

HALF-YEARLY REPORT JANUARY – JUNE 2005

SECOND QUARTER 2005

- Turnover increased by 11 % to 399 MSEK (359)
- Profit before tax increased by 43 % to 30.5 MSEK (21.4)
- Order bookings increased by 7 % to 404 MSEK (379)

FIRST HALV OF THE YEAR 2005

- Turnover increased by 9 % to 780 MSEK (713)
- Excluded sold-off units increased turnover by 15 %
- Profit before tax increased by 38 % to 59.3 MSEK (43.0)
- Profit after tax increased by 40 % to 40.4 MSEK (28.9)
- Earnings per share after tax increased by 40 % to SEK 5.23 (3.73)

EVENTS AFTER THE REPORTING DATE

- OEM acquires the business of AB Telfa



OEM INTERNATIONAL

SECOND QUARTER 2005

The Group's turnover amounted to 399 SEK million (359), an increase of 11 %. The largest increase in turnover was within Group EP and Automation, with 38 and 13 % respectively. Mechanics fell due to the winding-up of activities.

Order bookings increased by 7 % to 404 SEK million (379).

The profit for the quarter before tax increased by 43 % to 30.5 SEK million (21.4).

FIRST HALF OF THE YEAR 2005

Turnover and profit

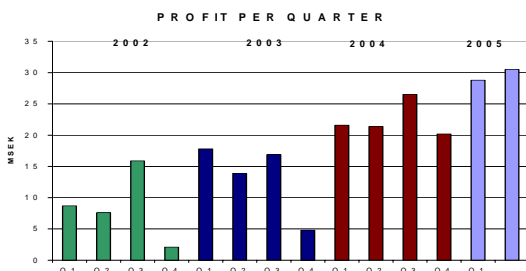
The Group's turnover increased by 9 % to 780 SEK million (713) during the first six months of the year. Excluded sold-off units increased the turnover by 15 %. Turnover outside Sweden increased by 24 % and amounted to 296 SEK million (238).

The order book value as of 30 June 2005 was 256 SEK million (253).

Increased demand together with an improved range of products and increased efficiency means that there is excellent growth in many of the Group's companies.

Profit after net financial items increased by 38 % to 59.3 SEK million (43.0). The improvement in profit is the result of the increase in turnover, streamlining and disposal of unprofitable operations.

The profit has been burdened with an estimated cost for the disposal of OEM Automatic in Italy of 4.5 SEK million, and actual winding-up costs for A Karlson Industriteknik AB of 3.7 SEK million.



Profit for 2004 and 2005 has been calculated based on IFRS.

Events after the reporting date

OEM International AB is acquiring the business of AB Telfa from 1 September 2005. Last year, the business recorded a turnover of 42 SEK million, with a profit of around 3 SEK million. It has 18 employees. AB Telfa has a strong position on the Swedish market within the retail of pumps for marine, mobile and industrial applications. The company represents a leading manufacturer from Europe and the USA.

Turnover per market

The breakdown is: Sweden 62 % (67), Finland 24 % (18), Denmark 4 % (5), England 4 % (4), Norway 2 % (2), Poland 2 % (2), Italy 1 % (1) and the Netherlands 1 % (1).

Cash flow

The cash flow from current operations was 34.4 SEK million

(35.9).

Investments

Net investments in fixed assets amounted to 4.4 SEK million (-0.4).

Liquidity

Liquid assets (cash and bank funds with the addition of granted but unused credit) amounted as of 30 June 2005 to 407 SEK million (333).

Goodwill

From 2005, new accounting principles, International Financial Reporting Standards (IFRS), apply, which means that planned goodwill depreciation will not apply. On the other hand, goodwill items will be examined for any write-down requirement. The profit has been burdened with goodwill write-downs of 0.9 SEK million (2.7). The book value in the balance sheet amounts to 9.4 SEK million as of 30 June 2005.

Equity/assets ratio

The equity/assets ratio as of 30 June 2005 was 58.1 % (57.3).

Employees

The average number of employees in the Group during the first quarter was 528 (586).

Share repurchasing

During the year the company has not repurchased any shares. In total, the company's shareholding amounts to 154,000 shares as of 30 June, which corresponds to 2 % of the total number of shares. The Annual General Meeting authorised repurchasing of up to 10 % of the total number of shares, which is 772,310.

Parent company

Net turnover was 8.5 SEK million (8.1) and the profit after financial items was 17.3 SEK million (-7.4).

