



# OEM 201↑

ANNUAL REPORT

**THE ANNUAL GENERAL MEETING WILL BE HELD AT  
4 PM ON 26 APRIL, 2012, AT BEST WESTERN HOTEL,  
TRANÅS STATT, STORGATAN 22 IN TRANÅS, SWEDEN.**

**REGISTRATION**

Shareholders wishing to attend the Annual General Meeting must:

- be entered in the share register held by Euroclear Sweden AB (formerly the Swedish Securities Register Centre, VPC AB) by Friday 20 April, 2012.
- notify the company no later than Friday 20 April, 2012, before 1 pm at:  
OEM International AB  
P.O. BOX 1009, SE-573 28 TRANÅS, Sweden  
Tel. +46 (0)75 242 40 05 or  
e-mail: anna.enstrom@oem.se

Shareholders who have registered their shares in the name of an authorised agent must temporarily register the shares in their own name with Euroclear Sweden AB (VPC AB) by Friday 20 April, 2012, to be entitled to participate at the Annual General Meeting.

**DIVIDENDS**

At the upcoming Annual General Meeting, the Board of Directors will recommend a dividend of SEK 3.50 per share for the financial year 2011 and Wednesday 2 May, 2012, as the record date. If approved by the Annual General Meeting, the dividend is payable on Monday 7 May, 2012, to shareholders on the share register on the record date.

**BUSINESS**

A notice stating the agenda and business of the Annual General Meeting will be published in the daily press and will be available on OEM's website ([www.oem.se](http://www.oem.se)). The agenda can also be obtained from the company when registering to attend the meeting.

**FUTURE REPORTS**

Interim report, January-March, 26 April 2012

Interim report, January-June, 16 July 2012

Interim report, January-September, 22 October 2012

Financial Statement 2012, February 2013

Annual Report 2012 March/April 2013

# CONTENTS

Five-Year Group Summary	4
Key Indicators for the Last Five Years	5

## **ANNUAL REPORT**

Directors' report	6
including the Corporate Governance Statement	

## **Financial Statements of the Group**

Statement of Comprehensive Income	12
Statement of Financial Position	13
Statement of Changes in Equity	15
Statement of Cash Flows	16

## **Financial Statements of the Parent Company**

Income Statements	17
Balance sheets	18
Statement of Changes in Equity	20
Cash flow Statement	21

## **Accounting Policies and Notes to the Financial Statements**

22

Proposed Allocation of Profits	53
Auditors' Report	54

## **MISCELLANEOUS**

Board of Directors	55
Senior Executives	56
OEM Shares	57
Definitions	61
Addresses	62

**FIVE YEAR GROUP SUMMARY** SEK million

<b>FROM THE STATEMENT OF COMPREHENSIVE INCOME</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
Sweden	1 024,8	894,3	783,6	875,7	834,3
Overseas	559,3	529,8	449,5	557,8	455,9
<b>TOTAL AMOUNT INVOICED</b>	<b>1 584,0</b>	1 424,1	1 233,2	1 433,5	1 290,2
Operating income before depreciation and impairment	202,2	165,9	101,4	163,5	147,4
Depreciation and impairment	-28,4	-27,6	-27,1	-20,6	-13,6
Income from financial items	-1,4	-1,8	-1,1	-2,4	2,1
<b>INCOME BEFORE TAX</b>	<b>172,4</b>	136,5	73,2	140,5	135,9
Tax	-46,7	-36,5	-22,4	-34,8	-37,2
<b>ANNUAL PROFIT FROM CONTINUING OPERATIONS</b>	<b>125,7</b>	100,0	50,8	105,7	98,7
Net profit after tax from discontinued operations	2,2	-4,5	-7,8	11,3	4,1
<b>NET PROFIT/LOSS FOR THE YEAR</b>	<b>127,9</b>	95,5	43,0	117,0	102,8
<b>FROM THE STATEMENT OF FINANCIAL POSITION</b>					
Intangible assets	138,3	106,8	108,9	114,7	46,7
Property, plant and equipment	188,5	182,5	196,7	167,4	160,2
Financial assets and deferred tax claims	2,8	8,5	7,2	5,9	9,0
Inventories	269,4	219,9	217,1	280,8	255,2
Current receivables	262,4	240,7	219,7	270,1	295,1
Available-for-sale assets	-	-	-	-	7,1
Cash and cash equivalents	161,6	173,2	165,2	163,2	127,0
<b>TOTAL ASSETS</b>	<b>1 023,0</b>	931,6	914,8	1 002,1	900,3
Equity	647,7	593,8	564,5	591,1	530,1
Long-term liabilities	93,8	67,9	67,8	69,8	41,9
Current liabilities	281,5	269,9	282,5	341,2	328,3
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>1 023,0</b>	931,6	914,8	1 002,1	900,3

The five-year summary from the Comprehensive Income Statement and key performance indicators for the period from 2011 to 2007 are adjusted in line with IFRS 5 by excluding discontinued operations, so that only continuing operations are reported.

## KPI'S FOR THE LAST FIVE YEARS

OEM GROUP		2011	2010	2009	2008	2007
Net sales **	SEK million	1 590	1 430	1 240	1 438	1 294
of which overseas **	%	35,3	37,2	37,0	38,5	35,4
Group's profit before tax						
from continuing operations **	SEK million	172,4	136,5	73,2	140,5	135,9
Consolidated profit for the year	SEK million	127,9	95,5	43,0	117,0	102,8
Return on **	%	18,3	15,5	8,6	16,4	15,3
Return on capital employed **	%	25,3	21,0	11,9	23,8	21,5
Return on shareholders' equity	%	20,6	16,5	7,4	20,9	17,6
Debt/equity ratio	times	0,13	0,14	0,21	0,17	0,16
Interest coverage ratio **	times	50,8	52,4	25,2	34,3	40,6
EBITDA/net sales **	%	12,7	11,6	8,2	11,0	11,4
Operating margin **	%	10,9	9,7	6,0	9,5	10,3
Profit margin **	%	10,8	9,5	5,9	9,8	10,7
Capital turnover rate	times/yr	1,56	1,54	1,46	1,66	1,65
Net sales/employee**	SEK million	2,8	2,8	2,4	2,7	2,6
Equity/assets ratio	%	63,3	63,7	61,8	59,0	58,9
Cash flows from operating activities	SEK million	108,1	115,6	103,5	161,7	44,3
Quick ratio	%	153	153	136	128	131
Average number of shares outstanding ***	thousands	23 164	23 169	23 169	23 169	23 169
Earnings per share ***	SEK	5,52	4,12	1,86	5,05	4,43
Earnings per share, continuing operations ** ***	SEK	5,42	4,32	2,19	4,56	4,26
Total average shares ***	thousands	23 169	23 169	23 169	23 169	23 169
Earnings per share ***	SEK	5,52	4,12	1,86	5,05	4,43
Earnings per share, continuing operations ** ***	SEK	5,42	4,32	2,19	4,56	4,26
Shareholders' equity per share* ***	SEK	27,95	25,63	24,37	25,51	22,88
Proposed dividends ***	SEK	3,50	3,00	2,00	3,00	3,00
Quoted price as per 31 December ***	SEK	55,00	54,50	41,30	35,00	42,90
P/E ratio	times	10,0	13,2	22,3	6,9	9,7
P/E ratio**	times	10,1	12,6	18,8	7,7	10,1
Direct return	%	6,4	5,5	4,8	8,6	7,0
No. of employees **	No.	570	504	516	572	520
Salaries and remuneration **	SEK million	199	182	180	191	166

\* Shareholders' equity per share = visible equity

\*\* Continuing operations

\*\*\* The key performance indicators have been adjusted to reflect the 4:1 share split and an automatic redemption of every fourth share in Q2 2007.

Earlier periods have been adjusted by a factor of 3, since the financial implication of the transaction is a 3:1 split combined with an extraordinary dividend.

## DIRECTORS' REPORT

The Board of Directors and the Managing Director of OEM International AB (Publ.), CRN 556184-6691, hereby present the Annual Report and the consolidated financial statements for the 2011 financial year. The Annual Report and the consolidated financial statements, including the Auditors' Report, are given on pages 6-54. Figures for 2010 are given in brackets.

### BUSINESS ACTIVITIES

OEM is one of Europe's leading industrial trading companies in industrial components and systems in select markets in Northern, Central and Eastern Europe. Operations are conducted in subsidiaries in the Nordic countries, the UK, Poland, the Czech Republic, Slovakia, the Netherlands, Hungary, China, Estonia, Latvia and Lithuania.

OEM offers an extensive and detailed range of industrial components and systems from leading suppliers. A well-structured local market organisation and efficient logistics make OEM a better alternative than the suppliers' own sales organisations. OEM provides a high level of expertise and service and markets the products according to the specific conditions of each market.

Our product range stretches from basic mechanical components such as seals and couplings to, for instance, complete production systems. We constantly expand our range by adding new products and discontinuing or replacing unprofitable products.

The clearly defined product range that is marketed in each region and the added values of the organisation together form a distinct brand concept. The brand concepts are launched on new geographic markets as they grow in strength.

The Group introduced a new structure in January 2011 and is now primarily managed as three market regions, i.e. Sweden, Finland and the Baltic States, and Denmark, Norway, the UK and Central Eastern Europe. The purpose of the new organisation is to consolidate OEM's long-term competitive edge and increase growth outside of Sweden. The focus was moved from the product organisation to the market regions.

OEM's Class B share is listed on Nasdaq OMX Stockholm. The share is included in Small Cap.

### NET SALES AND PROFIT

OEM increased its net sales from continuing operations by 11% to SEK 1,590 million (1,430) over the previous year. The effect of acquired businesses in 2010 and 2011 increased net sales by SEK 65 million or 4%. Net sales increased by about 12% excluding the impact of currency translation and acquisitions.

Operating profit for the year increased by 26% to SEK 173.8 million (138.3). Profit before tax rose 26% to SEK 172.4 million (136.5). The profit after tax for the year totalled SEK 125.7 million (100), an increase of 26%. The year's profit after tax corresponds to SEK 5.42 (4.32) per share from continuing operations.

### REGION SWEDEN

Sales are conducted under the company names of OEM Automatic, OEM Motor, OEM Electronics, Internordic Bearings, Telfa, Elektro Elco, Svenska Helag, Svenska Batteripoolen and Flexitron.

Sales climbed by 15% to SEK 1,037 million (905). Net sales increased by SEK 56 million, or 5%, as a result of acquired businesses. Net sales increased by about 16% excluding the impact of currency translation and acquired growth.

The companies acquired during the year are Svenska Helag, Svenska Batteripoolen and Flexitron. The operations of OEM Electronics, Electro Elco and OEM Motor experienced the greatest growth.

Operating profit for the year increased by 23% to SEK 139.4 million (112.9), attributable to increased net sales and improved margin performance. The acquisitions have had a marginal impact on the operating profit.

### REGION FINLAND AND THE BALTIC STATES

Sales are conducted under the company names of OEM Automatic and OEM Electronics.

Sales climbed by 6% to SEK 229 million (215). There were no acquisitions during the year. Net sales increased by approximately 13% in local currency.

Operating profit for the year increased by 12% to SEK 22.1 million (19.7), attributable to increased net sales and improved margin performance.

### REGION DENMARK, NORWAY, UK AND CENTRAL EASTERN EUROPE

Sales are conducted under the company names of OEM Automatic, OEM Automatic Klitsö and OEM Electronics.

Sales climbed by 4% to SEK 324 million (310). Net sales increased by SEK 8 million, or 2%, as a result of the acquisition of Echobeach Ltd. Net sales increased by about 8% excluding the impact of currency translation and acquired growth.

The operations in the UK, the Czech Republic, Slovakia and Poland experienced the greatest growth.

Operations were set up in Hungary under the name of OEM Automatic Kft in the second half of the year. The company will be trading in products for industrial automation and the product range will base its operations primarily on existing suppliers with whom the Group works in other markets. Hungary is a natural step in the Group's geographic expansion into Central Eastern Europe. The company is expected to have begun operations during the first quarter of 2012.

Operating profit for the year increased by 22% to SEK 21.9 million (18.0), attributable to increased net sales. The acquisition has had a marginal impact on the operating profit.

### PREVIOUSLY DISCONTINUED OPERATIONS

OEM sold the operations of its former division Production Technology to ElektronikGruppen on 1 June, 2010. The sale was an asset deal where ElektronikGruppen acquired stock of goods, equipment, customer and supplier agreements as well as intangible values. The consideration amounted to approximately SEK 5 million plus a contingent consideration based on the operations' contribution margin through 31 May 2012. This was estimated at SEK 3 million on 31 December 2010. The value of the contingent consideration through 2011 amounted to SEK 4.6 million.

### PROFITABILITY, FINANCIAL POSITION AND CASH FLOW

Return on capital employed was 25.3% (21.0) and return on equity was 20.6% (16.5). The Group's equity/assets ratio at year-end was 63.3% (63.7). Shareholders' equity per share was SEK 27.95 (25.63). Cash equivalents and unutilised credit commitments in the Group amounted to SEK 397 million (403) at the turn of the year. The cash flow from operating activities totalled SEK 108.1 million (115.6). Cash flow for the year was SEK -11.3 million (12.6) after a net investment of SEK -57.0 million (-20.3), as well as amortisation, new loans, paid dividends and redemption of shares for a total of SEK -62.4 million (-82.7).

### INVESTMENTS

Gross investments in the Group during the year amounted to SEK 18.3 million (15.9) in machinery and equipment, SEK 5.5 million (3.5) in buildings, and SEK 7.6 million (3.6) in other intangible fixed assets.

### GROUP CHANGES

All shares in Echobeach Ltd, Svenska Helag AB, Svenska Batteripoolen i Borlänge AB and Flexitron AB have been acquired during the year. In addition, OEM Electronics AB has acquired Scapro AB's components sales business.

Echobeach Ltd. reports sales of approximately SEK 12 million and markets electrical components in the United Kingdom. The company was merged with OEM Automatic Ltd. during the spring of 2011. On 1 March, 2011, the company became part of the Denmark, Norway, UK and Central Eastern Europe region.

Svenska Helag AB, based in the Swedish town of Borås, produces and markets connection technology components for electrical systems and electronics. The company reported sales of SEK 21 million in 2010. This acquisition will strengthen OEM's range of products within connection technology. The take-over date was 1 April 2011.

Svenska Batteripoolen i Borlänge AB markets batteries in Sweden and reports annual sales of approximately SEK 17 million. The acquisition strengthens OEM's position in the Swedish battery market. The take-over date was 1 October 2011.

Flexitron AB markets electronic and automation components and reports annual sales of approximately SEK 26 million. Through this acquisition, OEM expands its range with complementary products. The take-over date was 1 December 2011.

OEM Electronics AB has acquired Scapro AB's components sales business. The annual turnover is approximately SEK 30 million and the product range consists of keyboards, capacitors and ferrites. The acquisition is an asset deal where OEM acquires stock of goods, intangible assets such as brands, customer and supplier agreements, etc. The take-over date was 1 June 2011.

A company was set up in Hungary under the name of OEM Automatic Kft in the second half of the year.

Restructuring of the Group is still in progress. The objective is to achieve a simpler, more distinct legal Group structure through fusions and voluntary liquidations.

## EMPLOYEES

The number of employees at year-end in continuing operations units was 587 (514), an increase by 73 employees. Employee figures increased of 23 as a result of the acquisition. The average number of employees in continuing operations during the year was 570, compared with 504 during the previous financial year. The number of women is equivalent to 20% (20) of the employees. Absence due to illness stands, on average, at 5 days per person and has dropped by 1 day compared to the previous year. OEM encourages a healthy lifestyle through various forms of exercise and preventive healthcare. The average cost of training per employee is SEK 4,000 (3,000). Supplementary information is provided in Note 6.

## RISKS AND RISK MANAGEMENT

OEM's results and financial position and its strategic position are affected by a number of internal factors over which OEM has control and a number of external factors where the opportunity to influence the chain of events is limited.

The most important risk factors include the economic situation in combination with structural changes, the competitive situation and the dependence on suppliers and customers. The main financial risks are currency risk in purchase transactions and translation risk in net investment in foreign operations. A description of the financial instruments, and how OEM manages financial risks, is presented in Note 25.

### ECONOMIC SITUATION

OEM is affected by the general economic development, which is usually measured in terms of GDP growth. Since OEM's operations are spread across many industries and it has business activities in 14 countries, through 24 operating units, it is less sensitive to economic cycles.

### STRUCTURAL CHANGES

OEM is affected by structural changes in the market, for example, customers want fewer suppliers, rapid developments in technology or competition from low-cost countries.

OEM works actively to increase the value contribution in its offer, regardless of customer group. This has clearly been a contributing cause for the improved profitability of the Group and for the fact that the Group continues to be a priority supplier for many customers. By working close to the customers, it is possible to capture trends and to know when it is commercially justified to take up a new product area in order to meet technology trends. OEM offers a high level of service and expert technical advice to offset the effects of competition from low-cost countries. OEM also strives to establish close links with customers by becoming involved during planning and development stages when OEM's employees are able to help customers by providing expert input for different processes.

### DEPENDENCE ON SUPPLIERS AND CUSTOMERS

Dependence on individual suppliers is one of the most important operating risks to which a single subsidiary can be exposed. In order to minimise this risk, the subsidiaries work close to their suppliers in order to create strong relationships on several levels. Furthermore, the majority of the suppliers are represented on several markets, which strengthens the relations. As a whole, the Group has a large number of suppliers. No supplier is responsible for more than 10% of the total sales of the Group. The expiration and addition of a number of supplier agreements each year is a normal part of the business.

OEM has a broad customer structure, divided into a number of industrial segments and geographical markets. No customer accounts for more than 3% of the total sales of the Group.

### COMPETITIVE SITUATION

Changes and consolidations in the industrial trading sector continuously change the competitive situation. Economies of scale can lead to a price squeeze but OEM's strategy includes reaching market-leading positions with an offer of products and services where the price is not the only decisive factor.

## EXPECTATIONS OF FUTURE DEVELOPMENT

The most important tasks for the Group are to focus on growth and continue improving the profitability of new and existing operations.

The business climate offers the Group's companies good opportunities for increasing sales. Added to this are the sales and profits resulting from successful acquisitions.

The Group aims to increase its sales share outside of Sweden.

OEM's objective is to achieve a good return on shareholders' equity with limited financial risks during a period of stable growth. The targets for one business cycle are 15% annual growth in profit, 20% return on equity and an equity/assets ratio not lower than 35%.

The Group has not issued a forecast for 2012.

With its market position, organisation and financial position OEM is well equipped for continued expansion.

## RESEARCH AND DEVELOPMENT

OEM does not conduct any research and development of its own. R&D is mainly conducted at our suppliers under the suppliers' own control, using information about market demand that we provide.

## ENVIRONMENTAL IMPACT

OEM had no operations requiring registration or licensing under the Swedish Environmental Code in 2011. OEM's focus on trade means that the greatest environmental impact comes from transportation, environmentally harmful substances, printed materials, packaging materials and heating. The OEM Group's environmental policy dictates continuous efforts to minimise our external environmental impact. The environmental work is governed by the ambitions of the company management and the employees, customer requirements and legislation. The aim is to minimise the company's short and long term negative environmental impacts.

## PARENT COMPANY

The Parent Company is to be an active owner and develop the subsidiaries. In addition to clear management-by-objectives, this means also contributing expertise and resources in the fields of IT, financial control, HR administration, market communication, quality and environmental control, as well as warehouse management.

The Parent Company's net sales were SEK 41.2 million (37.4). Net sales relate entirely to subsidiary companies. Profit before appropriations and tax amounted to SEK 133.9 million (107.7).

In regards to non-financial information and financial risk management, the Group's information also refers to the Parent Company, where applicable.

## GUIDELINES FOR REMUNERATION TO SENIOR MANAGEMENT

The policies for remuneration to senior management adopted at the 2011 Annual General Meeting are given in Note 6.

Remuneration to the Chairman and Members of the Board of Directors is paid in accordance with the resolutions of the Annual General Meeting. The chairperson of the Audit Committee will receive remuneration of SEK 25,000. No other special fees are paid for work on committees.

The Board of Directors' proposals for executive remuneration policies, which are to be presented for approval at the 2012 Annual General Meeting, are that market-rate salaries and other remuneration terms shall apply for the company's senior executives. All share-related incentive schemes are to be decided by the Annual General Meeting. In addition to a base salary, management can also receive variable remuneration, which can amount to a maximum 58% of the basic pay. Senior executives are to have defined contribution pension terms that can amount to a maximum of 30% of the basic pay. This represents a change in policy since last year's AGM. The proposal has been adjusted by about 4%, since the arrangement for 2011 corresponded with Alecta's ITP 1 solution.

The period of notice on the Company's part may not exceed 24 months and involves the obligation to work during the period of notice. Employment agreements shall not contain provisions for severance pay. There is an exception in an agreement signed in 2001, whereby severance pay, amounting to a further six (6) months' salaries, may be made upon termination by the company when the employee reaches the age of 55. The severance pay does not involve the obligation to work. This exception means a maximum of 18 monthly salary payments in the event of termination by the company.

## SHARES, ETC.

### OEM SHARES

The share capital of the company consists of 23,169,309 shares divided among 4,767,096 Class A shares and 18,402,213 Class B shares. One Class A share entitles its holder to ten voting rights and one Class B share to one voting right. The face value per share is SEK 1.67.

#### **REPURCHASE OF SHARES**

With the objective of improving the Group's return on shareholder's equity and earnings per share, OEM International AB has an authorisation granted to the Board of Directors by the Annual General Meeting, to repurchase its own shares. The Annual General Meeting is authorised to repurchase up to 10% of the number of shares, which is 2,316,931 shares.

The company has repurchased 61,847 shares during 2011 at an average price of SEK 53.26. The company's total shareholding was 61,847 shares on 31 December 2011, which is equivalent to 0.3% of the total number of shares.

A new request for authorisation to repurchase up to 10% of the number of shares will be discussed at the Annual General Meeting.

#### **MISCELLANEOUS**

The Board of Directors is appointed by the Annual General Meeting. The Articles of Association contain a preemption clause which states that if Class A shares are transferred from one shareholder to another shareholder in the company, or to someone not previously a shareholder in the company, the shares shall be offered immediately to the other holders of Class A shares for redemption through a written application to the company's Board of Directors. If the company decides to issue new shares of Class A and B, through cash issue or set-off, owners of Class A and B shares shall have preferential rights to subscribe for new shares of the same type.

Notice of annual general meetings and extraordinary general meetings convened for the purpose of amending Articles of Association must be issued between six and four weeks before the meeting and resolutions must be adopted by a quorum. Notice to attend Extraordinary General Meetings called for other purposes shall be given no later than three weeks prior to the Meeting.

#### **PROPOSED DIVIDENDS**

The Board of Directors is proposing a dividend payment of SEK 3.50 (3.00) per share, which represents a total payout of SEK 81.1 million. The complete proposal for profit allocation is presented on page 53.

#### **EVENTS AFTER THE REPORTING PERIOD**

No significant events have occurred after the end of the reporting period.

#### **CORPORATE GOVERNANCE STATEMENT**

##### **INTRODUCTION**

OEM International AB (the Company) applies the Swedish Code of Corporate Governance (the Code) in accordance with the NASDAQ OMX Stockholm's rules for issuers. The Code is aimed at creating good prerequisites for an active and conscientious owner role and constitutes an element in the self-regulation of Swedish enterprise. It is based on the principle "comply or explain", which means that it is not a deviation from the Code to deviate from one or more regulations where there is a justification for this and it is explained. OEM International has noted deviations from the rules of the Code concerning the Nomination Committee and the number of board members in the Audit Committee. The deviations are explained in detail below under the headings Nomination Committee and Audit Committee.

##### **AREAS OF RESPONSIBILITIES**

The purpose of corporate governance is to create a clear division of roles and responsibilities between the owners, the Board of Directors and the executive management. Corporate governance in OEM is based on the Swedish Companies Act and other acts and regulations, the rules applicable to companies listed on the stock exchange, the Articles of Association of the Company, the internal governing instruments of the Board of Directors, the Swedish Code of Corporate Governance and other internal guidelines or regulations.

