



ANNUAL REPORT **2019**

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of the Group

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Financial Statements

of the Parent Company

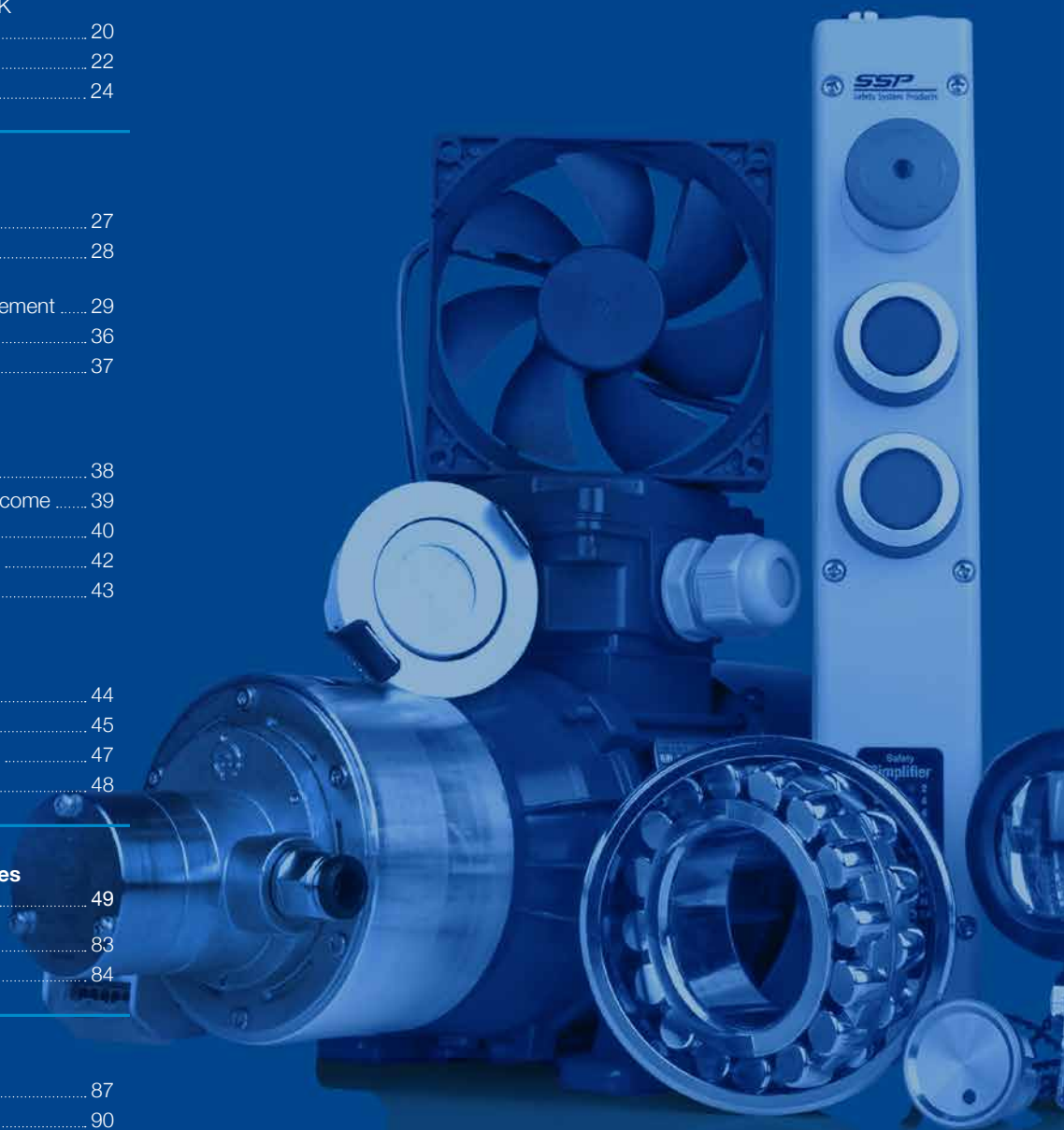
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Record year for OEM

2019 was a continuation of the consecutive years of record financial performance for OEM with 6 % growth in sales. Currency movements drove growth by 3 percentage points, which led to organic growth of 3 percentage points. Growth was strongest in Region Sweden, followed by Region Denmark, Norway, the UK and East Central Europe. Demand was strong in the first quarter and gradually slowed during the year.

Operating profit (EBITA) also stood at a new record high of SEK 385 MILLION, up 12 % over 2018. The EBITA margin has increased during the year from 11.0 % to 11.7 % due primarily to the growth.

The performance in 2019 means that OEM has exceeded all of its financial targets except for the growth target.

Two acquisitions

In September, the operations of Cabavo AB were acquired. The company markets electric motors, servo actuators and drive electronics for industrial applications and generates annual sales of SEK 8 MILLION. Its operations have been integrated into OEM Motor AB.

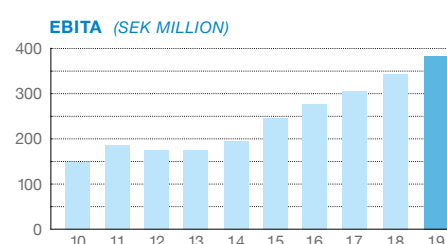
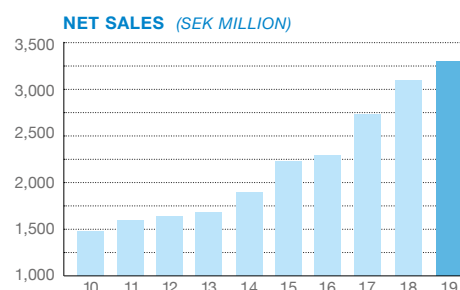
In December, the pumping division of Finisterra AS in Norway was acquired. The company generates annual sales of SEK 12 MILLION. The operations represent a number of leading manufacturers of pumps for chemical and industrial use. Its operations have been integrated into OEM Automatic AS.

Increased dividend proposed

The Board of OEM is proposing an increase in the dividend to SEK 7.00 (6.75) per share. This would be the tenth consecutive year of increased dividends.

The Board is also proposing a transfer corresponding to SEK 10 per share to the shareholders via an automatic redemption programme. This is equivalent to a transfer of up to SEK 232 MILLION and OEM will still have a strong equity/assets ratio after this distribution. This is the third time since 2007 that the company is conducting this type of transfer to the shareholders.

Summary		2019	2018	%
Net sales	SEK MILLION	3,299	3,112	6
EBITA	SEK MILLION	385	343	12
Profit before tax	SEK MILLION	367	317	16
Profit for the year	SEK MILLION	289	248	17
Earnings per share	SEK	12.47	10.74	16
Shareholders' equity per share	SEK	46.03	39.97	15
Average no. of employees		887	882	1
Equity/assets ratio	%	62	59	
Share price at year-end	SEK	250.00	190.50	31
Proposed dividends	SEK	7.00	6.75	4



OEM

at a glance

BILLION IN TURNOVER

3.3

COMPANIES IN
14 COUNTRIES

34

CUSTOMERS

30,000

SUPPLIERS

400

EMPLOYEES

887

OEM is a value-adding link between its customers and leading manufacturers of products and systems for industrial applications. As one of Europe's leading technology trading groups, OEM brings value to its customers by offering an extensive and diverse range of products coupled with considerable technical and applications expertise. With a strong marketing and sales organisation, OEM serves as the extended arm of the suppliers in each market and aims to make them a leading player in their niche. This makes OEM the best distribution channel for its suppliers in OEM's markets.

Offering

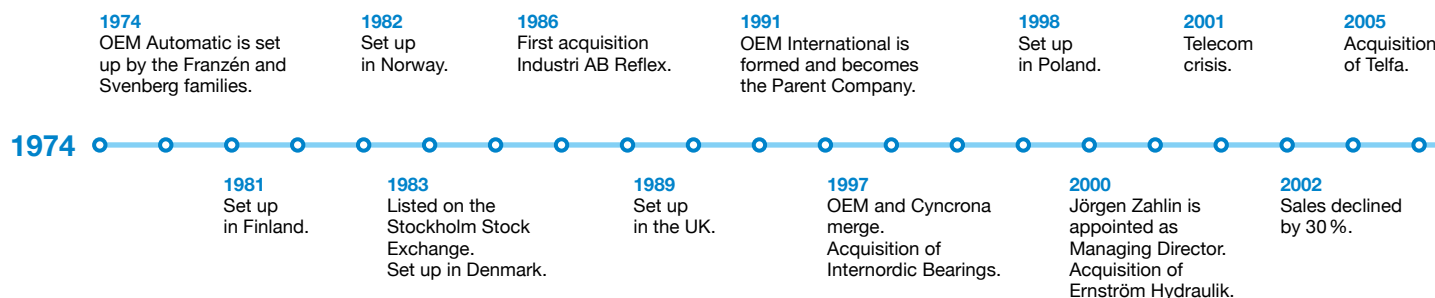
OEM has a portfolio of more than 60,000 products from over 400 suppliers who, with strong brands, are among the leading players in their respective niches. OEM's extensive product know-how, years of experience and outstanding applications expertise offer customers a strong partner all along the supply chain, from product development and design to purchasing and production.

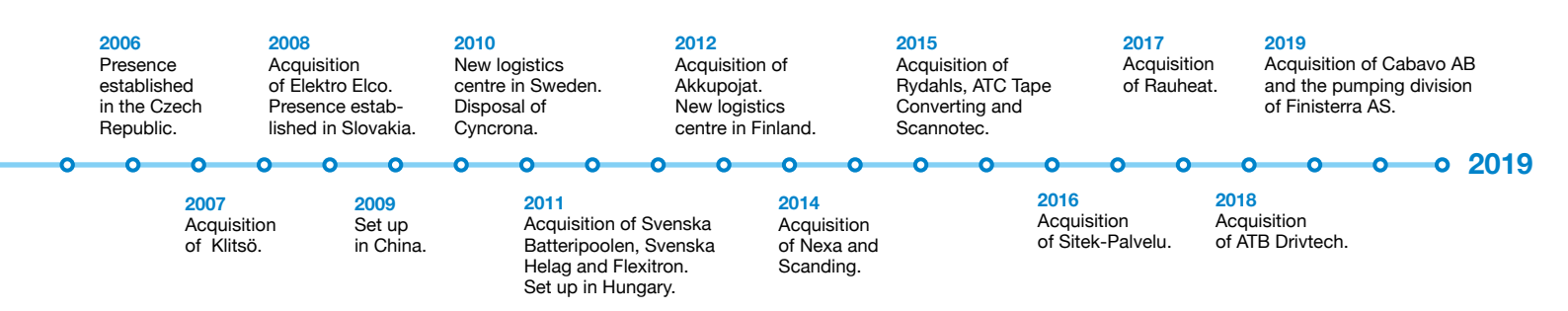
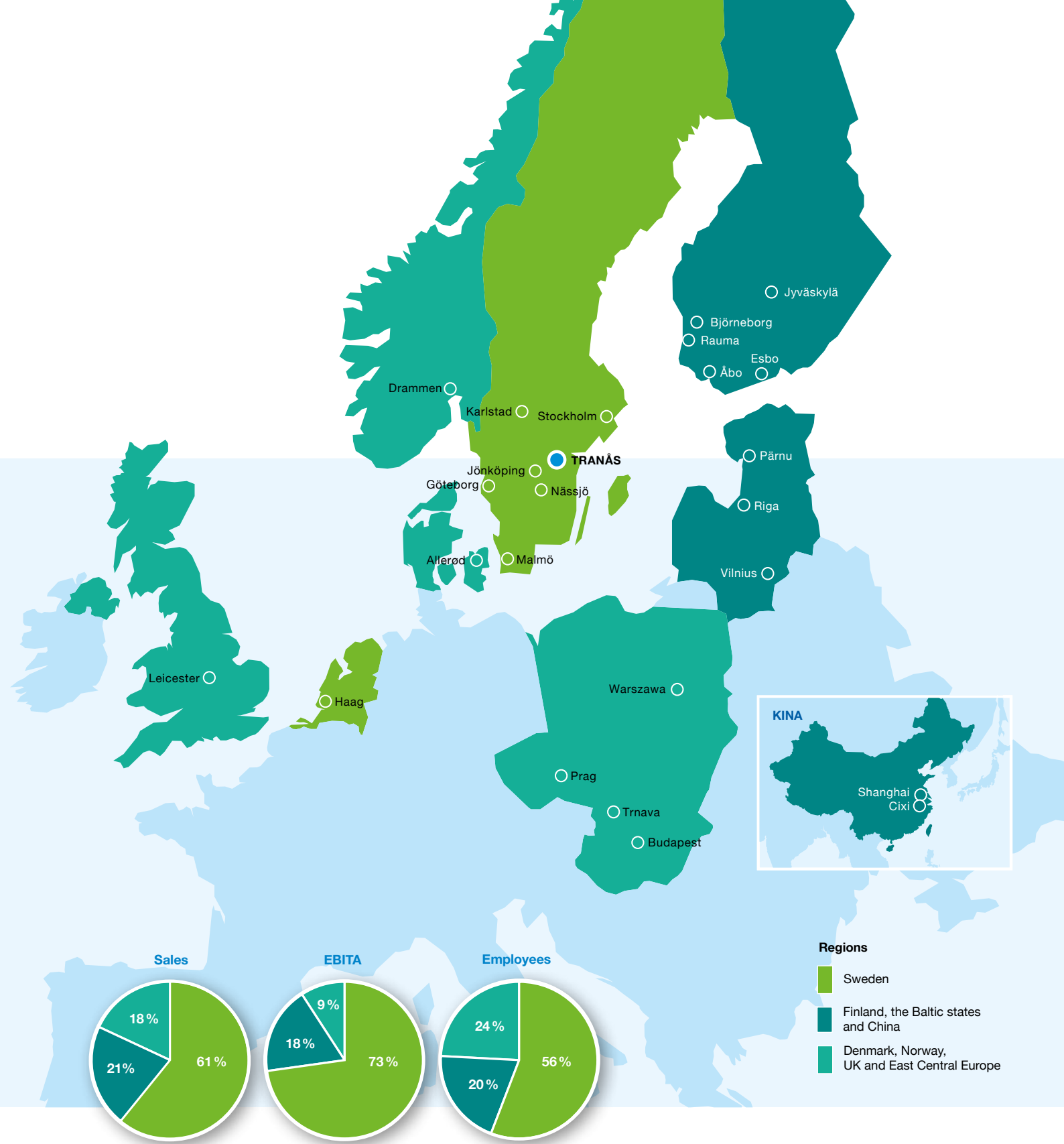
Market

OEM has 34 operating business units in 14 countries split into three geographic regions. The company's domestic market is Sweden, where OEM holds a market leading position in most of its product areas. In other regions, the company's position varies from market to market. The goal is for OEM to be one of the largest players in all its chosen markets.

Customers

The majority of OEM's customers operate in various segments of the manufacturing industry. Many of them are so-called Original Equipment Manufacturers (OEM), which means that they manufacture various kinds of machinery and equipment using constituent components from subcontractors. Other customers include installation companies, wholesalers and retailers for the professional and consumer markets.





Yet another record year



2019 WAS a continuation of the consecutive years of record financial performance for OEM in terms of sales and profit. Net sales rose 6 %, of which 3 % was organic growth. At the start of the year, I expressed cautious optimism as there were signs of a slowdown ahead. However, in the first six months demand remained on the same high level as in the previous year, with 9 % growth. After the summer of 2019, there was a noticeable slowing of momentum as we had predicted and sales growth reached a modest 3 % in the second half of the year.

On a positive note, Group sales and profit have delivered strong growth in the last six years. From sales of just under SEK 1.7 BILLION in 2013 to SEK 3.3 BILLION in 2019, which is an annual average growth of 12 %. Considering that OEM is operating in a mature market, this clearly indicates that OEM has a successful concept and the organisation is doing a good job.

Earnings trend

The EBITA margin increased from 11.0 % to 11.7 % in 2019. Our gross margin has been stable throughout the year, with the weak Swedish krona having a positive impact to some extent and a general downward pressure on prices in the market having a negative impact to some degree. The slowing of momentum in demand during the autumn came as no surprise, as mentioned. During the year, we have adapted our capacity in some areas to keep the overall cost base at a stable level. This stable cost base and gross margins had positive leverage effects on sales growth, with the result that profit before tax rose 16 % to SEK 367 MILLION.

Growth across the regions

OEM is posting its highest earnings and sales figures ever in Region Sweden, despite a progressive decline in the growth rate during the year. The slowdown during the autumn of 2019 was particularly noticeable in the region's largest operations, OEM Automatic, which reported 4 % growth for the full year, of which 2 % was organic. The two other major operations in the region, Elektro Elco and OEM Electronics, also showed a good upward trend with 11 % and 10 % growth respectively. Several of the more niche entities also presented pleasing increases. OEM Motor recorded net sales

” OEM has a successful concept and the organisation is doing a good job.

growth of 18 %, Telfa increased by 23 % and Agolux, one of the Group's smaller operations, increased by 39 %.

In Region Finland, the Baltic states and China, OEM has been on a strong growth trajectory for a considerable period of time, despite low underlying growth. However, demand clearly slowed during 2019. OEM Automatic, which is also the largest operations in Finland, reported a 7 % fall in sales. OEM Electronics and Sitek-Palvelu closed on the same level as the previous year. Just like Region Sweden, some of the niche operations have continued to post positive performances. Sales were up 28 % for Hide-a-lite, and Rauheat reported 12 % growth.

In Region Denmark, Norway, the UK and East Central Europe, net sales rose 6 %, of which 3 % was organic sales growth. It is particularly the operations in Denmark, which largely focus on sales of process investment products, and the operations in Poland that have a good rate of growth. Net sales rose 18 % in Denmark and 11 % in Poland. Norway and the UK have also shown positive performances with 7 % and 5 % growth respectively, which is higher than the underlying growth. Growth has been weaker than in previous years in other operations in the region.

Acquisitions completed

Two acquisitions were completed in 2019. In September, the operations of the Swedish company Cabavo AB were acquired. The company markets electric motors, servo actuators and drive electronics for industrial applications and, at the time of acquisition, was generating annual net sales of SEK 8 MILLION. The pumping division of the Norwegian company Finisterra AS was acquired in December. At the time of acquisition, it was generating net annual sales of SEK 12 MILLION.

In January 2020, the UK company Zoedale Ltd was also acquired. The company offers valves and actuators and, at the time of acquisition, was generating annual net sales of SEK 37 MILLION.

Acquisitions continue to be an important part of OEM's growth strategy and these three acquisitions will contribute positively to the growth of the Group. At the same time, we are aware that we are not achieving our targets for acquisitions and we aim to address this in the coming years!

Increased logistics capacity

The 5,000-square-metre extension at OEM's logistics centre at Höganloft was officially opened in the autumn of 2019. It previously had a floor space of 7,000 square metres. The market's demand for fast, flexible and cost-efficient logistics solutions has increased since our logistics centre came into operation 10 years ago. The same applies to our processing operations, where we produce unique customised solutions that improve the efficiency of our customers' processes. This additional capacity offers opportunities for further expansion.

OEM is becoming increasingly digitalised

For some time now, we have been strengthening our digital marketing communication, introducing new online services and expanding our e-commerce presence. In 2019, we completed the implementation of our digital platform in which we invested in 2018. The investment has progressively strengthened our offering and we are continuing to develop the digitalisation of the businesses. In the future, digitalisation will play an even more important role in our success and we regard this as a natural part of the continual improvement process.

Increased dividend proposed

OEM's dividend philosophy is that divi-

dends shall be paid to the extent considered reasonable, taking into account the financial position and any need for investments and potential acquisitions.

For the 2019 financial year, an increase in the dividend to SEK 7.00 per share (6.75) is being proposed. This is equivalent to about 56 % of earnings per share after tax and a direct return of 2.8 % based on OEM's year-end share price. The proposed dividend means that OEM has increased its dividend by an average of 14 % every year over the last 10 years.

Considering OEM International's strong financial position and as a step in the process of changing the company's capital structure, the Board of Directors has also proposed, in addition to an ordinary dividend, a transfer corresponding to SEK 10 per share to the shareholders via an automatic redemption programme. This is the third time since 2007 that the company is conducting this type of transfer to the shareholders.

Less demand creates new business opportunities

The slowing of momentum at the end of 2019 did not come as a surprise and we were prepared for it to happen sooner or later. We have a tradition to increase the level of activity during tougher periods and we know from experience that many business opportunities arise when the going gets tough. Close partnerships with suppliers and customers, with a focus on seeking out new opportunities, means that we are looking forward to an exciting year ahead!

Tranås, March 2020

Jörgen Zahlin

*Managing Director and CEO,
OEM International AB.*

Vision, business concept, goals and strategies

VISION

OEM shall be a leading technology trading group in industrial components and systems in selected markets in Northern, Central and East Central Europe.

BUSINESS CONCEPT

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 to 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.

GOALS AND OBJECTIVES

OEM's overall business objective is to be one of the largest technology trading companies in the company's chosen geographic markets. Profitability will be on par with, or better than, that of the largest players in each market.

Financial targets

OEM shall deliver sustainable profitable growth coupled with a good return on shareholders' equity and with minimal financial risk. The company has four financial targets.

Sales growth

Minimum sales growth of 10 % per annum through a business cycle. Growth reached 6 % in 2019. 3 percentage points were organic growth and 3 percentage points were currency-related. In the last five-year period, average annual sales growth was 12 %.

EBITA margin

A minimum EBITA margin of 10 % per annum through a business cycle. The EBITA margin reached 11.7 % in 2019. The average EBITA margin has been 11.3 % for the past five years.

Return on equity

A minimum return on equity of 20 % per annum through a business cycle. Return on equity reached 29.0 % in 2019. The average return on equity has been 29.1 % for the past five years.

Equity/assets ratio

A minimum equity/assets ratio of 35 %. The equity/assets ratio was 62 % at the end of 2019. The average equity/assets ratio has been 56 % for the past five years.

Several of OEM's logistics units offer processing, which customise and assemble products in an efficient way.



STRATEGIES

OEM has defined five strategic areas that are important to its future development and success and for achieving its financial targets.

Growth

OEM will create growth organically, through acquisitions and geographic expansion. These three together will generate growth that meets the growth target.

1) Organic growth

OEM gives priority to organic growth. OEM achieves organic growth by increasing its market share and expanding the range that the company offers its customers. OEM's operations are expected to grow above the underlying market growth in those areas where the company is well established. In markets where OEM has yet to achieve a position among the five largest players, its aim is to achieve considerably higher growth.

2) Acquisitions

Business combinations are central to OEM's strategy for developing its operations. OEM acquires companies and product ranges that strengthen its market position within current product areas in existing markets, and companies that add a brand-new range or give OEM access to a new geographic market.

3) Geographic expansion

Geographic expansion into new markets will take place when it is possible for OEM to become a prominent player by representing several of the company's suppliers.

Product range

OEM shall offer a product range consisting of industrial components and systems from leading suppliers. The range is adapted to the local markets in which OEM operates.

Ongoing development of the range is a core activity for OEM which it conducts through partnerships with existing and new suppliers. Each local marketing organisation is also tasked with finding new products that will further enhance the competitive edge of the portfolio of offerings.

Marketing activities

OEM shall have strong marketing activities based largely on face-to-face selling. Personal meetings are crucial to understanding customer needs, and a practical way for OEM to offer its experience and technical expertise. Face-to-face selling is supported by digital and printed marketing communication materials.

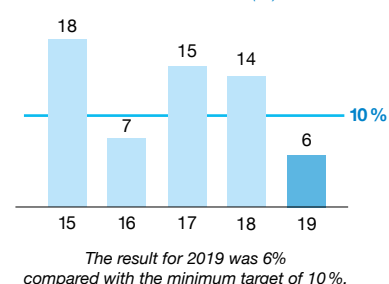
Logistics

OEM shall develop logistics solutions that deliver excellent customer service and quality and a high level of cost-efficiency. The Group has 15 logistics units. Each unit adapts its range to current operations and works towards greater coordination of the stockholding with other warehouses. Products are customised and assembled to specific requirements in OEM's processing facilities which are located adjacent to many of its logistics units.

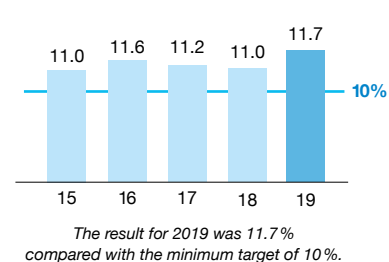
Employees and management

There should be a familial culture with a focus on entrepreneurship in all operations. OEM shall give its employees opportunities to develop within the company, taking account of business goals and strategies as well as the employees' ambitions. Recruitment and employee strategies shall lead to a significant number of leadership positions being filled internally.

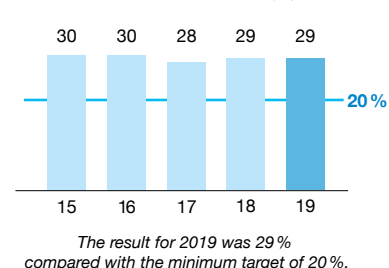
SALES GROWTH (%)



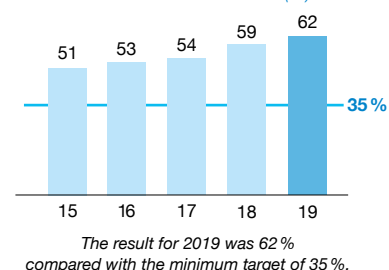
EBITA MARGIN (%)



RETURN ON EQUITY (%)



EQUITY/ASSETS RATIO (%)



Acquisitions strengthen the Group

ACQUISITIONS ARE CENTRAL to business development and growth creation. Acquired businesses add new products, extend the customer base and bring new expertise to the Group. The aim is for acquisitions to add sales of SEK 150 - 200 million each year.

ACQUISITION STRATEGY

OEM primarily strives for three kinds of acquisitions. The first two described here are the most common:

- Operations with products that complement OEM's portfolio in a market where it has an established presence.
- Operations that give access to a new geographic market for one of OEM's existing product areas.
- Operations of product-owning companies in one of the markets where OEM has an established position.

Identifying companies for acquisition

OEM is always actively on the look-out for potential takeover targets. OEM has a network of brokers, audit firms and banks to ensure a constant inflow of interesting acquisition targets. All of OEM's operations have a responsibility to identify acquisition opportunities, which is coordinated by Group management. OEM strives to have a dialogue with the owners of potential targets early on. It is

important to build a trusting relationship and present the platforms that OEM can offer for developing and expanding the businesses after they have been acquired. The ideal acquisition targets have a number of common features:

- Trading company or product-owning company with annual sales of SEK 20 - 200 MILLION.
- Represents manufacturers or has its own brands.
- May have processing or simpler production facilities.
- The selling entity sees it as advantageous to have an owner that is strongly committed to and interested in taking the business to the next stage of development.

