



OEM INTERNATIONAL

Financial report January – June 2001

- **Profit amounts to 61,4 SEK million (66,1)**
- **Turnover increased by 29 % to 1.126,3 SEK million (875,9)**
- **Order bookings increased by 5 % to 1.014,6 SEK million (968,3)**
- **Earnings per share after estimated tax increased by 6 % to SEK 5:79 (5:44)**
- **Acquisition of electronics company in Finland with a turnover of approx. 45 SEK million**
- **The prognosis for the whole year, as a result of the considerable drop in the telecom sector, has been changed from being on a level with last year (148) to approx. 100 SEK million**

Managing Directors review

The long-term goal of the OEM Group is an annual growth of 15 %. Over the last five years the company has achieved an average increase in profit after net financial items by 22,6 % per year.

The turnover has been in line with our expectations at the publishing of the report for the first three months, whereas the profit due to the decline in business activity has become somewhat lower than expected. The turnover during the first six months increased by 29 % to 1.126,3 SEK million (875,9) and the profit after net financial items amounted to 61,4 SEK million (66,1). The five companies that were acquired in 2000 and 2001 contributed 129,6 SEK million to the increase in turnover.

For the divisions OEM Industrial Components and OEM EPT the growth in turnover as well as in profit has been very good, while the profit of OEM Systemteknik is strained by earlier known changes at Ericsson.

The general slowdown in business activities has been especially evident during the later part of the second quarter. Postponed orders and lower volumes taken by our customers are explained by reduced demand for their own end products. In certain cases our customers have had excess stock due to the higher volumes of last year and shortage of components that was prevailing at that time.

The decreases in the telecom sector have continued during the second quarter and now include big parts of the Swedish as well as the Finnish telecom industry. This is most evident from the order bookings at OEM EPT which direct the main part of their sales effort towards this segment.

There is a considerable uncertainty about when to expect an upturn in the business conditions. Our estimate is that it will come at the first half of next year at the earliest, which as a consequence leads to the fact that the profit for the second half of this year will be considerably lower than that of the first six months.

For the first six months, costs for reduction in personnel, stock write-down and adjustment of the product program amounted to approx. 4 SEK million. This work continues during the Autumn and is estimated to charge the profit further by approx. 8 SEK million.

The acquisition of Aspecs OY, Finland, was carried out in May. This company markets components for fibre optical systems and contributed a new area of competence to the OEM group - Electronics. The components are mainly used in the telecom industry, e.g. in cable TV applications and data transfers. During the financial year 2000/2001 Aspecs had a turnover of approx. 45 SEK million. The acquisition strengthens our position to our customers and suppliers as a specialist supplier of components for the electronics industry in Europe. It will also form the basis for a continued widening of our electronics program in Finland.

OEM International's policy is to amortise goodwill over a five-year period. The figures for the first half year have been debited with 14,4 SEK million (14,3) for depreciation of goodwill.

Equity/assets ratio per 30th June was 40,6 % (51,6) following an increase in balance sheet total and the share buy-back program that was authorised by the annual general meeting.

The share buy-back program has improved our capital structure and made a positive contribution to the return on equity and earnings per share. The process of reduction of share capital equivalent with 781.500 shares, which was decided by the general assembly, has been started. These shares have been acquired at an average price of SEK 127:09. After this reduction there will be a total of 8.332.203 shares in the company. Per June 30th we have bought back a further 200.000 shares at an average price of SEK 125:75, making out 2,4 % of total number of shares after the reduction. The general meeting authorised the board to buy back up to 10 % of the company's shares, which would be 833.220 shares.

The profit expectations for the whole year have been reduced from being on a level with last year (148,3) to approx. 100 SEK million.

SUMMARY JANUARY - JUNE 2001

Turnover and profit

Turnover of the Group during the first half year amounted to 1.126,3 SEK million (875,9) and the profit amounted to 61,4 SEK million (66,1).

The turnover outside Sweden amounted to 374,0 SEK million (319,6).

Accounting principles

The Group has used the same principles and the same calculation methods as in the latest Annual Report. The report has been set up according to the recommendations of the Swedish Financial Accounting Standards Council RR20.

Inflow of orders and order book

During the first half-year incoming orders amounted to 1.014,6 SEK million (968,3). The orderbook value, at 30th June 2001, was 334,6 SEK million (401,8).