##### **SHAREHOLDERS**

OEM International AB is a public company and was listed on the Stockholm Stock Exchange in December 1983. OEM International AB had 2,457 shareholders at the end of 2011. The ten largest shareholders controlled 70% of the share capital and 90% of the voting rights at year-end. The following shareholders have, directly or indirectly, shareholdings representing at least one-tenth of the number of voting rights for all shares in the Company: Orvaus AB with 28.9%, Hans and Siv Franzén with 21.4%, Agne and Inger Svenberg with 19.2% and AB Traction with 11.5%.

##### **ARTICLES OF ASSOCIATION**

The Articles of Association stipulate that OEM International AB is a

public company whose business is to "engage in sales of automatic components and carry on any and all activities compatible therewith".

The share capital amounts to SEK 38,615,015 and the number of shares to 23,169,309 divided into 4,767,096 Class A shares with 10 voting rights each and 18,402,213 Class B shares with one voting right each. The Company's Board of Directors is to consist of not less than four and not more than seven members. The Company is to have at least one auditor appointed by the Annual General Meeting and a deputy auditor if the elected auditor is not an auditing firm. Notice to attend Annual General Meetings and Extraordinary General Meetings, whose agenda includes amendments to the Articles of Association, is to be given not earlier than six and not later than four weeks prior to the date of the Meeting. Notice to attend Extraordinary General Meetings called for other purposes shall be given no later than three weeks prior to the Meeting. Notification of the Annual General Meeting shall be through advertising in the "Post- och Inrikes Tidningar" newspaper as well as on the company's website. The occurrence of the notification shall be advertised in Svenska Dagbladet.

No limitation to the number of voting rights for represented shares applies to voting at the General Meeting.

There is a pre-emptive clause regarding the A Class shares and a priority clause in connection with a cash or set-off issue. The current Articles of Association were adopted at the 2011 Annual General Meeting and can be viewed on the company's website, [www.oem.se](http://www.oem.se) (see under The company/Corporate governance/Corporate governance report).

##### **ANNUAL GENERAL MEETING**

The Annual General Meeting is the highest decision-making body in OEM International AB where the shareholders exercise their voting rights. The Annual General Meeting passes resolutions concerning the adoption of the Statement of Comprehensive Income for the Group, the Statement of Financial Position for the Group and the Income Statement and Balance Sheet for the Parent Company, distribution of dividends, election of Board of Directors and, where applicable, election of auditors, remuneration of Board Members and other senior executives, remuneration of auditors and other issues in accordance with the Swedish Companies Act and the Articles of Association of the Company. The Annual General Meeting is to be held in the municipality of Tranås, within six months of the end of the financial year. All shareholders entered in the share register prior to the meeting who have registered their participation are entitled to participate and vote for their total shareholding.

In order to be able to exercise their voting rights at the Annual General Meeting, shareholders who have registered their shares in the name of an authorised agent must temporarily re-register their shares in their own name in accordance with what follows from the notice to the Annual General Meeting. Shareholders can be represented by agents. Minutes of the Annual General Meeting are available for viewing on the company's website, [www.oem.se](http://www.oem.se) (see under The company/Corporate governance/Corporate governance report).

Shareholders who represented 58.1% of the share capital and 85.3% of the voting rights took part in the 2011 Annual General Meeting held on 03.05.11. Lars-Åke Rydh was appointed to chair the Annual General Meeting. The ANNUAL ACCOUNTS and the Auditors' Report were presented at the Meeting. In connection therewith, the Chairman of the Board submitted information about the work of the Board of Directors and reported on the cooperation with the auditors. The company's Managing Director and CEO, Jörgen Zahlin, commented on the Group's operations, the 2010 financial year and developments during the first quarter of 2011 and gave his assessment of the prospects and outlook for the Group in the future. The auditor submitted the Auditors' Report and an oral account of the work during the year.

The 2011 Annual General Meeting decided:

- to adopt a dividend of SEK 3.00 per share
- to elect Lars-Åke Rydh, Ulf Barkman, Hans Franzén, Jerker Löfgren, Agne Svenberg and Petter Stillström as members of the Board of Directors
- to elect Lars-Åke Rydh as Chairman of the Board of Directors
- to adopt the proposal of the Nomination Committee that the Nomination Committee should be made up of representatives of not less than three and no more than four of the largest shareholders and that the Chairman of the Board should act as Chairman of the Nomination Committee
- to adopt the proposal of the Board of Directors that OEM International AB should put into practice remuneration for senior executives that, in the main, will consist of a fixed and a variable part. The remuneration should be market-based and the variable part may not amount to more than 58% of the basic pay. The company's management shall have market-level defined contribution pen-

sion terms that amount at most to the Alecta ITP 1 arrangement.

- to be allowed to issue up to 1,800,000 new Class B shares in connection with business combinations, in line with the proposal of the Board of Directors.
- to adopt the proposal of the Board of Directors to repurchase not more than 10% of the Company's shares.
- to change § 9 in the Articles of Association as follows:
  - notice of annual general meetings and extraordinary general meetings convened for the purpose of amending Articles of Association must be issued between six and four weeks before the meeting. Notice to attend Extraordinary General Meetings called for other purposes shall be given no later than three weeks prior to the Meeting.
  - notice of an annual general meeting shall be published in the "Post- och Inrikes Tidningar" newspaper and on the company's website. The occurrence of the notification shall be advertised in Svenska Dagbladet.

The 2012 Annual General Meeting will be held on 26.04.12 in Tranås.

#### **NOMINATION COMMITTEE**

At the Annual General Meeting held on 3 May, 2011, it was decided that the Nomination Committee shall consist of one representative from each one of no less than three and no more than four of the company's largest shareholders and the Chairman of the Board, unless this person is a member in his capacity as owner representative. If a shareholder does not exercise their right to appoint a member, the next largest shareholder in terms of voting rights is entitled to appoint a member in the Nomination Committee. The names of the members and the names of the shareholders they represent shall be published at least six months before the 2012 Annual General Meeting and shall be based on the known number of votes immediately before publication. The Nomination Committee's term will run until such time that a new Nomination Committee has been appointed. The Chairman of the Nomination Committee shall be the Chairman of the Board.

If significant changes occur in the ownership of the company, after the Nomination Committee has been appointed, the composition of the Nomination Committee shall also be changed in accordance with the principles above. Shareholders who have appointed members to the Nomination Committee will be entitled to relieve such members and appoint new ones, as well as appoint a new member if the member appointed by the shareholder chooses to withdraw from the Nomination Committee. Changes to the composition of the Nomination Committee are to be announced as soon as they have been made. The composition of the Nomination Committee was published with the interim report on 24 October 2011. The composition of the Nomination Committee is available for viewing on OEM's website, [www.oem.se](http://www.oem.se) (see under The company/Corporate governance/Nomination Committee).

The Nomination Committee shall prepare proposals for the following issues and present them for adoption to the 2012 Annual General Meeting:

- proposal for a Chairman for the Meeting
- proposal for members of the Board of Directors
- proposal for Chairman of the Board of Directors
- proposal for remuneration of the Board of Directors
- proposal for remuneration for any committee work
- proposal for auditors
- proposal for auditors' fees
- proposal for decisions concerning the Nomination Committee

The Nomination Committee shall discharge its duties as required by the Swedish Code of Corporate Governance and may, if necessary, take independent professional advice at the company's expense in the furtherance of its work.

The Nomination Committee prior to the 2012 Annual General Meeting consists of:

- Lars-Åke Rydh, Chairman of the Board and also Chairman of the Nomination Committee
- Jerker Löfgren, Orvaus AB
- Hans Franzén
- Agne Svenberg
- Bengt Stillström, AB Traction

The Nomination Committee held a minuted meeting where it acquainted itself with the assessment of the work of the Board of Directors during the past year and it discussed the composition of the Board of Directors.

The Nomination Committee's proposals to the Annual General Meeting will be presented in the notice of the Annual General Meeting

and on the company's website.

The composition of the Nomination Committee above deviates from the regulations of the Code, which stipulate that the majority of the members should be members of the Board, that not more than one of the Board Members on the Committee may be dependent on large shareholders and that a Board Member should not be a Chairman of the Nomination Committee. It is deemed that it is reasonable that a company of this size has a Nomination Committee that represents the major shareholders and that some of these even act as Board Members.

#### **THE BOARD**

##### **COMPOSITION OF THE BOARD OF DIRECTORS**

Pursuant to the Articles of Association of the Company, the Board of Directors should consist of not less than 4 and not more than 7 members elected by the Annual General Meeting for the period until the end of the next Annual General Meeting. Since the 2011 Annual General Meeting, the Board has consisted of the following members, all of them elected by the Annual General Meeting: Lars-Åke Rydh (Chairman), Ulf Barkman, Hans Franzén, Jerker Löfgren, Petter Stillström and Agne Svenberg. The members of the Board are presented on page 55 and on the company's website (see under The company/The Board). All Board Members are independent with regard to the Company and the Company's management. Of the members who are independent with regard to the Company and the Company's management, Ulf Barkman and Lars-Åke Rydh are also independent with regard to the Company's major shareholders. The mandates the Members of the Board are presented on page 55.

#### **CHAIRMAN OF THE BOARD**

It is the duty of the Chairman of the Board, Lars-Åke Rydh, who was re-elected at the 2011 Annual General Meeting, to ensure that the work of the Board is conducted efficiently and that the Board discharges its duties as required by the Swedish Companies Act, other legislation and regulations, rules applicable to companies listed on the stock exchange (including the Code) and the Board's internal governing instruments. It is the Chairman's task to ensure that the Board continuously updates and deepens its knowledge about the Company and receives satisfactory data and decision-making information for its work, to establish the agenda for the meetings of the Board in consultation with the Managing Director, to verify that the decisions of the Board are implemented and ensure that the work of the Board is assessed annually. The Chairman of the Board represents the Company in ownership issues

#### **DUTIES OF THE BOARD**

Each year, the Board establishes written rules of procedure that regulate the Board's work and its mutual division of responsibilities, including its committees, the decision-making procedure in the Board, the Board's meeting procedure and the Chairman's work tasks. The Board has also issued an instruction for the Managing Director, which regulates his work tasks and reporting obligation to the Board of Directors. In addition, the Board has adopted policies on, for example, currency policy.

The Board monitors the work of the Managing Director by regularly reviewing operations during the year. It is responsible for purposefully structuring the organisation, and the procedures and guidelines for the management of the company's business. It is also responsible for ensuring that there is a satisfactory system of internal control. The Board is also responsible for the development and follow-up of the Company's strategies, decisions concerning acquisition and sale of operations, major investments and recruitments and remuneration of the Managing Director and other senior executives in accordance with the guidelines that have been adopted by the Annual General Meeting. The Board of Directors and the Managing Director present the ANNUAL ACCOUNTS to the Annual General Meeting.

#### **THE WORK OF THE BOARD**

In accordance with the adopted rules of procedure, the Board of Directors holds at least five ordinary meetings per year plus an inaugural meeting after the Annual General Meeting and whenever called for by the situation.

The Board met nine times during 2011, including the inaugural meeting.

All Board Members have attended all Board meetings, with the exception of Jerker Löfgren and Ulf Barkman at one meeting, and Agne Svenberg at two meetings. All resolutions have been passed unanimously by the Board of Directors.

The Company's Financial Director is the secretary of the Board.

Other Company employees take part in the meetings of the Board in connection with the presentation of specific issues or if it is otherwise deemed appropriate.

The work of the Board during the year comprises, among other things, questions concerning the strategic development of the Group, the ongoing business activity, the development in results and profitability, corporate acquisitions, disposal of companies and properties, the financial position of the organisation and the Group.

The work of the Board is subject to an annual assessment.

#### **REMUNERATION OF THE BOARD**

The remuneration of the members of the Board elected by the Annual General Meeting is decided by the Meeting in accordance with the proposal of the Nomination Committee. Following the resolutions of the 2011 Annual General Meeting, the Board members elected at the Meeting shall each be paid SEK 175,000 and the Chairman of the Board SEK 325,000, effective to the 2012 Annual General Meeting. Accordingly, the total amount of remuneration in accordance with the resolutions of the Meeting is SEK 1,200,000. Board members may be able to invoice the remuneration through their companies if current tax legislation allows for invoicing and provided the company will not incur any expense. If a Board member invoices the Board remuneration via his/her company, the remuneration shall be augmented by an amount equivalent to the statutory social contributions and value added tax.

The chairperson of the Audit Committee will receive remuneration of SEK 25,000. No additional remuneration has been paid to any Board Member.

#### **REMUNERATION COMMITTEE**

The Board has appointed a Remuneration Committee, which consists of the Chairman, Lars-Åke Rydh, and Board Members Hans Franzén and Agne Svenberg. The Remuneration Committee prepares "the Board's proposals for policies for senior executives' remuneration" and the application of these. The proposal is discussed by the Board and is subsequently presented to the Annual General Meeting for adoption. Based on the resolution of the Annual General Meeting, the Board decides on the remuneration of the Managing Director. Based on the proposal of the Managing Director, the Remuneration Committee passes a resolution on the remuneration of other members of the Group management. The Board is informed of the decisions of the Remuneration Committee. Market-based salaries and other employment terms are to apply to the Company's management. In addition to a base salary, management can also receive variable remuneration, which can amount to a maximum 58% of the basic pay. The amount of the variable remuneration is unchanged compared to 2010. Senior executives are to have defined contribution pension terms that are adjusted to market conditions and amount, at a maximum, to the arrangement with Alecta's ITP 1 solution. The remuneration level is the same as for 2010. All share-related incentive schemes are to be decided by the Annual General Meeting. At present, there are no similar incentive schemes. The term of notice must not exceed 24 months and shall also include the obligation to work during the term of notice.

The Remuneration Committee has met once during the year in order to pass resolutions on the above policy proposals.

Proposals for guidelines for remuneration of senior executives will be presented for adoption to the 2012 Annual General Meeting. More information can be found on page 7 of the Annual Report.

#### **AUDIT COMMITTEE**

During the year, the Board has had a special audit committee consisting of Chairman Ulf Barkman and Lars-Åke Rydh. The members of the committee are independent in relation to the company, the company's management and in relation to the company's major shareholders.

The Audit Committee shall, without it affecting the Board's responsibilities and duties otherwise, monitor the financial reporting of the company, monitor the efficiency of the company's internal control and risk management relating to the financial reporting, keep itself informed about the audit of the Annual Report and consolidated financial statements, scrutinise and monitor the impartiality and independence of the auditor and pay particular attention if the auditor provides the company with services other than auditing services. The Audit Committee evaluates the audit work that has been carried out and informs the company's Nomination Committee of the results of the evaluation and assists the Nomination Committee in preparing proposals for auditors and remuneration of the auditors' work.

The Audit Committee has met three times, each time with an external auditor. In connection with the adoption of the annual financial statements by the Board during the Board meeting in February 2012,

the Board and the Audit Committee were consulted by and received a report from the company's external auditor. On this occasion, the Board was also consulted by the Auditor in the absence of the Managing Director or anyone else from the Company's management. The auditors' reports have not led to any specific measures by the Board or the Audit Committee.

The composition of the above Audit Committee deviates from the regulations of the Code in that the Audit Committee consists of two members instead of three. It is considered reasonable for a company of this size to have an Audit Committee comprising two members, as the Board also meets with the auditor on one occasion.

#### **CEO AND OTHER CORPORATE MANAGEMENT**

The Managing Director, Jörgen Zahlin, manages the operations in accordance with the Swedish Companies Act, other acts and regulations, the rules applicable to companies listed on the stock exchange, the Articles of Association of the Company, the internal governing instruments of the Board of Directors and the goals and strategies set by the Board. The Managing Director prepares the necessary information and basis for decisions prior to the Board meetings, in consultation with the Chairman of the Board, presents the items and justifies proposals for resolutions. The Managing Director directs the work of the Group management and takes decisions in consultation with the others in the management. In addition to Jörgen Zahlin, the management during 2011 also consisted of Jan Cnattingius, Jens Kjellsson, Urban Malm, Patrick Nyström, Sven Rydell and Mikael Thörnkvist. The Group management holds regular business reviews under the leadership of the Managing Director. The CEO and the members of the Board are presented on page 56 and on the company's website (see under The company/Group management).

#### **AUDITORS**

As required by the Articles of Association, the company must have at least one auditor appointed by the Annual General Meeting and, if the auditor is not an auditing firm, it must also have a deputy auditor. The company's auditors work according to an audit plan and report their observations to the company's management, the Group management, the Audit Committee and the Board of Directors both during the course of the audit and in connection with the adoption of the annual financial statements. Internal procedures and control systems are continuously reviewed during the year. A final review of the annual financial statements and the Annual Report is carried out in January and February. A review is conducted in the interim report for the third quarter. An account of the remuneration of the auditors, including the fees for consulting services, is presented in Note 7. The auditors are obliged to assess continuously their independence prior to decisions for provision of different consulting services.

An account of the audit is reported to the shareholders in the form of an auditors' report and other opinions, which constitute a recommendation to the shareholders prior to different decision points at the Annual General Assembly. The Auditors' Report contains proposals for adoption of the Income Statement and Balance Sheet for the Parent Company and the Statement of Comprehensive Income and the Statement of Financial Position for the Group, the appropriation of the Company's profit and the discharge of the members of the Board and the Managing Director from liability.

The audit work includes such activities as an examination of compliance with the Articles of Association, the Swedish Companies Act and Annual Accounts Act, the International Financial Reporting Standards (IFRS), issues related to measurement of items recognised in the Statement of Financial Position/Balance Sheet for the Group/ the Parent Company, follow-up of essential accounting processes and governance and financial control.

The company's auditors meet with the Audit Committee three times a year and once a year with the Board. The Company's auditors also take part in the Annual General Meeting and they describe and give opinions on the audit work.

The 2008 Annual General Meeting appointed KPMG AB auditor until the end of the 2012 Annual General Meeting. The Auditor-in-Charge since the 2009 Annual General Meeting has been Authorised Public Accountant Kjell Bidenäs. KPMG performs the audit in OEM International AB and the majority of the subsidiaries. Kjell Bidenäs's other clients include Byggnads AB Karlsson & Wingesjö.

#### **INTERNAL CONTROL AND RISK MANAGEMENT REGARDING FINANCIAL REPORTING FOR THE FINANCIAL YEAR 2011**

Pursuant to the Swedish Annual Accounts Act, the Board of Directors must annually submit a description of the most important elements of the Company's system for internal control and risk management

regarding financial reporting. Pursuant to the Swedish Companies Act, the Board of Directors is responsible for internal control. This responsibility includes an annual assessment of the financial reporting submitted to the Board and placement of requirements to its contents and presentation in order to ensure the quality of the reporting. This requirement means that the financial reporting must be fit for its purpose and appropriate and apply the applicable accounting rules, acts and regulations and any other requirements placed on listed companies. The Board of Directors is responsible for ensuring that there is an adequate system for internal control, which covers all essential risks of errors in financial reporting. OEM's system for internal control comprises control environment, risk assessment, control activities, information and communication, as well as follow-up.

#### **CONTROL ENVIRONMENT**

OEM builds and organises its operations based on a decentralised profit and budget responsibility. The basis for internal control in a decentralised organisation is a well-established process aimed at defining goals and strategies for each organisation. Defined decision-making channels, powers and responsibilities are communicated by internal instructions and guidelines as well as policies as adopted by the Board of Directors. These documents clarify the division of responsibilities and work both between the Board of Directors and the Managing Director and within the operational activities. These also include a financial policy, a currency policy, a reporting manual for economic and financial reporting and instructions for each closing of the books. A Group-wide reporting system is used for the Group's year-end procedures.

#### **RISK ASSESSMENT**

OEM has established procedures for handling risks that are deemed by the Board and the Company's management to be essential for the internal control regarding financial reporting. The Group's exposure to a number of different market and customer segments and the division of its operations into some 20 companies leads to a significant spread of risk. The risk assessment is carried out based on the Group's Statement of Financial Position and Statement of Comprehensive Income in order to identify the risk for significant errors. The greatest risks for the OEM Group as a whole are related to revenue recognition, such as inventories and trade receivables.

#### **CONTROL ACTIVITIES**

Based on the risk assessments that have been carried out, OEM has determined a number of control activities. These are both of preventive and ascertaining nature. Examples of control activities are transaction-related checks such as rules regarding authorisations and investments and clear payment procedures, but also analytical checks, which are carried out by the Group's controller organisation and central financial function. In addition, there are different control activities related to the management of the purchase, logistics and sales processes. Controllers and financial managers on all levels in the Group have a key role with regard to integrity, competence and ability to create the environment that is required to achieve transparent and fair financial reporting. An important overall control activity is the monthly result follow-up carried out via the internal reporting system, which is analysed and commented on in the internal work of the Board of Directors. The result follow-up comprises reconciliation with regard to set targets, previous results and follow-up of a number of key ratios. The respective companies in the Group have active Boards of Directors where the Chairman comes from the Group's senior management. The Group management makes regular visits to the subsidiaries that are subject to financial follow-up.

#### **INFORMATION, COMMUNICATION AND FOLLOW-UP**

The internal information and external communication are regulated at an overall level, among other things, by an information policy.

There are up-to-date governing documents and instructions available on the Group's intranet.

The Board of Directors receives comments from the Managing Director concerning the state of the business and the development of the operations on a monthly basis. The Board of Directors also deals with all quarterly financial statements, as well as the annual report prior to their publication. The financial situation is discussed at each meeting of the Board. The members of the Board are then given an opportunity to ask questions to the Company's management.

The company's auditors attend Audit Committee meetings three times a year and Board meetings once a year and present their observations of the company's internal procedures and control systems. The members of the Board are then given an opportunity to ask questions. Every year, the Board takes a position on significant risk areas

and assesses the internal control.

Furthermore, OEM's management continuously assesses the internal control regarding financial reporting, above all, through own analysis, by asking questions and taking part in the work of the control function.

