



# INTERIM REPORT

## Q1

## 2011



### FIRST QUARTER 2011

- Incoming orders increased by 18% to SEK 407 million (345)
- Net sales rose by 16% to SEK 384 million (332)
- Profit before tax increased by 33% to SEK 40 million (30)
- Profit after tax increased by 32% to SEK 29 million (22)
- Earnings per share were SEK 1.24 (0.84)
- One acquisition with an annual turnover of SEK 12 million finalised

### AFTER THE REPORTING PERIOD

- Two acquisitions with a total annual turnover of SEK 50 million

# CEO COMMENTS

## **Positive trend continues**

The demand is since the weak third quarter 2009 still improving. Sales rose by 16% to SEK 384 million during the period and excluding the effect of currency fluctuation, sales rose by 23%. Order inflow is also strong and increased with 18 % to SEK 407 million.

The backlog of orders has increased with SEK 23 million during the quarter and coupled with the growth in turnover it indicates future expansion.

Essentially all companies have a growth in both turnover and income during the quarter. The companies in UK, Finland, Denmark and Czech have the strongest development in turnover.

Operating margin has increased from 9 % to 11 %. The income before tax has improved with 33 % to SEK 40 million as an effect of the increase in turnover and operating margin.

## **Acquisitions**

Three acquisitions have been made during the quarter or in conjunction with the reporting period. Annual turnover for the acquired companies is approximately SEK 60 million. The acquisitions will create a wider product range and synergy effects will occur. Acquisitions are an essential part of the growth strategy and the ambition is to acquire at least SEK 100 million in annual turnover.

## **Good indications for future growth**

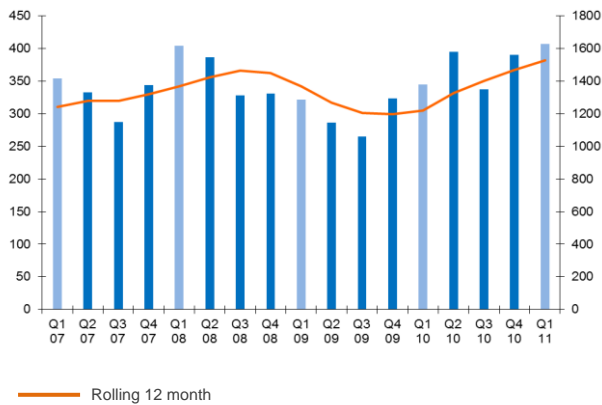
After a bright first quarter 2011 with strong development in most markets we anticipate good possibilities for future growth.



Jörgen Zahlin,  
Managing Director and CEO

# THE GROUP

## INCOMING ORDERS (SEK million)



Incoming orders increased during the first quarter by 18% to SEK 407 million (345) compared with the previous corresponding quarter. Most markets have reported positive growth.

During the period, incoming orders were 6% higher than net sales.

On 31 March 2011, the order book had increased by 25% over the previous year to SEK 265 million (212).

## NET SALES (SEK million)

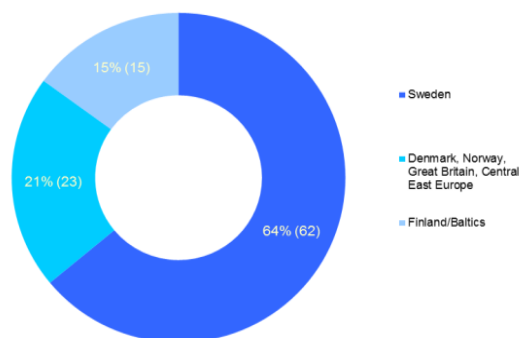


Net sales increased during the first quarter by 16% to SEK 384 million (332) compared with the previous corresponding quarter. Net sales are on the same level as the top period 2008.

Excluding the effect of currency fluctuations, net sales increased by approx. 23%.

Sales growth was strongest in the UK, Finland, Denmark and the Czech Republic.

