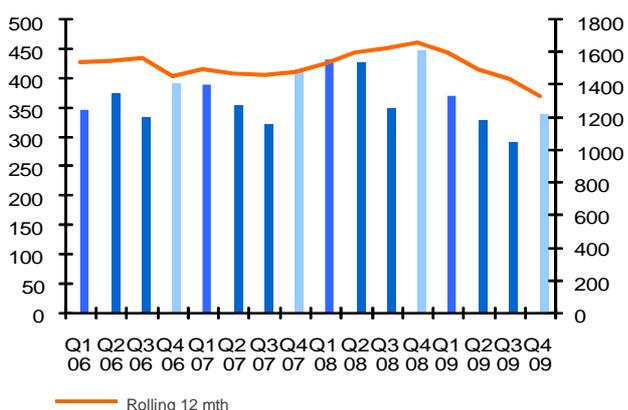
Incoming orders for the fourth quarter improved compared with earlier quarters, but dropped 9% to SEK 343 (377) million compared with the same quarter last year.

Incoming orders fell by a total of 22% to SEK 1,283 million (1,639) for 2009.

For comparable units, incoming orders fell by 20%. When adjusted for foreign exchange and price adjustments, the full impact on incoming orders is 30%.

Order book value as of 31 December 2009 was SEK 207 million (243).

### Net sales (SEK million)

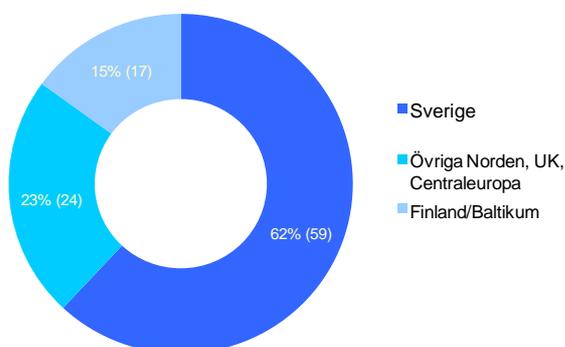


Net turnover for the fourth quarter improved compared with earlier quarters, but dropped 24% to SEK 339 (449) million compared with the same quarter last year.

Net turnover fell by a total of 20% to SEK 1,331 million (1,660) for 2009.

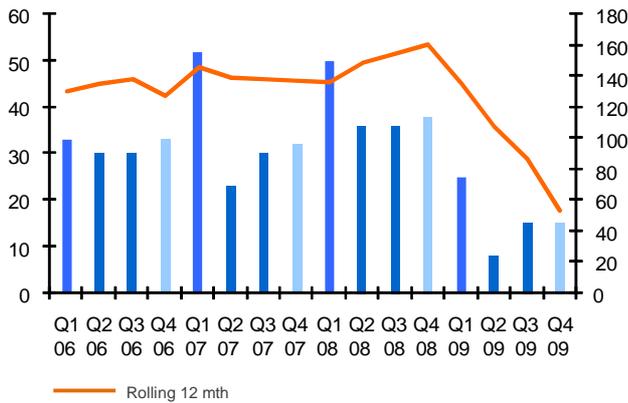
For comparable units, net turnover fell by 26%. When adjusted for foreign exchange and price adjustments, the full impact on net turnover is 30%.

### Sales by geographic market



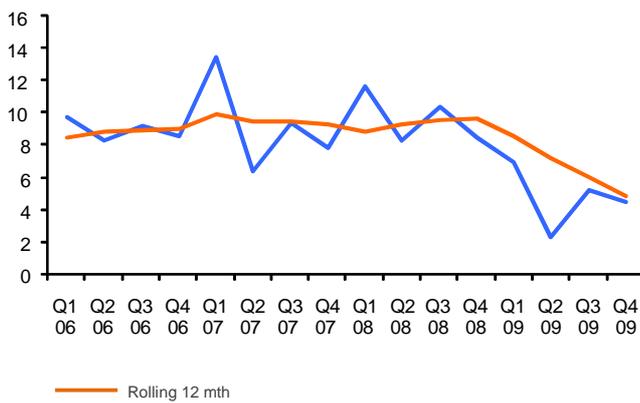
Sweden's share of the Group's turnover rose during the period due to acquisitions and higher turnover due to invoicing currency adjustment factors as a result of the weaker Swedish krona. The market downturn affected activities in Finland, the Baltic States and the Czech Republic most, while activities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