#### **INTERNAL AUDIT**

The Company and the Group have a relatively simple legal and operating structure and working steering and internal control systems. The Board continuously follows up the different Group companies' assessments of internal control, among other things, through contacts with the Company's auditors. Against the backdrop of this, the Board has chosen not to have a special internal revision.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME SEK MILLION

### CONTINUING OPERATIONS

	Note	2011	2010
<b>OPERATING INCOME</b>			
Net sales	2	1 589,6	1 430,4
Other operating income	3	0,3	–
<b>OPERATING EXPENSES</b>			
Commodities		-990,7	-904,9
Staff costs	6	-295,9	-264,2
Other expenses	7	-101,1	-95,4
Depreciation/amortisation of property, plant and equipment and intangible fixed assets	8	-28,4	-27,6
<b>OPERATING INCOME</b>	2	<b>173,8</b>	138,3
<b>FINANCIAL INCOME AND EXPENSES</b>			
Financial income	10	2,5	1,0
Financial expenses	11	-3,9	-2,8
<b>INCOME BEFORE TAX</b>		<b>172,4</b>	136,5
Taxes	12	-46,7	-36,5
<b>ANNUAL PROFIT FROM CONTINUING OPERATIONS</b>		<b>125,7</b>	100,0
<b>DISCONTINUED OPERATION</b>			
Net profit after tax from discontinued operations	5	<b>2,2</b>	-4,5
<b>NET PROFIT/LOSS FOR THE YEAR</b>		<b>127,9</b>	95,5
<b>OTHER COMPREHENSIVE INCOME</b>			
Exchange differences on translation of foreign operations for the year		-1,2	-19,9
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>-1,2</b>	-19,9
<b>COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>126,7</b>	75,6
<b>PROFIT FOR THE YEAR ATTRIBUTABLE TO:</b>			
Parent Company shareholders		<b>127,9</b>	95,5
Minority interest		–	–
<b>COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO:</b>			
Parent Company shareholders		<b>126,7</b>	75,6
Minority interest		–	–
Earnings per share, SEK *		<b>5,52</b>	4,12
Earnings per share from continuing operations, SEK *		<b>5,42</b>	4,32
Average number of shares outstanding *		<b>23 163 717</b>	23 169 309

\* No effects of dilution present.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION** SEK MILLION

<b>ASSETS</b>	<b>Note</b>	<b>2011.12.31</b>	<b>2010.12.31</b>
<b>FIXED ASSETS</b>			
<b>INTANGIBLE FIXED ASSETS</b>			
Goodwill	13	64,3	54,6
Other intangible assets	13	74,0	52,2
		<b>138,3</b>	106,8
<b>PROPERTY, PLANT AND EQUIPMENT</b>			
Buildings and land	14	150,4	149,6
Equipment, tools and installations	14	38,1	32,9
		<b>188,5</b>	182,5
<b>FINANCIAL ASSETS</b>			
Long-term receivables		0,6	4,6
		<b>0,6</b>	4,6
<b>DEFERRED TAX ASSETS</b>	12	<b>2,2</b>	3,9
<b>TOTAL FIXED ASSETS</b>		<b>329,6</b>	297,8
<b>CURRENT ASSETS</b>			
<b>INVENTORIES, ETC.</b>			
Commodities		269,4	219,9
		<b>269,4</b>	219,9
<b>CURRENT RECEIVABLES</b>			
Tax receivables		10,0	10,9
Trade receivables		231,7	215,3
Other receivables		10,8	6,5
Prepaid expenses and accrued income	16	9,9	8,0
		<b>262,4</b>	240,7
<b>CASH AND CASH EQUIVALENTS</b>	27	<b>161,6</b>	173,2
<b>TOTAL CURRENT ASSETS</b>		<b>693,4</b>	633,8
<b>TOTAL ASSETS</b>		<b>1 023,0</b>	931,6

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION SEK MILLION

SHAREHOLDERS' EQUITY AND LIABILITIES	Note	2011.12.31	2010.12.31
<b>SHAREHOLDERS' EQUITY</b>	17		
Share capital		38,6	38,6
Other contributed capital		39,4	39,4
Translation reserves		0,3	1,5
Retained earnings, including profit for the year		569,4	514,3
<b>TOTAL SHAREHOLDERS' EQUITY ATTRIBUTABLE TO HOLDERS OF SHARES IN PARENT COMPANY</b>		<b>647,7</b>	593,8
<b>LIABILITIES</b>			
<b>LONG-TERM LIABILITIES</b>			
<i>Interest-bearing liabilities</i>			
Other non-current interest-bearing liabilities	18	20,5	17,2
Provisions for pensions	19	0,5	0,2
<i>Non interest-bearing liabilities</i>			
Other long-term liabilities	20	7,4	–
Deferred tax liabilities	12	65,4	50,5
<b>TOTAL LONG-TERM LIABILITIES</b>		<b>93,8</b>	67,9
<b>CURRENT LIABILITIES</b>			
<i>Interest-bearing liabilities</i>			
Bank loans and overdrafts	18, 21	58,0	58,9
Other current liabilities	18	7,1	6,5
<i>Non interest-bearing liabilities</i>			
Advances from customers		0,1	1,8
Accounts payable, trade		104,7	101,4
Tax liabilities		3,6	–
Other liabilities		34,6	34,3
Accrued expenses and prepaid income	23	73,4	66,8
Guarantee provisions		–	0,2
<b>TOTAL CURRENT LIABILITIES</b>		<b>281,5</b>	269,9
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>1 023,0</b>	931,6
<b>PLEDGED ASSETS AND CONTINGENT LIABILITIES</b>			
<b>PLEDGED ASSETS FOR OWN LIABILITIES AND PROVISIONS</b>	21		
Property mortgages		18,8	19,3
Business mortgages		61,6	63,4
<b>TOTAL PLEDGED ASSETS</b>		<b>80,4</b>	82,7
<b>CONTINGENT LIABILITIES</b>			
Other contingent liabilities	22	–	–
<b>TOTAL CONTINGENT LIABILITIES</b>		<b>–</b>	–

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY SEK MILLION

	Share capital	Other contributed capital	Translation reserve	Retained earnings, including profit for the year	Total shareholders' equity
Opening equity 01.01.10	38,6	39,4	21,4	465,1	564,5
Net profit/loss for the year				95,5	95,5
Other comprehensive income			-19,9	-	-19,9
Transactions with Group shareholders:					
Dividends paid				-46,3	-46,3
<b>CLOSING BALANCE 31 Dec 2010 *</b>	<b>38,6</b>	<b>39,4</b>	<b>1,5</b>	<b>514,3</b>	<b>593,8</b>
Opening equity 01.01.11	38,6	39,4	1,5	514,3	593,8
Net profit/loss for the year				127,9	127,9
Other comprehensive income			-1,2	-	-1,2
Transactions with Group shareholders:					
Repurchase of shares				-3,3	-3,3
Dividends paid				-69,5	-69,5
<b>CLOSING BALANCE 31 Dec 2011 *</b>	<b>38,6</b>	<b>39,4</b>	<b>0,3</b>	<b>569,4</b>	<b>647,7</b>

\* Shareholders' equity attributable to Parent Company shareholders.

### NUMBER OF SHARES

	Total	Outstanding
Opening number 1 Jan 2010	23 169 309	23 169 309
<b>CLOSING NUMBER 31 Dec 2010</b>	<b>23 169 309</b>	<b>23 169 309</b>
Opening number 1 Jan 2011	23 169 309	23 169 309
Repurchase of own shares in the period	-	-61 847
<b>CLOSING NUMBER 31 Dec 2011</b>	<b>23 169 309</b>	<b>23 107 462</b>

## CONSOLIDATED CASH FLOW STATEMENT SEK MILLION

	2011	2010
<b>OPERATING ACTIVITIES</b>		
Earnings before tax from all operations	174,6	129,6
Adjustments for items not included in the cash flow	26,0	25,8
	<b>200,6</b>	155,3
Taxes paid	-34,3	-21,8
<b>CASH FLOWS FROM OPERATING ACTIVITIES BEFORE CHANGES IN WORKING CAPITAL</b>	<b>166,3</b>	133,5
Cash flow from changes in working capital		
Changes in inventories	-35,1	-1,5
Changes in trade receivables	-6,1	-34,8
Change in other operating receivables	-4,1	5,5
Change in accounts payable	-0,2	9,6
Change in other operating liabilities	-12,7	3,3
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>108,1</b>	115,6
<b>INVESTING ACTIVITIES</b>		
Acquisition of subsidiaries, net effect on cash and cash equivalents	-31,1	-10,4
Disposal of subsidiaries, net effect on cash and cash equivalents	1,5	4,7
Acquisition of intangible fixed assets	-7,6	-3,6
Acquisition of property, plant and equipment	-23,8	-19,5
Sales of property, plant and equipment	4,0	7,5
Sale of financial assets	-	1,0
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>-57,0</b>	-20,3
<b>FINANCING ACTIVITIES</b>		
Loans raised	23,7	2,8
Loan amortisation	-13,3	-39,2
Repurchase of shares	-3,3	-
Dividends paid	-69,5	-46,3
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>-62,4</b>	-82,7
<b>CASH FLOW FOR THE YEAR</b>	<b>-11,3</b>	12,6
Cash equivalents at start of the year	173,2	165,2
Exchange rate difference cash equivalents	-0,3	-4,6
<b>Cash equivalents at end of the year</b>	<b>161,6</b>	173,2

The cash flow statement relates to all Group operations including discontinued operations.

The cash flows from discontinued operations are presented in Note 5.

Additional information, refer to Note 27.

## PARENT COMPANY'S INCOME STATEMENT SEK MILLION

	Note	2011	2010
<b>OPERATING INCOME</b>			
Net sales		41,2	37,4
<b>OPERATING EXPENSES</b>			
Other external costs	7	-16,4	-16,5
Staff costs	6	-21,4	-20,8
Depreciation/amortisation of property, plant and equipment and intangible fixed assets	8	-3,2	-2,6
<b>OPERATING INCOME</b>		0,2	-2,5
<b>INCOME FROM FINANCIAL ITEMS</b>			
Income from investments in Group companies	9	131,5	109,2
Other interest income and similar profit items	10	2,1	1,1
<b>INCOME AFTER FINANCIAL ITEMS</b>		133,9	107,7
<b>YEAR-END APPROPRIATIONS</b>			
Difference between tax depreciation and depreciation according to plan:			
Expenses brought forward for software	24	-1,8	-0,5
Equipment, tools and installations	24	-0,6	0,1
Tax allocation fund, provision	24	-30,0	-25,0
Tax allocation fund, reversal	24	-	13,0
<b>INCOME BEFORE TAX</b>		101,5	95,3
Taxes	12	-25,2	-20,1
<b>NET PROFIT/LOSS FOR THE YEAR</b>		76,3	75,2
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR</b>		-	-
<b>COMPREHENSIVE INCOME FOR THE YEAR</b>		76,3	75,2

*Changes in RFR 2 relating to reporting of group contributions have been applied retroactively by the parent company effective as of financial year 2011.*

	Before adjustments for changes in accounting policies	2010 Adjustment	After adjustments for changes in accounting policies
<b>EFFECT OF CHANGES IN ACCOUNTING POLICIES FOR GROUP CONTRIBUTIONS</b>			
Income from investments in Group companies	21,1		21,1
Group contributions received		92,3	92,3
Group contributions paid		-4,2	-4,2
<b>INCOME FROM INVESTMENTS IN GROUP COMPANIES</b>	21,1	88,1	109,2
Taxes	3,1	-23,2	-20,1
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR</b>			
Group contributions received	92,3	-92,3	-
Group contributions paid	-4,2	4,2	-
Tax	-23,2	23,2	-
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR</b>	64,9	-64,9	-

Total equity and balance sheet items are not affected by the introduction of the changed accounting policy.

**PARENT COMPANY'S BALANCE SHEETS** SEK MILLIONS

	Note	2011.12.31	2010.12.31
<b>ASSETS</b>			
<b>FIXED ASSETS</b>			
<b>INTANGIBLE FIXED ASSETS</b>			
Expenses brought forward for software	13	10,1	3,9
		10,1	3,9
<b>PROPERTY, PLANT AND EQUIPMENT</b>			
Buildings and land	14	16,9	17,5
Equipment, tools and installations	14	4,7	3,0
		21,6	20,5
<b>FINANCIAL ASSETS</b>			
Investments in Group companies	15	307,5	303,5
		307,5	303,5
<b>TOTAL FIXED ASSETS</b>		339,2	327,9
<b>CURRENT ASSETS</b>			
<b>CURRENT RECEIVABLES</b>			
Current tax assets		0,5	5,6
Claims in Group companies		218,7	193,3
Other receivables		1,0	0,6
Prepaid expenses and accrued income	16	2,7	3,1
		222,9	202,6
<b>CASH AND BANK BALANCES</b>		102,1	122,1
<b>TOTAL CURRENT ASSETS</b>		325,0	324,7
<b>TOTAL ASSETS</b>		664,2	652,6

**PARENT COMPANY'S BALANCE SHEETS** SEK MILLIONS

SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES	Note	2011.12.31	2010.12.31
<b>SHAREHOLDERS' EQUITY</b>			
<b>RESTRICTED EQUITY</b>	17		
Share capital		38,6	38,6
Reserve fund		32,3	32,3
		70,9	70,9
<b>NON-RESTRICTED EQUITY</b>			
Retained earnings		215,7	213,3
Net profit/loss for the year		76,3	75,2
		292,0	288,5
<b>TOTAL SHAREHOLDERS' EQUITY</b>		362,9	359,4
<b>UNTAXED RESERVES</b>			
Depreciations exceeding plan	24	3,3	1,0
Accruals funds	24	126,8	96,8
<b>TOTAL UNTAXED RESERVES</b>		130,2	97,8
<b>PROVISIONS</b>			
Deferred tax liabilities	12	2,0	1,9
<b>TOTAL PROVISIONS</b>		2,0	1,9
<b>LONG-TERM LIABILITIES</b>			
<i>Non interest-bearing liabilities</i>			
Other liabilities	20	7,4	–
<b>TOTAL LONG-TERM LIABILITIES</b>		7,4	0,0
<b>CURRENT LIABILITIES</b>			
<i>Non interest-bearing liabilities</i>			
Accounts payable, trade		1,6	1,9
Liabilities to Group companies		142,8	170,9
Other current liabilities		8,5	13,2
Accrued expenses and prepaid income	23	8,8	7,6
<b>TOTAL CURRENT LIABILITIES</b>		161,7	193,6
<b>TOTAL SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES</b>		664,2	652,6
<b>PLEDGED ASSETS AND CONTINGENT LIABILITIES</b>			
<b>PLEDGED ASSETS FOR OWN LIABILITIES AND PROVISIONS</b>	21		
Property mortgages		7,5	7,5
<b>TOTAL PLEDGED ASSETS</b>		7,5	7,5
<b>CONTINGENT LIABILITIES</b>			
Security undertakings to the benefit of Group companies		211,6	196,4
<b>TOTAL CONTINGENT LIABILITIES</b>		211,6	196,4

**PARENT COMPANY STATEMENT OF CHANGES IN EQUITY** SEK MILLION

	<b>Restricted equity</b>		<b>Non-restricted equity</b>	<b>Total shareholders' equity</b>
	<b>Share capital</b>	<b>Reserve fund</b>	<b>Profit brought forward</b>	
Opening equity 01.01.10	38,6	32,3	259,6	330,5
Comprehensive income for the year *			75,2	75,2
Dividends paid			-46,3	-46,3
<b>Closing equity 31.12.2010</b>	<b>38,6</b>	<b>32,3</b>	<b>288,5</b>	<b>359,4</b>
Opening equity 01.01.11	38,6	32,3	288,5	359,4
Comprehensive income for the year *			76,3	76,3
Repurchase of shares			-3,3	-3,3
Dividends paid			-69,5	-69,5
<b>Closing equity 31.12.11</b>	<b>38,6</b>	<b>32,3</b>	<b>292,0</b>	<b>362,9</b>
Proposed dividends, SEK 3.50 per share			81,1	

\* Comprehensive income for the year corresponds with the profit for the year.

**NUMBER OF SHARES**

	<b>Total</b>	<b>Outstanding</b>
Opening number 1 Jan 2010	23 169 309	23 169 309
<b>Closing amount 31.12.2010</b>	<b>23 169 309</b>	<b>23 169 309</b>
Opening number 1 Jan 2011	23 169 309	23 169 309
Shares repurchased in the period	-	-61 847
<b>Closing amount 31.12.11</b>	<b>23 169 309</b>	<b>23 107 462</b>

**PARENT COMPANY'S CASH FLOW STATEMENTS** SEK MILLION

	<b>2011</b>	<b>2010</b>
<b>OPERATING ACTIVITIES</b>		
Profit/Loss after financial items	133,9	107,7
Adjustments for items not included in the cash flow	-23,1	-4,6
	<b>110,8</b>	<b>103,1</b>
Taxes paid	-20,0	-17,0
<b>CASH FLOWS FROM OPERATING ACTIVITIES BEFORE CHANGES IN WORKING CAPITAL</b>		
	<b>90,8</b>	<b>86,1</b>
Cash flow from changes in working capital		
Change in other operating receivables	7,0	28,7
Change in accounts payable	-0,3	0,2
Change in other operating liabilities	-25,1	-41,4
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>72,4</b>	<b>73,6</b>
<b>INVESTING ACTIVITIES</b>		
Acquisition of subsidiaries, net effect on cash and cash equivalents	-28,7	-16,2
Liquidation of subsidiaries	19,5	1,2
Acquisition of intangible fixed assets	-7,6	-3,6
Acquisition of property, plant and equipment	-2,8	-2,6
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>-19,6</b>	<b>-21,2</b>
<b>FINANCING ACTIVITIES</b>		
Repurchase of shares	-3,3	-
Dividends paid	-69,5	-46,3
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>-72,8</b>	<b>-46,3</b>
<b>CASH FLOW FOR THE YEAR</b>	<b>-20,0</b>	<b>6,0</b>
Cash equivalents at start of the year	122,1	116,1
<b>Cash equivalents at end of the year</b>	<b>102,1</b>	<b>122,1</b>

*Additional information, refer to Note 27.*

*Changes in RFR 2 relating to reporting of group contributions have been applied retroactively by the parent company effective as of financial year 2011.*

## ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

AMOUNTS IN SEK MILLIONS UNLESS OTHERWISE STATED

### NOTE 1. ACCOUNTING POLICIES

#### Compliance with standards and legislation

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and statements concerning interpretation published by the International Financial Reporting Interpretations Committee (IFRIC), as approved by the European Union. Furthermore, the Group has applied the Swedish Financial Accounting Standards Council's recommendation RFR 1 (Supplementary Accounting Regulations for Groups).

The Parent Company applies the same accounting policies as the Group, except in those cases specified below in the section "Accounting Policies of the Parent Company".

#### REQUIREMENTS FOR PREPARING PARENT COMPANY AND GROUP FINANCIAL REPORTS

The Parent Company's functional currency is the Swedish krona (SEK), which is also the official reporting currency for the Parent Company and the Group. This means that the financial reports are presented in Swedish krona. All amounts are rounded off to the nearest million with one decimal unless otherwise stated.

Assets and liabilities are reported at the historical acquisition value, except for certain financial assets and derivative instruments that are valued at their fair value.

Financial instruments, which are measured at fair value, consist of financial assets classified as financial assets measured at fair value through profit or loss. Available-for-sale assets and disposal groups are reported from the date when classified as available-for-sale at the lowest of the previously reported value and the fair value after deductions for selling costs.

To prepare the financial statements in accordance with IFRS, management must make assessments, estimates and assumptions that affect the application of the accounting principles and the reported amounts pertaining to assets, liabilities, income and expenses. Consequently, actual outcomes may differ from these estimates and assessments.

Assessments made by the management in the application of IFRS that have a significant impact on the financial statements, and estimates and which may give rise to significant adjustments in future financial statements are described in detail in Note 30.

The consolidated accounting principles outlined below have been applied consistently throughout the periods reported in the Group's financial statements, unless otherwise stipulated below. Consolidated accounting policies have also been applied consistently to the accounting and consolidation of the Parent Company and subsidiaries.

#### AMENDED ACCOUNTING POLICIES THAT RESULT FROM NEW OR AMENDED IFRS STANDARDS EFFECTIVE IN 2011

The section below explains which amended accounting policies the Group has been applying since 1 January 2011. The new and amended IFRS standards and new IFRIC interpretations effective in 2011 have not had any significant effect on the Group's reporting.

#### NEW IFRS AND INTERPRETATIONS NOT YET ADOPTED

A number of new or amended IFRS standards and interpretation statements will come into effect in the coming financial year and have not been adopted in advance during the preparation of this year's financial statements.

IFRS 9 *Financial Instruments* is intended to replace IAS 39 *Financial Instruments: Recognition and Measurement* effective 1 January 2015. The IASB has published the first of at least three parts that together will constitute IFRS 9. This first part deals with the classification and measurement of financial assets. The classification of financial assets under IAS 39 are replaced by two categories, where assets are measured at fair value or amortised cost. Amortised cost is applied to instruments that are held with the intention of obtaining the contractual cash flows of payments of principal and interest on principal on specified dates. Other financial assets are recognised at fair value and the possibility to apply the fair value option, as stipulated in IAS 39, is retained. At the present stage, IFRS 9 is not assessed to exercise a significant effect on the Group's reporting. The application of IFRS 9 has not been approved by the EU and any such approval can be given only when all parts of the new IFRS 9 are prepared. Therefore, the

Group does not apply IFRS 9 in its current shape in advance.

IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements* and IFRS 12 *Disclosures of Interests in Other Entities* deal with consolidation of operations, reporting requirements for joint ventures and joint operations and which disclosures are required for these investments. Consequential changes have been made to IAS 27 which is now called *Separate Financial Statements*. Changes have also been made to IAS 28 which now has the title *Investments in Associates and Joint Ventures*. These new and amended standards will be applied retroactively starting with the financial statements for 2013. EU is expected to approve the named standards in the third quarter of 2012. These new standards and amendments are not expected to affect the Group's reporting except with regard to some additional disclosures.

IFRS 13 *Fair Value Measurement* will be applied prospectively starting with the financial statements for 2013. It is only expected to affect the additional disclosures made by the Group.

Under the amended IAS 19 *Employee benefits*, deferral of the recognition of actuarial gains and losses is not permitted. Instead, actuarial gains and losses are recognised immediately in OCI. The return on plan assets in the income statement will be recognised as an amount determined by using the discount rate that is used when calculating pension obligations. The difference between the actual return and expected return on plan assets will be recognised in OCI. Amendments will be applied retroactively starting with the financial statements for 2013. It is expected that EU will approve the amendments in the first half of 2012. In conjunction with the introduction of the amended IAS 19 standard, the Swedish Financial Accounting Council is withdrawing UFR 4 *Accounting for special employer's contribution and tax on returns*, which means that provision for special employer's contribution must be made for the present value of all future payments of special employer's contribution resulting from vesting of pension rights to date, which compared with the current regulations is expected to result in a certain increase in the pension liability in the case of fully or partly unfunded schemes. It is expected that reporting for tax on returns will remain unchanged. The amendments named are expected to have a minimal effect on the Group's income, other comprehensive income and net assets/equity.

The amendments to IAS 1 *Presentation of Financial Statements* require OCI items to be presented in two groups in OCI according to whether or not they will be reclassified in the income statement. The amendments will be applied retroactively starting with the 2013 financial statements, pursuant to EU approval, which is expected during the first six months of 2012. The Group's presentation will be affected as translation differences will be presented in the category of items that can be recycled to the income statement, while actuarial gains and losses on defined-benefit pension plans (see above) will be presented in the category that is never transferred to the income statement.

None of the other new or amended IFRS standards or interpretation statements are expected to have any effect on the Group's reporting.

#### CLASSIFICATION, ETC.

Fixed assets and long-term liabilities essentially consist only of amounts that can be expected to be recovered or paid more than twelve months after the balance sheet date. Current assets and current liabilities essentially consist only of amounts expected to be recovered or paid within twelve months from the balance sheet date.

#### REPORTING OF OPERATING SEGMENTS

An operating segment is part of the Group that pursues operations from which it can generate revenues and incur costs for which separate financial information is available. The results of an operating segment are regularly reviewed by the entity's chief operating decision maker to assess its performance and make decisions about resources to be allocated to the segment. See Note 2 for an additional description of the division and presentation of the operating segment.

#### CONSOLIDATION PRINCIPLES FOR SUBSIDIARY COMPANIES

Subsidiaries are those businesses in which OEM International AB has a controlling interest. Controlling interest means that the controlling entity is directly or indirectly entitled to structure the company's financial and operating strategies for the purpose of obtaining economic

advantages. When determining whether a controlling interest exists, potential voting equity that can be used or converted without delay is taken into account.

Business combinations are recognised in accordance with the acquisition method. The method means that the acquisition of a subsidiary is regarded as a transaction through which the Group indirectly acquires the subsidiary's assets and assumes its liabilities and contingent liabilities.

As from 2010, goodwill in business combinations is calculated as the sum total of the consideration transferred, any non-controlling interest (formerly called minority interest) and the fair value of the previously owned interest (in connection with step acquisitions) minus the fair value of the subsidiary's identifiable assets and assumed liabilities. A negative difference is recognised directly in the profit or loss for the year. Goodwill from acquisitions carried out prior to 2010 is calculated as the sum total of the consideration transferred and the acquisition costs minus the fair value of the acquired identifiable net assets for the respective partial acquisitions, where the cost of goodwill from all historical partial acquisitions is aggregated. Transaction expenses in connection with business combinations are recognised as expenses from 2010, but are included in the acquisition cost goodwill for acquisitions prior to 2010.

As from 2010, contingent considerations in acquisitions are measured at fair value both at the acquisition date and continuously thereafter; any and all changes in value are recognised in the profit or loss for the year. For acquisitions carried out prior to 2010, contingent considerations are recognised only when a probable and reliable amount can be calculated and any subsequent adjustments are recognised against goodwill.

As regards post-2010 acquisitions of subsidiaries, in which there are other non-controlling interests, the Group recognises the net assets attributable to these non-controlling interests either at fair value of all net assets excluding goodwill or at fair value of all net assets including goodwill. The principle is chosen individually for each individual acquisition.

Acquisitions in which the interest is raised through several individual acquisitions are reported as step acquisitions. In the event of post-2010 step acquisitions, which lead to a controlling interest, any previously acquired interests are revalued in accordance with the latest acquisition and the profit or loss is recognised in the profit or loss for the year. Step acquisitions for acquisitions carried out prior to 2010 are recognised as an aggregation of the acquisitions costs at the respective acquisition times and any revaluation in connection with the acquisition when control is achieved is recognised against the revaluation reserve.

Once controlling interest has been achieved, any ownership changes between the parent company and non-controlling interests are recognised as equity transactions, without any revaluation of the subsidiary's net assets. In ownership changes not resulting in loss of control, which took place prior to 2010, the difference between the consideration and the transaction's share of recognised identifiable net assets is recognised against goodwill.

Where the interest in ownership changes in and after 2010 is reduced to such an extent as to result in the loss of controlling interest, any remaining holding is recognised at fair value and the value change is recognised in profit or loss. There was no such revaluation if the remaining interest was an associated company, for ownership changes, which took place prior to 2010.

