



## INFORMATION TO SHAREHOLDERS

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Annual report	March/April 2002

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## VISIT OUR WEBSITE

Our website contains up-to-date information about the OEM Group.  
You may also subscribe to our free e-mail newsletter which will keep you  
informed about what is happening at OEM.  
SEE YOU ON THE NET! [www.oem.se](http://www.oem.se)

OEM International, based in Tranås in southern Sweden, owns and develops companies that market components and systems for industrial automation in Europe.

The OEM Group comprises 28 operating companies in eight countries. During the year 2000 it generated net sales of SEK 1,967.4 million and profit of SEK 148.3 million\* and employed 676 people by the year-end. OEM International aims to generate a good return on equity and achieve strong, stable growth at the same time, exposing itself only to limited financial risks.

The OEM Group's long-term targets are:

- 15% annual growth
- 20% return on equity
- 35% equity/assets ratio

Listed on the OM Stockholm Exchange since 1983, the company's market value was SEK 1,176 million on 31 December 2000.

Put simply, OEM acts as an alternative to manufacturers' own local subsidiaries by assuming responsibility for marketing and selling the products that the manufacturing company deals in. OEM does not manufacture any components itself, although the OEM Systemteknik division does produce customised automation equipment such as robot lines and other complex systems.

OEM International offers customers a wealth of expertise and a wide range of components and systems, while manufacturers benefit from a strong position in each local market. As such, the company creates added value for both customers and suppliers. This added value is OEM's *raison d'être* and forms the basis for the Group's continued expansion and profitability.

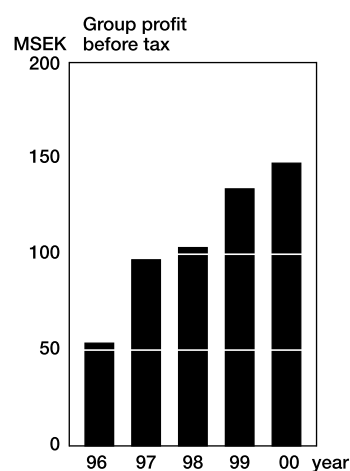
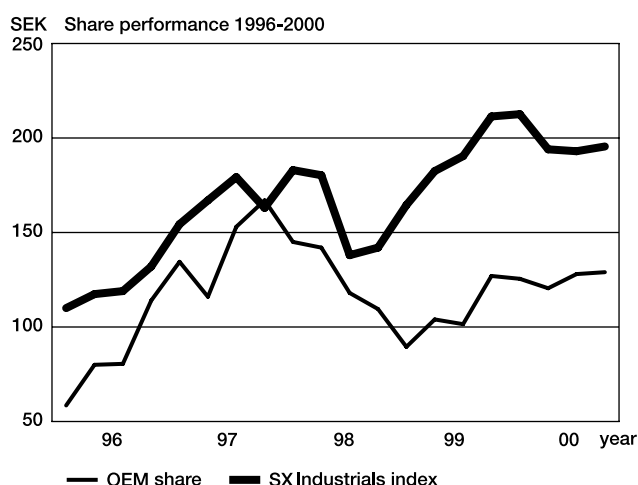
More information about OEM is available on the company's website at: [www.oem.se](http://www.oem.se)

\*after financial items and excluding items affecting comparability

- Profit after net financial items increased by 10.6 % to SEK 148.3 (1999: 134.1) million \*
- Net sales rose by 10.4 % to SEK 1,967.4 (1,782.3) million
- Orders received increased by 16.6 % to SEK 2,009.5 (1,776) million
- Earnings per share after tax were SEK 13.60 (9.04)\*, an increase of 50 %
- Return on equity was 27.4 %
- Proposed dividend is SEK 4.50 (3.75)
- Jörgen Zahlin was made the new Managing Director with effect from 1 March
- Four acquisitions completed during the year
- Two new groups – Hydraulics and Europe – added to the OEM portfolio

THE OEM GROUP IN FIGURES		2000	1999	1998
Net sales	MSEK	1,967.4	1,782.3	1,423.0
Profit after net financial items*	MSEK	148.3	134.1	103.5
Profit for the year	MSEK	129.2	82.4	64.2
EPS*	SEK	13.60	9.04	7.05
Cash flow per share	SEK	5.70	18.87	2.65
Equity per share	SEK	56.84	49.31	44.25
Proposed dividend per share	SEK	4.50	3.75	3.00
Return on equity	%	27.4	19.3	17.0
Equity/assets ratio	%	42.4	48.5	48.2
Share value 31 December	SEK	129.00	127.00	109.50
Market value 31 December	MSEK	1,176	1,157	998
Number of employees		676	609	568

\*excl. items affecting comparability, SPP refunds, SEK 30.5 million and write-down of goodwill, SEK – 14.6 million.



## MANAGING DIRECTOR'S REVIEW

My first year as Managing Director of OEM International was a year of continued brisk demand, particularly in the Swedish market. While net sales and profit for the first half were down on 1999, the second half saw us outstrip last year's overall profit by 11%, so notching up another record year for the OEM Group.

### OUR THREE DIVISIONS

**OEM Industrial Components** generated increases in sales and profit of 42% and 46% respectively. Organic growth in this division was substantial during the year, especially in the Swedish companies, with the acquisitions made during 1999 also contributing to the division's improved performance. Four more companies were bought during the year, and their incorporation into the Group is expected to help support the division's continued expansion.

**OEM Systemteknik** changed its managing director during the year, and I myself have been serving in this capacity since the beginning of the second half. Three of the OEM Group's four companies are now being led by new managing directors, and several structural changes have either been made or are currently under way. Following two years of losses, the OEM Systemteknik division reported a profit of SEK 6.1 million for 2000.

**OEM EPT** is highly dependent on investment levels in the telecommunications and electronics industries. The exceptionally high levels of 1999 were not repeated during 2000, with the result that sales fell by 16% and profit by 41%. The division has therefore embarked on two projects aimed at reducing its vulnerability to the volatile nature of these industries:

- Increasing the proportion of service, support and training linked to the equipment and processes supplied
- Focusing on business areas that sell consumables for electronics production.

The prospects for higher earnings in 2001 are considered to be good.

### ORGANIC GROWTH – AT THE HEART OF OUR EXPANSION PLANS

Our growth strategy is a three-pronged offensive:

- Organic growth
- Acquisitions
- Geographical expansion

Given that organic growth is the basis for our expansion, we have to ensure that existing customers buy more from us and/or that we attract new customers. Organic growth is a reflection of how well we run our business and is vital if we are to be perceived as an attractive partner by suppliers.

Acquisitions help the OEM Group to create a product platform and to enter new geographical markets from which it can expand. However, this strategy requires maturity on the part of the group of companies making the acquisitions: it must have a firmly founded organisation with well established procedures and stable organic growth.

Geographical expansion enables us to use our product expertise and existing relationships with suppliers. To date, this type of expansion has been predominantly in the Automation sector and the newly formed Group Europe.

We have consistently managed to meet our target of 15% growth per annum, reporting average profit growth of 22.6% over the last five years, and I can see no reason why we should not continue to maintain this growth target.

"Our determination to make our suppliers the market leaders in their respective fields drives us to make continual improvements throughout the OEM Group."

#### SHARPER FOCUS ON OUR OPERATING MARGIN

In addition to our financial targets of 15% growth, a 20% return on equity and an equity/assets ratio of at least 35%, we have also sharpened our focus on our operating margin. Our aim is for OEM's operating companies to achieve an operating margin of at least 10%, and we have introduced action plans at companies where this margin is below 5%.

#### INTERNAL EFFICIENCY

Constantly improving internal efficiency is a life-and-death matter for our businesses. Market trends – and their consequences in the form of the never-ending quest to cut costs, increase quality and so on – mean that we must constantly improve the efficiency of our internal processes and increase net sales per employee. Both staff development and the new opportunities afforded by information technology play a key role in increasing the efficiency of our work and improving service to our customers.

#### STAFF DEVELOPMENT

Our employees are our most important asset when it comes to meeting targets. Our success in this respect is directly proportional to our employees' ability to foster good relationships with customers and suppliers, develop a culture of innovative thinking and devise creative, new solutions to problems. That is why we are implementing development programmes that target not only groups of workers, but individuals as well, to increase know-how and inspiration across the OEM Group. Our aim is to keep staff turnover below 10% each year and to recruit at least 75% of our managers internally. This helps to ensure stability and maintain morale in the group.



#### CHANGES IN THE WORLD AROUND US

The current wave of internationalisation has meant that we have to change the way we do business. As a result of greater price transparency and cross-border trade, we are having to adapt our range to ensure that it can compete in the global market. Meanwhile, our local presence gives us a unique opportunity to tailor offers to local conditions. All our sales work presupposes good relationships with customers and a genuine ability to create value alongside the products we supply.

E-commerce represents an opportunity in the first instance to increase the efficiency of existing customer relationships and to create further added value for customers. Customers can currently buy goods over the Internet from two companies in the OEM Group, and most companies have websites with information and details of their various services. The Internet complements the methods we have traditionally used in our marketing and day-to-day business.

#### CO-OPERATION AND FREEDOM MEAN EXPANSION

Our determination to make our suppliers the market leaders in their respective fields drives us to make continual improvements throughout the OEM Group. We benefit from many synergies since our companies not only operate in closely related areas but also co-ordinate their activities in areas such as IT, quality assurance, environmental work and market communications.

Because we have to work close to our markets and create strong relationships with customers if we are to expand, we have given our operating companies considerable freedom in terms of how they respond to conditions specific to their particular markets. We are firmly convinced that this kind of "accountable freedom" enables the entire OEM Group to act in the best interests of customers, suppliers and employees in the most effective way possible.

#### A BRIGHT MARKET OUTLOOK

The unrelenting urgency for automation in industry offers prospects of a rosy future for the OEM Group. Demand for high-quality products, good service and efficient logistics is increasing all the time. Our product knowledge and expertise in applications on the one hand and the wide range of products from leading manufacturers on the other, mean not only that existing customers are buying more of our products, but also that we are attracting new customers all the time. It is with confidence that we look forward to a new financial year and the opportunities and challenges that it may bring.

On behalf of both the board and myself, I would like to extend our heartfelt thanks to every single member of staff for the company's excellent results in the year 2000. Our ability to create value for customers and suppliers alike has brought continued success for OEM. It is with the greatest respect that the staff and I continue the proud tradition established by Hans Franzén and Agne Svenberg 26 years ago.



Jörgen Zahlin

Managing Director, OEM International AB



- 1974 OEM Automatic AB is established as an industrial agency by the Franzén and Svenberg families.
- 1981 The first subsidiary outside Sweden begins operations in Finland.
- 1983 The company is listed on the Stockholm Stock Exchange's OTC list. Net sales total SEK 30 million.
- 1986 The first acquisition: Industri AB Reflex in Spånga, which designs and builds cabinets for automatic control devices.
- 1988 Turnover tops SEK 100 million for the first time.
- 1989 The first subsidiary outside Scandinavia is established in England.
- 1991 A new organisation. OEM International AB becomes the parent company and OEM Component AB, previously part of OEM Automatic AB, is hived off as a separate company.
- 1993 Acquisition of the A.Karlson Group. Sales for the OEM Group rise to SEK 254 million.
- 1996 New corporate organisation. The companies are split into two divisions; OEM Industrial Components and OEM Systemteknik.
- 1997 OEM International AB and Cyncrona AB, both quoted on the Stockholm OTC list, merge. Cyncrona AB, now renamed OEM Electronic Production Technology, forms a third division in the OEM Group.
- 1998 Various acquisitions are made.
- 1999 The OEM Group establishes a bridgehead in Italy.
- 2000 New Managing Director from 1 March. Two new groups – Europe and Hydraulics – are formed within OEM Industrial Components;

“Ever since we started up, the underlying idea has been to provide an alternative to our suppliers’ own subsidiaries on the markets where we are active. This means that, in order to be attractive partners for our suppliers, we must be efficient and have good sales volumes at low cost at the same time as we create added value through good support and logistics.”



Hans Franzén is Chairman of the Board of OEM International AB and is also on the board of OEM Industrial Components AB. Agne Svenberg is a member of the board of OEM International AB and OEM Electronic Production Technology AB. Agne is also Chairman of the Board of Jubo Mechatronics AB.

## "Exciting growth potential in Europe."

Expanding into new markets in Europe is an important part of OEM's growth strategy. During the year the Group fine-tuned its European concept, which involves a two-pronged approach: on the one hand, establishing our own companies in new countries on the basis of existing relationships with suppliers, and, on the other, offering to represent American and Asian suppliers in Europe.

OEM currently operates in eight countries. The first venture outside its native Sweden was to Finland in 1981. Most recently it has established a bridgehead in countries such as Italy (1999) and the Netherlands (2000).

"Over the years OEM International has invested a great deal of time and effort in cultivating relationships with suppliers," explains Jan Hultman, Managing Director of OEM Industrial Components. "Doing business in Europe is one way of increasing the return on these investments. Once we have really got to know a product and know exactly who is likely to buy it, we can successfully market it in other countries too."

### ESTABLISHING OPERATIONS IN THE UK AND POLAND

The approach used when setting up group companies varies from case to case. 1989 saw OEM starting a new venture in the UK on the basis of a successful working relationship with Syrelec. OEM was the market leader in Scandinavia for Syrelec's products, but Syrelec had been unsuccessful in its bid to break into the UK market. OEM and Syrelec then set up a joint venture, where OEM supplemented the Syrelec range with products from other suppliers. OEM now owns the entire company, which has 48 employees and which reported sales last year of SEK 130 million.

"The background to the Polish operation was completely different," comments Hultman. "We viewed Poland as an exciting growth market and identified a number of suitable suppliers who were interested in the Polish market. We set up the company there in 1997, and last year it generated sales of SEK 12 million."

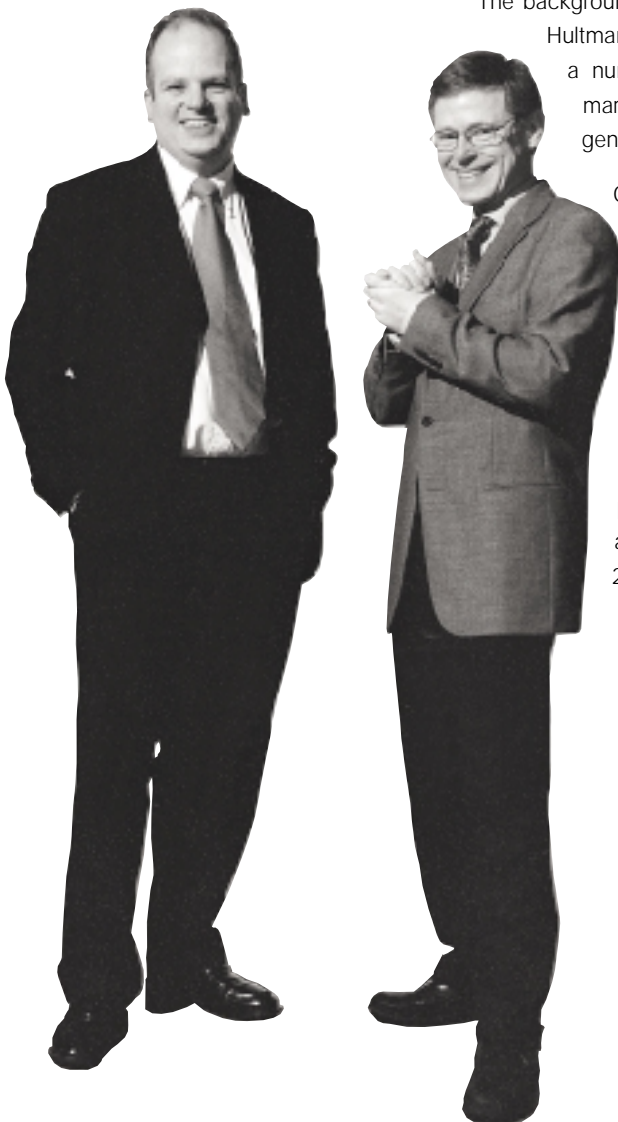
### OPERATIONS IN ITALY

Italy provides another example of the various ways in which OEM chooses to establish a presence in Europe. When the Contraves Intersys company came up for sale, OEM was working with Contraves' most important supplier, Guard-master, and, after due consideration, it was decided that Contraves would fit in well with our European strategy.

"The year 2000 brought major changes to our range," says Mark Hemingway, business developer with OEM Industrial Components. "We turned a loss for the first half into a profit for the year as a whole. Our next target for Italy is to generate a minimum of 20% growth per annum over the next few years."

"Over the years OEM International has invested a great deal of time and effort in cultivating relationships with suppliers. Doing business in Europe is one way of increasing the return on these investments."

Mark Hemingway, Business Developer for Group Automation and Jan Hultman, Managing Director of OEM Industrial Components AB.



## REPRESENTATION IN EUROPE

The other side of this European equation involves representing American and Asian companies in this part of the world. OEM has three operations working in three very different areas – proof that the concept works in most sectors.

### AMERICAN SUPPLIERS

OEM first represented an American company four years ago, when the UK company became an agent for Comair Rotron fans for the telecommunication and electronics industries. Sales went well and the products were ultimately distributed beyond the UK, culminating in January 2001 with the establishment of a separate company, ATT Europe Ltd (Attel), with six employees and estimated sales of around SEK 65 million this year.

### ASIAN SUPPLIERS

OEM also represents the Korean company SPG. Although Korean industrial components manufacturers have traditionally exported very little, if any, of their output, OEM felt that there was a sales potential in Europe for SPG's small electric motors. After working with SPG for five years, OEM set up SPG Europe in the spring of 2000 and, by the end of the year, the company had operations in nine countries. Warehousing and logistics are the responsibility of OEM Automatic in Tranås.

Given that China has considerable development potential when it comes to industrial automation, OEM has begun to position itself with Chinese suppliers through the company OEM China Development.

"We acquired a Dutch trading operation that had Chinese staff and ties with Chinese ball-bearing suppliers," explains Hultman. "Warehousing and logistics are now controlled from Nässjö in southern Sweden, and we supply the ball-bearings to various distributors in Europe. We also believe that the company will help us make contact with other Chinese suppliers and manufacturers."

### MORE NEW VENTURES

Jan Hultman also reveals that OEM is in the middle of discussions on setting up several new ventures in Europe. The company aims to establish itself in a new country every other year. At the same time, he is keen to stress that such ventures are embarked on only after a careful assessment of the market, suppliers and customers.

