



Interim Report for OEM International

January – September 2010

Q1 Q2 **Q3** Q4



THIRD QUARTER 2010

- Incoming orders increased by 26% to 338 MSEK (269)
- Turnover increased by 25% to 345 MSEK (276)
- Earnings before tax increased to 38 MSEK (20)
- Acquisition of All Motion Technology AB

JANUARY - SEPTEMBER 2010

- Incoming orders increased by 22% to 1 078 MSEK (880)
- Turnover increased by 12% to 1 038 MSEK (924)
- Earnings before tax increased by 88% to 101 MSEK (53)
- Earnings after tax increased by 93% to 72 MSEK (38)
- Earnings per share amounted to 3.13 SEK (1.65)
- The operations within the division Production Technology were divested

The business in division Production Technology is reported as divested business on its own row in the profit and loss account. This means that the above figures concerning turnover and earnings refer to the remaining business. The earnings per share include the divested division.

MD comments

Demand improved even more during the third quarter. Net turnover increased by 25% and incoming orders by 26%, compared to the third quarter the previous year.

During the first nine months of the year, net turnover increased by 12% and incoming orders by 22%. When currency effects are removed, the net turnover increased by approximately 19%.

All Group companies have developed positively during the period and it is the businesses outside of Sweden that have shown the strongest growth. It is also worth noting that the investments made in a logistics centre outside Tranås have successively given a positive effect, thanks to higher efficiency and increased level of service.

Earnings before tax in the third quarter rose to 38 MSEK (20) and the operating margin to 12%, due to the higher net turnover and the improvements in efficiency that have been implemented.

In September, All Motion Technology, which markets electric motor solutions in the Nordic countries, was acquired. Through the acquisition, we obtain access to a range that widening OEM's offer in the electric motor field, at the same time as there are synergies with existing operations within OEM.

The market has developed positively during all of 2010 and we deem that demand will continue to be strong the remaining part of the year.



Jörgen Zahlin,
Managing Director and Chief Executive Officer

The Group

Incoming orders (MSEK million)



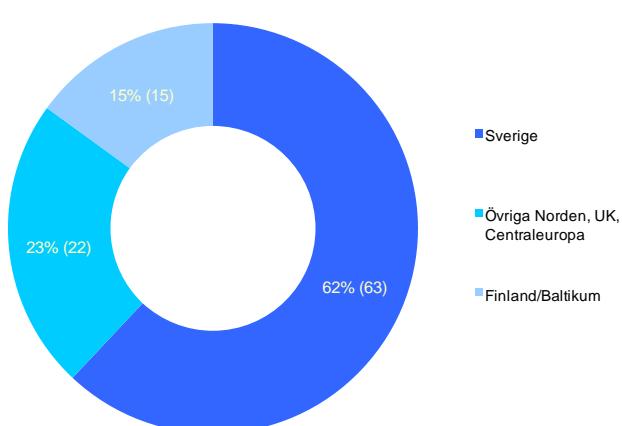
Incoming orders increased during the third quarter 2010 by 26% to 338 (269) MSEK and for the period January – September 2010, by 22% to 1078 MSEK (880), compared to the corresponding period the previous year. The operations in Finland, Poland, UK and the Czech Republic as well as division Components in Sweden showed the greatest improvement. The order book has developed positively and on 30 September, 2010 amounted to 241 (191) MSEK.

Net turnover (SEK million)



Net turnover increased during the third quarter 2010 by 25% to 345 (276) MSEK and for the period January – September 2010, by 12% to 1038 MSEK (924), compared to the corresponding period the previous year. When currency effects are removed, net turnover increased by ca. 19%. During the period, incoming orders were 4% greater than net turnover, which gives a clear positive signal.

Turnover by geographic market



The distribution across the geographical markets remained relatively stable during the period January - September 2010, compared with the same period last year. The share outside Sweden increased with 1%. Net turnover increased in percentage terms most in the Czech Republic, Norway and UK.