Focus on the business

Central to OEM's culture is a strong commitment to the operations and business. When analysing acquisition targets, there is therefore a strong focus on the business and areas such as the organisation,

company culture, portfolio of offerings and future potential. In addition, an appraisal is performed to determine the effects of the acquisition on OEM's other operations and what synergies could be achieved. OEM makes acquisitions either by purchasing an entire company (with or without the previous owner remaining with the company) or by purchasing a company's assets.

Moving the acquired company to the next level of development

Based on its philosophy to be an active and long-term owner, OEM creates a development plan for each business it acquires. OEM can, for example, make its existing operations work to the advantage of the acquired company by opening up new markets and customer groups. The acquired company can continue to operate as a separate company or is integrated into one of the existing operations. The basis for these considerations is what is best for the current business and where are the greatest opportunities for growth.

ACQUISITIONS DURING THE YEAR

In 2019, OEM made two acquisitions which delivered additional annual sales of SEK 20 MILLION to the Group.

CABAVO AB

In September, the operations of Cabavo AB were acquired. The company markets electric motors, servo actuators and drive electronics for industrial applications and generates annual sales of SEK 8 MILLION.

Reason for the acquisition: Cabavo's range complements OEM's product portfolio, strengthens the customer offering and broadens the customer base.

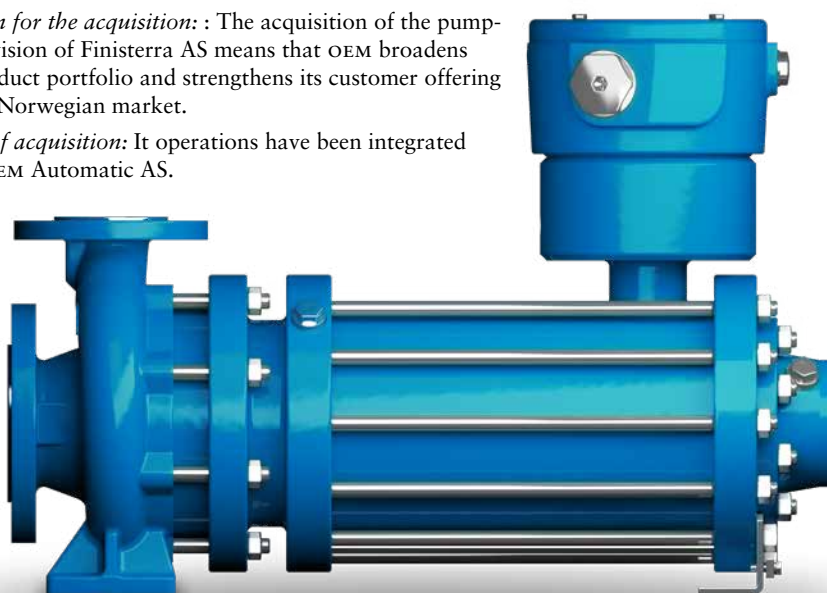
Type of acquisition: Its operations have been integrated into OEM Motor AB.

THE PUMPING DIVISION OF FINISTERRA AS

In December, the pumping division of Finisterra AS in Norway was acquired. The company generates annual sales of SEK 12 MILLION. The operations represent a number of leading manufacturers of pumps for chemical and industrial use.

Reason for the acquisition: The acquisition of the pumping division of Finisterra AS means that OEM broadens its product portfolio and strengthens its customer offering in the Norwegian market.

Type of acquisition: Its operations have been integrated into OEM Automatic AS.



Acquisitions completed 2005-2019

2019	The pumping division of Finisterra AS	Norway	2014	Kübler Svenska AB	Sweden	2011	Svenska Helag AB	Sweden
2019	Cabavo AB	Sweden	2014	Scanding A/S	Denmark	2011	Echobeach Ltd	United Kingdom
2018	ATB Drivetech AB	Sweden	2014	ASE/Conta-Clip	Poland	2010	All Motion Technology AB	Sweden
2017	Rauheat OY	Finland	2014	Mytrade OY	Finland	2009	Lasa Maskin AS	Norway
2017	Candelux Sp.z o.o.	Poland	2014	Nexa Trading AB	Sweden	2008	Elektro Elco AB	Sweden
2016	Sitek-Palvelu OY	Finland	2012	Datasensor Ltd	United Kingdom	2008	OK Kaapelit OY	Finland
2016	RF Partner AB and Ranatec Instrument AB	Sweden	2012	TemFlow Control AB	Sweden	2007	Klitso Processtechnic A/S	Denmark
2015	AB Ernst Hj Rydahl Bromsbandfabrik	Sweden	2012	Vanlid Transmission AB	Sweden	2007	MPX Elektra ApS	Denmark
2015	Scannotec OY	Finland	2012	Akkupojat OY	Finland	2007	Crouzet AB	Sweden
2015	ATC Tape Converting AB	Sweden	2011	Flexitron AB	Sweden	2006	EIG spol s r.o.	Czech Republic
			2011	Svenska Batteripoolen AB	Sweden	2005	Telfa AB	Sweden
			2011	Scapro AB	Sweden			

Value-adding technology trading group

THE CREATION OF VALUE for both customers and suppliers has made OEM one of Europe's leading technology trading groups. OEM brings value to its customers' products and processing by offering an extensive range of products and systems, and the technical expertise of its employees. OEM creates value for its suppliers by reaching out to markets and customers that they would find it difficult to reach when acting alone.

Value for the customers

OEM gives its customers access to top-quality products from leading suppliers, help with development projects and the means to streamline logistics processes. OEM thus creates both technical and economic value for its customers. OEM's employees have considerable knowledge of the operations' product range and the areas of application for these products. This means the customer has access to experience and technical expertise that can support them in their choice of constituent components and in development projects. A large percentage of sales are bespoke products for unique customer applications. A key feature of the customer offering are value-added services, for instance, different components are pre-assembled on delivery according to the customers' specifications. OEM works closely alongside its customers who often choose OEM as a strategic supplier for the coordination of an increasingly large amount of their purchases.

Value for the suppliers

Strong sales organisations, high availability and modern marketing form the foundation of OEM's business and are strong reasons why the company has been entrusted to represent the leading manu-

facturers in their markets. OEM's goal is to be the manufacturers' best sales channel and make them the leading players in their niches. In many cases, collaboration with OEM gives the manufacturers access to customers whom they would not be able to reach as easily on their own. OEM serves as the extended arm of the manufacturers in their respective markets and takes complete responsibility for the customer relationship. OEM has a close relationship with the manufacturers. These are long-standing, loyal relationships and the company avoids marketing rival products. OEM builds up

a wealth of expertise and know-how on the manufacturers' products and how they can be used in the customers' operations. OEM can use its expertise to bring ideas and proposals to the suppliers of how products could be developed and adapted to meet different customer requirements.

Logistics as a competitive advantage

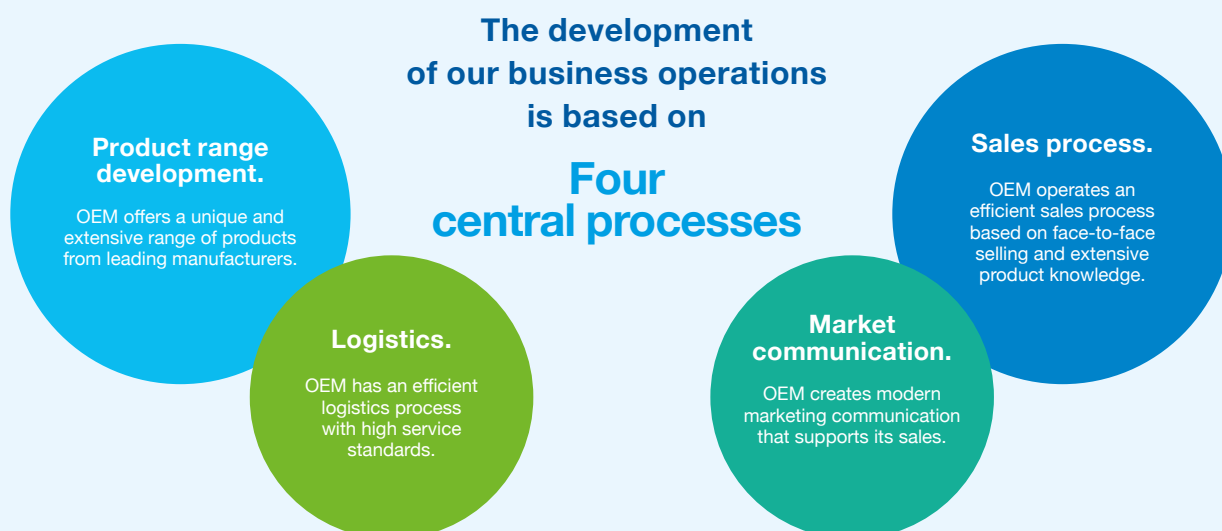
An important part of the value generated by OEM is created through OEM's logistics units. The company offers over 60,000 products from more than 400 suppliers to its 30,000 customers. In other words, logistics is complex and OEM has a continuous focus on making the flow of goods a streamlined and seamless process. Coordinating the work to larger logistics centres increases efficiency and automates the flow of goods, thereby improving cost-efficiency, quality and service. OEM also customises its logistics operations to meet the requirements and needs of larger customers, with regard to time, packaging sizes and other aspects, which creates clear advantages for the customers.



OEM has a continuous focus on making the flow of goods a streamlined and seamless process.

OEM's business model

THE BUSINESS MODEL is based on being a link between manufacturers and customers with the intent of creating value.



What this means for our manufacturers:

- Assistance with marketing in local markets.
- Can have their products marketed with complementary products.
- Reach markets and customers that are difficult to reach when acting alone.
- Help with product customisation.
- Logistics solutions that meet customer demands.
- Feedback for their own product development.

What this means for our customers:

- Access to components from more than 400 manufacturers.
- In-depth component knowledge.
- End-to-end solutions with complementary components.
- Possibility to reduce the number of manufacturers.
- Deliveries to the right place at the right time.
- Assurance of high product quality.

Extensive product range in six product areas

OEM OFFERS a comprehensive product range from market-leading suppliers in six main product areas. Its product offering is combined with extensive knowledge of products and applications, which creates an attractive portfolio that gives customers access to high-quality products and the best possible support when choosing products for each particular application.

OEM's offering comprises standard products and systems and bespoke solutions, developed in collaboration between the customer, supplier and OEM. The suppliers are mainly from Europe, the USA and Asia.

Product range development

Extension and improvement of the range is an ongoing process which generally takes place in three ways:

- Development of the product range takes place collaboratively with existing suppliers by expanding the collaboration to much of their range and by working together on product development.
- OEM also enters into new relationships with suppliers of products that complement an existing range.
- Acquisitions can give access to an entirely new range or products that complement an existing range.

Market alignment

OEM's offering differs across the various geographic markets. This is a natural consequence of OEM having been established in different markets for varying lengths of time and the fact that each market has its own demands, requirements and characteristics. Furthermore, each local operation has to align its offering with local demand and the suppliers that are available as partners in each market.

MARKET >>											
PRODUCT AREAS	Sweden	Finland	Baltic States	China	Norway	Denmark	Poland	Republic Czech	Slovakia	Kingdom United	Hungary
Electrical components	○	○	○	○	○	○	○	○	○	○	○
Machinery components & cables	○	○	○	○	○	○	○	○	○	○	○
Pressure & flow components	○	○	○	○	○	○	○	○	○	○	○
Motors, ball bearings & brakes	○	○	○	○	○	○	○	○	○	○	○
Appliance components	○	○	○	○	○	○	○	○	○		
Installation components	○	○	○		○	○	○				

ELECTRICAL COMPONENTS



The product area comprises products supplied by OEM Automatic, OEM Automatic Klitsø, Svenska Batteripoolen and Akkupojat.

Products include:

Relays, terminal blocks, sensors, machine safety products and batteries.

Areas of application:

The products are used inside or around control cabinets. Sensors and safety components are used in machinery, automated production lines, etc. Batteries are used as starter batteries or industrial batteries for power backup, etc.

Customers include:

Komatsu Forrest, Epiroc, ABB and electrical wholesalers.

MACHINERY COMPONENTS & CABLES



The product area comprises products supplied by OEM Automatic and OEM Automatic Klitsø.

Products include:

Energy chains, machine cables, vehicle products, warning devices and cameras for 2D and 3D applications.

Areas of application:

Most of the products are targeted at (original equipment manufacturers) for use in the machinery that they produce, for example fork-lift trucks and construction equipment. Parts of the range also target medical equipment and consumer-oriented applications where camera technology is required.

Customers include:

Toyota Material Handling Manufacturing, Epiroc, Sandvik, Cellavision and Flir.

PRESSURE & FLOW COMPONENTS



The product area comprises products supplied by OEM Automatic, Telfa, Sitek-Palvelu and OEM Automatic Klitsø.

Products include:

Valves, hoses, sensors and pumps.

Areas of application:

The products primarily target original equipment manufacturers for use in the machinery that they produce. They cover a wide range of applications, from heat pumps to medical equipment.

Customers include:

Tetra Pak, Epiroc, Delaval, Volvo and Getinge.

MOTORS, BALL BEARINGS & BRAKES



The product area comprises products supplied by OEM Motor, Internordic, Ernst Hj Rydahl Bromsbandfabrik, OEM Automatic and OEM Automatic Klitsø.

Products include:

Drive electronics, motors, gears, ball bearings, seals, brake and friction systems.

Areas of application:

The products are targeted at original equipment manufacturers for use in the machinery and equipment that they produce and they are used for food industry equipment, medical equipment and park and garden equipment. Brake and friction products also target the automotive industry.

Customers include:

Tetra Pak, Öhlins, Husqvarna, Toyota Material Handling Manufacturing, Nobina and GE Health Care.

APPLIANCE COMPONENTS



The product area comprises products supplied by OEM Electronics, Svenska Helag, ATC Tape Converting, Agolux and OEM Automatic.

Products include:

Displays, keyboards and LED lighting.

Areas of application:

The products target original equipment manufacturers, high-volume manufacturers and contract manufacturers for use in the electronic equipment and devices that they produce. The products are used in devices in a variety of areas, from conference phones to medical analysis instruments.

Customers include:

Husqvarna, Danfoss, Franke and Scanfil.

INSTALLATION COMPONENTS



The product area comprises products supplied by Elektro Elco, Agolux and Nexa Trading.

Products include:

Lighting and products for wireless control in the home.

Areas of application:

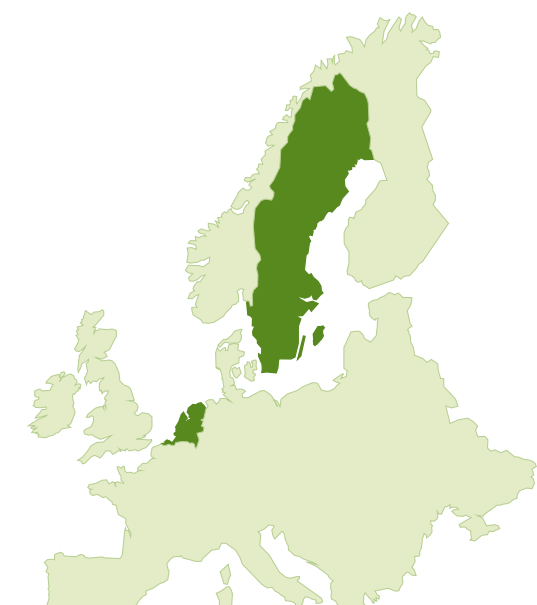
Indoor and outdoor lighting for the home with LED technology. Wireless control of lights, sunshades and doors in the home.

Customers include:

Electrical wholesalers that target professional installers, such as Rexel and Ahlsell. Building and DIY stores such as Bauhaus and Clas Ohlson.

Strong performance in a weakening economy

OEM RECORDS the best ever performance in the region, while growth slows slightly compared with previous years, primarily due to a noticeable loss of momentum in the economy. At the same time, several of the niche operations, as well as Elektro Elco and OEM Electronics, continue to see strong growth.



% OF GROUP NET SALES

61

OPERATING PROFIT EBITA
(SEK MILLION)

286

NUMBER OF EMPLOYEES

490

Offering

Sweden is OEM's largest region and accounts for 61 % of OEM's total sales. The operations comprise 12 companies that specialise in their areas of expertise with in-depth knowledge of different products and applications.

OEM's complete range of industrial products and systems, more than 60,000 products in all, is available in the Swedish market. The offering is based on an extensive portfolio of standard components. These are sold as individual components and, increasingly, assembled to provide bespoke solutions for various applications, particularly for the manufacture of machinery and appliances.

OEM often takes part in its customers' development activities to help optimise the customers' product and manufacturing processes using its product knowledge and expertise in the various areas of application. Another area in which OEM brings added value to its customers is flexible logistics solutions.

Market

Swedish industry is OEM's main market. It is a well-developed, mature market with underlying annual growth of a couple of percent. A key factor in market growth are the conditions for Swedish export companies.

OEM holds a strong position in the Swedish market and is a leader in several segments. Its customers are mainly equipment and appliance manufacturers, along with manufacturing companies in the automotive, forestry, telecommunications, IT and medical technology industries.

Wholesale companies, builders merchants and DIY stores are customers in some segments.

Swedish industrial companies normally keep their design and development units in Sweden, but have often relocated their manufacturing processes to countries where production costs are lower. Increased globalisation and digitalisation, with growth in e-commerce as a consequence, also bring greater transparency especially in terms of price competition for standard products. OEM is committed to ensuring that its pricing is competitive and to continuously enabling the creation of value by offering innovative support and customised solutions that provide clear added value. This means that OEM often maintains its customer relationships and continues to supply its customers even if they relocate their production abroad.

Developments in 2019

OEM follows up many consecutive years of strong performance with its highest ever sales and earnings figures for the region. However, the growth rate has slowed somewhat due to a noticeable cooling of economic activity. OEM's net sales in the region increased 7%, of which 4% was organic growth. Operating profit (EBITA) rose 11% and the EBITA margin stood at 14%.

Swedish industry has enjoyed a favourable economic climate for a considerable period of time and Swedish exporting companies have been assisted by Sweden's weak currency. Economic activity gradually levelled off during 2019, however. This slowdown also impacted OEM Automatic, OEM's largest operations in the region,

which experienced a deceleration in demand, especially during the autumn of 2019. However, OEM Automatic still reported better growth than the market's expected underlying sales growth. OEM Automatic's sales growth in 2019 was 4 %, of which 2 % was organic growth.

At the same time, OEM can look back on yet another a positive year for several of its niche operations. OEM Motor, which markets electric motors, drive electronics and mechanical transmission, increased its net sales by 18 %. Telfa, whose offering to industrial companies is focused on

pumps, reported a 23 % increase.

Rydahls Bromsbandfabrik and Svenska Batteripoolen also performed strongly during the year with both operations posting 8 % growth.

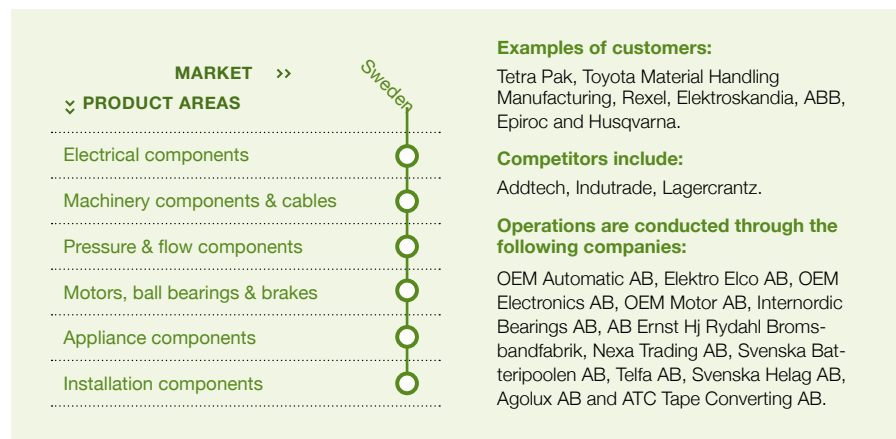
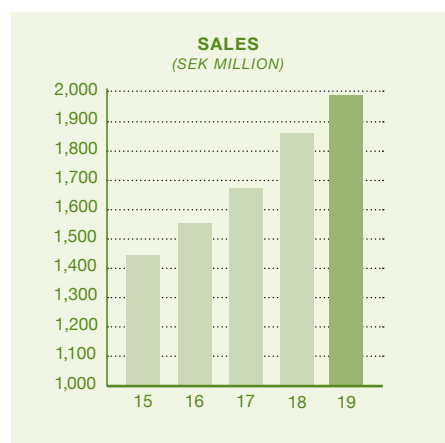
The second largest company in the region, Elektro Elco, which has undergone a process of reorganisation and a review of strategies in order to generate further growth, has increased its net sales by 11 % after a couple of years of low growth.

The region's third largest company, OEM Electronics, into which Flexitron was integrated during the year, recorded very

strong profitability with 10 % growth.

The company showing the strongest growth in 2019 was Agolux, which provides various types of lighting solutions. From a regional perspective, its business operations are still relatively small but it posted two-digit growth for the fourth consecutive year and delivered very strong earnings. During the year, the increase in sales was 39 %.

Agolux, which provides various types of lighting solutions, posted two-digit growth for the fourth consecutive year.



Decline in demand results in low growth

OEM'S OPERATIONS in the region reported that sales figures were up 4%, which is well below the rate of growth in the past few years. The large operations in particular are experiencing weak growth as a direct result of reduced demand from the Finnish export industry. On the other hand, some of the smaller operations continue to show strong growth.

Offering

OEM's second region comprises operations in Finland, and the Baltic states of Estonia, Latvia and Lithuania, and China. The region accounts for 21 % of OEM's total sales.

Finland is the second largest market for the OEM Group and the first country in which OEM established a presence outside of Sweden. The operations are managed through eight entities with in-depth knowledge of products and application areas. OEM's portfolio comprises a complete range of industrial components and systems, spread across the Group's six product areas. The offering includes both bespoke products and systems, and standard products. However, the product mix differs slightly from that in Sweden depending on local demand and availability of the range. OEM's customers in Finland are primarily major manufacturers of machinery.

OEM originally established operations in the Baltic states and China to enable it to follow Swedish and Finnish customers that outsourced their production there. The portfolio is therefore more concentrated and chiefly comprises products in the areas of Electrical components, Appliance components and Flow technology. The portfolio is gradually being expanded in response to demand and is being aligned to meet the needs of each local market. In both the Baltic states and China, parts of OEM's range are also sold to local customers.

Market

Manufacturing industries are OEM's main market in Finland, with forest and

construction equipment, mining machinery and lifting equipment examples of key segments. Finland has been experiencing an extended period of sluggish economic activity and weak underlying growth in the market. 2019 was no exception and more or less all sectors in the Finnish export industry have seen a slowing in demand.

OEM has a strong position in the Finnish market and the company has managed to increase its market share over a number of years despite low underlying growth. This has resulted in increased market share for OEM and a leading position in several segments. OEM's operations in the Baltic states and China, which are largely based on supplying products and systems to Swedish and Finnish customers, which have chosen to outsource their production activities there, are affected more by the strategic decisions of their respective customers than by general developments in the market.

Developments in 2019

OEM has reported very strong growth in Region Finland, the Baltic states and China for a considerable period of time and net sales have doubled in a five-year period. A gradually expanding market share has led to a high rate of growth in sales and earnings and incoming orders in spite of a weak market climate and low underlying growth.

However, there was a clear slowdown in OEM's growth too in 2019 and net sales in local currencies in the region were up slightly on the previous year. Translated into Swedish krona, net sales rose 4 %



% OF GROUP NET SALES

21

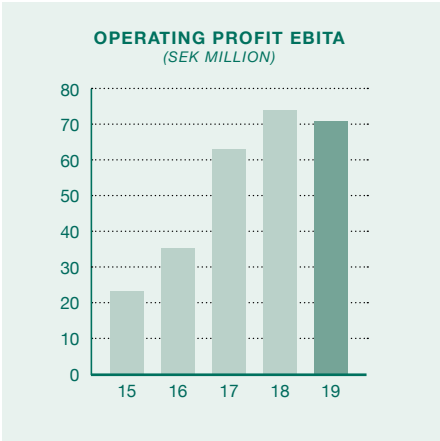
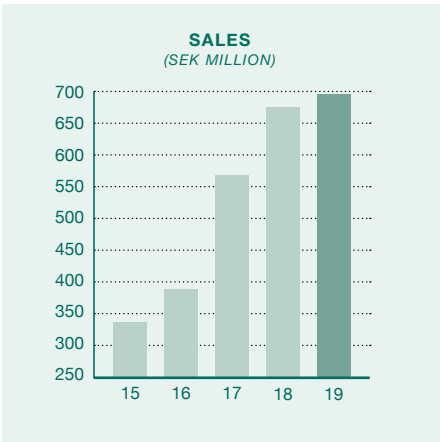
OPERATING PROFIT EBITA
(SEK MILLION)

7,1

NUMBER OF EMPLOYEES

174

and currency movements had a positive 3 percentage point impact on net sales, representing organic growth of 1 %. OEM has been successful in retaining market share by expanding its offering to existing customers in Finland by introducing new products and systems.



OEM Automatic, which is the largest operation in Finland too, has delivered negative growth with a 7 % drop in net sales. OEM Electronics, OEM's second largest operations in the region, achieved the same sales figures as last year and Sitek-Palvelu, which offers products for industrial automation and process applications, reported that sales figures were up 1 %. Many operations have continued to deliver strong performances, with the Hide-a-lite product area, which sells lighting, posting a 28 % increase in net sales, and Rauheat, which markets HVAC & plumbing products to the construction industry, reporting a 12% rise in net sales.

Sales growth in the Baltic states came in at a modest 4 % while the operations

in China achieved a pleasing 15 % sales growth. Compared with the Finnish companies, the operations in the Baltic states and China are small and their impact on total growth in the region is marginal.

The weak sales growth has also impacted profitability, but cost reductions have mitigated its effects. Operating profit (EBITA) fell by 4 % during the year and the EBITA margin stood at 10 %.

OEM has a strong position in the Finnish market and the company has managed to increase its market share over a number of years despite low underlying growth.



MARKET >>				
PRODUCT AREAS		Finland	Baltic states	China
Electrical components		○	○	○
Machinery components & cables		○	○	○
Pressure & flow components		○	○	○
Motors, ball bearings & brakes		○	○	○
Appliance components		○	○	○
Installation components		○	○	○

Customers include:
Arnon, Sandvik Mining, Onninen, Raute, Kemppe.