### Operating income (SEK million)



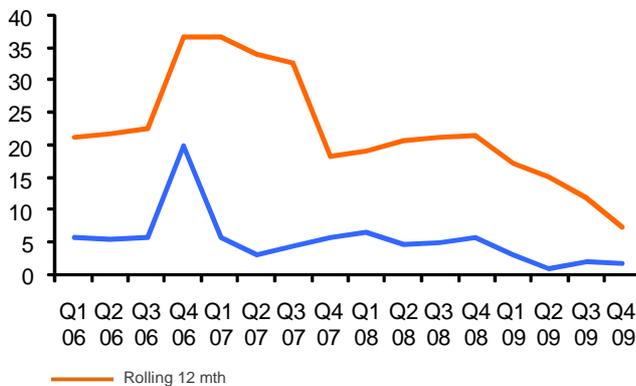
The operating income for the fourth quarter amounted to SEK 15 million (38). The operating income for 2009 amounted to SEK 64 million (159). Capacity modifications made in 2009 burdened the operating profit with SEK 8 million. Estimates indicate that they will reduce costs by about SEK 80 million on an annual basis from the cost level we saw during the latter half of 2008. If all capacity modifications had reached full effect in 2009, the operating profit would have been about SEK 100 million.

### Operating margin (%)



The operating margin fell to 4.5% (8.4%) in the fourth quarter. For 2009, the operating margin was 4.8% (9.6%). Excluding costs for capacity modifications, operating margin amounted to 5.4% for 2009. If all capacity modifications had reached full effect in 2009, the operating margin would have been about 7.5%.

### Return on shareholders' equity (%)



Return on equity totalled 7.4% (21%). Equity amounts to SEK 565 million (591) with an equity/assets ratio of 62% (59%).

## 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	Full year 2009	Full year 2008
Incoming orders	965	1 071
Net turnover	976	1 058
Operating income	69	123
Operating marg. (%)	7	12

Net turnover dropped by 8% in 2009. For comparable units, net turnover fell by 16%. The weak Swedish krona affected turnover positively by 6%.

Finland, Denmark and the Czech Republic report the greatest decline in demand.

In general, demand climbed during the fourth quarter and surpassed the previous quarters' turnover.

Operating income dropped by 44% in 2009. This depends on the lower net turnover and slowness before cost modifications has reached full effect.

### Division Components

*Components supplies bearings, seals and appliance components.*

SEK million	Full year 2009	Full year 2008
Incoming orders	234	379
Net turnover	262	378
Operating income	15	22
Operating marg. (%)	6	6

Net turnover dropped by 31% in 2009. Excluding the sale of the Semiconductor product area, net turnover dropped by 22%.

The weak Swedish krona affected net turnover positively by 6%. Demand in Sweden and Finland has fallen, while demand in Poland is on par with last year. Operating income dropped by 32% during 2009 and the operating margin is therefore unchanged since last year.

### Division Production Technology

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

SEK million	Full year 2009	Full year 2008
Incoming orders	84	190
Net turnover	92	222
Operating income	-11	10
Operating marg. (%)	-12	5

Net turnover dropped by 59% in 2009.

Demand for new production equipment is still low, and no major machine deliveries were made this year.

Operating income dropped to a loss of 11 MSEK. No clear signs of increased demand lead to further adjustments will be implemented.

## Other financial information

### Cash flow

Cash flow from current operations amounted to SEK 103 million (162) and was affected by individual supplier payments of SEK 40 million that originate from a machinery order in Production Technology last year. Cash flow totalled SEK 2 million (32) and was affected by investments for SEK 47 million (75) and dividends of SEK 70 million (70) during the year.

### Investments

The Group's net investments in non-current assets amounted to SEK 53 million (86), SEK 49 million (12) of which is attributable to property, plant and equipment and SEK 4 million (74) to corporate acquisitions. In terms of investments in progress, SEK 40 million is for a new logistics centre.

### Cash and cash equivalents

Cash and cash equivalents comprising cash and bank balances, together with granted but unused credit facilities, amounted to SEK 371 million (322) in total as of 31 December 2009.

### Intangible assets

An amortisation of intangible assets totalling SEK 12 million (5.1) had an effect on performance. The net book value in the balance sheet as of 31 December 2009 was SEK 109 million (115).

### Equity/assets ratio

The equity/assets ratio as of 31 December 2009 was 62% (59).

### Employees

The average number of employees in the Group throughout the period was 563 (616), 32 of whom come from companies acquired in 2009. At the close of the year, headcount was 519 compared (622).

### Share repurchase

The company has not repurchased any shares during the period. The Company did not hold any of its own shares on 31 December 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 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 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 43 million (46) and the profit after financial items was SEK 50 million (9).

## After the close 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, Bengt Stillström and Agne Svenberg. The Nomination Committee can be contacted via Jan Svensson, tel. +46 (0)31 891780, or email: jan.svensson@latour.se

## Proposed dividends

The Board proposes a dividend of SEK 2.00 per share (3.00).