The financial statements of the subsidiaries are included in the consolidated financial statements from the effective date of acquisition until the day that control ceases.

## **TRANSACTIONS TO BE ELIMINATED ON CONSOLIDATION**

Intra-Group receivables and liabilities, income and expenses, and unrealised gains or losses arising from intra-Group transactions between Group companies are eliminated in full when preparing the consolidated financial statements.

## **FOREIGN CURRENCY**

### *Transactions in foreign currencies*

Transactions in foreign currencies are translated to the functional currency at the exchange rate prevailing on the date of the transaction. Functional currency is the currency that applies in the primary economic environments in which the Group companies operate. Monetary assets and liabilities denominated in foreign currencies are retranslated to the functional currency at the exchange rate prevailing on balance sheet date. Exchange rate differences resulting from translations are reported in the profit or loss for the year. Non-monetary assets and liabilities reported at their historical acquisition values are translated at the exchange rate prevailing on the date of the transac-

tion. Non-monetary assets and liabilities reported at their fair value are translated to the functional currency at the exchange rate prevailing at the date when the fair value was determined.

### *Financial statements of foreign operations*

Assets and liabilities in foreign operations, including goodwill and other residual values in the corporate fair value adjustments, are translated from the foreign entities functional currency to the consolidated reporting currency, Swedish kronor (SEK), at the exchange rate prevailing on the balance sheet date. Revenue and expenses in foreign entities are translated to Swedish kronor (SEK) at an average rate that represents an approximation of the rates that applied when each transaction took place. Exchange differences arising when translating currency of foreign operations are recognised in other comprehensive income and are accumulated in a separate component of shareholders' equity that is referred to as a translation reserve. When a foreign entity is divested, the accumulated translation differences attributable to the entity are realised and reclassified from the translation reserve of the shareholders' equity to the profit or loss for the year.

## **INCOME**

### *Sale of goods*

Income includes only the gross inflow of economic benefits that the company receives or can receive for its own benefit. Revenue from the sale of goods is reported in the income statement as income when the company has transferred the significant risks and benefits associated with ownership of the goods to the buyer. If there is considerable uncertainty regarding payment, related costs or risk of returns, and if the seller retains involvement in the day-to-day management that is normally associated with the ownership, then revenue is not taken up as income. Income is booked at the fair value of what has been received or will be received with deductions for discounts. Amounts collected for the benefit of another are not included in the company's income but instead constitute received commission.

### *Sales of services and similar assignments*

Income from services is recognised in the income statement for the year when the service provided is based on the stage of completion on the balance sheet date. The stage of completion is determined on the basis of contract costs incurred in relation to the total estimated contract costs.

## **OPERATING EXPENSES AND FINANCIAL INCOME AND EXPENSES**

### *Operating leases*

Payments for operating leases are recognised in the profit or loss for the year on a straight-line basis over the term of the lease. Benefits obtained on signing an agreement are recognised on a straight-line basis as part of the overall leasing cost in the profit or loss for the year.

### *Finance leases*

The minimum lease fees are allocated as interest cost and amortisation of the outstanding liability. The interest expenses are distributed over the term of the lease, so that each accounting period is charged with an amount corresponding to a fixed rate of interest for the liability recognised in the respective period. Variable payments are entered as expenses in the income statement for the year in the periods in which they occur.

### *Financial income and expenses*

Financial income and expenses include interest revenue from bank assets, receivables and interest-bearing securities, dividend income, interest expenses related to loans, exchange rate differences attributable to financial investments and financing activities, value changes in financial investments classified as financial assets measured at fair value through profit or loss and derivative instruments used in the financial activities.

Interest revenue from receivables and interest expenses related to liabilities is calculated using the effective interest method. The effective interest rate is the rate that discounts the present value of all estimated future cash receipts and payments through the expected life of the financial asset to that asset's net carrying amount. The interest element of financial lease payments is recognised in financial income or expenses using the effective interest rate method.

Interest revenue and interest expenses respectively include periodic amounts of transaction expenses and discounts where applicable, premiums and other differences between the originally recognised value of the receivable and of the liability respectively and the amount that is settled at maturity and the estimated future receipts and payments through the term of the agreement.

Dividend income is recognised when the right to retain payment has been established.

Exchange gains and exchange losses are recognised net.

## **TAXES**

Income tax consists of current tax and deferred tax. Income tax is reported in the income statement for the year unless the underlying transaction is charged to OCI or directly to equity, in which case any related tax effect is charged to OCI or equity.

Current tax is the tax that is to be paid or received for the current year. This includes adjustments of current tax attributable to prior periods. Current and deferred tax are calculated with application of the tax rate and regulations in effect or in practice adopted as of the balance sheet date.

Deferred tax is calculated according to the balance sheet method on the basis of temporary differences between the carrying amounts and tax values of assets and liabilities. Temporary differences are not taken into consideration for differences relating to the initial recognition of goodwill, nor relating to the initial recognition of assets and liabilities that are not a business acquisition which, at the time of the transaction, do not affect either accounting or taxable income. Nor are temporary differences attributable to shares in subsidiaries and associated companies that are not expected to be reversed in the foreseeable future taken into consideration. Measurement of deferred tax is based on how the carrying amount of assets or liabilities is expected to be recovered or settled.

Deferred tax claims relating to deductible temporary differences and loss carry-forwards are only recognised to the extent that it is likely that they can be utilised. The value of the deferred tax claims is reduced when it is no longer deemed likely that they can be utilised.

## **FINANCIAL INSTRUMENTS**

Financial instruments reported in the statement of financial position as assets consist primarily of cash and cash equivalents, loan receivables, trade receivables and derivatives. Accounts payable, loan liabilities and derivatives are reported as liabilities.

### *Recognition in and derecognition from the statement of financial position.*

A financial asset or financial liability is included in the statement of financial position when the company becomes party to the instrument's conditions of agreement. Receivables are included when the Company has performed and there is a contractual liability for the counterparty to pay, even if the invoice has not been received. Trade receivables are recognised in the statement of financial position upon issuance of invoice. Liabilities are included when the counterparty has performed and there is a contractual liability to pay, even if the invoice has not been received. Accounts payable are recognised on receipt of invoice.

A financial asset is derecognised and removed from the statement of financial position when the rights under the agreement are realised or have expired or when control of the contractual rights is lost. The same applies to a portion of a financial asset. A financial liability is removed from the statement of financial position when the contractual liability is fulfilled or otherwise discharged. The same applies to a portion of a financial liability.

A financial asset and a financial liability are offset and reported in the statement of financial position as a net amount only when there is a legal right to set off the amount and an intention to adjust the items with a net amount or, at the same time, realise the asset and settle the liability.

### *Classification and presentation*

Financial instruments are reported initially at an acquisition value corresponding to the fair value of the instrument plus transaction expenses for all financial instruments, except those instruments categorised as financial assets reported at their fair value via the profit or loss, which are reported at their fair value excluding transaction expenses. The financial instruments are classified in the initial recognition depending on the purpose for which the instruments were acquired which affects recognition thereafter.

The fair value of listed financial assets corresponds to the asset's listed bid price on the balance sheet date. The fair value of unlisted financial assets is established by applying valuation techniques such as recently completed transactions, references to similar instruments and discounted cash flow.

### *Trade receivables and other current and long-term receivables classified in the category "loans and receivables"*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are presented at amortised cost. Amortised cost is

determined based on the effective interest that was calculated at the time of acquisition. Accounts receivable are presented at the amount that they are expected to generate, i.e. after deductions for doubtful receivables.

### *Financial investments and derivatives are categorised as "financial assets valued at fair value via the profit or loss for the year".*

This measurement category has two subgroups: financial assets held for short-term trading and derivative instruments or other financial assets, respectively, that the Company has initially chosen to place in this category in those cases where the asset is managed and measured on the basis of fair value in the Group management's risk management and investment strategy, the so-called fair value option. The Group has not used the fair value option during the year or during the comparative year. Financial instruments in this category are measured at fair value as incurred and changes in value are reported in the income statement for the year. Derivatives are also contractual terms that are embedded in other agreements. Embedded derivatives are recognised separately if they are not closely related to the host contract.

Derivative instruments are measured in the initial recognition and regularly thereafter at fair value with value changes recognised as income and expenses in the operating income or in net financial items, based on the intended use of the derivative instrument and how this use is related to an operating item or a financial item. Changes in the fair value of other financial assets in this category are recognised in net financial items.

During the year, the Group has used foreign exchange forward contracts in order to economically hedge certain exposures to foreign exchange risk associated with purchases in foreign currencies. Changes in the fair value of the foreign exchange forward contracts have been recognised as Other Operating Income or Other Operating Cost, depending on whether the change was positive or negative. The Group did not engage in hedging activities during the year or during the comparative year.

### *Cash and cash equivalents*

Cash and cash equivalents include cash in hand, deposits held with banks and similar institutions, plus short-term highly liquid investments with original maturities of three months or less, which are only exposed to insignificant risk for fluctuations in value.

### *Interest-bearing liabilities classified in the category "Other liabilities"*

Loans are reported continuously at amortised cost, which means that the value is adjusted through discounts, where applicable, or premiums when the loan is taken and costs when borrowing is spread over the expected term of the loan. The scheduling is calculated on the basis of the initial interest rate of the loan. Gains and losses arising when the loan is settled are recognised in the income statement for the year.

### *Accounts payable and other operating liabilities classified in the category "Other liabilities"*

Liabilities are recognised at the amortised cost determined from the effective interest that was calculated at the time of acquisition, which normally implies nominal value.

## **PROPERTY, PLANT AND EQUIPMENT**

### *Owned assets*

Property, plant and equipment are reported in the Group at cost after deductions for accumulated depreciation and impairment costs. The acquisition price includes the purchase price including expenses directly attributable to putting the asset into place and condition to be used as intended by the acquisition. Directly attributable costs, which are included in the acquisition value, include cost of delivery and handling, installation, title deeds, consultancy services and legal services. Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that requires a significant amount of time to finish for the intended use or sale are included in the acquisition cost. Accounting policies for impairment are presented below.

The reported value of tangible fixed assets is removed from the statement of financial position on the disposal or retirement of the asset, or when no future economic benefits are expected from its use or disposal/retirement. Gains or losses arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset, less direct selling costs. The gain or loss is recognised in other operating income/cost.

### *Leased assets*

Leases are classified in the consolidated financial statements as either finance or operating leases.

In a finance lease, the financial risks and benefits associated with the ownership are essentially transferred to the lessee, otherwise it is an operating lease.

Assets leased under a finance lease are recognised as assets in the Group's report of financial position. The obligation to pay future lease fees is recognised as long-term and current liabilities. The leased assets are depreciated according to plan, and the lease payments are recognised as interest and amortisation of liabilities.

#### *Subsequent expenditure*

Subsequent expenditure is added to the acquisition value only if it is likely that the future economic benefits associated with the asset will flow to the enterprise and the acquisition value can be calculated in a reliable manner. All other subsequent expenditure is reported as an expense in the period it is incurred.

A subsequent expenditure is added to the acquisition value if the expense refers to the exchange of identified components or parts thereof. Even in those cases when a new component has been constructed, the expense is added to the acquisition value. Any undepreciated values reported for replaced components, or parts of components, are discarded and charged to expenses when the component is replaced. Repairs are expensed as incurred.

#### *Depreciation principles*

Straight-line depreciation is applied over the estimated utilisation period of the assets. Land is not depreciated.

The Group applies component depreciation, meaning that the estimated useful life of components forms the basis for depreciation.

##### Estimates of useful life:

- buildings, business property, see below
- land improvements 20 years
- machinery and other technical facilities 5-10 years
- equipment, tools and installations 3-10 years

Business property consists of a number of components with different useful lives. The main group is buildings and land. Land is not depreciated as its useful life is considered to be indefinite. The buildings consist of a number of components with different useful lives. The following main groups of components have been identified and form the basis for depreciation of buildings:

Shell	100 years
Frame extensions, interior walls, etc.	30 years
Installations and inner surfaces;	
heating, electricity, plumbing, ventilation, etc.	20-32 years
External surfaces, walls, roof, etc.	20-50 years

The depreciation methods applied and the residual values of the assets and their useful lives are reviewed at the close of every year.

#### **INTANGIBLE FIXED ASSETS**

##### *Goodwill*

Goodwill is measured at the acquisition value minus any accumulated impairment.

Goodwill is allocated to cash-generating units and tested annually for impairment. If the cost of acquisition in a business combination is less than the fair value of the net identifiable assets, liabilities and contingent liabilities acquired, the difference is recognised immediately in the income statement for the year.

In respect of goodwill in acquisitions that were made before January 1, 2004, the Group has not adopted IFRS retroactively on transition to IFRS. Instead, the recognised value in the future will be the acquisition value for the Group, after impairment testing.

##### *Other intangible fixed assets*

Acquired supplier relations with an indeterminable useful life are valued at the acquisition value minus any accumulated impairment. Supplier relations with an indeterminable useful life are deemed to exist in terms of certain acquisitions of agencies or comparable relations with individual suppliers who have historically exhibited a very long-term agency relationship. Testing is done each year to determine if the circumstances still indicate that the useful life is indeterminable. Impairment testing is done annually and performed when indicated. Other acquired supplier relations are valued at the acquisition value minus any accumulated amortisation and impairment.

Other intangible assets include software, trademarks and customer relations. These have a determinable useful life and are recognised at acquisition value less accumulated amortisation and impairment.

Expenditures for internally generated goodwill and internally generated brand names are not capitalised as assets but are expensed in the income statement as incurred.

#### *Subsequent expenditure*

Subsequent expenditure on capitalised intangible assets is reported as an asset in the report of financial position only when it increases the future economic benefits of the specific asset to which it relates. All other expenditure is expensed when incurred.

#### *Depreciation principles*

Amortisation is recognised in the income statement on a straight-line basis over the estimated life of the intangible asset, provided it has a definite useful life. Goodwill has an indefinite useful life and is tested for impairment each year or whenever there is an indication that the tangible asset may be impaired. The useful life of the assets are reviewed annually at least, refer also to Note 13.

##### Estimates of useful life:

• IT software	3-5 years
• brand names/trademarks	5-10 years
• customer relations	5 years
• supplier relations	5 years (unless indefinite)

#### **BORROWING COSTS**

Borrowing costs, which are attributable to the construction of the so-called qualifying assets, are capitalised as a portion of the qualifying asset's cost. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Firstly, borrowing costs arising on loans, which are specific to the qualifying asset are capitalised. Secondly, borrowing costs arising on general loans, which are not specific to any other qualifying asset are capitalised. For the Group, the capitalisation of borrowing costs is mainly relevant in the construction of storage and production facilities using its own direct labour and capitalised expenditure relating to development of new computer systems.

#### **INVENTORIES**

Inventories are measured at the lowest of the acquisition value and net realisable value. The cost of inventories is calculated by applying the first-in, first-out method (FIFO) and includes expenditure arising on acquisition of the inventory assets and transportation thereof to their current location and state.

The net realisable value is the estimated sales price in the operating activities after deductions for estimated costs for completion and for realising a sale.

#### **IMPAIRMENT**

The recognised values of the Group's assets are tested on each balance sheet date for any indication of impairment. The section below explains the impairment test for property, plant and equipment and intangible assets, investments in subsidiaries and associates, and for financial assets. Assets for sale and disposal groups, inventories and deferred tax claims are exempt. The recognised value of the exempt assets is assessed in accordance with the respective accounting standards.

##### *Impairment tests for property, plant and equipment and intangible assets as well as investments in subsidiaries and associates*

If there is any indication of impairment, then the asset's recoverable amount is calculated, see below). The recoverable amount is also calculated annually for goodwill and other intangible assets with indefinite useful lives. If essentially independent cash flow cannot be isolated for individual assets, then the assets are grouped at the lowest levels where essentially independent cash flows can be identified – a so-called cash-generating unit.

An impairment loss is recognised when the carrying amount of an asset or cash-generating unit, or pool of units, exceeds its recoverable amount.

An impairment loss is recognised as an expense in the income statement for the year. Impairment losses attributable to a cash-generating unit, or pool of units, are mainly allocated to goodwill. They are thereafter divided proportionately among other assets in the unit (pool of units). The recoverable amount is the highest of the fair value minus selling costs and value in use. Value in use is measured by discounting future cash flows using a discounting factor that takes into account the risk-free rate of interest and the risk associated with the specific asset.

#### *Impairment test for financial assets*

All financial assets except those categorised as financial assets valued at fair value through the income statement for the year are tested for impairment. For each report, the company assesses if there is objective proof that indicates impairment of a financial asset or group of financial assets. A financial asset has impairment only if objective proof indicates that one or more events have occurred that have an effect on the financial asset's future cash flows, if these can be reliably calculated.

The recoverable amount for assets categorised as loans and receivables carried at amortised cost are calculated as the present value of the future cash flows discounted by the effective interest that applied on initial recognition. Assets with a short term are not discounted. An impairment loss is recognised as an expense in the income statement for the year.

#### *Reversal of amortisation*

An impairment of assets included in the application of IAS 36 is reversed, if there is both an indication that the impairment no longer exists and there has been a change in the assumptions that served as the basis for determining the recoverable amount. Impairment goodwill is however never reversed. Impairment is reversed only to the extent the carrying amount of the assets following the reversal does not exceed the carrying amount that the asset would have had if the impairment had not been recognised, taking into account the amortisation that would have been recognised.

Impairment losses on loans and receivables carried at amortised cost are reversed if a subsequent increase in the recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

### **CAPITAL PAYMENTS TO SHAREHOLDERS**

#### *Repurchase of shares*

Purchase of such instruments is reported as a deduction in retained earnings. Payment from sales of equity instruments is recognised as an increase of shareholder's equity. Any transaction expenses are charged directly to equity.

#### *Dividends paid*

Dividends are recognised as a liability after the Annual General Meeting has approved the dividend

### **EARNINGS PER SHARE**

Earnings per share are based on the Group's net earnings for the year attributable to the parent company's shareholders and the weighted average number of shares outstanding during the year, with respect to purchases completed.

### **EMPLOYEE BENEFITS**

#### *Defined-contribution pension plans*

Defined-contribution pension plans are classified as those plans for which the company's obligation extends only to the contributions the company has committed to pay. In such cases, the size of the employee's pension is determined by the contributions the company pays to the plan or to an insurance company and the return on capital yielded by the contributions. Consequently, it is the employee that carries the actuarial risk (that compensation is lower than expected) and the investment risk (that the invested assets will be insufficient to cover the expected compensation). Obligations concerning the contributions to the defined-contribution plans are recognised as an expense in the profit or loss for the year at the rate they are earned as the employees perform their work.

#### *Defined-benefit pension plans*

The Group's net obligation regarding defined-benefit pension plans is calculated separately for each plan by estimating the future compensation that the employees have earned through their employment in both present and previous periods; this compensation is discounted to present value. The discount rate is the interest rate on balance sheet date for a first-class corporate bond with a maturity corresponding to the Group's pension obligations. When there is no active market for such corporate bonds, the market interest rate on government bonds

with a similar maturity is used instead. Calculations are carried out by a qualified actuary using the Projected Unit Credit Method. Moreover, the fair value of any plan assets is calculated on reporting day.

Actuarial gains and losses can arise when determining the obligation's present value and fair value of the plan assets. These arise either when the actual outcome differs from prior assumptions, or when an actuarial assumption changes. The corridor rule is applied. The corridor rule means that the portion of the accumulated actuarial gains and losses in excess of 10% of the higher of the obligation's present value and the fair value of plan assets is recognised in the income statement for the year over the anticipated remaining period of employment of the employees covered by the plan. Actuarial gains and losses are not recognised otherwise.

The liability recognised in the statement of financial position in respect of pensions and similar obligations is the present value of the obligation at the balance sheet date, less the fair value of the plan assets, together with adjustments for unrecognised actuarial gains or losses and unrecognised costs for past service.

When the calculation leads to an asset for the group, the carrying amount of the asset is limited to the net of unrecognised actuarial losses and unrecognised costs associated with service in previous periods and the present value of future repayments from the plan or reduced future payments to the plan. When the compensation in a plan improves, the portion of the increased compensation attributable to the employee's services in previous periods is expensed through the profit or loss for the year on a straight-line basis over the average period until the compensation is fully vested. If the compensation is fully vested, an expense is recognised directly in the profit or loss for the year.

When there is a difference between how pension expenses are determined for legal entities and the Group, a provision or receivable is reported for separate salary tax based on this difference. The current value of the provision or receivable is not calculated.

All the components included in the period's cost for a defined benefit plan are recognised in the operating income.

#### *Termination benefits*

A provision is recognised in connection with termination of staff only if the Company is clearly committed, without a realistic possibility of reversal, to a formal and detailed plan to terminate employment before the normal time. When a termination benefit is offered to encourage voluntary redundancy, a cost is recognised if it is probable that the offer will be accepted and the number of employees who accept the offer can be reliably estimated.

#### *Short-term benefits to employees*

Short-term benefits to employees are calculated without discounting and recognised as costs when the related services are received. A provision is recognised for the expected cost of bonuses when the Group has a contractual obligation or informal obligation to make such payments when the services received from the employee and the obligation can be reliably calculated.

### **PROVISIONS**

Provisions are different from other liabilities because the time of payment and the amount of the payment are uncertain. A provision is reported in the statement of financial position when the Group has a legal or informal obligation owing to a past event and it is likely that an outflow of economic resources will be required to settle the obligation and a reliable estimate of the amount can be made.

Provisions are measured at the best estimate of the amount required to settle the obligation at the reporting date. Where it is important when in time payment is made, provisions are estimated by discounting the expected future cash flow at a pre-tax interest rate that reflects current market estimates of the time value of money and, where appropriate, the risks associated with the liability.

A provision for losses is reported when the underlying products or services are sold. The provision is based on historic data on losses and a total appraisal of feasible outcomes in relation to the probabilities associated with the outcome.

### **AVAILABLE-FOR-SALE ASSETS AND DISCONTINUED OPERATIONS**

The implication of a fixed asset (or a disposal group) classified as held for sale is that its reported value will be recovered principally through a sale and not through use.

Immediately prior to classification as held for sale, the reported value of the assets (and all assets and liabilities in a disposal group) is determined in accordance with applicable accounting stand-

ards. When initially classified as available-for-sale, fixed assets and disposal groups are recognised at the lower of their carrying amount and fair value with deductions for selling costs. The following assets, individually or as part of a disposal group, are exempt from the above-described measurement rules:

- Deferred tax assets
- Financial assets under the scope of IAS 39 Financial Instruments: Recognition and Measurement

A gain is recognised for each increase in fair value less deductions for selling costs. This gain is limited to an amount that corresponds to all other previous impairment losses.

Losses resulting from a change in value upon initial classification as available-for-sale are recognised in the profit or loss for the year. Subsequent changes in value, both gains and losses, are also recognised in the profit or loss for the year.

A discontinued operation is part of a company's operations that represents an independent business area or significant operations within a geographic area or a subsidiary acquired exclusively with the intent to resell. An operation is classified as discontinued upon disposal or at an earlier date when it meets the criteria for classification as available-for-sale.

Profit after tax from a discontinued operation is presented as a separate line item in the statement of comprehensive income. When an operation is classified as discontinued, the presentation of the comparative year's statement of comprehensive income changes so that it is recognised as if the discontinued operation were sold at the beginning of the comparative year. The presentation of the statement of financial position for the current and previous years does not change in a corresponding way.

#### **CONTINGENT LIABILITIES**

A contingent liability is reported when there is a possible obligation that stems from past events and the existence of which will be confirmed only by one or more uncertain future events, or when there is an obligation that is not recognised as a liability or provision because it is not possible that an outflow of resources will be required.

#### **PARENT COMPANY ACCOUNTING POLICIES**

The parent company has prepared its Annual Report as required by the Swedish Annual Accounts Act (1995:1554) and recommendation RFR 2 Accounting for Legal Entities (September 2011) issued by the Swedish Financial Reporting Board. In addition, the Swedish Financial Accounting Council's pronouncements for listed companies are applied. RR 2 means that the Parent Company in the annual accounts for the legal entity must apply all IFRS and interpretations adopted by the EU as long as this is possible within the framework of the Swedish Annual Accounts Act, the Swedish Pension Obligations Vesting Act and taking into account the connections between reporting and taxation. The recommendation specifies exemptions and additions relative to IFRS.