Investments

Net investments of the Group in fixed assets during the period amounted to 14,1 SEK million (6,3). Of these, 4,7 SEK million (0) refer to acquisitions and 9,4 SEK million (6,3) to real property, machines and equipment.

Equity/assets ratio

Liquid assets, consisting of cash and bank balances with the adding of granted but not exploited credits, amount at 30th June 2001 to 155,9 SEK million. The corresponding amount at the turn of the year was 167,7 SEK million.

Personnel

The total number of employees during the first half-year 2001 was 773 persons (639).

Prognosis for the whole year

Earlier prognosis for the whole year indicating a profit on a level with last year (148 SEK million), is revised to a profit level of approx. 100 SEK million. The review depends on the slowdown in business activities and the changes in the telecom sector. The profit includes cost for structural reorganizations of approx. 12 SEK million originating from staff reductions, write-down of stock and adjustments of product programs.

Next report

A financial report for the period January-September is published on 26th October 2001.

DIVISIONS

OEM Industrial Components

The division market components for industrial automation in the groups Automation, Electronics, Mechanics, Hydraulics and Europe.

The turnover during the first half-year amounted to 730,8 SEK million (505,1) and the profit to 50,3 SEK million (43,2), an increase by 45 and 16 percent respectively. From the growth in turnover, half originates from acquired companies and the other half from organic growth.

Order bookings during the first six months amounted to 699,9 SEK million, an increase by 22 % in comparison with corresponding period 2000.

The Swedish companies still generate the bigger part of the growth.

Group Hydraulics, which was acquired in November 2000, is developing according to plan and had a turnover of 87 SEK million the first half-year.

The electronics companies increased their turnover and profit the first six months by 30% and 40 % respectively. A falling inflow of orders during the second quarter leads, however, to lowered expectations for this group for the autumn. Excess stock on certain types of components, will in some cases lead to a need for write-down of stock.

The slowdown in business activities during the spring has brought a lower order booking in the division. This is most evident in group Electronics and the part of group Automation that sells to the telecom industry.

OEM Systemteknik

The division OEM Systemteknik AB is divided in two groups; Industrial Automation and I.T.

Group Industrial Automation, which is responsible for approx. 80 % of the turnover of the division, supplies customized production equipment, often based on industrial robots, mainly to the telecom and pharmaceutical industries.

Group I.T. market products and services in computer security and communication.

The turnover during the first half-year amounted to 114,7 SEK million (175,1) and the profit amounted to -9,4 SEK million (6,7).

Order bookings during the first six months amounted to 92,6 SEK million (126,9).

The drop in turnover and profit is mainly due to the changes in the manufacture of mobile phones at Ericsson that has lead to a substantial decrease in order bookings and work. The efforts to obtain new customers is continuing. The new customers that have been added during the spring and those who will be added during the fall will, however, not cover the drop during this year.

To manage the profitability situation, operations will be adjusted to fit the present market situation.

OEM Electronic Production Technology

The companies in the division OEM EPT market machine equipment, systems and insertion material for the production and test of printed circuit boards and micro electronics in the Nordic market. A considerable part of the turnover originates from the telecom industry.

The turnover during the first half-year increased by 43 % to 283,2 SEK million (198,0) and profit increased by 48% to 23,7 SEK million (16,0).

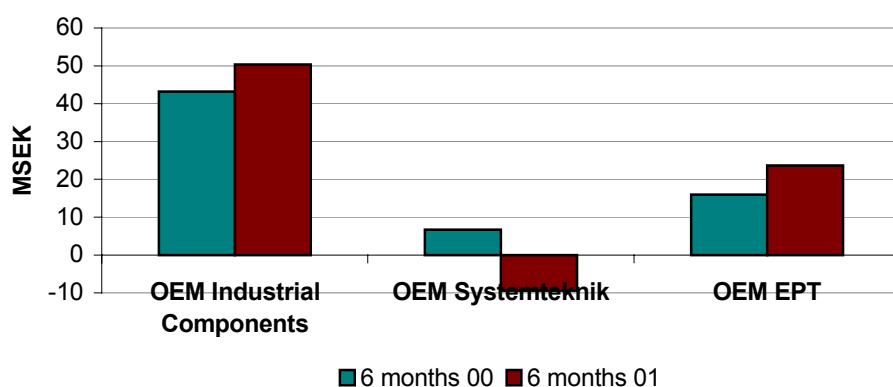
Order bookings the first six months amounted to 224,0 SEK million (270,1).