"Both setting up our own companies and representing others offer exciting growth opportunities. Our suppliers benefit both financially and from greater proximity to the market, while our customers gain access to a wider range of products and services from the same supplier. That's exactly the way things should be if we are to continue to grow and score new successes."



Nick Porter, Jun Geng, Timo Raitmaa, three company managers from Group Europe at OEM Industrial Components share their thoughts.

## "Investments in IT and quality increase delivery reliability."

OEM Automatic in Tranås has a warehouse packed with more than 20,000 items from 60 different suppliers. Every year the company despatches 60,000 consignments, with orders received before 3.30 pm being sent out on the same day.

OEM Automatic's most important task is to deliver the right products to the right place at the right time – a task that is becoming increasingly complex as the company grows and moves into new markets. OEM has therefore invested in an advanced business system and a quality assurance system based on ISO 9000.

"We chose a centralised solution for our business system," explains Anders Elovsson, who heads the IT unit at OEM Industrial Components, the division to which OEM Automatic belongs. Industrial Components has ten companies in six countries, all of them linked up to Tranås, where the business system and hardware are physically located. A shared computer system makes for better cost-effectiveness and security.

"We have also further reduced the risk of losing data by using a mirrored computer system," says Elovsson. "We run the business system on one machine and store data on another. All transactions on the first are registered at the same time on the second, which means that we can continue to deliver orders even if the computer crashes or the place burns down."

### E-COMMERCE SYSTEM

Another high-priority IT project is the introduction of an e-commerce system, a move that will help simplify the registration of customer orders.

"These days most of our orders come in over the phone or by fax," explains Elovsson. "This means we have to spend time manually entering each order into the system. And customers may well have to wait on the line before getting through, depending on how many callers there are."

An e-commerce system gives customers direct access to prices and, since the web server is connected to the company's business system, it could even show whether or not products are in stock. Customers can also set up personalised order forms for regular orders, or maybe copy a previous order. They can add items to their shopping basket several times throughout the day and then submit their order before going home in the evening.

"We view e-commerce as a complement to our current approach. The aim is to improve our service by offering customers an alternative way of doing business with us. And, what's more, it means we will also be available round the clock 24 hours a day."

**"For us IT is a way of increasing efficiency and improving our service to our customers."**

Anders Elovsson heads the IT unit at OEM Industrial Components.



The size of the OEM Group brings certain advantages when it comes to developing IT functions. We have ample opportunity for exchanging experiences within the Group and can spread investment costs among many users. We are firmly convinced that IT has a key role to play in our future growth.

#### CUSTOMER PERCEPTIONS ARE CRUCIAL

OEM Automatic is a true pioneer in the field of quality assurance. The company was ISO 9002 accredited in 1995 and still uses the quality assurance policy formulated eight years ago.

Peter Rydberg, Quality Co-ordinator at OEM Automatic, explains the company's professional approach to quality assurance: "We measure quality on the basis of how it is perceived by our customers. Questionnaires sent out during the year showed that customers attach most importance to product quality, reliable deliveries, good service and a warm welcome."

Month-by-month statistics from the company's own research provide an insight into how long customers have had to wait on the telephone, how many incorrect or incomplete deliveries they have had, what percentage of deliveries arrived on time, how much damage has resulted from poor packaging and so on.

"It's then up to us to improve the statistics by changing our procedures," explains Rydberg. "Having a procedure for every eventuality is a huge advantage in a rapidly growing company. When new employees begin and others change their job, it's good to have procedures that describe how the work should be carried out in the most efficient manner."

#### MISTAKES ARE UNAVOIDABLE

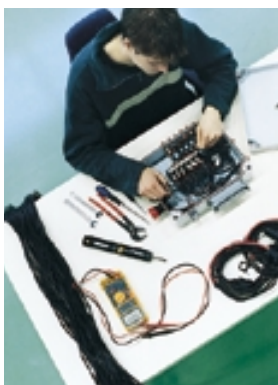
Quality requirements are one thing, but common sense is quite another. All companies that use people in their work will make mistakes at one time or another – human error is unavoidable.

"We double-check all picking lists, for example, before despatching an order to a customer," says Rydberg. "The improved quality justifies the added cost of the second check. It's important for quality control to impact on the way we deal with mistakes that do occur. Complaints are a good example. We aim to deal with all complaints within three days. In 1995 we got through 15% of all complaints within this period, but by 1999 this figure had increased to 71%."

As Jörgen Zahlin, OEM International's Managing Director, puts it: "We have to be good at handling complaints – it's important that customers who have made a complaint are even happier with us after we've sorted things out than they would have been in the first place."

"We measure quality from the customer's point of view."

Peter Rydberg, Quality Co-ordinator at OEM Automatic.



The OEM Group's quality assurance policy focuses on customer perceptions of products and services. OEM wants its customers to associate the Group's companies with good products, reliable delivery, good technical support and a positive, professional attitude.





## "Our environmental work got off to an unorthodox start."

OEM's Group Mechanics includes IBS Internordic Bearing Sweden AB. The company, which is based in Nässjö in the south of Sweden, sells roller bearings and sliding bearings in Scandinavia, and has been accredited under the ISO 9002 quality standard and the ISO 14001 environmental standard since January 2000. Andreas Fälth and Magnus Bonnevier, both of IBS, become particularly animated when talking about the company and the environment. Is this because the company is only a stone's throw from forests, lakes and hunting grounds? Or does good business sense dictate that the company has a great deal to gain from reducing its impact on the environment? One thing is certain: they are convinced that they are headed in the right direction.

"We got off to a rather unorthodox start," explains Fälth, Managing Director at IBS. "We were working on environmental accreditation and quality assurance accreditation at the same time. The surprising thing was that the environmental side of things was far easier. The entire staff got involved, and we really saw the results."

As its starting point IBS used the 14 "threats to the environment" identified by the Swedish Environmental Protection Agency. After taking a long, hard look at the company's operations in the light of these threats, the management was then able to draw up a list of priorities.

### ONE STEP AT A TIME

"Accreditation doesn't mean we're beyond reproach when it comes to the environment," continues Fälth. "We could do much more, but we constantly have to make choices, opting for one thing rather than another. We have to concentrate on what makes the greatest impact, yet is still affordable."

One of the company's long-term goals is to make environmental thinking an early part of the decision-making process, so that it becomes a natural aspect of planning and day-to-day work – not just for the sake of the environment, but for the company's too.



Andreas Fälth, MD at IBS

"Accreditation doesn't mean we're beyond reproach when it comes to the environment. We have to concentrate on what makes the greatest impact."



Magnus Bonnevier and Helena Klint  
– two members of the Quality and  
Environment team at IBS.



One example of how to do the environment a good turn. Instead of buying its own packaging, IBS recycles 8,000 of its suppliers' boxes every year. In some instances the company also reduces the use of PVC by favouring bulk packs rather than standard solutions with 10 products packed in plastic tubes.

Magnus Bonnevier, Environmental Manager at IBS, illustrates this approach with an example: "In the past we used to visit customers on the basis of how important they were – the largest first, regardless of whether smaller ones were nearby. These days we plan our trips on the basis of where customers are located. Reducing the amount of driving means that we cut down not only on exhaust emissions, but also on costs."

#### LOWER ENERGY CONSUMPTION

This is just one example of how environmental thinking can boost profit. One summer many employees complained that it was too hot in the building when they got to work.

"We solved the problem by switching on the air conditioning," says Fålh. "Then someone realised that, by switching off the heating at night instead, the early morning temperature would be comfortable without any need to use the air conditioning. This environmentally friendly approach resulted in lower energy consumption and lower energy costs. We could have kicked ourselves for not thinking of it earlier, if only to save money!"

#### 500 KILOGRAMS OF PVC

IBS was one of the first companies in the industry to focus on environmental accreditation. The steps currently being taken extend beyond the company itself to discussions with both suppliers and customers. One good example is an agreement with a particular customer to change the packaging that products are delivered in, a move that has resulted in reducing imports of PVC into Sweden by 500 kilos each year.

#### SPREADING THE WORD

Compared with many other countries, Sweden has come a long way in terms of corporate environmental programmes. This is something that IBS draws on when dealing with its suppliers in Asia.

"Many of the companies and people we deal with have never given the environment a moment's thought. They don't know where to start, so they're hardly in a position to set about making changes. We, on the other hand, can do something very important – we can talk to them, get them to really start thinking about the environment, spread the word, and help them to take their own initiatives. We see setting environmental work in motion in other cultures not only as our responsibility, but as an opportunity for us at the same time."

The OEM Group is firmly committed to minimising the environmental impact of its operations. This work is governed by statutory demands and by what is economically justifiable, technically feasible and ecologically motivated. Our ISO 14001 accredited environmental management system means we constantly monitor routines for recycling, waste and resource optimisation, and pay attention to environmental issues when assessing our suppliers. The short- and long-term aim is to reduce the environmental impact of our operations. Several of the Group's companies are environmentally certified.

## MISSION STATEMENT/BUSINESS PHILOSOPHY

### MISSION STATEMENT

OEM International is to own and develop companies that focus on selling and marketing components and systems for automation in Europe.

OEM's operating companies are to be given considerable freedom to respond to market-specific conditions and to act in the best interests of customers, suppliers and employees.

### BUSINESS PHILOSOPHY

Put simply, OEM acts as an alternative to manufacturers' own local subsidiaries by assuming responsibility for marketing and selling the products that the manufacturing company deals in.



Working with OEM provides suppliers with access to a partner with the expertise and financial strength to invest in markets, with a knowledge of those markets, and with a geographical distribution that facilitates expansion into new markets. Our presence in a number of different markets enables us to act as a bridge between the cultural differences in different countries.

Customers, on the other hand, benefit from OEM's ability to supply a larger range of products from many manufacturers, to offer good logistics as a result of its geographical spread, and to provide technical and commercial advice through its sales organisations. An efficient logistics apparatus enables us to modify purchasing volumes, stock levels and transportation methods to ensure maximum competitiveness.

OEM works with a wide range of products and can thus tailor its offer to meet the needs of customers, at the same time as it enables manufacturers to reach customer groups that they themselves would have found difficult to access.

OEM's core business is trading in the field of industrial automation, where trading is defined as:

- the ability to offer a range of products that appeals to customers
- an efficient sales organisation that can provide customers with local service
- highly effective marketing
- a high-quality logistics system that is extremely cost-effective.



## MARKET TRENDS

The industrial automation market is still growing and current market trends would appear favourable for OEM International.

- Increasing globalisation on the one hand, and progressively less time between the conception of an idea and the launch of a finished product on the other, have focused manufacturers' interest on the advantages of using the right distribution channels. OEM enjoys a strong position in the Nordic countries and has an assertive presence in several other European markets – a geographical spread that we view as a key element in our expansion strategy.
- Demands for companies to be accessible are increasing all the time. Accessibility over the Internet, by telephone or through good catalogues is becoming more and more important as a competitive factor. By exploiting the synergies and expertise in the OEM Group, we have the potential to be at the very forefront of our field.
- Increasing demands on logistics are resulting in substantial investments in IT systems. OEM benefits from economies of scale that enable us to make the most of both our expertise and our investments in hardware and software.
- Continuous calls for lower costs from the market mean that we must constantly seek out ways of increasing the efficiency of our internal processes. We have to increase sales per employee while maintaining or improving existing service levels. Over the past five years, for example, the OEM Group has increased sales per employee by 11% per annum.
- Customers are endeavouring to reduce the number of suppliers they use while at the same time buying more subsystems. As a major player that can supply both complex systems and components, OEM stands to become more competitive as a result of this trend.
- Greater demand from customers for expertise and quality is a sign that these customers are looking for lasting relationships with established companies. Several of our companies are accredited under the ISO 9002 quality assurance standard, and a number of QA projects are currently under way. Skills development plans for employees play a key role in our human resources strategy. Our target of recruiting 75% of managers internally is important for ensuring a stable culture in the group.

The OEM Group's structure has been adapted in line with the above trends and allows us to meet demands for added value, support and logistics. Our ability to listen and our willingness to change are important if we are to achieve our target of at least 15% growth per annum.

### GROWTH STRATEGY

Our target of continuous growth of at least 15% per annum is based on the following growth strategy:

- Organic growth

The continuous development of the products and services offered by our operating companies means that we can both increase the number of customers who buy from us and sell more products to existing customers. Stable organic growth is proof that customers are happy and that our range is also attractive to new customers.

- Acquisitions

Our financial strength enables us to search actively for new companies that we can incorporate into the OEM Group. This search extends both to new product areas where we have the relevant market expertise and to new geographical markets which provide us with a platform from which to expand. Historically this strategy has proved successful as most acquisitions have met or exceeded our targets very quickly.

- Geographical expansion

The creation of Group Europe in the OEM Industrial Components division will sharpen our focus on continued expansion in this part of the world. From now onwards we will be looking for business opportunities in the form of both start-ups and acquisitions right across the European continent.

Our target is for the Group to generate 50% of its sales outside Sweden. Turnover from our 12 companies outside Sweden totalled SEK 690.6 million during the year. The drop from the 1999 figure of SEK 708.5 million is due to a SEK 80 million fall in sales at the Danish and Finnish OEM EPT operations. Other companies, however, reported sales growth for the year.



Today OEM is represented in eight European markets.

## ACQUISITIONS IN 1999

The performance of the companies we take over depends largely on how well we manage to integrate them into our administrative procedures, build relationships with them and exploit synergies. We acquired four companies in 1999, which have now been integrated into our organisation:

- Pronesto AB, a supplier of microwave components and test equipment to the telecommunications sector, reported very strong growth in the year 2000.
- Multimetal OY, a Finnish distributor of ball-bearings, has begun to show a healthy operating profit following the development of its sales organisation, and has a strongly expanding customer base.
- Contraves Intersys SpA (now OEM Automatic Italy), a supplier of components for automation, has also benefited from a new sales organisation and is exploiting supplier synergies with other OEM Automatic companies.
- CosComp OY, which markets cables and cable management equipment, has been integrated into OEM Automatic OY, where it operates as an independent unit.

## ACQUISITIONS IN 2000

The year 2000 brought four further acquisitions and one start-up, all in the OEM Industrial Components division:

- Ing.f:a Källving AB markets mechanical components for the engineering industry. Källving sells mainly transmission products such as toothed belts and linear screws, where the most important agency is Bando, the Japanese world leader in toothed belts. The company has nine employees and generated sales of around SEK 12 million during the year
- AB Indoma was taken over in September and will be part of Group Mechanics in OEM Industrial Components. Indoma's main products are seals, prevailing torque elements and grease nipples. All of the company's products tie in closely with Group Mechanics' existing range. The company has 22 employees and generated sales of SEK 37 million during the year.
- Ernström Hydraulik AB was acquired in November and has three operating subsidiaries: JMS Systemhydraulik AB, Hydrac AB and Hydroprodukter International AB. The group has 73 employees and generated sales of SEK 170 million during the year. The acquisition prompted OEM Industrial Components to set up Group Hydraulics.
- September brought the takeover of a Netherlands-based Chinese company that trades in ball-bearings. It has now been integrated into a new company called OEM China Development BV, whose registered office is in Rotterdam. The company's mission is to distribute Chinese automation products in Europe. It generated sales of SEK 3.7 million from September to December.
- SPG Motors Europe AB was set up in April and will represent our Korean supplier SPG Co Ltd in Europe. We are responsible for sales and marketing not only in those countries in which we operate, but also for the whole of Europe. SPG Motors Europe AB generated sales of SEK 5.5 million from April to December.
- ATT Europe Ltd (Advanced Thermal Technology) was set up on 1 January 2001. The company's mission is to distribute components and systems for cooling electronics, primarily to the European telecommunications sector. The company is forecast to generate sales of around SEK 65 million in 2001.

OEM China Development, SPG Motors Europe and ATT Europe are part of the new Group Europe.

Acquisitions made in 1999 and 2000 contributed SEK 213 million to the OEM Group's year 2000 turnover.

## FINANCIAL TARGETS

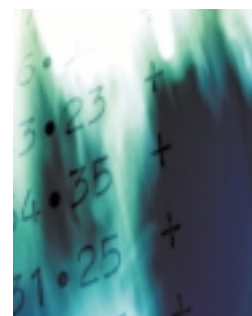
OEM International aims to generate a good return on equity and achieve strong, stable growth at the same time as it exposes itself to only limited financial risks. The Group's long-term targets are:

- 15% annual growth
- 20% return on equity
- 35% equity/assets ratio

Historically, as seen in the table below, OEM has achieved these targets.

Year	Annual profit growth**	Return on equity	Equity/assets ratio
	%	%	%
2000	11	27.4	42.4
1999	30	19.3	48.5
1998	7	17.0	48.2
1997	81*	19.4	54.2
1996	-10	24.3	60.3
1995	16	35.3	53.2
1994	90	42.2	50.9
1993	122	32.5	38.2

\* Merger with Cyncrona \*\*After net financial items excl. items affecting comparability



Over the last five years the company has achieved:

- Average profit growth of 22.6%
- An average return on equity of 21.5%
- An average equity/assets ratio of 50.7%

### GROWTH

Not only is the market for OEM's products growing, but there is also considerable potential for the OEM Group to expand. Nothing at present would suggest that either the market or company-specific factors will make it more difficult to generate future growth, be it organic or through acquisitions, of 15% per annum.

Acquisitions are considered to be part of our strategy to create growth, and, provided that the companies taken over can be incorporated into the business quickly and can achieve the requisite financial targets, there is no reason to distinguish between organic growth and growth through acquisitions.

### RETURN ON EQUITY

The company's return on equity depends on the profitability of its operations and the capital structure of its balance sheet. OEM's operations are designed to create added value for shareholders, customers, suppliers and employees. The OEM Group is constantly working to increase efficiency and so boost profitability in order to ensure that financial targets are met in the future.

### EQUITY/ASSETS RATIO

An equity/assets ratio of 35% represents a balanced financial risk relative to OEM's limited commercial risk. Given the same level of operating profit, a higher ratio of capital to assets means a lower return on equity. The equity/assets ratio is currently far higher than the OEM Group's target, which means that the reported return on equity would have been higher, had the equity/assets ratio stood at 35%. At the same time, there would have been no marked increase in the degree of financial risk to which the company was exposed.

