



OEM INTERNATIONAL

Financial report January – September 2001

- **Profit amounts to 74,2 SEK million (110,3)**
- **Turnover increased by 13 % to 1.537,9 SEK million (1.363,4)**
- **Order bookings amounted to 1.395,9 SEK million (1.492,1)**
- **Earnings per share after estimated tax amounted to SEK 7:00 (9:61)**
- **The prognosis for the whole year has been reduced from earlier stated 100 SEK million to approx. 60 SEK million**
- **The board has decided on a structural reorganisation program, at a total cost of approx. 30 SEK million**

Managing Directors review

Profit in year 2001 is estimated to approx. 60 SEK million, which is a reduction of earlier indicated prognosis that was approx. 100 SEK million. The change of prognosis is due to a continuous slowdown in business activities and further reduced demand from the telecom sector as well as estimated cost for reorganisation at approx. 30 SEK million.

The capacity in the Group is dimensioned for a considerably higher turnover than what we will achieve this year, which as a result causes the profit to decrease. This is a reason for the decision of the board to set in a reorganisation program, signifying an adjustment to the anticipated demand. One effect of the program will be that present personnel, today 775 persons, will be reduced to below 700 employees.

The decline in telecom during quarter 3 has been more serious than anticipated, which above all has affected the divisions OEM Systemteknik and OEM EPT AB. In certain areas the demand has been reduced by 60-70%. Turnover has decreased by 67,2 SEK million and profit by 26,2 SEK million compared to year 2000.

Actions to adapt capacity to the new situation have been started. In OEM Systemteknik 37 persons have received notice and the production unit of Jubo Mechatronics in Stockholm is being closed down. Additional changes in operations and organisations are in progress. Beyond the adaptations of capacity it is our ambition to seek new possibilities in closely related operational areas.

The general slowdown in business within the engineering industry, which is responsible for approx. 60% of our turnover, has affected OEM Industrial Components where the profit is reduced in spite of an increase in turnover by 31%.

We are planning for a situation where the business cycle will turn upward by the end of next year at the earliest. This forces us to carry out a number of actions to handle the sinking profits. Operations will be restructured and we will take advantage of synergy to a higher extent in order to increase efficiency and add to our market shares.

Our work to increase the number of buying customers and increase the turnover by existing customers has resulted in enlarged market shares in a number of areas.

The acquisitions added this and last year have all in all developed on a level with our expectations.

The present market situation plus our good solidity creates enhanced possibilities for acquisitions of complementary business as well as increased market shares through retained marketing work.

SUMMARY JANUARY - JUNE 2001

Turnover and profit

Turnover of the Group during the first nine months amounted to 1.537,9 SEK million (1.363,4) and profit to 74,2 SEK million (110,3) excluding items affecting comparability. The turnover outside Sweden amounted to 541,5 SEK million (511,7).

Inflow of orders and order book

During the first nine months incoming orders amounted to 1.395,9 SEK million (1.492,1). The orderbook value, at 30th September 2001, was 307,5 SEK million (442,1).

Investments

Net investments of the Group in fixed assets during the period amounted to 20,0 SEK million (40,8). Of these, 4,9 SEK million (17,9) refer to acquisitions and 15,1 SEK million (22,9) to real estate, 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 September 2001 to 180,1 SEK million. The corresponding amount at the turn of the year was 167,7 SEK million.

Goodwill

The policy of OEM International is to write off goodwill in 5 years. The profit for the first nine months this year has been charged with 22,2 SEK million (21,4) for amortization of goodwill.

Solidity

As per September 30th the solidity was 42,9% (46,4), partly as a consequence of the share buy-back program that was authorised by the general assembly.

Personnel

The total number of employees on September 30th 2001 was 775 persons (647).

Share buy-back

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, is in progress. 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 September 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.

Prognosis for the whole year

Earlier prognosis for the whole year for approx. 100 SEK million is revised to a profit level of approx. 60 SEK million. The review depends on continued recess and further negative changes within the telecom sector as well as the decision of the board to implement a structural reorganisation program at an estimated cost of 30 SEK million.

Next report

A press release concerning the annual earnings figures for the whole year 2001 will be published on 15th February 2002.

DIVISIONS

OEM Industrial Components

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

The turnover during the first nine months amounted to 1.021,7 SEK million (780,5) and the profit to 66,0 SEK million (72,3). From the growth in turnover, which is 31%, approx. 75% originates from acquired companies and approx. 25% from organic growth.

Order bookings during the first nine months amounted to 978,7 SEK million, an increase by 11 % in comparison with corresponding period 2000.

In the groups Automation, Electronics and Europe demand has weakened. This is mainly due to the decreased demand in the telecom industry. These groups have organisations dimensioned for higher turnover, which causes us to make adjustments for a decreased turnover. In group Electronics we will make a stock write-down at approx. 5,0 SEK million due to surplus stock of certain components.