Operating income (SEK million)

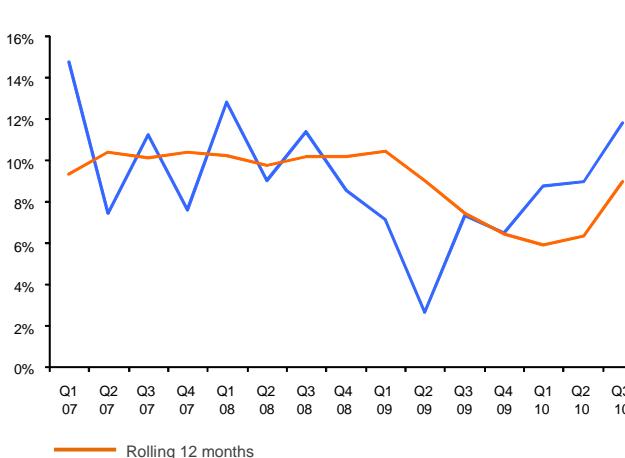


Operating income amounted to SEK 41 million (20) during the third quarter. Operating income in the period January – September exceeded the previous year by 89%. The improvement in earnings was a consequence of the increased net turnover together with the implemented capacity adjustments with lower costs as an effect.

Q1 2007, real estate was disposed of giving net earnings of 13 MSEK.

Q1 2008, real estate was disposed of giving net earnings of 5.4

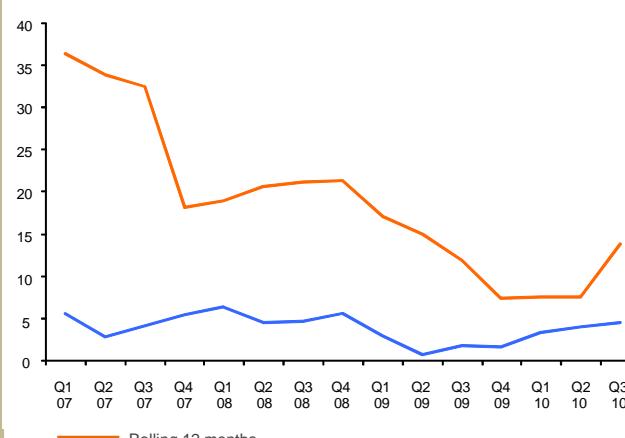
Operating margin (%)



The operating margin increased to 11.8% (7.4%) during the third quarter.

The operating margin amounted to 9.9% for the period January - September 2010, compared to 5.8% the previous year. The operating margin is the highest since third quarter 2008.

Return on equity (%)



The return on equity has improved since second quarter 2009 and amounted to 4.4% for third quarter 2010. This means that the yield on an annual basis is approaching the target level of 20%.

Shareholders' equity amounts to SEK 569 million (547) with an equity/assets ratio of 63% (62%).

The Divisions

The Group comprises two divisions. The structure is conceptually organised with the aim of creating stability and making use of economies of scale.

Division Automation

Automation supplies electrical components, flow components, and installation components.

MSEK	Q1-Q3 2010	Q1-Q3 2009	Full year 2009	Rolling 12
Incoming orders	856	710	965	1 112
Net turnover	824	726	976	1 074
Operating income/loss	91	53	69	107
Operating marg. (%)	11	7	7	10

Net turnover increased by 13% during the period January – September. When currency effects are removed, turnover increased by ca. 21%. The acquisition of ALL Motion Technology AB in September has had a marginal effect on the net turnover and operating profit. The operations in the UK, Norway, the Czech Republic and Swedish Elektro Elco have had the greatest growth. The operating margin increased from 7% to 11%.

The strong incoming orders show that the market has gradually recovered and approached the same level as 2008.



Division Components

Components supplies components to equipment and electronics manufacturers as well as bearings and seals.

MSEK	Q1-Q3 2010	Q1-Q3 2009	Full year 2009	Rolling 12
Incoming orders	222	170	234	285
Net turnover	213	198	262	278
Operating income/loss	21	11	15	24
Operating marg. (%)	10	6	6	9

Net turnover increased by 8% during the period January – September. When currency effects are removed, turnover increased by 14%. Swedish Internordic has shown good growth while the other operations are in line with last year. The operating margin increased from 6% to 10%. The strong incoming orders originate in the main from the Swedish units.



Division Production Technology

OEM International has sold the operations in division Production Technology to ElektronikGruppen as of 1 June, 2010. The transfer was an asset deal where ElektronikGruppen assumed the stock, equipment, customer and supplier agreements and intangible values. The purchase price amounted to ca. 6 MSEK plus an additional purchase price based on the operations' contribution margin during the next two years.

Profit from the divested operations.