Date of next report

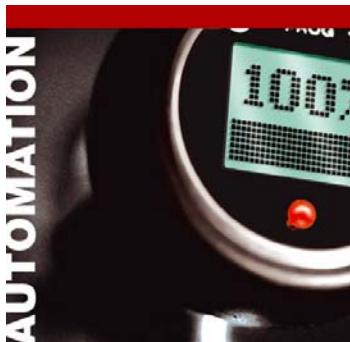
The interim report for the period January-September will be published on 26 October 2005.

Altered accounting principles

This interim report has been drafted in accordance with IAS 34 Interim Reporting, which is in accordance with the requirements imposed in the recommendation of the Swedish Financial Accounting Standards Council 'RR31 Interim Financial Reporting for Groups'. In accordance with the IAS ordinance, which was adopted by the EU in 2002, listed companies within the European Union must from the year 2005 onwards apply international accounting standards, IFRS, to their consolidated accounts. Thus, the company's quarterly reports for the first half of 2005 have been drafted in accordance with the International Financial Reporting Standards, IFRS, adopted by the EU. In accordance with the transition regulations, the comparison year 2004 was reported according to the new accounting principles.

The company's annual report for financial year 2004 included a description of which accounting principles would be affected by the transition to IFRS. For a description of the accounting principles applied by the company for the quarterly reports for the first half of 2005, see note 20 in the annual report for 2004.

TURNOVER AND PROFITS PER COMPANY GROUP



Components for industrial automation

- **Turnover 307 (279) SEK million**
- **Operating income 32.9 (34.7) SEK million**

Increased demand, new products and increased market shares mean that the turnover increased by 10 % during the first six months. The profit was burdened by winding-up costs of 4.5 MSEK for our activities in Italy. Downward pressure on prices together with a large degree of increase originating from new volume deals mean that the margin is reducing. Work to centralise stocks to Sweden is continuing.



Appliance and circuit board components, EMC and microwave components

- **Turnover 154 (146) SEK million**
- **Operating income 12.5 (8.0) SEK million**

Turnover increased by 5 % and the profit by 56 % in the first six months. Reduced demand within certain areas was balanced by increased market shares within others. Increased coordination has led to greater efficiency, which in the long term will strengthen our competitiveness.



Ball bearings, seals, lubricating nipples, linear units, motors and transmissions

- **Turnover 92 (104) SEK million**
- **Operating income 2.8 (5.1) SEK million**

The winding-up of A Karlson Industriteknik burdened the profit during the first six months by – 3.7 SEK million. When this is discounted, the profit for the Group increases by 8 % on a largely unchanged turnover. Demand for ball bearings above all is high, which has meant that the order book for the group is strong.



Designs and manufactures hydraulic units and hydraulic systems

- **Turnover 79 (77) SEK million**
- **Operating income 6.9 (3.6) SEK million**

A slightly better turnover compared with the previous year together with increased efficiency means the profit has improved significantly. Activities in the group will be managed by one company from May. Work to merge the units has gone well and the reception on the market has been positive.



Production equipment and components for electronics production.

- **Turnover 153 (110) SEK million**
- **Operating income 8.4 (-2.3) SEK million**

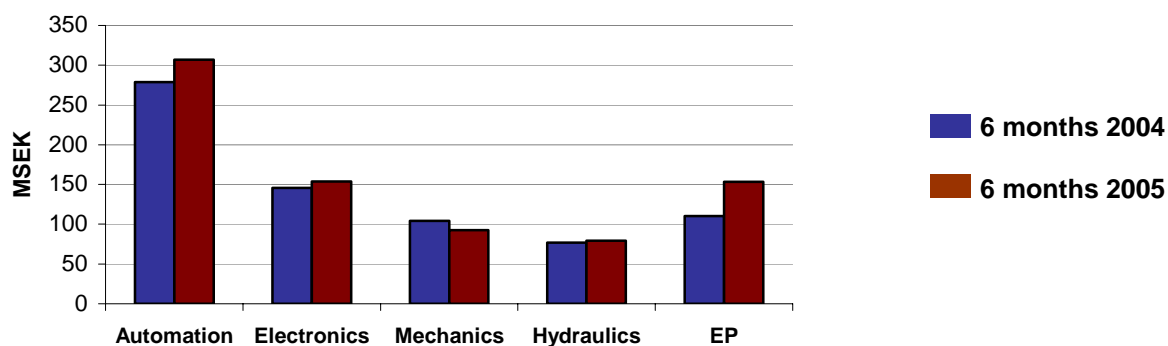
Turnover increased by 39 % with a dramatic improvement in profit as a result. Sales were good in Finland and Norway, while Sweden and Denmark did not achieve the expected turnover. Work on developing the range and coordination is continuing.