Turnover and profit for the first half-year was according to our expectations. The Danish and Norwegian operations have had a satisfactory growth in sales during the spring. Both these companies have a lower part of their sales efforts towards the telecom sector.

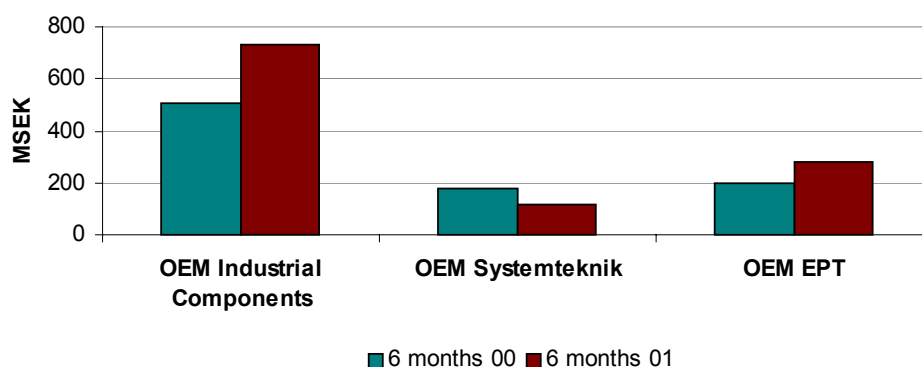
In Finland and Sweden considerable parts of the turnover growth originates from business made at the end of last year.

The slowdown in business activities and further reductions in the telecom industry during the second quarter have lead to lower order bookings than planned. The lack of investments is most evident in the Swedish and Finnish markets. This will lower the profit for the division during the autumn.

Profit per division



Turnover per division



THIS IS OEM INTERNATIONAL AB

OEM International, with head office in Tranås, owns and develops companies that market components and systems for industrial automation in Europe.

The Group consists of 29 operating companies in eight countries. Turnover in 2000 was 1.967,4 SEK million with profits of 148,3 SEK million. The number of employees in the Group was 676 persons in 2000. OEM International aims to reach a good return on equity with limited financial risks, while undergoing strong and stable growth. The long-term targets are:

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

Since 1983 OEM is listed at the O-list at the Stockholm stock exchange.

Simply put, OEM serves as an alternative to the manufacturer's local subsidiaries and hence has a responsibility for marketing and sales of the products that the company deals in. The company has no production of its own, but in the division OEM Systemteknik, customized equipment is produced, for instance robot lines and other complex systems.

OEM International offer its customers a substantial know-how and a broad range of components and systems.

The manufacturers OEM represent are offered a strong position in each local market. Through this, added value is created for the customer as well as the supplier. This added value is the "raison d'être" for OEM and the basis for a continuous profitable expansion.

You'll find more information about OEM at our website www.oem.se

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PROFIT AND LOSS ACCOUNT (SEK million)

	Jan-June 2001	Jan-June 2000	Q 2 2001	Q 1 2001	Q 4 2000	Q 3 2000	Q 2 2000	Rolling 12 months	Whole year 2000
Net turnover	1.126,3	875,9	557,8	568,5	604,0	487,5	443,1	2.217,8	1.967,4
Operating cost	-1.031,9	-783,9	-515,7	-516,2	-549,9	-429,3	- 399,0	-2.011,1	-1.763,4
Items affecting comparability	-	-	-	-	9,0	6,9	-	15,9	15,9
Depreciations acc to plan	-29,5	- 26,3	-14,5	-15,0	-15,6	-13,7	- 12,9	-58,8	-55,6
Operating profit	64,9	65,7	27,6	37,3	47,5	51,4	31,2	163,8	164,6
Shares in ass. companies	0,6	1,0	0	0,6	0,3	-0,1	0,5	0,8	1,2
Net interest income/expense	-4,1	-0,6	-2,7	-1,4	-0,8	-0,2	- 0,9	-5,1	-1,6
Profit before tax	61,4	66,1	24,9	36,5	47,0	51,1	30,8	159,5	164,2
Tax	-14,3	- 16,6	-6,5	-7,8	-8,1	-10,3	- 7,8	-32,7	-35,0
Profit	47,1	49,5	18,4	28,7	38,9	40,8	23,0	126,8	129,2
Earnings per share* , SEK	5,17	5,44	2,02	3,44	3,75	4,04	2,53	12,66	13,60
Earnings per share** , SEK	5,79	5,44	2,26	3,44	4,50	4,60	2,53	14,18	14,92