Group Hydraulics and Mechanics have had a continued good development and are increasing, both in turnover and profit.

OEM Systemtechnik

The division OEM Systemtechnik 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 customised production equipment, often based on industrial robots, mainly to the telecom and pharmaceutical industries.

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

The turnover during the first nine months amounted to 148,9 SEK million (230,6) and the profit amounted to -14,3 SEK million (4,0).

Order bookings during the first nine months amounted to 126,6 SEK million (225,5).

Jubo Mechatronics has been deeply affected by the reductions in telecom and had to give notice to 27 employees in August. The production unit in Stockholm is closed and in the future we will only have production in Karlskoga. Re-focusing to new customer segments has resulted in several new customers. The company, that in year 2000 had a turnover of 180 SEK million, will this year reach a turnover of approx. 75 SEK million.

In other business operations 10 persons have been given notice of dismissal.

Also in other parts of the division notice of personnel and changes in the direction of operations have been made. We estimate that the division will reduce its' staff from 137 persons today to about 100 persons.

The lowered cost, the partly changed offer to customers and increased customer activities will make these companies able to show a positive result during next year.

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.

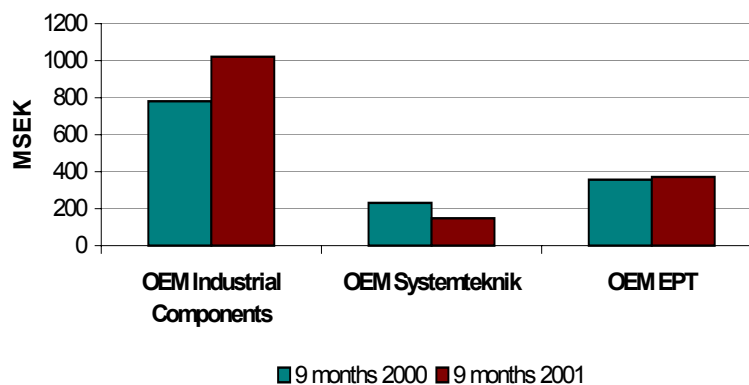
The turnover during the first nine months increased by 4% to 371,2 SEK million (356,7) and profit decreased to 26,0 SEK million (33,9).

Order bookings the first nine months amounted to 297,2 SEK million (384,1).

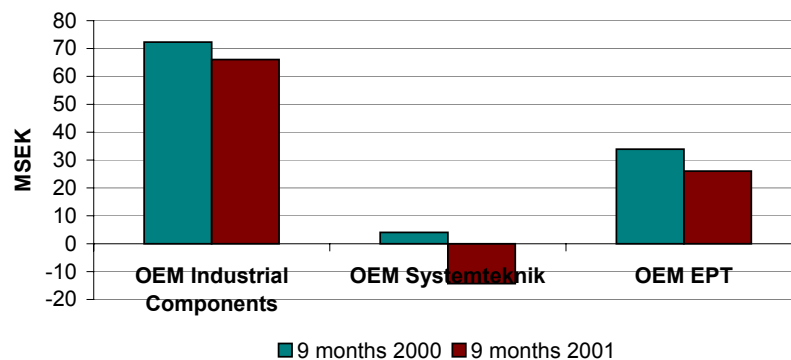
The weakening in the telecom industry has on the whole brought the investments in this customer category to a stop. The Finnish and Swedish operations, that during last year had a 75-80% degree of their business oriented to these customers, have lost order bookings in size 35-45%. Our expectations are that the demand gradually will increase, but that we will not reach the level of the last years in several years to come. Activities to try for business openings in new areas as well as adapting operations have been started.

The Danish and Norwegian operations have had a satisfactory growth in sale. Both these companies have a smaller part of their sale in telecom.

Turnover per division



Profit 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, customised equipment is produced, for instance robot lines and other complex systems.

OEM International offers 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

PROFIT AND LOSS ACCOUNT (SEK million)