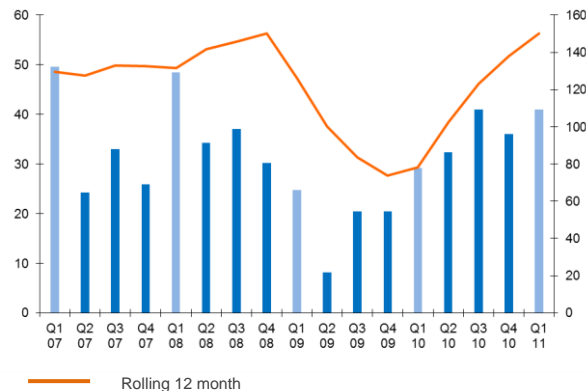
## SALES BY REGION (SEK million)



Sweden's share of the consolidated net sales was 64%, which is a 2% increase mainly depending of the currency fluctuations and acquisitions.

The volume development is on the same level among the regions.

## OPERATING PROFIT (SEK million)



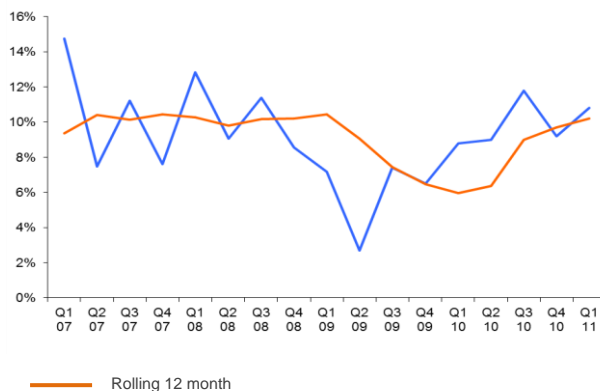
The operating income increased during the first quarter by 39% to SEK 41 million (29) compared with the previous corresponding quarter. The improvement was a consequence of the increased net sales together with improved operating margin.

For the rolling 12 months, the operating income increased by 92% to SEK 150 million (78).

### Note

Q1 2007 sale of property + SEK 13 million  
Q1 2008 sale of property + SEK 5.4 million

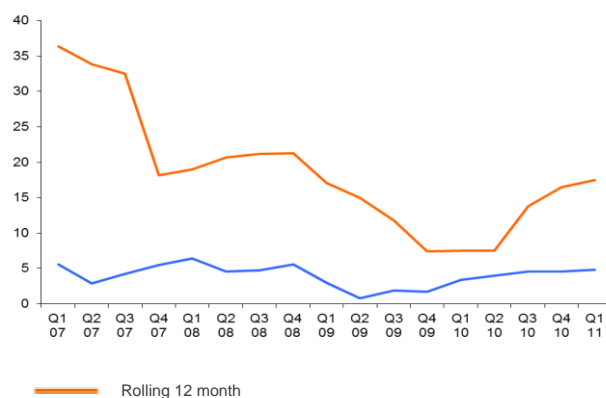
## OPERATING MARGIN (%)



The operating margin was 10.6% (8.8%) in the first quarter.

For the rolling 12 months, the operating margin was 10.2% compared to 9.7% for the whole of 2010.

## RETURN ON EQUITY (%)



Return on equity improved over the same period of the previous year by 4.8% (3.4%). For the rolling 12 months, return on equity was 18%, which means we are approaching our 20% target.

Equity amounted to SEK 621 million (578) on 31 March 2011 and the equity/assets ratio was 64% (61%).

# THE REGIONS

## SWEDEN

Sales are performed under company names OEM Automatic, OEM Motor, OEM Electronics, Internordic Bearings, Telfa and Elektro Elco.

	<b>Q1</b>	<b>Q1</b>	<b>Year</b>	<b>Rolling</b>
SEK million	<b>2011</b>	<b>2010</b>	<b>2010</b>	<b>12</b>
Incoming orders	<b>265</b>	208	923	980
Net sales	<b>245</b>	210	905	940
Operating profit	<b>32</b>	24	113	121
Operating margin(%)	<b>12</b>	11	10	12

Net sales increased by 17% in the first quarter compared with the corresponding quarter of the previous year. Excluding the effect of currency fluctuations, net sales increased by approx. 25%.