### GOODWILL POLICY

OEM International's policy is to amortise goodwill over a five-year period. This means that the company's reported results are lower and the tax rate higher, though cash flow is not affected. Under the Swedish Annual Accounts Act, goodwill is to be amortised over a maximum of five years where no other period can be determined with a reasonable degree of reliability. OEM amortises goodwill so quickly because acquisitions are viewed as part of the company's growth strategy – the limited amortisation period can be viewed as an expression of how much OEM International asks of the acquisitions it makes.

## OEM INTERNATIONAL AND THE STOCK EXCHANGE

The OEM share was first quoted on the OTC list of the OM Stockholm Exchange in December 1983 and has performed well ever since. Anyone who bought 100 OEM shares for SEK 12,500 when the share was first quoted would have held 2,400 shares with a market value of SEK 309,600 on 31 December 2000. Excluding dividends, this is equivalent to an annual return of 21%.

The share was transferred to the O list during 2000. OEM International actually meets the OM Stockholm Exchange's requirements for inclusion on the A list. However, as shares on the O list are not subject to wealth tax and a transfer to the A list would have serious tax implications for shareholders, the board has resolved that the share should remain on the O list.

## SHARE PERFORMANCE

OEM International's share price climbed 2% during the year to close at SEK 129.00. Having hit its lowest point of SEK 112.00 on 5 January, it went on to peak at SEK 150.00 on 7 and 8 March. OEM's market value at the year-end was SEK 1,176 million. Net of the company's holding of its own shares, this figure was SEK 1,117 million.

The all-share index dropped by 12% during the year, and the SX Industrials index by 7.4%.

## SHARE TURNOVER

A total of 2,597,364 OEM "B" shares were traded during the year, equivalent to a turnover rate of 30%. OEM shareholders keep their shares for an average of around three years.

The turnover rate has held relatively steady at around 30% in recent years. The corresponding year 2000 figure for the stock exchange as a whole was 107% and that for the O list was 102%. OEM's B share was traded on every trading day, with an average of 10,348 shares traded each day. At the year-end OEM International had 3,549 shareholders, up 86% on 1995. Institutional shareholders held a total of 33% of the company's shares, whilst foreign owners held 23%.

## SHARE BUY-BACK PROGRAMME

The share buy-back programme approved by the year 2000 annual general meeting aims to improve our capital structure and make a positive contribution to the return on equity and earnings per share.

At the year-end, the company had bought back a total of 454,700 shares at an average price of SEK 127.52, in other words 5% of the shares in issue. The general meeting authorised the board to buy back up to 10% of the company's shares, in other words a total of 911,370 shares.

The best way of describing the impact of the programme on OEM's key figures is to examine how those figures would have looked if the programme had not gone ahead: the return on equity would have been 25.9% instead of 27.4%; earnings per share, excluding items affecting comparability, would have been SEK 12.92 instead of SEK 13.60; and the equity/assets ratio would have been 47.4% instead of 42.2%.

The programme has been continued in 2001 and on 2 March the company had bought back a total of 672,900 shares, representing 7.4% of shares in issue.

The aim is for the board to take the opportunity, whenever the price is attractive, to buy back up to 10% of the total number of shares in issue.

The shares will be retained, cancelled or used as consideration for takeovers. We have minimised the potential disadvantage of reducing the number of shareholders and the liquidity of the share by generally acquiring large blocks of shares.

## RISK

OEM's beta – a measure of how a share will be affected by a movement in the stock exchange's all-share index – is approximately 0.49. As such, the share is deemed a low-risk investment. The diversity of the OEM group's operations means that its commercial risk is low. In simple terms, this means that OEM is not particularly heavily exposed to any one sector or group of customers. At the same time, the company's financial risk is extremely low on account of its high equity/assets ratio. This means that there is scope to reduce the equity/assets ratio to bring it more in line with the company's commercial risk, without the overall risk inherent in the OEM share increasing appreciably.

## DIVIDEND POLICY

The board of OEM International aims to distribute a reasonable proportion of the company's profit to shareholders, taking account of the company's financial position, tax situation and any investments needed in the business or acquisitions. Over the last five years dividends have increased by an average of 25% per annum.

## DIVIDEND

The Board and Managing Director propose a dividend of SEK 4.50 (1999: 3.75) per share, which is equivalent to just over 30% of the net profit for the year and 10% of non-restricted equity.

## FINANCIAL INFORMATION

OEM aims to supply the market and media with high-quality information, so that potential investors can properly value the company and the shares remain liquid.

The dates for the annual general meeting, interim reports and annual report for 2001 are set out on page 2 of this annual report. The group also publishes financial information on its website at: [www.oem.se](http://www.oem.se).

Shareholders are entitled to receive interim reports and press releases via e-mail at the same time as these are distributed to the market. Any shareholders wishing to be included on the company's mailing list should e-mail [info@int.oem.se](mailto:info@int.oem.se) and enter "Company information" in the subject field.

## SHAREHOLDERS' INFLUENCE

### THE 10 LARGEST SHAREHOLDERS IN OEM ON 29 DECEMBER 2000

Owner	Number of A shares	Number of B shares	Shares (%-age of total)	Shareholding (voting power)
Orvar Pantzar	635,440	983,250	18.7	31.9
Hans Franzén + family	476,792	530,450	11.6	23.1
Agne Svenberg + family	476,800	205,112	7.9	21.7
SEB unit trust funds	0	452,100	5.2	2.0
Skandia	0	451,600	5.2	2.0
AFA Försäkring	0	437,000	5.1	1.9
Banco unit trust funds	0	313,600	3.6	1.4
Carlson Investment Mgt AB	0	221,400	2.6	0.9
Länsförsäkringar Jönköping	0	218,000	2.5	0.9
SEB Luxemburg	0	164,300	1.9	0.7
Total, 10 major shareholders	<b>1,589,032</b>	<b>3,976,812</b>		
Others	0	3,093,159	35.7	13.5
Total	<b>1,589,032</b>	<b>7,069,971</b>	<b>100.0</b>	<b>100.0</b>
Votes per share	10	1		

The company's own holding of 454,700 B shares is not included in the figures above.  
This is to simplify matters for the reader by indicating clearly the influence exercised by the various owners.

## SHAREHOLDER STATISTICS ON 29 DECEMBER 2000\*

Shareholding	Shareholders as %-age of total	Share capital as %-age of total
1-500	74.0	5.4
501-1,000	12.9	4.5
1,001-2,000	6.7	4.3
2,001-5,000	3.6	5.0
5,001-10,000	1.3	3.8
10,001-20,000	0.6	3.4
20,001-50,000	0.2	3.0
50,001-100,000	0.2	6.2
100,001-500,000	0.4	45.7
1,000,001-5,000,000	<0.1	18.7
Total	100.0	100.0

\* Total number of shareholders (incl. nominees): 3,549

Source: The Swedish Securities Register Centre (VPC AB) and SIS Ägarservice AB.

In the table above information about owners may be compiled from various statistical sources at the Swedish Securities Register Centre in order to indicate the total holdings of a single institution or private individual.

## DEVELOPMENT OF OEM STOCK

Year	Transaction	Change in share capital (SEK '000)	Total share capital (SEK '000)	Total number of shares	Par value per share (SEK)
	Opening value	50	50	500	100
1981	Bonus issue	350	400	4,000	100
1983	Split	–	400	40,000	10
1983	Bonus issue	400	800	80,000	10
1983	New share issue	800	1,600	160,000	10
1983	New share issue	400	2,000	200,000	10
1986	Bonus issue	4,000	6,000	600,000	10
1986	New share issue by conversion	360	6,360	636,000	10
1994	Split	–	6,360	1,272,000	5
1994	Bonus issue	6,360	12,720	2,544,000	5
1996	Bonus issue	12,720	25,440	5,088,000	5
1997	New share issue (non-cash issue)	20,129	45,569	9,113,703	5

## Key ratios for the OEM share over the past five years

		2000	1999	1998	1997	1996
<b>KEY RATIOS – PERFORMANCE</b>						
Sales per share	SEK	227	196	156	116	104
Increase in sales per share	%	15.8	25.6	34.5	11.5	9.5
Earnings per share*	SEK	13.60	9.04	7.05	7.25	7.25
Equity per share	SEK	56.84	49.31	44.25	38.80	32.70
Proposed dividend	SEK	4.50	3.75	3.00	2.50	2.00
Dividend/Profit	%	33.1	41.5	42.6	34.5	27.6
Dividend/Equity	%	7.9	7.6	6.8	6.4	6.1
Cash flow per share	SEK	5.70	18.87	2.65	8.66	-3.91
<b>KEY RATIOS – RISK</b>						
Beta (48 months)		0.49	0.69	0.75	0.68	0.73
Share turnover	%	30.0	32.3	25.8	35.0	22.0
<b>KEY RATIOS – VALUATION</b>						
Share price 30 December	SEK	129.00	127.00	109.50	163.00	114.00
Market capitalisation 30 December	MSEK	1,117	1,157	998	1,486	580
P/S ratio	times	0.6	0.6	0.7	1.4	1.1
P/E ratio	times	9.5	14.0	15.5	22.5	15.8
Price/Equity	%	227	258	247	420	349
EV/Sales	times	0.6	0.6	0.7	1.3	1.1
EBIT-multiple	times	7.4	8.1	9.8	15.5	11.0
Yield	%	3.5	3.0	2.7	1.5	1.8

\* Excluding items affecting comparability

### DEFINITIONS OF KEY RATIOS

Sales per share: Group sales divided by the number of shares.

Increase in sales per share: Increase in Group sales per share.

Earnings per share: Group net profit after deduction of tax paid and deferred tax divided by the number of shares.

Equity per share: Equity plus minority shareholdings divided by the number of shares.

Dividend/Profit: The proposed dividend in relation to net profit for the year.

Dividend/Equity: The proposed dividend in relation to equity plus minority shareholdings.

Cash flow per share: Cash flow from day-to-day operations divided by the number of shares.

Beta: A measure of past changes in a share price in relation to changes in the all-share index.

Share turnover: The number of shares traded during the year, divided by the number of shares outstanding at the year-end.

P/S ratio: Market capitalisation in relation to Group sales.

P/E ratio: The share price at 30 December divided by earnings per share.

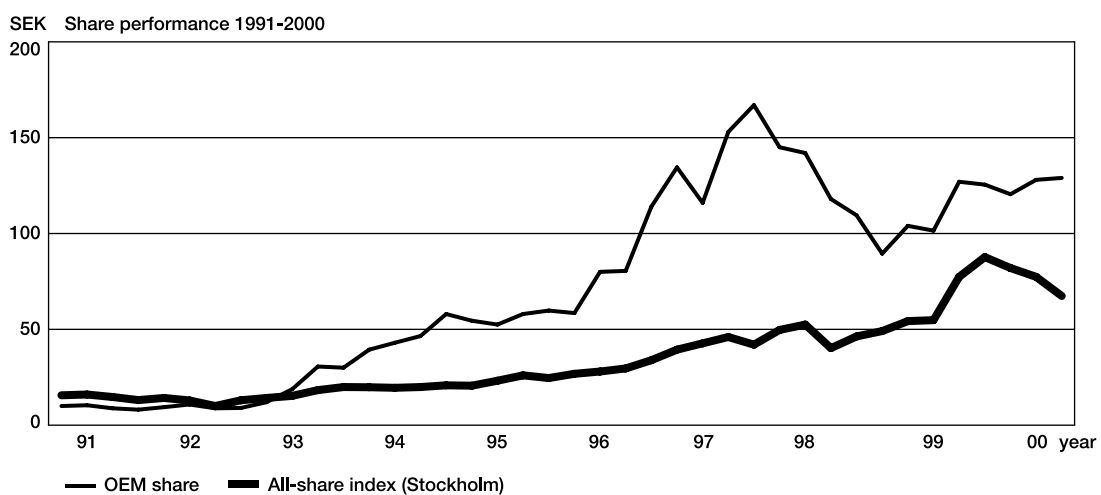
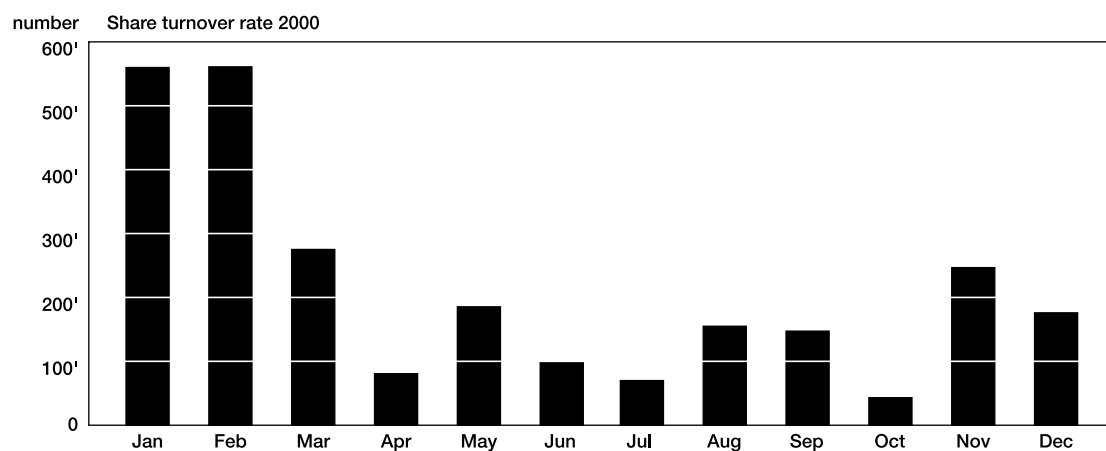
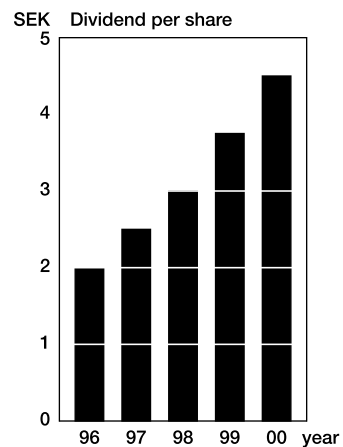
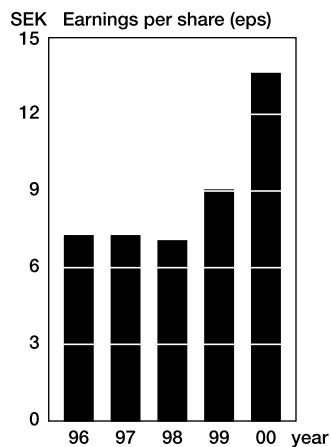
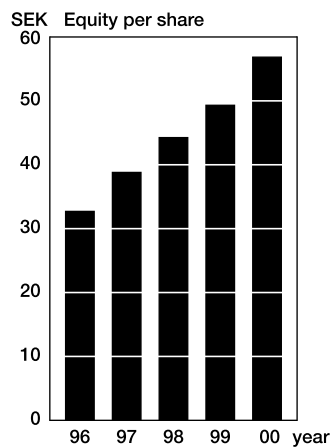
Price/Equity: Share price divided by equity per share.

EV/Sales: Enterprise value (Market capitalisation + net indebtedness + minority shareholdings) divided by Group sales.

EBIT multiple: Enterprise value divided by consolidated operating profit after depreciation.

Yield: Dividend per share divided by the share price at the year-end.





## Five year financial summary (all figures in thousands of SEK)

	2000	1999	1998	1997	1996
<b>FROM THE INCOME STATEMENT</b>					
Invoiced sales					
Sweden	1,264,429	1,057,607	948,581	725,214	406,553
Other countries	682,543	695,488	453,384	326,630	116,821
	1,946,972	1,753,095	1,401,965	1,051,844	523,374
Operating profit					
before items affecting comparability	204,286	189,090	139,401	113,695	62,034
Items affecting comparability	15,898	–	–	–	–
Depreciation acc. to plan	-55,614	-54,162	-36,811	-22,879	-10,810
Income/expense from financial items	-1,569	-1,923	-1,683	4,621	-400
Participations in associated companies	1,167	1,092	2,555	1,707	2,733
Profit before tax	164,168	134,097	103,462	97,144	53,557
Tax	-34,973	-51,702	-39,311	-31,148	-16,721
Minority share	–	–	–	-61	–
Year's profit for the Group	129,195	82,395	64,151	65,935	36,836
<b>FROM THE BALANCE SHEET</b>					
Intangible fixed assets	83,200	85,052	76,435	39,138	12,792
Tangible fixed assets	184,003	156,465	167,016	112,573	59,920
Financial fixed assets	22,972	9,941	10,973	9,086	6,050
Inventories	328,112	226,671	236,413	157,828	102,435
Current receivables	430,538	297,725	274,209	203,397	80,279
Current investments/					
Cash and bank	113,103	150,375	71,916	130,849	14,259
Total assets	1,161,928	926,229	836,962	652,871	275,735
Equity	492,157	449,352	403,339	353,429	166,305
Minority interest	–	–	–	553	–
Allocations	48,079	42,642	37,761	28,858	21,040
Long-term liabilities	233,703	96,355	90,694	18,908	5,581
Current liabilities	387,989	337,880	305,168	251,123	82,809
Total equity, allocations and liabilities	1,161,928	926,229	836,962	652,871	275,735



## Key ratios for the past five years

		2000	1999	1998	1997	1996
<b>OEM GROUP</b>						
Net sales	MSEK	1,967.4	1,782.3	1,423.0	1,060.8	527.0
– of which foreign sales	%	35.1	39.7	32.6	31.2	22.3
Group profit before tax*	MSEK	148.3	134.1	103.5	97.1	53.6
Return on total capital*	%	14.8	15.8	15.2	17.2	20.0
Return on total capital	%	16.3	15.8	15.2	17.2	20.0
Return on capital employed*	%	24.3	26.8	26.0	28.6	32.7
Return on capital employed	%	26.8	26.8	26.0	28.6	32.7
Return on equity	%	27.4	19.3	17.0	19.4	24.3
Average interest on debt	%	1.1	1.3	2.8	1.7	2.3
Debt/Equity ratio	times	0.48	0.21	0.23	0.06	0.03
Operating profit/Sales*	%	10.4	10.6	9.8	10.7	11.8
Operating profit/Sales	%	11.9	10.6	9.8	10.7	11.8
Return on sales*	%	7.9	7.8	7.9	9.5	10.1
Return on sales	%	8.7	7.8	7.9	9.5	10.1
Profit margin*	%	7.5	7.5	7.3	9.2	10.2
Profit margin	%	8.3	7.5	7.3	9.2	10.2
Capital turnover rate	times/yr	1.69	1.92	1.70	1.62	1.91
Sales per employee	MSEK	2.9	2.9	2.5	2.4	1.9
Equity ratio	%	42.4	48.5	48.2	54.2	60.3
Cash flow from operating activities	MSEK	49.4	172.0	24.1	78.9	-19.9
Acid-test ratio	%	140	133	113	133	115
Earnings per share (eps) **	SEK	13.60	9.04	7.05	7.25	7.25
Equity per share ***	SEK	56.84	49.31	44.25	38.80	32.70
Proposed dividend	SEK	4.50	3.75	3.00	2.50	2.00
Share price 30 December	SEK	129.00	127.00	109.50	163.00	114.00
P/E ratio	times	8.6	14.0	15.5	22.5	15.8
Yield	%	3.5	3.0	2.7	1.5	1.8
Number of employees		676	609	568	446	278
Salaries and remuneration	MSEK	197.0	184.0	158.8	121.3	68.5

### DEFINITIONS OF KEY RATIOS

Return on total capital: Operating profit plus financial income as a percentage of average total capital.