TURNOVER & PROFITS PER COMPANY GROUP

Net turnover (MSEK)

	Jan- June 2005	Jan- June 2004	Q 2 2005	Q 1 2005	Q 4 2004	Q 3 2004	Q 2 2004	Rolling 12 mth	Full year 2004
Group Automation	307.0	278.7	161.1	145.9	140.1	134.6	142.7	581.7	553.4
Group Electronics	153.8	145.7	74.7	79.1	71.4	67.7	72.7	292.9	284.8
Group Mechanics	92.4	104.0	44.2	48.2	46.8	43.6	51.4	182.8	194.4
Group Hydraulics	79.2	76.9	41.3	37.9	32.2	29.8	37.6	141.2	138.9
Group EP	153.1	110.2	79.9	73.2	64.2	64.9	57.8	282.2	239.3
Other operations/elimination	-5.5	-2.3	-2.0	-3.5	-1.1	-1.3	-3.7	-7.9	-4.7
	780.0	713.2	399.2	380.8	353.6	339.3	358.5	1 472.9	1 406.1

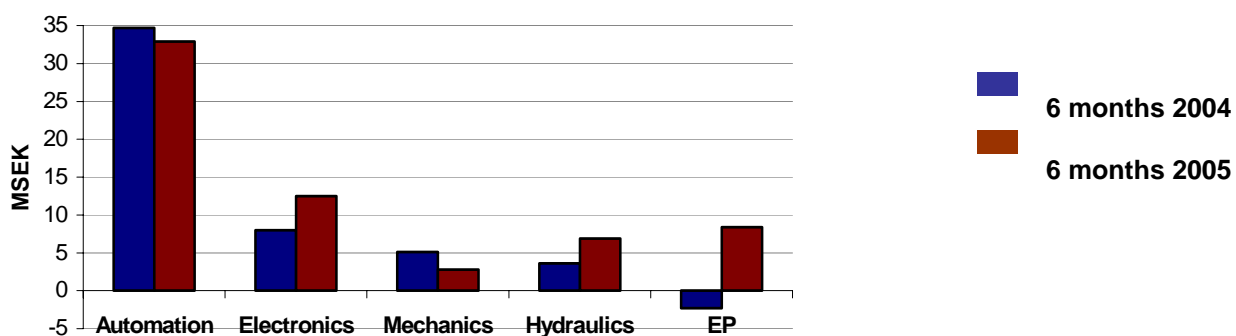
Turnover per company group



Operating income (MSEK)

	Jan- June 2005	Jan- June 2004	Q 2 2005	Q 1 2005	Q 4 2004	Q 3 2004	Q 2 2004	Rolling 12 mth	Full year 2004
Group Automation	32.9	34.7	18.4	14.5	14.9	17.5	16.5	65.3	67.1
Group Electronics	12.5	8.0	5.2	7.3	4.9	6.7	4.0	24.1	19.6
Group Mechanics	2.8	5.1	2.3	0.5	-1.7	2.7	1.5	3.8	6.1
Group Hydraulics	6.9	3.6	2.8	4.1	-0.6	-0.1	0.9	6.2	2.9
Group EP	8.4	-2.3	3.4	5.0	1.2	0.6	0.4	10.2	-0.5
Other operations/elimination	-6.0	-7.2	-2.9	-3.1	-0.3	-1.0	-2.5	-7.3	-8.5
	57.5	41.9	29.2	28.3	18.4	26.4	20.8	102.3	86.7

Profits per company group



All amounts above are adjusted on the basis of current group structure.

CONSOLIDATED PROFIT AND LOSS ACCOUNT (MSEK)