Incoming orders exceed net sales by 8%, which bodes well for the future.

The operating income increased by 33% thanks to strong sales and implemented streamlining measures.

## FINLAND AND BALTICS

Sales are performed under company names OEM Automatic, OEM Electronics and Internordic Bearings.

	<b>Q1</b>	<b>Q1</b>	<b>Year</b>	<b>Rolling</b>
SEK million	<b>2011</b>	<b>2010</b>	<b>2010</b>	<b>12</b>
Incoming orders	<b>56</b>	53	224	227
Net sales	<b>57</b>	46	215	226
Operating profit	<b>6</b>	3	20	22
Operating margin(%)	<b>10</b>	7	9	10

Net sales increased by 24% in the first quarter compared with the corresponding quarter of the previous year. Sales increased by 35% in local currency.

The operating income increased by 81% thanks to strong sales and implemented streamlining measures.

## DENMARK, NORWAY, UK, CENTRAL EAST EUROPE

Sales are performed under company names OEM Automatic, OEM Automatic Klitsö and OEM Electronics.

	<b>Q1</b>	<b>Q1</b>	<b>Year</b>	<b>Rolling</b>
SEK million	<b>2011</b>	<b>2010</b>	<b>2010</b>	<b>12</b>
Incoming orders	<b>84</b>	84	321	321
Net sales	<b>82</b>	76	310	316
Operating profit	<b>6</b>	4	18	20
Operating margin(%)	<b>8</b>	6	6	6

Net sales increased by 8% in the first quarter compared with the corresponding quarter of the previous year. Excluding the effect of currency fluctuations, net sales increased by approx. 18%. Incoming orders amounted to SEK 84 million (84) and exceed net sales by 2%.

The operating income increased by 37% thanks to strong sales and implemented streamlining measures.

# OTHER FINANCIAL INFORMATION

## Cash flow

The cash flow from operating activities totalled SEK 16 million (13). The total cash flow was SEK 18 million. This was impacted by SEK 14 million through investment. For the rolling 12 months, the cash flow from operating activities totalled SEK 119 million. The total cash flow for a rolling 12 months amounted to SEK 27 million. During the period, it was impacted by SEK 25 million through investment and by SEK 46 million through dividends.

## Investments

The Group's net investments in property, plant and equipment totalled SEK 11 million (3.9). Property, machinery and equipment accounted for SEK 2.0 million of this total, and business combinations for SEK 8.8 million. SEK 0.9 million (4.1) of the net investment amount is attributable to exchange rate movements when the balance sheet is translated at the closing rate on the balance sheet date.

## Cash and cash equivalents

Cash and cash equivalents, comprising cash and bank balances, plus committed but undrawn credit facilities, amounted to SEK 400 million (360) on 31 March 2011.

## Intangible assets

Amortisation of intangible assets totalling SEK 3.0 million (2.7) has been charged to the income statement. On 31 March 2011, the balance sheet carrying amount was SEK 112 million (105).

## Equity/assets ratio

On 31 March 2011, the equity/assets ratio was 64% (61).

## Employees

The Group's average number of employees in continuing operations was 530 (483) for the period. At the end of the period, the number of employees was 533.

## Share repurchase

The company has not repurchased any shares during the period. The Company did not hold any of its own shares on 31 March 2011. The Annual General Meeting's authorisation for the repurchase of shares extends to 10% of the number of shares, i.e. 2,316,930.

## Acquisitions

In March, all of the shares of Echobeach Ltd. were acquired. Echobeach Ltd. reports sales of approximately SEK 12 million and markets electrical components in the United Kingdom. The company will be merged with OEM Automatic Ltd. during the spring of 2011. On the 1 March 2011, the company will become part of the Denmark, Norway, UK and Central Eastern Europe region. The purchase price for the acquired business was SEK 4.7 million and a contingent additional purchase price, based on the performance of the business throughout 2011, is estimated at SEK 2.2 million. Transaction expenses for the acquisition are SEK 0.2 million and are included in the operating costs. As a result of the acquisition, other intangible assets in the Group have increased by SEK 8.7 million, which are customer relations. Deferred tax liability amounts to SEK 2.4 million. The effect of the implemented acquisition on consolidated sales during the first quarter is approximately SEK 0.7 million, and on profit before tax approximately SEK 0.2 million.