##### *Amended accounting policies*

The parent company has applied the same accounting policies for 2011 as for 2010, except for reporting of group contributions. The Swedish Financial Reporting Board has withdrawn UFR 2 Group contributions and owner contributions and replaced it with regulations in RFR 2. The parent company has elected to report both issued and received Group contributions in net financial items under Income from investments in Group companies and applies this policy retroactively for the comparative year too. Any tax effect from Group contributions is recognised in the income statement under Taxes. Issued and received Group contributions were formerly recognised in OCI including related tax effects.

##### *Differences between the Group's and Parent Company's accounting policies*

Differences between the Group and Parent Company's accounting policies are described below. The accounting principles for the Parent Company as described below have been applied consistently to all periods presented in the Parent Company's financial statements.

##### *Classification and presentation*

An income statement and a statement of comprehensive income are presented for the Parent Company, whereas for the Group, these two reports together constitute a statement of comprehensive income. Furthermore, the terms balance sheet and cash flow statements are used for the Parent Company with regard to the reports referred to for the Group as statement of financial position and statement of cash

flow. Income statements and balance sheets for the Parent Company are drawn up in accordance with the scheme of the Swedish Annual Accounts Act, whereas the statement of comprehensive income, the statement of changes in equity and the cash flow statement are based on IAS 1 Presentation of Financial Statements and IAS 7 Statement of Cash Flows. The differences with the Group's statements that apply to the Parent Company's income statement and balance sheet refer primarily to reporting of financial income and expenses, non-current assets, equity and the presence of provisions as a separate heading in the balance sheet.

##### *Subsidiaries*

Investments in subsidiaries are recognised in the Parent Company using the cost method. This means that transaction expenses are included in the reported value of interests in subsidiaries. Transaction expenses in the consolidated financial statements are reported immediately in the income statement for the year.

##### *Financial assets and liabilities*

The Parent Company values non-current financial assets at acquisition cost, where applicable, less any impairment losses. Financial current assets are valued at the lower of the acquisition cost and the net realisable value. Financial liabilities are measured at amortised cost in accordance with the same policies as for the consolidated financial statements.

##### *Financial guarantee contracts*

The Parent Company's financial guarantee contracts consist of security undertaking to the benefit of subsidiaries. The Parent Company recognises financial guarantee contracts as provision in the balance sheet when the company has an obligation for which payment will probably be required to settle the obligation.

##### *Anticipated dividends*

Anticipated dividends from subsidiaries are reported when the parent company has sole right to determine the size of the dividend and the Parent Company has decided on the size of the dividend before the Parent Company has published its financial statements.

##### *Property, plant and equipment*

###### *Owned assets*

Property, plant and equipment in the Parent Company are recognised at cost after deductions for accumulated depreciations and impairment when applicable in the same way applied for the Group but with additions for revaluation of assets when applicable.

###### *Leased assets*

The Parent Company recognises all leases in accordance with the regulations for operating leases.

##### *Borrowing costs*

Borrowing costs in the parent company are charged to the income statement in the period to which they are attributed. No borrowing costs are capitalised on assets.

##### *Taxes*

The Parent Company reports untaxed reserves including deferred tax liabilities. In the consolidated financial statements however, untaxed reserves are divided between deferred tax liability and shareholders' equity.

##### *Owner contributions*

Owner contributions are charged directly to equity for the receiver and capitalised in shares and contributor participations, to the extent that impairment is not required.

## NOTE 2. OPERATING SEGMENTS

The Group's operations are divided into operating segments based on the business areas for which the company's chief operating decision maker, the Group management, monitors the profit, returns and cash flows that the Group's various segments generate. From January 2011, the Group has undergone a reorganisation and is primarily managed as three market regions, i.e. Sweden, Finland and the Baltic States, and Denmark, Norway, the UK and Central Eastern Europe. The purpose of the new organisation is to consolidate OEM's long-term competitive edge and increase growth outside of Sweden. Before 2011, OEM was a matrix organisation with product and country lines, grouped into three divisions: Automation, Components and Production Technology. The Production Technology Division was discontinued in 2010. The focus was moved from the product organisation to the market regions. Each operating segment in the form of a market region has one manager, except for Sweden which has two managers who are responsible for the day-to-day operations and who provide the Group management with regular reports on the performance of the segment and resource requirements. The Group's internal reporting system is designed to allow the Group management to monitor the performance and results of each of the market regions. The Group's segments have been identified using data from this internal reporting system, and the different areas have been assessed in order to merge segments that are similar. This means that segments have been aggregated if they share similar economic characteristics, such as long-term gross margins and have similar product areas, customer categories and methods of distribution.

In the segments' profit, assets and liabilities are included directly attributable items and items that can be distributed to the segment

in a reasonable and reliable manner. Non-distributed items consist of interest and dividend income, gains from the sale of financial investments, interest expenses, losses from the sale of financial investments, tax expenses and general administration expenses. Assets and liabilities not distributed to the segments are deferred tax claims and deferred tax liabilities. The segment's investments in property, plant and equipment and intangible fixed assets include all investments except for investments in expendable equipment and minor value assets. Internal prices between the Group's different segments are set using the "arm's-length principle", i.e. between parties who are independent of each other, well informed and with an interest in completing the transactions. Basically all income comes from product sales, consisting of industrial automation components in the product areas of electrical components, flow components and installation, and components for electronics and electromechanics in the product areas of bearings, seals and appliance components. Customers include machinery and appliance manufacturing industries, wholesalers, electrical contractors, catalogue distributors, strategic end users and electronics manufacturers and strategic contract manufacturers in northern Europe.

Other operations include the parent company, owning the shares in underlying companies, property companies owning operating properties where the Group conducts its business. The Parent Company is to be an active owner and develop the subsidiaries. In addition to clear management-by-objectives, this means offering expertise and resources in the fields of IT, financial control, HR administration, market communication, quality and environmental control, and warehouse management.

YEAR 2011									
		Sweden	Finland and the Baltic States	Denmark, Norway, the United Kingdom and Central Eastern Europe	Production Technology (discontinued)	Other operations and eliminations	Total consolidated	Deducted Production Technology	Continuing operations
<b>INCOME</b>									
<b>External sales</b>	<b>1 036,6</b>	<b>228,9</b>	<b>323,7</b>		<b>1,7</b>	<b>0,4</b>	<b>1 591,3</b>	<b>-1,7</b>	<b>1 589,6</b>
Internal sales	66,0	2,4	3,7		-	-72,1	-	-	-
Total income	1 102,6	231,3	327,4		1,7	-71,7	1 591,3	-1,7	1 589,6
<b>PROFIT</b>									
<b>Operating profit/loss</b>	<b>139,4</b>	<b>22,1</b>	<b>21,9</b>		<b>2,2</b>	<b>-9,6</b>	<b>176,0</b>	<b>-2,2</b>	<b>173,8</b>
Financial items						-1,4	-1,4		-1,4
Tax expenses						-46,7	-46,7		-46,7
Net profit/loss for the year	139,4	22,1	21,9		2,2	-57,7	127,9	-2,2	125,7
<b>OTHER INFORMATION</b>									
Assets	539,5	87,3	152,8		21,1	210,0	1 010,7	-21,1	989,6
Liabilities	299,8	38,0	67,8		0,6	-99,8	306,3	-0,6	305,7
Investments intangible and equipment	28,1	-	8,7		-	7,6	44,5	-	44,5
Investments property, plant and equipment	3,9	0,6	1,3		-	18,5	24,2	-	24,2
Amortisation of intangible and equipment	5,5	2,3	3,9		-	1,4	13,0	-	13,0
Depreciation of property, plant and equipment	3,8	0,9	2,2		-	8,5	15,4	-	15,4

**YEAR 2010**

	Sweden	Finland and the Baltic States	Denmark, Norway, the United Kingdom and Central Europe	Production Technology (discontinued)	Other operations and eliminations	Total consolidated	Deducted Production Technology	Continuing operations
<b>INCOME</b>								
External sales	904,6	215,1	310,0	48,0	0,7	1 478,4	-48,0	1 430,4
Internal sales	59,9	2,8	1,1	5,9	-69,7	-	-	-
Total income	964,5	217,8	311,1	54,0	-68,9	1 478,4	-48,0	1 430,4
<b>PROFIT</b>								
Operating profit/loss	112,9	19,7	18,0	-6,9	-12,4	131,4	6,9	138,3
Financial items					-1,8	-1,8	-	-1,8
Tax expenses				2,4	-36,5	-34,1	-2,4	-36,5
Net profit/Loss for the year	112,9	19,7	18,0	-4,5	-50,7	95,5	4,5	100,0
<b>OTHER INFORMATION</b>								
Assets	443,2	84,5	143,9	29,4	215,5	916,5	-29,4	887,1
Liabilities	227,4	39,1	61,5	4,1	-45,0	287,1	-4,1	283,0
Investments intangible and equipment	9,9	-	-	-	3,6	13,5	-	13,5
Investments property, plant and equipment	6,1	0,5	0,6	-	12,4	19,6	-	19,6
Amortisation of intangible and equipment	3,5	2,4	4,3	-	0,8	11,0	-	11,0
Depreciation of property, plant and equipment	4,1	1,1	2,8	0,3	8,6	16,9	-0,3	16,6

**GEOGRAPHIC AREAS**

	External sales		Assets*		Investments	
	2011	2010	2011	2010	2011	2010
Sweden	1 028,4	897,8	234,8	201,2	53,2	31,3
Denmark	96,8	95,6	32,4	35,1	0,2	0,0
United Kingdom	85,1	78,1	26,5	17,8	10,4	0,4
Finland	209,2	197,3	21,1	22,0	2,9	0,3
The Netherlands	2,7	3,1	0,8	0,4	0,5	0,5
Norway	48,5	52,3	0,0	0,0	0,0	-
Poland	55,0	52,1	0,7	1,1	0,2	0,2
Estonia	17,8	15,8	0,2	0,2	0,2	0,2
Latvia	0,2	0,1	-	-	-	-
Lithuania	1,8	1,9	-	-	-	-
Czech Republic	32,3	28,9	10,0	11,3	0,0	0,1
Slovakia	6,1	3,3	0,1	-	0,1	-
Hungary	-	-	0,1	-	0,2	-
China	5,9	4,0	0,2	0,1	0,1	0,0
<b>Sum total</b>	<b>1 589,6</b>	1 430,4	<b>326,8</b>	289,2	<b>68,0</b>	32,9

\* Relates to intangible fixed assets and property, plant and equipment.

### NOTE 3. OTHER OPERATING INCOME

	THE GROUP		PARENT COMPANY	
	2011	2010	2011	2010
Remeasurement of contingent consideration	0,3	–	–	–
<b>Sum total</b>	<b>0,3</b>	–	–	–

### NOTE 4. ACQUISITION OF OPERATIONS

As of 1 March, 2011, all Echobeam Ltd. shares had been acquired. Echobeam Ltd. reports sales of approximately SEK 12 million and markets electrical components in the United Kingdom. The company was merged with OEM Automatic Ltd. during the spring of 2011. The company became part of the Denmark, Norway, UK and Central Eastern Europe region. The consideration for the acquired business was SEK 4.7 million and a contingent consideration, based on how the business develops in 2011, amounted to SEK 2.2 million. The effect of the acquisition on the Group's sales during the year is approx. SEK 8 million and on the profit before tax approx. SEK 1 million. If the acquired unit had been consolidated from the beginning of the year, the effect on the net sales and the profit before tax would have been approx. SEK 10 million and SEK 1.3 million respectively.

As of 1 April, 2011, all shares in Svenska Helag AB had been acquired. Svenska Helag produces and markets connection technology components for electrical systems and electronics. The company reported sales of SEK 21 million in 2010. This acquisition will strengthen OEM's range of products within connection technology. The consideration is SEK 10 million and a contingent consideration, based on how the company develops in 2011 and 2012, is estimated at SEK 3.8 million. The effect of the acquisition on the Group's sales during the year is approx. SEK 15 million and on the profit before tax approx. SEK 1.2 million. If the acquired unit had been consolidated from the beginning of the year, the effect on the net sales and the profit before tax would have been approx. SEK 23 million and SEK 1.6 million respectively.

OEM Electronics AB has acquired Scapro AB's components sales business. The take-over date was 1 June 2011. The business reports annual sales of approximately SEK 30 million and the product range includes keyboards, capacitors and ferrites. The acquisition is an asset deal where OEM acquires stock of goods, intangible assets such

as brands, customer and supplier agreements, etc. The consideration amounts to approximately SEK 2.7 million plus a contingent consideration, based on how the business develops in 2011. The acquisition had a marginal positive impact on OEM's profit for 2011.

As of 1 October, 2011, all shares in Svenska Batteripoolen i Borlänge AB had been acquired. Svenska Batteripoolen markets batteries in Sweden and reports annual sales of approximately SEK 17 million. The acquisition strengthens OEM's position in the Swedish battery market. The consideration is SEK 4 million and a contingent consideration, based on how the company develops in 2012 and 2013, is estimated at SEK 2.4 million. The effect of the acquisition on Group turnover during the year is SEK 4 million and about SEK -0.3 million on earnings before tax. If the acquired unit had been consolidated from the beginning of the year, the effect on the net sales and the profit before tax would have been approx. SEK 16 million and SEK 0 million respectively.

As of 1 December, 2011, all Flexitron AB shares had been acquired. Flexitron AB markets electronic and automation components and reports annual sales of approximately SEK 26 million. Through this acquisition, the Group expands its range with complementary products. The consideration is SEK 11 million. The acquisition had a marginal positive impact on OEM's profit in 2011. The effect of the acquisition on Group turnover during the year is about SEK 1.6 million and about SEK 0.0 million on earnings before tax. If the acquired unit had been consolidated from the beginning of the year, the effect on the net sales and the profit before tax would have been approx. SEK 19 million and SEK 0.3 million respectively.

The acquisition of all shares in All Motion Technology AB in 2010 has developed well. On 1 January, 2011, operations were transferred to the sister company OEM Motor AB. The acquired business sales were approximately SEK 32 million in 2011.

### EFFECTS OF ACQUISITION

Net assets of the acquired company on acquisition:

	2011	2010
Intangible assets	27,0	3,2
Other non-current assets	0,5	–
Inventories	14,3	5,2
Trade and other receivables	11,0	7,0
Cash and cash equivalents	2,9	2,2
Interest-bearing liabilities	-3,5	-1,5
Accounts payable and other operating liabilities	-13,1	-5,2
Deferred tax liabilities	-8,1	-1,4
<b>Net identifiable assets and liabilities</b>	<b>31,0</b>	9,5
Consolidated goodwill	9,8	2,0
<b>Consideration transferred</b>	<b>40,8</b>	11,5

### Goodwill

Goodwill is attributable to the benefits of co-ordination with existing units within the Group OEM Automatic and good profitability.

The value of the goodwill is not tax deductible.

## (CONT. NOTE 4.)

### Acquisition-related expenses

Acquisition-related expenses amount to SEK 0.2 million (0.2) and relate to consultancy fees for due diligence.

These expenses have been recognised as other operating expenses in the Statement of Comprehensive Income.

	2011	2010
<b>Consideration transferred</b>		
Service fees paid	25,4	7,6
Due in accordance with agreement	7,0	1,9
Contingent consideration due	8,4	2,0
<b>Consideration transferred</b>	<b>40,8</b>	11,5

### Contingent consideration

It is stated in the acquisition agreements that a contingent consideration will be payable to the vendors based on the development of the contribution margin or performance.

The maximum amount of the contingent consideration can be SEK 11.6 million and is estimated at SEK 8.4 million in the preliminary acquisition calculation.

The contingent consideration has been calculated using weighted probability techniques.

### Remeasurement of contingent consideration

Developments in previously implemented acquisitions have resulted in revaluation of contingent considerations that have decreased by SEK 0.3 million.

This amount had a positive impact of SEK 0.3 million on profit for the year.

### EFFECTS OF ACQUISITIONS BEFORE 2010

	2011	2010
Inventories	–	–
Deferred tax liabilities	–	–
Current liabilities	–	–
<b>Net identifiable assets and liabilities</b>	<b>0,0</b>	0,0
Consolidated goodwill	–	4,7
<b>Consideration transferred</b>	<b>0,0</b>	4,7
Due in accordance with agreement	–	7,2
Cash and cash equivalents	–	–
Payment	-7,2	-5,1
<b>Net effect of cash and cash equivalents</b>	<b>-7,2</b>	-5,1

Other information about intangible assets, refer to Note 13.

### 2011

Contingent consideration, Elektro Elco AB in Sweden

Contingent consideration for 2010 was SEK 7.2 million and was paid in 2011.

Total consideration for the acquisition was SEK 68.1 million.

### 2010

Contingent consideration, Elektro Elco AB in Sweden

The contingent considerations for the acquisition of Elektro Elco were due for payment for 2009 and 2010

The contingent consideration for 2010 will amount to SEK 7.2 million and will be paid in 2011.

The contingent consideration in the annual financial statements for 2010.

## NOTE 5. DISCONTINUED OPERATIONS

On 1 June, 2010, OEM wound up the operations of its former division Production Technology. The deal comprised a transfer of the assets and liabilities of the division, where the buyer took over the stock-in-trade, equipment, customer and supplier agreements and intangible values of the division. The consideration amounted to approximately SEK 5 million plus a contingent consideration, based on the opera-

tions' contribution margin through 31 May 2012. At the close of the 2010 financial year, the contingent consideration was estimated at SEK 3 million. The value of the contingent consideration through 2011 amounted to SEK 4.6 million.

### PROFIT/LOSS FROM DISCONTINUED OPERATIONS

	<b>2011</b>	<b>2010</b>
<i>Operating profit from the discontinued operation</i>		
Income	0,1	45,0
Costs	0,5	-54,9
Profit/loss before tax	0,6	-9,9
 Tax	 0,4	 3,2
Profit after tax	1,0	-6,7
 <i>Profit from the sale of the discontinued operation</i>		
Capital gains on divestment of the discontinued operation.	1,6	3,0
Tax attributable to the above capital gain	-0,4	-0,8
Profit from divestment after tax	1,2	2,2
 <b>Profit after tax from discontinued operation</b>	<b>2,2</b>	<b>-4,5</b>
 <b>Earnings per share from discontinued operations (SEK)</b>	<b>0,10</b>	<b>-0,19</b>
Profit/loss from discontinued operations is attributable to the shareholders of the parent company.		
 <b>Net cash flow from discontinued operations</b>		
Operating activities	<b>4,8</b>	-15,8
Investing activities	-	5,3
Financing activities	-	8,3
 <b>Effect of the divestment on individual assets and liabilities in the Group</b>		
Property, plant and equipment	-	-1,8
Inventories	-	-3,9
Other liabilities	-	1,0
 <b>Divested assets and liabilities, net</b>	<b>0,0</b>	<b>-4,7</b>
Consideration received	1,5	4,7
 <b>Impact on cash and cash equivalents</b>	<b>1,5</b>	<b>4,7</b>

## NOTE 6. EMPLOYEES AND STAFF COSTS

<b>AVERAGE NO. OF EMPLOYEES, PARENT COMPANY</b>		<b>2011</b>	<b>Whereof men</b>	<b>2010</b>	<b>Whereof men</b>
Sweden	18		89%	17	88%
<b>SUBSIDIARIES</b>					
Sweden	320		78%	292	78%
Denmark	27		78%	29	83%
United Kingdom	31		87%	27	89%
Estonia	2		100%	2	100%
Finland	69		81%	62	82%
The Netherlands	2		50%	2	50%
China	24		79%	20	80%
Latvia	–		–	–	–
Lithuania	1		100%	1	100%
Norway	18		89%	16	88%
Poland	35		83%	34	85%
Slovakia	3		100%	1	100%
Czech Republic	19		74%	15	80%
Hungary	2		100%		
<b>Total in subsidiaries</b>	<b>553</b>		<b>80%</b>	501	80%
<b>Group total</b>	<b>571</b>		<b>80%</b>	518	81%

<b>SALARIES, OTHER REMUNERATION AND SOCIAL SECURITY EXPENSES</b>		<b>2011</b>	<b>2010</b>		
		<b>Salaries and remuneration</b>	<b>Social security expenses</b>	<b>Salaries and remuneration</b>	<b>Social security expenses</b>
Parent Company	13,3		6,5	12,8	6,4
(Whereof pension expenses)			(1,9)		(2,0)
Subsidiaries	187,2		65,8	179,9	59,0
(Whereof pension expenses)			(16,5)		(15,2)
<b>Group total</b>	<b>200,5</b>		<b>72,2</b>	192,7	65,4
(Whereof pension expenses)			(18,4)		(17,2)

<b>SALARIES AND OTHER REMUNERATION ACROSS THE PARENT COMPANY AND SUBSIDIARIES AND BETWEEN SENIOR EXECUTIVES AND OTHER EMPLOYEES</b>		<b>2011</b>	<b>2010</b>		
		<b>Senior Executives</b>	<b>Other employees</b>	<b>Senior Executives</b>	<b>Other employees</b>
<i>Parent Company</i>					
Sweden, of which senior executives 10 people (10)	8,3		5,0	7,7	5,1
(Whereof bonus)	(2,1)			(1,9)	
<i>Subsidiaries total, of which senior executives 17 people (14)</i>	13,3		174,2	13,8	166,1
(Whereof bonus)	(1,9)			(2,0)	
<b>Group total, of which senior executives 27 people (24)</b>	<b>21,6</b>		<b>179,2</b>	21,5	171,2
(Whereof bonus)	(4,0)			(3,9)	

Pension premiums to the amount of SEK 3.1 million (2.6) have been paid for the category senior executives.

## REMUNERATION FOR SENIOR EXECUTIVES AND BOARD MEMBERS, GROUP MANAGEMENT

	2011					2010				
	Base pay, board fee	Variable remune- ration	Other benefits	Pension expenses	Sum total	Base pay, board fee	Variable remune- ration	Other benefits	Pension expenses	Sum total
Lars-Åke Rydh, Chairman of the Board	0,3	–	–	–	0,3	0,2	–	–	–	0,2
Ulf Barkman, Board Member	0,2	–	–	–	0,2	0,2	–	–	–	0,2
Hans Franzén, Board Member	0,2	–	–	–	0,2	0,2	–	–	–	0,2
Jerker Löfgren, Board Member	0,2	–	–	–	0,2	0,2	–	–	–	0,2
Petter Stillström, Board Member	0,2	–	–	–	0,2	0,2	–	–	–	0,2
Agne Svensberg, Board Member	0,2	–	–	–	0,2	0,2	–	–	–	0,2
Jörgen Zahlin, CEO	2,7	1,5	–	0,6	4,8	2,6	1,4	–	0,6	4,6
	<b>3,9</b>	<b>1,5</b>	–	<b>0,6</b>	<b>6,0</b>	3,6	1,4	–	0,6	5,6
Other senior executives, 6 persons (6) *	5,5	1,7	0,2	1,4	8,8	5,5	1,5	0,2	1,4	8,6
<b>Sum total</b>	<b>9,4</b>	<b>3,1</b>	<b>0,2</b>	<b>2,0</b>	<b>14,8</b>	9,1	2,9	0,2	2,0	14,2

\* Of the other senior executives, three (three) people receive remuneration from subsidiaries. This remuneration is included at an amount of SEK 4.3 million (4.2). Pension expenses correspond to SEK 0.8 million (0.8).

### CEO/Managing Director

Pension expenses are defined contribution. There are no other pension obligations. As in previous years, the variable compensation pay is based on the performance levels attained. SEK 1.5 million was paid in variable compensation in 2011, corresponding to 58% of fixed salary. Variable compensation payment totalled SEK 1.4 million in 2010. Bonus could be paid at a maximum of 58% of basic pay. The period of notice for the Managing Director is 24 months from the Company's side, with the obligation to work, and 6 months from the Managing Director's side. Retirement age for the Managing Director is 60 years. The CEO/ Managing Director's salary and remuneration is set by the Board.

### Other Senior Executives

Pension expenses are defined contribution. There are no other pension obligations. Variable compensation payment totalled SEK 1.7 million in 2011. Variable compensation payment totalled SEK 1.5 million in 2010. Variable remuneration can, based on the attained profit level, be paid at a maximum of 40% of the basic pay. The period of notice for other senior executives is maximum 12 months on the Company's part, with the obligation to work, and maximum 6 months on the employee's part. If the company serves notice after the age of 55 years, the period of notice is increased by an

additional six monthly salaries. There is an exception in an agreement signed in 2001, whereby severance pay, amounting to a further six (6) monthly salaries, may be made upon termination by the company when the employee reaches the age of 55. Retirement age for other senior executives is between 60 and 65 years.