*) Excl items affecting comparability

**) Key ratios calculated from the no. of shares in the market on 30th June: 8.132.203 shares.

BALANCE SHEET (SEK million)

	2001-06-30	2000-06-30	2000-12-31
Assets			
Immaterial fixed assets	73,8	71,4	83,2
Tangible fixed assets	178,1	148,9	184,0
Financial fixed assets	23,8	10,5	23,0
Inventories	373,6	242,7	328,1
Short-term receivables	354,1	291,5	430,5
Cash and bank deposits	84,6	126,8	113,1
Equity, allocations and debts			
Equity*	441,9	460,0	492,1
Allocations	48,3	41,9	48,1
Long-term liabilities	294,7	100,9	233,7
Current liabilities	303,1	289,0	388,0
Balance sheet total	1.088,0	891,8	1.161,9
*Change of equity			
At the beginning of the year	492,1		
Profit of the period	47,1		
Dividend	-37,5		
Buy-back of shares	-66,9		
Conversion difference of the period	7,1		
At the end of the period	441,9		

CASH FLOW ANALYSIS (SEK million)

	Jan-June 2001	Jan-June 2000	Q 2 2001	Q 1 2001	Q 4 2000	Q 3 2000	Q 2 2000	Rolling 12 months	Whole year 2000
Cash flow from operating business	55,8	68,7	16,0	39,8	70,6	55,8	29,4	182,2	195,1
Adjustment of working capital	-33,6	- 54,6	-79,6	46,0	-33,0	-58,1	-26,1	-124,7	-145,7
Cash flow before investments	22,2	14,1	-63,6	85,8	37,6	-2,3	3,3	57,5	49,4
Investments	-13,7	- 6,3	5,5	-19,2	-38,2	-44,6	-6,7	-96,5	-89,1
Cash flow after investments	8,5	7,8	-58,1	66,6	-0,6	-46,9	-3,4	-39,0	-39,7
Cash flow from financial operations	-43,3	- 29,6	-18,3	-25,0	6,0	26,9	-29,0	-10,4	3,3
Cash flow	-34,8	-21,8	-76,4	41,6	5,4	-20,0	-32,4	-49,4	-36,4

KEY RATIOS

	Jan-June 2001	Jan-June 2000	Q 2 2001	Q 1 2001	Q 4 2000	Q 3 2000	Q 2 2000	Rolling 12 months	Whole year 2000
Return on capital employed, %	10,1	10,9	4,0	5,9	8,2	8,7	4,9	28,1	27,4
Return on operational capital employed *, %	9,5	12,3	4,0	5,5	6,0	7,7	5,6	24,0	24,3
Return on operational capital employed, %	9,5	12,3	4,0	5,5	7,3	8,8	5,6	26,4	26,8
Return on total assets *, %	6,2	7,5	2,6	3,4	3,7	4,8	3,5	15,7	14,8
Return on total assets, %	6,2	7,5	2,6	3,4	4,5	5,5	3,5	17,3	16,3
Equity/assets ratio, %	40,6	51,6							42,4
Earnings per share *, SEK	5,17	5,44	2,02	3,44	3,75	4,04	2,53	12,66	13,60
Earnings per share **, SEK	5,79	5,44	2,26	3,44	4,50	4,60	2,53	14,18	14,92
Equity per share **, SEK	54,34	50:60							56,84
Operating margin*, %	5,8	7,5	4,9	6,6	6,4	9,1	7,0	6,7	7,6
Increase turnover, %								24,8	10,4
Increase profit, %								48,8	56,8

*) Excl items affecting comparability

**) Key ratios calculated from the no. of shares in the market on 30th June: 8.132.203 shares.

Tranås the 3rd of August 2001

OEM INTERNATIONAL AB (PUBL)

Jörgen Zahlin
Managing director

Hans Franzén
President

Audit report

We have reviewed this six months' report according to recommendations issued by the Swedish Institute of Authorised Public Accountants FAR.

A review is significantly limited compared to an audit.

Nothing has appeared that indicates that this report does not fulfill the demands in the Stock exchange and Annual Accounts Acts.

Tranås the 3rd of August 2001
KPMG

Bo Axelsson
Authorized public accountant

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