Competitors include:
Lapp Automaatio, Addtech, Indutrade, Wexon.

Operations are conducted through the following companies:
OEM Finland OY with the business areas OEM Automatic, OEM Electronics, OEM Motor and Hide-a-lite. Akkupojat Oy, Sitek-Palvelu Oy, Rauheat Oy, OEM Automatic OU, OEM Automatic UAB, OEM Automatic SIA, OEM Automatic (Shanghai) Co.Ltd.

Denmark and Poland driving growth in the region

OEM HAS CONTINUED TO SEE STRONG GROWTH in the region.

OEM's growth is strongest in the mature markets, particularly in Denmark. Profitability continues to perform slightly better than growth.



% OF GROUP NET SALES

18

OPERATING PROFIT EBITA
(SEK MILLION)

37

NUMBER OF EMPLOYEES

204

Offering

OEM's third region is the most diversified with operations in seven countries. This geographical spread results in variation in customers and offerings. The region also includes country-specific customer types that are unique to the Group. In some cases, the product local portfolio is specially tailored to these customers. The region accounts for 18% of OEM's total sales.

The offering in the region comprises standard products in combination with bespoke products and systems. The product areas offered in the entire region are Electrical components, Flow technology, and Motors, transmissions and brakes. Appliance components are available in Denmark, Poland, the Czech Republic and Slovakia. Installation components are also available in Denmark and Norway. The range is continually being enhanced with the introduction of entire product areas and expansion of existing offerings.

OEM's operations in the region are conducted through seven OEM Automatic companies. OEM Electronics is established in Poland, the Czech Republic, Slovakia and Denmark, and Hide-a-lite lighting is also marketed in Denmark and Norway.

Market

OEM's markets in the region differ both geographically and in terms of economic growth. Denmark, Norway and the UK, which are the mature markets, show low underlying growth primarily explained by fluctuations in economic activity or changes associated with various industries and segments.

OEM's markets in East Central Europe

have experienced strong growth for a considerable period of time, both in terms of domestic industry and production that has been moved there from other countries. Furthermore, they should still be regarded as emerging markets, despite many of them having been affected by the weak economic conditions and demand in Europe in the past few years.

OEM holds a strong position in most of its markets in the region. Food and pharmaceutical processing industries are a key customer group in Denmark. In Norway, the customers are primarily small-scale industrial businesses and wholesalers. Customers in the UK are a mix of large and small-scale companies with smaller industrial businesses making up the largest customer group. Local distributors that supply components to local manufacturers are another key customer group.

The customers in East Central Europe are manufacturing companies operating in a wide range of industries. In Poland, for example, the domestic mining and minerals industries are important customer segments and customers in the Czech Republic include subcontractors in the automotive industry. The product portfolios and customer bases of OEM's operations in Slovakia and Hungary are still in the development phase. Both of these countries have a number of key customers that manufacture vehicles and electronic products.

Developments in 2019

OEM shows continued strong growth in the region and net sales rose 6% during the year. Currency movements had a positive

The product offering in Norway was extended during the year through the acquisition of the pumping division of Finisterra AS.



3 percentage point impact on sales, which means that organic growth reached 3 %.

With OEM's operations in Denmark concentrated on the cyclical sectors, it is normal that growth varies from year to year. It has been difficult for some time for the operations to generate organic growth. However, 2019 was a year of good growth and net sales rose 18 %. During the year, OEM has also expanded its customer base and portfolio to help mitigate the cyclical fluctuations.

In Norway, OEM has continued the positive growth trend of recent years with

a 7 % increase in net sales. The product offering was also extended here during the year, not least through the acquisition of the pumping division of Finisterra AS. Profitability during the year has also been affected by investments in the organisation.

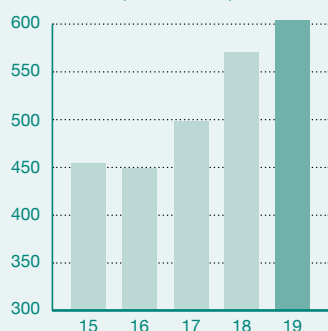
In the UK, OEM's 5 % growth is slightly above the underlying growth. Profitability remains strong.

OEM's operations in East Central Europe have performed strongly for several years, and OEM in Poland has maintained its robust performance with 11 % growth. The operations in the Czech Republic and Slovakia have seen slower growth with a 3 % drop in sales. The operations in Hungary also delivered a weaker performance compared with previous years, posting a 10 % increase in sales. However, the operations in both Slovakia and Hungary are still small compared with others in the region.

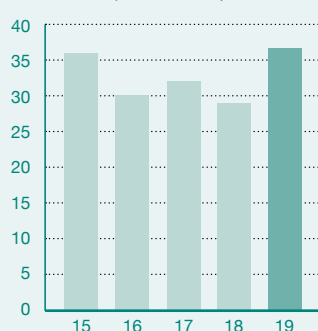
Profitability in the region is good despite it being below the Group's long-term profitability target. Operating profit (EBITA) rose 27 % and the EBITA margin stood at 6 %.

In 2018, EBITA was impacted by an SEK 8 MILLION expense related to the closure of lighting operations in Poland, which means that the EBITA level in 2019 is the same.

SALES
(SEK MILLION)



OPERATING PROFIT EBITA
(SEK MILLION)



MARKET >>
PRODUCT AREAS

	Norway	Denmark	Poland	Czech Republic	Slovakia	Kingdom	United	Hungary
Electrical components	○	○	○	○	○	○	○	○
Machinery components & cables	○	○	○	○	○	○	○	○
Pressure & flow components	○	○	○	○	○	○	○	○
Motors, ball bearings & brakes	○	○	○	○	○	○	○	○
Appliance components	○	○	○	○	○	○	○	○
Installation components	○	○	○	○	○	○	○	○

Customers include:

RS Components, Skoda, Domino, Sporveien Oslo.

Competitors include:

IMO, Dacpol, MRC Hypteck, Omron.

Operations are conducted through the following companies:

OEM Automatic Klitsö A/S, OEM Automatic Ltd, OEM Automatic Sp z o. o., OEM Automatic AS, OEM Automatic spol. s r.o., OEM Automatic s.r.o. and OEM Automatic Kft.

Expertise and commitment central elements of the portfolio

THE EMPLOYEES ARE THE GUARANTEE that OEM will retain its position in the long-term and short-term as one of Europe's leading technology trading groups. In today's competitive market, where the products are becoming more and more similar, it is often the commitment and expertise of the employees that make the difference.

Employee expertise is based on top technical and applications know-how combined with a strong sales focus. The company's sales staff and product specialists are key people in the relationships with customers and manufacturers and build lasting and trusting relationships in line with OEM's business model.

The organisation's ability to adapt to and benefit from the opportunities offered by digitalisation are key to the company's competitive edge. It is crucial to use the tools created by digitalisation in the business process and in the company's internal processes.

Strong culture

OEM's corporate culture is based on the watchwords – positive attitude, commitment, modesty, tenacity and openness. OEM's long-term approach has solidified the business into one coherent organisation that puts performance and well-being at its core.

Creativity and inquiring minds are encouraged

OEM's leadership culture is based on strong teams and specific targets. Each manager builds his or her team and sets clear individual goals for his or her colleagues. OEM encourages its employees to shape their careers by being interested, creative and goal-oriented. Most leaders are recruited internally and a great amount of energy and effort is channelled into identifying and developing individuals with leadership

qualities who can become future leaders, both locally and centrally. Career progression is generally within the respective company. Complementing this are central initiatives, such as Group-wide talent-development programmes aimed at improving skills and building networks among the employees. Experience of sales work or work within the product organisation is highly valued in career progression and the company encourages employees to move to positions in different parts of the company and different countries too.

Young employees add dynamism and drive

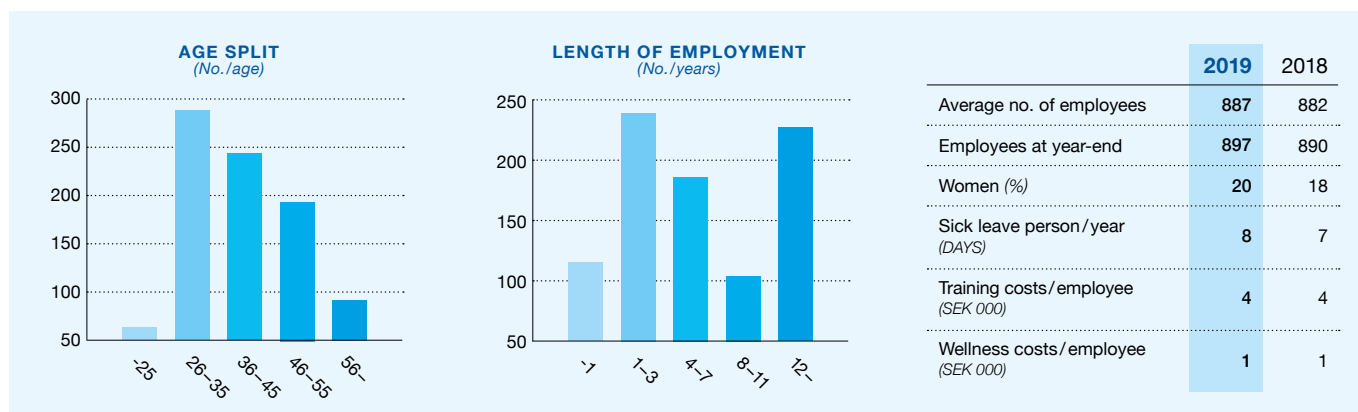
An important part of steadily building a strong, competitive organisation is to continuously hire young employees. Young engineers who are interested in technology and sales add dynamism and drive. Induction programmes and individual development plans enable new employees to quickly learn their duties and are assigned progressively more responsible work. OEM has a trainee programme for newly-graduated employees with degrees in engineering or economics and the potential to assume leadership responsibilities in the future. OEM also works collaboratively with several educational institutions, offering internship opportunities, guidance in thesis research projects and other assistance. This is a means of attracting future personnel and reaching out with information about OEM's business and operations.

Ambitious sales force

The sales professionals must work closely alongside the customers, assume considerable business responsibility, have extensive knowledge of the products and applications and provide customers with the best service in the market. OEM has high ambitions when it comes to the ability of the sales staff to identify and exploit business opportunities. The sales personnel follow training programmes that run over several years to enable them to meet the requirements. Newly-hired sales personnel attend internal and external courses aimed at promoting personal development and creating an efficient sales methodology. A solid background in sales also opens other career opportunities at OEM, such as sales manager or business area manager positions.

Personal development and long-term vision

OEM continuously works to improve its attractiveness as an employer to current and future employees. OEM's long-term competitiveness depends greatly on employees who develop professionally and have a long-term perspective, and on a pipeline of young talent. Skills development is part of the employees' personal development and their know-how and expertise are regularly updated through training in sales, technology, finance, IT and other areas. OEM encourages employees to continue developing their skills and abilities in different ways and the use of



individual development plans is one of the activities. Business objectives are combined with individual goals to produce plans that facilitate the ongoing development of the skills of the employees. At annual performance appraisals, the contents of the personal development plans are discussed, completed activities are evaluated and plans for the coming year are established.

Well-being and health for performance

Well-being and health are essential for being able to perform well and develop, both individually and as a team, and OEM has always made the well-being of its employees a central priority. Regular investments are made to create safe, healthy and attractive

workplaces and the company encourages its employees to adopt a healthy lifestyle by offering physical activity opportunities and preventive care and wellness initiatives. Activities designed to create cohesion and group dynamics are often conducted in conjunction with conferences or workplace meetings.

Strives to improve equality

All employees shall have equal opportunities based on qualifications for the job, without regard to religion, ethnicity, nationality, gender, age, disability or sexual orientation. OEM's sector is traditionally male-dominated, but the company strives for a more equal gender balance by

increasingly seeking to hire women for male-dominated positions.

Employee numbers increased

OEM regularly recruits employees, largely in the area of sales and marketing, to strengthen existing organisations and hire replacements because of natural turnover of staff. In 2019, the headcount increased from 890 employees to 897. The increase is mainly due to new employees joining existing operations.

OEM's corporate culture is based on the watchwords – positive attitude, commitment, modesty, tenacity and openness.



CSR strengthens OEM

A HEALTHY BUSINESS CULTURE with a responsible approach towards CSR-related issues is key to improving OEM's competitive edge and enhancing its position as an attractive employer. For many years, OEM has had a Code of Conduct that provides a Group-wide platform for its CSR-related activities. The aim is to create an efficient and responsible process with relevant activities and to ensure a similar approach in developments concerning the environment, ethics and communities.

Code Of Conduct

Human rights

- 1) OEM supports and respects international human rights within the company's sphere of influence.
- 2) OEM shall not be complicit in human rights abuses.

Working rights

- 3) OEM upholds freedom of association and recognises the right to collective bargaining.
- 4) OEM has a zero-tolerance policy towards any type of forced or compulsory labour.
- 5) OEM has a zero-tolerance policy towards any type of child labour.
- 6) OEM is against all discrimination with regard to recruitment and the performance of work.

The environment

- 7) OEM supports the precautionary approach with regard to environmental hazards.
- 8) OEM undertakes initiatives to promote greater environmental awareness.
- 9) OEM encourages the development of environmentally-friendly technologies.

Anti-corruption

- 10) OEM is committed to countering corruption in all forms, including extortion and bribery.

OEM's Code of Conduct is based on the ten principles set forth in the United Nation's Global Compact. The Code of Conduct includes policies relating to human rights, working rights, environmental matters and anti-corruption. These areas encompass the essential components of the responsibility that it is natural to take for all of the Group's companies.

CSR activities

The Group's companies perform at least three CSR-related activities each year. In 2019, one of these activities focused on anti-corruption. The activities are followed up by the Boards and management teams.

The Group is committed to a culture of openness and high ethical standards. Employees play a key role in identifying any non-conformances and are able to report suspected wrongdoing via OEM's whistleblowing system.

Priority to environmentally-friendly solutions

The environment is part of OEM's Code of Conduct and priority is given to activities that lead to greater environmental responsibility. Transport, travel, use of packaging materials and heating of premises have the greatest environmental impacts in OEM's operations. There has been a strong focus on these areas for many years and OEM strives to find good environmental solutions

and supports development initiatives in these areas.

Another key aspect of environmental responsibility is to offer customers high-quality, climate-friendly components. OEM's high level of product expertise enables it to help customers make environmentally-sound choices.

Quality is critical for sustaining competitive advantage

Ensuring quality at every stage of the business process is critical to OEM's competitive advantage. The companies have therefore long been working systematically to improve quality and efficiency. The Group's own activity management system called "OQD" – OEM Quality Development, is based on Toyota's principles. The management system includes close monitoring of non-conformances, visualisation of results compared with objectives and improvement initiatives from the employees. OQD is considered to be one of the leading systems in

the industry and has attracted considerable attention. OEM Automatic in Sweden has developed the system which is also used to varying extents in the rest of the Group.

ISO certified companies

In Sweden, OEM Automatic, OEM Electronics, Svenska Batteripoolen, Internordic Bearings, Telfa, Ernst Hj Rydahl Bromsbandfabrik, Svenska Helag, Agolux, ATC Tape Converting and OEM Motor have been awarded ISO 14001 environmental management system certification and ISO 9001 quality management system certification. In Poland, OEM Automatic has been awarded ISO 9001 quality management system certification.

Sustainability report

OEM's full Sustainability report is available for viewing at www.oem.se.

A healthy business culture with strong corporate social responsibility practices is an important part of being an attractive employer.





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Five-year Group summary

(SEK MILLION)

FROM THE STATEMENT OF INCOME	2019	2018	2017	2016	2015
Sweden	1,992	1,866	1,668	1,539	1,433
Overseas	1,306	1,246	1,071	843	799
Net sales	3,299	3,112	2,739	2,382	2,232
Operating income before depreciation and amortisation	444	376	338	304	272
Amortisation/depreciation	-73	-53	-56	-46	-47
Profit/loss from financial items	-4	-6	-8	-4	-4
Profit before tax	367	317	274	255	221
Tax	-78	-69	-60	-54	-48
PROFIT/LOSS FOR THE YEAR	289	248	214	201	173
EBITA	385	343	308	277	246

FROM THE STATEMENT OF FINANCIAL POSITION	2019	2018	2017	2016	2015
Intangible fixed assets	195	193	201	196	176
Property, plant and equipment	342	260	251	227	203
Financial assets and deferred tax assets	4	3	2	2	2
Inventories	629	569	494	428	396
Current receivables	512	501	478	404	359
Cash and cash equivalents	42	38	56	83	85
TOTAL ASSETS	1,725	1,563	1,482	1,340	1,220
Equity	1,066	926	804	709	622
Non-current liabilities	144	135	146	132	123
Current liabilities	514	502	532	498	474
TOTAL EQUITY AND LIABILITIES	1,725	1,563	1,482	1,340	1,220

In the table above, IFRS 16 Leases is applied for 2019. IAS 17 Leases is applied for the comparative figures for 2015-2018.

Definitions can be found on page 90.

KPIs for the last five years

OEM GROUP		2019	2018	2017	2016	2015
Net sales	SEK million	3,299	3,112	2,739	2,382	2,232
of which overseas	%	40.0	40.0	39.1	35.4	36.0
Group's profit before tax	SEK million	367	317	274	255	221
Consolidated profit for the year	SEK million	289	248	214	201	173
EBITA	SEK million	385	343	308	277	246
Return on total capital	%	22.9	22.5	21.8	21.8	21.1
Return on capital employed	%	33.3	33.0	32.2	31.6	30.0
Return on equity	%	29.0	28.7	28.3	30.2	29.5
Debt/equity ratio	times	0.16	0.16	0.25	0.29	0.37
Interest coverage ratio	times	94.1	85.1	72.6	57.3	57.9
EBITA margin	%	11.7	11.0	11.2	11.6	11.0
Operating margin	%	11.3	10.4	10.3	10.9	10.1
Profit margin	%	11.1	10.2	10.0	10.4	9.7
Capital turnover rate	times/yr	1.91	1.99	1.85	1.78	1.83
Net sales/employee	SEK million	3.7	3.5	3.3	3.2	3.1
Equity/assets ratio	%	61.8	59.2	54.2	53.0	51.0
Operating cash flows	SEK million	291	217	192	219	192
Quick ratio	%	108	107	100	100	94
Average number of shares outstanding	thousands	23,107	23,107	23,107	23,107	23,107
Earnings per share	SEK	12.50	10.74	9.25	8.70	7.50
Average total number of shares	thousands	23,169	23,169	23,169	23,169	23,169
Earnings per share	SEK	12.47	10.71	9.23	8.67	7.48
Shareholders' equity per share	SEK	46.03	39.97	34.69	30.62	26.85
Proposed dividend	SEK	7.00	6.75	6.00	5.50	5.00
Quoted price as per 31 December	SEK	250.00	190.50	177.00	151.00	141.00
P/E ratio	times	20.0	17.8	19.2	17.4	18.9
Direct return	%	2.8	3.5	3.4	3.6	3.5
Average no. of employees	No.	887	882	824	756	727
Salaries and remuneration	SEK million	393	377	338	297	281

In the table above, IFRS 16 Leases is applied for 2019. IAS 17 Leases is applied for the comparative figures for 2015-2018. Definitions can be found on page 90.

The Board of Directors and the Managing Director of OEM International AB (publ.), CRN 556184-6691, with its headquarters in Tranås, Sweden, hereby present the Annual Report and the consolidated financial statements for the 2019 financial year. The Annual Report and the consolidated financial statements, including the Auditors' Report, are given on pages 29-86. Figures for 2018 are given in brackets.

THE GROUP

Business activities

OEM is a leading technology trading group operating in 14 selected markets in northern Europe, East Central Europe, the UK and China. Operations are conducted in subsidiaries in the Nordic countries, the UK, Poland, the Czech Republic, Slovakia, the Netherlands, Hungary, Estonia, Latvia, Lithuania and China.

OEM is a value-adding link between its customers and leading manufacturers of products and systems for industrial applications. As one of Europe's leading technology trading groups, OEM brings value to its customers by offering an extensive range of products coupled with considerable technical and applications expertise. With a strong marketing and sales organisation, OEM serves as the extended arm of the suppliers in each market and aims to make them a leading player in their niche. This makes OEM the best distribution channel for its suppliers in OEM's markets.

Its extensive range of industrial components comprises products in the areas of electrical components, flow technology, installation components, ball bearings and seals, motors, transmissions, brakes and appliance components. The range is constantly evolving with the addition of new products and the replacement or discontinuation of unprofitable products.

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

The Group is structured and primarily managed as three market regions,

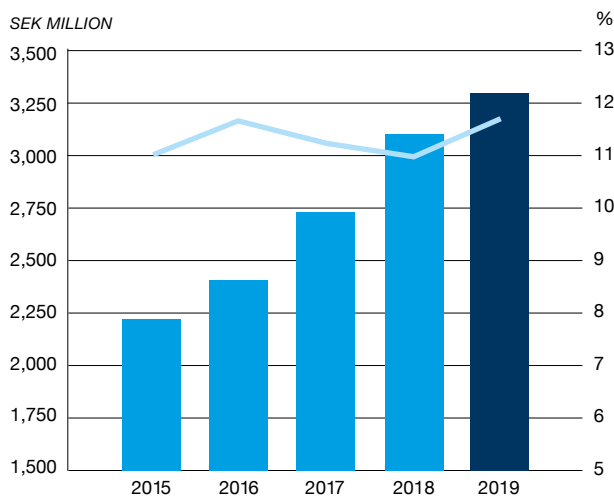
- Sweden,
- Finland, the Baltic states and China,
- Denmark, Norway, UK and East Central Europe.

The objective of this organisation is to consolidate OEM's long-term competitive edge and increase growth outside of Sweden.

OEM's Class B share is listed on NASDAQ Nordic Mid Cap in Stockholm.

Incoming orders, net sales and profit

Incoming orders increased by 4 % to SEK 3,303 million (3,163) during the



Net sales SEK million, EBITA margin %.

year. At SEK 425 million, the order book was 3 % up on the previous year.

Net sales rose 6 % to SEK 3,299 million (3,112) over the previous year. Net sales rose 3 % for comparable entities, which is also the increase excluding the impact of foreign currency exchange rate fluctuations. Most of the Group's operations have experienced strong growth, with entities OEM Automatic, Elektro Elco, OEM Electronics and OEM Motor in Sweden and OEM Denmark having contributed most to the fine performance.

Operating profit before amortisation of acquisition-related intangible fixed assets (EBITA) increased 12 % during the year to SEK 385 million (343). Increased net sales are the reason for the growth curve in most of the operations. The operating margin before amortisation of acquisition-related intangible fixed assets (EBITA margin) was 11.7 % (11.0 %).

Profit before tax was SEK 367 million (317) and profit after tax rose 16 % to SEK 289 million (248).

The year's profit after tax corresponds to SEK 12.50 (10.74) per share outstanding.

Region Sweden

Sales are conducted under the names of OEM Automatic, OEM Electronics, OEM Motor, Internordic Bearings, Telfa, Elektro Elco, Nexa Trading, Svenska Helag, Svenska Batteripoolen, Flexitron, Agolux, Ernst Hj Rydahl Bromsbandfabrik and ATC Tape Converting.

The positive performance by existing entities boosted net sales by 7 % to SEK 1,995 million (1,868). Acquisitions and foreign currency exchange rate movements had effects of 1 % and 2 % respectively on net sales, which means that organic growth in the region reached 4 %. Many operations have delivered good growth with Agolux, Telfa, OEM Motor, Elektro Elco, OEM Electronics, Svenska Batteripoolen and Ernst Hj Rydahl Bromsbandfabrik accounting for the largest percentage growth in net sales.

Incoming orders rose 5 % to SEK 1,986 million (1,894). Incoming orders and net sales were at the same level in 2019.

EBITA rose 11 % to SEK 286 million (256). The increase in earnings is due primarily to increased net sales.

Region Finland, the Baltic states and China

Sales are conducted under the names of OEM Automatic, OEM Electronics, Akkupojat, Sitek-Palvelu and Rauheat.

In 2019, net sales for the region increased by 4 % to SEK 699 million (674). Favourable foreign exchange movements boosted net sales by 3 %, which means that organic growth in the region reached 1 %. The modest rate of growth in Finland during the year has been hit by the current slowdown in economic activity. China continued to develop in a positive direction while the Baltic states, like Finland, were affected by the slackening economic activity. The operations in the Baltic states and China are small, however, and their impact on total growth in the region is marginal.

The level of incoming orders for the region rose 5 % to SEK 711 million (676). Incoming orders were 2 % higher than net sales in the year.

EBITA fell by 4 % to SEK 71 million (74), due primarily to an increased cost base.

Region Denmark, Norway, UK and East Central Europe

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

Net sales rose in the full-year 2019 by 6 % to SEK 604 million (570). Favourable foreign exchange movements boosted net sales by 3 %, which means that organic growth in the region reached 3 %. The operations with the highest organic growth rates as a percentage are Denmark, Poland, Hungary and Norway.

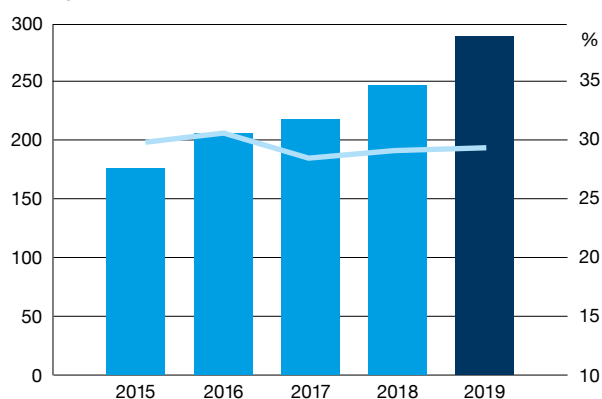
Incoming orders rose 2 % to SEK 606 million (593). Incoming orders and net sales were at the same level in 2019.

EBITA rose 27 % to SEK 37 million (29) in 2019. In 2018, EBITA was impacted by an SEK 8 million expense related to the closure of lighting operations in Poland, which means that the EBITA level is the same as in the previous year.

Profitability and financial position

Return on capital employed was 33.3 % (33.0 %). Return on equity was 29.0 % (28.7 %) which exceeds the Group's financial target of 20 % through a business cycle. The Group's equity/assets ratio at year-end was 61.8 % (59.2 %). Shareholders' equity per share calculated on the aggregate number of shares was SEK 46.03 (39.97). Cash and cash equivalents, comprising cash and bank balances, amounted to SEK 42 million (38). The Group's cash and cash equivalents, together with committed undrawn credit facilities, amounted to SEK 403 million (396) at year-end.