MSEK	Q1-Q3 2010	Q1-Q3 2009	Full year 2009
Net turnover	46	67	92
Income from sold operations	3.0	-	-
Costs	- 56	- 73	- 103
Profit before tax	- 6.9	- 5.7	- 11
Tax	1.8	1.5	2.9
Profit for the period	- 5.1	- 4.2	- 7.8



Other financial information

Cash flow

Cash flow from current operations totalled SEK 58 million (69). For the rolling 12 months, the cash flow from current operations amounted to SEK 93 million. The total cash flow for a rolling 12 months amounted to SEK - 2.7 million and during the period it has been affected by, among other things, investments operations of SEK 28 million and dividends of SEK 46 million.

Investments

The Group's net investments in fixed assets amounted to SEK 14 million (32), SEK 10 million which is attributable to property, plant and equipment, SEK 5.2 million acquisition of business and SEK 1.8 million to transfer of the operations of Division Production Technology.

Liquidity

Cash and cash equivalents comprising cash and bank balances, together with granted but unused credit amounted to SEK 352 million (324) in total as of 30 September 2010.

Intangible assets

An amortisation of intangible assets totalling SEK 8.0 million (8.7) has had an effect on performance. The book value in the balance sheet amounts to SEK 105 million (103) as of 30 September 2010.

Equity-assets ratio

The equity/assets ratio as of 30 September 2010 was 63% (62).

Employees

The Group's average number of employees in the remaining operations for the period was 496 (525). At the end of the period, the number of employees was 500.

Share repurchasing

The company has not repurchased any shares during the period. The Company did not hold any of its own shares on 30 September 2010. The Annual General Meeting's authorisation for the repurchase of shares extends to 10% of the number of shares, i.e. 2,316,930.

Acquisition

During September, all shares in All Motion Technology were acquired. All Motion Technology markets electric motor solutions with high requirements for accuracy and precision. The company has a turnover of around 30 MSEK on an annual basis with sales in the Nordic countries. The company is part of the division Automation starting from 1 September. The purchase price for the acquired business amounted to 9.5 MSEK as well as a conditional additional purchase price that is based on the business's development up to the end of 2012. At a maximum, 4 MSEK can be paid as an additional purchase price and in the calculation of acquisition it is estimated to 2.0 MSEK. The transaction expenses for the acquisition are less than 0.2 MSEK and are included in the operating costs. Through the acquisition, the goodwill in the Group has increased by 2 MSEK and other intangible assets by 3.2 MSEK, which are supplier relations. The deferred tax liability amounts to 0.7 MSEK.

The effect of the implemented acquisition on the Group's turnover during the third quarter is ca. 3 MSEK, and on the earnings before tax ca. 0.3 MSEK. If the acquired business has been consolidated from the start of the year, the effect on the net turnover and earnings before tax would have been ca. 22 MSEK and 1 MSEK respectively.

Preliminary acquisition calculation

The acquired company's net assets at the time of acquisition	Reported value in the company	Real value adjustment	Real value in the Group
Intangible fixed assets	-	3	3
Other fixed assets	-	-	0
Inventory	5	-	5
Other current assets	9	-	9
Interest bearing liabilities	-1	-	-1
<u>Other liabilities</u>	<u>-6</u>	<u>-1</u>	<u>-7</u>
Net identifiable assets/liabilities	7	2	9
 Group goodwill	 -	 -	 2
Purchase price	-	-	11

Accounting principles

This interim report for the Group has been drafted in accordance with IAS 34 Interim Reporting and the applicable provisions in the Swedish Annual Accounts Act. The interim report for the Parent Company has been drafted in accordance with the Swedish Annual Accounts Act, Chapter 9, Interim Reports. For the Group and the parent company, the same accounting principles and calculation methods were applied as in the latest annual report, apart from the revised IFRS 3 Business Combinations and IAS 27 Group Accounts and separate financial reports. These are applied for acquisitions implemented from the 1st of January 2010.

Among other consequences, this means that transaction expenses during business combinations must be expensed, conditional purchase prices must be fixed at the real value at the time of acquisition and effects or revaluation of liabilities related to conditional purchase prices reported as an income or cost in the profit/loss for the year.

