

## INTERIM REPORT JANUARY – SEPTEMBER 2005

### THIRD QUARTER 2005

- Turnover increased by 3 % to 349 MSEK (339)
- Profit before tax increased by 16 % to 30.7 MSEK (26.5)
- Orders increased by 4 % to 335 MSEK (323)
- Result burdened by disposal of property at a value of 5.8 MSEK

### JANUARY - SEPTEMBER 2005

- Turnover increased by 7 % to 1 129 MSEK (1 052)
- Excluded sold-off units increased turnover by 12 %
- Profit before tax increased by 30 % to 90.0 MSEK (69.5)
- Profit after tax increased by 35 % to 62.4 MSEK (46.3)
- Earnings per share after tax increased by 35 % to 8:08 SEK (5:99)





## THIRD QUARTER 2005

Group turnover amounted to 349 MSEK (339), an increase of 3 %. The largest increase in turnover was within EP and Hydraulics, with 12 and 11 % respectively. Mechanics fell, partially due to the winding-up of activities.

Incoming orders increased by 4 % to 335 MSEK (323).

Profit for the quarter before tax increased by 16 % to 30.7 MSEK (26.5).

During the quarter, a property in Karlskoga, in which previous subsidiary Jubo Mechatronics operates, was sold off, burdening the profit by 5.8 MSEK.

Activities in Italy were sold off as planned. Reservations previously made, 4.5 MSEK, are expected to cover the cost of disposal.

## JANUARY - SEPTEMBER 2005

### Turnover and profit

Group turnover increased by 7 % to 1 129 MSEK (1 052). Excluded sold-off units increased turnover by 12 %.

Turnover outside Sweden increased by 15 %, amounting to 425 MSEK (369).

The order book value as of 30 September 2005 was 243 MSEK (240).

Increased demand together with an improved product range and increased efficiency means that many of the group's companies are showing excellent growth.

Profit after net financial items increased by 30 % to 90.0 MSEK (69.5). The improvement in profit is the result of the turnover increase, improved efficiency and the disposal of non-profitable operations.

The profit has been burdened with the costs for the disposal of property amounting to 5.8 MSEK, winding-up costs for activities in Italy and for A Karlson Industriteknik AB of 4.5 and 3.7 MSEK respectively.

### Investments

Net investments in fixed assets totalled -0.9 MSEK (-1.1).

### Liquidity

Liquid assets, consisting of cash and bank balances including approved, but non-utilised bank overdraft facilities amounted to 361 MSEK (363) as of 30 September 2005.

### 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 MSEK (4.0). The book value in the balance sheet amounts to 18.2 MSEK as of 30 September 2005.

### Equity/assets ratio

The equity/assets ratio as of 30 September 2005 was 59.6 % (59.4).

### Number of employees

The average number of employees during the first nine months of the year was 537 (578).

### Repurchase of shares

During the year the company did not repurchase any shares. The total number of own shares held at 30 September amounted to 154,000 shares, which corresponds to 2 % of the total number of shares. The annual general meeting may authorise up to 10 % of the number of shares, which is 772,310.

### Parent company

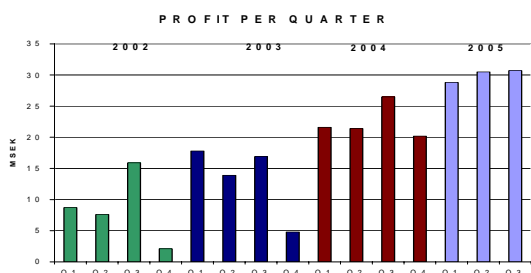
Net turnover was 12.6 MSEK (12.6) and the profit after financial items was 13.0 MSEK (-13.2).

### Date of next report

The interim report for the 2005 financial year will be published on 22 February 2006.

