



HALF-YEARLY REPORT

JANUARY-JUNE 2006

SECOND QUARTER 2006

- Turnover increased by 3% to SEK 412 million (399)
- Profit before tax rose 14% to SEK 34.8 million (30.5)
- Inflow of orders amount to 395 million (404)

FIRST SIX MONTHS 2006

- Turnover increased by 3% to SEK 804 million (780)
- Profit before tax rose 24% to SEK 73.4 million (59.3)
- Profit after tax escalated 30% to SEK 52.7 million (40.4)
- Earnings per share after tax improved 30% to SEK 6.82 (5.23)





SECOND QUARTER 2006

The Group's turnover increased by 3% to SEK 412 million (399). OEM Automatic, OEM Electronics and Development all report growth while Cyncrona and JMS Systemhydraulik report a decline in turnover.

Incoming orders amounted to SEK 395 million (404).

The profit before tax climbed 14% to SEK 34.8 million (30.5).

FIRST SIX MONTHS 2006

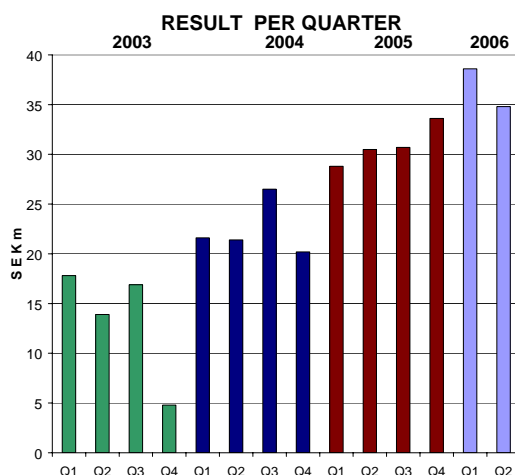
The Group's sales rose 3% to SEK 804 million to SEK (780) the first six months. Sales outside Sweden amounted to SEK 295 million (296).

Excluded sold-off units and acquired units increased turnover by 1 %. All groups report higher sales while Cyncrona, with its investment-oriented business activities, decrease turnover with SEK 44 million.

Incoming orders climbed 10% to SEK 854 million (773). All company groups except Development report incoming orders that surpass invoicing. The order book value as per 30 June 2006 was SEK 289 million (256).

The profit before tax escalated by 24% to SEK 73.4 million (59.3). Thriving sales and better margins are at the root of our improved profit, attributed to OEM Automatic, JMS Systemhydraulik and Development. OEM Electronics and Cyncrona report lower profits.

The market situation is positive and together with an improved product range and effective organisation, many of the Group's companies are experiencing good growth.



Turnover per market

Sweden 64% (62), Finland 20% (24), other Nordic countries 7% (6), and non-Nordic countries 9% (8).

Cash flow

Cash flow from current operations was SEK 36.3 million (34.4).

Investments

Net investments in tangible fixed assets reached SEK 37.7 million (4.4), of which SEK 19.5 million (-) is attributable to corporate acquisitions and SEK 18.3 million (4.4) to property, machines and equipment.

Liquidity

Liquid assets, consisting of cash and bank balances together with approved but unutilised bank overdraft facilities amounted to SEK 269 million (407) as per 30 June 2006.

Intangible fixed assets

New accounting principles apply as of 2005, namely the International Financial Reporting Standards (IFRS). According to these principles, planned goodwill depreciation will not apply. Goodwill items and other intangible items will however be tested for any write-down requirements. The profit has not been burdened with goodwill write-downs. Last year's profit was burdened with write-downs of SEK 0.9 million. The book value in the balance sheet amounts to SEK 25.8 million as per 30 June 2006.

Equity/assets ratio

Equity/assets ratio as per 30 June 2006 was 57.9% (58.1).

Number of employees

The average number of employees in the Group was 570 (528) during the first half year.