Return on capital employed: Operating profit plus financial income as a percentage of average capital employed. Capital employed means the balance sheet total reduced by non interest-bearing liabilities including deferred tax.

Return on equity: Net profit for the year as a percentage of average equity.

Average interest on debt: Financial expense as a percentage of total liabilities.

Debt/Equity ratio: Interest-bearing liabilities divided by computed equity. Computed equity = equity + minority shareholdings.

Operating profit/Sales: Operating profit before depreciation as a percentage of sales.

Return on sales: Profit after financial income as a percentage of sales.

Profit margin: Profit before tax excl. minority shares as a percentage of sales.

Capital turnover rate: Sales divided by balance sheet total.

Sales per employee: Sales divided by the average number of employees.

Equity ratio: Equity plus minority shareholdings as a percentage of total capital.

Acid-test ratio: Current assets minus inventories as a percentage of current liabilities.

Earnings per share: Group net profit after the deduction of both paid and deferred tax divided by the number of shares.

Equity per share: Equity plus minority shareholdings divided by the number of shares.

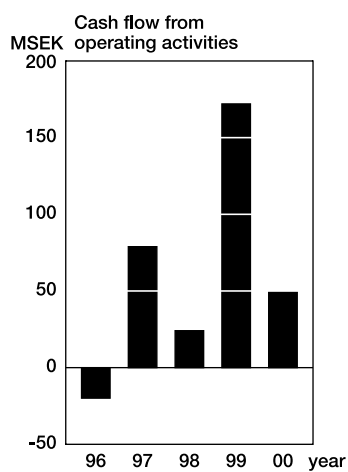
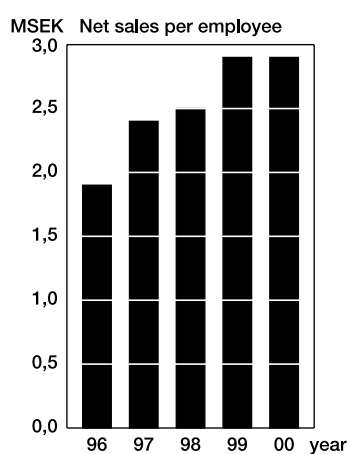
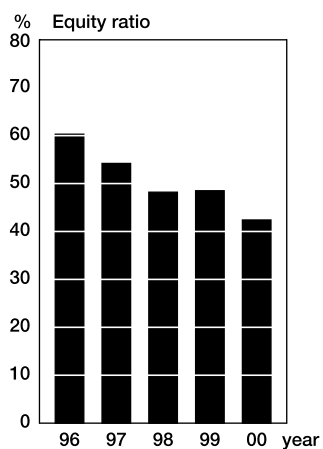
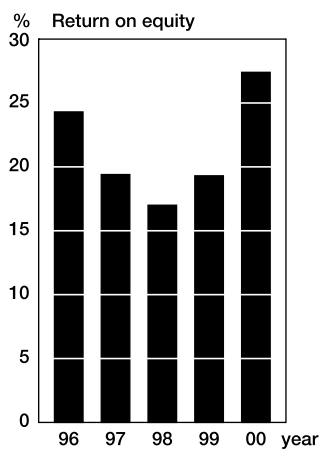
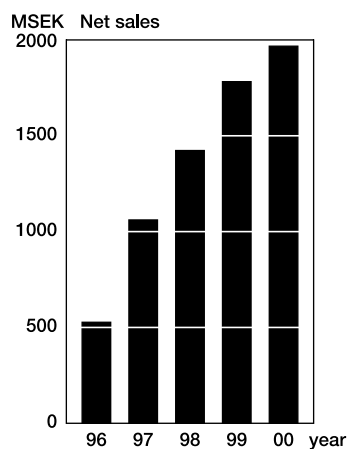
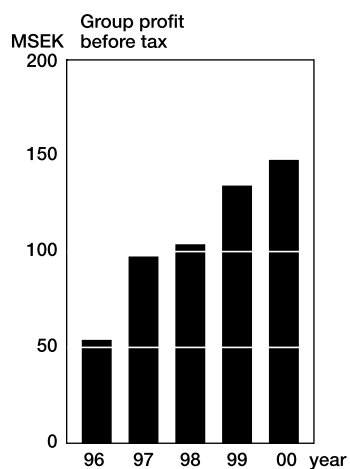
P/E (Price/Earnings): The share price at 30 December divided by earnings per share.

Yield: Dividend per share divided by the share price at the year-end.

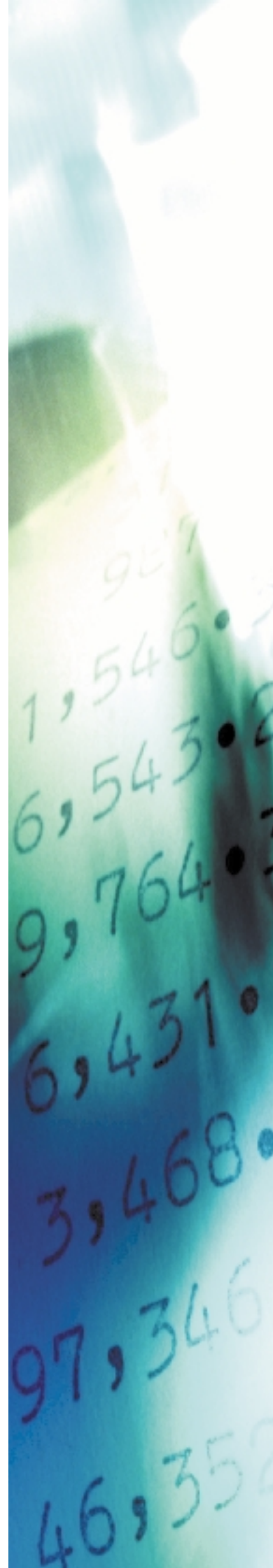
\* Key ratios calculated excluding items affecting comparability

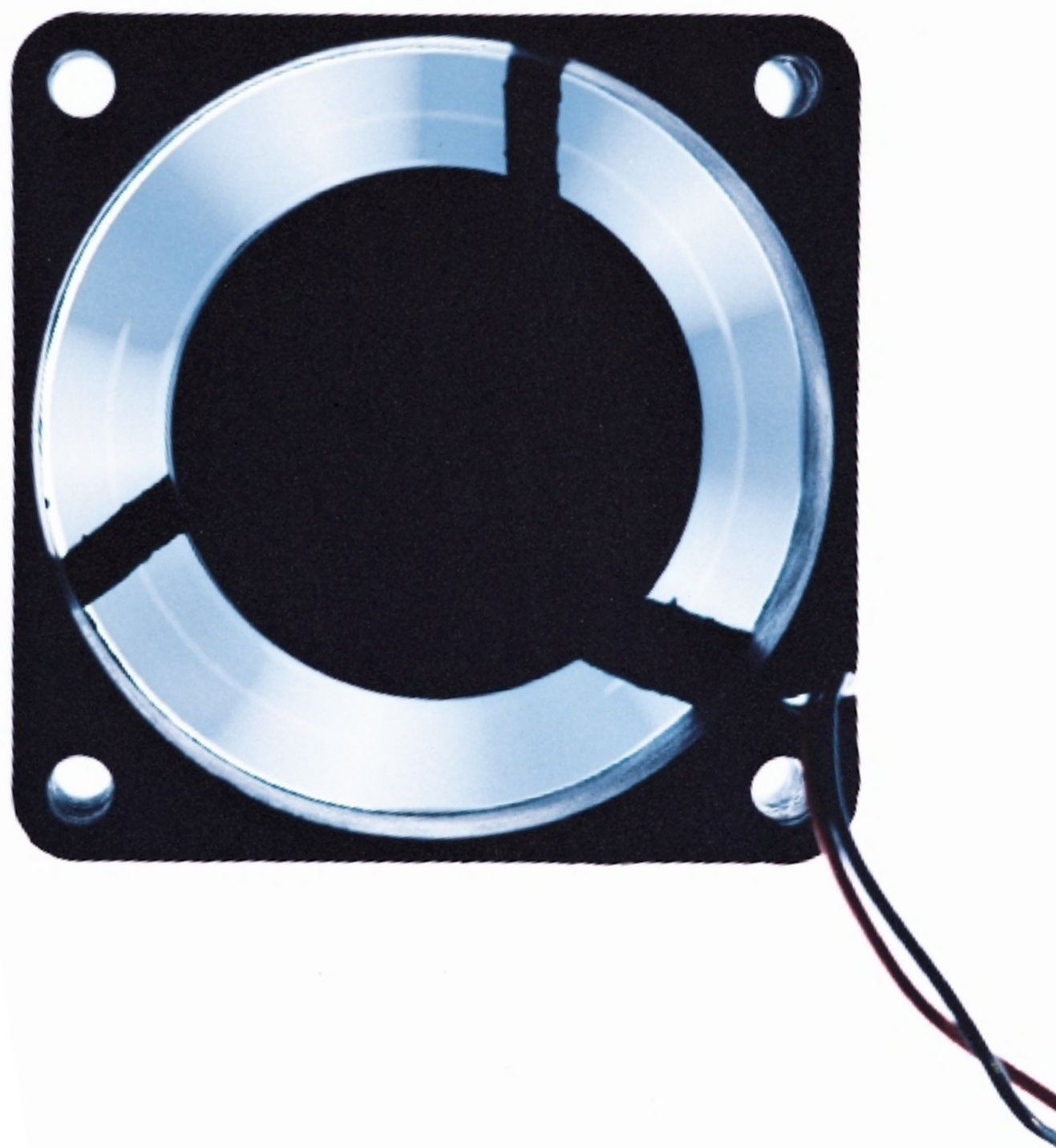
\*\* Key ratios calculated on the number of shares excluding the Group's own buy-backs

\*\*\* Equity per share = reported equity per share



\*Key ratios have been calculated excluding items affecting comparability.





## OEM INTERNATIONAL

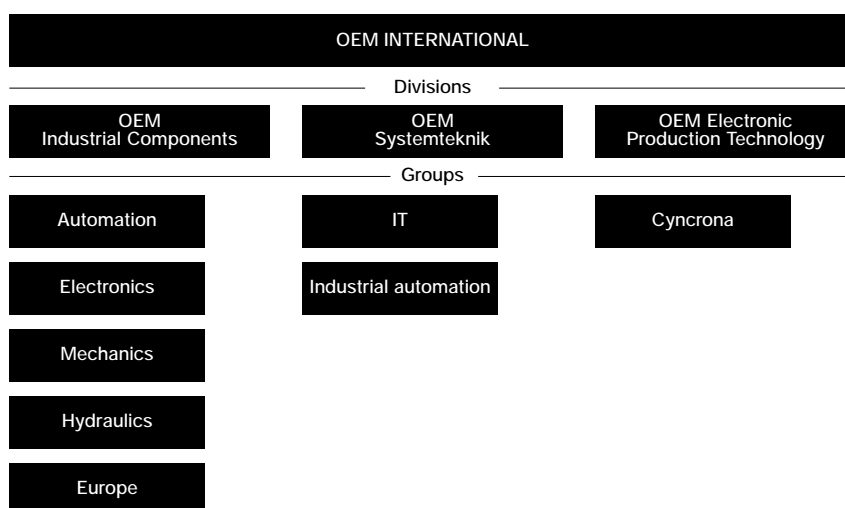
OEM International owns and develops companies that market components and systems for industrial automation in Europe. Put simply, OEM acts as an alternative to manufacturers' own local subsidiaries. OEM does not manufacture any components itself, although the OEM Systemtechnik division does produce customised automation equipment such as robot lines and other complex systems.

## GROUP STRUCTURE

OEM International is organised in three divisions:

- OEM Industrial Components, which markets components for industrial automation
- OEM Systemtechnik, which designs, manufactures and sells complex automation systems, and markets IT-related products
- OEM EPT, which markets production equipment and components for the production of printed circuit boards

Each division is, in turn, divided into groups. At the year-end the OEM Group had 27 operating companies in eight different countries (January 2001 saw the start-up of ATT Europe Ltd, bringing the total to 28).



One of the keystones of OEM International's mission statement is that the individual operating companies should be given considerable freedom to respond to the various conditions that prevail in their particular markets. We are convinced that businesses that are run on the basis of customers' needs and judged on their own merits are more likely than centrally controlled units to lay the foundations for profitable growth. Although the companies act independently, there are tangible synergies to be realised when it comes to the co-ordination of suppliers and products, skills development, a broad customer base, IT co-ordination, quality assurance, environmental management, financial management and capital management.

### OEM Industrial Components

Managing Director: Jan Hultman

Number of employees: 410

Net sales: SEK 1,122.1 million

Profit: SEK 94.5 million

Share of group sales: 57%

OEM Industrial Components is divided into five groups:

- Automation
- Electronics
- Mechanics
- Hydraulics
- Europe

### OPERATIONS

This division is made up of 20 operating companies, which have been organised into groups to enable them to benefit more easily from synergies at the supplier, customer and product levels.

The division has two main focuses: trading in components for companies that build machinery and equipment, and the telecommunications sector.

The division currently operates in eight European countries, but still with the emphasis on the Nordic region.



"The Swedish companies in the division had a good year on the whole, while operations abroad fell slightly short of expectations."

Jan Hultman, Managing Director of OEM Industrial Components AB.





## YEAR 2000 PERFORMANCE

- The past year saw us exceeding targets and reporting a 42% increase in sales to SEK 1,122.1 million
- Orders received rose by 40% to SEK 1,170.5 million
- Profit after net financial items\* climbed 46% to SEK 94.5 million
- Four companies were acquired
- Two new groups were formed: Hydraulics and Europe

The division experienced major growth during the year: its Swedish companies had a good year on the whole, while operations abroad fell slightly short of expectations.

Group Electronics still accounts for the greatest growth within the division. Strong demand for the group's products combined with the product reorganisations carried out during the year to result in a significant level of expansion. Group Electronics sales for the year rose 42% to SEK 376 million, and profit rocketed 97% to SEK 38.8 million.

\*excluding items affecting comparability

## GROUP AUTOMATION

### GOALS AND STRATEGY

Automation's strategy of expansion through organic growth and the addition of new product areas has now been complemented by an approach whereby it views the whole of Europe as its market. The new company in Italy means that we now operate in seven European countries.

The group's market can be expected to expand by 5 to 10% a year. With a market share of 5 to 10% in those markets where we are represented, we still have considerable growth potential. However, geographical expansion together with the addition of new product areas means that we are aiming to grow faster than the market.

### CUSTOMERS

Automation's customers span the entire range from small workshops to major multinational industrial conglomerates. Our business philosophy is to offer these diverse customers a well developed sales organisation and a product range that features greater depth, breadth and quality than that of our competitors.

### COMPETITORS

The group's competitors can be divided into two groups: other trading companies, such as Bergman & Beving AB, and manufacturers' own subsidiaries, such as Omron and Schneider. OEM's strength is that customers benefit from a wider range of higher quality products than any single supplier can possibly offer. A co-ordinated approach from the group's various companies in fields such as logistics, IT, market communications and quality assurance gives us a competitive edge over other trading companies.



Customers rate OEM's product documentation highly.

## GROUP ELECTRONICS

### GOALS AND STRATEGY

Group Electronics restructured its product ranges during the year to give each of its constituent companies a more distinctive product portfolio.

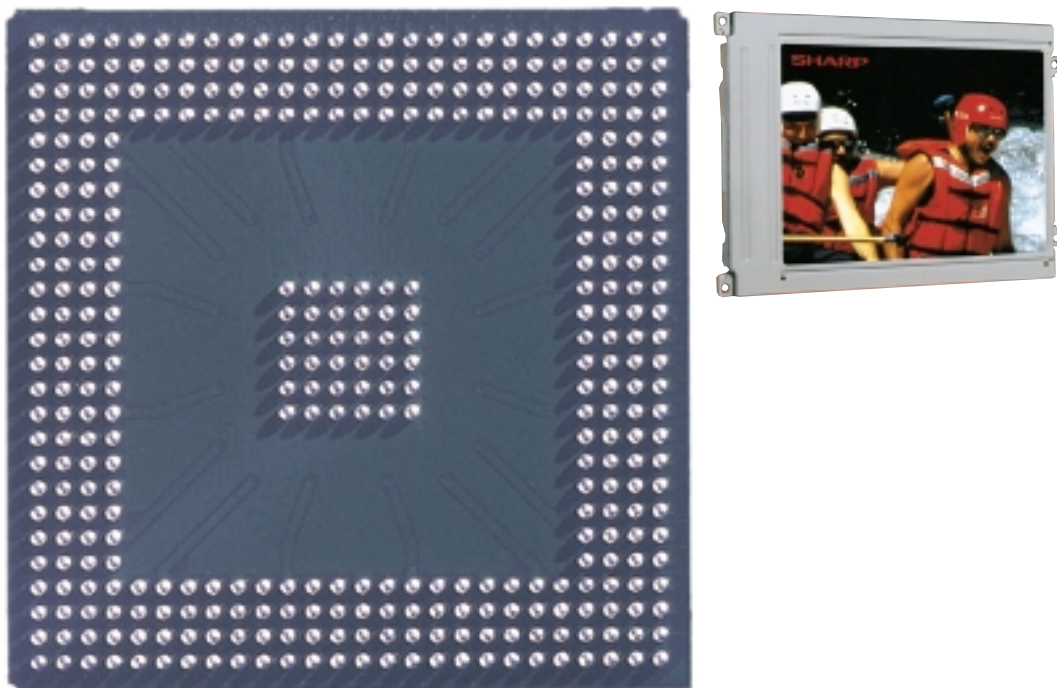
The electronics industry is continuing to grow rapidly and we have the capacity and the contacts that are necessary to expand in this field. So far, the main focus of the group has been on Sweden, but we have identified potential for higher levels of activity in the other Nordic countries and the UK. If we utilise these opportunities at the same time as we acquire other companies, we will create a strong position for ourselves, from which to expand at a faster rate than the market as a whole.