### 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 the 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.



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

### Turnover per market

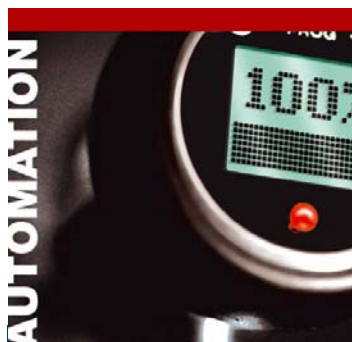
Sweden 62 % (65), Finland 24 % (20), Denmark 4 % (5), England 4 % (4), Norway 3 % (2), Poland 2 % (2), Italy - % (1) and the Netherlands 1 % (1).

### Cash flow

The cash flow from current operations was 72.0 MSEK (36.8).



## TURNOVER AND RESULTS BY COMPANY GROUP



### Components for industrial automation

- **Turnover 444 (413) MSEK**
- **Operating profit 53.3 (52.2) MSEK**

Continued high demand together with new product launches increased turnover by 8 %. The profit was burdened by winding-up costs of 4.5 MSEK for activities in Italy. All companies within the group experienced positive development.



### Appliance and circuit board components, EMC and microwave components

- **Turnover 223 (213) MSEK**
- **Operating profit 18.8 (14.7) MSEK**

Turnover increased by 5% and the profit by 28 % in the first nine months of the year. New products together with increased market shares were balanced by reduced demand within certain areas. Increased coordination provided greater efficiency, which strengthens our competitiveness.



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

- **Turnover 130 (148) MSEK**
- **Operating profit 6.3 (7.8) MSEK**

Excluding the winding-up of A Karlson Industriteknik, which burdened the profit by 3.7 MSEK, the group increased its profit by 18 % on a largely unchanged turnover. Demand for ball bearings in particular remained high, which has meant that the order book for the group is strong.



### Designs and manufactures hydraulic units and hydraulic systems

- **Turnover 112 (107) MSEK**
- **Operating profit 8.3 (3.5) MSEK**

A 5 % increase in turnover together with increased efficiency significantly improved profit. A high level of demand means that the order book is strong. The merger into one company led to greater efficiency and strengthens competitiveness.



### Production equipment and components for electronics production.

- **Turnover 226 (175) MSEK**
- **Operating profit 15.4 (-1.7) MSEK**

A strong third quarter, particularly in Finland and Norway, meant that turnover increased by 29 %, with a dramatic increase in profit as a result. Work on developing our range and coordination is continuing.