SEK MILLION

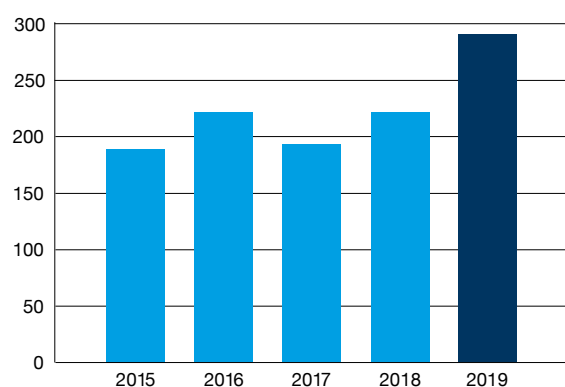


Profit after tax SEK million, Return on equity %.

Cash flow

Operating cash flow was SEK 290 million (217). After net investments of SEK -89 million (-47) and amortisation, new loans and paid dividends for a total of SEK -199 million (-189), the year's cash flow was SEK 3 million (-19).

SEK MILLION



Operating cash flow, SEK million.

Investments

The Group's gross investment for the year, excluding acquisitions, was SEK 12 million (27) in machinery and equipment, SEK 55 million (11) in buildings, and SEK 5.3 million (1.1) in other intangible fixed assets comprising patents and software.

Group changes

The operations of Cabavo AB in Sweden were acquired on 10 September 2019. The company markets electric motors, servo actuators and drive electronics for industrial applications and generates annual sales of approximately SEK 8 million. Its head office is located in Täby. The company

became part of Region Sweden on 1 October 2019.

On 3 December 2019, customer relationships and inventories were acquired from the pumping division of Finisterra AS in Norway. The division reports revenues of approximately SEK 12 million. Pumps will be sold through OEM Automatic AS in Norway, which is part of Region Denmark, Norway, the UK and East Central Europe.

A Group-wide programme is in progress aimed at achieving a simpler, more distinct legal Group structure through mergers and voluntary liquidations.

Employees

At year-end, the headcount was 897 (890), an increase of 3 employees. The average number of employees during the year was 887, compared with 882 in the previous financial year. Women represent 20 % (18 %) of the workforce. Absence due to illness stands, on average, at 8 days per person, which is 1 day more than last 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 (4,000). Supplementary information is provided in Note 5.

Risks and risk management

OEM's results, financial position and 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 financial instruments and an explanation of how OEM manages the financial risks are given in Note 24.

Economy

OEM is affected by the general development of the economy, which is usually measured in terms of GDP growth. The company operates in a wide range of different sectors and geographic areas which lessens the impact of economic fluctuations in specific industries and geographic markets on its business.

Structural changes

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

OEM works actively to increase the value of its product offering, regardless of customer group. This has clearly contributed to the Group's performance and to the fact that it continues to be a priority supplier for many customers. By working alongside the customers, it is possible to capture trends and know when it is commercially justifiable to enter a new product area in order to keep abreast of advances in technology. OEM offers a high level of service and expert technical advice to offset the effects of competition from lower-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

Its dependence on individual suppliers is one of the key operational 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 relationships. The relationships are based on long-term, close collaborative partnerships. The Group has more than 400 suppliers in total. No supplier accounts for more than 10 % of total Group sales. 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, with approximately 30,000 customers spread across several industrial segments and geographic

markets. No customer accounts for more than about 4 % of total Group sales, which remains unchanged from last year.

Competitive situation

Restructuring and consolidations in the industrial trading sector are continuously changing the competitive situation. Economies of scale can lead to a price squeeze, but OEM's strategy includes reaching market-leading positions with a portfolio of products and services where the price is not the decisive factor.

Events after the close of the reporting period

On 31 January, OEM acquired Zoedale Ltd in the UK. The company generates annual sales of approximately SEK 37 million. The company represents ASCO, Valpes, Omal, Bernard Controls, Peter Paul and other manufacturers of valves and actuators for various process and industrial applications. The acquisition is expected to have a marginal impact on OEM's profit for 2020.

See Note 4 Acquisitions for additional information.

Expectations of future development

The most important tasks for the Group are to focus on growth and to continue improving the profitability of existing operations. Added to this are the sales and earnings resulting from successful acquisitions.

The Group continues with the aim 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 stable growth.

The targets for one business cycle are:

- at least 10% annual sales growth
- a minimum EBITA margin of 10%
- a minimum return on equity of 20%,
- an equity/assets ratio that does not drop below 35%.

OEM is well placed for further expansion with its strong market position, financial performance and organisation.

The Group has not issued a forecast for 2020.

Research and development

OEM conducts research and development activities of its own on a limited scale. R&D is mainly conducted at our suppliers under the suppliers' own control, using information about market demand that we provide.

Environmental impact

In 2019, OEM had a Swedish subsidiary whose operations require licensing or registration under the Swedish Environmental Code. The operations requiring registration represent an insignificant portion of the company's total operations. None of the Group's companies are involved in any environment-related disputes. OEM's focus on trade means that the greatest environmental impact comes from transportation, environmentally harmful substances, printed materials, packaging materials and heating. OEM takes a structured approach in all of these areas to find the best environmental solutions and support development initiatives in these areas.

The OEM Group's environmental policy dictates continuous efforts to minimise its external environmental impact in the short term and long term.

Sustainability report

In compliance with Chapter 6, Section 11 of the Swedish Annual Accounts Act (ÅRL), the company has decided to publish its sustainability report, which is required by law, separately from its Annual Report. The sustainability report and the Annual Report have been presented to the auditors. The sustainability report is available for viewing at www.oem.se.

PARENT COMPANY

The Parent Company is to be an active owner and develop the subsidiaries. In addition to clear management-by-objectives, this means contributing expertise and resources in the fields of IT, financial control,

HR administration, market communication, quality and environmental control, and warehouse management.

The Parent Company's net sales were SEK 57 million (57). Net sales relate entirely to services to subsidiary companies. Profit before year-end appropriations and tax amounted to SEK 44 million (54).

With regard to non-financial information, the Group's information also includes the Parent Company, where applicable. The financial position of the Parent Company is dependent on the financial position and growth of the subsidiaries. The Parent Company is therefore indirectly affected by the risks that are described in the section *Risks and Risk Management*.

Guidelines for remuneration of senior executives

The policies for remuneration of senior executives adopted at the 2019 Annual General Meeting are presented in Note 5.

The remuneration of the Chairman and Members of the Board of Directors is paid in accordance with the resolution of the Annual General Meeting. The chairperson of the Audit Committee will receive remuneration of SEK 50,000. No other special fees are paid for work on committees.

The Board's proposed guidelines for remuneration of senior executives will be presented at the 2020 Annual General Meeting. It is proposed that market-based salaries and other benefit terms that promote the long-term interests of the company shall be applicable to company management. All share-related incentive schemes are to be decided by the Annual General Meeting. In addition to base salary, the management team may also receive variable remuneration, which is capped at 58 % of base salary, the equivalent of 7 monthly salaries. Senior executives shall have premium-based pension schemes, capped at 30 % of fixed pay. The above proposals are the same as for the previous year.

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 6 monthly 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 salaries upon termination by the company.

Shares

OEM shares

The share capital of the company consists of 23,169,309 shares divided as 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 own shares

With the objective to improve the Group's return on shareholder's equity and earnings per share, the Board of Directors obtains shareholder approval at the Annual General Meeting to grant OEM International AB the authority 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.

In 2011, the company repurchased 61,847 shares at an average price of SEK 53.26. No shares have been repurchased during the period 2012-2019. As at 31 December 2019, the company's total shareholding was 61,847 shares, which is equivalent to 0.3 % of the aggregate number of shares.

The 2020 Annual General Meeting will propose that shareholders resolve to renew the mandate for the repurchase of up to 10 % of the number of shares.

Other information

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. The Articles of Association also include a

conversion provision enabling holders of Class A shares to convert all or part of their holding of Class A shares into Class B shares. 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.

Proposed dividends

The Board of Directors is proposing a dividend payment of SEK 7.00 (6.75) per share, which is the equivalent of SEK 162 million. The complete proposal for profit allocation is presented in Note 32.

Proposed share split and redemption procedure

To facilitate trading of company shares and alter the company's capital structure, OEM's Board of Directors proposes a 4:1 share split combined with an automatic redemption procedure. This procedure splits each existing share in the company into four shares, one of which is a redemption share. The redemption share will be redeemed for SEK 10.

CORPORATE GOVERNANCE STATEMENT

Introduction

OEM International AB (the company) applies the Swedish Code of Corporate Governance (the Code) in accordance with the NASDAQ 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 "comply or explain" rule, which means that non-compliance with a term of the Code is not a breach provided there is an acceptable reason that can be explained. OEM International has noted a non-conformance with the rules of the Code concerning the Nomination Committee. The non-conformance is explained in detail under the heading Nomination Committee.

Division 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 legislation 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 and regulations.

Shareholders

OEM International AB is a public company and was listed on the Stockholm Stock Exchange in December 1983. OEM International AB had 3,917 shareholders at the end of 2019. The ten largest shareholders controlled 75% of the share capital and 91% of the voting rights at year-end. The following shareholders had, directly or indirectly, shareholdings representing at least one-tenth of the number of voting rights for all shares in the company; Orvas AB 28.8%, Siv Franzén 21.3%, Agne Svenberg and the estate of Inger Svenberg 19.2% and AB Traction 10.0%.

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 shall 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 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 supported by shareholders with at least two-thirds of both the voting rights and the shares represented at the meeting. Notice of extraordinary general meetings convened for other purposes shall be issued 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. It must be announced in Svenska Dagbladet that notice has been issued.

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 2018 Annual General Meeting and can be viewed on the company's website, www.oem.se (see under The Company/Corporate Governance/Articles of Association).

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 Income for the Group, 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 business 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 (see under The Company/Corporate Governance/Annual General Meeting).

Shareholders who represented 67.3% of the share capital and 88.6% of the voting rights took part in the 2019 Annual General Meeting held on 24 April 2019. Petter Stillström was appointed to chair the Annual General Meeting. The annual report 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 Ulf Barkman, chairman of the Audit Committee, reported on the work of the Audit Committee and its cooperation with the auditors. The auditor submitted the Auditors' Report and an oral account of the work during the year. The company's Managing Director and Chief Executive Officer, Jörgen Zahlin, presented comments on the Group's operations, the 2018 financial year and developments in the first quarter of 2019.

The 2019 Annual General Meeting decided:

- to approve the dividend of SEK 6.75 per share
- to elect Petter Stillström, Ulf Barkman, Mattias Franzén, Richard Pantzar, Jörgen Rosengren, Agne Svenberg and Åsa Söderström Winberg as members of the Board of Directors
- to elect Petter Stillström as Chairman of the Board
- 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 remuneration received by senior executives from OEM International AB is mainly

comprised of fixed and variable components. The remuneration shall be market-competitive and the variable amount shall be capped at 58% of base salary. The company's management shall have market-competitive, premium-based pension schemes, capped at 30% of fixed pay.

- 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 a maximum of 10% of the company's shares.

The 2020 Annual General Meeting will be held on 22 April 2020 in Tranås.

Nomination Committee

At the Annual General Meeting held on 24 April 2019, it was decided that the Nomination Committee shall comprise 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 he/she is a member as a shareholder representative. If a shareholder does not exercise his/her 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 2020 Annual General Meeting and shall be based on the known number of votes immediately before publication. The term of office of the Nomination Committee shall run until a new Nomination Committee is appointed. The Chairman of the Nomination Committee shall be the Chairman of the Board.

Should there be any significant changes in the company's ownership structure after the appointment of the Nomination Committee, the composition of the Nomination Committee shall also be changed in line with the principles above. Shareholders who appointed a representative to be a member of the Nomination Committee shall be entitled to dismiss such a member and appoint a new one and also appoint a new representative if the member appointed by the shareholder chooses to withdraw from the Nomination Committee. Changes to the composition of the Nomination Committee shall be published as soon as such changes are made. The composition of the Nomination Committee was published on 21 October 2019. The composition of the Nomination Committee is available for viewing on OEM's website, www.oem.se, under *The company/Corporate governance/Nomination committee*.

The Nomination Committee shall prepare proposals for the following items of business to be presented for resolution at the 2020 Annual General Meeting:

- proposal for a Chairperson 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 a resolution regarding 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 for the 2020 Annual General Meeting is composed of:

- Petter Stillström, AB Traction, Chairman of the Board and also Chairman of the Nomination Committee
- Richard Pantzar, Orvaus AB
- Mattias Franzén
- Agne Svenberg

Ongoing dialogue is conducted within the Nomination Committee which 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 are 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 for a company of this size to have a Nomination Committee that is represented by the largest shareholders and that these also serve as Board Members.

BOARD OF DIRECTORS

Composition of the Board of Directors

The Articles of Association require that the Board of Directors shall comprise not less than four and not more than seven members elected by the Annual General Meeting for the period until the end of the next Annual General Meeting. Since the 2019 Annual General Meeting, the Board has consisted of the following members, all of them elected by the Annual General Meeting: Petter Stillström (Chair), Ulf Barkman, Mattias Franzén, Richard Pantzar, Jörgen Rosengren, Agne Svenberg and Åsa Söderström Winberg. All Board Members are independent with regard to the company and the company's management. Board members Ulf Barkman, Jörgen Rosengren and Åsa Söderström Winberg are independent of the company and the company's management, and also independent of the company's major shareholders. Additional information about the members of the Board elected by the General Meeting is given in the section about the Board of Directors on page 36 in this Annual Report and on the company's website, under *The Company/Corporate Governance/The Board*.

The Nomination Committee takes age, gender, education, professional background and other aspects of diversity into consideration when nominating candidates to fill Board vacancies. The composition of the Board should be appropriate for the company's business operations, stage of development and conditions in general, characterised by diversity and a breadth of skills, experience and backgrounds among its members. The above provides the Nomination Committee with a good basis on which to appraise whether the composition of the Board is satisfactory and whether the requirement for skills, breadth and experience has been met.

Chairman of the Board

It is the duty of the Chairman of the Board, Petter Stillström, who was reelected at the 2019 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 duties. The Board has also issued an instruction for the Managing Director, which regulates his duties and reporting obligation to the Board of Directors. As necessary, the Board also reviews and approves policies concerning the Group, such as the treasury

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, appointments and remuneration of the Managing Director and other senior executives as stated in the guidelines adopted by the Annual General Meeting. The Board of Directors and the Managing Director present the annual report to the Annual General Meeting.

Work of the Board

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

During 2019, the Board had a total of seven meetings, including the inaugural meeting.

The Board Members have participated in all Board meetings with the exception of Agne Svenberg on one occasion. When the members were unable to attend, they presented their opinions and views on the items of business to the Chairman of the Board prior to the meeting. All resolutions have been passed unanimously by the Board of Directors.

The secretary of the Board is the company's CFO. Other company employees take part in the meetings of the Board in connection with the presentation of specific issues or when otherwise deemed appropriate.

The work of the Board during the year has covered a range of matters, including issues concerning the strategic development of the Group, operating activities, the trend in earnings and profits, business combinations, disposal of companies and properties, organisation, the Group's financial position and funding of the Group's capital structure.

The work of the Board is subject to an annual assessment. This is done by each Board member rating a number of relevant issues with the opportunity to provide comments. The results are compiled and presented to the Nomination Committee.

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. The 2019 Annual General Meeting approved the proposal that fees of SEK 450,000 be paid to the Chairman of the Board and SEK 225,000 to each of the Board members elected at the Meeting, for the period until the 2020 Annual General Meeting. The total remuneration of Board members, in accordance with the approval of the Annual General Meeting, is thus SEK 1,800,000. The chairperson of the Audit Committee will receive remuneration of SEK 50,000. No additional remuneration has been paid to any Board Member.

Remuneration Committee

The Board has appointed a Remuneration Committee, which consists of the Chair, Petter Stillström, and the Board member 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. Salaries and other terms of appointment for Group management shall be set at competitive levels. In addition to base salary, Group management may also receive variable remuneration, which is capped at 58 % of base salary, the equivalent of 7 monthly salaries. Compared with 2018, the level for variable pay in relation to fixed pay is unchanged. Senior executives in the OEM Group shall have

market-competitive, premium-based pension schemes, capped at 30 % of fixed remuneration. The pension scheme level is the same as for 2018. All share-related incentive schemes are to be decided by the Annual General Meeting. At present, there are no similar incentive schemes. The maximum term of notice is 24 months and shall also include the obligation to work during the term of notice. The Remuneration Committee met once in the year to review and approve the above policy proposals.

Guidelines for the remuneration of senior executives will be proposed for approval and adoption at the 2020 Annual General Meeting and are presented on page 31 of this report.

Audit Committee

During the year, the Board has had a special Audit Committee consisting of Chairman Ulf Barkman and Petter Stillström.

The Audit Committee shall, without it otherwise affecting the Board's responsibilities and duties, oversee the company's financial reporting and the efficiency of the company's internal control activities and risk management relating to the financial reporting, keep itself informed about the audit of the Annual Report and the consolidated financial statements, examine and monitor the objectivity and independence of the auditor and specifically pre-approve any services that the auditor provides the company with other than audit-related 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 convened on four occasions and has met with an external auditor on three of them. The Board and the Audit Committee have held a review meeting with and received a report from the company's external auditor in connection with the Board meeting in February 2020 at which the Board approved the annual financial statements. The auditors' reports have not led to any specific measures by the Board or the Audit Committee.

Managing Director and Group Executive Team

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 leads the work of the Group's executive team and makes decisions in consultation with the members of the executive team. In 2019, the members were Jörgen Zahlin, Jan Cnattingius, Jens Kjellsson, Urban Malm, Patrick Nyström and Björn Petterson.

The Group management holds regular business reviews under the leadership of the Managing Director. The Managing Director and members of Group management are presented on page 37 of this Annual Report and on the company's website (under The Company/Group Executive Team).

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 company management teams, the Group's executive team, 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 6. The auditors are required to continually assess their independence before

deciding whether to undertake an engagement to provide 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 on various items of business for resolution at the annual general meeting. 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 scope of the audit includes assessing compliance with the Articles of Association, the Swedish Companies Act, the Swedish Annual Accounts Act and 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, and reviewing significant accounting processes, governance arrangements and financial control procedures.

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 attend the Annual General Meeting to explain and give opinions on the audit work.

At the 2019 Annual General Meeting, Öhrlings PricewaterhouseCoopers AB was appointed as the company's auditor until the conclusion of the 2020 Annual General Meeting. Martin Odqvist was appointed as the principal auditor. Öhrlings PricewaterhouseCoopers AB performs the audit of OEM International AB and most of the subsidiaries. Martin Odqvist's other major clients include Balco Group, AB Fagerhult and Herenco Holding.

Internal control and risk management regarding financial reporting for the financial year 2019

As required by the Swedish Annual Accounts Act, the Board of Directors must annually submit a presentation of the most important elements of the company's system for internal control and risk management with regard to its 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 the control environment, risk assessment, control activities, information, communication and follow-up.

Control environment

OEM builds and organises its operations on decentralised profit and budget responsibilities. The basis for internal control in a decentralised organisation is a firmly-established process, aimed at defining goals and strategies for each organisation. Defined decision-making channels, powers and responsibilities are communicated through internal instructions and through guidelines and policies adopted by the Board of Directors. These documents set out the division of responsibilities and duties between the Board of Directors and the Managing Director and within the operational activities. They also include a financial policy, a 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 30 companies ensures 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 intangible fixed assets, inventories and trade receivables.

Control activities

OEM has established a number of control activities based on risk assessments that have been carried out. The activities are both preventive and ascertaining and include transaction-related checks, such as rules regarding authorisations and investments, and clear payment procedures, as well as analytical checks performed by the Group's controller organisation and central financial function. There are also various 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 performance follow-up, which is carried out via the internal reporting system and which the Board of Directors analyses and comments on as part of its internal work. This involves comparing performance against set targets and previous results and reviewing a number of key ratios. Each company in the Group has an active Board where the majority of the companies have someone from the Group's management team as chairperson. The Group management makes regular visits to the subsidiaries that are subject to financial follow-up.

Information, communication and follow-up

Internal information and external communications are regulated at an overall level by an information policy and other guidelines.

Relevant steering documents and instructions are 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 Board meeting. The members of the Board then have an opportunity to pose 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 then have an opportunity to pose 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 audit.

Board of Directors



Petter Stillström

Born in 1972.
Board Chairman since 2017
and Board member since 2010.
Master of Economics.
Not employed by OEM.
CEO and major shareholder in AB
Traction.
Other appointments: Chairman of
the Board of Nilörngruppen AB.
Chairman of the Board of BE Group AB,
Softronic AB, Hifab Group AB and AB
Traction incl. Group companies.
Independence: Independent of the
company and of the company's
management, but not independent
of the company's major shareholders.
Number of shares: 0



Ulf Barkman

Born in: 1957.
Board member since 1997.
MBA.
Not employed by OEM.
Other appointments: Chairman of
the Board of NGS Group AB.
Independence: Independent of the
company and the company's
management, and also independent
of the company's major shareholders.
Number of shares:
42,000 OEM Class B



Mattias Franzén

Born in 1968.
Board member since 2019.
M.Sc. Engineering.
Not employed by OEM.
Other appointments: Managing
Director of TR Equipment AB.
Chairman of the Board of AB Tranås
Rostfria.
Board member of TR Equipment AB,
MAZE Holding i Tranås AB,
I&B Medical AB and Opti Fresh AB.
Independence: Independent of the
company and of the company's
management, but not independent
of the company's major shareholders.
Number of shares:
5,366 OEM Class B



Richard Pantzar

Born in 1983.
Board member since 2019.
Masters degree in Business
Administration (MBA).
Not employed by OEM.
Other appointments: Managing
Director of Orvaus AB.
Board member of Orvaus AB,
Centrumfastigheter i Norrtälje AB and
a number of real estate companies.
Independence: Independent of the
company and of the company's
management, but not independent
of the company's major shareholders.
Number of shares: 0



Jörgen Rosengren

Born in: 1967.
Board member since 2017.
M.Sc. Engineering.
Not employed by OEM.
Other appointments: Managing
Director of Bufab AB.
Independence: Independent of
the company and the company's
management, and also independent
of the company's major shareholders.
Number of shares:
740 OEM Class B



Agne Svenberg

Born in 1941.
Board member 1974 - 2014
and also from 2019.
Engineer.
Not employed by OEM.
Other appointments: Chairman of
the Board of Eges El & Automation AB
and Personality Gym AB.
Independence: Independent of the
company and of the company's
management, but not independent
of the company's major shareholders.
Number of shares:
665,400 OEM Class A,
217,680 OEM Class B.



Åsa Söderström Winberg

Born in 1957.
Board member since 2015.
MBA.
Not employed by OEM.
Other appointments: Chairman of
the Board of Scanmast AB.
Board member of Vattenfall AB, Balco
AB, Delete OY and FIBO AS. Member
of IVA, The Royal Swedish Academy of
Engineering Sciences.
Independence: Independent of
the company and the company's
management, and also independent
of the company's major shareholders.
Number of shares:
2,000 OEM Class B

Senior executives



Jörgen Zahlin

Born in 1964.

Engineer.

Managing Director of OEM International AB since 1 March 2000.

Managing Director and CEO since 1 January 2002.

Group employee since 1985.

Other appointments:
Chairman of the Board of BE-Group AB.

Number of shares:
39,832 OEM Class B



Johan Broman

Born in 1976.

Finance Director.

Group employee since 2006.

Group management member since 1 March 2020.

Number of shares:
1,350 OEM Class B



Jens Kjellsson

Born in 1968.

Managing Director of OEM Automatic AB.

Group employee since 1990.

Number of shares:
11,000 OEM Class B



Urban Malm

Born in 1962.

Managing Director of OEM Electronics AB.

Group employee since 1983.

Number of shares:
2,800 OEM Class B



Patrick Nyström

Born in 1958.

Head of Region Finland, the Baltic states and China.

Group employee since 1982.

Number of shares:
22,500 OEM Class B



Fredrik Falkenström

Born in 1969.

Managing Director of OEM Motor AB.

Group employee since 1998.

Group management member since 1 Jan 2020.

Number of shares: 0



Björn Pettersson

Born in 1969.

Head of Marketing/
Business Development.

Group employee since 2017.

Number of shares: 0

Jan Cnattingius

Born in 1955.

Finance Director.

Group employee since 1985, ended employment on 29 February 2020.

Number of shares:
10,000 OEM Class B.

Consolidated statement of income

(SEK MILLION)

	Note	2019	2018
Operating income			
Net sales	2	3,298.7	3,111.9
Other operating income	3	0.5	5.1
Operating costs			
Commodities		-2,133.6	-2,016.1
Staff costs	5	-568.2	-544.6
Other expenses	6, 25	-153.4	-180.3
Depreciation/amortisation of property, plant and equipment and intangible fixed assets	7	-72.6	-53.1
Operating profit		371.3	323.0
Finance income and expense			
Finance income	9	0.6	0.6
Finance expense	10	-4.8	-6.2
Profit before tax		367.2	317.4
Income tax	11	-78.2	-69.2
PROFIT/LOSS FOR THE YEAR		289.0	248.3
Profit for the year attributable to:			
Parent Company shareholders		289.0	248.3
Non-controlling interests		-	-
Earnings per share, SEK *	30	12.50	10.74
Average number of outstanding shares *		23,107,462	23,107,462

* No effects of dilution present.

In the table above, IFRS 16 Leases is applied for 2019 and IAS 17 Leases is applied for the comparative figures for 2018.