	Jan- June 2005	Jan- June 2004	Q 2 2005	Q 1 2005	Q 4 2004	Q 3 2004	Q 2 2004	Rolling 12 mth	Full year 2004
Net turnover	780.0	713.2	399.2	380.8	353.6	339.3	358.5	1 472.9	1406.1
Operating expenses	-716.4	-660.8	-367.5	-348.9	-331.4	-307.9	-332.5	- 1 355.7	-1300.1
Depreciation according to plan	-6.1	-10.5	-2.5	-3.6	-3.8	- 5.0	-5.2	-14.9	-19.3
Operating income	57.5	41.9	29.2	28.3	18.4	26.4	20.8	102.3	86.7
Shares in associated companies	1.3	0.6	0.8	0.5	1.2	- 0.3	0.2	2.2	1.5
Net financial items	0.5	0.5	0.5	0.0	0.6	0.4	0.4	1.5	1.5
Profit before tax	59.3	43.0	30.5	28.8	20.2	26.5	21.4	106.0	89.7
Tax	-18.9	-14.1	-9.6	-9.3	-2.9	- 9.0	- 7.1	-30.8	-26.0
Profit	40.4	28.9	20.9	19.5	17.3	17.5	14.3	75.2	63.7
Earnings per share before dilution, SEK	5.23	3.73	2.70	2.53	2.24	2.26	1.86	9.73	8.23
Earnings per share after dilution, SEK	5.21	3.71	2.69	2.52	2.23	2.25	1.85	9.68	8.18

CONSOLIDATED BALANCE SHEET (MSEK)

	30-06-2005	30-06-2004	31-12-2004
Assets			
Intangible fixed assets	9.4	13.0	10.3
Tangible fixed assets	124.6	131.4	122.1
Financial fixed assets	8.9	13.6	7.9
Deferred tax claims	12.7	4.3	12.5
Inventories	199.9	206.4	207.0
Current receivables	269.8	248.6	227.5
Cash and bank	116.6	69.0	111.0
Shareholders' equity and liabilities			
Shareholders' equity	430.7	393.4	424.9
Deferred tax liability	27.5	26.8	27.2
Current liabilities, interest-bearing	53.7	52.0	37.7
Current liabilities, non-interest-bearing	230.0	214.1	208.5
Balance sheet total	741.9	686.3	698.3

GROUP CHANGES IN SHAREHOLDERS' EQUITY (MSEK)

	30-06-2005	30-06-2004 ¹⁾	31-12-2004 ¹⁾
At the start of the year	424.9	399.6	399.6
Repurchase of own shares	-	-3.3	-3.3
Issued dividend	-41.6	-34.2	-34.2
Profit for the period	40.4	28.9	63.7
Translation difference for the year	7.0	2.4	-0.9
At the end of the period	430.7	393.4	424.9

1) The comparative amounts from the previous year have been adjusted for IFRS effects

Reconciling shareholders' equity in accordance with previous accounting principles compared with shareholders' equity in accordance with IFRS

	01-01-2004	30-06-2004	31-12-2004
Shareholders' equity in acc. with Sw GAAP	390.6	380.1	409.7
Resetting of goodwill depreciation	-	6.3	10.3
Write-down of goodwill	-	-2.7	-5.3
Component depreciation	12.5	13.4	14.2
Deferred tax	-3.5	-3.7	-4.0
Shareholders' equity in acc. with IFRS	399.6	393.4	424.9

Profit and loss account and balance sheet in accordance with previous accounting principles compared with IFRS

	Jan-June 2004			Q 2 2004			31-12-2004		
	SW GAAP	Adjust ment IFRS	IFRS	SW GAAP	Adjust ment IFRS	IFRS	SW GAAP	Adjust ment IFRS	IFRS
Depreciation ¹⁾	-8.6	4.5	-4.1	-4.0	2.0	-2.0	-26.0	6.7	-19.3
Operating income	37.4	4.5	41.9	18.8	2.0	20.8	80.1	6.7	86.8
Net financial items	1.1		1.1	0.6		0.6	2.9		2.9
Profit before tax	38.5	4.5	43.0	19.4	2.0	21.4	83.0	6.7	89.7
Tax expenses	-13.9	-0.2	-14.1	-7.0	-0.1	-7.1	-25.6	-0.5	-26.1
Net profit	24.6	4.3	28.9	12.4	1.9	14.3	57.4	6.2	63.6
1)									
Amortisation/write-down of goodwill	-6.3	3.6	-2.7	-2.9	1.6	-1.3	-10.3	5.0	-5.3
Component depreciation	-2.3	0.9	-1.4	-1.1	0.4	-0.7	-15.7	1.7	-14.0

	30-06-2004			31-12-2004		
	SW GAAP	Adjustme nt IFRS	IFRS	SW GAAP	Adjustme nt IFRS	IFRS
Intangible fixed assets	9.3	3.7	13.0	5.3	5.0	10.3
Tangible fixed assets	118.0	13.4	131.4	107.9	14.2	122.1
Financial fixed assets	17.9		17.9	20.4		20.4
Current assets	524.0		524.0	545.5		545.5
Shareholders' equity	380.1	13.3	393.4	409.7	15.2	424.9
Deferred tax liability	23.0	3.8	26.8	23.1	4.1	27.2
Current liabilities, interest-bearing	52.0		52.0	37.7		37.7
Current liabilities, non-interest-bearing	214.1		214.1	208.5		208.5
Balance sheet total	669.2	17.1	686.3	679.1	19.2	698.3

The impact of IFRS on the opening balance as of 01-01-2004 consists of component depreciation, which increases the fixed assets by 12.5 SEK million and deferred tax liability by 3.5 SEK million.