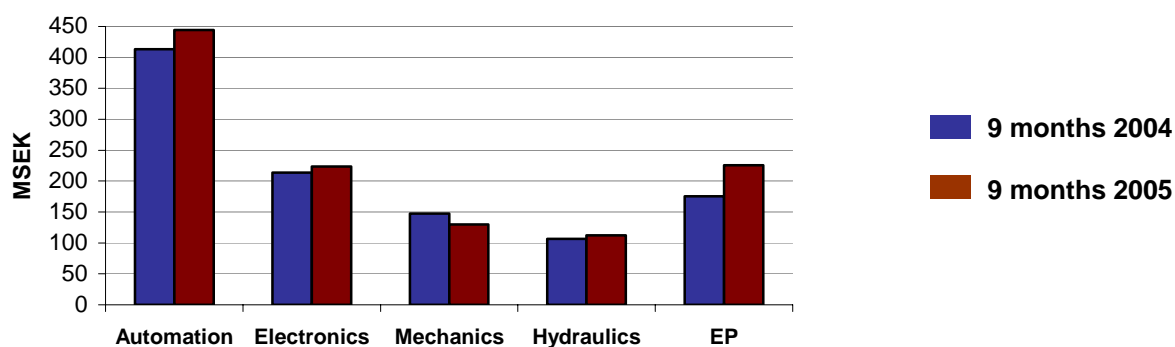


## TURNOVER & PROFITS PER COMPANY GROUP

### Net turnover (MSEK)

	Jan-Sept 2005	Jan-Sept 2004	Q 3 2005	Q 2 2005	Q 1 2005	Q 4 2004	Q 3 2004	Rolling 12 mth	Full year 2004
Group Automation	444.1	413.3	137.1	161.1	145.9	140.1	134.6	584.2	553.4
Group Electronics	223.2	213.4	69.4	74.7	79.1	71.4	67.7	294.6	284.8
Group Mechanics	129.7	147.6	37.3	44.2	48.2	46.8	43.6	176.5	194.4
Group Hydraulics	112.3	106.7	33.1	41.3	37.9	32.2	29.8	144.5	138.9
Group EP	225.7	175.1	72.6	79.9	73.2	64.2	64.9	289.9	239.3
Other operations/elimination	-5.7	-3.6	-0.2	-2.0	-3.5	-1.1	-1.3	-6.8	-4.7
	1 129.3	1 052.5	349.3	399.2	380.8	353.6	339.3	1 482.9	1 406.1

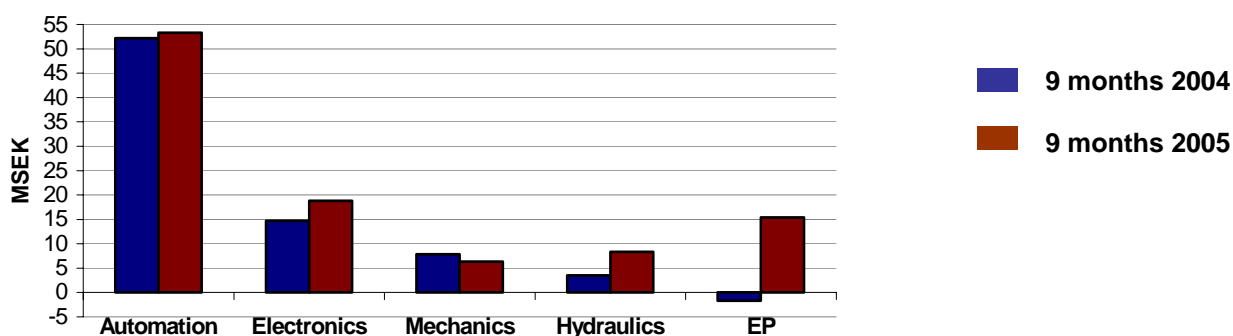
### Turnover per company group



### Operating income (MSEK)

	Jan-Sept 2005	Jan-Sept 2004	Q 3 2005	Q 2 2005	Q 1 2005	Q 4 2004	Q 3 2004	Rolling 12 mth	Full year 2004
Group Automation	53.3	52.2	20.4	18.4	14.5	14.9	17.5	68.2	67.1
Group Electronics	18.8	14.7	6.3	5.2	7.3	4.9	6.7	23.7	19.6
Group Mechanics	6.3	7.8	3.5	2.3	0.5	-1.7	2.7	4.6	6.1
Group Hydraulics	8.3	3.5	1.4	2.8	4.1	-0.6	-0.1	7.7	2.9
Group EP	15.4	-1.7	7.0	3.4	5.0	1.2	0.6	16.6	-0.5
Other operations/elimination	-13.8	-8.2	-7.8	-2.9	-3.1	-0.3	-1.0	-14.1	-8.5
	88.3	68.3	30.8	29.2	28.3	18.4	26.4	106.7	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-Sept 2005	Jan-Sept 2004	Q 3 2005	Q 2 2005	Q 1 2005	Q 4 2004	Q 3 2004	Rolling 12 mth	Full year 2004
Net turnover	1 129.3	1 052.5	349.3	399.2	380.8	353.6	339.3	1 482.9	1406.1
Operating expenses	- 1 032.6	-968.7	-316.2	-367.5	-348.9	-331.4	-307.9	-1 364.0	-1300.1
Depreciation according to plan	-8.4	- 15.5	-2.3	-2.5	-3.6	-3.8	- 5.0	-12.2	-19.3
<b>Operating income</b>	<b>88.3</b>	68.3	30.8	29.2	28.3	18.4	26.4	106.7	86.7
Shares in associated companies	1.5	0.3	0.2	0.8	0.5	1.2	- 0.3	2.7	1.5
Net financial items	0.2	0.9	-0.3	0.5	0.0	0.6	0.4	0.8	1.5
<b>Profit before tax</b>	<b>90.0</b>	69.5	30.7	30.5	28.8	20.2	26.5	110.2	89.7
Tax	- 27.6	-23.2	-8.7	-9.6	-9.3	-2.9	- 9.0	-30.4	-26.0
<b>Profit</b>	<b>62.4</b>	46.3	22.0	20.9	19.5	17.3	17.5	79.8	63.7
Earnings per share before dilution, SEK	8:08	5:99	2:85	2:70	2:53	2:24	2:26	10:32	8:23
Earnings per share after dilution, SEK	8:05	5:96	2:84	2:69	2:52	2:23	2:25	10:27	8:18