### Guidelines for remuneration and other employment conditions for senior executives

The Annual General Meeting decided on guidelines for senior executives, according to which the Company's management is to apply market-rate salaries and other remuneration terms. In addition to a base salary, management can also receive variable remuneration, which can amount to a maximum 58% of the basic pay. Senior executives are to have market-rate pension contribution terms, which are premium-based and may amount, as a maximum, to the scheme with Alesta's ITP 1 solution. The period of notice may not exceed 24 months and involves the obligation to work during the period of notice. Employment agreements shall not contain provisions for severance pay. There is an exception in an agreement signed in 2001, whereby severance pay, amounting to a further six (6) monthly salaries, may be made upon termination by the company when the employee reaches the age of 55.

## GENDER DISTRIBUTION

Board of Directors  
Other Senior Executives

THE GROUP (Share of women)		PARENT COMPANY (Share of women)	
2011	2010	2011	2010
0%	0%	0%	0%
0%	0%	0%	0%

## NOTE 7. FEES AND REIMBURSEMENT OF EXPENSES TO THE AUDITORS

	THE GROUP		PARENT COMPANY	
	2011	2010	2011	2010
<b>KPMG</b>				
Audit assignments	1,3	1,8	0,4	0,3
Audit activities other than the audit assignment	0,1	0,1	0,1	0,1
Tax counselling	–	0,1	–	0,1
Other assignments	0,2	0,2	0,2	0,2
	<b>1,6</b>	2,2	0,8	0,7
<b>OTHER AUDITORS</b>				
Audit assignments	0,4	0,4		
<b>Sum total</b>	<b>2,0</b>	2,6	0,8	0,7

*Audit assignments refer to the auditing of the Annual Report, the consolidated financial statements, the accounting records and the administration by the Board of Directors and the Managing Director; other tasks that are the duty of the Company's auditors, as well as advice and other assistance resulting from observations made during such audits or the performance of such other duties. Tax counselling refers to all consultations in the area of tax.*

*"Other assignments" refers to advice on accounting matters and advice on processes and internal control.*

## NOTE 8. DEPRECIATION/AMORTISATION OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE FIXED ASSETS

	THE GROUP		PARENT COMPANY	
	2011	2010	2011	2010
Customer relations	-3,4	-2,3	–	–
Trademarks	-5,1	-5,2	–	–
Supplier relations	-3,1	-2,7	–	–
Expenses brought forward for software	-1,4	-0,8	-1,4	-0,8
Buildings and land	-4,6	-4,4	-0,6	-0,6
Equipment, tools and installations	-10,8	-12,2	-1,1	-1,2
<b>Sum total</b>	<b>-28,4</b>	-27,6	-3,2	-2,6

## NOTE 9. INVESTMENT IN GROUP COMPANIES

	PARENT COMPANY	
	2011	2010
Dividends received	17,2	31,0
Capital gains on liquidation	2,8	0,1
Write-off shares	-12,3	-10,0
Group contributions received	124,6	92,3
Group contributions paid	-0,8	-4,2
<b>Sum total</b>	<b>131,5</b>	109,2

## NOTE 10. FINANCIAL INCOME/OTHER INTEREST INCOME AND SIMILAR INCOME ITEMS

	THE GROUP		PARENT COMPANY	
	2011	2010	2011	2010
Interest income on bank balance	2,5	1,0	2,1	1,1
<b>Sum total</b>	<b>2,5</b>	1,0	2,1	1,1

## NOTE 11. FINANCIAL EXPENSES/INTEREST EXPENSES AND SIMILAR INCOME ITEMS

	THE GROUP		PARENT COMPANY	
	2011	2010	2011	2010
Interest expenses on other liabilities	-3,5	-2,7	-	-
Other financial costs	-0,4	-0,1	-	-
<b>Sum total</b>	<b>-3,9</b>	-2,8	0,0	0,0

## NOTE 12. TAXES

### RECOGNISED IN STATEMENT OF COMPREHENSIVE INCOME/INCOME STATEMENT

	THE GROUP		PARENT COMPANY	
	2011	2010	2011	2010
Current tax	-38,2	-34,7	-25,1	-20,0
Deferred tax	-8,5	-1,8	-0,1	-0,1
<b>Total recognised tax expenses</b>	<b>-46,7</b>	-36,5	-25,2	-20,1

### LINK BETWEEN TAX EXPENSES FOR THE YEAR AND INCOME BEFORE TAX

Reported income before tax	172,4	136,5	101,5	95,3
Applicable tax rate for income tax in each country	-45,9	-35,9	-26,7	-25,1
Non-taxable share dividends	-	-	4,5	8,1
Non-taxable income	-	-	0,7	0,1
Other taxable income/non-deductible items	-0,8	-0,6	-3,8	-3,2
<b>Total recognised tax expenses</b>	<b>-46,7</b>	-36,5	-25,2	-20,1

### DEFERRED TAX CLAIMS

Deficit deductions	0,4	3,1	-	-
Other	1,8	0,8	-	-
<b>Total deferred tax claims</b>	<b>2,2</b>	3,9	-	-

### DEFERRED TAX LIABILITY

Intangible assets	15,8	11,2	-	-
Buildings and land	5,5	4,6	2,0	1,9
Untaxed reserves	44,1	34,6	-	-
<b>Total deferred tax liability</b>	<b>65,4</b>	50,5	2,0	1,9

The Group holds SEK 0.5 million (0.2) in non-capitalised deferred tax assets equivalent to loss carryforwards which, when measured using the probability-weighted average amounts of possible outcomes, cannot be considered available for use because the surplus cannot be offset against these within a reasonable future period.

The acquisition of subsidiaries affected the deferred tax liability by SEK 8.1 million (1.4).

## NOTE 13. INTANGIBLE FIXED ASSETS

### THE GROUP

	2011					2010				
	Goodwill	Trademarks	Customer relations	Supplier relations	Other	Goodwill	Trademarks	Customer relations	Supplier relations	Other
<b>ACCUMULATED ACQUISITION VALUES</b>										
At beginning of year	60,8	42,2	11,0	23,5	8,1	56,7	43,6	12,1	22,0	4,6
New acquisitions	9,8	–	19,7	7,3	7,6	6,7	–	–	3,2	3,5
Exchange rate differences for the year	-0,1	–	–	-0,1	-0,1	-2,6	-1,4	-1,1	-1,7	-0,2
<b>Total cost of acquisition</b>	<b>70,5</b>	<b>42,2</b>	<b>30,7</b>	<b>30,7</b>	<b>15,7</b>	<b>60,8</b>	<b>42,2</b>	<b>11,0</b>	<b>23,5</b>	<b>7,9</b>
<b>ACCUMULATED AMORTISATION</b>										
At beginning of year	–	-12,7	-10,4	-5,2	-4,3	–	-8,2	-9,1	-3,1	-3,5
Amortisation	–	-5,1	-3,4	-3,1	-1,4	–	-5,2	-2,3	-2,7	-0,8
Exchange rate differences for the year	–	–	0,3	0,1	0,1	–	0,7	1,0	0,6	0,2
<b>Total amortisation</b>	<b>0,0</b>	<b>-17,8</b>	<b>-13,6</b>	<b>-8,2</b>	<b>-5,7</b>	<b>0,0</b>	<b>-12,7</b>	<b>-10,4</b>	<b>-5,2</b>	<b>-4,1</b>
<b>ACCUMULATED IMPAIRMENTS</b>										
At beginning of year	-6,2	–	–	–	–	-6,2	–	–	–	–
Impairments	–	–	–	–	–	–	–	–	–	–
<b>Total impairments</b>	<b>-6,2</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>-6,2</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>
<b>Booked value at end of the year</b>	<b>64,3</b>	<b>24,4</b>	<b>17,1</b>	<b>22,5</b>	<b>10,0</b>	<b>54,6</b>	<b>29,5</b>	<b>0,6</b>	<b>18,3</b>	<b>3,8</b>

### 2011

The acquisition of Echo Beach Ltd. reports the surplus value to customer relations at SEK 8.7 million. The assessed useful life of the customer relations is 5 years. This means they will be amortised at an annual rate of 20%. The acquisition of Svenska Helag AB reports the surplus value across customer relations at SEK 8.5 million and goodwill at SEK 3 million. The assessed useful life of the customer relations is 5 years. This means they will be amortised at an annual rate of 20%. The acquisition of Scapro AB's operations has not affected intangible assets. The acquisition of Svenska Batteripoolen i Borlänge AB reports the surplus value across customer relations at SEK 2.5 million and goodwill at SEK 1.8 million. The assessed useful life of the customer relations is 5 years. This means they will be amortised at an annual rate of 20%. The acquisition of Flexitron AB reports the surplus value across supplier relations at SEK 7.3 million and goodwill at SEK 5 million.

The assessed useful life of the supplier relations is 5 years. This means they will be amortised at an annual rate of 20%. New acquisitions concerning development of software are included under Other, see the Parent Company below.

### 2010

The surplus value in connection with the acquisition of All Motion Technology AB is distributed between supplier relations (SEK 3.2 million) and goodwill (SEK 2.0 million).

The assessed useful life of the supplier relations, amounting to SEK 3.2 million, is 5 years. This means they will be amortised at an annual rate of 20%. The remaining SEK 4.7 million of goodwill for new acquisitions relates to additional considerations for Elektro Elco AB.

New acquisitions concerning development of software are included under Other, see the Parent Company below.

### IMPAIRMENT TEST FOR INTANGIBLE ASSETS

The companies have performed impairment tests on cash-generating units containing goodwill and intangible assets with indefinite useful lives, which is considered to be the smallest cash-generating unit, based on the value in use of the units.

**(CONT. NOTE 13.)**

**GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES**

<b>Companies</b>	<b>2011</b>	<b>2010</b>
<i>Goodwill</i>		
Internordic Bearings AB/Indoma AB	3,0	3,0
Klitsö Processtechnic AS/OEM Automatic AS/MPX Electra ApS	17,0	17,1
Elektro Elco AB	32,5	32,5
All Motion Technology AB	2,0	2,0
Svenska Helag AB	3,0	–
Svenska Batteripoolen i Borlänge AB	1,8	–
Flexitron AB	5,0	–
	<b>64,3</b>	54,6
<i>Supplier relations with an indeterminable useful life</i>		
Telfa AB	8,8	8,8
<b>Sum total</b>	<b>73,1</b>	63,4

The above amounts relate to goodwill amounting to SEK 64.3 million (54.6) and acquired supplier relations for Telfa AB amounting to SEK 8.8 million (8.8). These are long-standing supplier relations with an indefinite useful life that are appraised as stable over the foreseeable future. The usage values are based on estimated future cash flows for a total of twenty (100) years with the starting point in the existing business plans for the next three (3) years. The principal assumptions for the measurement for all cash-generating units are assumptions about margins and volume growth. The business plans are based on experience from previous years, but take consideration to the industry forecasts for expected future trends and developments. Current market shares are expected to increase marginally in the forecast period. According to the business plans, operational growth is expected to reach approximately 2% (3) in most companies and 3% (5) in some individual companies each year. Growth has been forecast at approximately 2% (3%) for other years during the forecast period. The gross profit margins are expected to reach the same level as at the close of 2011. The forecast cash flows have been converted to a present value using a discount rate of 13% (12) before tax. The recoverable amounts for the units are in excess of their reported values. The company management is of the opinion that no reasonable changes in the key assumptions result in the estimated recoverable amounts for the units being lower than the carrying values.

**PARENT COMPANY**

<b>Expenses brought forward for software</b>	<b>2011</b>	<b>2010</b>
<b>ACCUMULATED ACQUISITION VALUES</b>		
At beginning of year	5,5	1,9
New acquisitions	7,6	3,6
<b>Total cost of acquisition</b>	<b>13,1</b>	5,5
<b>ACCUMULATED AMORTISATION</b>		
At beginning of year	-1,6	-0,8
Amortisation	-1,4	-0,8
<b>Total amortisation</b>	<b>-3,0</b>	-1,6
<b>Booked value at end of the year</b>	<b>10,1</b>	3,9
<b>ACCUMULATED EXCESS DEPRECIATION</b>		
At beginning of year	-0,8	-0,3
Annual change	-1,8	-0,5
	<b>-2,6</b>	-0,8
<b>Booked value</b>	<b>7,5</b>	3,1

Expenses brought forward for software are written off during its assessed useful life of three to five years.

## NOTE 14. PROPERTY, PLANT AND EQUIPMENT

THE GROUP	2011		2010	
	Buildings and land	Equipment, tools and installations	Buildings and land	Equipment, tools and installations
<b>ACCUMULATED ACQUISITION VALUES</b>				
At beginning of year	185,9	103,1	193,6	118,1
New acquisitions	5,5	18,3	3,5	15,9
Acquired through business acquisitions	–	3,8	–	0,2
Sales and disposals	–	-13,8	–	-24,4
Reclassifications	–	-2,0	-2,2	-1,5
Exchange rate differences for the year	-0,3	-0,2	-9,0	-5,3
<b>Total cost of acquisition</b>	<b>191,1</b>	<b>109,2</b>	185,9	103,1
<b>ACCUMULATED DEPRECIATION ACCORDING TO PLAN</b>				
At beginning of year	-36,2	-70,1	-33,9	-81,1
Acquired through business acquisitions	–	-3,2	–	-0,2
Sales and disposals	–	9,8	–	18,1
Depreciation for the year based on the cost	-4,6	-10,8	-4,4	-12,4
Reclassifications	–	3,0	–	1,2
Exchange rate differences for the year	0,1	0,2	2,1	4,3
<b>Total depreciation according to plan</b>	<b>-40,7</b>	<b>-71,1</b>	-36,2	-70,1
<b>Booked value at end of the year</b>	<b>150,4*</b>	<b>38,1</b>	149,6*	32,9

\*The value of the buildings amounts to 135,2 (139,3) for the Group and 16,3 (16,9) for the Parent Company.

Buildings and land include construction in progress, totalling SEK 5,2 million (0,0).

**(CONT. NOTE 14.)**

	2011		2010	
	Buildings and land	Equipment, tools and installations	Buildings and land	Equipment, tools and installations
<b>PARENT COMPANY</b>				
<b>ACCUMULATED ACQUISITION VALUES</b>				
At beginning of year	28,6	14,1	28,6	13,1
New acquisitions	–	2,8	–	2,6
Sales and disposals	–	-0,4	–	-1,6
	28,6	16,5	28,6	14,1
<b>ACCUMULATED DEPRECIATION ACCORDING TO PLAN</b>				
At beginning of year	-11,1	-11,1	-10,5	-11,4
Sales and disposals	–	0,4	–	1,6
The year's depreciation according to plan at acquisition values	-0,6	-1,1	-0,6	-1,3
	-11,7	-11,8	-11,1	-11,1
<b>Residual value acc. to plan at year-end</b>	16,9	4,7	17,5	3,0
<b>ACCUMULATED EXCESS DEPRECIATION</b>				
At beginning of year	–	-0,1	–	-0,2
Annual change	–	-0,6	–	0,1
	0,0	-0,7	0,0	-0,1
<b>Booked value</b>	16,9	4,0	17,5	2,9

**NOTE 15. SHARES AND PARTICIPATION IN GROUP COMPANIES**

<b>PARENT COMPANY</b>	<b>2011</b>	<b>2010</b>
<i>Booked value</i>		
At beginning of year	303,5	294,9
Acquisitions for the year	33,0	16,2
Mergers and liquidations	-16,7	-1,1
Owner contributions	–	3,5
Impairments *	-12,3	-10,0
<b>Closing balance</b>	<b>307,5</b>	<b>303,5</b>

\* Impairment of shares in subsidiaries is based on the net asset value of each subsidiary.

**(CONT. NOTE 15.)**

**SPECIFICATION OF THE PARENT COMPANY'S DIRECT AND INDIRECT SHAREHOLDINGS IN SUBSIDIARIES**

	CRN	Reg. office	No. of shares	Share of capital	Quota value	Book value 2011	Book value 2010
OEM Industrial Components AB, Sweden	556051-4514	Tranås	100 000	100%	5 000	46,2	46,2
OEM Automatic AB, Sweden	556187-1012	Tranås	–	100%			
OEM Automatic AS, Norway	–	–	–	100%			
OEM Automatic OY, Finland	–	–	–	100%			
OEM Automatic Ltd, UK	–	–	–	100%			
OEM Automatic sp.z o.o., Poland	–	–	–	100%			
IBEC B.V., Netherlands	–	–	–	100%			
Internordic Bearings AB, Sweden	556493-8024	Nässjö	–	100%			
Egevo Elektronik AB, Sweden (liquidated in 2011)	556311-3306	Stockholm	–	100%			
OEM Electronics AB, Sweden	556054-3828	Tranås	–	100%			
Pronesto AB, Sweden (liquidated in 2011)	556112-6755	Stockholm	–	100%			
OEM Electronics OY, Finland	–	–	–	100%			
Indoma AB, Sweden	556326-5171	Jönköping	–	100%			
OEM Systemteknik AB, Sweden (liquidated in 2011)	556050-9076	Stockholm	1 000	100%	100	–	1,5
A. Karlsson Industriknäck AB, Sweden (liquidated in 2011)	556163-0905	Stockholm	–	100%			
OEM Logistics AB, Sweden	556194-8521	Stockholm	2 500	100%	100	1,5	1,5
Skäggriskan AB, Sweden (liquidated in 2011)	556248-9780	Stockholm	–	100%			
OEM Electronics Production							
Technology AB, Sweden	556038-8356	Stockholm	300	100%	300	78,4	78,4
Cyncrona AB, Sweden	556296-1838	Stockholm	–	100%			
Cyncrona AS, Norway	–	–	–	100%			
Cyncrona OY, Finland	–	–	–	100%			
Cyncrona A/S, Denmark	–	–	–	100%			
Cyncrona Sp.z.o.o, Poland	–	–	–	100%			
Cyncrona Ou., Estland	–	–	–	100%			
A. Karlsson Fastigheter AB, Sweden (liquidated in 2011)	556029-8456	Stockholm	10 000	100%	1 000	–	10,3
Intermate Electronics AB, Sweden	556266-6874	Tranås	1 000	100%	100	0,6	0,6
OEM Fastighetsbolag AB, Finland	–	–	1 200	100%	FIM 1 200	1,4	1,4
OEM Property Ltd, UK	–	–	400 000	100%	GBP 400	5,1	5,1
OEM Motor AB, Sweden	556650-6498	Tranås	1 000	100%	100	0,1	0,1
Internordic Förvaltning AB, Sweden	556302-0873	Nässjö	1 000	100%	100	1,3	1,3
Telfa AB, Sweden	556675-0500	Göteborg	1 000	100%	100	10,0	10,0
OEM Eesti Ou., Estonia	–	–	10 000	100%	EEK 40	0,0	0,0
OEM Automatic spol.s.r.o. , Czech Republic	–	–	–	100%	CZK 100	15,5	23,5
OEM Control AB (liquidated in 2011)	556197-1911	Stockholm	24000	100%	2 400	0,0	4,9
OEM Automatic UAB, Lithuania	–	–	100	100%	LTL 100	0,0	0,0
OEM Automatic SIA, Latvia	–	–	20	100%	LVL 200	0,0	0,0
OEM Automatic s.r.o., Slovakia	–	–	–	100%	SKK 200	0,0	0,0
OEM Automatic Klitsö AS, Denmark	–	–	1000	100%	DKK 1,000	36,0	37,9
Elektro Elco AB, Sweden	556564-2716	Jönköping	1 000	100%	100	68,0	68,0
OEM Trading (Shanghai) Ltd	–	–	–	100%	USD 140	1,2	1,2
All Motion Technology AB	556601-7009	Täby	1 000	100%	100	8,8	11,5
Apex Dynamics Sweden AB	556771-7466	Täby	–	100%			
Echobeach Ltd, UK	–	–	–	100%			
Svenska Helag AB	556225-9639	Borås	1 020	100%	100	13,8	
Svenska Batteripoolen i Borlänge AB	556234-3722	Borlänge	2 000	100%	100	6,4	
Flexitron AB	556414-6982	Täby	5 000	100%	100	11,0	
OEM Automatic Kft, Hungary				100%		2,0	

**Sum total**

307,5 303,5

## NOTE 16. PREPAID EXPENSES AND ACCRUED INCOME

	THE GROUP		PARENT COMPANY	
	2011	2010	2011	2010
Accrued commission income, etc.	0,3	0,1	–	–
Prepaid rental costs	1,0	0,9	0,1	0,1
Prepaid insurance costs	1,9	1,8	0,2	0,2
Other prepaid expenses	6,6	5,2	2,4	2,8
<b>Sum total</b>	<b>9,9</b>	8,0	2,7	3,1

## NOTE 17. SHAREHOLDERS' EQUITY

The shares consist of Class A and Class B. The face value is SEK 1.67.

	10 voting rights	2011		2010	
		Shares	Voting rights	Shares	Voting rights
Class A shares	4 767 096	47 670 960	4 767 096	47 670 960	
Class B shares	18 402 213	18 402 213	18 402 213	18 402 213	
<b>Total number of own shares</b>	<b>23 169 309</b>	<b>66 073 173</b>	23 169 309	66 073 173	
Repurchased own shares	-61 847	-61 847	–	–	
<b>Total number of shares outstanding</b>	<b>23 107 462</b>	<b>66 011 326</b>	23 169 309	66 073 173	

### REPURCHASED OWN SHARES INCLUDED IN THE EQUITY ITEM RETAINED EARNINGS, INCLUDING PROFIT FOR THE YEAR

	Number of shares		Amounts that affected equity	
	2011	2010	2011	2010
Opening repurchased own shares	–	–	26,6	26,6
Repurchased own shares	61 847	–	-3,3	–
<b>Closing repurchased own shares</b>	<b>61 847</b>	–	<b>23,3</b>	26,6

### CAPITAL MANAGEMENT

The Board of Director's goal is to sustain stable growth and achieve a good return on total equity with minimal financial risk.

The targets for one business cycle are:

- 15% annual growth in profit
- 20% return on equity
- Equity/assets ratio will not drop below 35%

The last three years, the following results have been realised in terms of the targets:

	2011	2010	2009
Growth of operating profit	26%	86%	-48%
Return on equity	21%	17%	7%
Equity/assets ratio	63%	64%	62%

### DIVIDENDS

After the balance sheet date, the Board proposed a dividend of SEK 3.50 per share (3.00). The Board aims to propose a reasonable dividend of profits to the shareholders, by taking into account the financial position, the tax situation and any need for acquisitions or investments in the operation.

## NOTE 18. LIABILITIES TO CREDIT INSTITUTES

	THE GROUP	
	2011	2010
<i>Other long-term liabilities</i>		
Bank loan	8,7	9,2
Finance lease liabilities	11,8	8,0
<b>Sum total</b>	<b>20,5</b>	17,2
<i>Current liabilities</i>		
Bank loans and overdrafts	58,0	58,9
Current liabilities to credit institutions	2,1	1,2
Finance lease liabilities	5,0	5,3
<b>Sum total</b>	<b>65,1</b>	65,4
Liabilities that fall due for payment later than five years after balance sheet date	<b>8,7</b>	9,2

## FINANCE LEASE LIABILITIES

	THE GROUP	
	2011	2010
<i>Finance lease liabilities fall due for payment as shown below:</i>		
Within one year	5,0	5,3
Between one and five years	11,8	8,0
Later than in five years	–	–
<b>Sum total</b>	<b>16,8</b>	13,3

The finance lease liabilities relate to leasing of cars.