## Acquisition calculation

The acquired company's net assets at the time of acquisition	Recognised value in the company	Fair value adjustment	Fair value in the Group
Intangible assets	-	8,7	8,7
Other non-current assets	-	-	-
Inventories	1,5	-	1,5
Other current assets	2,2	-	2,2
Interest-bearing liabilities	-	-	-
Other liabilities	-3,1	-2,4	-5,5
Net identifiable assets/liabilities	0,6	6,3	6,9
Consolidated goodwill	-	-	-
Purchase price	-	-	6,9

## Accounting policies

This condensed consolidated interim report has been prepared in compliance with IAS 34 Interim Financial Reporting and applicable provisions of the Swedish Annual Accounts Act. The interim report for the Parent Company has been prepared in compliance with Chapter 9, Interim Reports, of the Swedish Annual Accounts Act. The Group and the Parent Company have applied the same accounting policies and basis of preparation as in the latest annual report, with the following exceptions. The Group's operations are divided into operating segments based on the business areas for which the company's chief operating decision maker, the Group management, monitors the profit, returns and cash flows that the Group's various segments generate. From January 2011, the Group has undergone a reorganisation and is primarily managed as three market regions, i.e. Sweden, Finland and the Baltic States, and Denmark, Norway, the UK and Central Eastern Europe. The purpose of the new organisation is to consolidate OEM's long-term competitive edge and increase growth outside of Sweden. Before 2011, OEM was a matrix organisation with product and country lines, grouped into three divisions: Automation, Components and Production Technology. The Production Technology Division was discontinued in 2010. The focus was moved from the product organisation to the market regions. Each operating segment in the form of a market region has one manager, except for Sweden which has two managers who are responsible for the day-to-day operations and who provide the Group management with regular reports on the performance of the segment and resource requirements. The Group's internal reporting system is designed to allow the Group management to monitor the performance and results of each of the market regions. The Group's segments have been identified using data from this internal reporting system, through a process of assessing the different areas in order to merge segments that are similar. This

means that segments have been merged if they share similar economic properties, such as long-term gross margins and have similar product areas, customer categories and methods of distribution, and operate in an environment that has similar sets of rules and regulations.

## Risks and uncertainties

The OEM Group is exposed to both business-related risks and financial risks through its activities. Operations-related risks can include competition and business risks, while financial risks can include liquidity, interest rate and currency risks. The OEM Group's financial activities and management of financial risks are conducted primarily by the Parent Company. Frameworks for risk management procedures and risk mitigation are in place. These systems are characterised by a low risk level. The basis is the 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 2010, pages 46-48. No changes have occurred during the period.

## Estimates and assessments

Preparation of the interim report requires company management to make estimates, assessments and assumptions that affect the application of the accounting policies and the reported amounts for assets, liabilities, income and expenses. Actual outcomes may differ from these estimates and assessments. The critical assessments and sources of uncertainty in the estimates are the same as in the latest annual report.

### Parent Company

Net turnover was SEK 4.3 million (4.6) and profit after financial items was SEK -4.9 million (-4,8).

### After the close of the reporting period

On 1 April 2011, all of the shares in Svenska Helag AB were acquired. Svenska Helag, based in the Swedish town of Borås, produces and markets connection technology components for electrical systems and electronics. The company reported sales of SEK 21 million in 2010. This acquisition will strengthen OEM's range of products within connection technology.

The purchase price amounts to approximately SEK 10 million plus an additional purchase price based on how the company develops during 2011 and 2012. The acquisition is expected to have a marginal positive impact on OEM's profit for 2011.

On 27 April, an agreement was signed for the acquisition of Scapro AB's component sales business. The annual turnover is approximately SEK 30 million and the product range consists of keyboards, capacitors and ferrites. The acquisition is expected to be completed during May and the effective date of acquisition will be 1 June 2011. The acquisition is an asset deal where OEM acquires stock of goods, equipment, customer and supplier deals as well as intellectual property. The purchase price amounts to approximately SEK 3 million plus an additional purchase price based on how the business develops during 2011. The acquisition is expected to have a marginal positive impact on OEM's profit for 2011.