## CONSOLIDATED BALANCE SHEET (MSEK)

	30-09-2005	30-09-2004	31-12-2004
<b>Assets</b>			
Intangible fixed assets	18.2	11.7	10.3
Tangible fixed assets	107.5	126.0	122.1
Financial fixed assets	7.8	12.7	7.9
Deferred tax claims	12.7	5.2	12.5
Inventories	206.9	203.7	207.0
Current receivables	267.6	256.2	227.5
Cash and bank	136.4	67.5	111.0
<b>Shareholders' equity and liabilities</b>			
Shareholders' equity	451.2	409.3	424.9
Deferred tax liability	26.1	26.9	27.2
Current liabilities, interest-bearing	50.8	48.9	37.7
Current liabilities, non-interest-bearing	229.0	197.9	208.5
<b>Balance sheet total</b>	<b>757.1</b>	683.0	698.3

## GROUP CHANGES IN SHAREHOLDERS' EQUITY (MSEK)

	30-09-2005	30-09-2004 <sup>1)</sup>	31-12-2004 <sup>1)</sup>
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	62.4	46.3	63.7
Translation difference for the year	5.5	0.9	-0.9
At the end of the period	451.2	409.3	424.9

*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	30-09-2004	31-12-2004
Shareholders' equity in acc. with Sw GAAP	390.6	394.9	409.7
Resetting of goodwill depreciation	-	8.4	10.3
Write-down of goodwill	-	-4.0	-5.3
Component depreciation	12.5	13.8	14.2
Deferred tax	-3.5	-3.8	-4.0
Shareholders' equity in acc. with IFRS	399.6	409.3	424.9

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

	Jan -Sept 2004			Q 3 2004			31-12-2004		
	SW GAAP	Adjust ment IFRS	IFRS	SW GAAP	Adjust ment IFRS	IFRS	SW GAAP	Adjust ment IFRS	IFRS
Depreciation 1)	-11.9	5.7	-6.2	-3.3	1.2	-2.1	-26.0	6.7	-19.3
Operating income	62.6	5.7	68.3	25.2	1.2	26.4	80.1	6.7	86.8
Net financial items	1.2		1.2	0.1		0.1	2.9		2.9
Profit before tax	63.8	5.7	69.5	25.3	1.2	26.5	83.0	6.7	89.7
Tax expenses	-22.8	-0.4	-23.2	-8.9	-0.1	-9.0	-25.6	-0.5	-26.1
Net profit	41.0	5.3	46.3	16.4	1.1	17.5	57.4	6.2	63.6
1)									
Amortisation/write-down of goodwill	-8.4	4.4	-4.0	-2.1	0.8	-1.3	-10.3	5.0	-5.3
Component depreciation	-3.5	1.3	-2.2	-1.2	0.4	-0.8	-15.7	1.7	-14.0

	30-09-2004			31-12-2004		
	SW GAAP	Adjustment IFRS	IFRS	SW GAAP	Adjustment IFRS	IFRS
Intangible fixed assets	7.3	4.4	11.7	5.3	5.0	10.3
Tangible fixed assets	112.2	13.8	126.0	107.9	14.2	122.1
Financial fixed assets	17.9		17.9	20.4		20.4
Current assets	527.4		527.4	545.5		545.5
Shareholders' equity	394.9	14.4	409.3	409.7	15.2	424.9
Deferred tax liability	23.0	3.9	26.9	23.1	4.1	27.2
Current liabilities, interest-bearing	48.9		48.9	37.7		37.7
Current liabilities, non-interest-bearing	198.0		198.0	208.5		208.5
Balance sheet total	664.8	18.2	683.0	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 MSEK and deferred tax liability by 3.5 MSEK.