	Jan-Sept 2001	Jan-Sept 2000	Q3 2001	Q 2 2001	Q 1 2001	Q 4 2000	Q 3 2000	Rolling 12 months	Whole year 2000
Net turnover	1.537,9	1.363,4	411,6	557,8	568,5	604,0	487,5	2.141,9	1.967,4
Operating cost	-1.414,1	-1.213,2	-382,2	-515,7	-516,2	-549,9	-429,3	-1.964,0	-1.763,1
Items affecting comparability*	-	6,9	-	-	-	9,0	6,9	9,0	15,9
Depreciations acc. to plan	-44,0	- 40,0	-14,5	-14,5	-15,0	-15,6	-13,7	-59,6	-55,6
Operating profit	79,8	117,1	14,9	27,6	37,3	47,5	51,4	127,3	164,6
Shares in ass. companies	0,5	0,9	-0,1	0	0,6	0,3	-0,1	0,8	1,2
Net interest income/expense	-6,1	- 0,8	-2,0	-2,7	-1,4	-0,8	-0,2	-6,9	-1,6
Profit before tax	74,2	117,2	12,8	24,9	36,5	47,0	51,1	121,2	164,2
Tax	-17,3	- 26,9	-3,0	-6,5	-7,8	-8,1	-10,3	-25,4	-35,0
Profit	56,9	90,3	9,8	18,4	28,7	38,9	40,8	95,8	129,2

Earnings per share*) , SEK **6:24** 9:36 1:08 2:02 3:44 3:75 4:04 9:80 13:60

Earnings per share*) **), SEK **7:00** 9:61 1:21 2:26 3:44 4:50 4:60 10:98 14:92

*/ Excl. items affecting comparability

**/ Key ratios calculated from the number of shares in the market.

BALANCE SHEET (SEK million)

	2001-09-30	2000-09-30	2000-12-31
Assets			
Immaterial fixed assets	66,3	78,4	83,2
Tangible fixed assets	176,9	163,9	184,0
Financial fixed assets	22,9	9,3	23,0
Inventories	372,8	291,5	328,1
Short-term receivables	347,7	376,4	430,5
Cash and bank deposits	87,5	108,0	113,1
Equity, allocations and debts			
Equity *)	460,4	476,4	492,1
Allocations	48,2	45,4	48,1
Long-term liabilities	279,9	160,1	233,7
Current liabilities	285,6	345,6	388,0
Balance sheet total	1.074,1	1.027,5	1.161,9
* Change of equity			
At the beginning of the year			492,1
Profit of the period			56,9
Dividend			-37,5
Buy-back of shares			-66,9
Conversion difference of the period			15,8
At the end of the period			460,4

CASH FLOW ANALYSIS (SEK million)

	Jan-Sept 2001	Jan-Sept 2000	Q3 2001	Q 2 2001	Q 1 2001	Q 4 2000	Q 3 2000	Rolling 12 months	Whole year 2000
Cash flow from operating business	82,6	124,5	26,8	16,0	39,8	70,6	55,8	153,2	195,1
Adjustment of working capital	-41,0	- 112,7	-7,4	-79,6	46,0	-33,0	-58,1	-74,0	-145,7
Cash flow before investments	41,6	11,8	19,4	-63,6	85,8	37,6	-2,3	79,2	49,4
Investments	-23,2	- 50,9	-9,5	5,5	-19,2	-38,2	-44,6	-61,4	-89,1
Cash flow after investments	18,4	- 39,1	9,9	-58,1	66,6	-0,6	-46,9	17,8	-39,7
Cash flow from financial operations	-58,2	- 2,7	-14,9	-18,3	-25,0	6,0	26,9	-52,2	3,3
Cash flow	-39,8	- 41,8	-5,0	-76,4	41,6	5,4	-20,0	-34,4	-36,4

KEY RATIOS

	Jan-Sept 2001	Jan-Sept 2000	Q 3 2001	Q 2 2001	Q 1 2001	Q 4 2000	Q 3 2000	Rolling 12 months	Whole year 2000
Return on capital employed, %	11,9	19,5	2,2	4,0	5,9	8,2	8,7	21,8	27,4
Return on operational capital employed, % *)	11,8	19,3	2,3	4,0	5,5	6,0	7,7	18,4	24,3
Return on operational capital, %	11,8	20,5	2,3	4,0	5,5	7,3	8,8	19,7	26,8
Return on total assets, % *)	7,7	11,7	1,6	2,6	3,4	3,7	4,8	12,0	14,8
Return on total assets, %	7,7	12,4	1,6	2,6	3,4	4,5	5,5	12,9	16,3
Equity/assets ratio, %	42,9	46,4							42,4
Earnings per share, SEK *)	6:24	9:36	1:08	2:02	3:44	3:75	4:04	9:80	13:60
Earnings per share, SEK *) **)	7:00	9:61	1:21	2:26	3:44	4:50	4:60	10:98	14:92
Equity per share, SEK **)	56:61	53:70							56:84
Share price at the end of the period, SEK									129:00
P/E ratio at the end of the period, times									9,5
Share price at the end of the period, SEK million									1.117
Operating margin, % *)	5,2	8,1	3,6	4,9	6,6	6,4	9,1	5,5	7,6
Increase turnover, %								16,6	10,4
Increase profit, %								-4,6	56,8

**) Key ratios calculated from the number of shares in the market.

Tranås October the 26th 2001

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