Repurchase

The Company has repurchased 300,000 shares at an average price of SEK 165.33. The total number of own shares held was 454,000 at an average price of SEK 136.43 as per 30 June 2006. This corresponds to 5.9% of the total number of shares. The Annual General Meeting authorised the repurchase up to 10% of the total number of shares, which is 772,310 shares.

Parent Company

Net turnover was SEK 8.3 million (8.5) and the loss after financial items was SEK 10.7 million (17.3).

Date of next report

The interim report for the January-September 2006 period will be published on 25 October 2006.

Accounting principles

In preparing this interim report the Group complies with IAS 34 Interim Reporting and the Swedish Financial Accounting Standards Council's recommendation RR 31 concerning interim reports for groups. For a description of the accounting principles that the company applies in its interim reports for 2006, see Note 1 in the company's 2005 Annual Report.



OEM AUTOMATIC

Components for industrial automation

- **Turnover SEK 346 million (307)**
- **Operating profit SEK 45.5 million (32.9)**

Good demand, better coordination, new product launches and the acquisition of the Czech company generated a 13% increase in turnover. Czech EIG contributed SEK 4.5 million to this figure. Adjusted for costs associated with last year's divestment of operations in Italy, profit improved by 22%.



OEM ELECTRONICS

Appliance and circuit board components, EMC and microwave components

- **Turnover SEK 163 million (154)**
- **Operating profit SEK 9.9 million (12.5)**

Turnover increased 6% due to climbing demands despite some customers' outsourcing and exacerbated pressure on prices. The drop in profits is primarily related to greater pressure on prices which leads to lower margins.

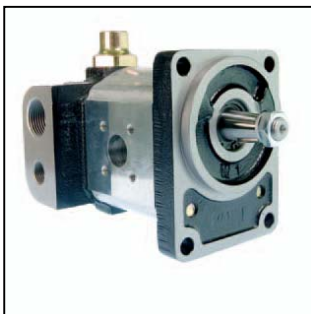


CYNCRONA

Production equipment and components for electronics production.

- **Turnover SEK 109 million (153)**
- **Operating profit SEK 4.2 million (8.4)**

Fewer machines were delivered during the period causing turnover to drop. Lower turnover has had a negative impact on profits. Orders received during the period exceeded turnover by SEK 29 million, totalling SEK 138 million, which means order book rose to SEK 49 million (34) as per 30 June 2006.



JMS SYSTEMHYDRAULIK

Hydraulic components and manufacture of hydraulic units and systems

- **Turnover SEK 82 million (79)**
- **Operating profit SEK 9.3 million (6.9)**

Good demand caused a 4% increase in turnover. Efficiency levels are better as a consequence of the concentration on one business unit and resulted in a 35% increase in profit.