### Date of next report

The interim report for the period January - June 2011 will be published on 18<sup>th</sup> July 2011.

Tranås, 3<sup>rd</sup> May 2011



Jörgen Zahlin  
Managing Director and Chief Executive Officer

För kompletterande information kontakta VD Jörgen Zahlin 075-242 40 22  
eller Ekonomidirektör Jan Cnattingius 075-242 40 03.

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

The information in the report is such that OEM International AB (publ) is obliged to publish in accordance with the Securities Act. The information was released to the media for publication on 3<sup>rd</sup> May 2011 at 2 p.m.



# REGIONS' SALES AND INCOME

## TURNOVER AND RESULTS BY REGION \*

### Net turnover (SEK million) \*

	Jan- March 2011	Jan- March 2010	Q4 2010	Q3 2010	Q2 2010	Rolling 12 mth	Full year 2010
Sweden, external income	245	210	260	208	227	940	905
Sweden, income from other segments	15	13	15	16	16	61	60
Finland and the Baltic States, external income	57	46	56	58	55	226	215
Finland and the Baltic States, income from other segm	0,7	0,7	0,8	-3,7	4,9	2,8	2,8
Denmark, Norway, the United Kingdom and Central Eastern Europe, external income	82	76	76	79	79	315	310
Denmark, Norway, the United Kingdom and Central Eastern Europe, income from other segments	0,2	0,3	0,3	0,2	0,4	1,0	1,1
Other operating segments/elimination	-15	-14	-16	-12	-21	-64	-63
	384	332	392	345	361	1 482	1 430

### Operating profit (SEK million) \*

	Jan- March 2011	Jan- March 2010	Q4 2010	Q3 2010	Q2 2010	Rolling 12 mth	Full year 2010
Sweden	32	24	31	30	27	120	113
Finland and the Baltic States	5,8	3,2	4,8	7,1	4,6	22	20
Denmark, Norway, the United Kingdom and Central Eastern Europe	6,3	4,6	3,2	6,1	4,2	20	18
	44	32	39	43	36	162	151

### Consolidated profit/loss (SEK million) \*

	Jan- March 2011	Jan- March 2010	Q4 2010	Q3 2010	Q2 2010	Rolling 12 mth	Full year 2010
Operating profit, above segments	44	32	39	43	36	162	151
Group functions	-3,1	-2,7	-3,4	-2,4	-3,8	-13	-12
Net financial items	-0,9	0,5	0,1	-2,9	0,5	-3,2	-1,8
Profit/loss before tax	40	30	36	38	33	147	136

### Other disclosures (SEK million) \*

	Jan- March 2011	Jan- March 2010	Q4 2010	Q3 2010	Q2 2010	Rolling 12 mth	Full year 2010
<u>Sweden</u>							
Assets	452	392	443	422	395	428	443
Liabilities	220	185	227	152	163	191	227
<u>Finland and the Baltic States</u>							
Assets	88	78	85	84	81	85	85
Liabilities	38	47	39	42	47	41	39
<u>Denmark, Norway, the United Kingdom and Central Eastern Europe</u>							
Assets	170	157	144	148	149	153	144
Liabilities	81	69	61	58	68	67	61