## NOTE 19. PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

### DEFINED-BENEFIT OBLIGATIONS AND VALUE OF PLAN ASSETS

	2011	2010
Present value of entirely or partially funded obligations	6,4	9,7
Fair value of plan assets	-3,9	-8,9
<b>Net of entirely or partially funded obligations</b>	<b>2,5</b>	0,8
<b>Net obligations before adjustments</b>	<b>2,5</b>	0,8
Accumulated unrecognised actuarial gains (+) and losses (-)	-2,0	-1,7
<b>Net amount in the Statement of Financial Position (obligations + assets -)</b>	<b>0,5</b>	-0,9
The net amount recognised in the following items in the Statement of Financial Position:		
Other financial assets	0,0	-1,1
Provisions for pensions and similar obligations	0,5	0,2
<b>Net amount in the Statement of Financial Position (obligations + assets -)</b>	<b>0,5</b>	-0,9
The net amount is split over plans in the following countries:		
Norway	0,5	-0,9
<b>Net amount in the Statement of Financial Position (obligations + assets -)</b>	<b>0,5</b>	-0,9

**(CONT. NOTE 19.)**

	<b>2011</b>	<b>2010</b>
<b>CHANGES IN THE PRESENT VALUE OF DEFINED-BENEFIT OBLIGATIONS</b>		
Obligation for defined-benefit plans as of 1 January	9,7	10,0
Pensions earned during the period	0,5	0,5
Actuarial gain and loss	0,9	-0,9
Interest on obligations	0,2	0,5
Paid benefits	-0,1	-0,4
Discontinued operations	-4,8	-
<b>Obligation for defined-benefit plans as of 31 December</b>	<b>6,4</b>	9,7
<b>CHANGE IN FAIR VALUE OF PLAN ASSETS</b>		
Fair value of plan assets as of 1 January	8,9	9,9
Contributed funds from employer	0,3	1,0
Paid benefits	-0,1	-0,4
Expected return on plan assets	0,2	0,5
Difference between expected and actual return	-0,3	-2,1
Discontinued operations	-5,2	-
<b>Fair value of plan assets as of 31 December</b>	<b>3,9</b>	8,9
<b>COST RECOGNISED IN STATEMENT OF COMPREHENSIVE INCOME</b>		
Expenses for pensions earned during the year	0,5	0,7
Interest cost	0,2	0,5
Expected return on plan assets	-0,2	-0,5
Discontinued operations	0,9	-
Other	0,1	0,1
<b>Sum total costs in Statement of Comprehensive Income</b>	<b>1,5</b>	0,8
<b>ACTUARIAL ASSUMPTIONS</b>		
The following significant actuarial assumptions have been applied when calculating the obligations: (weighted average values)		
Discount rate	3,9%	4,5%
Expected return on plan assets	4,8%	5,3%
Future salary increases	4,0%	4,0%
Future increases of pensions	0,7%	1,2%
Employee turnover	3,8%	3,8%
Expected remaining length of service	20 years	21 years

In Norway, all employees are covered by defined-benefit pension plans. SEK 0.3 million is expected to be paid in contributions for the plans and the expected return on the pension funds is expected to total SEK 0.2 million for 2012. In countries other than Sweden, all employees are covered by defined-contribution plans for which the Company pays fixed contributions to a separate legal entity and has no obligation to pay further contributions. The Group's results are charged by costs as the benefits are earned. The obligation of old age pension and family pension by a small section of the employees in Sweden is secured by an insurance policy with Alecta.

According to a statement from the Swedish Financial Reporting Boards, UFR 3, this is a defined benefit plan that covers several employers. The Company has not had access to sufficient information to make it possible to report this plan as a defined benefit plan for financial years 2011 and 2010. The pension plan according to ITP, which is secured via insurance with Alecta, is therefore reported as a defined-contribution plan. Contributions this year for pension insurance with Alecta amount to SEK 1.1 million (1.6). Alecta's excess can be allocated to the policy holders and/or the insured. At the close of 2011, Alecta's surplus, in the form of the collective consolidation level, was 113% (146). The collective consolidation level comprises the market value of Alecta's assets as a percentage of the insurance commitment calculated according to Alecta's insurance calculation premise, which does not comply with IAS 19.

Most of the employees in Sweden are covered by defined-contribution plans. The total cost of the Group's defined contribution plans was SEK 16.4 million (14.4). The Group's total cost for defined-contribution plans is SEK 1.9 million (2.0).

## NOTE 20. OTHER NON-CURRENT LIABILITIES

	THE GROUP		PARENT COMPANY	
	2011	2010	2011	2010
Other non-current, non-interest-bearing liabilities	7,4	–	7,4	–
<b>Sum total</b>	<b>7,4</b>	–	7,4	–

Other non-current liabilities relate to the long-term element of contingent considerations.

## NOTE 21. OVERDRAFT

The majority of the Swedish companies are part of a central account system with a total limit of SEK 125 million (125). The subsidiaries' balance/liability in the central account system is reported in the Parent Company, either as a receivable from, or a liability to, the subsidiaries. The total limit in the Group is SEK 293 million (289).

## PLEDGED ASSETS TO CREDIT INSTITUTES

	THE GROUP		PARENT COMPANY	
	2011	2010	2011	2010
Property mortgages	18,8	19,3	7,5	7,5
Business mortgages	61,6	63,4	–	–
<b>Sum total</b>	<b>80,4</b>	82,7	7,5	7,5

## NOTE 22. CONTINGENT LIABILITIES

The Group is currently involved in two ongoing disputes that are subject to judicial review or settlement by arbitration.

The subsidiary, OEM Automatic AB, is the defendant in ongoing arbitration proceedings at the Arbitration Institute of the Stockholm Chamber of Commerce initiated by a client of the company's products relating to alleged defects in the goods delivered. The proceedings also involve the supplier of the products to OEM Automatic AB. The arbitration is expected to be concluded in 2012. After obtaining legal opinion in the matter, the Board of OEM Automatic has disputed the claims made and has therefore not seen it necessary for a provision to be made in the accounts or to recognise an amount under contingent liabilities.

The subsidiary, Internordic Bearings AB, is involved in proceedings at a court of general jurisdiction regarding mutual creditor claims with a client of the company's products for a breach of contract claim. The client's insurance company has also taken legal action against Internordic Bearings AB following insurance compensation paid to the client. The proceedings are in progress and no decision is expected in 2012. After obtaining legal opinion in the matter, the Board of Internordic Bearings has disputed the claims made and has therefore not seen it necessary for a provision to be made in the accounts or to recognise an amount under contingent liabilities.

## NOTE 23. ACCRUED EXPENSES AND PREPAID INCOME

	THE GROUP		PARENT COMPANY	
	2011	2010	2011	2010
Accrued holiday pay	22,2	20,9	1,9	1,7
Accrued social security costs	13,0	12,0	2,0	2,3
Prepaid income	0,3	0,3	–	–
Accrued supplier inv/commercial debts	8,2	8,5	–	–
Other accrued expenses	29,7	25,1	4,9	3,6
<b>Sum total</b>	<b>73,4</b>	66,8	8,8	7,6

## NOTE 24. UNTAXED RESERVES

	PARENT COMPANY	
	2011	2010
Accumulated depreciation above plan		
At beginning of year	1,0	0,5
Accumulated depreciation above plan during the year	2,4	0,4
<b>At year-end</b>	<b>3,3</b>	<b>1,0</b>
Accruals funds		
2007 provision for taxation	14,7	14,7
2008 provision for taxation	10,0	10,0
2009 provision for taxation	26,1	26,1
2010 provision for taxation	21,0	21,0
2011 provision for taxation	25,0	25,0
2012 provision for taxation	30,0	
<b>Sum total</b>	<b>126,8</b>	<b>96,8</b>
<b>Total untaxed reserves</b>	<b>130,2</b>	<b>97,8</b>

Deferred tax constitutes SEK 34.2 million (25.7) of untaxed reserves.

## NOTE 25. FINANCIAL RISKS AND RISK MANAGEMENT

The OEM Group's primary risks are connected to currencies, supplier relations, customer credits and customer guarantees. Through matching, however, the risks have almost been completely eliminated, through risk elimination that contributes to securing a relatively stable coverage ratio over time for the Group. In addition to the named risks, the Group has a limited interest risk in the form of a cash flow risk.

OEM collaborates with about 300 suppliers and is in charge of marketing and sales activities in selected markets. OEM reaches customer groups that the suppliers would have difficulty accessing themselves, while simultaneously marketing the suppliers' products on several markets. The relationships are built on a long-standing, close collaboration.

Customer guarantees have not been a cause of any risks of practical significance. There are often corresponding rights of recourse against the supplier for provided guarantees. This management has worked well in practice and has not been the cause of any significant losses. The OEM Group's financial activities and management of financial risks is primarily performed in the Parent Company. There are frameworks for how risk management is to be conducted and for how risks are to be limited. These systems are characterised by a low risk level. The basis is the structured and efficient management of the financial risks that arise in the business.

OEM is of the opinion that the carrying values of financial assets and liabilities approximate their fair values. The Group's holdings of such financial assets that represent fixed assets are fairly limited. At the end of 2011, the book value of the financial assets of long-term

securities holdings was SEK 0.0 million (0.0) and other long-term receivables SEK 0.6 million (4.6). The Group's holding of financial assets that represent current assets amounted at year end to SEK 232 million (215) and accrued income to SEK 0.3 million (0.1) and other receivables to SEK 10.8 million (6.5). As is evident above, more than 99% of the financial assets are categorised as loans and receivables. The financial liabilities are measured at amortised cost. The Group does not have any liabilities with fixed interest. The risk of a shift in the interest rate causing a significant change in fair value for the Group is thus non-existent. The item cash and bank balance SEK 162 million (173), the overdraft item SEK 58.0 million (58.9) and other interest-bearing liabilities SEK 27.5 million (23.7) have variable interest rates and are thus exposed to cash flow risk. Overdrafts apply for one (1) year and the requirement is that the equity/assets ratio of the Group does not fall below 35%.

### LIQUIDITY RISKS

Liquidity risk relates to the risk that the Group will not be able to fulfil its obligations associated with financial liabilities. This is offset, as far as possible, by establishing a maturity profile that makes it possible to take necessary alternative actions to secure capital if necessary. Cash and bank balance at the end of the year was SEK 162 million (173) and financial current assets were SEK 232 million (215). At the close of the year, the Group's financial liabilities were SEK 227 million (220). The maturity profile is presented in the table below.

SEK million	2011				Total	2010			
	Total	Within 1 month	1-3 months	3 months-1 year		Within 1 month	1-3 months	3 months-1 year	1 year and longer
Overdraft*	58,0	–	–	58,0	–	58,9	–	–	58,9
Other interest-bearing liabilities	12,5	–	–	2,3	10,2	10,4	–	–	1,2
Accounts payable, etc.	139,4	114,7	24,6	0,2	–	137,7	111,2	26,4	0,1
Finance lease liabilities	16,8	0,4	0,8	3,7	11,8	13,3	0,4	0,8	4,1
	<b>226,7</b>	<b>115,1</b>	<b>25,4</b>	<b>64,2</b>	<b>22,0</b>	<b>220,3</b>	<b>111,6</b>	<b>27,2</b>	<b>64,3</b>
									<b>17,2</b>

\* Overdraft runs for one (1) year at a time.

## (CONT. NOTE 25.)

### INTEREST RISKS

The interest risk is low. The Group does not have any liabilities with fixed interest, and long-term receivables with fixed interest are very small. The risk of a shift in the interest rate causing a significant change in fair value for the Group is thus non-existent. The items cash and bank balance, overdrafts and other interest-bearing liabilities are exposed to cash flow risk. A one per cent change in interest would on the balance sheet date entail a change of SEK 0.7 million (0.9) in the profit.

### CURRENCY RISKS

The currency risks are primarily due to purchases being made in foreign currencies. The risks are managed by the customer contract often prescribing that the price must be adjusted in relation to any currency changes. Alternatively, the sale is carried out in the same currency as the purchase. A detailed report is given in connection with the below table.

The currency flow of the Group is attributable to imports from Europe, Asia and North America.

As long as it is possible, the Group eliminates the effects of exchange rate fluctuations by using currency clauses in the customer contract and by purchasing and selling in the same currency. On the whole, purchasing is carried out in the supplier's functional currency. The table above shows that 54% (56) of purchases in 2011 is attributable to EUR, 19% (22) to USD, 1% (1) to JPY, 4% (4) to GBP, 12% (12) to SEK and 10% (5) to other currencies.

The OEM Group manages the effects of changing exchange rates by currency clauses in the sales contract and by invoicing in the same currency as the corresponding purchase. OEM sells goods to Swedish and foreign customers and either invoices in the purchasing currency or in another currency with currency clauses with regard to the purchase currency. The currency clauses adjust 80 to 100% of the changes in the exchange rate from the sales order to the date of invoicing, depending on whether OEM receives currency compensation for the profit margin or not. There is often a threshold value, which means that exchange rate changes below 2.25% are not taken into account. Currency adjustments are made symmetrically for rising and falling currency rates.

Currency clauses and sales in the purchasing currency make up about 66% (64) of all sales contracts. Where purchasing is based on sales orders, economic hedging of currency risks is achieved in sales and purchasing. However, in many cases there is a mismatch in timing between purchase orders and sales orders. Purchase orders normally run 7-60 days prior to delivery. The customer credit period is about 30 days.

The currency adjustment clauses means that only currency changes between the time of sale and the time of invoicing affect the amount reported in Swedish Kronor. Since invoicing, in accordance with currency adjustment clauses, is carried out in SEK, there is no exchange rate difference after the date of invoicing.

OEM applies the same terms and conditions for adjusting currencies and prices for its Swedish and overseas customers. The changes in values related to the currency clauses are therefore treated consistently from the points of view of risk and accounting. A ten per cent change in exchange rates for the EUR and USD would, using a simplified model, mean about SEK 100 million in change in earnings.

The subsidiary Elektro Elco AB uses foreign exchange forward contracts. The hedged amount is USD 400,000. The market value amounted to SEK + 120,000 on 31 December 2011.

With regard to currency risk, it can be determined that OEM also has balance exposures in the form of net investment in independent foreign operations. At present, these currency risks are not hedged.

### CUSTOMER AND CREDIT RISKS

The customer credit risks are small. Defined customer limits are carefully decided and strictly applied. Short credit periods and absence of risk concentrations for individual customers, segments or geographic areas contribute to a good risk picture, one that is confirmed by the small historical customer losses. Recognised receivables are measured based on the low level of risk.

The Group has approximately 23,000 purchasing customers in total. The largest individual customer accounted for approximately 3% (2) of sales. The five largest customers accounted for 9% (7.9) of sales and the ten largest customers accounted for 13.1% (11.9) of sales. The distribution of risk is thus very good. Customer losses during the year amounted to SEK 0.3 million (1.2), which corresponds to 0.02% (0.08) of sales. The average credit period rose to approximately 43 days.

Purchases are broken down into percentages as follows:

	2011	2010
EUR	54%	56%
USD	19%	22%
GBP	4%	4%
JPY	1%	1%
SEK	12%	12%
Other currencies	10%	5%
	<b>100%</b>	100%

### Exchange rate changes significant currencies

Currency	Weighted average 2011	Weighted average 2010	Change
EUR 1	8,99	9,53	-6%
USD 1	6,44	7,17	-10%
GBP 1	10,34	11,12	-7%
JPY 1	8,14	8,23	-1%

The sensitivity of the translation exposure to changes in the exchange rate is explained below:

Currency	Nominal amount SEK million	Sensitivity analysis +/- 5% in exchange rate Impact on the Group's shareholders' equity	
		2011	2010
CZK	12,7	0,6	
DKK	17,0	0,9	
EUR	66,9	3,3	
GBP	29,1	1,5	
NOK	10,8	0,5	
PLN	5,0	0,3	
HUF	1,0	0,0	
LVL	0,0	0,0	
LTL	-0,4	0,0	
CNY	0,6	0,0	
<b>Sum total</b>	<b>142,7</b>	<b>7,1</b>	

### Exchange rates used in the preparation of the accounts to translate the income statements and net assets of foreign subsidiaries

Currency	Weighted average 2011	December 2011	Weighted average 2010	December 2010
NOK 100	115,29	114,55	118,70	114,70
DKK 100	120,70	119,93	128,10	120,35
EUR 1	8,9869	8,9097	9,5344	8,9670
GBP 1	10,3411	10,6368	11,1173	10,5075
PLN 1	2,1749	2,0159	2,3681	2,2550
EEK 1	-	-	0,6100	0,5735
CZK 1	0,3635	0,3439	0,3746	0,3529
LTL 1	2,603	2,5808	2,7631	2,6000
LVL 1	12,6197	12,6394	13,3492	12,5300
HUF 100	3,2287	2,8528	-	-

**(CONT. NOTE 25.)**

**AGE ANALYSIS, TRADE RECEIVABLES NOT WRITTEN DOWN (SEK MILLION)**

	<b>2011</b>	<b>2010</b>
Trade receivables not matured	201,4	184,1
Trade receivables matured 0-30 days	26,1	22,0
Trade receivables matured > 30 - 90 days	2,2	6,0
Trade receivables matured > 90 - 180 days	2,0	2,0
Trade receivables matured > 180 - 360 days	0,1	0,6
Trade receivables matured >360 days	0,1	0,4
<b>Sum total</b>	<b>231,7</b>	215,2
<b>PROVISION FOR CREDIT LOSSES</b>		
Balance at beginning of year	2,4	3,9
Group changes	0,1	0,1
Provision for expected losses	0,4	-0,3
Confirmed losses	-1,2	-1,4
<b>Closing balance</b>	<b>1,7</b>	2,4

**NOTE 26. OPERATING LEASES**

	THE GROUP		PARENT COMPANY	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
Leases where the company is the lessee				
Non-redeemable lease payments amount to				
Within one year	9,9	8,4	0,5	0,5
Between one and five years	10,1	6,6	1,1	0,2
Longer than five years	-	-	-	-
<b>Sum total</b>	<b>20,0</b>	15,0	1,6	0,7

*Most of the above operating leases relate to rents for premises.*

	THE GROUP		PARENT COMPANY	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
Costs reported during the year for operating leases	10,8	9,6	0,5	0,5
<b>Sum total</b>	<b>10,8</b>	9,6	0,5	0,5

## NOTE 27. CASH FLOW STATEMENT

ADDITIONAL INFORMATION CONCERNING CASH FLOW STATEMENTS:

	THE GROUP		PARENT COMPANY	
	2011	2010	2011	2010
Interest received	2,5	1,0	2,1	1,1
Dividends received	–	–	17,2	31,0
Interest paid	-3,5	-2,7	–	–
<b>SPECIFICATION ITEMS NOT INCLUDED IN THE CASH FLOW</b>				
Depreciation	28,4	27,9	3,2	2,6
Capital gain profits	–	-1,2	-2,8	-0,1
Other	-2,4	-0,9	–	–
Group contribution			-35,8	-17,1
Write-off shares	–	–	12,3	10,0
<b>Sum total</b>	<b>26,0</b>	25,8	-23,1	-4,6
<b>ACQUISITION OF SUBSIDIARY COMPANIES - GROUP</b>				
<b>ACQUIRED ASSETS AND LIABILITIES</b>				
Intangible assets	36,8	5,2		
Other non-current assets	0,5	–		
Inventories	14,3	5,2		
Trade and other receivables	11,0	7,0		
Cash and cash equivalents	2,9	2,2		
<b>Total assets</b>	<b>65,5</b>	19,6		
Deferred tax liabilities	8,1	1,4		
Long-term operating liabilities	3,5	1,2		
Current operating liabilities	13,1	5,5		
<b>Total liabilities</b>	<b>24,7</b>	8,1		
<b>Net</b>	<b>40,8</b>	11,5		
<b>CONSIDERATION</b>				
Consideration	49,4	23,7		
Consideration payable	-15,4	-11,1		
Deducted: Cash and cash equivalents acquired business units	-2,9	-2,2		
<b>Impact on cash and cash equivalents</b>	<b>31,1</b>	10,4		

## (CONT. NOTE 27.)

	THE GROUP		PARENT COMPANY	
	2011	2010	2011	2010
<b>DIVESTMENT OF SUBSIDIARY COMPANIES - GROUP</b>				
<b>DIVESTED ASSETS AND LIABILITIES:</b>				
Property, plant and equipment	0,0	1,8		
Inventories	0,0	3,9		
<b>Total assets</b>	<b>0,0</b>	<b>5,7</b>		
Current operating liabilities	0,0	1,0		
<b>Total liabilities</b>	<b>0,0</b>	<b>1,0</b>		
<b>CONSIDERATION</b>				
Sale price		4,7		
Consideration received	1,5	4,7		
<b>Impact on cash and cash equivalents</b>	<b>1,5</b>	<b>4,7</b>		

### CASH AND CASH EQUIVALENTS

Cash and cash equivalents currently only cover cash and bank balance.

## NOTE 28. INFORMATION ABOUT THE PARENT COMPANY

OEM International AB (Publ) is a Swedish-registered public limited company with its headquarters in Tranås, Sweden. The Parent Company shares are listed on Nasdaq OMX Nordic Small Cap in Stockholm. The address of the head office is Norrabyvägen 6B, Box 1009, SE-573 28 Tranås, Sweden. The consolidated financial statements for 2011 incorporate the financial statements of the Parent Company and its subsidiaries, jointly referred to as the Group.

## NOTE 29. EVENTS AFTER BALANCE SHEET DATE

No significant events have occurred after the balance sheet date.

## NOTE 30. IMPORTANT ESTIMATES AND ASSUMPTIONS

The Company's management has discussed together with the Audit Committee the developments, the choices and the information regarding the Group's most important accounting policies and estimates, as well as the application of these policies and estimates. The recognised values for certain assets and liabilities are based in part on assessments and estimates. The Company's management, however, finds that none of the recognised assets and liabilities is associated with substantial risks in the future that can cause significant adjustments. The presentation below discusses the areas that can cause significant adjustments in the future.

### *Impairment test of goodwill*

In measuring the recoverable amount of cash-generating units for the company's assessment of whether amortisation is required for goodwill, future circumstances and estimates of parameters have been assumed. An account of these is given in Note 13. The Company's management is of the opinion that no reasonable changes in the key assumptions will lead to the estimated recoverable amounts for the units being lower than the reported values.

### *Valuation other intangible fixed assets*

Other intangible fixed assets consist primarily of the values arising at acquisition divided into SEK 22.5 million for supplier relations, SEK 17.1 million for customer relations and SEK 24.4 million for brands. Supplier relations are divided into two amounts, SEK 8.8 million and SEK 13.7 million, respectively.

Supplier relations with a value of SEK 8.8 million have an indefinite useful life. As regards the supplier relations with a value of SEK 13.7 million, the assessment is that they will be amortised over a five-year period. A maximum of 59 months remain of the amortisation period. Customer relations consist of establishments on new markets and it is deemed is that these will be written down over a five-year period. A maximum of 57 months remain of the amortisation period. Trademarks include the company name Klitsö which is well established on the Danish market in the valves and pneumatic products industry, and the Hide-a-lite trademark which includes a number of light fixture series for concealed lighting. The assessment is that the Klitsö trademark will be written off over a five-year period. 11 months remain of the amortisation period. The Hide-a-lite trademark will be written off over a ten-year period and 82 months remain of the amortisation period.

## NOTE 31. EARNINGS PER SHARE

Calculations of basic and diluted earnings per share are based on the year's profit attributable to the parent company's shareholders. (MSEK)

	<b>2011</b>	<b>2010</b>
Total business units	127,9	95,5
Continuing operations	125,7	100,0

Earnings per share for total, continuing and discontinued operations are based on the following number of shares

	<b>2011</b>	<b>2010</b>
Average number of shares outstanding *	23 163 717	23 169 309
Total average shares	23 169 309	23 169 309

\* Weighted average number of shares outstanding has been affected by the repurchase of its own shares.

At the close of 2011 and throughout the year, the Group had no outstanding potential ordinary shares.

### **EARNINGS PER SHARE FOR TOTAL, CONTINUING AND DISCONTINUED OPERATIONS RESPECTIVELY ON THE TOTAL NUMBER OF SHARES**

	<b>2011</b>	<b>2010</b>
Earnings per share:	5,52	4,12
Earnings per share from continuing operations	5,42	4,32
Earnings per share from discontinued operations	0,10	-0,20

### **EARNINGS PER SHARE FOR TOTAL, CONTINUING AND DISCONTINUED OPERATIONS RESPECTIVELY ON THE OUTSTANDING NUMBER OF SHARES**

Earnings per share:	5,52	4,12
Earnings per share from continuing operations	5,42	4,32
Earnings per share from discontinued operations	0,10	-0,20

There is no dilutive effect.

## NOTE 32. RELATED PARTY DISCLOSURES

The OEM Group's related parties consist primarily of senior executives (Note 6) and major shareholders. The Parent Company has a close relationship with its subsidiaries, see Note 15. The Parent Company's net sales comprise the sale of services to its subsidiaries. Related party transactions are priced at market-rate terms and conditions.