### CUSTOMERS

Our customers are to be found primarily in the electronics, telecommunications and appliance industries, but also in the military sector, where we are able to offer added value in the form of in-design, logistics solutions and simplified installation.

### COMPETITORS

Our competitors in the electronics market can be divided into two categories: global component distributors and trading companies similar to OEM. The strength of OEM's concept lies in offering customers a wide range, efficient logistics and high standards of expertise.



OEM's Electronics companies provide customers with access to specialist knowledge within selected areas.

## GROUP MECHANICS

### GOALS AND STRATEGY

Our goal is continued profitable growth, which, given the current situation, is a realistic possibility in all of our areas of activity. We have considerable growth potential both geographically and in new product areas.

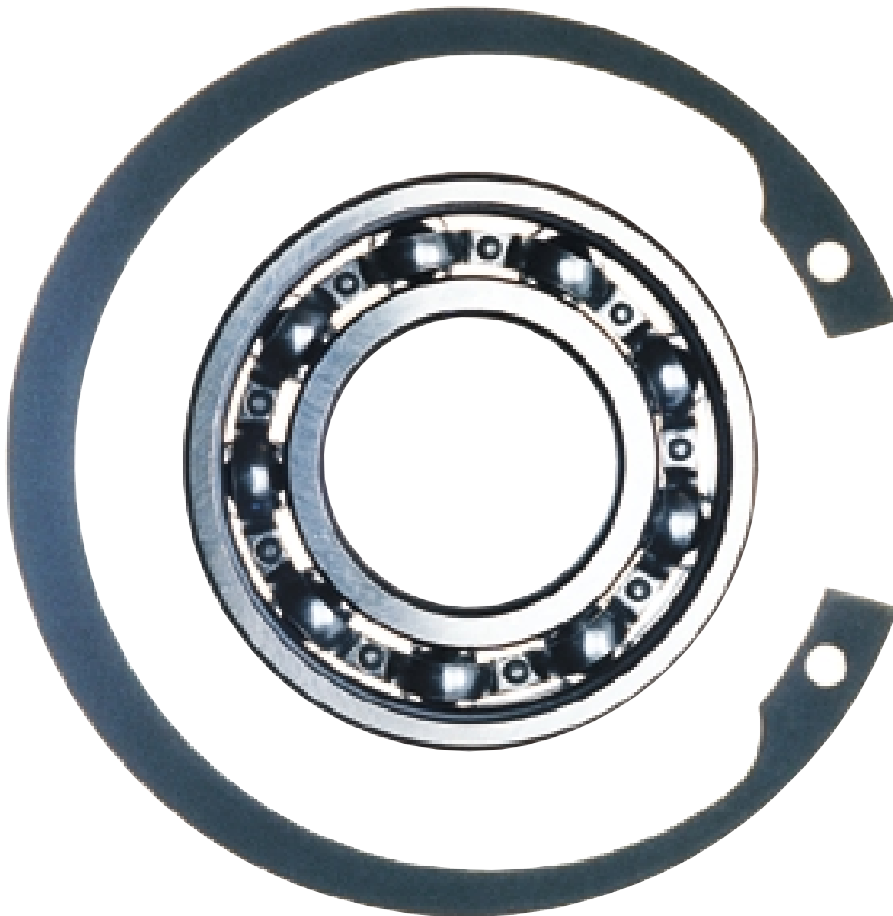
Group Mechanics has been built up largely through acquisitions, and this process is to continue – but at a rate that allows the companies to be prudently developed. Although growth in the mechanical engineering sector remains sluggish, we will be working on expanding our customer base and thus increasing our market share.

### CUSTOMERS

The group's customers are found in industry, where the products we market are sold as components to machine manufacturers of all kinds and sizes.

### COMPETITORS

Group Mechanics competes with SKF and other ball-bearing importers, but, as our constant expansion has now made us one of the largest importers in this sector, we are increasingly gaining the confidence and acceptance of major customers who previously bought only the big-name brands.



## GROUP HYDRAULICS

### GOALS AND STRATEGY

The goals for this newly acquired group are continued expansion and improved profitability.

Group Hydraulics consists of three companies engaged both in component sales and in system assembly. Business is based mainly in Sweden, but we have identified growth potential throughout the Nordic region. Our strategy is to offer a well developed sales organisation and a product range that features greater depth, breadth and quality than our competitors are able to match.

### CUSTOMERS

Customers are to be found largely in the automotive industry and in the marine engineering and transport sectors. In most instances these customers are looking for components, but complete systems also account for a large portion of the group's sales.

### COMPETITORS

Competitors include major manufacturers such as Mannesmann Rexroth, and system builders such as Dacke Hydraulik AB.



Hydraulic plant from JMS Systemhydraulik of Borås, Sweden.

## GROUP EUROPE

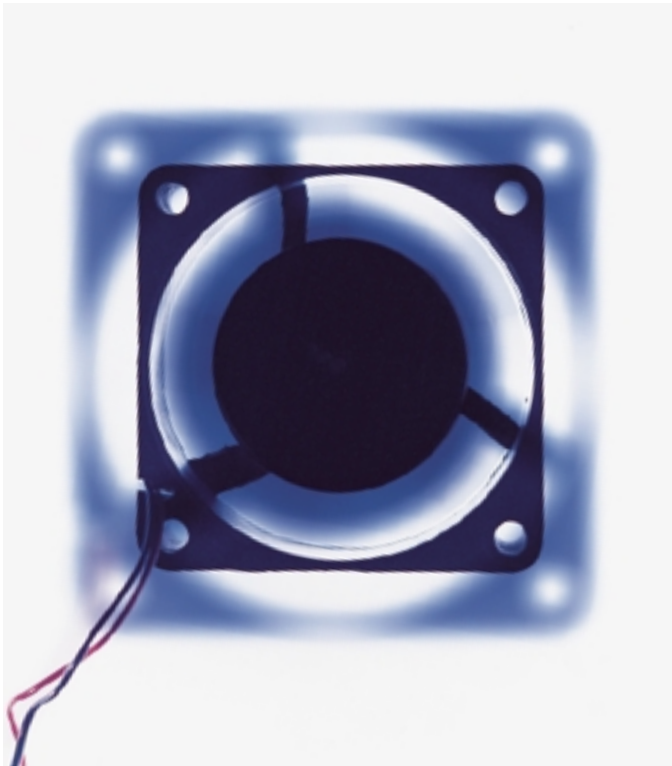
### GOALS AND STRATEGY

Group Europe consists of three companies representing Asian and American companies in Europe. We add value – both for these companies and the users of their components – by employing our network of contacts to find the right channels and by using our advanced logistics solutions to distribute products efficiently in Europe.

Given that we are largely breaking new ground, our growth potential is almost unlimited. However, narrow margins make it absolutely essential to build forward-looking distribution networks and long-term customer relationships so as to ensure that our business processes are highly efficient.

### CUSTOMERS

Group Europe's customers include a wide spectrum of national distributors and a range of different manufacturers, including large multinational industrial conglomerates.



Cooling fans and small motors – the first components in the new Group Europe concept.

### OEM Systemteknik

Managing Director: Jörgen Zahlin

Number of employees: 150

Net sales: SEK 330.4 million

Profit: SEK 6.1 million

Share of group sales: approx. 17%

OEM Systemteknik is divided into two groups:

- Industrial automation
- IT

### OPERATIONS

OEM Systemteknik is divided into two groups: Industrial Automation markets industrial components, system products and production equipment, while IT markets data security and data communication products. Customers range from large multinationals to small local dealers, primarily in Sweden, but also in the other Nordic countries. Expertise in the products we sell and a far-reaching insight into the uses to which they are put are key elements of our business concept.

### YEAR 2000 PERFORMANCE

- Net sales of SEK 330.4 (369.3) million and profit after net financial items\* of SEK 6.1 (-5.2) million
- Orders received during the year totalled SEK 286.0 (409.2) million
- Merger of IRB Mechatronics AB and Jubo Verktyg AB to form Jubo Mechatronics AB
- IT-related operations continued to grapple with profitability problems, but the restructuring of the company is now complete and its loss potential heavily reduced
- Jörgen Zahlin took over as managing director of the division on 1 July

\*excluding items affecting comparability

OEM Systemteknik improved its financial performance in the year 2000, having got to grips with some of the internal problems identified in 1999. Following the merger of Jubo Verktyg AB with IRB Mechatronics and the continued restructuring of About Communication, the stage is set for a further improvement in earnings in 2001.

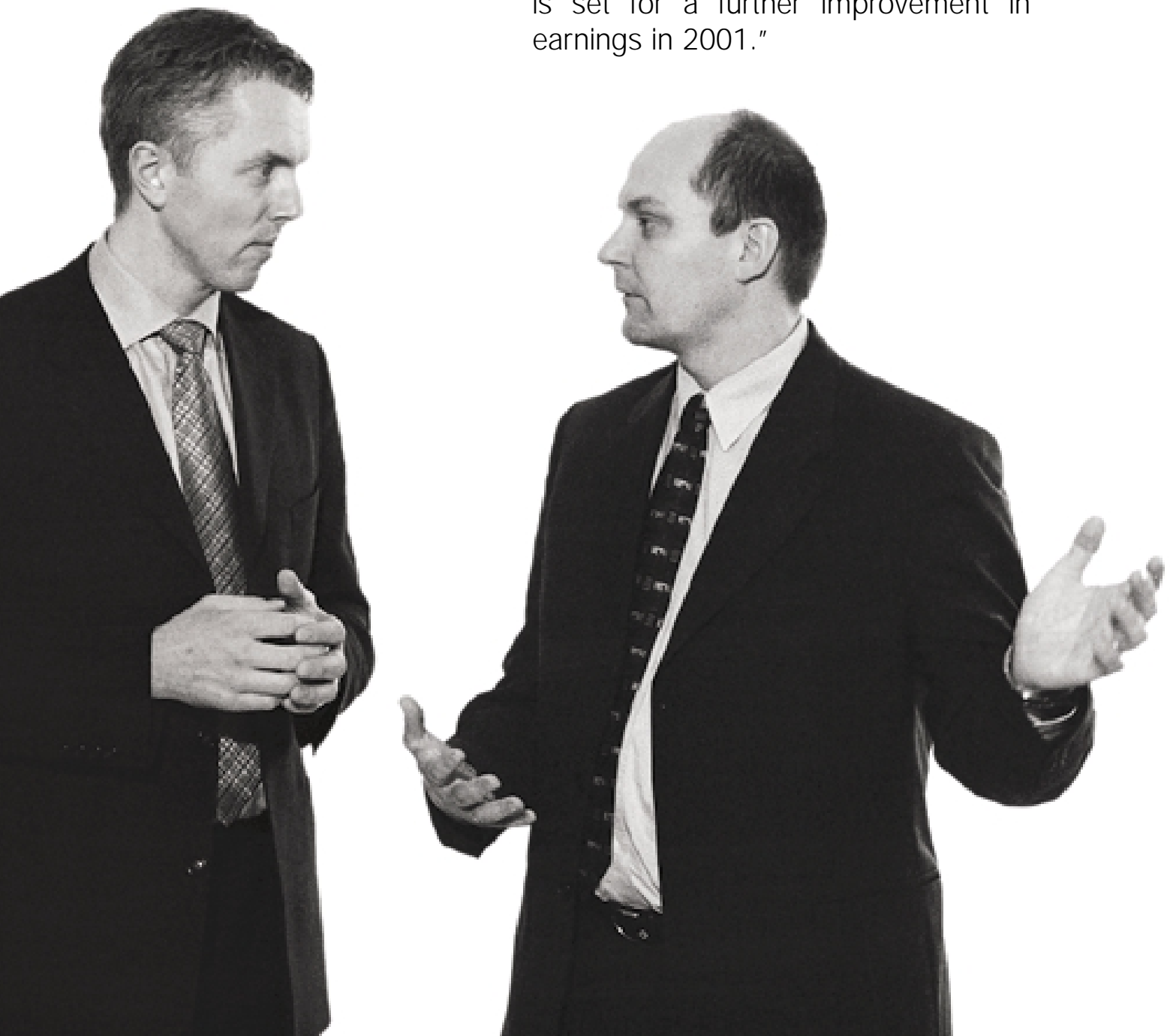
The restructuring of Ericsson's mobile telephone production operations will, however, undoubtedly impact on Jubo Mechatronics for whom Ericsson is an important customer. Work on finding new projects is already under way.

Jörgen Zahlin, Managing Director of OEM Systemteknik, in conversation with Torbjörn Eriksson, Managing Director of Jubo Mechatronics.





"The merger between Jubo Verktyg AB and IRB Mechatronics together with the continued restructuring of About Communication means that the stage is set for a further improvement in earnings in 2001."



## GROUP INDUSTRIAL AUTOMATION

### GOALS AND STRATEGY

Industrial Automation's goals are to secure growth and good profitability.

Our strategy is to create added value for customers by supplying complex products that feature a high knowledge content. We have used our considerable experience in automation to identify a number of technical solutions that are frequently used by customers. By standardising these parts as modules, we can offer finished products that can be supplied quickly, at a set price and used many times over.

The merger of the two largest companies in the Industrial Automation group, Jubo Verktyg AB and IRB Mechatronics AB, will increase competitiveness in terms of both the product range and cost-effectiveness.

### MARKET AND CUSTOMERS

Group Industrial Automation supplies industrial components, cabinets for automatic control devices and complex production systems to a number of sectors, including the electronics, pharmaceuticals and engineering industries. Key customers include Ericsson, Alfa Laval, AstraZeneca and numerous small and medium-sized industrial companies.

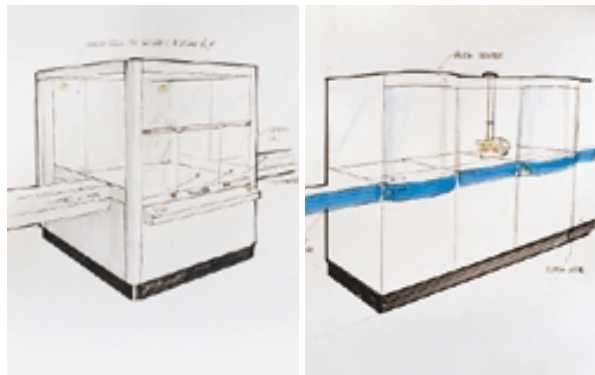
### COMPETITORS

While there is a large number of competitors both for components and systems, primarily in the form of suppliers with their own manufacturing companies in the Swedish market, OEM does have the advantage of representing many major brands such as Panasonic, Bosch, Epson and NSK.

The nature of the competition in the production equipment market has changed in recent years as major players have tended to close down their own production technology departments and turned instead to external suppliers. Our competitors are both national and international companies specialising in automation equipment, such as PMJ and JOT. Jubo Mechatronics AB and Industri AB Reflex are the leading players in the Swedish market in their respective fields.



Furniture-testing equipment for IKEA supplied by A. Karlson Industriteknik AB.



Channelling production towards a limited number of standard modules results in shorter lead times and improved cost-efficiency.



## GROUP IT

### GOALS AND STRATEGY

Group IT has chosen to concentrate on products that require more consulting and value-added services from us as a supplier. Given the short life-cycle of this type of product, logistics are of the ultimate importance. Restructuring, streamlining and increasing internal efficiency were key focus areas during the year. Our goal for 2001 is to achieve stable profitability as the basis for expansion.

### MARKET AND CUSTOMERS

The market was characterised by tight margins, lower-than-anticipated volumes and changes to distribution channels. Our shift towards more complex products where support plays a key role served to increase our number of direct customers.



A "firewall" from About Communication AB, a product which guarantees the security of data transfers between customers' intranets and the Internet.

## OEM EPT

Managing Director: Göran Johansson

Number of employees: 111

Net sales: SEK 520.1 million

Profit: SEK 48.4 million

Share of group sales: 26%

OEM EPT comprises the Cyncrona Group, which is represented in all of the Nordic countries.

## OPERATIONS

OEM EPT markets production equipment, materials and support for the manufacture and testing of printed circuit boards, printed wiring boards and microelectronics. Its customers are electronics manufacturers in the Nordic region. Orders are despatched both directly to the customer from the manufacturer and via OEM's own warehouses. Installation, support and training services linked to the products sold play a key role in the company's business.

## YEAR 2000 PERFORMANCE

- Sales fell to SEK 520.1 (621.9) million and profit after net financial items\* to SEK 48.4 (82.6) million
- Orders received rose to SEK 558.2 (532.3) million
- Support was boosted by the recruitment of new staff and expertise
- A number of new products were launched

\*excluding items affecting comparability



"By offering high levels of service and support together with a wide range of products, the division has created the right climate for continued growth and good profitability."

Göran Johansson, Managing Director of OEM EPT AB.

It was not a good year for OEM EPT, but, after a slow start, the division ultimately rallied to record results that were on a par with those for 1998. 1999 was, in many ways, an exceptional year as a result of the huge investment programmes carried out by the telecommunications companies. Unfortunately, these were not repeated on the same scale in 2000 and substantial pressure on prices resulted in tighter margins. Over the past few years the division has focused on building up its support unit in a bid to meet market demands and offer customers a broader range of services.

