



INTERIM REPORT ANNUAL EARNINGS 2005

FOURTH QUARTER 2005

- Turnover increased by 12 % to 396 MSEK (354)
- Profit before tax increased by 66 % to 33.6 MSEK (20.2)
- Orders increased by 3 % to 383 MSEK (372)

ANNUAL EARNINGS 2005

- Turnover increased by 8 % to 1,525 MSEK (1,406)
- Comparable units increased turnover by 13 %
- Profit before tax increased by 38 % to 124 MSEK (89.3)
- Profit after tax increased by 39 % to 88.8 MSEK (63.7)
- Earnings per share after tax increased by 40 % to 11.49 SEK (8.23)
- Recommended dividend of 7.00 SEK per share (5.50)

The accounts have been prepared in accordance with International Financial Reporting Standards (IFRS). All relevant information concerning the previous year has been recalculated in accordance with the new accounting principles (except IAS 39).





FOURTH QUARTER 2005

Group turnover amounted to 396 MSEK (354), an increase of 12 %. All divisions except EP increased their turnover.

Incoming orders increased by 3 % to 383 MSEK (372).

Profits for the quarter before tax increased by 66 % to 33.6 MSEK (20.2). All divisions had improved profits on the previous year.

ANNUAL EARNINGS 2005

Turnover and profit

Group turnover increased by 8 % to 1,525 MSEK (1,406). Excluded sold-off units and acquired units increased turnover by 13 %.

Turnover outside Sweden increased by 12 %, amounting to 561 MSEK (500).

The order book value as of 31 December 2005 was 232 MSEK (260).

Continued high demand together with an improved product range means that many of the group's companies are showing excellent growth.

Profit before tax increased by 38 % to 124 MSEK (89.3). The improvement in profit is the result of the increase in turnover, 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, and winding-up costs of 4.1 MSEK for activities in Italy and A Karlson Industriteknik AB.

AB Telfa were acquired as of 1 September 2005 and the company is active in Sweden in the field of pumps for marine, mobile and industrial applications.

The acquisition of AB Telfa brings a new product segment to the group.

The purchase price amounted to 10 MSEK, which also corresponds to the surplus value. These surplus value are divided into a 1.1 MSEK contribution margin on incoming orders and 8.8 MSEK to other intangible assets. Acquired assets and liabilities amounted to 15 and 14.9 MSEK on the date of acquisition. The company has been part of the OEM Group from 1 September 2005.

Turnover per market

Sweden 63 % (64), Finland 24 % (21), rest of Nordic region 7 % (7), outside Nordic region 6 % (8).

Cash flow

The cash flow from current operations was 77.4 MSEK (92.9).

Investments

Net investments in tangible fixed assets amounted to - 2.2 MSEK (-1.7) and in intangible fixed assets to 9.9 MSEK (-).

Liquidity

Liquid assets, consisting of cash and bank balances, including approved, but non-utilised bank overdraft facilities amounted to 399 MSEK (415) as of 31 December 2005.

Intangible assets

From 2005 inclusive, new accounting principles, International Financial Reporting Standards (IFRS), apply. This means that planned goodwill amortisation will not apply. On the other hand, goodwill items and other intangible assets will be examined for any write-down requirement. The profit has been burdened with goodwill write-downs of 0.9 MSEK (5.3). The book value in the balance sheet amounts to 18.2 MSEK as of 31 December 2005.

Equity/assets ratio

The equity/assets ratio as of 31 December 2005 amounted to 62.5 % (59.6).

Number of employees

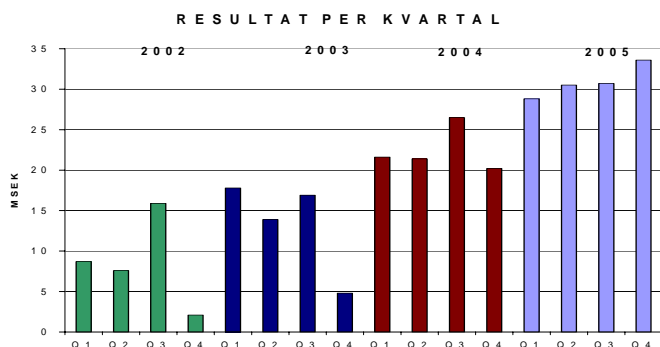
The average number of employees in the group during the year was 541 (571).

Repurchase of shares

During the year the company did not repurchase any shares. The total number of own shares held as of 31 December 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 34.9 MSEK (35.1) and the profit after financial items was 21.0 MSEK (-4.2).



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



Proposed dividend

A dividend of 7.00 SEK per share (5.50) is being proposed by the board.