Risks and uncertain factors

The OEM Group is exposed to both business-related risks and financial risks through its activities. Business-related risks include competition and operational risks, and financial risks include liquidity risk, interest rate risk and currency risk. The OEM Group's financial activities and management of financial risks are conducted primarily by the Parent Company. Frameworks for risk management procedures and risk mitigation are in place. These frameworks are characterised by a low risk level. The starting point is structured and efficient management of the financial risks that arise within the business. For a complete report on the risks affecting the Group, please refer to the annual report for 2009, pages 72-73.

Estimates and assessments

The drafting of the interim report requires the company management to make estimates and assessments as well as assumptions that influence the application of the accounting principles and the reported amounts for assets, liabilities, income and costs. The real result may differ from these estimates and assessments. The critical assessments and sources of uncertainty in the estimates are the same as in the latest annual report.

Parent Company

Net turnover was SEK 14 million (14) and the profit after financial items was SEK 15 million (17).

After the end of the reporting period

There are no significant events to report.

Nomination Committee

The Nomination Committee, which will convene prior to the Annual General Meeting on 3 May 2011, has the following composition.

Lars-Åke Rydh (Chairman)

Jerker Lögren, Orvaus AB

Hans Franzén

Agne Svenberg

Bengt Stilleström, AB Traction

The Nomination Committee can be contacted through Lars-Åke Rydh, tel. +46 (0)705-92 45 70 or via e-mail lasserydh.se

Future reports

The financial statement for the whole of 2010 will be published on 21 February, 2011.

Tranås, 27 October, 2010

Jörgen Zahlin

Managing Director and Chief Executive Officer

Audit Report concerning review of interim report

To the board of OEM International AB (publ)

Introduction

We have carried out a review of the interim report for OEM International AB (publ.), reg. no. 556184-6691, as of 30 September, 2010 and the nine-month period closing that date. The board and Managing Director are responsible for drawing up and presenting this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

The direction and scope of the review

We have carried out our review in accordance with the Swedish Standard on Review Engagements SÖG 2410 *Review of Interim Financial Information performed by the company's elected auditor issued by FAR*. A review consists of making enquiries, primarily of the people responsible for financial issues and accounting issues, carrying out an analytical examination and taking other review measures. A review has a different aim and is of significantly smaller scope than the aim and scope of an audit as per auditing standards in Sweden (RS) and good auditing practice in general. The measures undertaken during a review mean that it is impossible for us to be certain that we are aware of all the important factors that it would have been possible to identify had an audit been carried out. Therefore, the conclusion expressed based on a review does not have the same certainty as a conclusion expressed based on an audit.

Conclusion

Based on our review, no factors have come to light that give us reason to believe that the attached interim report has not been drawn up in all significant aspects for the Group in accordance with IAS 34 and the Swedish Annual Accounts Act, and, in terms of the parent company, in accordance with the Swedish Annual Accounts Act.

Tranås, 27 October, 2010

KPMG AB

Kjell Bidenäs
Chartered Accountant

For further information, please contact MD Jörgen Zahlin on +46 (0)75-242 40 22
or Finance Director Jan Cnattingius on +46 (0)75-242 40 03.

The information in this report is such that OEM International AB (publ.) is obliged to publish in accordance with the Swedish Securities Market Act. The information was released to the media for publication on 27 October 2010 at 2 p.m.

Turnover and results for the divisions

Net turnover (SEK million) *

	Jan- Sept 2010	Jan- Sept 2009	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Q3 2009	Rolling 12 mth	Full year 2009
Automation	824	726	278	285	261	250	220	1 074	976
Components	213	198	67	76	71	65	57	278	262
<u>Other operating segments</u>	<u>0,6</u>	<u>0,8</u>	<u>0,0</u>	<u>0,3</u>	<u>0,3</u>	<u>0,4</u>	<u>0,3</u>	<u>1,0</u>	<u>1,2</u>
1 038	924	345	361	332	315	276	1 353	1 240	

Operating income (SEK million) *

	Jan- Sept 2010	Jan- Sept 2009	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Q3 2009	Rolling 12 mth	Full year 2009
Automation	91	53	37	30	24	16	19	107	69
Components	21	11	6,3	6,5	7,8	3,4	2,5	24	15
111	64	43	36	32	19	21	21	131	83