## GOALS AND STRATEGY

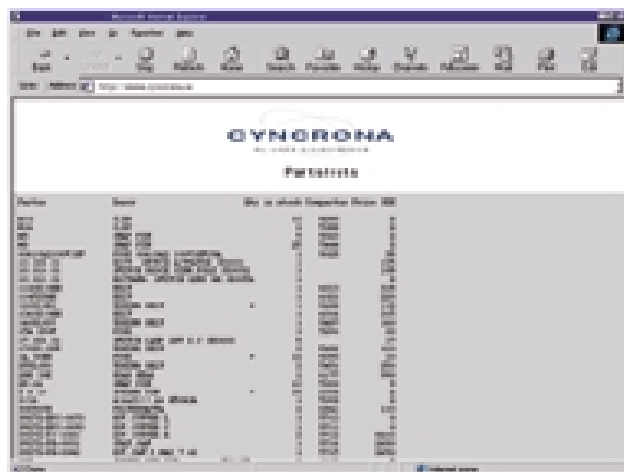
OEM EPT's goal is to remain the leading player in its field in the Nordic region. By offering high levels of service and support together with a wide range of products, the division has created the right climate for continued growth and good profitability.

The "service" previously offered to customers (in other words the installation and repair of equipment sold) has now been replaced by "support", which includes training customers' staff, offering production advice, optimising equipment and supplying spare parts.

For many years OEM EPT has focused on reducing its dependence on specific suppliers and product areas. (Fuji, for example, currently accounts for 44% of the division's sales.) This involves, among other things, concentrating on those areas of the business that sell consumables for electronics production. We are also endeavouring to increase the degree of added value offered to customers, largely through service and support. Other added value services include various financing options.

While we are constantly being reminded of the need to adapt operations to meet ongoing market demands for greater flexibility combined with smaller margins and a range of financing options, we can never afford to lose sight of our long-term strategy.

As delivery times often dictate which supplier wins an order, it is vital that we keep some of our range in stock. This does, however, require financial strength as we often compete directly with equipment manufacturers rather than other distributors.



Cyncrona's spares service is accessible 24 hours a day on the Internet.



Fuji OP3 – one of the most versatile machines on the market for surface-mounting components and connectors.

## GROWTH AND PROFITABILITY

For many years the Nordic electronics industry has been fuelled by advances in the telecommunications sector, with Ericsson and Nokia as the two main motors in this development. However, as an ever larger proportion of electronics production is being sub-contracted and electronics production worldwide is shifting across national borders, growth in our field is becoming increasingly dependent on customers outside the Nordic countries. Even so, the world's leading contract manufacturers are already established in Scandinavia, many of them with more than one factory. As such, growth in the field of electronics production should remain positive in our "domestic" region.

## MARKET AND CUSTOMERS

As contract manufacturers have taken over several production units formerly belonging to Ericsson, and a number of new companies have sprung up in the field, the customer structure in this market has changed drastically in recent years. From having been dominated by a few big names, the market now features more large customers, so reducing suppliers' risk exposure to any one customer.

Although multinational contract manufacturers can step up or scale down production in the Nordic countries relatively quickly, we believe that they will continue to develop the Nordic side of their business. We are expecting our telecommunications customers to report healthy growth as a result of the introduction of the third generation of mobile telephony – assuming, of course, that Nordic manufacturers succeed in what is becoming an increasingly competitive market.

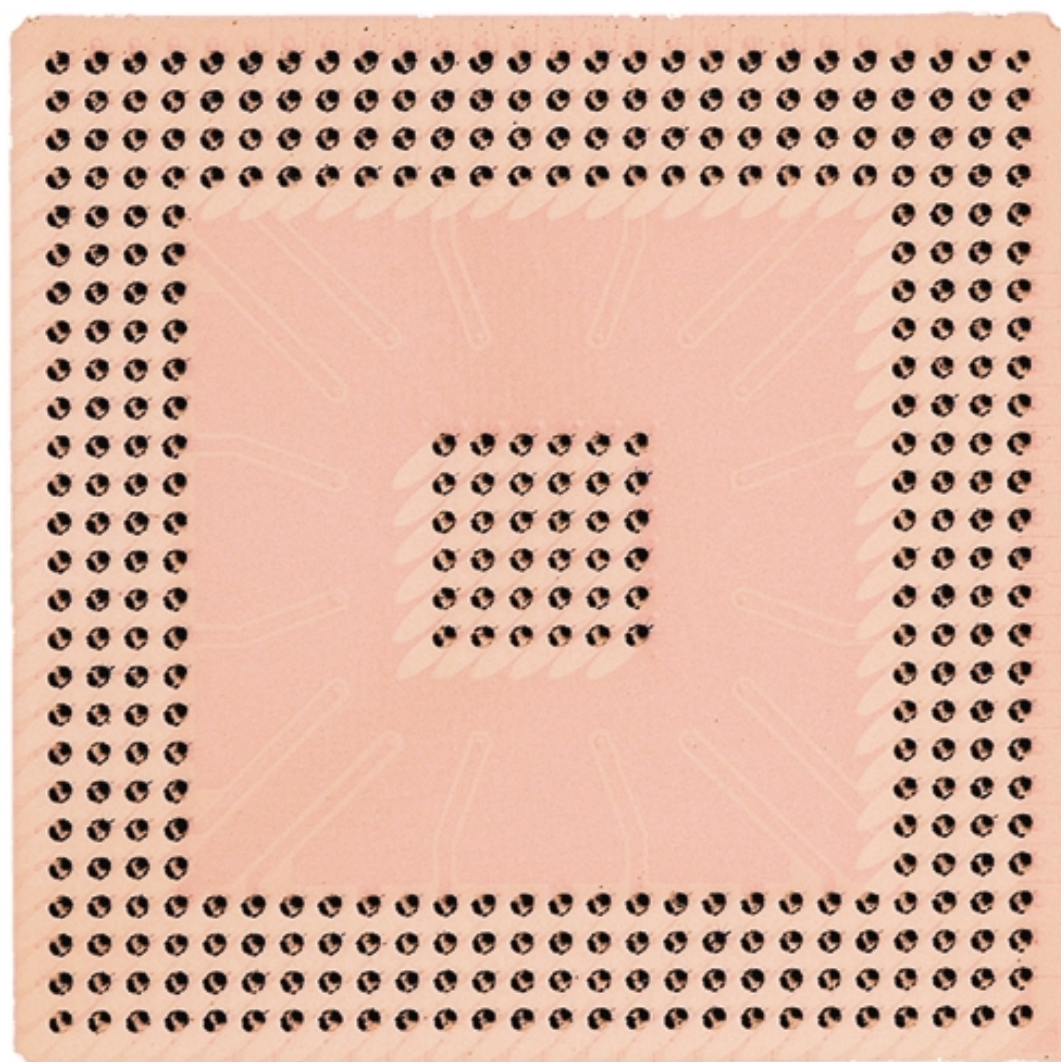
## COMPETITORS

Competition was stable during the year and comes mainly from Siemens, Philips, Universal and the distributor Sincotron. However, all competitors offer a more limited product range than OEM EPT. The year also brought greater competition from equipment manufacturers with their own offices in the Nordic countries, while competition from distributors has gradually ebbed away.



Training our customers' staff, as shown here at Cyncrona in Sweden, is an important part of our business concept.





## BOARD OF DIRECTORS AND MANAGING DIRECTOR



### MEMBERS OF THE BOARD (LEFT TO RIGHT)

ULF BARKMAN (born 1957)

Graduate Business Administrator. Board member since 1997. Member of Cyncrona AB since 1989. Shareholding: 5,000 OEM B shares

ORVAR PANTZAR (born 1939)

Board member since 1997. Founder of Cyncrona AB. Shareholding: 635,440 OEM A shares, 983,250 OEM B shares

AGNE SVENBERG (born 1941)

Managing Director of OEM International AB until 29 February 2000. Board member since 1974.

Other appointments: Chairman of the Board of Multitryck AB. Board member of ElektroMekan i Årgång AB, Crouzet AB, Eges El och Automation AB and ISP Development AB. Shareholding: 260,800 OEM A shares, 107,960 OEM B shares

JÖRGEN ZAHLIN (born 1964)

MD OEM International AB with effect from 1 March 2000. Shareholding: 2,500 OEM B shares (not board member)

HANS FRANZÉN (born 1940)

Group President. Chairman of the Board since 1992. Board member since 1974. Other appointments: Chairman of Tranås Resebyrå AB and Handelsbanken's local board in Tranås. Board member of Crouzet AB.

Shareholding: 260,792 OEM A shares and 256,150 OEM B shares

PER SANDBERG (born 1934)

Graduate Business Administrator. Board member since 1997. Board member of Cyncrona AB since 1992. Other appointments: Board member of Alentec-Orion AB and Atle Swedetech AB. Shareholding: 2,000 OEM B shares

### ALTERNATES

TOMAS FRANZÉN (born 1962)

Alternate since 1997. Managing Director of AU-System AB. Other appointments: Chairman of GRIN AB. Board member of AU-System AB, IMS Data AB, About Communication AB, Proact IT Group AB, Tele1 Europe Sverige AB and Business Training Systems (BTS).

Shareholding: 5,000 OEM B shares

GÖRAN JOHANSSON (born 1947)

Division President. OEM Electronic Production Technology AB and Deputy MD at OEM International AB. Alternate since 1997.

Shareholding: 2,000 OEM B shares

INGER SVENBERG (born 1937) Board member 1974-1997. Alternate since 1997. Shareholding: 216,000 OEM A shares, 97,152 OEM B shares



### MANAGEMENT GROUP (LEFT TO RIGHT)

MARK HEMINGWAY (born 1962)

Business Developer, Group Automation within OEM Industrial Components. Shareholding: 500 OEM B shares

GÖRAN JOHANSSON (born 1947)

Deputy MD, and also MD in OEM Electronic Production Technology AB. Shareholding: 2,000 OEM B shares

ANDREAS FÄLTH (born 1964)

Business Developer, Group Mechanics within OEM Industrial Components and MD IBS Internordic Bearing Sweden AB.

Shareholding: 3,000 OEM B shares

JAN HULTMAN (born 1945)

MD OEM Industrial Components AB. Shareholding: 8,240 OEM B shares

JÖRGEN ZAHLIN (born 1964)

MD OEM International AB with effect from 1 March 2000. Shareholding: 2,500 OEM B shares

JAN CNATTINGIUS (born 1955)

Finance Director. Shareholding: 2,000 OEM B shares

### AUDITORS

KPMG

Chief auditor:

BO AXELSSON Authorised Public Accountant

## Administration report

The Board and Managing Director of OEM International AB (Publ) submit the annual accounts and consolidated accounts for the financial year 2000. *Please note: figures in brackets refer to 1999 accounts.*

### THE GROUP

OEM International AB is represented via its subsidiaries in the Nordic countries, and in the UK, Holland, Italy and Poland.

### OPERATIONS

Operations concentrate chiefly on the sale and marketing of components and systems for industrial automation.

### GROUP SALES AND PROFIT

Sales for the OEM Group as a whole totalled SEK 1,967,405,000 (SEK 1,782,317,000). The profit for the year after tax amounted to SEK 129,195,000 (82,395,000), equivalent to SEK 14.92 (9.04) per share.

### SALES AND PROFIT – PARENT COMPANY

Net sales for the parent company totalled SEK 3,136,000 (4,254,000). From this amount the sum of SEK 3,015,000 (4,136,000) relates to subsidiaries. Profit before allocations and tax was SEK 6,413,000 (40,798,000).

### CHANGES IN THE GROUP STRUCTURE IN 2000

During the course of the year the Group acquired all the shares in OEM Källving AB, AB Indoma and OEM Hydraulik AB in Sweden. The OEM Hydraulics group includes the companies JMS Systemhydraulik AB, Hydroprodukter International i Ängelholm AB, Hydraulik Control Förvaltning i Ängelholm AB, Hydrac AB and Fastighets AB Hydraulen.

### FINANCIAL POSITION 2000

Liquid assets in the Group (including unutilised overdraft facilities) amounted to SEK 167,719,000 (200,429,000) at the year-end. Group equity ratio at the year-end was 42.4% (48.5).

### INVESTMENTS

Group investments over the year amounted to SEK 43,222,000 (50,808,000) in machinery and equipment, SEK 983,000 (25,754,000) in buildings and SEK 29,054,000 (41,646,000) in goodwill.

### SPP SURPLUS

The Group's share of the SPP Surplus Fund in the pension system amounts to SEK 30,464,000, after discounting/market valuation. The present value of this sum has been computed for companies with staff, using a discount rate of 6%. For dormant companies, the SPP funds have been computed at market value, i.e. 87.5% as of January 1. The repayment has been recorded as an item affecting comparability.

### ENVIRONMENTAL IMPACT

Sweden's new Environmental Code imposes a legal requirement on some subsidiaries within the Group – so called "C-listed" engineering industries whose premises do not exceed 5,000 sq.m. (including assembly areas) – to notify the local government authorities of their activities.

### NEW MANAGING DIRECTOR

Jörgen Zahlin was appointed to succeed Agne Svenberg as managing director with effect from 1 March 2000.

### THE WORK OF THE BOARD

During the past year the board of OEM International comprised five members elected by the general meeting of shareholders. The board met on five occasions and minuted its meetings. The work of the board follows a pre-arranged plan, especially with regard to recurring issues. Other business is dealt with as befits the nature of the issue in question. Once a year the auditor elected by the annual general meeting takes part in the board meeting to report on the accounting work within the Group.



## SHARE BUY-BACK

In order to improve the Group's return on equity and earnings per share OEM International AB has made use of the authority invested in the board by the general meeting of shareholders to buy back the company's own shares. By the end of 2000 a total of 454,7000 shares had been repurchased at an average price of SEK 127.52 each. This corresponds to 5.0% of the number of shares still in circulation. The mandate approved by the general meeting of shareholders empowers the board to buy back up to 911,370 shares (10%).

## FUTURE DEVELOPMENTS

The Group's ambition is to increase sales and profit by an average of 15% over a full business cycle. This means that the Group is constantly looking for new opportunities to increase efficiency in both its administration and its marketing activities. Today the OEM Group is in a strong financial position and is well equipped for future expansion.

## Income statement (amounts in thousands of SEK)

		GROUP		PARENT COMPANY	
	NOTE	2000	1999	2000	1999
Net sales		1,967,405	1,782,317	3,136	4,254
Change in inventories of products in progress		678	8,440	–	–
		1,968,083	1,790,757	3,136	4,254
<b>OPERATING EXPENSES</b>					
Raw materials and consumables		-135,788	-157,514	–	–
Goods for resale		-1,191,633	-1,052,350	–	–
Other external costs		-130,584	-133,045	-5,130	-7,213
Personnel costs	1	-305,792	-258,901	-7,226	-5,463
Depreciation of tangible and intangible assets	2	-55,614	-54,162	-1,400	-1,914
Reversal of negative goodwill		–	143	–	–
Items affecting comparability	3	15,898	–	–	–
<b>OPERATING PROFIT/LOSS</b>		164,570	134,928	-10,620	-10,336
<b>RESULT FROM FINANCIAL INVESTMENTS</b>					
Result from participations in group companies	4	–	–	13,200	47,235
Result from participations in associated companies	5	1,167	1,092	850	1,200
Result from other securities and receivables accounted for as fixed assets	6	17	15	–	–
Other interest income and similar profit/loss items	7	5,946	4,332	4,073	2,706
Interest expense and similar profit/loss items	8	-7,532	-6,270	-1,090	-7
<b>PROFIT AFTER FINANCIAL ITEMS</b>		164,168	134,097	6,413	40,798
<b>APPROPRIATIONS</b>					
Difference between booked depreciation and depreciation according to plan:					
• Buildings and land		–	–	193	193
• Equipment, tools, fixtures and fittings		–	–	36	918
Transfers from tax allocation reserve		–	–	9,631	–
Reversal of tax equalisation reserve (capital-based)		–	–	492	493
<b>PROFIT BEFORE TAX</b>		164,168	134,097	16,765	42,402
Tax on profit for the year	9	-34,973	-51,702	26,600	3,393
<b>NET PROFIT FOR THE YEAR</b>		129,195	82,395	43,365	45,795

## Balance sheet (amounts in thousands of SEK)

### ASSETS

		GROUP		PARENT COMPANY	
	NOTE	31 Dec 2000	31 Dec 1999	31 Dec 2000	31 Dec 1999
<b>FIXED ASSETS</b>					
<b>INTANGIBLE ASSETS</b>					
Goodwill	10	83,200	85,052	–	–
<b>TANGIBLE ASSETS</b>					
Buildings and land	11	96,321	88,193	10,710	11,433
Plant and machinery	11	17,590	18,829	–	–
Equipment, tools, fixtures and fittings	11	62,369	49,443	1,261	1,701
Construction in progress		7,723	–	6,051	–
		184,003	156,465	18,022	13,134
<b>FINANCIAL ASSETS</b>					
Participations in group companies	12	–	–	231,408	256,938
Participations in associated companies	13	5,271	5,283	1,200	1,200
Receivables from group companies	18	–	–	310,369	179,700
Other securities held as fixed assets		2,531	2,535	–	–
Tenant-owners' rights		1,048	1,018	1,018	1,018
Other long-term receivables		14,122	1,105	–	–
		22,972	9,941	543,995	438,856
<b>TOTAL FIXED ASSETS</b>		290,175	251,458	562,017	451,990
<b>CURRENT ASSETS</b>					
<b>INVENTORIES ETC</b>					
Raw materials and consumables		1,845	539	–	–
Products in progress		19,691	17,647	–	–
Finished products and goods for resale		301,428	206,491	–	–
Advance payment to suppliers		5,148	1,994	–	–
		328,112	226,671	–	–
<b>CURRENT RECEIVABLES</b>					
Accounts receivable – trade		388,891	267,726	33	–
Receivables from group companies		–	–	95,151	55,438
Receivables from associated companies		–	10	–	–
Income taxes recoverable		–	–	8,465	8,527
Other receivables		20,737	18,679	991	–
Prepaid expenses and accrued income	14	20,910	11,310	497	257
		430,538	297,725	105,137	64,222
<b>CASH AND BANK</b>		113,103	150,375	17	14,715
<b>TOTAL CURRENT ASSETS</b>		871,753	674,771	105,154	78,937
<b>TOTAL ASSETS</b>		1,161,928	926,229	667,171	530,927