DEVELOPMENT

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

- **Turnover SEK 110 million (92)**
- **Operating profit SEK 8.5 million (2.8)**

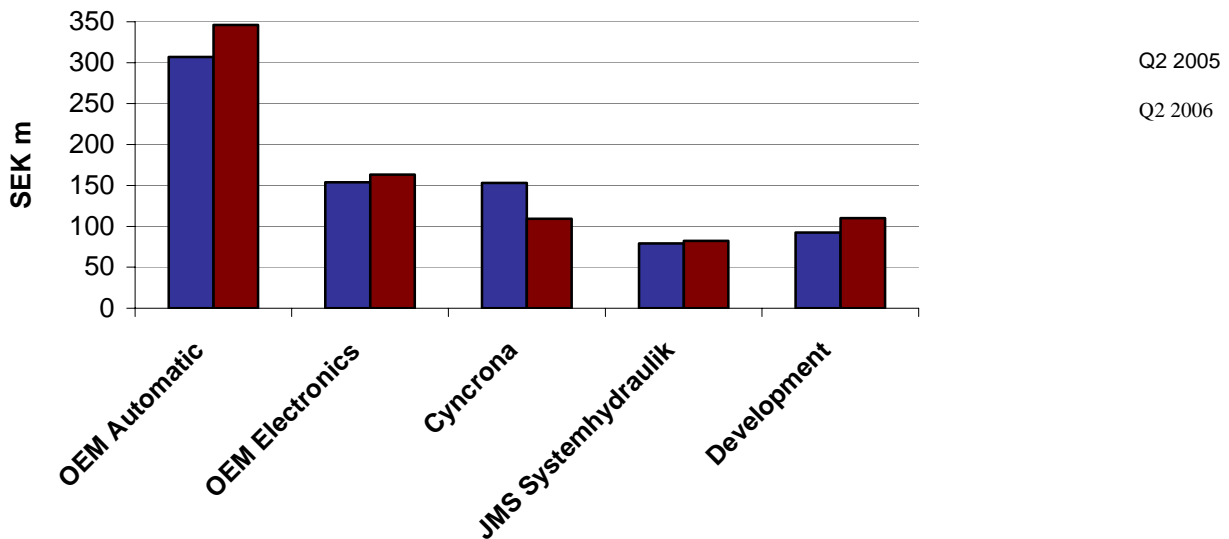
Implemented market activities, sound demand and last year's acquisition of Telfa AB have boosted turnover by 20%. The considerable improvement in profits is due to climbing turnover but also the restructuring measures carried out.



TURNOVER & PROFIT PER COMPANY GROUP

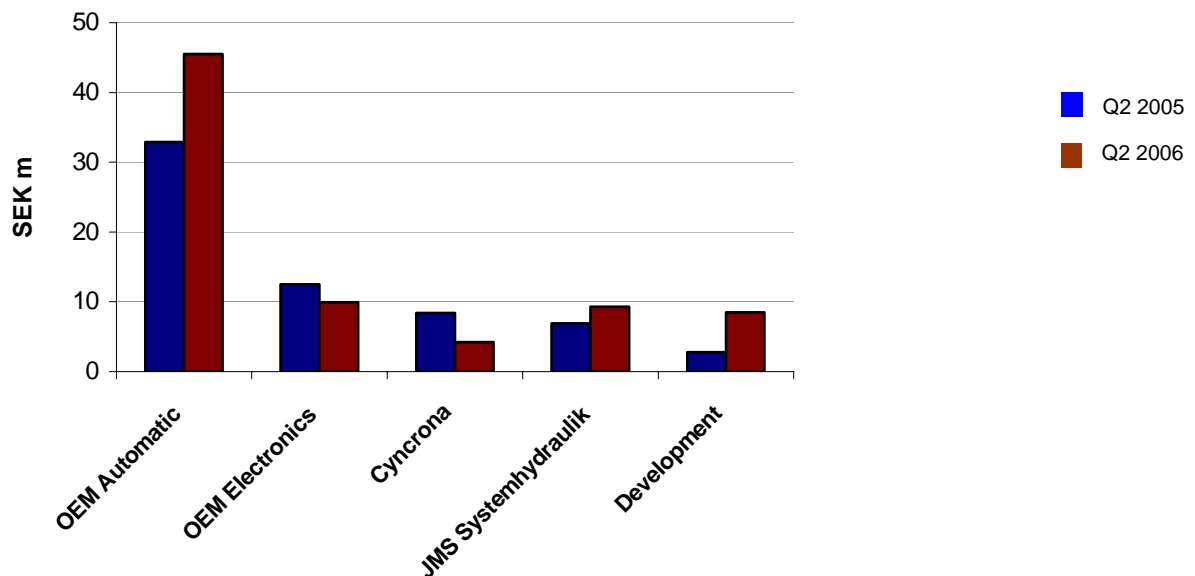
Net turnover (SEK million)