Annual report

The annual report for 2005 will be distributed at the end of March 2006 and will be available from the head office or the company website.

Annual general meeting

The annual general meeting will be held in Tranås on 25 April 2006.

Date of next report

The interim report for the period January–March 2006 will be published on 25 April 2006.

Accounting principles

This consolidated interim report has been prepared in accordance with IAS 34 Interim Reporting. The accounting principles that applied for the most recent annual report have changed as a result of the application of the IAS ordinance. In accordance with the IAS ordinance, which was adopted by the EU in 2002, listed companies within the European Union must from 2005 onwards apply international accounting standards, IFRS, to their consolidated accounts. Thus, this interim report is the company's fourth financial report to have been prepared 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.

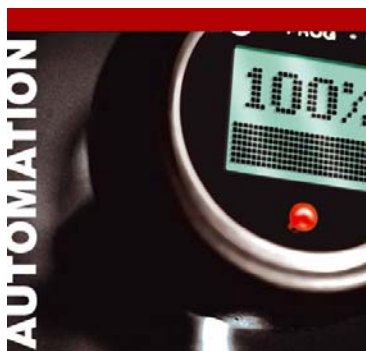
The company's annual report for the financial year 2004 included a description of which accounting principles would be affected by the transition to IFRS. For a description of the accounting principles applied by the company for the 2005 interim reports, see note 20 in the annual report for 2004.

From 2005 the leasing contract for cars changed from assets to liability in the balance sheet. Comparative year 2004 has been re-counted.

IAS 39, which deals with financial instruments, was applied from 1 January 2005 onwards with no requirement for recalculation of the comparison year. The transition to IAS 39 has not had any effect on equity.



TURNOVER AND RESULTS BY COMPANY GROUP



Components for industrial automation

- Turnover 605 (553) MSEK
- Operating profit 74.7 (67.1) MSEK

Continued high demand, increased coordination and a number of new product launches have allowed the group to increase its turnover by 9 % and the profit by 11 %. All activities except those in Denmark have experienced positive development during the year. Disposal of activities in Italy burdened the profit by 0.7 MSEK.



Appliance and circuit board components, EMC and microwave components

- Turnover 305 (285) MSEK
- Operating profit 24.7 (19.6) MSEK

Increased market shares mean that turnover increased by 7 % despite the loss of some customers and increased pressure on prices. The work on coordinating all activities into a single unit per country has improved efficiency, meaning that the profit increased by 26 %.



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

- Turnover 172 (194) MSEK
- Operating profit 5.1 (6.1) MSEK

Excluding the winding-up of A. Karlsson, turnover is on a par with the previous year, while the profit increased by 0.6 MSEK. Activities in the field of ball bearings have experienced positive development while other activities have not achieved acceptable profit.



Designs and manufactures hydraulic units and hydraulic systems

- Turnover 157 (139) MSEK
- Operating profit 11.1 (2.9) MSEK

High demand and an increased market share mean that turnover has increased by 13 % despite certain product areas having been wound up. The merger into one group led to greater efficiency and the profit increased by 283 %.



Production equipment and components for electronics production.

- Turnover 284 (239) MSEK
- Operating profit 18.5 (-0.5) MSEK

Steady demand, primarily in Finland and Norway, has resulted in the group's turnover increasing by 19 %. Previous restructuring together with continued efficiency measures means that the group turned a negative result into good profitability.

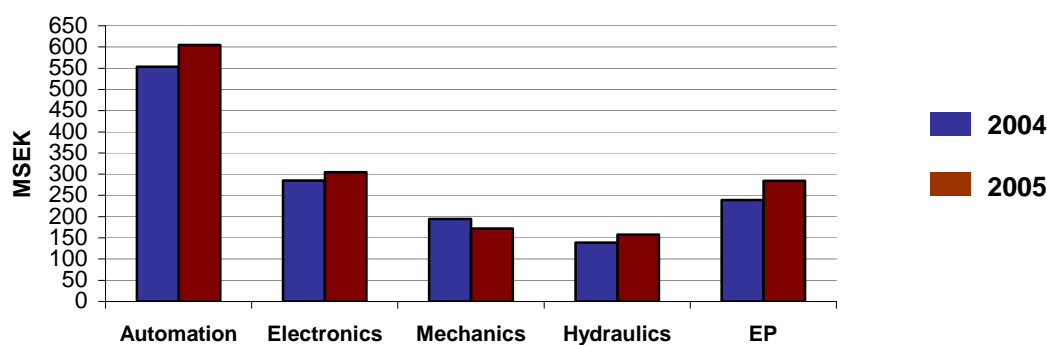


TURNOVER & RESULTS PER COMPANY GROUP

Net turnover (MSEK)