## Balance sheet (amounts in thousands of SEK)

### EQUITY, ALLOCATIONS AND LIABILITIES

	NOTE	GROUP		PARENT COMPANY	
		31 Dec 2000	31 Dec 1999	31 Dec 2000	31 Dec 1999
<b>EQUITY</b>	15				
<b>RESTRICTED EQUITY</b>					
Share capital	16	45,569	45,569	45,569	45,569
Restricted reserves		62,966	70,101	29,242	29,242
		108,535	115,670	74,811	74,811
<b>NON-RESTRICTED EQUITY</b>					
Non-restricted reserves		254,427	251,287	189,647	167,611
Profit for the year		129,195	82,395	43,365	45,795
		383,622	333,682	233,012	213,406
<b>TOTAL EQUITY</b>		492,157	449,352	307,823	288,217
<b>UNTAXED RESERVES</b>					
Accumulated excess depreciation:					
Buildings and land	11	–	–	979	1,172
Plant and equipment	11	–	–	330	366
Tax allocation reserve, 1995		–	–	–	9,631
Tax allocation reserve, 1996		–	–	9,459	9,459
Tax allocation reserve, 1997		–	–	10,161	10,161
Tax allocation reserve, 1998		–	–	7,653	7,653
Tax allocation reserve, 1999		–	–	6,583	6,583
Tax equalisation reserve, capital-based		–	–	–	492
<b>TOTAL UNTAXED RESERVES</b>		–	–	35,165	45,517
<b>ALLOCATIONS</b>					
Allocations for pensions and similar obligations		1,480	1,658	–	–
Allocations for taxes		41,945	36,519	–	–
Warranty provisions/guarantee reserves		4,654	4,465	–	–
<b>TOTAL ALLOCATIONS</b>		48,079	42,642	–	–
<b>LONG-TERM LIABILITIES</b>					
Overdraft facilities	17	197,963	85,129	89,229	–
Other liabilities to credit institutions	18	35,740	10,226	–	–
Other liabilities	19	–	1,000	–	–
<b>TOTAL LONG-TERM LIABILITIES</b>		233,703	96,355	89,229	–
<b>CURRENT LIABILITIES</b>					
Liabilities to credit institutions		2,145	–	–	–
Advance payments from customers		10,708	15,677	–	–
Accounts payable – trade		228,865	172,229	4,947	349
Liabilities to group companies		–	–	227,964	195,412
Liabilities to associated companies		2,708	2,024	–	–
Income tax liability		7,974	14,796	–	–
Other liabilities		41,805	52,064	149	192
Accrued expenses and prepaid income	20	93,784	81,090	1,894	1,240
<b>TOTAL CURRENT LIABILITIES</b>		387,989	337,880	234,954	197,193
<b>TOTAL EQUITY, ALLOCATIONS AND LIABILITIES</b>		1,161,928	926,229	667,171	530,927

## Balance sheet (amounts in thousands of SEK)

### PLEDGED ASSETS

### AND CONTINGENT LIABILITIES

	NOTE	GROUP		PARENT COMPANY	
		31 Dec 2000	31 Dec 1999	31 Dec 2000	31 Dec 1999
<b>PLEDGED ASSETS TO SECURE OWN LIABILITIES AND PROVISIONS</b>	18				
Real estate mortgages		37,650	27,500	7,500	7,500
Floating charges		86,550	62,300	–	–
<b>TOTAL PLEDGED ASSETS</b>		<b>124,200</b>	<b>89,800</b>	<b>7,500</b>	<b>7,500</b>
<b>CONTINGENT LIABILITIES</b>					
Sureties given for group companies		–	–	210,498	137,363
Warranties/guarantees		17,489	2,110	–	163
Relocation grants		837	1,372	–	–
Pension commitments		55	–	–	–
<b>TOTAL CONTINGENT LIABILITIES</b>		<b>18,381</b>	<b>3,482</b>	<b>210,498</b>	<b>137,526</b>

## Cash flow analysis (amounts in thousands of SEK)

		GROUP		PARENT COMPANY	
	NOTE	2000	1999	2000	1999
<b>OPERATING ACTIVITIES</b>					
Profit after financial items*		164,168	134,097	6,413	40,798
Adjustments for the effect of non-cash items		73,479	52,603	1,400	1,939
		237,647	186,700	7,813	42,737
Taxes paid		-42,561	-42,827	62	-7,563
Cash flow from operating activities before changes in working capital		195,086	143,873	7,875	35,174
Cash flow from changes in working capital					
Change in inventories		-53,193	22,558	-	-
Change in accounts receivable		-85,011	6,859	-33	-
Change in other receivables		-20,818	2,229	-171,613	-39,731
Change in accounts payable		30,146	-38,131	4,598	-491
Change in liabilities		-16,820	34,568	33,163	40,906
Cash flow from operating activities		49,390	171,956	-126,010	35,858
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>					
Acquisitions of subsidiaries	21	-52,541	-47,146	-	-
Acquisition of tangible fixed assets		-51,453	-74,252	-6,288	-297
Sale of tangible fixed assets		14,947	61,322	-	1,424
Sale of financial assets		-	137	25,530	-
Cash flow from investing activities		-89,047	-59,939	19,242	1,127
<b>FINANCING ACTIVITIES</b>					
Group contributions		-	-	95,000	12,500
Loans raised		95,455	-2,008	89,229	-
Repayment of debts		-	-596	-	-7,461
Dividends paid		-34,176	-27,341	-34,176	-27,341
Share buy-backs		-57,983	-	-57,983	-
Cash flow from financing activities		3,296	-29,945	92,070	-22,302
Cash flow for the year		-36,361	82,072	-14,698	14,683
Liquid assets at the beginning of the year		150,375	71,916	14,715	32
Translation differences in liquid assets		-911	-3,613	-	-
Liquid assets at year-end		113,103	150,375	17	14,715
<b>* Specification of financial items</b>					
Interest received		5,946	4,332	4,073	2,706
Interest paid		-7,532	-6,270	-1,090	-7
Dividends received		17	15	14,050	48,435

\* Excluding items affecting comparability

## Notes and accounting principles

*(amounts in the tables on pages 56–66 are in thousands of SEK unless otherwise stated)*

### GENERAL ACCOUNTING PRINCIPLES

The annual report has been drawn up in accordance with the Swedish Annual Accounts Act. The company follows the recommendations of the Swedish Financial Accounting Standards Council.

### VALUATION PRINCIPLES

Assets, provisions and liabilities have been valued at acquisition value unless otherwise stated below.

### INVENTORIES

Inventories, which have been valued in accordance with the Swedish Financial Accounting Standards Council's Recommendation No. 2 ("The Accounting Treatment of Inventories") are taken up at the lower of cost and market. For the Swedish companies, stocks have been valued at 97% of acquisition cost or at market value. For foreign companies, inventories have been valued at market value. For semi-finished and finished goods produced in-house, acquisition cost consists of direct costs of production plus reasonable overheads for indirect costs of production.

### RECEIVABLES

Receivables have, after individual evaluation, been taken up at the amount which it is estimated will actually be received.

### RECEIVABLES AND LIABILITIES IN FOREIGN CURRENCY

Receivables and liabilities in foreign currencies have been translated at the closing day rate in accordance with the Swedish Financial Accounting Standards Council's Recommendation No. 8. Business-related exchange rate differences on current receivables and liabilities are included in the operating profit/loss.

### DEPRECIATION PRINCIPLES FOR FIXED ASSETS

Depreciation according to plan is based on original acquisition values and estimated economic life.

The following depreciation periods apply:	GROUP	PARENT COMPANY
Intangible assets		
Goodwill	5-10 years	–
Tangible assets		
Buildings	20-50 years	25 years
Revaluations/Write-ups of buildings	20-40 years	–
Land improvements (75% of acquisition value)	20 years	20 years
Machinery, plant and technical equipment	5-10 years	–
Other equipment, tools, fixtures and fittings	3-10 years	3-5 years

The difference between the rates of depreciation shown above and those actually made against tax are reported in the parent company under the heading of accumulated excess depreciation, which comes under untaxed reserves.

## Notes and accounting principles

### ACCOUNTING TREATMENT OF GROUP CONTRIBUTIONS

The company follows the statement of the Swedish Financial Accounting Standards Council's Urgent Issues Group on the accounting treatment of group contributions, which advises that group contributions be reported according to their financial purpose. Group contributions made and received with the aim of minimising the Group's tax liability are reported as a reduction and increase respectively in non-restricted capital.

### CONSOLIDATED ACCOUNTS

The consolidated accounts have been drawn up in accordance with the Swedish Financial Accounting Standards Council's recommendation (RR1:96). The consolidated accounts include those companies in which the parent company, directly or through subsidiaries, holds more than 50% of the number of votes, or in some other way has a controlling influence in accordance with section 1:4 of the Swedish Annual Accounts Act.

As in previous years, the consolidated accounts have been drawn up using acquisition accounting. In applying acquisition accounting, if the Group acquisition value for the shares is higher/lower than the market value of the company's net assets used in the acquisition analysis, the difference is taken up as Group goodwill, which is written-off/liquidated. Group equity comprises the parent company's equity and that part of the subsidiaries' equity that accrued after the date of acquisition. During the year, acquired companies affected the consolidated income statement for the period in which the companies formed part of the Group.

The balance sheets and income statements of foreign subsidiaries have been translated using the current method. This means that all assets, provisions and other liabilities have been translated at the average exchange rate for the year. Any translation differences arising are entered directly against equity and, consequently, do not affect the results for the year.

Consolidated income statements and balance sheets are shown excluding appropriations and untaxed reserves. Appropriations in the individual companies have been divided so that the taxation component is included in the Group's tax expense, while the remaining components are included in consolidated net profits. Untaxed reserves have been divided so that the deferred tax liability is recorded as provisions for deferred tax, while the remaining component is reported among restricted reserves. The deferred tax liability for Swedish companies has been calculated at 28% (28), and for foreign companies at the local tax rate.

### ASSOCIATED COMPANIES

Associated companies are companies in which OEM holds shares with voting rights of a minimum of 20% and a maximum of 50%. The equity method is used in accounting for associated companies. The equity method means that the book value in the Group of shares in associated companies is matched by the Group's participation in the equity of the associated companies, as well as any residual value in the Group's overvalues and undervalues. In the consolidated income statement, the Group's participation in the profits/losses of associated companies after financial income and expense adjusted for any depreciation on or liquidation of acquired overvalue or undervalue respectively, is reported as "Result from participations in associated companies". The Group's participation in the reported tax liabilities of associated companies is included in the Group tax expense.

Profit shares created after the acquisition of associated companies, which have not yet been realised through dividends, are allocated to the equity method reserve which forms part of the Group's restricted equity.

## Notes and accounting principles

### NOTE 1. EMPLOYEES AND PERSONNEL COSTS

AVERAGE NUMBER OF EMPLOYEES	2000	Males	1999	Males
Parent company				
Sweden	5	60%	5	60%
Subsidiaries				
Sweden	428	80%	399	79%
Denmark	50	78%	50	78%
England	48	85%	41	85%
Finland	94	80%	80	80%
Holland	2	50%	–	–
Italy	15	67%	3	67%
Norway	20	80%	18	78%
Poland	14	86%	13	85%
Total subsidiaries	671	80%	604	80%
Total OEM Group	676	80%	609	79%

### SALARIES, OTHER REMUNERATION AND SOCIAL SECURITY EXPENSES

	2000		1999	
	Salaries and remuneration	Social security expenses	Salaries and remuneration	Social security expenses
Parent company	4,153	2,395	2,867	1,920
(of which pension costs)		1) (822)		1) (777)
Subsidiaries	192,897	69,845	181,088	62,077
(of which pension costs)		(15,549)		(11,347)
Total OEM Group	197,050	72,240	183,955	63,997
(of which pension costs)		2) (16,371)		2) (12,124)

1) SEK 442,000 (1999: SEK 547,000) of the parent company's pension costs relate to members of the board of the OEM Group and to the managing director. There are no pension obligations in respect of these officers.

2) SEK 3,101,000 (1999: SEK 2,878,000) of the parent company's pension costs relate to members of the board of the OEM Group and to the managing director. There are no pension obligations in respect of these officers.



## Notes and accounting principles

### SALARIES AND OTHER REMUNERATION PER COUNTRY SHOWN SEPARATELY FOR MEMBERS OF THE BOARD/MD AND OTHER EMPLOYEES

	2000		1999	
	Board and MD	Other employees	Board and MD	Other employees
Parent company				
Sweden	1,802	2,351	993	1,874
(of which bonus/performance-related payments)	(270)		(-)	
Total parent company	1,802	2,351	993	1,874
(of which bonus/performance-related payments)	(270)		(-)	
Swedish subsidiaries	11,126	105,544	10,734	103,706
(of which bonus/performance-related payments)	(2,336)		(1,434)	
Foreign subsidiaries				
Denmark	1,870	20,430	3,447	21,137
(of which bonus/performance-related payments)	(335)		(1,185)	
England	668	15,322	869	11,149
(of which bonus/performance-related payments)	(42)		(147)	
Finland	2,670	22,204	2,412	18,196
(of which bonus/performance-related payments)	(709)		(758)	
Holland	144	42	-	-
(of which bonus/performance-related payments)	(-)		(-)	
Italy	748	3,027	257	1,284
(of which bonus/performance-related payments)	(-)		(-)	
Norway	1,215	5,695	1,190	4,905
(of which bonus/performance-related payments)	(26)		(-)	
Poland	418	1,774	363	1,439
(of which bonus/performance-related payments)	(-)		(53)	
Total subsidiaries	18,859	174,038	19,272	161,816
(of which bonus/performance-related payments)	(3,448)		(3,577)	
Total OEM Group	20,661	176,389	20,265	163,690
(of which bonus/performance-related payments)	(3,718)		(3,577)	

### REMUNERATION TO SENIOR OFFICERS AND MEMBERS OF THE BOARD

A total of SEK 659,000 (656,000) has been paid by the Group to the members of the board. The Chairman of the Board/Group President, Hans Franzén, has received salary and other emoluments totalling SEK 813,000 (820,000): no bonus has been paid to Hans Franzén. The Managing Director, Jörgen Zahlin, has received salary and other emoluments totalling SEK 1,470,000 (-), including bonuses totalling SEK 270,000 (-). Agne Svenberg, Managing Director from 1 January to 28 February 2000 has received salary and other emoluments totalling SEK 157,000 (793,000): no bonus has been paid to Agne Svenberg. No senior officer of the company has a right to more than a maximum of two years' salary in severance pay and may be required to work his/her period of notice. Pension insurance premiums for senior officers do not in any instance exceed the amount which falls within the limits for what is deductible against tax as a cost for the company. The intention is that pensions for senior officers will be paid with effect from the individual's 60th birthday.

## Notes and accounting principles

### REIMBURSEMENT OF AUDITORS

	GROUP		PARENT COMPANY	
	2000	1999	2000	1999
KPMG				
Audit assignments	1,254	937	100	55
Other assignments	205	267	154	267
Other auditing companies				
Audit assignments	735	777	–	–
<b>TOTAL</b>	<b>2,194</b>	<b>1,981</b>	<b>254</b>	<b>322</b>

### NOTE 2. DEPRECIATION OF TANGIBLE AND INTANGIBLE FIXED ASSETS

	GROUP		PARENT COMPANY	
	2000	1999	2000	1999
Goodwill	-29,494	-31,823	–	–
Buildings and land	-3,650	-3,116	-748	-749
Plant and machinery	-4,708	-3,417	–	–
Equipment, tools, fixtures and fittings	-17,762	-15,806	-652	-1,165
	-55,614	-54,162	-1,400	-1,914

### NOTE 3. ITEMS AFFECTING COMPARABILITY

	GROUP	
	2000	1999
Premium refunds from SPP pensions insurance	30,464	–
Write-down of goodwill*	-14,566	–
	15,898	–

\* This write-down relates to Nomitek AB, Cergotec AB, MPE Microtech AB, N. Erlands Petersen Trading A/S and About Communication AB, where the result for the year is negative and does not correspond to plans at the time of acquisition.  
The residual goodwill in these companies after this write-down is valued at SEK 0.

### NOTE 4. RESULT OF PARTICIPATIONS IN GROUP COMPANIES

	GROUP		PARENT COMPANY	
	2000	1999	2000	1999
Dividend received	–	–	13,200	47,235
	–	–	13,200	47,235

## Notes and accounting principles

### NOTE 5. RESULT FROM PARTICIPATIONS IN ASSOCIATED COMPANIES

	GROUP		PARENT COMPANY	
	2000	1999	2000	1999
Dividend received	–	–	850	1,200
Participation in profit of associated companies	<b>1,167</b>	1,092	–	–
	<b>1,167</b>	1,092	850	1,200

### NOTE 6. RESULT FROM OTHER SECURITIES AND CLAIMS HELD AS FIXED ASSETS

	GROUP		PARENT COMPANY	
	2000	1999	2000	1999
Dividend from other shares	<b>17</b>	15	–	–
	<b>17</b>	15	–	–

### NOTE 7. OTHER INTEREST INCOME AND SIMILAR PROFIT/LOSS ITEMS

	GROUP		PARENT COMPANY	
	2000	1999	2000	1999
Other interest income	<b>5,599</b>	4,279	4,073	2,705
Exchange rate gains etc.	<b>347</b>	53	–	1
	<b>5,946</b>	4,332	4,073	2,706

### NOTE 8. INTEREST EXPENSE AND SIMILAR PROFIT/LOSS ITEMS

	GROUP		PARENT COMPANY	
	2000	1999	2000	1999
Interest expense	<b>-7,446</b>	-5,069	-1,090	-7
Exchange rate losses	<b>-37</b>	-1,073	–	–
Other financial expenses	<b>-49</b>	-128	–	–
	<b>-7,532</b>	-6,270	-1,090	-7

### NOTE 9. TAXES

	GROUP	
	2000	1999
Income tax	<b>-35,391</b>	-48,434
Deferred taxes	<b>681</b>	-2,956
Share of tax in associated companies	<b>-263</b>	-312
<b>TOTAL</b>	<b>-34,973</b>	-51,702

The change in the tax burden on the Group is attributable primarily to the fact that the parent company has been able to utilise a loss carry-forward of SEK 98 million.

## Notes and accounting principles

### NOTE 10. GOODWILL

	GROUP	
	2000	1999
Accumulated acquisition values		
Acquisition value brought forward	138,272	144,030
New acquisitions	29,054	41,646
Acquisition of subsidiaries	21,598	–
Translation differences for the year	1,089	-1,498
	190,013	184,178
Accumulated depreciation according to plan		
Depreciation brought forward	-53,220	-67,595
Acquisition of subsidiaries	-8,735	–
Depreciation for the year according to plan	-29,494	-31,823
Write-downs	-14,566	–
Translation differences for the year	-798	292
	-106,813	-99,126
<b>RESIDUAL VALUE ACC. TO PLAN CARRIED FORWARD</b>	<b>83,200</b>	<b>85,052</b>

Goodwill acquired in JMS Systemhydraulik AB will be written off over 10 years according to the original plan. At 31 Dec 2000 the residual value of this goodwill amounted to SEK 4,000,000. Other goodwill is written off over 5 years, at a rate of 20% per annum. Write-downs relate to Group companies which have reported a negative result which does not correspond to the plans at the time of acquisition.