Group results (SEK million) *

	Jan- Sept 2010	Jan- Sept 2009	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Q3 2009	Rolling 12 mth	Full year 2009
Operating income, above segments	111	64	43	36	32	19	21	131	83
Group-wide functions	-9,0	-9,5	-2,4	-3,8	-2,7	0,8	-0,7	-8,2	-9,0
Net financial items	-1,9	-0,6	-2,9	0,5	0,5	-0,5	-0,2	-2,4	-1,1
Profit/loss before taxation	101	54	38	33	30	20	20	120	73

* Remaining operations

The Group's outcome and financial position

SUMMARY STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME (SEK MILLION)

	Jan- Sept 2010	Jan- Sept 2009	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Q3 2009	Rolling 12 mth	Full year 2009
Remaining operations									
Net turnover									
Net turnover	1 038	924	345	361	332	315	276	1 353	1 240
Other operating income	0,0	0,2	0,0	0,0	0,0	-0,1	0,0	0	0,2
Operating costs	-916	-850	-297	-322	-296	-288	-249	-1 204	-1 138
Amortisation intangible fixed assets	-8,0	-8,7	-2,7	-2,7	-2,7	-2,8	-2,9	-11	-12
Depreciation property, plant and equipment fixed assets	-12	-12	-4,2	-4,0	-4,0	-3,8	-3,8	-16	-16
Operating profit/loss	102	54	41	32	29	20	20	123	74
Net financial income/expenses	-1,9	-0,6	-2,9	0,5	0,5	-0,5	-0,2	-2,4	-1,1
Profit/loss before taxation	101	53	38	33	30	20	20	120	73
Taxes	-28	-16	-11	-8,9	-7,9	-6,5	-6,0	-35	-22
The period's profit/loss from remaining operations	72	38	27	24	22	13	14	86	51
Divested operations									
The period's profit/loss from divested operations, net after tax	-5,1	-4,2	-1,0	-1,6	-2,5	-3,7	-3,8	-9	-7,8
Profit for the period	67	33	26	22	19	9,5	10	77	43
Other comprehensive income									
Translation differences for the period from translation of overseas operations	-17	-7,5	-6,9	-4,5	-5,7	7,4	-11	-10	-0,1
Other comprehensive income for period	-17	-7,5	-6,9	-4,5	-5,7	7,4	-11	-10	-0,1
The period's total profit/loss	50	26	19	18	14	17	-0,5	67	43
Earnings per share, SEK*	2,91	1,44	1,11	0,96	0,84	0,42	0,45	3,33	1,86
Earnings per share from remaining operations, SEK**	3,13	1,65	1,15	1,04	0,94	0,57	0,62	3,70	2,19

** No effects of dilution present and the results are attributable to the parent company's shareholders.

SUMMARY STATEMENT OF THE GROUP'S FINANCIAL POSITION (SEK MILLION)

	2010-09-30	2009-09-30	2009-12-31
Assets			
Goodwill	50	45	51
Other intangible fixed assets	55	58	58
Tangible fixed assets	183	184	197
Financial fixed assets	3,9	1,2	2,1
Deferred tax claim	4,1	3,7	5,1
Inventory	195	212	217
Short-term receivables	285	246	220
<u>Liquidity</u>	<u>132</u>	<u>137</u>	<u>165</u>
Total Assets	907	887	915
Shareholders' equity and liabilities			
Equity	569	547	565
Long-term liabilities, interest-bearing	17	19	19
Deferred tax liability	48	46	48
Current liabilities, interest-bearing	73	91	99
Current liabilities, non-interest bearing	199	183	184
Total Equity and Liabilities	907	887	915

SUMMARY STATEMENT OF GROUP CHANGES IN SHAREHOLDERS' EQUITY (SEK MILLION)

	2010-09-30	2009-09-30	2009-12-31
At beginning of year	565	591	591
The period's total profit/loss	50	26	43
Paid dividend	-46	-70	-70
At the end of the period	569	547	565

SUMMARY OF CONSOLIDATED CASH FLOW STATEMENT (SEK MILLION)