## PROPOSED ALLOCATION OF PROFITS

### PARENT COMPANY

The following profits are at the disposal of the Annual General Meeting

Retained earnings	215 674 346,25
Net profit/loss for the year	76 311 211,42

215 674 346,25
76 311 211,42

**291 985 557,67**

The Board of Directors proposes that the profit be disposed so that a dividend of SEK 3.50 per share is paid to shareholders and that the following be carried forward

81 092 581,50
210 892 976,17

**291 985 557,67**

A statement by the Board concerning the dividend proposal is published on the Company's website: [www.oem.se](http://www.oem.se) or can be obtained on request.

The Board of Directors proposes Wednesday 2 May as record date for dividends.

The Board of Directors and the Managing Director declare that the Annual Report has been prepared in accordance with generally accepted accounting policies in Sweden and that the consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards as stipulated in the European Commission's and the Swedish Financial Reporting Board's Regulation (EC) No. 1606/2002 of 19 July, 2002, regarding the application of international accounting standards. The Annual Accounts and the consolidated financial statements give a fair and true view of the Parent Company and the Group's financial position and results. The Directors' Report for the Parent Company and the Group, respectively, gives a true and fair summary of the Group's and Parent Company's business operations, financial position and results and describes significant risks and uncertainties faced by the Parent Company and companies included in the Group.

As evident below, the Annual Accounts and the consolidated financial statements have been approved for issue by the Board of Directors on 29.02.12. The Group's Statement of Comprehensive Income and Statement of Financial Position and the Parent Company's Income Statement and Balance Sheet will be matters for approval at the Annual General Meeting on 26.04.12.

TRANÅS, 29th FEBRUARY 2012

Lars-Åke Rydh  
Chairman of the Board

Ulf Barkman  
Board Member

Hans Franzén  
Board Member

Jerker Löfgren  
Board Member

Petter Stillström  
Board Member

Agne Svenberg  
Board Member

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## AUDITORS' REPORT

TO THE ANNUAL GENERAL MEETING OF OEM INTERNATIONAL AB (PUBL.)  
CRN 556184-6691

### STATEMENT ON THE ANNUAL REPORT AND THE CONSOLIDATED FINANCIAL STATEMENTS

We have examined the Annual Report and the consolidated financial statements of OEM International AB (Publ.) for the 2011 financial year. The company's Annual Report and consolidated financial statements are included in the printed version of this document on pages 6-53.

*The Board of Directors and the Managing Director are responsible for the Annual Report and the consolidated financial statements.*

The Board of Directors and the Managing Director are responsible for the preparation of an Annual Report that gives a true and fair view, as required by the Swedish Annual Accounts Act, and consolidated financial statements that give a true and fair view, as required by the International Financial Reporting Standards (IFRS), as approved by the European Union, and the Swedish Annual Accounts Act, and for the internal control that the Board of Directors and the Managing Director consider necessary in the preparation of an Annual Report and consolidated financial statements that are free from material misstatement, whether due to irregularities or errors.

#### *Auditors' responsibility*

Our responsibility is to express an opinion on the Annual Report and the consolidated financial statements based on our audit. We have conducted our audit in compliance with the requirements of the International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require us to comply with professional requirements and plan and conduct the audit to obtain reasonable assurance that the Annual Report and consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Annual Report and consolidated financial statements. The auditor decides which procedures to use, by assessing the risks of material misstatement in the Annual Report and the consolidated financial statements, whether due to irregularities or errors. In making those risk assessments, the auditor considers the components of the internal control that are relevant to how the company prepares the Annual Report and consolidated financial statements to give a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also involves evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the Annual Report and the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Opinion*

In our opinion, the Annual Report has been prepared as required by the Swedish Annual Accounts Act and presents fairly, in all material respects, the financial position of the parent company as at 31 December, 2011, and its financial performance and its cash flows for the year, in accordance with the Swedish Annual Accounts Act, and that the consolidated financial statements have been prepared as required by the Swedish Annual Accounts Act and present fairly, in all material respects, the financial position of the Group as at 31 December, 2011, and its financial performance and cash flows, in accordance with the International Financial Reporting Standards (IFRS), as approved by the European Union, and the Swedish Annual Accounts Act. A Corporate Governance Report has been prepared. The Directors' Report and the Corporate Governance Report are consistent with the remainder of the Annual Report and the Consolidated Financial Statements.

We therefore recommend that the Annual General Meeting adopts the income statement and the balance sheet of the parent company and the Group's statement of comprehensive income and statement of financial position.

### STATEMENT ON OTHER LEGAL AND STATUORY REQUIREMENTS

In addition to our audit of the Annual Report and consolidated financial statements, we have reviewed the proposal for the appropriation of the company's profit or loss, and the management by the Board of Directors and the Managing Director of OEM International AB (publ.) for 2011.

#### *Responsibilities of the Board and the Managing Director*

The Board of Directors is responsible for the proposal for the appropriation of the company's profit or loss, and the Board of Directors and the Managing Director are responsible for the management in accordance with the Swedish Companies Act.

#### *Auditors' responsibility*

Our responsibility is to express an opinion, with a reasonable level of assurance, on the proposal for appropriation of the company's profit or loss and on its management based on our audit. We have conducted our audit in compliance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board's proposal for appropriation of the company's profit or loss, we have examined the Board's statement and a selection of the underlying information for this in order to be able to determine whether the proposal is consistent with the Swedish Companies Act.

As a basis for our opinion on discharge from liability, in addition to our audit of the Annual Report and consolidated financial statements, we have examined significant decisions, actions taken and circumstances in the company in order to determine the possible liability to the company of any Board Member or the Managing Director. We have also examined the question of whether any Director or the Managing Director has otherwise acted in contravention of the Swedish Companies Act, the Swedish Annual Accounts Act or the Company's Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Opinion*

We recommend that the Annual General Meeting appropriate the profit as proposed in the Directors' Report and grant the Members of the Board and the Managing Director discharge from liability for the financial year.

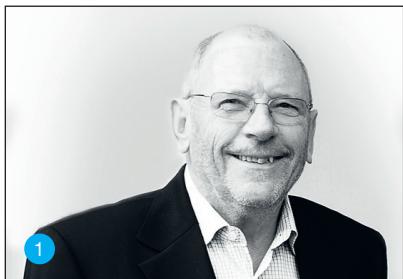
TRANÅS, 5th MARCH 2012

KPMG AB



Kjell Bidenäs  
Authorised Public Accountant

## THE BOARD



### **1. AGNE SVENBERG** (born 1941)

Board member since 1974.  
Managing Director until 29 February 2000. Engineer. Not employed by OEM. Other appointments: Chairman of the Board, EG's El o Automation AB, Personality Gym AB and ISP AB. Number of shares: 665 400 OEM Class A and 226 530 OEM Class B.

### **2. HANS FRANZÉN** (born 1940)

Chairman of the Board 1992-2006.  
Board member since 1974.  
CEO until 31 Dec. 2001. Engineer. Not employed by OEM. Other appointments: Chairman of the Board for Tranås Rostfria AB, TR Equipment AB, Tranås Resebyrå AB, Opti Fresh AB, Linktech AB, Cendio AB and Handelsbanken's local Board in Tranås. Board member of Ovacon AB and IB Medical AB. Number of shares: 707 376 OEM Class A and 619 290 OEM Class B.

### **3. JERKER LÖFGREN** (born 1950)

Board member since 2010.  
LLM. Not employed by OEM. Senior Legal Counsel at Carnegie Private Banking. Other appointments: Chairman of the Board, Orvaus AB and Orvaus Nörvallen AB. Number of shares: 0.

### **4. ULF BARKMAN** (born 1957)

Board member since 1997.  
MBA. Not employed by OEM.  
Number of shares: 42 000 OEM Class B.

### **5. LARS-ÅKE RYDH** (born 1953)

Board chairman since 2010 and Board member since 2004. M.Sc. Engineering. Not employed by OEM. Other appointments: Chairman of the Board Nefab AB, San Sac AB, Plastprint AB, Schuchardt Maskin AB and CombiQ AB. Board member of Nolato AB, HL Display AB, Olja economic association and Arla Plast AB.

Number of shares: 12 000 OEM Class B.

### **6. PETTER STILLSTRÖM** (born 1972)

Board member since 2010.  
Master of Economics. Not employed by OEM. CEO and major shareholder in AB Traction. Other appointments: Chairman of the Board in Nilörngruppen AB and Softronic AB. Board member in PartnerTech AB, AB Traction and several unlisted companies in Traction's sphere of influence. Number of shares: 0.

## SENIOR MANAGEMENT



### **1. JAN CNATTINGIUS** (born 1955)

Finance Director.

Group employee since 1985.

Number of shares: 11 000 OEM Class B.

### **2. URBAN MALM** (born 1962)

Managing Director of OEM Electronics AB.

Group employee since 1983.

Number of shares: 2 800 OEM Class B.

### **3. SVEN RYDELL** (born 1973)

Marketing and Communications Director.

Group employee since 2008.

Number of shares: 959 OEM Class B.

### **4. JENS KJELSSON** (born 1968)

Manager for the region of Denmark, Norway, the United Kingdom and Central Eastern Europe.

Group employee since 1990.

Number of shares: 11 000 OEM Class B.

### **5. JÖRGEN ZAHLIN** (born 1964)

Managing Director of OEM International AB since 1 March 2000. Managing Director and CEO since 1 January 2002.

Group employee since 1985.

Number of shares: 102 000 OEM Class B.

### **6. PATRICK NYSTRÖM** (born 1958)

Director of Business Activities in Finland and the Baltic Countries.

Group employee since 1982.

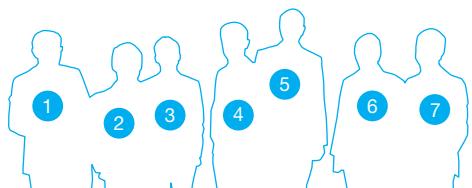
Number of shares: 22 500 OEM Class B.

### **7. MIKAEL THÖRNKVIST** (born 1968)

Managing Director of OEM Automatic AB.

Group employee since 1990.

Number of shares: 5 000 OEM Class B.



## OEM SHARES

### OEM INTERNATIONAL ON THE STOCK EXCHANGE

OEM's shares were quoted on the Stockholm Stock Exchange's OTC List in December 1983, and since then have displayed a healthy price trend. Anyone who purchased 100 shares in OEM for SEK 12,500 at the time of introduction to the stock exchange would have had a holding of 7,200 shares at a value of SEK 396,000 on 31.12.11. OEM's shares were transferred to the O List in 2000. Effective 2006, the shares are listed on Nasdaq OMX Nordic Small Cap.

### 4:1 SHARE SPLIT COMBINED WITH AN AUTOMATIC REDEMPTION PROCESS

To facilitate trading of company shares and alter the company's capital structure, a 4:1 share split combined with an automatic redemption procedure was carried out in 2007. This process gave each shareholder three (3) new shares and one (1) redemption share, which was redeemed for SEK 20. This means that about SEK 154 million was paid to the shareholders for redeemed shares.

### PRICE TRENDS

The price of OEM International shares rose during the year from SEK 54.50 to a closing price of SEK 55.00. The highest price during the year was SEK 72.50, recorded on 3 May. The lowest price during the year was SEK 47.00, recorded on 9 August. OEM's market value at the close of 2011 was SEK 1,274 million. During the year, the Stock Exchange's OMXS PI index rose 17% and the index for OMXS Industrials fell 25%.

### TURNOVER

In 2011, 1,701,176 Class B shares (1,570,276) were sold corresponding to a turnover rate of 9% (8). The average shareholder in OEM therefore retains shares for about 11 (12) years. OEM's Class B shares were sold on 96% (94) of the trading days and the average turnover per day in 2011 was 6,915 (6,207) shares. OEM International had 2,457 (2,472) shareholders on 31 December 2011. Institutional ownership is about 39% (38) and foreign ownership amounts to 10% (9).

### REPURCHASE OF SHARES

The repurchase programme for shares, which was adopted for the first time by the Annual General Meeting in 2000, is intended to improve the Company's capital structure and contribute positively to return on shareholders' equity and earnings per share. After implemented reductions the previous year there are 23,169,309 shares in the Company at year-end. The company has repurchased 61,847 shares during 2011 at an average price of SEK 53.26. The company had a holding of 61,847 shares at the end of the year. The Board has been authorised by the Annual General Meeting to repurchase up to 10% of the total number of shares, that is, 2,316,931 shares. The objective is to continue the repurchases up to 10% of the total number of shares while the Board considers the conditions to be attractive. The acquired shares will be retained, deregistered or used as payment in corporate acquisitions. We have minimised the disadvantages which this can entail, that is, that the number of shareholders is decreased and the liquidity of the share declines, by mainly purchasing large blocks of shares.

### LIQUIDITY BOOSTING MEASURES

OEM International has signed an agreement with Remium AB regarding liquidity guarantees for Company shares. The aim is to reduce the difference between purchase and sales prices. The goal is to achieve a lower investment cost and to lower the share trading risk for present and future shareholders. Commitments fall within the scope of the Nasdaq OMX Nordic Stock Exchange system with liquidity guarantees and started on 1 December 2004.

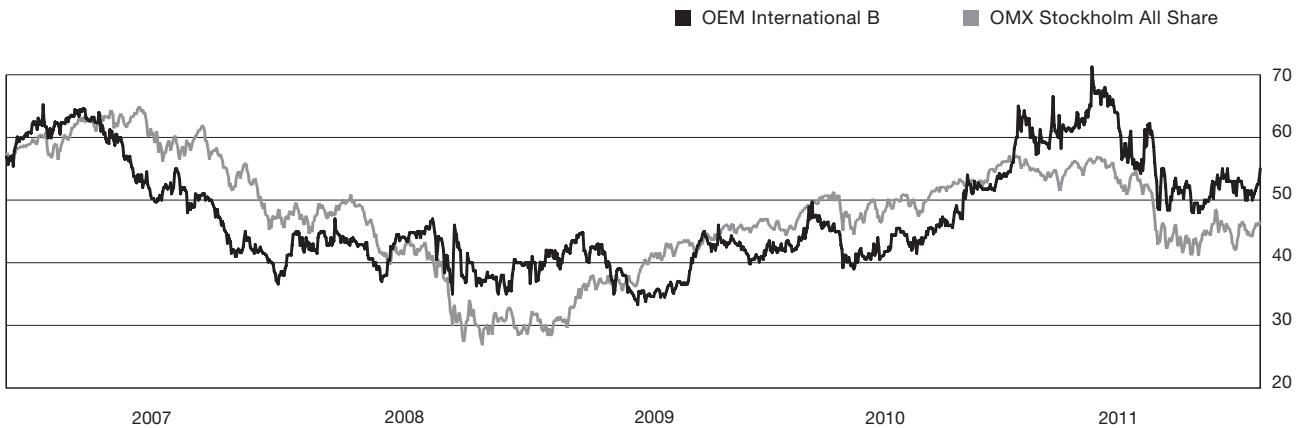
### DIVIDEND POLICY

The Board of OEM International aims to propose a reasonable dividend of profits to the shareholders, by considering the financial position, the tax situation and any need for acquisitions or investments in the operations.

### DIVIDENDS

The Board proposes a SEK 3.50 (3.00) per share dividend, equivalent to 14% (13) of distributable equity in the Group.

## SHARE TRENDS



## FINANCIAL INFORMATION

OEM aims to maintain high quality as regards information to the market and the media. The goal is for the information to facilitate an accurate valuation and liquid trading of the shares. The dates for the Annual General Meeting, interim reports and annual report for the 2012 financial year are shown on page 2 of this Annual Report.

Financial information is also published on the Group's website, [www.oem.se](http://www.oem.se). Shareholders may also receive interim reports and other press releases by e-mail at the same time as they are made public to the market. Please, send an email to: [infoint.oem.se](mailto:infoint.oem.se) and state "Corporate Information" and you will be placed on our list for future mailings.

## SHAREHOLDING STRUCTURE

OEM'S LARGEST SHAREHOLDERS ON 31 DECEMBER 2011

	<b>Class A shares</b>	<b>Class B shares</b>	<b>Percentage share capital</b>	<b>Percentage votes</b>
Orvaus AB	1 627 320	2 802 360	19,2%	28,9%
Franzén Hans and family	1 280 376	1 347 990	11,4%	21,4%
Svenberg Agne and family	1 223 400	459 986	7,3%	19,2%
AB Traction	636 000	1 252 274	8,2%	11,5%
Lannebo equity funds		2 373 263	10,3%	3,6%
Nordea Investment Funds		1 541 207	6,7%	2,3%
Ernström Finans AB		609 000	2,6%	0,9%
Skandinaviska Enskilda Banken S.A.,NQI		314 010	1,4%	0,5%
Didner & Gerge Aktiefond		310 200	1,3%	0,5%
Fjärde AP Fonden		305 329	1,3%	0,5%
<b>Total 10 owners</b>	<b>4 767 096</b>	<b>11 315 619</b>	<b>69,6%</b>	<b>89,4%</b>
Other		7 024 747	30,4%	10,6%
<b>Total</b>	<b>4 767 096</b>	<b>18 340 366</b>	<b>100,0%</b>	<b>100,0%</b>
<b>Votes per share</b>	<b>10</b>	<b>1</b>		

*The company's holding of 61,847 Class B shares is not included in the above break-down.*

*The purpose is to provide a clear overview of the various shareholders' interests in the company.*

## KEY PERFORMANCE INDICATORS FOR OEM SHARES

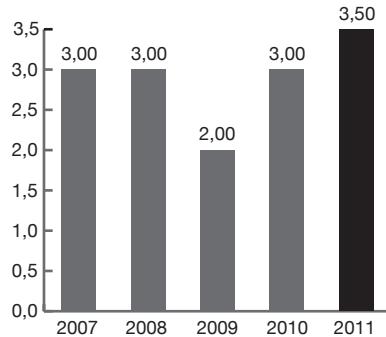
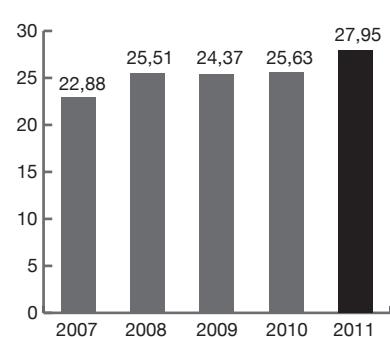
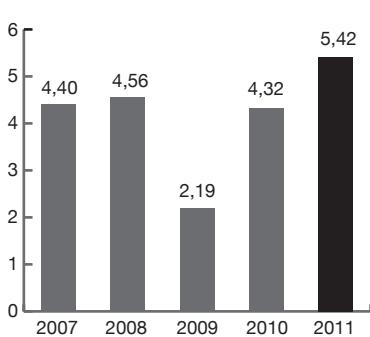
FOR THE PAST FIVE YEARS

		2011	2010	2009	2008	2007
<b>PERFORMANCE KEY INDICATORS</b>						
Sales per share**	SEK	69	62	54	62	56
Increase in sales per share	%	11	15	-14	11	8
Earnings per share* **	SEK	5,42	4,32	2,19	4,56	4,40
Shareholders' equity per share* **	SEK	27,95	25,63	24,37	25,51	22,88
Proposed dividends **	SEK	3,50	3,00	2,00	3,00	3,00
Dividend/Income	%	65	70	91	66	68
Dividend/Shareholders' equity	%	13	12	8	12	13
Cash flow per share* **	SEK	4,67	4,99	4,46	6,98	1,91
<b>RISK KEY INDICATORS</b>						
Rate of turnover for shares	%	9	8	14	11	17
<b>VALUATION KEY INDICATORS</b>						
Quoted price as per 31 December**	SEK	55,00	54,50	41,30	35,00	42,90
Quoted price as per 31 December*	SEK million	1 274	1 268	957	811	994
P/S ratio	times	0,8	0,9	0,8	0,6	0,8
P/E ratio	times	10,1	12,6	18,8	7,7	10,1
Price/Shareholders' equity	%	197	213	169	137	188
EV/Sales	times	0,8	0,8	0,7	0,5	0,7
EBIT multiple	times	6,9	8,4	11,9	5,3	6,9
Direct return	%	6,4	5,5	4,8	8,6	7,0

\* Calculated on the basis of the number of shares, excluding own holding.

\*\* The key performance indicators have been adjusted to reflect the 4:1 share split and an automatic redemption of every fourth share in Q2 2007.

The key indicators are based on the continuing operation. Comparative information for 2010 to 2007 has been restated.



## SHAREHOLDER ANALYSIS

AS PER 30.12.11\*

Size class	Procent av antal ägare	Percentage of share capital
1-500	44,5	0,9
501-1 000	19,8	1,6
1 001-2 000	15,1	2,3
2 001-5 000	11,9	4,1
5 001-10 000	3,9	2,9
10 001-20 000	2,3	3,5
20 001-50 000	1,3	4,3
50 001-100 000	0,5	3,5
100 001-5 000 000	0,7	76,9
<b>Sum total</b>	<b>100,0</b>	<b>100,0</b>

The total number of shareholders in OEM is 2,457.

\*) Source: Euroclear Sweden AB (VPC). Directly and fund manager registered. I tabellen kan en ägaruppgift vara sammanslagen av flera poster i Euroclear Sweden:s statistik. This combination is intended to show an institution's or a private individual's total ownership in OEM.

## CHANGE IN SHARE CAPITAL

Year	Transaction	Change in share capital, SEK million	Total share capital, SEK million	Average no. of shares	Face value per share SEK
	Opening value	0,1	0,1	500	100,00
1981	Bonus issue	0,3	0,4	4 000	100,00
1983	Split	-	0,4	40 000	10,00
1983	Bonus issue	0,4	0,8	80 000	10,00
1983	New issue	0,8	1,6	160 000	10,00
1983	New issue	0,4	2,0	200 000	10,00
1986	Bonus issue	4,0	6,0	600 000	10,00
1986	New issue through conversion	0,4	6,4	636 000	10,00
1994	Split	-	6,4	1 272 000	5,00
1994	Bonus issue	6,4	12,7	2 544 000	5,00
1996	Bonus issue	12,7	25,4	5 088 000	5,00
1997	New issue through subscription in kind	20,1	45,5	9 113 703	5,00
2001	Reduction	-3,9	41,6	8 332 203	5,00
2003	Reduction	-1,0	40,6	8 132 203	5,00
2004	Reduction	-2,0	38,6	7 723 103	5,00
2007	Split	-	38,6	30 892 412	1,25
2007	Redemption	-9,6	29,0	23 169 309	1,25
2007	Bonus issue	9,6	38,6	23 169 309	1,67

## DEFINITIONS

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

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

**Capital employed:** Total assets minus non-interest-bearing liabilities and provisions.

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

**Interest coverage ratio:** Operating profit for the year plus financial income in relation to interest expenses.

**Debt/equity ratio:** Interest-bearing liabilities divided by shareholders' equity.

**Operating margin:** Operating income as a percentage of net sales.

**EBITDA/net sales:** EBITDA as a percentage of net sales.

**EBITDA:** Operating income before depreciation/amortisation of property, plant and equipment and intangible fixed assets.

**Profit margin:** Profit/loss before tax as a percentage of sales.

**Capital's turnover rate:** Net sales divided by total assets.

**Net sales per employee:** Net sales divided by average number of employees.

**Equity/assets ratio:** Shareholders' equity as a percentage of total capital.

**Quick ratio:** Current assets minus inventories as a percentage of current liabilities.

**Earnings per share:** The profit or loss for the year divided by the number of shares.

**Shareholders' equity per share:** Shareholders' equity divided by the number of shares.

**Direct return:** Dividend per share divided by the quoted price at year-end.

**Net sales per share:** Net sales divided by the number of shares on the market at year-end.

**Net sales increase per share:** Increase of the net sales per share.

**Dividend/Profit payout ratio:** Proposed dividend in relation to the year's profit from continuing operations.

**Dividend/Shareholders' equity:** Proposed dividend in relation to the Group's shareholders' equity and the minority interests.

**Cash flow per share:** Cash flows from operating activities divided by the number of shares.

**Rate of turnover for shares:** The number of shares sold during the year divided by the number of outstanding shares at year-end.

**P/S ratio:** Stock market value in relation to net sales.

**P/E ratio:** Quoted price as per 31 December divided by earnings per share.

**Price/Shareholders' equity:** Quoted price divided by shareholders' equity per share.

**EV/Sales:** Enterprise values (börsvärde + nettoskuld + minoritetsintresse) dividerat med nettoomsättning.

**EBIT multiple:** Enterprise value divided by the operating income after depreciation/amortisation.

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