Consolidated statement of comprehensive income

(SEK MILLION)

	Note	2019	2018
Profit/loss for the year		289.0	248.3
Other comprehensive income			
Items that have been or can be recycled to the income statement for the year			
Exchange differences on translation of foreign operations for the year		8.7	13.0
Items that have not been or cannot be recycled to the income statement for the year			
Revaluation of defined-benefit pension schemes		0.1	-0.5
Tax effect from revaluation of defined-benefit pension schemes		0.0	0.1
Other comprehensive income for the year		8.8	12.6
COMPREHENSIVE INCOME FOR THE YEAR		297.8	260.9
Comprehensive income for the year attributable to:			
Parent Company shareholders		297.8	260.9
Non-controlling interests		-	-

In the table above, IFRS 16 Leases is applied for 2019 and IAS 17 Leases is applied for the comparative figures for 2018

Consolidated statement of financial position

(SEK MILLION)

ASSETS	Note	31 Dec 2019	31 Dec 2018
Fixed assets			
Intangible fixed assets			
Goodwill	12	141.0	136.1
Other intangible fixed assets	12	54.1	56.8
		195.1	192.8
Property, plant and equipment			
Buildings and land	13	288.0	189.6
Fixtures, fittings, tools and equipment	13	54.3	70.0
		342.2	259.5
Financial assets and deferred tax assets			
Deferred tax assets	11	3.8	2.9
Non-current receivables		0.3	0.3
		4.1	3.1
Total fixed assets		541.4	455.5
Current assets			
Inventories			
Commodities	15	629.2	568.5
		629.2	568.5
Current receivables			
Tax receivables		1.4	0.1
Trade receivables	24	452.1	456.6
Other receivables		41.3	28.4
Prepaid expenses and accrued income	16	17.4	15.6
		512.2	500.8
Cash and cash equivalents	26	41.9	38.5
Total current assets		1,183.3	1,107.7
TOTAL ASSETS		1,724.7	1,563.2

In the table above, IFRS 16 Leases is applied for 2019 and IAS 17 Leases is applied for the comparative figures for 2018

Consolidated statement of financial position

(SEK MILLION)

EQUITY AND LIABILITIES	Note	31 Dec 2019	31 Dec 2018
Equity	17		
Share capital		38.6	38.6
Other contributed capital		39.4	39.4
Translation reserves		39.9	31.2
Retained earnings, including profit for the year		948.6	816.8
Total equity attributable to Parent Company shareholders		1,066.5	926.0
Liabilities			
Non-current liabilities			
<i>Interest-bearing liabilities</i>			
Non-current interest-bearing liabilities	18	50.0	33.5
Provisions for pensions	19	1.6	1.4
<i>Non interest-bearing liabilities</i>			
Non-current liabilities	20	3.5	8.1
Deferred tax liabilities	11	86.8	91.9
Other provisions		2.0	-
Total non-current liabilities		143.9	135.0
Current liabilities			
<i>Interest-bearing liabilities</i>			
Bank loans and overdrafts	18	92.7	101.1
Other current liabilities	18	31.2	16.1
<i>Non interest-bearing liabilities</i>			
Trade payables	24	172.7	184.0
Tax liabilities	11	17.3	7.5
Other liabilities		74.6	69.6
Accrued expenses and prepaid income	22	125.9	123.9
Total current liabilities		514.3	502.3
TOTAL EQUITY AND LIABILITIES		1,724.7	1,563.2

In the table above, IFRS 16 Leases is applied for 2019 and IAS 17 Leases is applied for the comparative figures for 2018

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 1 Jan 2018	38.6	39.4	18.1	707.6	803.7
Profit/loss for the year				248.3	248.3
Other comprehensive income for the year			13.0	-0.4	12.6
Comprehensive income for the year	38.6	39.4	31.2	955.5	1,064.6
Transactions with owners:					
Dividends paid				-138.6	-138.6
CLOSING BALANCE 31 DEC 2018 *	38.6	39.4	31.2	816.8	926.0
Opening equity 1 Jan 2019	38.6	39.4	31.2	816.8	926.0
Profit/loss for the year				289.0	289.0
Other comprehensive income for the year			8.7	0.1	8.8
Adjustment on transition to IFRS 16 (net)**				-1.4	-1.4
Comprehensive income for the year	38.6	39.4	39.9	1,104.5	1,222.4
Transactions with owners:					
Dividends paid				-156.0	-156.0
CLOSING BALANCE 31 DEC 2019 *	38.6	39.4	39.9	948.6	1,066.5

* Equity attributable to Parent Company shareholders.

** See Note 13 for additional information

Consolidated statement of cash flows

(SEK MILLION)

	Note	2019	2018
Operating activities			
Profit before tax		367.2	317.4
Adjustments for non-cash items	26	73.0	52.1
		440.2	369.6
Taxes paid		-76.7	-74.6
Operating cash flows before movements in working capital		363.5	294.9
Change in inventories		-54.1	-67.6
Change in trade receivables		-8.6	-15.9
Change in other operating receivables		-0.4	1.5
Change in trade payables		-13.2	-5.7
Change in other operating liabilities		4.0	10.0
Operating cash flows		291.1	217.2
Investing activities			
Acquisition of subsidiaries, net effect on cash and cash equivalents	26	-10.9	-14.4
Acquisition of intangible fixed assets		-12.7	-1.1
Acquisition of property, plant and equipment		-66.8	-38.4
Sales of property, plant and equipment		1.3	6.7
Investing cash flows		-89.0	-47.2
Financing activities			
Loans raised	26	1.6	7.8
Loan amortisation	26	-1.6	-13.2
Repayment of lease liabilities	26	-34.8	-
Change of overdraft	26	-8.5	-44.7
Dividends paid		-156.0	-138.6
Financing cash flows		-199.3	-188.7
CASH FLOW FOR THE YEAR		2.8	-18.8
Cash equivalents at beginning of year		38.5	56.3
Exchange rate difference cash equivalents		0.6	0.9
Cash equivalents at end of year		41.9	38.5

In the table above, IFRS 16 Leases is applied for 2019 and IAS 17 Leases is applied for the comparative figures for 2018

Parent Company income statements

(SEK MILLION)

	Note	2019	2018
Operating income			
Net sales	31	56.6	57.1
Operating costs			
Other external costs	6	-23.2	-24.7
Staff costs	5	-28.3	-28.1
Depreciation/amortisation of property, plant and equipment and intangible fixed assets	7	-8.1	-7.9
Operating profit		-2.9	-3.7
Income from interests in Group companies	8	47.4	59.8
Other interest income and similar income	9	1.1	0.8
Other interest expense and similar charges	10	-1.9	-2.5
Profit/loss after financial items		43.7	54.4
Year-end appropriations			
<i>Difference between tax depreciation and depreciation according to plan:</i>			
Expenses brought forward for software	23	3.0	3.4
Fixtures, fittings, tools and equipment	23	-0.3	0.4
Tax allocation fund, provision	23	-28.0	-67.0
Tax allocation fund, reversal	23	32.0	33.2
Group contributions received		285.7	239.9
Group contributions paid		-5.0	-5.0
Profit before tax		331.1	259.3
Tax on profit/loss for the year	11	-61.2	-44.4
PROFIT FOR THE YEAR*		269.9	214.9

*Comprehensive income for the year is equal to profit for the year.

Parent Company balance sheet

(SEK MILLION)

ASSETS	Note	31 Dec 2019	31 Dec 2018
Fixed assets			
Intangible fixed assets			
Expenses brought forward for software	12	9.8	11.4
		9.8	11.4
Property, plant and equipment			
Buildings and land	13	12.6	13.1
Fixtures, fittings, tools and equipment	13	6.2	3.4
		18.8	16.5
Financial assets			
Interests in Group companies	14	424.3	415.7
Non-current receivables from Group companies		-	3.2
		424.3	418.9
Total fixed assets		452.9	446.8
Current assets			
Current receivables			
Receivables from Group companies		550.3	406.8
Other receivables		6.7	5.2
Prepaid expenses and accrued income	16	5.6	3.4
		562.6	415.4
Cash on hand and demand deposits	24	-	-
Total current assets		562.6	415.4
TOTAL ASSETS		1,015.4	862.2

Parent Company balance sheet

(SEK MILLION)

SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES	Note	31 Dec 2019	31 Dec 2018
Equity			
Non-distributable equity	17		
Share capital		38.6	38.6
Reserve fund		32.3	32.3
Fund for development fees		6.1	3.8
		77.0	74.7
Distributable equity			
Profit brought forward		137.0	80.4
Profit/loss for the year		269.9	214.9
		406.9	295.3
Total shareholders' equity		483.9	370.0
Untaxed reserves			
Accelerated depreciation	23	4.9	7.6
Accruals funds	23	295.3	299.3
Total untaxed reserves		300.2	306.9
Provisions			
Deferred tax liabilities	11	2.0	1.9
Total provisions		2.0	1.9
Non-current liabilities			
<i>Non interest-bearing liabilities</i>			
Other liabilities	20	3.5	8.1
Total non-current liabilities		3.5	8.1
Current liabilities			
<i>Interest-bearing liabilities</i>			
Bank loans and overdrafts	24	61.3	33.1
<i>Non interest-bearing liabilities</i>			
Trade payables		4.5	3.3
Tax liabilities		26.1	8.7
Liabilities to Group companies		108.5	106.1
Other current liabilities		13.3	11.3
Accrued expenses and prepaid income	22	12.2	12.8
Total current liabilities		225.9	175.2
TOTAL EQUITY, PROVISIONS AND LIABILITIES		1,015.4	862.2

Parent Company statement of changes in equity

(SEK MILLION)

	Non-distributable equity			Distributable equity	Total share-holders' equity
	Share capital	Reserve fund	Fund for development costs	Profit/loss brought forward including profit/loss for the year	
Opening equity 1 Jan 2018	38.6	32.3	4.9	218.0	293.8
Provisions to development fund for the year			-	-	-
Winding-up of development fund for the year			-1.0	1.0	-
Comprehensive income for the year *				214.9	214.9
Dividends paid				-138.6	-138.6
CLOSING EQUITY 31 DEC 2018	38.6	32.3	3.8	295.2	370.0
Opening equity 1 Jan 2019	38.6	32.3	3.8	295.2	370.0
Provisions to development fund for the year			3.5	-3.5	-
Winding-up of development fund for the year			-1.2	1.2	-
Comprehensive income for the year *				269.9	269.9
Dividends paid				-156.0	-156.0
CLOSING EQUITY 31 DEC 2019	38.6	32.3	6.1	406.9	483.9
Proposed dividend, SEK 7.00 per share				162.2	

* Comprehensive income for the year is equal to profit for the year.

NUMBER OF SHARES	Total	Outstanding
Opening number 1 Jan 2018	23, 169, 309	23, 107, 462
CLOSING NUMBER 31 DEC 2018	23, 169, 309	23, 107, 462
Opening number 1 Jan 2019	23,169,309	23,107,462
CLOSING NUMBER 31 DEC 2019	23,169,309	23,107,462

Parent Company cash flow statement

(SEK MILLION)

	Note	2019	2018
Operating activities			
Profit/loss after financial items		43.7	54.4
Adjustments for non-cash items	26	8.6	16.7
		52.3	71.1
Taxes paid		-43.8	-48.6
Operating cash flows before movements in working capital		8.5	22.6
Cash flow from changes in working capital			
Change in other operating receivables		-98.1	-7.9
Change in trade payables		1.3	-1.1
Change in other operating liabilities		1.4	-20.3
Operating cash flows		-86.9	-6.7
Investing activities			
Acquisition of shares in subsidiaries	26	-10.9	-14.9
Acquisition of intangible fixed assets		-4.4	-
Acquisition of property, plant and equipment		-4.8	-0.6
Investing cash flows		-20.2	-15.5
Financing activities			
Group contributions, received		239.9	208.1
Group contributions, paid		-5.0	-5.8
Change of overdraft		28.2	-41.5
Dividends paid		-156.0	-138.6
Financing cash flows		107.1	22.2
CASH FLOW FOR THE YEAR		-	-
Cash equivalents at beginning of year		-	-
Cash equivalents at end of year		-	-

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 accounting policies adopted for the Parent Company are the same as those used for the Group, except in the cases specified below in the section "Accounting Policies of the Parent Company".

Requirements for preparing Parent Company and Group financial statements

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 statements are presented in Swedish krona. All amounts are rounded off to the nearest million with one decimal, unless otherwise stated.

Assets and liabilities are stated at historical cost, except derivative instruments and contingent considerations which are measured at fair value.

Fixed assets and non-current liabilities consist 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 consist of amounts expected to be recovered or paid within twelve months from the balance sheet date.

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Estimates and assumptions are based on historical experience and other factors that are believed to be reasonable and relevant under the circumstances. Estimates and assumptions are reviewed on a regular basis and are compared to actual results. Critical estimates and assumptions are presented in Note 29.

The consolidated accounting policies outlined below have been applied consistently throughout the periods reported in the Group's financial statements, unless otherwise stipulated below.

Amended accounting policies arising from new or amended International Financial Reporting Standards, IFRS, effective in 2019

The date of initial application of IFRS 16 which the Group has adopted is 1 January 2019. Other amendments to IFRS standards that are effective from 1 January 2019 have not had any material impact on the Group's financial statements.

Transition to IFRS 16

IFRS 16 Leases supersedes IAS 17 Leases and applies to accounting periods beginning on or after 1 January 2019. The Group has not early adopted IFRS 16. In its transition to the new standard, the Group has chosen to apply the modified retrospective approach, which means that the cumulative effect of applying IFRS 16 will be recognised in retained earnings in the opening balance as at 1 January 2019 without restatement of comparative figures.

The Group has chosen to recognise right-of-use assets related to earlier operating leases for premises at their written-down value from the start of the lease, and equipment and vehicles at the value of the debt on 1 January 2019 plus prepayments recognised on the balance sheet as at 31 December 2018.

Leases with a term of 12 months or less or leases that expire within 12 months of the date of initially applying the standard are classified as short-term leases and are not included in the recognised lease liabilities or lease assets. Moreover, the Group has chosen not to recognise leases where the underlying asset has a low value (when new, approximately SEK 50,000 or less) as a right-of-use asset or lease liability.

Existing finance leases previously recognised under IAS 17 Leases have been remeasured in accordance with IFRS 16 to the amounts they were recognised at on the day immediately before adoption of the new standard, except for finance leases that expire within 12 months of the date of initially applying the standard which have been recognised as short-term leases upon the application of IFRS 16. Furthermore, for other finance leases, the VAT that was previously included in the finance lease has been removed from the books upon the application of the standard. A marginal lending rate has been set per country and asset type.

The effects of transition to IFRS 16 are given below

SEK million	Adjustment 1 January 2019
Property, plant and equipment	42.1
Non-current interest-bearing liabilities	-27.1
Current interest-bearing liabilities	-13.5
Prepaid lease payments, adjustment	-3.2
Pre-tax impact on net assets	-1.7
Deferred tax assets	0.3
Impact on equity	-1.4

New IFRS standards and interpretations that have not yet been adopted

A number of new standards and interpretations become effective for the financial year commencing 1 January 2020 and thereafter and have not been applied in the preparation of these financial statements. There are no published standards not yet in force that are expected to have any significant impact on the Group.

Reporting of operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses and whose operating results are reviewed regularly by the Group's executive team. Note 2 provides a more detailed description of the grouping and presentation of operating segments.

Principles of consolidation for subsidiaries

Subsidiaries are entities in which OEM International AB has the power to exercise control, either directly or indirectly. Control exists when the Parent Company has power over the investee, either directly or indirectly, when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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.

Goodwill in business combinations is calculated as the sum total of the consideration transferred 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. Transaction costs in connection with business combinations are expensed at the time of acquisition.

Contingent consideration in acquisitions is measured at fair value both at the acquisition date and continuously afterwards; any and all changes in value are recognised in profit or loss.

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

All inter-company receivables and liabilities, income or expenses, and unrealised gains or losses arising from inter-company transactions between Group companies are eliminated in their entirety 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 costs are translated at the exchange rate prevailing on the date of the transaction.

Financial statements of foreign operations

The assets and liabilities of foreign operations, including goodwill and other residual values in the corporate fair value adjustments, are translated from the functional currency of the foreign operation to the Group's reporting currency, Swedish kronor (SEK), at the exchange rates ruling at the balance sheet date. Income and expense 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 from the translation of foreign operations are recognised in other comprehensive income and are accumulated in a separate component in equity, referred to as the translation reserve. On disposal of a foreign operation, the cumulative translation differences attributable to the operation are transferred from the translation reserve in equity and are reclassified to profit or loss.

Income

Performance obligations and revenue recognition

The Group's revenues come from the sale of goods for resale, which is recognised when control of the goods is passed to the buyer. The revenue is recognised based on the amount specified in the contract with the customer and the sold quantity. The outcome of agreed volume discounts/rebates and market contributions is estimated and reduces the revenue at the time of sale and is included in accrued expenses. The performance obligations of the Group are considered to be satisfied when control of the good is transferred to the customer.

When contracts allow customers to return goods, revenue is recognised only when it is highly probable that there will not be a significant reversal in the cumulative amount of revenue. Assessments of expected returns are based on past data for specific customers and goods. Expected returns are recognised as a reduction in revenue and as a refund liability, and the cost of goods associated with the returns is reduced and an asset equivalent to the right to recover the goods returned is recognised.

The characteristics of and the point in time for satisfaction of the performance obligations including significant payment terms

Control of the goods is transferred to the customer when the goods are sent from the Group's warehouses or when the goods have been delivered, depending on the terms of the contract. Invoices are generated at this point in time. The due date is normally 30 to 60 days from the invoice date.

Revenue recognition

Revenue is recognised when the goods have been delivered and the control of the goods has been transferred.

Operating costs and finance income and expense

Leases – principle applied 2019

The lease fees are allocated as interest expense and amortisation for the outstanding liability. The interest expense is spread 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.

Leases – principle applied 2018

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 expense and amortisation for the outstanding liability. The interest expense is spread 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 expensed on the income statement for the year in the periods in which they occur.

Finance income and expense

Finance income and expense include interest income 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 and derivative instruments used in the financial operating activities.

Interest income from receivables and interest expense related to liabilities are calculated using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset or to the amortised cost of a financial liability.

Interest income and interest expense respectively include periodic amounts of transaction costs 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/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 other comprehensive income or directly to equity, in which case any related tax effect is charged to other comprehensive income or to 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 rates and regulations in effect or in practice at the balance sheet date.

Deferred tax is calculated using 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 considered in consolidated goodwill.

Measurement of deferred tax is based on how the carrying amount of assets or liabilities is expected to be recovered or settled.

Deferred tax assets, relating to deductible temporary differences and loss carry-forwards, are only recognised to the extent that it is probable that these can be utilised. The value of deferred tax assets 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. Trade payables, loan liabilities, contingent considerations and derivatives are reported as liabilities.

Recognition in and derecognition from the statement of financial position.

Recognition of a financial asset or financial liability in the statement of financial position is at the point when the entity becomes a party to the contractual provisions of the instrument. A receivable is recognised when the entity has performed and there is a contractual liability for the counterparty to pay, even if an invoice has not been sent. 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. Trade payables are recognised on receipt of invoice.

A financial asset is derecognised and removed from the statement of financial position when the contractual rights are realised, expire or when control of the contractual rights is lost. The same applies to part of a financial asset. A financial liability is removed from the statement of financial position when the obligation is discharged or otherwise extinguished. The same applies to part 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.

Initial recognition

Financial instruments are recognised initially at fair value plus/less transaction costs, with the exception of instruments that are continuously recognised at fair value through profit or loss. These transaction costs are instead recognised as an expense as they occur. Trade receivables (without a significant financing component) are measured initially at their transaction price as stated in accordance with IFRS 15.

Classification and subsequent measurement of financial assets

Financial assets are classified initially either as measured at amortised cost, fair value through other comprehensive income (liability instrument investment), fair value through other comprehensive income (equity investment), or fair value through profit or loss. The Group's various holdings of financial assets have been classified as described below:

Derivative assets

The Group uses 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 under commodities in the consolidated statement of income. OEM does not apply hedge accounting.

Other financial assets

All other financial assets are measured at amortised cost. This is because the objective of the business model is to hold these assets to collect their contractual cash flows, and that the cash flows from the assets are solely payments of principal and interest.

Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, deposits that are repayable on demand held with banks and similar institutions, plus short-term deposits with an original maturity of three months or less, which are exposed to only an insignificant risk for fluctuations in value.

Classification and subsequent measurement of financial liabilities

Financial liabilities are classified either as measured at amortised cost or measured at fair value through profit or loss.

Derivative liabilities

Since OEM does not apply hedge accounting, all derivative liabilities are recognised at fair value through profit or loss. Further details can be found above under "Derivative assets".

Contingent considerations

Contingent considerations assumed in a business combination are recognised at fair value through profit or loss. Changes in fair value are recognised in "Other Operating Costs" or "Other Operating Income".

Other financial liabilities

All other financial liabilities are measured at amortised cost using the effective interest rate method.

Property, plant and equipment

Owned assets

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. Cost includes the purchase price, including expenses directly attributable to their acquisition and costs incurred to prepare the assets for their intended purpose. Cost includes directly attributable expenses, such as the cost of delivery and handling, installation, title deeds, consultancy services and legal services. Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets. 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.

Right-of-use assets – leased assets principle applied 2019

The Group mainly has leases for property, machinery, equipment and vehicles.

As a lessee, the Group recognises the leases as a right-of-use asset and associated liability at the date on which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost (interest). The finance cost is to be spread over the lease term so as to produce a constant rate of interest on the remaining balance for the liability for each period.

The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight line basis. The leases are normally for a fixed period with an option to renew.

Assets and liabilities arising from leases are initially measured on a present value basis. The lease liabilities include the present value of the following lease payments:

- fixed payments
- variable lease payments that are based on an index
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option.

The lease payments are discounted using the interest rate implicit in the lease. Otherwise, if this rate cannot be determined, using the incremental borrowing rate.

The right-of-use assets are measured at cost and include:

- the initial measurement of the lease liability, and
- payments made at or before the date on which the leased asset becomes available to the lessee.

Leases of low-value underlying assets or leases with a term of 12 months or less are recognised as an expense on a straight-line basis over

the lease term. Leases of low-value underlying assets generally comprise office equipment.

Extension and termination options

Some leases contain extension or early termination options. The terms are used to create maximum flexibility in the management of leases. Options to extend or terminate a lease are included in the asset and the liability as it is reasonably certain that they will be exercised.

Leased assets principle applied 2018

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

Leases are classified as finance leases when the terms of the lease transfer substantially all the financial risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets leased under a finance lease are recognised as assets in the consolidated statement of financial position. The obligation to pay future lease fees is recognised as non-current and current liabilities. The leased assets are depreciated according to plan, and the lease payments are recognised as interest and amortisation of the liabilities.

Subsequent expenditure

Subsequent expenditure is added to the acquisition cost only if it is likely that the future economic benefits associated with the asset will flow to the enterprise and the acquisition cost 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 cost 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 cost. 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.

Methods of depreciation for owned property, plant and equipment

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
- plant and machinery 5-10 years
- fixtures, fittings, tools and equipment 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 carried at cost less any accumulated impairment.

Goodwill is allocated to cash-generating units and is tested for impairment annually.

Other intangible assets

Acquired supplier relationships with an indeterminable useful life are carried at cost less any accumulated impairment. Supplier relationships with an indeterminable useful life are deemed to exist in terms of certain acquisitions of agents or comparable relationships with individual suppliers who have historically exhibited a very long-term agent relationship. Circumstances are reviewed annually to determine if they still indicate that the useful life is indeterminable. Impairment tests are performed annually and when there is any indication of impairment. Other acquired supplier relationships are carried at cost less accumulated amortisation and impairment. Other intangible assets include software, trademarks and customer relationships. These have a determinable useful life and are recognised at cost 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 expenditures

Subsequent expenditure on capitalised intangible assets is reported as an asset in the statement 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.

Methods of amortisation

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 12.

Estimates of useful life:

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

Capitalisation of 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.

Inventories

Inventories are stated at the lower of cost 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.

Net realisable value is based on the estimated selling price in the operating activities less further costs expected to be incurred to completion and for realising a sale.

Impairments

The section below explains the impairment test for property, plant and

equipment and intangible assets, investments in subsidiaries and for financial assets. Assets for sale and disposal groups, inventories and deferred tax assets 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 fixed assets and interests in subsidiary undertakings

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 losses on assets are reversed if there is an indication that impairment has ceased and there is a change in the assumptions that formed the basis of calculating the recoverable amount. Impairment losses on goodwill are never reversed. A reversal only occurs to the extent that the asset's carrying amount after reversal does not exceed the carrying amount that would have been recognised (less depreciation or amortisation, where applicable), had no impairment loss been recognised.

Impairment of financial assets

OEM recognises a loss allowance for expected credit losses on financial assets measured at amortised cost. The loss allowance for trade receivables is measured at an amount equal to the expected losses for the remaining time to maturity. The loss allowance for other receivables is measured at an amount equal to 12 months' expected credit losses, provided that the credit risk of the receivable has not increased significantly since initial recognition. If the credit risk of the receivable has increased significantly since initial recognition, the loss allowance is instead measured at an amount equal to the expected credit losses during the remaining time to maturity.

The loss allowance is calculated as the present value of all cash shortfalls (i.e. the difference between the cash flows as stated in the contract and the Group's expected cash flows). Receivables with a short term to maturity are not discounted. Assets are reported in the balance sheet net of any impairment losses. Impairment losses are recognised in the income statement.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering the financial asset in its entirety or a portion thereof.

Capital payments to shareholders

Repurchase of own shares

Purchase of such instruments is recognised as a deductible item from equity. Payment from sales of equity instruments is recognised as an increase in equity. Any transaction costs are recognised directly in 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 calculated by dividing the Group's profit for the

year attributable to the Parent Company's shareholders by the weighted average number of shares outstanding during the year.

Employee benefits

Defined-contribution pension schemes

Defined-contribution pension schemes are classified as those schemes 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). The entity's obligations concerning contributions to defined-contribution schemes are recognised as an expense in profit or loss for the year at the rate they are earned through services performed by the employees for the entity.

Defined-benefit pension schemes

The Group's obligation regarding defined-benefit pension schemes is calculated separately for each scheme by estimating the future compensation that the employees have earned through their employment; this compensation is discounted to present value. The discount rate used is the interest rate on high-quality corporate bonds on the reporting date, extrapolated to match the terms of maturity for the Group's retirement benefit obligations. If there is no active market for such corporate bonds, the market interest rate on government bonds is used instead. The pension obligation is recognised net, less the fair value of the plan assets.

Pension rights earned are recognised in the operating profit, with the exception of the impacts of revaluation and interest rate as per below. The interest expense/income net on the defined-benefit obligation/asset is recognised in the income statement under net financial items. The net interest income is based on the interest rate in effect at the time of discounting the net obligation, i.e. interest on the obligation, plan assets and interest on the effect of any asset ceiling. Other components are recognised in operating profit.

Effects of revaluation comprise actuarial gains and losses and the difference between actual return on plan assets and the interest rate included in the net interest income. The effects of revaluation are recognised in other comprehensive income.

Termination benefits

An entity shall recognise an expense for termination benefits at the earlier of either when the entity can no longer withdraw the offer of those benefits to the employees, or when the entity recognises costs for a restructuring. Where an offer of benefits is made to encourage voluntary redundancy, an entity shall recognise an expense at the earlier of either when the employee accepts the offer, or when the entity can no longer withdraw the offer of those benefits.

The calculation of the expense is based on the probability of the offer being accepted, the number of employees expected to accept the offer and the length of time for which payment is expected to be made. Benefits that are settled after twelve months are discounted to their present values.