	Jan- Sept 2010	Jan- Sept 2009	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Q3 2009	Rolling 12 mth	Full year 2009
Cashflow from current operations									
before changes in working capital	83	31	36	25	22	25	11	108	56
Changes in working capital	-25	39	-5	-10,8	-8,9	9,2	12	-15,6	48
Cash flow from current operations									
Cash flow from investment operations	58	69	31	14	13	34	23	93	104
Cash flow from investment operations	-14	-33	-4,6	0,0	-9,0	-14	-10	-28	-47
Cash flow after investment operations									
Cash flow from financing activities	45	36	26	14	4,2	20	13	65	57
- Change in liabilities	-28	8,3	-15	-13	0,0	7,0	-7,9	-21	15
- Paid dividend	-46	-70	0	-46	0,0	0,0	0,0	-46	-70
Cash flow for the period	-30	-25	11	-45	4,2	27	5,0	-2,7	2,3
Cash and cash equivalents at the start of the period	165	163	122	168	165	138	135	138	163
Exchange rate difference	-3,8	-1,0	-1,1	-1,0	-1,8	0,7	-2,6	-3,1	-0,3
Cash and cash equivalents at the end of the period	132	137	132	122	168	165	138	132	165

KEY INDICATORS

	Jan- Sept 2010	Jan- Sept 2009	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Q3 2009	Rolling 12 mth	Full year 2009
Return on equity, %	11,9	5,9	4,4	4,1	3,4	1,7	1,9	13,6	7,4
Return on capital employed, % *	15,0	8,2	5,6	5,1	4,3	3,2	3,2	18,2	11
Return on total capital % *	11,0	5,8	4,1	3,7	3,2	2,4	2,3	13,4	8,0
Equity ratio %	63	62							62
Earnings per share, SEK*	2,91	1,44	1,11	0,96	0,84	0,42	0,45	3,33	1,86
Earnings per share from remaining operations, SEK**/**	3,13	1,65	1,15	1,04	0,94	0,57	0,62	3,70	2,19
Equity per share, SEK	24,45	23,63							24,37
Average number of shares (thousands)	23 169	23 169	23 169	23 169	23 169	23 169	23 169	23 169	23 169

The Parent Company's outcome and financial position

SUMMARY OF PARENT COMPANY'S INCOME STATEMENT (SEK MILLION)

	Jan- Sept 2010	Jan- Sept 2009	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Q3 2009	Rolling 12 mth	Full year 2009
Net turnover	14	14	3,9	5,1	4,6	29	4,8	42	43
Operating costs	-28	-28	-8,1	-11	-9,0	-9,3	-7,1	-38	-38
Depreciation	-1,6	-1,7	-0,4	-0,7	-0,5	-0,6	-0,5	-2,2	-2,3
Operating profit/loss	-16	-16	-4,6	-6,8	-5,0	19	-2,8	2,4	2,7
Income from participation in Group companies	31	33	0,0	31	0,0	13	0,0	44	46
Net financial income/expenses	0,6	0,6	0,2	0,3	0,2	0,3	0,2	1	0,8
Profit before appropriations and tax	15	17	-4,3	24	-4,8	33	-2,6	48	50
<u>Appropriations</u>	<u>0,0</u>	<u>0,0</u>	<u>0,0</u>	<u>0,0</u>	<u>0,0</u>	<u>-11</u>	<u>0,0</u>	<u>-11</u>	<u>-11</u>
Profit/loss before taxation	15	17	-4,3	24	-4,8	22	-2,6	37	38
<u>Taxes</u>	<u>4,1</u>	<u>4,2</u>	<u>1,0</u>	<u>4,4</u>	<u>-1,3</u>	<u>-2,6</u>	<u>0,7</u>	<u>1,5</u>	<u>1,6</u>
Profit for the period	19	21	-3,4	29	-6,1	19	-1,9	38	40

SUMMARY OF PARENT COMPANY'S BALANCE SHEET (SEK MILLION)

	2010-09-30	2009-09-30	2009-12-31
Assets			
Intangible assets	3,7	1,2	1,1
Tangible fixed assets	20	20	20
Financial fixed assets	305	301	295
Short-term receivables	146	119	218
Cash and bank	93	96	116
Total Assets	568	537	650
Shareholders' equity and liabilities			
Equity	303	260	331
Untaxed reserves	85	74	85
Deferred tax liability	1,9	1,8	1,8
Current liabilities, interest-bearing	0,0	0	0,0
<u>Current liabilities, non-interest bearing</u>	<u>177</u>	<u>202</u>	<u>232</u>
Total Equity and Liabilities	568	537	650
Pledged assets	7,5	7,5	7,5
Contingent liabilities	247	239	247

OEM is one of Europe's leading technology trading companies and consists of 21 operating units in 13 countries.