\* Continuing operations

# THE GROUP'S PERFORMANCE AND FINANCIAL POSITION

## CONDENSED CONSOLIDATED COMPREHENSIVE INCOME STATEMENT (SEK MILLION)

	Jan- March 2011	Jan- March 2010	Q4 2010	Q3 2010	Q2 2010	Rolling 12 mth	Full year 2010
<b>Continuing operations</b>							
Net sales	384	332	392	345	361	1 482	1 430
Other operating income	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Operating costs	-337	-296	-349	-297	-322	-1 305	-1 265
Intangible asset amortisation	-3,0	-2,7	-3,0	-2,7	-2,7	-11	-11
Depreciation of property, plant and equipment	-3,8	-4,0	-4,4	-4,2	-4,0	-16	-17
<b>Operating profit/loss</b>	<b>41</b>	<b>29</b>	<b>36</b>	<b>41</b>	<b>32</b>	<b>150</b>	<b>138</b>
Net finance income/expense	-0,9	0,5	0,1	-2,9	0,5	-3,2	-1,8
<b>Profit/loss before tax</b>	<b>40</b>	<b>30</b>	<b>36</b>	<b>38</b>	<b>33</b>	<b>147</b>	<b>136</b>
Tax	-11	-7,9	-8,4	-11	-8,9	-40	-37
<b>Profit/loss for the period from continuing operations</b>	<b>29</b>	<b>22</b>	<b>28</b>	<b>27</b>	<b>24</b>	<b>107</b>	<b>100</b>
<b>Discontinued operations</b>							
Profit/loss for the period from discontinued operations, net after tax	-0,1	-2,5	0,6	-1,0	-1,6	-2,1	-4,5
<b>Profit/loss for the period</b>	<b>29</b>	<b>19</b>	<b>28</b>	<b>26</b>	<b>22</b>	<b>105</b>	<b>95</b>
<b>Other comprehensive income</b>							
Exchange differences for the period arising on translation of foreign operations	-1,4	-5,7	-2,8	-6,9	-4,5	-16	-20
<b>Other comprehensive income for the period</b>	<b>-1,4</b>	<b>-5,7</b>	<b>-2,8</b>	<b>-6,9</b>	<b>-4,5</b>	<b>-16</b>	<b>-20</b>
<b>Total comprehensive income for the period</b>	<b>27</b>	<b>14</b>	<b>25</b>	<b>19</b>	<b>18</b>	<b>89</b>	<b>76</b>
 Earnings per share, SEK*	 1,24	 0,84	 1,21	 1,11	 0,96	 4,52	 4,12
Earnings per share from continuing operations, SEK**	1,24	0,94	1,19	1,15	1,04	4,62	4,32

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

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (SEK MILLION)

	2011-03-31	2010-12-31
<b>Assets</b>		
Goodwill	54	55
Other intangible assets	58	52
Property, plant and equipment	180	182
Financial assets	3,5	4,6
Deferred tax assets	3,9	3,9
Inventories	211	220
Current receivables	275	241
Cash and cash equivalents	191	173
<b>Total assets</b>	<b>976</b>	<b>932</b>
<b>Equity and liabilities</b>		
Equity	621	594
Non-current interest-bearing liabilities	18	17
Deferred tax liabilities	52	50
Current interest-bearing liabilities	81	65
Current non-interest-bearing liabilities	203	205
<b>Total equity and liabilities</b>	<b>976</b>	<b>932</b>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (SEK MILLION)**

	2011-03-31	2010-12-31
At beginning of year	594	565
Total comprehensive income for the period	27	76
Dividends paid	0,0	-46
At the end of the period	621	594

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT (SEK MILLION)**

	Jan- March 2011	Jan- March 2010	Q4 2010	Q3 2010	Q2 2010	Rolling 12 mth	Full year 2010
<b>Cash flows from operating activities</b>							
<b>before changes in working capital</b>	36	22	50	36	25	148	134
Changes in working capital	-21	-8,9	6,9	-5,1	-11	-30	-18
<b>Cash flows from operating activities</b>	16	13	57	31	14	118	116
Cash flows from investing activities	-14	-9,0	-6,7	-4,6	0,0	-26	-20
<b>Cash flows after investing activities</b>	1,3	4,2	50	26	14	92	95
Cash flows from financing activities							
- Change in liabilities	17	0,0	-8,1	-15	-13	-20	-36
- Dividends paid	0,0	0,0	0,0	0,0	-46	-46	-46
<b>Cash flows for the period</b>	18	4,2	42	11	-45	26	13
Cash and cash equivalents at the beginning of the per	173	165	132	122	168	168	165
Exchange rate differences	-0,2	-1,8	-0,8	-1,1	-1,0	-3,0	-4,6
<b>Cash and cash equivalents at the end of the period</b>	191	168	173	132	122	191	173