## Annual Report

The 2009 Annual Report will be distributed towards the end of March 2010 and will be available at the company's head office and its website.

## Annual General Meeting

The Annual General Meeting will be held on 26 April 2010 in Tranås, Sweden.

## Financial information

OEM provides financial information on the following occasions:

Annual General Meeting 2010	26 April 2010
Interim report, first quarter 2010	26 April 2010
Interim report, second quarter 2010	17 July 2010
Interim report, third quarter 2010	27 October 2010

Tranås, Sweden 17 February 2010



Jörgen Zahlin  
Managing Director and Chief Executive Officer

*This report has not been reviewed by the company's auditors.*

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

## Sales and results for the divisions

### TURNOVER AND RESULTS BY DIVISION

#### Net sales (SEK million)

	Jan- Dec 2009	Jan- Dec 2008	Q4 2009	Q3 2009	Q2 2009	Q1 2009	Q4 2008
Automation	976	1 058	250	220	238	268	267
Components	262	378	64	57	65	76	86
Production Technology	92	222	25	16	25	26	94
Other operating segments	1,2	2,0	0,4	0,3	0,3	0,2	0,9
	<b>1 331</b>	<b>1 660</b>	<b>339</b>	<b>293</b>	<b>328</b>	<b>370</b>	<b>449</b>

#### Operating income (SEK million)

	Jan- Dec 2009	Jan- Dec 2008	Q4 2009	Q3 2009	Q2 2009	Q1 2009	Q4 2008
Automation	69	123	16	18	12	22	20
Components	15	22	3,4	2,6	1,6	7,1	4,5
Production Technology	-11	10	-5,0	-5,2	-0,8	0,3	7,9
	<b>72</b>	<b>155</b>	<b>14</b>	<b>16</b>	<b>13</b>	<b>30</b>	<b>32</b>

#### Group results (SEK million)

	Jan- Dec 2009	Jan- Dec 2008	Q4 2009	Q3 2009	Q2 2009	Q1 2009	Q4 2008
Operating income, above segments	72	155	14	16	13	30	32
Group-wide functions	-9,0	4,1	0,8	-0,3	-5,4	-4,1	5,6
Net financial items	-1,1	-2,4	-0,5	-0,2	-0,4	0,0	-2,5
Profit before tax	<b>62</b>	<b>157</b>	<b>15</b>	<b>15</b>	<b>7,0</b>	<b>25</b>	<b>35</b>

## The Group's outcome and financial position

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

	Jan- Dec 2009	Jan- Dec 2008	Q4 2009	Q3 2009	Q2 2009	Q1 2009	Q4 2008
Net turnover	1 331	1 660	339	293	328	370	449
Other operating income	0,2	13	-0,1	0	0,3	0,0	7,4
Operating expenses	-1 239	-1 491	-317	-270	-314	-337	-412
Amortisation intangible fixed assets	-12	-5,2	-2,8	-2,9	-2,9	-3,0	-2,2
Depreciation property, plant and equipment fixed as	-18	-17	-4,2	-4,3	-4,5	-4,6	-3,8
Operating income	64	159	15	15	7,3	26	38
Net financial income/expenses	-1,1	-2,4	-0,5	-0,2	-0,4	0,0	-2,5
Profit before tax	62	157	15	15	6,9	26	35
Taxes	-19	-40	-5,1	-4,6	-2,4	-7,4	-3,3
<b>Profit for the period</b>	<b>43</b>	<b>117</b>	<b>9,5</b>	<b>11</b>	<b>4,5</b>	<b>18</b>	<b>32</b>
<u>Other comprehensive income</u>							
Translation differences for the period from							
translation of overseas operations	-0,1	14	7,4	-11	2,7	0,8	8,0
Other comprehensive income for period	-0,1	14	7,4	-11	2,7	0,8	8,0
<b>Total comprehensive income for period*</b>	<b>43</b>	<b>131</b>	<b>17</b>	<b>-0,5</b>	<b>7,2</b>	<b>19</b>	<b>40</b>

Earnings per share, SEK\* 1,86 5,05 0,42 0,45 0,21 0,78 1,38

Earnings per share from remaining business units, SEK\* 1,86 5,05 0,42 0,45 0,21 0,78 1,38