Short-term benefits to employees

Short-term benefits to employees are calculated without discounting and recognised as costs when the related services are received. The Group recognises a provision for the expected cost of bonus payments when it has a legal or constructive obligation to make such payments as a result of services received from employees.

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.

Contingent liabilities

A contingent liability is reported when there is a possible obligation that arises from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity, 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 or cannot be measured reliably.

Parent Company accounting policies

The Parent Company has prepared its Annual Report according to the Annual Accounts Act (1995:1554) and the Swedish Financial Accounting Council's recommendation RFR 2, Accounting for Legal Entities. 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 far as this is possible within the framework of the Swedish Annual Accounts Act, the Swedish Pension Obligations Vesting Act and taking into account the relationship between accounting and taxation. The recommendation specifies exemptions and additions relative to IFRS.

Amended accounting policies

IFRS 16 Leases takes effect on 1 January 2019, but is not applied by the Parent Company as a legal entity in accordance with the relief rules in RFR 2.

The Parent Company's accounting policies for 2019 are the same as for 2018.

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

The differences between the accounting policies of the Group and those of the Parent Company are presented above and below. The accounting policies 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

Where the Group uses the terms statement of financial position and statement of cash flows, the Parent uses balance sheet and cash flow statement. The income statement and balance sheet for the Parent Company are prepared in accordance with the schedule of the Swedish Annual Accounts Act, whereas the statement of comprehensive income, 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 Parent's income statement and balance sheet differ to the Group's mainly with regard to reporting of finance income and expense, non-current assets, equity, untaxed reserves and the occurrence of provisions as a separate heading in the balance sheet.

Sales of services and similar assignments

Services are sold only on an ongoing basis to subsidiaries. Revenue arising from the rendering of services is recognised in the income statement for the year in which the service is rendered by reference to 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.

Subsidiaries

Interests in subsidiary undertakings are recognised in the Parent Company using the cost method. This means that transaction costs are included in the carrying amount for interests in subsidiary undertakings. In the consolidated financial statements, transaction costs are recognised directly in profit for the year as they are incurred. Contingent consideration is measured using probabilities of payment. Any changes to the provision are added to or deducted from the cost.

Financial assets and liabilities

The Parent Company has decided not to apply IFRS 9 for financial instruments. Non-current financial assets in the Parent Company are valued at cost less any impairment losses and financial current assets are valued at the lower of cost and net realisable value. The rules for impairment according to IFRS 9 are applied for financial assets measured at amortised cost. Financial liabilities are stated at amortised cost on the same basis as in the consolidated financial statements.

Financial guarantee contracts

The Parent Company's financial guarantee contracts consist of guarantee commitments to support 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 is stated at cost less accumulated depreciation and any impairment, on the same basis as for the Group, but with additions for any increases arising on revaluation.

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 in which they arise. No borrowing costs are capitalised on assets.

Taxes

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

Shareholders' contributions

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

Group contributions

The Parent Company recognises issued and received Group contributions as year-end appropriations.

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's executive team, monitors the profit, returns and cash flows from the Group's various segments. The operating segments, in the form of market regions, have six managers in Sweden, two managers in Finland, the Baltic states and China, and three managers in the Denmark, Norway, UK and East Central Europe region. They are responsible for the day-to-day operations and provide 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 assets, deferred tax liabilities, interest-bearing assets and 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 components mainly for industrial automation in the product areas of electrical components, flow technology, motors, transmissions and brakes, appliance components, installation components, and bearing solutions and seals. 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.

Internal sales have elements of services, both at the Parent Company and subsidiaries. All Parent Company sales relate to services sold to the subsidiaries.

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

2019	Sweden	Finland, the Baltic states and China	Denmark, Norway, UK and East Central Europe	Group-wide operations	Eliminations	Total consolidated
Income						
External sales	1,995.4	698.9	604.4	-	-	3,298.7
Internal sales	146.5	7.9	3.4	79.8	-237.6	-
Total income	2,141.9	706.8	607.9	79.8	-237.6	3,298.7
Profit/loss						
Operating profit	280.2	63.6	36.4	10.6	-19.4	371.3
Financial items				-4.2		-4.2
Tax expenses						-78.2
PROFIT/LOSS FOR THE YEAR	280.2	63.6	36.4	6.4	-19.4	289.0
EBITA	285.9	70.6	37.4	10.6	-19.4	385.2
EBITA margin, %	14.3	10.1	6.2			11.7
Other disclosures						
Assets	905.3	312.0	242.3	563.1	-345.0	1,677.7
Liabilities	507.5	78.4	67.2	65.7	-342.3	376.6
Investments in intangible fixed assets	9.2	-	7.4	4.4		21.0
Investments in property, plant and equipment	15.3	3.9	14.0	6.4		39.6
Amortisation and impairment of intangible fixed assets	5.9	7.0	1.1	5.7		19.7
Depreciation of property, plant and equipment	23.1	8.3	14.0	7.5		52.9

Cont. Note 2

2018	Sweden	Finland, the Baltic states and China	Denmark, Norway, UK and East Central Europe	Group-wide operations	Eliminations	Total consolidated
Income						
External sales	1,868.2	674.1	569.6	-	-	3,111.9
Internal sales	112.8	5.8	1.9	79.0	-199.6	-
Total income	1,980.9	679.9	571.6	79.0	-199.6	3,111.9
Profit/loss						
Operating profit	246.0	66.4	27.8	2.7	-19.9	323.0
Financial items				-5.5		-5.5
Tax expenses						-69.2
PROFIT/LOSS FOR THE YEAR	246.0	66.4	27.8	-2.8	-19.9	248.3
EBITA	256.5	73.8	29.5	2.7	-19.9	342.6
EBITA margin, %	13.7	10.9	5.2			11.0
Other disclosures						
Assets	811.8	312.2	204.3	495.5	-302.1	1,521.8
Liabilities	478.0	81.4	63.5	61.9	-299.1	385.7
Investments in intangible fixed assets	14.3	-	-	-	-	14.3
Investments in property, plant and equipment	5.6	3.3	3.0	26.5	-	38.4
Amortisation and impairment of intangible fixed assets	10.5	7.7	1.6	5.7	-	25.6
Depreciation of property, plant and equipment	4.4	3.3	3.8	15.9	-	27.4

SPECIFICATION OF EXTERNAL REVENUE PER REGION AND PRODUCT AREA

2019	Sweden	Finland, Baltic states and China	Denmark, Norway, UK and East Central Europe	Total consolidated
Breakdown of external revenue by product area				
Automation	751.6	399.9	578.9	1,730.4
Components	308.8	76.3	24.7	409.8
Installation components	335.5	35.9	0.9	372.2
Other	599.5	186.8	-	786.3
TOTAL EXTERNAL REVENUE*	1,995.4	698.9	604.4	3,298.7

*No customer accounts for more than 10% of sales

2018

Breakdown of external revenue by product area				
Automation	725.6	392.8	539.4	1,657.7
Components	281.7	68.9	-	350.6
Installation components	310.7	27.2	30.3	368.2
Other	550.2	185.2	-	735.4
TOTAL EXTERNAL REVENUE*	1,868.2	674.1	569.6	3,111.9

*No customer accounts for more than 10% of sales

GEOGRAPHIC AREAS	External sales *		Assets **		Investments**	
	2019	2018	2019	2018	2019	2018
Sweden	1,992.5	1,865.9	321.9	270.6	26.6	23.4
Denmark	169.7	139.8	41.7	41.1	0.6	0.0
United Kingdom	143.2	131.2	26.7	22.9	3.8	3.7
Finland	633.8	616.3	110.2	111.9	3.4	9.5
The Netherlands	2.9	2.3	2.0	1.7	0.5	0.7
Norway	68.3	63.5	11.9	0.2	1.3	0.1
Poland	133.2	146.3	15.1	2.8	6.2	1.7
Estonia	26.4	26.4	0.6	0.4	0.3	0.3
Latvia	1.7	1.4	-	-	-	-
Lithuania	6.0	4.0	0.1	0.0	0.1	0.0
Czech Republic	60.0	60.1	5.4	0.5	1.3	0.0
Slovakia	16.5	16.5	0.6	0.1	0.1	-
Hungary	13.5	12.2	1.0	0.0	0.7	0.0
China	31.0	25.9	0.2	0.1	0.1	0.1
TOTAL	3,298.7	3,111.9	537.3	452.4	44.9	39.5

* External sales are broken down by location of sales point.

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

Note 3

Other operating income

	The Group	
	2019	2018
Remeasurement of contingent consideration	0.5	5.1
TOTAL	0.5	5.1

See Notes 4 and 24 for additional information.

Note 4

Business combinations

2019

The operations of Cabavo AB in Sweden were acquired on 10 September. The company markets electric motors, servo actuators and drive electronics for industrial applications. The business generates annual sales of approximately SEK 8 million and became part of Region Sweden at the beginning of October 2019. The consideration for the business acquired was SEK 3.9 million, plus a contingent consideration estimated at SEK 5.1 million, based on how the business develops from 2019 to 2022. The impact of acquisition transactions on consolidated sales in 2019 was approximately SEK 1.1 million and on profit before tax approximately SEK 0.3 million. If the acquired business had been consolidated from the start of 2019, the effect on sales and profit before tax would have been approximately SEK 8 million and SEK 1.3 million respectively.

2018

On 17 September, the entire shareholding of ATB Drivtech AB in Sweden was acquired. The company markets electric motors for industrial use. The business generates annual sales of approximately SEK 18 million and became part of Region Sweden on 1 September 2018. The consideration for the business acquired was SEK 10.5 million, plus a contingent consideration estimated at SEK 3.9 million, based on how the business develops from 2018 to 2020. The impact of acquisition transactions on consolidated sales in 2018 was approximately SEK 7.4 million and on profit before tax approximately SEK 1.7 million. If the acquired business had been consolidated from the start of 2018, the effect on sales and profit before tax would have been approximately SEK 21 million and SEK 4.1 million respectively.

EFFECTS OF ACQUISITION	2019	2018
The net assets of the acquired companies on acquisition:		
Intangible assets	4.4	7.2
Inventories	1.5	0.7
Trade and other receivables	-	2.9
Cash and cash equivalents	0.1	0.4
Trade payables and other operating liabilities	-	-1.2
Deferred tax liability	-1.0	-1.6
Net identifiable assets and liabilities	5.0	8.4
Consolidated goodwill	4.0	6.0
CONSIDERATION TRANSFERRED	9.0	14.4

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.

Acquisition-related expenses

No acquisition-related expenses such as consultancy fees for due diligence have arisen.

	2019	2018
Remuneration		
Service fees paid	3.7	9.5
Due in accordance with agreement	0.3	1.0
Estimated contingent consideration	5.1	3.9
TOTAL CONSIDERATION TRANSFERRED	9.0	14.4

Asset acquisition

On 3 December 2019, customer relationships and inventories were acquired from the pumping division of Finisterra AS in Norway. The division reports revenues of approximately SEK 12 million. Pumps will be sold through OEM Automatic AS in Norway, which is part of Region Denmark, Norway, the UK and East Central Europe. The consideration for the assets acquired was SEK 8.0 million, plus contingent considerations estimated at SEK 2.5 million, based on how the business develops in 2020. As a result of the acquisition, other intangible fixed assets have increased by SEK 7.3 million and inventories by SEK 0.7 million. Other intangible fixed assets relate to customer relationships that will be amortised over a five-year period.

Contingent consideration

It is stated in the acquisition agreements for acquisitions that have been made in 2019 and 2018 that a contingent consideration will be payable to the vendors based on the development of the coverage ratio or performance. Contingent consideration is capped at SEK 13.1 million (4.2) for these and is estimated at SEK 7.6 million (3.9) in the acquisition cost analysis. The contingent considerations have been calculated using weighted probability techniques.

Remeasurement of contingent consideration

The growth of acquired businesses during 2016 to 2018 has resulted in remeasurement of contingent consideration which has decreased by SEK 0.5 million. This has been recognised as Other Income and had a positive SEK 0.5 million (5.1) effect on the operating profit in 2019. As at 31 December 2019, the carrying amount for remaining liabilities relating to contingent considerations is SEK 15.8 million (14.7) and the earn-out for remaining contingent considerations is capped at SEK 23.4 million (21.6).

Further information about intangible assets is presented in Note 12.

Acquisitions after the close of the reporting period

On 31 January 2020, the entire shareholding of Zoedale Ltd in the United Kingdom was acquired. The company represents ASCO, Valpes, Omal, Bernard Controls, Peter Paul and other manufacturers of valves and actuators for various process and industrial applications. It reports annual sales of approximately SEK 37 million and has 15 employees. The acquisition cost analysis is preliminary due to the short period of time between the date of acquisition and preparation of the Annual Report.

PRELIMINARY ACQUISITION ANALYSIS

The acquired company's net assets at the time of acquisition	Group fair value
Intangible fixed assets	14.4
Other fixed assets	0.3
Inventories	4.2
Other current assets	5.8
Cash and cash equivalents	-
Deferred tax liability	-2.7
Other liabilities	-5.1
Net identifiable assets/liabilities	16.9
Consolidated goodwill	14.6
Cash consideration	31.4

As a result of the acquisition, other intangible fixed assets will increase by SEK 14.4 million. The amount relates to customer relationships that will be amortised over a five-year period. Goodwill is attributable to synergies with current operations within the Group. The value of the goodwill is not tax deductible. OEM normally uses an acquisition structure with a base consideration and contingent consideration. Contingent consideration is initially measured at the present value of the probable earnings, which amounts to SEK 5.9 million for acquisitions after the balance sheet date. The period for contingent consideration is two years and the earnings may amount to a maximum of SEK 6.8 million.

Note 5

Employees and staff costs

AVERAGE NUMBER OF EMPLOYEES	2019	Of which men	2018	Of which men
Parent Company				
Sweden	19	84 %	20	85 %
Subsidiaries				
Sweden	476	78 %	454	80 %
Denmark	40	88 %	37	86 %
United Kingdom	50	80 %	51	78 %
Estonia	4	100 %	4	100 %
Finland	162	86 %	155	89 %
The Netherlands	2	50 %	2	50 %
China	19	74 %	20	75 %
Lithuania	1	100 %	1	100 %
Norway	22	86 %	18	83 %
Poland	48	77 %	78	82 %
Slovakia	6	67 %	6	83 %
Czech Republic	32	78 %	30	77 %
Hungary	6	83 %	6	83 %
Total in subsidiaries	868	80 %	862	82 %
GROUP TOTAL	887	80 %	882	82 %

SALARIES, OTHER REMUNERATION AND SOCIAL SECURITY EXPENSES	2019		2018	
	Salaries and remuneration	Social security expenses	Salaries and remuneration	Social security expenses
Parent Company (of which pension expenses)	18.8 (2.8)	8.5 (2.8)	18.4 (2.7)	8.3 (2.7)
Subsidiaries (of which pension expenses)	374.5 (31.2)	135.8 (31.2)	358.5 (28.1)	129.6 (28.1)
GROUP TOTAL	393.3	144.3	376.9	137.9
(of which pension expenses)		(34.0)		(30.8)

SALARIES AND OTHER REMUNERATION ACROSS THE PARENT COMPANY AND SUBSIDIARIES AND BETWEEN SENIOR EXECUTIVES AND OTHER EMPLOYEES	2019		2018	
	Senior executives including the Board	Other employees	Senior executives including the Board	Other employees
Parent Company				
Sweden, of which senior executives 10 people (10) (of which bonus)	10.6 (2.6)	8.3	10.3 (2.5)	8.1
Subsidiaries total, of which senior executives 23 people (26) (of which bonus)	24.8 (2.5)	349.7	26.2 (3.5)	332.3
GROUP TOTAL, OF WHICH SENIOR EXECUTIVES 33 PEOPLE (36)	35.4	358.0	36.5	340.4
(of which bonus)	(5.1)		(6.0)	

Pension premiums to the amount of SEK 5.6 million (5.3) have been paid for the category senior executives.

REMUNERATION OF GROUP MANAGEMENT AND BOARD MEMBERS

	2019					2018				
	Base salary, Board fee	Variable remuneration	Other benefits	Pension expense	Total	Base salary, Board fee	Variable remuneration	Other benefits	Pension expense	Total
Petter Stillström Chairman of the Board	0.5	-	-	-	0.5	0.5	-	-	-	0.5
Ulf Barkman, Board Member	0.3	-	-	-	0.3	0.3	-	-	-	0.3
Mattias Franzén, Board member	0.2	-	-	-	0.2	-	-	-	-	-
Richard Pantzar, Board member	0.2	-	-	-	0.2	-	-	-	-	-
Jörgen Rosengren Board member	0.2	-	-	-	0.2	0.2	-	-	-	0.2
Agne Svenberg, Board member	0.2	-	-	-	0.2	-	-	-	-	-
Åsa Söderström Winberg Board member	0.2	-	-	-	0.2	0.2	-	-	-	0.2
Hans Franzén, Board Member	-	-	-	-	-	0.2	-	-	-	0.2
Ingrid Nordlund Board member	-	-	-	-	-	0.2	-	-	-	0.2
Anna Stålenbring Board member	-	-	-	-	-	0.2	-	-	-	0.2
Jörgen Zahlin, Managing Director	4.0	2.1	-	1.0	7.1	3.8	2.0	-	0.9	6.8
Other senior executives 5 persons (5) *	5.9	2.1	-	1.0	8.9	5.7	2.0	-	0.9	8.6
	6.7	1.0	0.1	1.8	9.6	6.9	1.6	0.1	1.9	10.5
TOTAL	12.6	3.1	0.1	2.8	18.5	12.6	3.6	0.1	2.8	19.1

* Of the other senior executives, three (three) people receive remuneration from subsidiaries
This remuneration is included at an amount of SEK 5.1 million (5.9). Pension costs were SEK 1.3 million (1.4).

CEO/Managing Director

Pension expenses are defined contribution. There are no other pension obligations. As in previous years, variable remuneration is based on the performance levels attained. SEK 2.1 million was paid in variable remuneration in 2019. Variable remuneration payment totalled SEK 2.0 million in 2018. The outcome of variable remuneration for 2019 and 2018 was at maximum. 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 remuneration payment totalled SEK 1.3 million in 2019. Variable remuneration payment totalled SEK 1.6 million in 2018. Based on the attained profit level, variable remuneration can be paid at a maximum of 40 % of base salary. The period of notice for other members of Group management is maximum 12 months, upon termination by the company, with the obligation to work, and maximum 6 months upon termination by the employee. If the company serves notice after the age

of 55 years, the period of notice is increased by an additional 6 monthly salaries. There is an exception in an agreement signed in 2001, whereby severance pay, amounting to a further 6 monthly salaries, may be made upon termination by the company when the employee reaches the age of 55. Retirement age for the other members of Group management is between 60 and 65 years.

Guidelines for remuneration and other terms of appointment of senior executives

Guidelines for senior executives, approved by the 2019 Annual General Meeting, state that Group management shall have market-competitive salaries and other remuneration terms. In addition to base salary, the management team may also receive variable remuneration, which is capped at 58 % of base salary, the equivalent of seven monthly salaries. Senior executives shall have premium-based pension schemes, capped at 30 % of fixed remuneration. The maximum period of notice is 24 months and shall also include 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.

GENDER DISTRIBUTION	Group (percentage of women)		Parent (percentage of women)	
	2019	2018	2019	2018
Board of Directors	7 %	9 %	14 %	43 %
Other senior executives	0 %	0 %	0 %	0 %

Note 6

Fees and reimbursement of expenses to the auditors

	The Group		Parent Company	
	2019	2018	2019	2018
PwC				
Audit assignments	2.7	-	0.6	-
Audit activities other than the audit assignment	0.0	-	-	-
	2.7	-	0.6	-
KPMG				
Audit assignments	-	1.8	-	0.3
Audit activities other than the audit assignment	-	0.1	-	0.1
Other assignments	-	0.2	-	0.2
	-	2.1	-	0.6
Other auditors				
Audit assignments	0.2	0.3	-	-
Tax counselling	0.4	0.0	-	-
Other assignments	-	0.0	-	-
	0.7	0.4	-	-
TOTAL	3.3	2.5	0.6	0.6

Of the remuneration to auditors in 2019, the following has been paid to Öhrlings PricewaterhouseCoopers in Sweden: Audit services SEK 1.5 million (-), other statutory services SEK 0 million (-), tax advice SEK 0 million (-) and other services SEK 0 million (-).

Audit services refer to the audit of the Annual Report, the consolidated financial statements, the accounting records and the management of the company's affairs by the Board of Directors and the Managing Director, other tasks that are the duty of the company's auditors, and the provision of advice and other assistance resulting from observations made during that audit or the performance of such other duties. Tax counselling refers to all consultations in the area of tax. Other services refer to advice on accounting matters and advice on processes and internal control.

Note 7

Depreciation/amortisation and impairment of property, plant and equipment and intangible fixed assets

	The Group		Parent Company	
	2019	2018	2019	2018
Customer relationships	-12.2	-14.8	-	-
Patents	0.0	-0.1	-	-
Trademarks	-	-3.0	-	-
Supplier relationships	-1.6	-2.2	-	-
Expenses brought forward for software	-5.8	-5.8	-5.7	-5.7
Buildings and land	-26.6	-6.7	-0.5	-0.5
Fixtures, fittings, tools and equipment	-26.3	-20.7	-1.9	-1.7
TOTAL	-72.6	-53.1	-8.1	-7.9

Note 8

Income from interests in Group companies

	Parent Company	
	2019	2018
Dividends received	47.4	67.9
Impairment of interests in Group companies	-	-8.1
TOTAL	47.4	59.8

Note 9

Finance income/other interest income and similar income

	The Group		Parent Company	
	2019	2018	2019	2018
Interest on bank deposits	0.6	0.6	1.1	0.8
Other finance income	-	-	-	-
TOTAL	0.6	0.6	1.1	0.8

Note 10

Finance expense/interest expense and similar charges

	The Group		Parent Company	
	2019	2018	2019	2018
Interest expense on financial liabilities	-4.0	-3.8	-1.4	-1.4
Other finance expense	-0.8	-2.4	-0.5	-1.1
TOTAL	-4.8	-6.2	-1.9	-2.5

Note 11

Income tax

RECOGNISED IN STATEMENT OF INCOME/INCOME STATEMENT	The Group		Parent Company	
	2019	2018	2019	2018
Current tax	-85.1	-68.5	-61.2	-44.5
Deferred tax	6.9	-0.7	0.0	0.0
TOTAL RECOGNISED TAX EXPENSE	-78.2	-69.2	-61.2	-44.4

LINK BETWEEN TAX EXPENSES FOR THE YEAR AND INCOME BEFORE TAX				
Reported profit before tax	367.3	317.4	331.1	259.3
Estimated tax on reported profit before tax as per applicable tax rate for income tax in each country	-76.5	-70.0	-70.9	-57.0
Non-taxable share dividends	-	-	10.1	14.9
Non-taxable income	2.4	2.3	0.2	0.0
Non-deductible items	-4.4	-2.5	-0.7	-2.4
Impact of changed tax rate	0.4	1.1	-	0.1
TOTAL RECOGNISED TAX EXPENSE	-78.2	-69.2	-61.2	-44.4
Deferred tax assets	3.8	2.9	0.0	0.0
TOTAL DEFERRED TAX ASSETS	3.8	2.9	0.0	0.0
Deferred tax liability				
Intangible fixed assets	7.0	7.3	-	-
Buildings and land	8.4	8.9	2.0	1.9
Untaxed reserves	70.7	75.1	-	-
Other information	0.6	0.6	-	-
TOTAL DEFERRED TAX LIABILITY	86.8	91.9	2.0	1.9

The Group holds SEK 0.3 million (0.6) in non-capitalised deferred tax assets equivalent to loss carryforwards which, when measured, 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 0.9 million (1.6).

Note 12

Intangible fixed assets

THE GROUP	2019						
	Goodwill	Trade- marks	Customer relation- ships	Supplier relation- ships	Patents	Software	Total
Accumulated cost							
At beginning of year	147.3	43.4	129.3	45.7	0.3	42.6	408.5
New acquisitions	-	-	7.4	-	-	5.3	12.7
Acquisition of subsidiaries	4.0	-	4.4	-	-	-	8.4
Sales and disposals	-	-	-	-	-	-7.0	-7.0
Exchange rate differences for the year	0.9	0.2	2.7	0.3	-	0.0	4.1
Total cost of acquisition	152.2	43.6	143.8	46.0	0.3	40.8	426.7
ACCUMULATED AMORTISATION							
At beginning of year	-	-43.4	-95.5	-35.3	-0.2	-30.0	-204.4
Amortisation	-	-	-12.2	-1.6	0.0	-5.8	-19.7
Sales and disposals	-	-	-	-	-	6.7	6.7
Exchange rate differences for the year	-	-0.2	-2.4	-0.3	-	-	-2.9
Total amortisation	-	-43.6	-110.2	-37.2	-0.2	-29.1	-220.3
ACCUMULATED IMPAIRMENTS							
At beginning of year	-11.2	-	-0.1	-	-	-	-11.3
Impairments	-	-	-	-	-	-	-
Total impairments	-11.2	-	-0.1	-	-	-	-11.3
CARRYING AMOUNT AT END OF YEAR	141.0	-	33.6	8.8	0.1	11.7	195.1

Total carrying amount relating to trademarks, customer relationships, supplier relationships, patents and software was SEK 54.1 million (56.8) at year-end.

2019

The acquisition of the operations of Cabavo AB increases the value of customer relationships by SEK 4.4 million and goodwill by SEK 4.0 million.

The estimated useful life of the customer relationships is five years.

SEK 7.4 million, relating to customer relationships, is recognised as a result of the acquisition of the assets of Finisterra AS in Norway.

The estimated useful life of the customer relationships is 5 years.

Cont. Note 12

Intangible fixed assets

THE GROUP	2018						
	Goodwill	Trade-marks	Customer relationships	Supplier relationships	Patents	Software	Total
Accumulated cost							
At beginning of year	138.9	43.0	119.5	44.8	0.3	41.5	388.1
New acquisitions	-	-	-	-	-	1.1	1.1
Acquisition of subsidiaries	6.0	-	7.2	-	-	-	13.2
Sales and disposals	-	-	-	-	-	-	0.0
Exchange rate differences for the year	2.4	0.4	2.7	0.8	-	0.0	6.3
Total cost of acquisition	147.3	43.4	129.3	45.7	0.3	42.6	408.6
Accumulated amortisation/depreciation							
At beginning of year	-	-40.0	-79.4	-32.4	-0.1	-24.3	-176.2
Amortisation	-	-3.0	-14.7	-2.2	-0.1	-5.8	-25.6
Sales and disposals	-	-	-	-	-	-	0.0
Exchange rate differences for the year	-	-0.4	-1.5	-0.7	-	-	-2.6
Total amortisation	-	-43.4	-95.5	-35.3	-0.2	-30.0	-204.4
Accumulated impairments							
At beginning of year	-11.2	-	-	-	-	-	-11.2
Impairments	-	-	-0.1	-	-	-	-0.1
Total impairments	-11.2	-	-0.1	-	-	-	-11.3
CARRYING AMOUNT AT END OF YEAR	136.1	-	33.7	10.4	0.1	12.6	192.8

Total carrying amount relating to trademarks, customer relationships, supplier relationships, patents and software was SEK 56.8 million (73.0) at year-end.