CASH FLOW ANALYSIS (MSEK)

	Jan- June 2005	Jan- June 2004	Q 2 2005	Q 1 2005	Q 4 2004	Q 3 2004	Q 2 2004	Rolling 12 mth	Full year 2004
Cash flow from current operations	44.5	37.3	18.9	25.6	28.6	24.2	16.9	97.3	90.1
Changes to operating capital	-10.1	-1.4	2.2	-12.3	28.0	- 23.3	12.7	-5.4	3.3
Cash flow before investments	34.4	35.9	21.1	13.3	56.6	0.9	29.6	91.9	93.4
Investments	-4.5	3.0	-0.7	-3.8	-1.8	0.8	0.2	-5.5	2.0
Cash flow after investments	29.9	38.9	20.4	9.5	54.8	1.7	29.8	86.4	95.4
Cash flow from financing activities									
• Change in liabilities	16.0	14.8	8.8	7.2	-11.2	- 3.1	5.6	1.7	0.5
• Paid dividend	-41.6	-34.2	-41.6	-	-	-	-34.2	-41.6	-34.2
• Repurchase of own shares	-	-3.3	-	-	-	-	- 3.3	-	-3.3
Cash flow	4.3	16.2	-12.4	16.7	43.6	- 1.4	- 2.1	46.5	58.4

KEY INDICATORS

	Jan- June 2005	Jan- June 2004	Q 2 2005	Q 1 2005	Q 4 2004	Q 3 2004	Q 2 2004	Rolling 12 mth	Full year 2004
Return on shareholders' equity, %	9.4	7.2	4.8	4.5	4.1	4.4	3.5	18.3	15.4
Return on capital employed, %	12.5	9.9	6.1	6.2	5.0	6.0	4.9	23.0	20.9
Return on total capital, %	8.2	6.5	3.9	4.0	3.3	4.0	3.2	15.0	13.9
Equity/assets ratio, %	58.1	57.3							60.8
Earnings per share before dilution, SEK	5.23	3.73	2.70	2.53	2.24	2.26	1.86	9.73	8.23
Earnings per share after dilution, SEK	5.21	3.71	2.69	2.52	2.23	2.25	1.85	9.68	8.18
Shareholders' equity per share, SEK	55.76	50.94							55.02
Average number of shares (thousands)	7 723	7 723	7 723	7 723	7 723	7 723	7 723	7 723	7 739
Average number of shares after dilution (thousands)	7 763	7 763	7 763	7 763	7 763	7 763	7 763	7 763	7 779
Operating margin, %	8.1	7.4	7.9	8.4	6.3	8.7	7.7	8.0	7.5
Growth in turnover, %								5.8	-1.5

Tranås, 12 August 2005

OEM INTERNATIONAL AB (PUBL)

Jörgen Zahlin
Managing Director and CEO

**REVIEW REPORT**

We have reviewed the interim report for the second quarter for OEM International AB (publ.) as of 30 June 2005 in general terms. Our general review was performed in accordance with the recommendation issued by FAR.

A general review is limited to discussions with the company's personnel and an analytical examination of the financial information, and thus offers a lower level of security than an audit. We have not carried out an audit of this interim report and thus we are not issuing an audit statement.

Nothing has come to light to suggest that the interim report does not meet the requirements of interim reports as per the Annual Accounting Act and IAS 34.

Tranås, 12 August 2005
KPMG Bohlins AB

Niklas Bengtsson
Authorised Public Accountant

For further information contact MD Jörgen Zahlin +46 (0)709-760 695 or Finance Director Jan Cnattingius +46 (0)709-760 682

OEM International, with its head office in Tranås, Sweden, is comprised of 23 operational units in eight countries. The Group operates within trading of components and systems for industrial automation. In simple terms, OEM acts as an alternative for manufacturers selling through their own companies. OEM thereby has responsibility for sales and marketing of the products that the company deals with.

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