	Full year 2005	Full year 2004	Q 4 2005	Q 3 2005	Q 2 2005	Q 1 2005	Q 4 2004
Automation	604.8	553.4	160.7	137.1	161.1	145.9	140.1
Electronics	304.6	284.8	81.4	69.4	74.7	79.1	71.4
Mechanics	171.7	194.4	42.0	37.3	44.2	48.2	46.8
Hydraulics	157.3	138.9	45.0	33.1	41.3	37.9	32.2
EP	284.3	239.3	58.6	72.6	79.9	73.2	64.2
Other activities/elimination	2.1	-4.7	7.8	-0.2	-2.0	-3.5	-1.1
	1,524.8	1,406.1	395.5	349.3	399.2	380.8	353.6

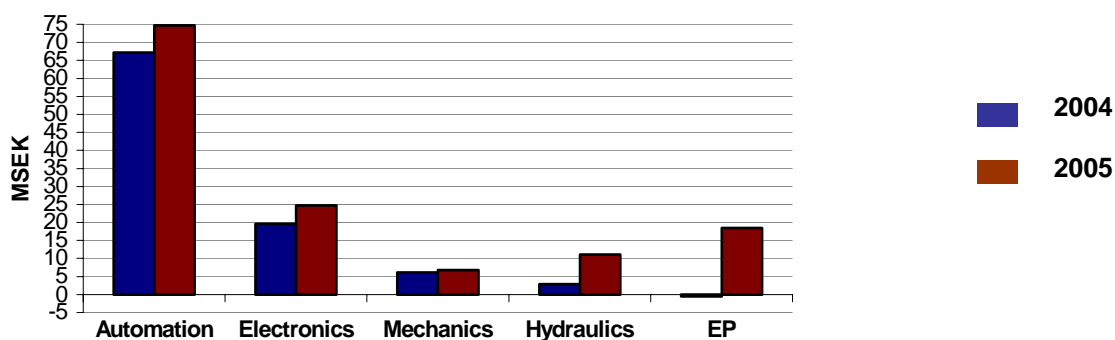
Turnover per company group



Operating profit (MSEK)

	Full year 2005	Full year 2004	Q 4 2005	Q 3 2005	Q 2 2005	Q 1 2005	Q 4 2004
Automation	74.7	67.1	21.4	20.4	18.4	14.5	14.9
Electronics	24.7	19.6	5.9	6.3	5.2	7.3	4.9
Mechanics	5.1	6.1	-1.2	3.5	2.3	0.5	-1.7
Hydraulics	11.1	2.9	2.8	1.4	2.8	4.1	-0.6
EP	18.5	-0.5	3.1	7.0	3.4	5.0	1.2
Other activities/elimination	-13.8	-8.1	-0.3	-7.7	-2.8	-3.0	-0.3
	120.3	87.1	31.7	30.9	29.3	28.4	18.4

Results per company group





CONSOLIDATED PROFIT AND LOSS ACCOUNT (MSEK)

	Full year 2005	Full year 2004	Q 4 2005	Q 3 2005	Q 2 2005	Q 1 2005	Q 4 2004
Net turnover	1,524.8	1,406.1	395.5	349.3	399.2	380.8	353.6
Operating expenses	- 1,391.1	-1,297.3	-360.6	-315.5	-366.8	-348.2	-331.4
Depreciation	- 13.4	-21.7	-3.2	-2.9	-3.1	-4.2	-3.8
Operating profit	120.3	87.1	31.7	30.9	29.3	28.4	18.4
Shares in associated companies	1.3	1.1	-0.2	0.2	0.8	0.5	1.2
Net financial items	2.0	1.1	2.1	-0.4	0.4	-0.1	0.6
Profit before tax	123.6	89.3	33.6	30.7	30.5	28.8	20.2
Tax	-34.8	-25.6	-7.2	-8.7	-9.6	-9.3	-2.9
Profit	88.8	63.7	26.4	22.0	20.9	19.5	17.3
Earnings per share before dilution, SEK	11.49	8.23	3.41	2.85	2.70	2.53	2.24
Earnings per share after dilution, SEK	11.43	8.18	3.39	2.84	2.69	2.52	2.23

CONSOLIDATED BALANCE SHEET (MSEK)

	31-12-2005	31-12-2004
Assets		
Intangible fixed assets	18.2	10.3
Tangible fixed assets	122.5	136.1
Financial fixed assets	8.6	8.0
Deferred tax claims	5.6	12.5
Inventories	218.2	205.9
Current receivables	241.0	228.6
Cash and bank	150.0	111.0
Shareholders' equity and liabilities		
Shareholders' equity	477.9	424.9
Long-term liabilities, interest-bearing	8.9	13.9
Deferred tax liability	21.6	27.2
Current liabilities, interest-bearing	47.0	40.1
Current liabilities, non-interest-bearing	208.7	206.3
Balance sheet total	764.1	712.4