### NOTE 11. TANGIBLE ASSETS

	31 Dec 2000			31 Dec 1999		
	Buildings and land	Plant and machinery	Equipment, tools, fixtures and fittings	Buildings and land	Plant and machinery	Equipment, tools, fix- tures/fittings
<b>GROUP</b>						
Accumulated acquisition values						
Acquisition value brought forward	109,067	28,658	115,151	100,124	61,038	98,714
New acquisitions	983	3,655	39,567	25,754	19,610	31,198
Transfer from construction in progress	–	–	–	–	–	–
Acquisitions of subsidiaries	14,682	–	18,331	–	–	4,954
Sales/disposals	–	-1,976	-20,752	-14,558	-37,917	-27,399
Reclassifications	–	–	–	–	-9,814	9,814
Translation differences for the year	1,599	527	1,568	-2,253	-4,259	-2,130
	126,331	30,864	153,865	109,067	28,658	115,151
Accumulated depreciation acc. to plan						
Depreciation brought forward	-20,874	-9,829	-65,708	-19,295	-11,126	-62,439
Acquisitions of subsidiaries	-4,982	–	-12,990	–	–	-3,386
Sales/disposals	–	1,482	5,889	1,288	1,398	17,679
Depreciation according to plan						
on acquisition values	-3,650	-4,708	-17,762	-3,116	-3,417	-15,806
Reclassifications	–	–	–	–	3,137	-3,137
Translation differences for the year	-504	-219	-925	249	179	1,381
	-30,010	-13,274	-91,496	-20,874	-9,829	-65,708
<b>RESIDUAL VALUE ACC. TO PLAN</b>						
<b>CARRIED FORWARD</b>	<b>96,321</b>	<b>17,590</b>	<b>62,369</b>	<b>88,193</b>	<b>18,829</b>	<b>49,443</b>

## Notes and accounting principles

### CONT'D. NOTE 11. TANGIBLE ASSETS

	31 Dec 2000			31 Dec 1999		
	Buildings and land	Plant and machinery	Equipment, tools, fixtures and fittings	Buildings and land	Plant and machinery	Equipment, tools, fix- tures/fittings
<b>PARENT COMPANY</b>						
Accumulated acquisition values						
Acquisition value brought forward	18,934	–	7,433	18,934	–	13,298
New acquisitions	25	–	212	–	–	297
Sales/disposals	–	–	–	–	–	-6,162
	<b>18,959</b>	<b>–</b>	<b>7,645</b>	<b>18,934</b>	<b>–</b>	<b>7,433</b>
Accumulated depreciation according to plan						
Depreciation brought forward	-7,501	–	-5,732	-6,752	–	-9,280
Sales/disposals	–	–	–	–	–	4,713
Depreciation according to plan on acquisition values	-748	–	-652	-749	–	-1,165
	<b>-8,249</b>	<b>–</b>	<b>-6,384</b>	<b>-7,501</b>	<b>–</b>	<b>-5,732</b>
<b>RESIDUAL VALUE ACC. TO PLAN</b>						
<b>CARRIED FORWARD</b>	<b>10,710</b>	<b>–</b>	<b>1,261</b>	<b>11,433</b>	<b>–</b>	<b>1,701</b>
Accumulated accelerated depreciation						
Value brought forward	-1,172	–	-366	-1,365	–	-1,284
Change during the year	193	–	36	193	–	918
	<b>-979</b>	<b>–</b>	<b>-330</b>	<b>-1,172</b>	<b>–</b>	<b>-366</b>
<b>BOOK VALUE</b>	<b>9,731</b>	<b>–</b>	<b>931</b>	<b>10,261</b>	<b>–</b>	<b>1,335</b>
<b>TAX ASSESSMENT VALUE</b>	<b>5,652</b>			<b>6,688</b>		

### ASSETS HELD VIA LEASING AGREEMENTS

	GROUP		PARENT COMPANY	
	2000	1999	2000	1999
Leasing fees paid for the financial year	<b>9,950</b>	8,097	116	46
Future leasing obligations				
2001/2000	<b>11,339</b>	5,544	63	35
2002/2001	<b>8,769</b>	1,472	–	–
2003/2002	<b>6,769</b>	296	–	–
2004/2003	<b>824</b>	53	–	–
2005/2004	<b>161</b>	–	–	–

## Notes and accounting principles

### NOTE 12. PARTICIPATIONS IN GROUP COMPANIES

	CORPORATE ID NUMBER	REGISTERED OFFICE	NUMBER	HOLDING IN %	PAR VALUE	BOOK VALUE	CHANGE FOR THE YEAR
OEM Industrial Components AB, Sweden	556051-4514	Tranås	100,000	100%	5,000	46,231	–
OEM Automatic AB, Sweden	556187-1012	Tranås	–	100%			
OEM Automatic AS, Norway	–	–		100%			
OEM Automatic A/S, Denmark	–	–	–	100%			
OEM Automatic OY, Finland	–	–	–	100%			
CosComp OY, Finland	–	–	–	100%			
OEM Multimetall OY, Finland	–	–	–	100%			
OEM Automatic Ltd, England	–	–	–	100%			
ATT Europe Ltd, England	–	–	–	100%			
OEM Automatic Sp.z o.o., Poland	–	–	–	100%			
OEM Automatic S.p.A., Italy	–	–	–	100%			
OEM China Development B.V, Holland	–	–	–	100%			
IBS Internordic Bearing Sweden AB, Sweden	556493-8024	Nässjö	–	100%			
Internordic Förvaltning AB, Sweden	556302-0873	Nässjö	–	100%			
Egevo Elektronik AB, Sweden	556311-3306	Stockholm	–	100%			
OEM Component AB, Sweden	556054-3838	Tranås	–	100%			
Nomitek AB, Sweden	556460-2109	Tranås	–	100%			
Pronesto AB, Sweden	556112-6755	Stockholm	–	100%			
OEM Hydraulik AB, Sweden	556398-2221	Göteborg	–	100%			
JMS Systemhydraulik AB, Sweden	556063-2134	Göteborg	–	100%			
Hydroprodukter International i Ängelholm AB, Sweden	556241-1099	Ängelholm	–	100%			
Hydraulik Control Förvaltning i Ängelholm AB, Sweden	556551-1937	Ängelholm	–	100%			
Hydrac AB, Sweden	556466-0875	Borås	–	100%			
Fastighets AB Hydraulen, Sweden	556363-6256	Borås	–	100%			
OEM Källving AB, Sweden	556220-5343	Borlänge	–	100%			
AB Indoma, Sweden	556326-5171	Jönköping	–	100%			
SPG Motors Europe AB, Sweden	556232-6198	Stockholm	–	100%			
OEM Systemteknik AB, Sweden	556050-9076	Stockholm	1,000	100%	100	24,545	–
A.Karlson Industriteknik AB, Sweden	556163-0905	Stockholm	–	100%			
IRB Mechatronics AB, Sweden	556171-9740	Stockholm	–	100%			
Jubo Förvaltning AB, Sweden	556494-7058	Karlskoga	–	100%			
Jubo Mechatronics AB, Sweden	556150-4282	Karlskoga	–	100%			
Plastinvent i Karlskoga AB, Sweden	556334-5486	Karlskoga	–	100%			
Industri AB Reflex, Sweden	556194-8521	Stockholm	–	100%			
About Communication Sweden AB, Sweden	556248-9780	Stockholm	–	100%			
About Computers AB, Sweden	556228-3720	Stockholm	–	100%			
About Vila AB, Sweden	556245-6060	Stockholm	–	100%			
OEM Automatic Norden AB, Sweden	556057-4526	Stockholm	–	100%			
Carried forward						70,776	–

## Notes and accounting principles

CONT'D. NOTE 12. PARTICIPATIONS IN GROUP COMPANIES

	CORPORATE ID NUMBER	REGISTERED OFFICE	NUMBER	HOLDING IN %	PAR VALUE	BOOK VALUE	CHANGE FOR THE YEAR
Brought forward						70,776	–
OEM Electronic Production Technology AB, Sweden	556038-8356	Stockholm	300	100%	300	78,350	–
Cyncrona AB, Sweden	556296-1838	Stockholm	–	100%			-25,530
LIF Produkter AB, Sweden	556123-2694	Huddinge	–	100%			
Cyncrona AS, Norway	–	–	–	100%			
Cyncrona OY, Finland	–	–	–	100%			
Cyncrona A/S, Denmark	–	–	–	100%			
Cyncrona EDA AB, Sweden	556207-4368	Stockholm	–	100%			
Cergotec AB, Sweden	556271-7370	Stockholm	–	100%			
Cyncrona Communications AB, Sweden	556230-4062	Stockholm	–	100%			
Opiab-Företagen AB, Sweden	556165-6769	Solna	–	100%			
Testcenter i Stockholm AB, Sweden	556204-5152	Huddinge	–	100%			
MPE Semitech AB, Sweden	556211-2325	Stockholm	–	100%			
MPE Microtech AB, Sweden	556241-2287	Stockholm	–	100%			
MPE Microteknikka OY, Finland	–	–	–	100%			
N. Erlands Petersen Trading A/S, Denmark	–	–	–	100%			
A.Karlson Fastigheter AB, Sweden	556029-8456	Stockholm	10,000	100%	1,000	10,277	–
Intermate Electronics AB, Sweden	556266-6874	Tranås	1,000	100%	100	600	–
Cyncrona Slummer AB, Sweden	556152-1138	Stockholm	4,217,268	100%	21,086	63,641	–
OEM Ejendomsselskab A/S, Denmark	–	–	1,300	100%	DKK 1,300	1,176	–
OEM Fastighetsbolag AB, Finland	–	–	1,200	100%	FIM 1,200	1,441	–
OEM Property Ltd, England	–	–	400,000	100%	GBP 400	5,147	–
						231,408	-25,530

## NOTE 13. PARTICIPATIONS IN ASSOCIATED COMPANIES

GROUP	CORPORATE ID NUMBER	REGISTERED OFFICE	NUMBER	HOLDING IN %	PAR. VALUE	BOOK VALUE	CHANGE FOR THE YEAR
Crouzet AB, Sweden	556197-1911	Stockholm	12,000	50%	1,200	5,271	-12
PARENT COMPANY	CORPORATE ID NUMBER	REGISTERED OFFICE	NUMBER	HOLDING IN %	PAR. VALUE	BOOK VALUE	CHANGE FOR THE YEAR
Crouzet AB, Sweden	556197-1911	Stockholm	12,000	50%	1,200	1,200	—

Shares in the profit of associated companies not utilised as dividends are transferred to the equity method reserve which constitutes part of the OEM Group's restricted reserves. The equity method reserve for directly owned associated companies currently amounts to SEK 4,071,000 (4,083,000).



## Notes and accounting principles

### NOTE 14. PREPAID EXPENSES AND ACCRUED INCOME

	GROUP		PARENT COMPANY	
	2000	1999	2000	1999
Accrued commissions etc.	8,905	421	–	–
Other prepaid expenses	12,005	10,889	497	257
<b>TOTAL</b>	<b>20,910</b>	<b>11,310</b>	<b>497</b>	<b>257</b>

### NOTE 15. EQUITY

	SHARE CAPITAL	RESTRICTED RESERVES	NON-RESTRICTED RESERVES
<b>GROUP</b>			
At start of year	45,569	70,101	333,682
Dividend			-34,176
Share buy-back			-57,983
Transfers between restricted and non-restricted reserves		-8,098	8,098
Profit for the year			129,195
Translation differences		963	4,806
<b>AT YEAR-END</b>	<b>45,569</b>	<b>62,966</b>	<b>383,622</b>
<b>TRANSLATION DIFFERENCES – EQUITY</b>			
At start of year		-661	-8,380
Translation differences		963	4,806
At year-end		302	-3,574

Figure at start of year includes exchange rate fluctuations from 1 January 1999 when recommendation RR8 of the Swedish Financial Accounting Standards Council was first applied.

#### PARENT COMPANY

At start of year	45,569	29,242	213,406
Allocation of profits ratified by the AGM:			
Dividend			-34,176
Profit for the year			43,365
Group contributions received			95,000
Tax effect of group contributions received			-26,600
Share buy-back			-57,983
<b>AT YEAR-END</b>	<b>45,569</b>	<b>29,242</b>	<b>233,012</b>

Group contributions, after a deduction corresponding to the tax effect, are booked direct against equity.

### NOTE 16. SHARE CAPITAL

The share capital consists of 9,113,703 shares with a par value of SEK 5 each, divided as follows:  
 1,589,032 A shares (10 votes per share) with a par value of SEK 5 each;  
 7,524,671 B shares (1 vote per share) with a par value of SEK 5 each.

## Notes and accounting principles

### NOTE 17. OVERDRAFT FACILITIES

The majority of the Group's Swedish companies form part of a central accounting system with a total limit of SEK 110 (40) million. The extent to which this facility has been utilised is reported in its entirety in the accounts for the parent company. The amounts outstanding/liabilities of the subsidiaries in this central system are reported in the parent company either as a claim against or a liability to the subsidiaries. The total limit for the entire Group is SEK 252.6 (158.9) million.

### NOTE 18. OTHER LIABILITIES TO CREDIT INSTITUTIONS

	GROUP	
	2000	1999
Maturity, 1-5 years from closing day	21,012	10,226
Maturity, more than 5 years from closing day	14,728	–
<b>TOTAL</b>	<b>35,740</b>	<b>10,226</b>

### PLEDGED ASSETS TO CREDIT INSTITUTIONS

	GROUP		PARENT COMPANY	
	2000	1999	2000	1999
Real estate mortgages	37,650	27,500	7,500	7,500
Floating charges	86,550	62,300	–	–
<b>TOTAL</b>	<b>124,200</b>	<b>89,800</b>	<b>7,500</b>	<b>7,500</b>

## Notes and accounting principles

### NOTE 19. OTHER LIABILITIES

	GROUP	
	2000	1999
Liability in conjunction with acquisitions	–	1 000
Maturity more than 5 years from closing date	–	–

### NOTE 20. ACCRUED EXPENSES AND PREPAID INCOME

	GROUP		PARENT COMPANY	
	2000	1999	2000	1999
Accrued holiday pay	24,415	19,747	642	442
Accrued social security expenses	15,366	12,475	457	468
Prepaid income	5,138	4,340	27	27
Accrued supp. inv./liabilities for goods rec'd	26,478	16,007	–	–
Other accrued expenses	22,387	28,521	768	303
<b>TOTAL</b>	<b>93,784</b>	<b>81,090</b>	<b>1,894</b>	<b>1,240</b>

### NOTE 21. ACQUISITION OF SUBSIDIARIES

	GROUP	
	2000	1999
Value of acquired assets and liabilities		
Intangible fixed assets	40,952	41,701
Tangible fixed assets	15,041	1,268
Financial fixed assets	595	–
Inventories	48,248	12,816
Accounts receivable – trade	36,154	28,302
Other current receivables	3,252	3,778
Liquid assets	10,790	2,949
	<b>155,032</b>	<b>90,814</b>
Long-term liabilities	-41,893	-7,669
Accounts payable - trade	-26,490	-11,381
Other current liabilities	-23,318	-21,669
	<b>-91,701</b>	<b>-40,719</b>
Purchase price paid	63,331	50,095
Liquid assets in acquired subsidiaries	-10,790	-2,949
Effect on group liquid assets	52,541	47,146

## Proposed appropriation of profits

### GROUP

According to the balance sheet, the OEM Group's non-restricted equity, including the profit for the year amounting to SEK 129,195,000 amounted to SEK 383,622,000, of which it is proposed that the sum of SEK 41,012,000 be issued in the form of a shareholders' dividend, while SEK 322,000 is transferred to restricted reserves and the remaining SEK 342,288,000 is carried forward.

### PARENT COMPANY

The total profits at the disposal of the annual general meeting of shareholders comprise:

Profits brought forward	SEK 189,646,988.13
Profit for the year	SEK 43,365,570.27
	SEK 233,012,558.40

The Board of Directors and Managing Director propose that profits be distributed as follows

– a dividend to shareholders of SEK 4.50 per share	SEK 41,011,663.50
– balance to be carried forward	SEK 192,000,894.90
	SEK 233,012,558.40

TRANÅS, SWEDEN 28 FEBRUARY 2001

**Hans Franzén**  
Chairman of the Board

**Orvar Pantzar**

**Per Sandberg**

**Ulf Barkman**

**Agne Svenberg**

**Jörgen Zahlin**  
Managing Director

This is an English translation of the Annual Report 2000 for OEM International AB (publ.).

## Auditor's report

**TO THE ANNUAL GENERAL MEETING OF SHAREHOLDERS  
IN OEM INTERNATIONAL AB (PUBL) CORPORATE IDENTITY NUMBER 556184-6691**

I have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the Board of Directors and the Managing Director of OEM International AB for the financial year 2000. These accounts and the administration of the company are the responsibility of the Board and the Managing Director. My responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on my audit.

I conducted my audit in accordance with generally accepted auditing standards in Sweden. Those standards require that I plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the Board and the Managing Director, as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for my opinion concerning discharge from liability, I examined significant decisions, actions taken and circumstances of the society in order to be able to determine the liability, if any, to the society of any Board Member or the Managing Director. I also examined whether any Board Member or the Managing Director has, in any other way, acted in contravention of the Swedish Co-operative Economic Associations Act, the Annual Accounts Act or the Articles of Association. I believe that my audit provides a reasonable basis for my opinion set out below.

The annual accounts and the consolidated accounts have been prepared in accordance with the Swedish Annual Accounts Act and give a true and fair view of the company's financial position and results of operations in accordance with generally accepted accounting principles in Sweden.

I recommend to the general meeting of shareholders that the income statements and balance sheets of the parent company and the group be adopted, that the profit be dealt with in accordance with the proposal in the administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

**TRANÅS, SWEDEN 14 MARCH 2001**

**KPMG**

**Bo Axelsson**

Authorised Public Accountant

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