	Jan- June 2006	Jan- June 2005	Q2 2006	Q1 2006	Q4 2005	Q3 2005	Q2 2005	Rolling 12 mth	Full year 2005
OEM Automatic	346,1	307,0	172,2	173,9	160,7	137,1	161,1	643,9	604,8
OEM Electronics	163,1	153,8	79,8	83,3	81,4	69,4	74,7	313,9	304,6
Cyncrona	109,1	153,1	72,8	36,3	58,6	72,6	79,9	240,3	284,3
JMS Systemhydraulik	82,2	79,2	37,7	44,5	45,0	33,1	41,3	160,3	157,3
Development	109,9	92,4	51,9	58,0	42,0	37,3	44,2	189,2	171,7
Other operations/elimination	-6,2	-5,5	-2,7	-3,5	7,8	-0,2	-2,0	1,4	2,1
	804,2	780,0	411,7	392,5	395,5	349,3	399,2	1 549,0	1 524,8



Operating profit/loss (SEK million)

OEM Automatic	45,5	32,9	21,2	24,3	21,4	20,4	18,4	87,3	74,7
OEM Electronics	9,9	12,5	3,7	6,2	5,9	6,3	5,2	22,1	24,7
Cyncrona	4,2	8,4	3,9	0,3	3,1	7,0	3,4	14,3	18,5
JMS Systemhydraulik	9,3	6,9	4,1	5,2	2,8	1,4	2,8	13,5	11,1
Development	8,5	2,8	3,4	5,1	-1,2	3,5	2,3	10,8	5,1
Other operations/elimination	-5,0	-6,0	-2,1	-2,9	-0,3	-7,7	-2,8	-13,0	-13,8
	72,4	57,5	34,2	38,2	31,7	30,9	29,3	135,0	120,3





CONSOLIDATED INCOME STATEMENT (SEK million)

	Jan-June 2006	Jan-June 2005	Q 2 2006	Q1 2006	Q4 2005	Q3 2005	Q2 2005	Rolling 12 mth	Full year 2005
Net turnover	804,2	780,0	411,7	392,5	395,5	349,3	399,2	1 549,0	1 524,8
Operating expenses	-725,1	-716,4	-374,1	-351,0	-360,6	-315,5	-366,8	-1 401,2	-1 391,1
Depreciation	-6,7	-6,1	-3,4	-3,3	-3,2	-2,9	-3,1	-12,8	-13,4
Operating profit	72,4	57,5	34,2	38,2	31,7	30,9	29,3	135,0	120,3
Shares in assoc. cos.	0,8	1,3	0,3	0,5	-0,2	0,2	0,8	0,8	1,3
Net financial items	0,2	0,5	0,3	-0,1	2,1	-0,4	0,4	1,9	2,0
Profit before tax	73,4	59,3	34,8	38,6	33,6	30,7	30,5	137,7	123,6
Tax	-20,7	-18,9	-9,5	-11,2	-7,2	-8,7	-9,6	-36,6	-34,8
Profit	52,7	40,4	25,3	27,4	26,4	22,0	20,9	101,1	88,8
Earnings per share before dilution, SEK	6:82	5:23	3:28	3:54	3:41	2:85	2:70	13:08	11:49
Earnings per share after dilution, SEK	6:79	5:21	3:26	3:53	3:39	2:84	2:69	13:02	11:43

CONSOLIDATED BALANCE SHEET (SEK million)

	30.06.2006	30.06.2005	31.12.2005
Assets			
Intangible fixed assets	25,8	9,4	18,2
Tangible fixed assets	145,0	124,6	122,5
Financial assets	8,4	8,9	8,6
Deferred tax claims	5,5	12,7	5,6
Inventories	207,1	199,9	218,2
Current receivables	288,7	269,8	241,0
Liquid funds	52,8	116,6	150,0
Shareholders' equity and liabilities			
Shareholders' equity	424,9	430,7	477,9
Long-term liabilities, interest-bearing	8,9	0,0	8,9
Deferred tax liability	23,1	27,5	21,6
Current liabilities, interest-bearing	53,1	53,7	47,0
Current liabilities, non interest-bearing	223,3	230,0	208,7
Balance sheet total	733,3	741,9	764,1