2018

The acquisition of ATB Drivtech AB increases the value of customer relationships by SEK 7.2 million and goodwill by SEK 6.0 million.

The estimated useful life of the customer relationships is five years.

Impairment testing of customer relationships

Impairment testing of customer relationships refers to the full remaining value of customer relationships in the subsidiary Candelux Sp.zo.o.

GOODWILL AND INTANGIBLE ASSETS WITH AN INDETERMINABLE USEFUL LIFE	2019	2018
Companies		
Goodwill		
OEM Automatic AB	3.3	3.3
OEM Electronics AB	5.0	-
Internordic Bearings AB	3.0	3.0
OEM Motor AB	12.0	8.0
Elektro Elco AB	32.5	32.5
Svenska Helag AB	3.0	3.0
Flexitron AB (operations moved to OEM Electronics AB)	-	5.0
Svenska Batteripoolen AB	1.8	1.8
Nexa Trading AB	12.0	12.0
AB Ernst Hj Rydahl Bromsbandfabrik	6.0	6.0
ATC Tape Converting AB	3.0	3.0
OEM Finland OY	2.1	-
Akkupojat OY	2.1	2.0
Scannotec OY (operations moved to OEM Finland OY)	-	2.0
Sitek-Palvelu OY	17.2	17.1
Rauheat OY	12.4	12.4
OEM Automatic Klitsö AS	25.5	25.0
	141.0	136.1
Supplier relationships with an indeterminable useful life		
Telfa AB	8.8	8.8
TOTAL	149.8	144.9

The above amounts relate to goodwill totalling SEK 141,0 million (136,1) and acquired supplier relationships for Telfa AB totalling SEK 8.8 million (8.8). These are long-standing supplier relationships with an indefinite useful life that are appraised as stable over the foreseeable future.

The values in use are based on estimated future cash flows for a total of 100 years with the starting point in existing business plans for the next year. The amounts are calculated using the value-in-use methodology. 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 the companies' forecasts for anticipated future growth into consideration. Current market shares are expected to increase marginally in the forecast period. The growth in sales and earnings in the operations is expected to be in line with the business plans. Net cash flow growth is expected to come in at 1-2 % (1-2 %) for other years after the forecast period of 1-2 years. The gross profit margins are expected to reach the same level as at the end of 2019. The forecast cash flows have been converted to a present value using a discount rate of 10 % (10 %) before tax. The values in use for the units are in excess of their reported values. The company's management believes no reasonably possible change in the key assumptions would cause the carrying values of the units to exceed the estimated values in use.

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 12

PARENT COMPANY	2019	2018
Expenses brought forward for software		
Accumulated cost of acquisition		
At beginning of year	41.3	41.3
New acquisitions	4.4	-
Asset retirement	-7.0	-
Total cost of acquisition	38.7	41.3
Accumulated amortisation/depreciation		
At beginning of year	-29.9	-24.2
Amortisation	-5.7	-5.7
Asset retirement	6.7	-
Total amortisation	-28.9	-29.9
CARRYING AMOUNT AT END OF YEAR	9.8	11.4
Accumulated accelerated depreciation		
At beginning of year	-7.1	-10.5
Change for the year	3.0	3.4
TOTAL ACCUMULATED ACCELERATED AMORTISATION	-4.1	-7.1

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

Note 13

Property, plant and equipment

THE GROUP	31 Dec 2019	1 Jan 2019*
Owned property, plant and equipment	275.1	224.8
Property, plant and equipment through right-of-use	67.2	76.8
TOTAL PROPERTY, PLANT AND EQUIPMENT	342.2	301.6

RECOGNISED AMOUNTS OWNED PROPERTY, PLANT AND EQUIPMENT

THE GROUP	2019		2018	
	Buildings and land	Fixtures, fittings, tools and equipment	Buildings and land	Fixtures, fittings, tools and equipment
Accumulated cost of acquisition				
At beginning of year	264.9	210.3	249.9	197.8
New acquisitions	54.7	12.0	11.1	27.3
Sales and disposals	-	-8.9	-	-17.8
Reclassifications	-	-53.0	-	0.7
Exchange rate differences for the year	3.5	2.4	3.9	2.3
Total cost of acquisition	323.1	162.9	264.9	210.3
Accumulated depreciation according to plan				
At beginning of year	-75.3	-140.3	-67.6	-129.5
Sales and disposals	-	7.8	-	12.4
Depreciation for the year	-6.8	-11.7	-6.7	-20.7
Reclassifications	-	18.2	-	-0.7
Exchange rate differences for the year	-1.0	-1.8	-1.1	-1.9
Total amortisation	-83.1	-127.8	-75.3	-140.3
CARRYING AMOUNT AT END OF YEAR	240.0*	35.1	189.6*	70.0

* Carrying amount of buildings is SEK 166.6 (170.3) for the Group and SEK 12.2 (12.7) for the Parent Company.

PARENT COMPANY	2019		2018	
	Buildings and land	Fixtures, fittings, tools and equipment	Buildings and land	Fixtures, fittings, tools and equipment
Accumulated cost of acquisition				
At beginning of year	28.6	19.3	28.6	20.0
New acquisitions	-	4.8	-	0.6
Sales and disposals	-	-5.2	-	-1.3
	28.6	18.9	28.6	19.3
Accumulated depreciation according to plan				
At beginning of year	-15.5	-16.0	-15.0	-15.5
Sales and disposals	-	5.1	-	1.3
Depreciation for year acc. to plan based on cost	-0.5	-1.9	-0.5	-1.7
	-16.0	-12.7	-15.5	-16.0
CARRYING AMOUNT AT END OF YEAR	12.6	6.2	13.1	3.4
Accumulated accelerated depreciation				
At beginning of year	-	-0.5	-	-0.9
Change for the year	-	-0.3	-	0.4
TOTAL ACCUMULATED ACCELERATED AMORTISATION	-	-0.8	-	-0.5

RECOGNISED AMOUNTS PROPERTY, PLANT AND EQUIPMENT THROUGH RIGHT-OF-USE

THE GROUP

Recognised amounts in the balance sheet	31 Dec 2019	1 Jan 2019*
Right-of-use assets		
Real estate	48.0	57.4
Machinery and equipment	0.7	0.6
Vehicles	18.5	18.9
TOTAL RIGHT-OF-USE ASSETS	67.2	76.8
Lease liabilities		
Current	29.2	28.8
Non-current	37.2	46.6
TOTAL LIABILITIES ARISING FROM RIGHT-OF-USE	66.4	75.3

* In previous years, only lease assets and lease liabilities attributable to finance leases were recognised in accordance with IAS 17 Leases. The assets were presented as part of property, plant and equipment and the liabilities as part of the Group's interest-bearing liabilities. Adjustments recognised on transition to IFRS 16 on 1 January 2019 are presented in the tables The Effects of Transition to IFRS16 and Measurement of Lease Liability on Transition to IFRS 16.

THE GROUP

Recognised amounts in the Income Statement	2019
Amortisation of right-of-use assets	
Real estate	-19.8
Machinery and equipment	-0.3
Vehicles	-14.4
TOTAL AMORTISATION OF RIGHT-OF-USE ASSETS	-34.4
Interest expense (included in finance expense)	-1.3
Costs attributable to short-term leases (included in other expenses)	0.0
Costs attributable to leases with underlying assets of low value (included in other expenses)	-0.1

The total cash flow for leases in 2019 was SEK 36.1 million.

THE EFFECTS OF TRANSITION TO IFRS 16	1 Jan 2019
Property, plant and equipment	42.1
Prepaid lease payments	-3.2
Non-current interest-bearing liabilities	-27.1
Current interest-bearing liabilities	-13.5
Pre-tax impact on net assets	-1.7
Deferred tax assets	0.3
Impact on equity	-1.4

MEASUREMENT OF LEASE LIABILITY ON TRANSITION TO IFRS 16	1 Jan 2019
Operating lease commitments as at 31 December 2018	44.7
Impact of discounting with the Group's weighted average incremental borrowing rate	-0.7
Subsequent liabilities for finance leases as at 31 December 2018	34.7
Less short-term leases that are expensed on a straight-line basis	-0.1
Less leases of low-value underlying assets that are expensed on a straight-line basis	-0.3
Subsequent/less adjustments due to other management of lease extension or termination options	-3.0
Lease liability recognised on 1 January 2019	75.3

Note 14

Interests in Group companies

PARENT COMPANY	2019	2018
Book value		
At beginning of year	415.7	414.6
Acquisitions for the year	9.0	14.4
Remeasurement of contingent considerations	-0.5	-5.1
Impairments	-	-8.1
CLOSING BALANCE	424.3	415.7

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

	Corp. ID no.	Reg. office	No. of shares	Share of capital	Quota value	Book value 2019	Book value 2018
Sweden							
OEM Automatic AB, Sweden	556187-1012	Tranås	20,000	100 %	100	16.0	16.0
OEM Motor AB, Sweden	556650-6498	Tranås	1,000	100 %	100	19.1	11.7
Telfa AB, Sweden	556675-0500	Gothenburg	1,000	100 %	100	10.0	10.0
Apex Dynamics Sweden AB, Sweden	556771-7466	Täby	1,000	100 %	100	0.1	0.1
Svenska Batteripoolen AB, Sweden	556929-8291	Tranås	5000	100 %	100	0.5	0.5
Elektro Elco AB, Sweden	556564-2716	Jönköping	1,000	100 %	100	68.0	68.0
OEM Electronics AB, Sweden	556054-3828	Tranås	3,500	100 %	100	15.4	5.0
Internordic Bearings AB, Sweden	556493-8024	Nässjö	1,000	100 %	100	12.2	12.2
Svenska Helag AB, Sweden	556225-9639	Borås	1,020	100 %	100	12.6	12.6
Flexitron AB, Sweden	556414-6982	Täby	5,000	100 %	100	0.4	10.8
Agolux AB, Sweden	556892-3774	Tranås	5,000	100 %	100	0.5	0.5
Reflex Transmission AB, Sweden (previously Vanlid Transmission AB)	556233-6643	Malmö	3,000	100 %	100	6.5	6.5
Nexa Trading AB, Sweden	556327-6319	Gothenburg	2,000	100 %	100	32.4	32.4
ATC Tape Converting AB, Sweden	556242-6121	Järfälla	2,000	100 %	100	11.5	11.5
IBEC B.V., Netherlands	-	-	-	100 %		0.8	0.8
AB Ernst Hj Rydahl Bromsbandfabrik, Sweden	556535-6556	Karlstad	11,000	100 %			
RF Partner AB, Sweden	556498-5298	Mölnadal	1,000	100 %	100	4.3	4.3
ATB Drivtech AB, Sweden	556315-6974	Ekerö	150	100 %	1,000	2.4	2.8
Jonas Rönnerberg AB, Sweden (under reconstruction to Cabavo AB)	559211-3111	Täby	500	100 %	100	1.6	-
Finland, Baltic states and China							
OEM Finland OY, Finland	-	-	-	100 %	-	15.8	11.9
Akkupojat OY, Finland	-	-	-	100 %	-	6.3	6.3
Scannotec OY, Finland	-	-	-	100 %	-	3.8	7.7
Sitek-Palvelu OY, Finland	-	-	-	100 %	-	28.6	28.9
Rauheat OY, Finland	-	-	-	100 %	-	26.7	26.4
OEM Eesti Oü., Estonia	-	-	10,000	100 %	EEK 40	0.0	0.0
OEM Automatic SIA, Latvia	-	-	20	100 %	LVL 200	0.0	0.0
OEM Automatic UAB, Lithuania	-	-	100	100 %	LTL 100	0.0	0.0
OEM Automatic (Shanghai) Ltd, China	-	-	-	100 %	USD 140	0.0	0.0

Cont. Note 14

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

	Corp. ID no.	Reg. office	No. of shares	Share of capital	Quota value	Book value 2019	Book value 2018
Denmark, Norway, UK and East Central Europe							
OEM Automatic Klitsö AS, Denmark	-	-	1000	100 %	DKK 1,000	46.5	46.5
OEM Automatic AS, Norway	-	-	-	100 %		3.5	3.5
OEM Automatic Ltd, UK	-	-	-	100 %		5.4	5.4
OEM Automatic Sp.z.o.o., Poland	-	-	-	100 %		0.0	0.0
Candelux Sp.z.o.o., Poland				100 %		0.0	0.0
OEM Automatic spol.s.r.o., Czech Republic	-	-	-	100 %	CZK 100	15.5	15.5
OEM Automatic s.r.o., Slovakia	-	-	-	100 %	SKK 200	0.0	0.0
OEM Automatic Kft, Hungary	-	-	-	100 %	-	1.2	1.2
Other business units							
OEM Industrial Components AB, Sweden	556051-4514	Tranås	100,000	100 %	5,000	46.2	46.2
Internordic Förvaltning AB, Sweden	556302-0873	Nässjö	1,000	100 %	100	1.3	1.3
OEM Logistics AB, Sweden	556194-8521	Stockholm	2,500	100 %	100	1.5	1.5
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
Brake Components AB	559000-6499	Tranås	1,000	100 %	100	0.1	0.1
Bankerydsbackens Fastighetsbolag AB	559013-6817	Tranås	1,000	100 %	100	0.1	0.1
TOTAL						424.3	415.7

Note 15

Inventories

	The Group	
	2019	2018
Work in progress	39.3	46.8
Finished goods and merchandise	614.5	548.5
Goodwill impairment	-24.6	-26.9
TOTAL	629.2	568.5

Group impairment of inventories at the close of 2019 was SEK 24.6 million (26.9), which represents approximately 4 % (5 %) of the cost of the stock.

To determine impairment of stock, the Group uses set obsolescence models and individual assessment of each item of inventory.

Based on the lowest value principle, no impairment has arisen. Costs to scrap items and change in impairment reserve are included in goods for resale in the consolidated Statement of Income.

Note 16

Prepaid expenses and accrued income

	The Group		Parent Company	
	2019	2018	2019	2018
Accrued commission income, etc.	1.1	0.5	-	-
Prepaid rent expense	-	2.2	0.0	0.0
Prepaid insurance costs	3.9	4.1	0.4	0.5
Other prepaid expenses	12.4	8.8	5.2	2.9
TOTAL	17.4	15.6	5.6	3.4

Note 17

Equity

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

		2019		2018	
		Shares	Voting rights	Shares	Voting rights
Class A shares	10 votes	4,767,096	47,670,960	4,767,096	47,670,960
Class B shares	1 vote	18,402,213	18,402,213	18,402,213	18,402,213
TOTAL NUMBER OF OWN SHARES				23,169,309	66,073,173
Repurchased own shares		-61,847	-61,847	-61,847	-61,847
TOTAL NUMBER OF SHARES OUTSTANDING		23,107,462	66,011,326	23,107,462	66,011,326

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

	Number of shares		Amounts that affected equity	
	2019	2018	2019	2018
Opening repurchased own shares	61,847	61,847	23.3	23.3
CLOSING REPURCHASED OWN SHARES	61,847	61,847	23.3	23.3

The Group's translation reserve

The translation reserve includes all exchange differences arising on the translation of financial statements from foreign operations that have prepared their financial statements in a currency other than that used in the Group's financial statements. The Parent Company and the Group present their financial statements in Swedish krona.

Parent company's restricted funds

Restricted funds may not be reduced through the payment of dividends.

Reserve fund

The purpose of a reserve fund has been to save a proportion of the net earnings not required to cover retained losses. The amount which before 1 January 2006 went to the share premium account has been transferred to the reserve fund.

Development fund

When internally generated intangible assets are capitalised, a corresponding amount is transferred to a development fund classed as restricted equity. The fund is wound up at the same rate as the capitalised item is amortised.

Parent company's distributable equity

The following funds and profit for the year together constitute a distributable reserve, i.e. the amount available for distribution to shareholders as a dividend.

Retained earnings

Retained earnings are the profits and income that remain from the prior year after paying dividends.

Capital management

The Board's aim is to achieve a good return on total capital with a limited financial risk during stable growth.

The target for one business cycle is:

- Minimum sales growth of 10 % per annum
- A minimum EBITA margin of 10 % per annum
- A minimum return on equity of 20 % per annum
- A minimum equity/assets ratio of 35 %

Outcome over the last three years:	2019	2018	2017
Sales growth	6 %	14 %	15 %
EBITA margin	12 %	11 %	11 %
Return on equity	29 %	29 %	28 %
Equity/assets ratio	62 %	59 %	54 %

Allocation of profits

After the balance sheet date, the Board proposed a dividend of SEK 7.00 per share (6.75). 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. Retained earnings in the Parent Company total SEK 406.9 million. The Board recommends a SEK 162.2 million dividend and that SEK 244.7 million be carried forward.

Proposed share split and redemption procedure

To facilitate trading of company shares and alter the company's capital structure, OEM's Board of Directors proposes a 4:1 share split combined with an automatic redemption procedure. This procedure splits each existing share in the company into four shares, one of which is a redemption share. The redemption share will be redeemed for SEK 10.

Note 18

Liabilities to credit institutions and lessors

	The Group	
	2019	2018
Other non-current liabilities		
Bank loan	12.8	14.0
Finance lease liabilities*	-	19.4
Lease liabilities**	37.2	-
TOTAL	50.0	33.5
<i>Liabilities that fall due for payment later than five years after the balance sheet date amount to SEK 9.6 million (12.0).</i>		
Current liabilities		
Overdrafts***	92.7	101.1
Current bank loans	1.9	0.8
Finance lease liabilities*	-	15.3
Lease liabilities**	29.2	-
TOTAL	123.9	117.2

LEASE LIABILITIES	2019	2018
Lease liabilities fall due for payment as shown below:		
Within one year	29.2	15.3
Between one and five years	37.2	19.4
Later than in five years	-	-
TOTAL	66.4	34.7

*The lease liabilities for 2018 concern finance leases for cars only, as required by IAS 17.

**The lease liabilities for 2019 concern leases for premises, machinery, inventory and cars, as required by IFRS 16.

***The overdraft has a covenant, which means that the Group must have an equity/assets ratio that does not drop below 35%.
As at 31 December 2019, the Group's equity/assets ratio stood at 62%.

See Note 24 for additional information about bank loans and overdrafts. See Note 21 for information about pledged assets for own liabilities.

Note 19

Provisions for pensions and similar obligations

	The Group	
	2019	2018
Present value of entirely or partially funded obligations	7.9	6.9
Fair value of plan assets	-6.4	-5.4
Net of entirely or partially funded obligations	1.6	1.4
The net amount recognised in the following items in the Statement of Financial Position:		
Provisions for pensions and similar obligations	1.6	1.4
Net amount in the Statement of Financial Position (obligations + assets -)	1.6	1.4
The net amount is split over plans in the following countries:		
Norway	1.6	1.4
Net amount in the Statement of Financial Position (obligations + assets -)	1.6	1.4

	The Group	
	2019	2018
Changes in the present value of the obligation for defined-benefit schemes		
Obligation for defined-benefit schemes as at 1 January	7.0	5.9
Pensions earned during the period	0.4	0.4
Actuarial gains and losses	-0.2	0.4
Interest on obligations	0.2	0.1
Benefits paid	0.0	0.0
Exchange rate differences	0.5	0.1
Obligations for defined-benefit schemes as at 31 December	7.9	7.0
Change in fair value of plan assets		
Fair value of plan assets as at 1 January	5.4	4.7
Contributions by employer	0.7	0.7
Benefits paid	0.0	0.0
Interest income recognised in the income statement for the year	0.1	0.1
Return excluding interest recognised in the income statement for the year	0.0	-0.1
Exchange rate differences	0.2	0.1
Fair value of plan assets as at 31 December	6.4	5.4
Expense recognised in the income statement		
Expense for pensions earned during the year	0.5	0.5
Net interest income/expense	0.0	0.0
Other information	0.0	0.0
TOTAL NET EXPENSE IN THE INCOME STATEMENT	0.6	0.5
ACTUARIAL ASSUMPTIONS		
The principal assumptions used for the purpose of the actuarial valuations were as follows:		
Discount rate	2.6 %	2.6 %

In Norway, all employees are covered by defined-benefit pension schemes. SEK 0.9 million is expected to be paid in contributions for the schemes during 2019. In other countries, except for Sweden, all employees are covered by defined-contribution schemes. The company pays defined contributions to a separate legal entity and has no obligation to pay additional amounts. Costs are expensed on the consolidated income statement as the benefits are earned. Pension obligations related to the defined-benefit ITP 2 scheme for retirement and family pensions for salaried employees in Sweden are underwritten with insurance provided by Alecta. According to statement UFR 10 Reporting for Pension Scheme ITP 2, issued by the Swedish Financial Reporting Board, the ITP 2 scheme, which is underwritten by the Alecta insurance company, is a defined-benefit multi-employer scheme. For the 2019 financial year, the company did not have access to information that would enable it to report its proportionate share of the scheme's obligations, plan assets and costs. Consequently, it has not been possible to report the scheme as a defined-benefit pension scheme. The ITP 2 pension scheme, which is provided for by means of insurance with Alecta, is therefore reported as a defined-contribution pension scheme. The premium for the defined-benefit retirement and family pension is calculated individually and is based on such factors as the salary, previously earned pension and expected remaining length of service. Expected contributions in the next reporting period for ITP 2 insurance with Alecta amount to SEK 1.3 million (1.4). The Group's share of the total contributions to the pension scheme is 0.006 % (0.009 %), while its share of the total number of active members in the

scheme is 0.010 % (0.010 %). The collective consolidation level comprises the market value of Alecta's assets as a percentage of the insurance commitments calculated according to Alecta's actuarial methods and assumptions, which are not consistent with IAS 19. The collective consolidation level is normally allowed to vary between 125 and 155 percent. If Alecta's consolidation level falls below 125 percent or rises above 155 percent, measures must be taken to enable the consolidation level to return to the normal range. If the consolidation level is low, an appropriate measure might be to introduce premium reductions. At the end of 2019, Alecta's surplus, in the form of the collective consolidation level, was 148 percent (142). The premiums to Alecta are calculated using assumptions about interest rates, life expectancy, operating costs and tax on returns, so that the payment of a consistent amount of premium up to the date of retirement is sufficient to ensure that the entire, targeted benefit, based on the insured's current pensionable salary, is, in fact, earned. There is no agreed framework to guide the process of managing any deficit that may arise. In the first instance, losses will be covered by Alecta's collective consolidation capital and will thus not lead to increased costs through higher contractual premiums. Nor are there guidelines on how any surpluses or deficits should be allocated in the event of dissolution of the scheme or a company's withdrawal from the scheme. Most of the employees in Sweden are covered by defined-contribution pension schemes. The total cost of the Group's defined-contribution schemes is SEK 31.5 million (28.8). The Parent Company's cost for defined-contribution schemes is SEK 2.8 million (2.7).

Note 20

Other non-current liabilities

	The Group		Parent Company	
	2019	2018	2019	2018
Other non-current, non-interest-bearing liabilities	3.5	8.1	3.5	8.1
TOTAL	3.5	8.1	3.5	8.1

Note 21

Pledged assets and contingent liabilities

	The Group		Parent Company	
	2019	2018	2019	2018
Pledged assets <i>for own liabilities</i>				
Property mortgages	19.2	19.3	7.5	7.5
Business mortgages	60.0	63.0	-	-
TOTAL	79.2	82.3	7.5	7.5
Contingent liabilities				
Security undertakings to support subsidiaries	-	-	241.3	235.7
TOTAL	-	-	241.3	235.7

See Note 18 For additional information about the company's liabilities.

Note 22

Accrued expenses and prepaid income

	The Group		Parent Company	
	2019	2018	2019	2018
Accrued salaries and holiday pay	61.9	64.8	5.3	5.1
Accrued social security costs	29.7	25.8	3.8	3.7
Accrued supplier inv./commercial debts	16.1	12.4	-	-
Other accrued expenses	18.0	20.9	3.1	4.1
TOTAL	125.8	123.9	12.2	12.8

Note 23

Untaxed reserves

	Parent Company	
	2019	2018
Accumulated accelerated amortisation		
At beginning of year	7.6	11.4
Changes in accelerated amortisation for the year	-2.7	-3.8
AT END OF YEAR	4.9	7.6
Accruals funds		
Allocated in the financial year 2013	-	32.0
Allocated in the financial year 2014	40.0	40.0
Allocated in the financial year 2015	48.6	48.6
Allocated in the financial year 2016	55.7	55.7
Allocated in the financial year 2017	56.0	56.0
Allocated in the financial year 2018	67.0	67.0
Allocated in the financial year 2019	28.0	-
TOTAL	295.3	299.3
TOTAL UNTAXED RESERVES	300.2	306.9

Deferred tax constitutes SEK 65.9 million (67.5) of untaxed reserves.

Note 24

Financial risks and risk management

The most significant financial risks for the OEM Group are currency and customer credit risks. However the currency risks have been more or less been eliminated through matching, 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 rate risk in the form of a cash flow risk. The OEM Group's financial activities and management of financial risks is primarily performed in the Parent Company. This is carried out in accordance with the financial policy approved by the Board of Directors. There are frameworks for how risk management is to be conducted and for how risks are to be limited. These frameworks 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. Other non-current receivables were valued at SEK 0.3 million (0.3) at the close of 2019. At year-end, the Group's holdings of financial assets consisting of current assets amounted to SEK 452 million (457), accrued income to SEK 1.1 million (0.4) and other receivables to SEK 41 million (28). As shown above, more than 99 % of the Group's financial assets are measured at amortised cost under IFRS 9. The financial liabilities are measured at amortised cost, except for derivatives and contingent considerations which are measured at their fair values. 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 fair values of interest-bearing liabilities are based on estimates of future cash flows of capital and interest, discounted at market interest rate on the balance sheet date. Derivatives are classified within Level 2. The fair values of derivatives are based on the exchange rates and interest rates on the balance sheet date. At the close of 2019, the Group had no derivatives. Contingent considerations are classified within Level 3. The company's contingent considerations were valued at SEK 15.8 million (14.7) at the close of 2019. Refer to Note 4 for further information about contingent considerations.

The item cash and bank balances SEK 42 million (38), the overdraft item SEK 93 million (101) and other interest-bearing liabilities SEK 81 million (50) 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 %.