GROUP CHANGES IN SHAREHOLDERS' EQUITY (MSEK)

	31-12-2005	31-12-2004 ¹⁾
At the start of the year	424.9	399.6
Repurchase of own shares	-	-3.3
Issued dividend	-41.6	-34.2
Profit for the period	88.8	63.7
Translation difference for the year	5.8	-0.9
At the end of the period	477.9	424.9

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

Reconciliation of shareholders' equity in accordance with previous accounting principles compared with shareholders' equity in accordance with IFRS

	01-01-2004	31-12-2004
Shareholders' equity in acc. with Sw GAAP	390.6	409.7
Replacement of goodwill amortisation	-	10.3
Write-down of goodwill	-	-5.3
Component depreciation	12.5	14.2
Deferred tax	-3.5	-4.0
Shareholders' equity in acc. with IFRS	399.6	424.9

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

	Q 4 2004			31-12-2004		
	SW GAAP	Adj. IFRS	IFRS	SW GAAP	Adj. IFRS	IFRS
Depreciation 1)	-4.8	1.0	-3.8	-28.4	6.7	-21.7
Operating profit	17.4	1.0	18.4	80.4	6.7	87.1
Net financial items	1.8		1.8	2.2		2.2
Profit before tax	19.2	1.0	20.2	82.6	6.7	89.3
Tax expenses	-2.8	-0.1	-2.9	-25.1	-0.5	-25.6
Net profit	16.4	0.9	17.3	57.5	6.2	63.7
1)						
Amortisation/write-down of goodwill	-1.9	0.6	-1.3	-10.3	5.0	-5.3
Component depreciation	-2.9	0.4	-2.5	-18.1	1.7	-16.4

	31-12-2004		
	SW GAAP	Adjusted IFRS	IFRS
Intangible fixed assets	5.3	5.0	10.3
Tangible fixed assets	121.9	14.2	136.1
Financial fixed assets	20.5		20.5
Current assets	545.5		545.5
Shareholder's equity	409.7	15.2	424.9
Long-term liabilities, Interest-bearing	13.9		13.9
Deferred tax liability	23.1	4.1	27.2
Current liabilities, interest- bearing	40.1		40.1
Current liabilities, non- Interest-bearing	206.3		206,3
Balance sheet total	693.1	19.3	712.4



CASH FLOW STATEMENT (MSEK)

	Full year 2005	Full year 2004	Q 4 2005	Q 3 2005	Q 2 2005	Q 1 2005	Q 4 2004
Cash flow from current operations	104.2	90.1	24.5	35.2	18.9	25.6	28.6
Changes to operating capital	-26.8	2.8	-19.1	2.4	2.2	-12.3	28.0
Cash flow before investments	77.4	92.2	5.4	37.6	21.1	13.3	56.6
Investments	-9.1	-2.7	8.3	-14.1	-0.1	-3.2	-1.8
Cash flow after investments	68.3	90.2	13.7	23.5	21.0	10.1	54.8
Cash flow from financing activities							
• Change in liabilities	11.1	5.7	-0.2	-3.5	8.2	6.6	-11.2
• Paid dividend	-41.6	-34.2	-	-	-41.6	-	-
• Repurchase of own shares	-	-3.3	-	-	-	-	-
Cash flow	37.8	58.4	13.5	20.0	-12.4	16.7	43.6

KEY INDICATORS

	Full year 2005	Full year 2004	Q 4 2005	Q 3 2005	Q 2 2005	Q 1 2005	Q 4 2004
Return on shareholders' equity, %	19.7	15.4	5.7	5.0	4.8	4.5	4.1
Return on capital employed, %	24.8	20.6	6.8	6.3	6.1	6.2	5.0
Return on total capital, %	17.0	13.8	4.6	4.2	3.9	4.0	3.3
Equity/assets ratio, %	62.5	60.8					
Earnings per share before dilution, SEK	11.49	8.23	3.41	2.85	2.70	2.53	2.24
Earnings per share after dilution, SEK	11.43	8.18	3.39	2.84	2.69	2.52	2.23
Shareholders' equity per share, SEK	61.88	55.02					
Average number of shares (thousands)	7,723	7,739	7,723	7,723	7,723	7,723	7,723
Average number of shares after dilution (thousands)	7,763	7,779	7,763	7,763	7,763	7,763	7,763
Operating margin, %	8.8	7.5	9.3	9.5	7.9	8.4	6.3
Growth in turnover, %	8.4	-1.5					

Tranås, 22 February 2006

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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.

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