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

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

	2009-12-31	2008-12-31
<b>Assets</b>		
Goodwill	61	45
Other intangible fixed assets	48	70
Property, plant and equipment	197	167
Financial assets	2,1	2,0
Deferred tax claim	5,1	3,9
Inventories	217	281
Current receivables	220	270
Cash and cash equivalents	165	163
<b>Total assets</b>	<b>915</b>	<b>1 002</b>
<b>Shareholders' equity and liabilities</b>		
Shareholders' equity	565	591
Long-term liabilities, interest-bearing	19	22
Deferred tax liability	48	48
Current liabilities, interest-bearing	99	81
Current liabilities, non-interest bearing	184	260
<b>Total shareholders' equity and liabilities</b>	<b>915</b>	<b>1 002</b>

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

	2009-12-31	2008-12-31
At the start of the year	591	530
Total comprehensive income for period	43	131
Paid dividend	-70	-70
At the end of the period	565	591

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

	Jan- Dec 2009	Jan- Dec 2008	Q4 2009	Q3 2009	Q2 2009	Q1 2009	Q4 2008
<b>Cash flow from current operations</b>	<b>103</b>	162	34	23	56	-10	45
Investments	-47	-75	-14	-11	-16	-6,2	-65
<b>Cash flow after investments</b>	<b>56</b>	86	20	12	40	-16	-20
Cash flow from financing activities							
- Change in liabilities	15	15	6,7	-7,9	-2,9	19	31
- Paid dividend	-70	-70	0	0	-70	0	0
<b>Cash flow for the period</b>	<b>1,9</b>	32	27	4,5	-33	3,3	12
Cash and cash equivalents at the start of the period	163	127	137	135	168	163	150
Exchange rate difference	0	4	1	-3	0	2	1
<b>Cash and cash equivalents at the end of the period</b>	<b>165</b>	163	165	137	135	168	163

**KEY INDICATORS**

	Jan- Dec 2009	Jan- Dec 2008	Q4 2009	Q3 2009	Q2 2009	Q1 2009	Q4 2008
Return on shareholders' equity, %	7,4	21	1,7	1,9	0,8	3,0	5,6
Return on capital employed, %	9,5	25	2,3	2,4	1,1	3,6	5,8
Return on total capital, %	6,8	17	1,7	1,9	0,8	2,6	4,1
Equity/assets ratio, %	62	59					
Earnings per share before dilution, SEK	1,86	5,05	0,42	0,45	0,21	0,78	1,38
Earnings per share after dilution, SEK	1,86	5,05	0,42	0,45	0,21	0,78	1,38
Shareholders' equity per share, SEK	24,37	25,51					
Average number of shares (thousands)	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
Operating margin, %	4,8	9,6	4,5	5,2	2,3	6,9	8,4
Growth in turnover, %	-20	12					

## The parent company's outcome and financial position

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

	Jan- Dec 2009	Jan- Dec 2008	Q4 2009	Q3 2009	Q2 2009	Q1 2009	Q4 2008
Net turnover	43	46	29	4,8	4,8	4,3	33
Operating expenses	-38	-44	-9,3	-7,1	-11	-10	-12
Depreciation	-2,3	-1,9	-0,6	-0,5	-0,6	-0,6	-0,6
<b>Operating income</b>	<b>2,7</b>	<b>0,2</b>	<b>19</b>	<b>-2,8</b>	<b>-7,3</b>	<b>-6,1</b>	<b>20</b>
Income from participation in Group companies	46	6,1	13	0	33	0	6,1
Net financial income/expenses	0,8	2,7	0,3	0,2	0,3	0,2	0,4
<b>Profit before appropriations and tax</b>	<b>50</b>	<b>9,0</b>	<b>33</b>	<b>-2,6</b>	<b>26</b>	<b>-5,9</b>	<b>27</b>
Appropriations	-11	-26	-11	0	0	0	-26
<b>Profit before tax</b>	<b>38</b>	<b>-17</b>	<b>22</b>	<b>-2,6</b>	<b>26</b>	<b>-5,9</b>	<b>0,3</b>
Taxes	1,6	6,3	-2,6	0,7	1,9	1,6	1,2
<b>Profit for the period</b>	<b>40</b>	<b>-11</b>	<b>19</b>	<b>-1,9</b>	<b>28</b>	<b>-4,3</b>	<b>1,5</b>

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

	2009-12-31	2008-12-31
<b>Assets</b>		
Intangible assets	1,1	1,7
Property, plant and equipment	20	21
Financial assets	295	296
Current receivables	218	231
Cash and cash equivalents	116	62
<b>Total assets</b>	<b>650</b>	<b>611</b>
<b>Shareholders' equity and liabilities</b>		
Shareholders' equity	331	308
Untaxed reserves	85	74
Deferred tax liability	1,8	1,8
Current liabilities, interest-bearing	0	0
Current liabilities, non-interest bearing	232	227
<b>Total shareholders' equity and liabilities</b>	<b>650</b>	<b>611</b>

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 17 February 2010 at 1 pm.

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