GROUP CHANGES IN SHAREHOLDERS' EQUITY (SEK million)

	30.06.2006	30.06.2005	31.12.2005
At start of the year	477,9	424,9	424,9
Repurchase of own shares	- 49,6	-	-
Dividends paid	- 53,0	-41,6	-41,6
Profit for the period	52,7	40,4	88,8
Translation difference for the year	- 3,1	7,0	5,8
At end of period	424,9	430,7	477,9



CASH FLOW STATEMENT (SEK million)

	Jan-June 2006	Jan-June 2005	Q2 2006	Q1 2006	Q4 2005	Q3 2005	Q2 2005	Rolling 12 mth	Full year 2005
Cash flow from current operations	43,6	44,5	25,7	17,9	24,5	35,2	18,9	103,3	104,2
Change in operating capital	-7,3	-10,1	7,2	-14,5	-19,1	2,4	2,2	-24,0	-26,8
Cash flow before investments	36,3	34,4	32,9	3,4	5,4	37,6	21,1	79,3	77,4
Investments	-36,5	-4,5	-38,1	1,6	8,3	-14,1	-0,1	-42,3	-9,1
Cash flow after investments	-0,2	29,9	-5,2	5,0	13,7	23,5	21,0	37,0	68,3
Cash flow from financing activities									
- Change in liabilities	6,1	16,0	4,7	1,4	-0,2	-3,5	8,2	2,4	11,1
- Paid dividends	-53,0	-41,6	-53,0	-	-	-	-41,6	-53,0	-41,6
- Repurchase of own shares	-49,6	-	-49,6	-	-	-	-	-49,6	-
Cash flow	-96,7	4,3	-103,1	6,4	13,5	20,0	-12,4	-63,2	37,8

KEY INDICATORS

	Jan-June 2006	Jan-June 2005	Q2 2006	Q1 2006	Q4 2005	Q3 2005	Q2 2005	Rolling 12 mth	Full year 2005
Return on shareholders' equity, %	12,1	9,4	5,4	5,7	5,7	5,0	4,8	23,6	19,7
Return on capital employed, %	15,2	12,5	6,8	7,4	6,8	6,3	6,1	29,0	24,8
Return on total capital, %	10,0	8,2	4,7	5,0	4,6	4,2	3,9	19,1	17,0
Equity/assets ratio, %	57,9	58,1							62,5
Earnings per share before dilution, SEK	6:82	5:23	3:28	3:54	3:41	2:85	2:70	13:08	11:49
Earnings per share after dilution, SEK	6:79	5:21	3:26	3:53	3:39	2:84	2:69	13:02	11:43
Equity per share, SEK	55:01	55:76							61:88
Average no. of shares (thousands)	7 723	7 723	7 723	7 723	7 723	7 723	7 723	7 723	7 723
Average no. of shares after dilution (thousands)	7 763	7 763	7 763	7 763	7 763	7 763	7 763	7 763	7 763
Operating margin, %	9,8	8,1	9,1	10,6	9,3	9,5	7,9	9,5	8,8
Growth in turnover, %								5,2	8,4

Tranås, 27 July 2006

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 2006 in general terms. Our general review was performed in accordance with the recommendation issued by FAR (the Swedish Institute of Authorized Public Accountants).

A general review is limited to discussions with the company's personnel and an analytical examination of the financial information and therefore provides a lower level of security than an audit. We have not conducted 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 27 July 2006
KPMG Bohlins AB

Niklas Bengtsson
Authorised Public Accountant

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OEM International, with head office in Tranås, 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 for manufacturers to sell through their own companies. OEM is thereby in charge of marketing and selling the products in which the company trades.

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