**KEY PERFORMANCE INDICATORS**

	Jan- March 2011	Jan- March 2010	Q4 2010	Q3 2010	Q2 2010	Rolling 12 mth	Full year 2010
Return on equity, %	4,8	3,4	4,6	4,4	4,1	17,9	16,5
Return on capital employed, % *	5,8	4,3	5,5	6,1	5,1	22,5	21,0
Return on total capital % *	4,3	3,3	4,0	4,4	3,8	16,5	15,5
Equity/assets ratio, %	64	61					64
Earnings per share, SEK*	1,24	0,84	1,21	1,11	0,96	4,52	4,12
Earnings per share from continuing operations, SEK*/	1,24	0,94	1,19	1,15	1,04	4,62	4,32
Equity per share, SEK		24,96					25,63
Average number of shares (thousands)	23 169	23 169	23 169	23 169	23 169	23 169	23 169
Average number of diluted shares (thousands)	23 169	23 169	23 169	23 169	23 169	23 169	23 169
Operating margin, % *	10,6	8,8	9,3	11,8	9,0	10,2	9,7

\* Under IFRS 5, Division Production Technology operations are recognised as discontinued operations. Marked KPIs apply to continuing operations. Comparative figures have been restated. Other KPIs apply for the total operations (incl. Production Technology operations) as the balance sheet for the comparative periods, under IFRS 5, is not restated.

\*\* There are no dilution effects

# THE PARENT COMPANY' PERFORMANCE AND FINANCIAL POSITION

## CONDENSED INCOME STATEMENT OF THE PARENT COMPANY (SEK MILLION)

	Jan- March 2011	Jan- March 2010	Q4 2010	Q3 2010	Q2 2010	Rolling 12 mth	Full year 2010
Net sales	4,3	4,6	24	3,9	5,1	37	37
Operating costs	-8,9	-9,0	-8,9	-8,1	-11	-37	-37
Depreciation	-0,7	-0,5	-1,0	-0,4	-0,7	-2,8	-2,6
<b>Operating profit/loss</b>	<b>-5,3</b>	<b>-5,0</b>	<b>14</b>	<b>-4,6</b>	<b>-6,8</b>	<b>-2,9</b>	<b>-2,5</b>
Income from shares in Group companies	0,0	0,0	-9,9	0,0	31	21	21
Net financial income/expense	0,4	0,2	0,4	0,2	0,3	1,3	1,1
<b>Profit/loss after financial items</b>	<b>-4,9</b>	<b>-4,8</b>	<b>4,4</b>	<b>-4,3</b>	<b>24</b>	<b>20</b>	<b>20</b>
Appropriations	0,0	0,0	-12	0,0	0,0	-12	-12
<b>Profit/loss before tax</b>	<b>-4,9</b>	<b>-4,8</b>	<b>-8,1</b>	<b>-4,3</b>	<b>24</b>	<b>7,2</b>	<b>7,2</b>
Tax	1,3	-1,3	-1,0	1,0	4,4	5,6	3,1
<b>Profit/loss for the period</b>	<b>-3,6</b>	<b>-6,1</b>	<b>-9,0</b>	<b>-3,4</b>	<b>29</b>	<b>13</b>	<b>10</b>

## CONDENSED PARENT COMPANY BALANCE SHEET (SEK MILLION)

	2011-03-31	2010-12-31
<b>Assets</b>		
Intangible assets	3,5	3,9
Property, plant and equipment	20	20
Financial assets	304	304
Current receivables	195	203
Cash and bank balances	121	122
<b>Total assets</b>	<b>643</b>	<b>653</b>
<b>Equity and liabilities</b>		
Equity	356	359
Untaxed reserves	98	98
Deferred tax liabilities	1,9	1,9
Current interest-bearing liabilities	0,0	0,0
Current non-interest-bearing liabilities	188	194
<b>Total equity and liabilities</b>	<b>643</b>	<b>653</b>
Pledged assets	7,5	7,5
Contingent liabilities	196	196

OEM is one of Europe's leading technical trading companies and consists of 21 operating units in 13 countries.