## CASH FLOW ANALYSIS (MSEK)

	Jan-Sept 2005	Jan-Sept 2004	Q 3 2005	Q 2 2005	Q 1 2005	Q 4 2004	Q 3 2004	Rolling 12 mth	Full year 2004
Cash flow from current operations	79.7	61.5	35.2	18.9	25.6	28.6	24.2	108.3	90.1
Changes to operating capital	-7.7	-24.7	2.4	2.2	-12.3	28.0	- 23.3	20.3	3.3
<b>Cash flow before investments</b>	<b>72.0</b>	<b>36.8</b>	<b>37.6</b>	<b>21.1</b>	<b>13.3</b>	<b>56.6</b>	<b>0.9</b>	<b>128.6</b>	<b>93.4</b>
Investments	-19.2	3.8	-14.7	-0.7	-3.8	-1.8	0.8	-21.0	2.0
<b>Cash flow after investments</b>	<b>52.8</b>	<b>40.6</b>	<b>22.9</b>	<b>20.4</b>	<b>9.5</b>	<b>54.8</b>	<b>1.7</b>	<b>107.6</b>	<b>95.4</b>
Cash flow from financing activities									
• Change in liabilities	13.1	11.7	-2.9	8.8	7.2	-11.2	- 3.1	1.9	0.5
• Paid dividend	-41.6	- 34.2	-	-41.6	-	-	-	-41.6	-34.2
• Repurchase of own shares	-	- 3.3	-	-	-	-	-	-	-3.3
<b>Cash flow</b>	<b>24.3</b>	<b>14.8</b>	<b>20.0</b>	<b>-12.4</b>	<b>16.7</b>	<b>43.6</b>	<b>- 1.4</b>	<b>67.9</b>	<b>58.4</b>

## KEY INDICATORS

	Jan-Sept 2005	Jan-Sept 2004	Q 3 2005	Q 2 2005	Q 1 2005	Q 4 2004	Q 3 2004	Rolling 12 mth	Full year 2004
Return on shareholders' equity, %	14.3	11.4	5.0	4.8	4.5	4.1	4.4	18.5	15.4
Return on capital employed, %	18.8	15.8	6.3	6.1	6.2	5.0	6.0	23.4	20.9
Return on total capital, %	12.4	10.6	4.2	3.9	4.0	3.3	4.0	15.6	13.9
Equity/assets ratio, %	59.6								60.8
Earnings per share before dilution, SEK	8:08	5:99	2:85	2:70	2:53	2:24	2:26	10:32	8:23
Earnings per share after dilution, SEK	8:05	5:96	2:84	2:69	2:52	2:23	2:25	10:27	8:18
Shareholders' equity per share, SEK	58:42	51:14							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, %	8.6	8.0	9.5	7.9	8.4	6.3	8.7	8.0	7.5
Growth in turnover, %								6.5	-1.5

Tranås, 26 October 2005

**OEM INTERNATIONAL AB (PUBL)**

Jörgen Zahlin  
Managing Director and CEO

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

OEM International, whose head office is in Tranås, Sweden, comprises 23 operating units in eight countries.

The Group trades in components and systems used in industrial automation. In simple terms, OEM provides an alternative way for manufacturers to sell through their own companies. OEM therefore has responsibility for marketing and selling the products in which the company trades.

**OEM INTERNATIONAL AB (publ), Corp. ID 556184-6691**

Head office: Dalagatan 4  
Box 1011, S-573 28 TRANÅS, Sweden  
Tel + 46-140-360 000

[www.oem.se](http://www.oem.se)