The majority of the Swedish companies are part of a central accounting system with a total limit of SEK 250 million (250), which is the Parent Company's limit. The drawn amount is SEK 61 million (33). The subsidiaries' balance/liability in the central accounting 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 454 million (459). The drawn amount is SEK 93 million (101).

Cont. Note 24

Financial risks and risk management

FINANCIAL ASSETS AND LIABILITIES		The Group	
	Category	2019	2018
Financial assets			
Other non-current receivables	1	0.3	0.3
Trade receivables	1	452.1	456.6
Other receivables	1	41.3	28.4
Cash and cash equivalents	1	41.9	38.5
Financial liabilities			
Non-current borrowings - non-hedge accounting	4	50.0	33.5
Other non-current liabilities - contingent considerations	3	3.5	8.1
Current borrowings - non-hedge accounting	4	31.2	16.1
Bank loans and overdrafts	4	92.7	101.1
Trade payables	4	172.7	184.0
Other liabilities - contingent considerations	3	12.3	6.5
Other liabilities	4	62.3	63.1

OEM is of the opinion that the carrying values of financial assets and liabilities approximate their fair values.

Definition of categories

1: Financial assets at amortised cost, 2: Financial assets that are recognised at fair value through profit or loss.

3: Financial liabilities that are recognised at fair value through profit or loss, 4: Financial liabilities at amortised cost.

CONTINGENT CONSIDERATIONS	2019	2018
Opening book value	14.7	20.4
Acquisitions for the year	7.6	3.9
Recycled to the income statement	-0.5	-5.1
Consideration paid	-6.3	-5.4
Exchange rate differences	0.2	0.8
Closing book value	15.8	14.7

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 42 million (38) and financial current assets were SEK 452 million (457). At the close of the year, the Group's financial debt was SEK 425 million (412). The maturity profile is presented in the table below. The table shows both capital payments and interest payments.

	2019					2018				
	Total	Within 1 month	1-3 months	3 months - 1 year	1 year and longer	Total	Within 1 month	1-3 months	3 months - 1 year	1 year and longer
Overdraft*	94.0	1.0	-	93.0	-	102.6	1.0	-	101.6	-
Other interest-bearing liabilities	14.9	0.1	0.1	1.8	12.9	14.9	0.1	0.1	0.9	13.8
Trade payables, etc.	250.8	192.9	54.4	-	3.5	261.8	213.5	39.7	0.4	8.1
Lease liabilities	67.4	2.5	7.4	19.8	37.8	35.1	1.3	3.9	10.3	19.6
	427.2	196.4	61.9	114.7	54.2	414.3	215.9	43.7	113.1	41.6

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

Interest rate risks

The interest rate risk is low and essentially consists of the cash flow risk that arises when the items cash and bank balance, overdraft and other interest-bearing liabilities have variable interest rates. A one per cent change in interest on the balance sheet date would entail a change of SEK -1.3 million (-1.1) in the income statement.

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 shows that 61 % (60 %) of purchases in 2019 were in EUR, 21 % (18 %) USD, 3 % (3 %) GBP, 9 % (9 %) SEK and 6 % (10 %) in 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 three-hold 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 68 % (69 %) 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 supplier credit period is about 31 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 224 million in change in turnover.

Elektro Elco AB and Nexa Trading AB use foreign exchange forward contracts. The hedged amount is USD 0.0 million (0.4). Hedge accounting is not applied. The market value was SEK 0.00 million (0.01) as at 31 December 2019. 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

Defined customer limits are carefully decided and strictly applied. Customer limits are assessed at company level. Customer limits and credit risk are set for all new customers via third party credit reference agencies. The credit limits for existing customer are continually updated. These are also assessed with the help of third party credit reference agencies and using internal knowledge about the customer. 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 30,000 purchasing customers in total. The largest individual customer accounted for approximately 4 % (4 %) of sales. The five largest customers accounted for 12 % (12 %) of sales and the ten largest customers accounted for 16 % (16 %) of sales. The distribution of risk is thus very good. Bad debts for the year totalled SEK 1.6 million (1.2) which represents 0.05 % (0.04 %) of sales. The bad debt risk is assessed as low. The average credit period was approximately 44 days.

Purchases are broken down into percentages as follows:

	2019	2018
EUR	61 %	60 %
USD	21 %	18 %
GBP	3 %	3 %
SEK	9 %	9 %
Other currencies	6 %	10 %
	100 %	100 %

Exchange rate changes significant currencies:

Currency	Weighted average 2019	Weighted average 2018	Change
EUR 1	10.51	10.20	3 %
USD 1	9.38	8.63	9 %
GBP 1	11.96	11.49	4 %

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

	Recognised value SEK million	Sensitivity analysis, +/- 5% in exchange rate. Impact on the Group's shareholders' equity
CZK	7.8	0.4
DKK	33.0	1.7
EUR	211.0	10.6
GBP	41.2	2.1
NOK	6.3	0.3
PLN	20.6	1.0
HUF	0.9	0.0
CNY	5.8	0.3
TOTAL	326.6	16.3

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

Currency	Weighted average 2019	Dec 2019	Weighted average 2018	Dec 2018
NOK 100	106.41	105.14	105.71	101.80
DKK 100	140.80	138.88	136.84	136.80
EUR 1	10.51	10.37	10.20	10.22
GBP 1	11.96	12.14	11.49	11.27
PLN 1	2.44	2.44	2.38	2.37
HUF 100	3.21	3.11	3.18	3.17
CZK 1	0.41	0.41	0.40	0.40

Cont. Note 24

AGE ANALYSIS, TRADE RECEIVABLES NOT WRITTEN DOWN	2019	2018
Trade receivables not matured	385.0	386.5
Trade receivables matured 0-30 days	59.7	62.0
Trade receivables matured > 30-90 days	4.4	6.4
Trade receivables matured > 90-180 days	1.3	0.6
Trade receivables matured > 180-360 days	0.4	0.2
Trade receivables matured > 360 days	1.3	3.0
TOTAL	452.1	458.8

PROVISIONS FOR CREDIT LOSSES	2019	2018
Balance at beginning of year	-2.1	-2.6
Effects of business combinations	-	-
Provision for expected losses	-1.1	-1.1
Confirmed losses	1.1	1.6
CLOSING BALANCE	-2.1	-2.1

Note 25

Operating leases

	The Group	Parent Company
	2018	2018
Leases where the company is the lessee		
Within one year	20.4	-
Between one and five years	24.3	-
Longer than five years	-	-
TOTAL	44.7	-

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

	The Group	Parent Company
	2018	2018
Costs reported during the year for operating leases	24.2	-
TOTAL	24.2	-

2018 is recognised as required by IAS 17 Leases.

Leases in 2019 are recognised as required by IFRS 16 Leases. See Note 18 for additional information.

Note 26

Cash Flow Statement

Additional disclosures on the cash flow statement:

	The Group		Parent Company	
	2019	2018	2019	2018
Interest received	0.6	0.6	1.1	0.8
Dividends received	-	-	47.4	67.9
Interest paid	-4.0	-3.8	-1.4	-1.4
Specification items not included in the cash flow				
Amortisation and impairment	72.6	53.1	8.1	7.9
Capital gain profits	0.1	-1.3	-	-
Other information	0.4	0.3	0.6	0.7
Write-off shares	-	-	-	8.1
TOTAL	73.0	52.1	8.6	16.7

ACQUISITION OF SUBSIDIARY COMPANIES AND OPERATIONS	The Group	
	2019	2018
Acquired assets and liabilities		
Intangible assets	8.4	13.2
Inventories	1.5	0.7
Trade and other receivables	-	2.9
Cash and cash equivalents	0.1	0.4
Total assets	10.0	17.2
Deferred tax liability	1.0	1.6
Current operating liabilities	-	1.2
Total liabilities	1.0	2.8
Net	9.0	14.4
Consideration		
Consideration for acquired units in the current year	-9.0	-14.4
Consideration payable	5.3	4.9
Specified consideration for acquired units before the current year	-7.3	-5.4
Deducted: Cash and cash equivalents in the acquired operations	0.1	0.4
IMPACT ON CASH AND CASH EQUIVALENTS	-10.9	-14.4

CHANGE IN FINANCIAL LIABILITIES	Other financial liabilities	Bank loans and overdrafts	Finance lease liabilities
OB 1 JAN 2019	14.8	101.1	34.7
Approved credit	1.6	-	-
Approved credit (non cash-impacting)	-	-	25.9
Repayment of credit	-1.6	-8.5	-34.8
Change to IFRS 16 in respect of lease liabilities (non cash-impacting)	-	-	40.6
CB 31 DEC 2019	14.8	92.7	66.4

Cash and cash equivalents

Cash and cash equivalents only consist of cash and bank balances.

Note 27

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 Nordic Mid Cap in Stockholm. Head office address is Förrådsvägen 2, Box 1009, SE-573 28 Tranås, Sweden. The consolidated financial statements for 2019 incorporate the financial statements of the Parent Company and its subsidiaries, jointly referred to as the Group.

Note 28

Events after the balance sheet date

On 31 January, OEM acquired Zoedale Ltd in the UK. The company generates annual sales of approximately SEK 37 million. The company represents ASCO, Valpes, Omal, Bernard Controls, Peter Paul and other manufacturers of valves and actuators for various process and industrial applications. The acquisition is expected to have a marginal impact on OEM's profit for 2020.

See Note 4 Acquisitions for additional information.

Note 29

Significant estimates and judgements

The company's management and the Audit Committee have discussed the developments, choices and disclosures regarding the Group's significant 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.

Goodwill impairment testing

Assumptions about future conditions and estimates of parameters were made when calculating the values in use of cash-generating units for the company's goodwill impairment testing. An account of these is given in Note 12. The company's management believes no reasonably possible change in the key assumptions would cause the carrying values of the units to exceed the estimated values in use.

Measurement of other intangible assets

Other intangible fixed assets are mainly the values arising on acquisition, comprising SEK 8.8 million for supplier relationships and SEK 33.6 million for customer relationships. The supplier relationship, with a value of SEK 8.8 million, has an indefinite useful life. Customer relationships consist of establishments on new markets and it is deemed that these will be written down over a five-year period. A maximum of 60 months remain of the amortisation period.

Note 30

Earnings per share

	2019	2018
Profit/loss for the year	289.0	248.3
Earnings per share have been based on the following number of shares:		
Average number of outstanding shares	23,107,462	23,107,462

	2019	2018
Earnings per share on the number of outstanding shares		
Earnings per share in SEK	12.50	10.74

There is no dilutive effect.

Calculations of basic and diluted earnings per share are based on the year's profit attributable to the Parent Company's shareholders.

Note 31

Related party disclosures

The OEM Group's related parties consist primarily of senior executives (Note 5), other senior executives (Note 5) and major shareholders. Other than Board fees, salaries and other remuneration and a dividend payout of SEK 6.75 per share, no remuneration has been paid to related parties.

The Parent Company and its subsidiaries are related parties. See Note 14. The sale of services to the Parent Company's subsidiaries accounts for 100% of its net sales. Related party transactions are priced at market-rate terms and conditions.

Note 32

Proposed allocation of profits

PARENT COMPANY

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

Retained earnings	136,988,660
Profit/loss for the year	269,903,590
	406,892,250

The Board of Directors proposes that

a final dividend of SEK 7.00 per share be paid to the shareholders *	162,185,163
and that the following be carried forward	244,707,087
	406,892,250

* The Board of Directors has also proposed that the Annual General Meeting on 22 April 2020 decides on an automatic redemption procedure of shares entailing a 4:1 share split. This procedure splits each existing share in the company into four shares, one of which is a redemption share. The redemption share will be redeemed for SEK 10. In total, about SEK 232 million will thus be distributed to the shareholders in addition to the proposed cash dividend. In order to restore the share capital, the proposal also includes a bonus issue to be financed out of distributable reserves.

The Board of Director's comments on the dividend proposal may be viewed on the company's website, www.oem.se or is available upon request.

The Board of Directors recommends Monday 24 April 2020 as the record date.

The Board of Directors and the Managing Director declare that the Annual Report has been prepared in accordance with generally accepted accounting practice 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 Report 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 seen below, the Annual Report and the consolidated financial statements were approved for publication by the Board of Directors on 9 March 2020.

The Group's Statement of Income, 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 22 April 2020.

Tranås, Sweden, 9 March 2020

Petter Stillström

Chairman of the Board

Ulf Barkman

Member of the Board

Mattias Franzén

Member of the Board

Richard Pantzar

Member of the Board

Jörgen Rosengren

Member of the Board

Agne Svenberg

Member of the Board

Åsa Söderström Winberg

Member of the Board

Jörgen Zahlin

Managing Director

Our Auditors' Report was presented on 12 March 2020
Öhrlings PricewaterhouseCoopers AB

Martin Odqvist

Chartered Accountant
Principal auditor

Christoffer Sillén

Chartered Accountant

Statement on the Annual Report and the consolidated financial statements

Opinion

We have conducted an audit of the Annual Report and the consolidated financial statements of OEM International AB for the year 2019, with the exception of the Corporate Governance Statement on pages 32-37. The company's Annual Report and consolidated financial statements are presented on pages 29-83 of this document.

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 at 31 December 2019, and its financial performance and its cash flows for the year, in accordance with the Swedish Annual Accounts Act. 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 at 31 December 2019, and its financial performance and cash flows for the year, in accordance with the International Financial Reporting Standards (IFRS), as approved by the European Union, and the Swedish Annual Accounts Act. Our opinion does not cover the Corporate Governance Statement on pages 32-37. The Directors' Report is consistent with the remainder of the Annual Report and the consolidated financial statements.

We therefore recommend that the General Meeting of Shareholders adopt the income statement and the balance sheet of the Parent Company and the Group's statement of comprehensive income and statement of financial position.

Our opinions in this statement on the Annual Report and the consolidated financial statements are consistent with the content of the additional report that has been presented to the Parent Company's Audit Committee in compliance with Article 11 of the EU Audit Regulation No. 537/2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibility under these standards is described in more detail in the section "Responsibilities of the auditors". We are independent from the Parent Company and the Group in accordance with generally accepted auditing standards in Sweden and have otherwise fulfilled our professional responsibilities in compliance with these requirements and standards. This means that, to the best of our knowledge and belief, no prohibited non-audit services as referred to in Article 5.1 of the European Regulation on specific requirements regarding statutory audit of public interest entities (No. 537/2014) have been provided to the audited entity or, where applicable, to its Parent Company or its regulated entities within the EU.

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

Other disclosures

The audit of the Annual Report and the consolidated financial statements for 2018 has been conducted by another auditor who has presented an auditor's report dated 11 March 2019 with unmodified opinions in the Report on the Annual Report and the consolidated financial statements.

Our audit approach

The objective and scope of the audit

We designed our audit by determining level of materiality and assessing

the risks of material misstatement in the financial statements. In particular, we looked at areas where the Managing Director and the Board of Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering forecasts about future events that are inherently uncertain. As in all audits, we also addressed the risk of override of internal controls by the Managing Director and the Board of Directors, including consideration of whether there was evidence of systematic non-conformances that have given rise to the risk of material misstatement due to fraud.

We tailored the scope of our audit to ensure that we performed sufficient work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

OEM's operations are conducted in subsidiaries in 10 or more countries, mainly in Europe. The subsidiaries in Sweden and Finland jointly account for a significant percentage of the Group's operations. It was natural and necessary to perform an audit for these entities. The audit in Sweden was performed by the Group team and in Finland by a local PwC team.

After consultation with OEM's Board and Group management, the Group audit in other countries included an additional 12 entities, where an audit was also performed with the assistance of PwC's network, with the exception of the UK where it was performed by a local audit firm.

The Group team has reviewed the work which is performed by all entity auditors to ensure that sufficient auditing has been performed, and has also continually communicated to understand how the audit has been conducted. In addition to this, the Group team has examined the Group consolidation, the Group's Annual Report and has assessed a number of complex transactions and issues. These have included acquisition analyses and impairment testing of intangible assets with an indefinite useful life, such as goodwill.

All in all, this means that we are satisfied that sufficient audit work has been undertaken and particularly within the PwC network.

Materiality

The scope and objective of our audit were influenced by our assessment of materiality. An audit is designed to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement. Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Based on professional judgement, we set certain quantitative thresholds for materiality, including for the financial statements as a whole. These, together with qualitative considerations, helped us to determine the objectives and scope of our audit and the nature, timing and extent of our audit procedures, and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter

Goodwill impairment testing

Goodwill accounts for SEK 141 million of the Group's total assets, which we consider to be a significant amount.

OEM describes measurement of recognised goodwill on page 52 under "Intangible fixed assets" and "Impairment losses", and in Notes 12 and 29. Since goodwill is not amortised, it must be tested for impairment annually or more frequently. OEM has done so during the last quarter of 2019.

Impairment testing involves using several assumptions about future market conditions, opportunities to achieve growth, profitability, discount rates and so on. These are complex judgements and estimates that the company management and Board of Directors have to make.

Since goodwill accounts for a significant amount and the assumptions that need to be made include judgements and estimates, each of which can have a material impact on measurement, this is a key audit matter.

How our audit addressed the key audit matter

Together with PwC's valuation specialists, we initially examined whether the established impairment tests, one for each cash generating unit, had been conducted in accordance with accepted principles and methods. We also examined whether they had been applied consistently with previous years.

We checked the key assumptions that the company management and the Board of Directors have applied in the impairment testing, such as growth, profitability, changes in working capital and discount rates. We assessed these assumptions by comparing them against the 2020 budget for each cash generating unit. We also evaluated the reasonableness by comparing them against historical performance and checked applied discount rates against observable market data, where applicable.

With the impairment test as a starting point, we have carried out simulations and sensitivity analyses in order to understand how a change affects the values and indicates a possible impairment loss. These tests have also formed the basis of our review of the disclosures that are presented in Note 12 in the Annual Report

Information other than the Annual Report and the consolidated financial statements

This document also contains other disclosures than the Annual Report and the consolidated financial statements and can be found on pages 1-28 and 87-90. The Board of Directors and the Managing Director are responsible for the other disclosures.

Our opinion on the Annual Report and consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Annual Report and consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Annual Report and consolidated financial statements. In this procedure, we also take into account the knowledge we have otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the Annual Report and consolidated financial statements and for ensuring that they provide a true and fair view, as required by the Swedish Annual Accounts Act and, for the consolidated financial statements, in accordance with the International Financial Reporting Standards (IFRS) as approved by the European Union, and the Swedish Annual Accounts Act. The Board of Directors and the Managing Director are also responsible for such internal control as they determine necessary to enable preparation of an Annual Report and consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Annual Report and the consolidated financial statements, the Board of Directors and the Managing Director are responsible for the assessment of the company's and the Group's ability to continue as a going concern. They disclose, as applicable, matters that can impact the ability to continue as a going concern and to use the going concern basis of accounting. The Board of Directors and the Managing Director cannot use the going concern basis of accounting, however, if they intend to liquidate the company, cease trading or have no realistic alternative but to do so.

The Board's Audit Committee must oversee the company's financial reporting activities, without it affecting the responsibilities and duties of the Board.

Auditors' responsibility

Our objectives are to obtain reasonable assurance about whether the Annual Report and the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Annual Report and the consolidated financial statements.

A more detailed description of our responsibilities for the audit of the Annual Report and the consolidated financial statements can be found on the website of the Swedish Inspectorate of Auditors: www.revisorsinspektionen.se/revisornsansvar. This description is part of the Auditors' Report.

Statement on other legal and statutory requirements

Opinion

In addition to our audit of the Annual Report and the consolidated financial statements, we have also audited the administration of the Board of Directors and the Managing Director of OEM International AB for the year 2019 and the proposed appropriations of the company's profit or loss.

We recommend that the General Meeting of Shareholders 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.

Basis for opinion

We have conducted our audit in compliance with generally accepted auditing standards in Sweden. Our responsibility under this practice is described in more detail in the section "Responsibilities of the auditors". We are independent of the Parent Company and the Group in accordance with generally accepted auditing standards in Sweden and we have otherwise fulfilled our professional responsibilities in accordance with these requirements.

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

Responsibilities of the Board and the Managing Director

The Board of Directors is responsible for the proposal for appropriations

of the company's profit or loss. A proposal for a dividend payout includes an assessment of whether the dividend is justifiable considering the requirements placed by the company's and the Group's type of operations, size and risks on the size of the Parent Company's and the Group's equity, consolidation requirements, liquidity and position in general.

The Board is responsible for the company's organisation and management of the company's affairs. This involves regularly assessing the company's and the Group's financial situation and ensuring that the company's organisation is structured to allow satisfactory controls of its accounts, funds management and financial affairs in general. The Managing Director is in charge of day-to-day management in accordance with guidelines and instructions from the Board of Directors and is responsible for taking necessary measures to ensure that the company's accounts are prepared in accordance with legal requirements and that funds management is controlled in a satisfactory manner.

Auditors' responsibility

Our objective concerning the audit of the management of the company's affairs, and thereby our opinion about discharge from liability, is to obtain audit evidence to ascertain, with a reasonable degree of assurance, whether any Board member or the Managing Director, in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company
- in any other way has acted in non-compliance with the Swedish Companies Act, the Swedish Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion on this, is to ascertain, with a reasonable degree of assurance, whether the proposal is in accordance with the Swedish Companies Act.

Reasonable assurance is a high level of assurance, but is not a

guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Swedish Companies Act.

A more detailed description of our responsibilities for the audit of the management of the company's affairs can be found on the website of the Swedish Inspectorate of Auditors: www.revisorsinspektionen.se/revisornsansvar. This description is part of the Auditors' Report.

Auditor's review of the Corporate Governance Statement

The Board of Directors is responsible for the Corporate Governance Statement on pages 32-37 and for ensuring that it has been prepared in accordance with the Swedish Annual Accounts Act.

Our review has been carried out in accordance with FAR's auditing standard RevU 16 Auditor's review of the Corporate Governance Statement. This means that our review of the Corporate Governance Statement has a different objective and is substantially less in scope than the objective and scope of an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that this review provides sufficient basis for our opinions.

A Corporate Governance Report has been prepared. Disclosures in accordance with Chapter 6, Section 6, paragraph 2, items 2-6 of the Swedish Annual Accounts Act and Chapter 7, Section 31, paragraph 2 of the same Act are consistent with the remainder of the Annual Report and the consolidated financial statements, and are in accordance with the Swedish Annual Accounts Act.

Öhrlings PricewaterhouseCoopers AB, Torsgatan 21, 113 97 Stockholm, Sweden, was appointed OEM International AB's auditor by the General Meeting of Shareholders on 24 April 2019 and has been the company's auditor since 3 June 2019.

Jönköping, 12 March 2020

Öhrlings PricewaterhouseCoopers AB

Martin Odqvist
Chartered Accountant
Principal auditor

Christoffer Sillén
Chartered Accountant

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. An investor who purchased 100 shares in OEM for SEK 12,500 at the initial public offering would have a holding of 7,200 shares worth SEK 1,800,000 on 31 December 2019. OEM's shares were transferred to the O List in 2000 and its shares have been trading on the NASDAQ Nordic Small Cap market since 2006. The shares were transferred to the NASDAQ Nordic Mid Cap market in 2014.

Price trends

The price of OEM International shares rose 31 % during the year from SEK 190.50 to a closing price of SEK 250.00. During the year, the Stock Exchange's index for Nasdaq Stockholm_PI rose 30 %. The highest price paid during the year was SEK 267.00 on 4 July. The lowest price paid during the year was SEK 181.00 on 17 January. OEM's market value at the close of 2019 was SEK 5,792 million.

Sales

In 2019, 1,208,972 Class B shares (1,149,366) were sold, corresponding to a turnover rate of 5 % (5 %). The average shareholder in OEM therefore retains shares for about 15 (16) years.

OEM's Class B shares were sold on 97 % (100 %) of the trading days. The average daily turnover in 2019 was 4,975 shares (4,653). As at 31 December 2019, OEM International had 3,917 shareholders (3,693). Institutional ownership is about 45 % (45 %) and foreign ownership amounts to 11 % (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. In 2011, the company repurchased 61,847 shares at an average price of SEK 53.26. The company had a holding of 61,847 shares at the end of the year. The Annual General Meeting has granted the Board of Directors

authorisation to repurchase up to 10 % of the total number of shares.

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 ABG Sundal Collier ASA 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 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 and any need for acquisitions or investments in the operations.

Dividends

The Board proposes a SEK 7.00 (6.75) per share dividend, equivalent to 17 % (19 %) of distributable equity in the Group.

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 2020 financial year are shown on page 91 of this Annual Report.

Financial information is also published on the Group's website (www.oem.se).

Shareholders can 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 e-mail to: info@oem.se and state "Corporate Information" to receive mailings from us.

Share trends



The chart compares the growth of the OEM share against the OMX Stockholm_PI. The start point is the 100 Index.

— OEM International B

— OMX Stockholm_PI

Change in share capital

Year	Transaction	Change in share capital SEK million	Total share capital, SEK million	Average no. of shares	Par 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
1996	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
2014	Split	-	38.6	46,338,618	0.83
2014	Redemption	-19.3	19.3	23,169,309	0.83
2014	Bonus issue	19.3	38.6	23,169,309	1.67

Shareholding structure

OEM's largest shareholders as at 30 Dec 2019

	Class A shares	Class B shares	Percentage share capital	Percentage votes
Orvaus AB	1,627,320	2,749,481	18.9 %	28.8 %
Siv Franzén	1,280,376	1,235,790	10.9 %	21.3 %
Agne Svenberg and the estate of Inger Svenberg	1,223,400	443,886	7.2 %	19.2 %
AB Traction	636,000	250,000	3.8 %	10.0 %
Lannebo equity funds		3,101,496	13.4 %	4.7 %
Nordea Investment Funds		2,376,397	10.3 %	3.6 %
SEB Investment Management		1,457,004	6.3 %	2.2 %
Cliens Fonder		290,681	1.3 %	0.4 %
SEB AB, Luxembourg Branch, W8IMY		286,402	1.2 %	0.4 %
Mats Guldbrand		282,500	1.2 %	0.4 %
Total 10 owners	4,767,096	12,473,637	74.6 %	91.1 %
Other		5,866,729	25.4 %	8.9 %
TOTAL	4,767,096	18,340,366	100.0 %	100.0 %
Votes per share	10	1		

The company's holding of 61,847 Class B shares is not included in the above breakdown.
The purpose is to provide a clear overview of the various shareholders' interests in the company.

Shareholder analysis

As at 30 Dec 2019*

SIZE CLASS	Percentage of no. of shareholders	Percentage of share capital
1-500	70.5	1.3
501-1, 000	10.8	1.4
1, 001-2, 000	7.9	2.0
2, 001-5, 000	5.8	3.1
5, 001-10, 000	2.0	2.6
10, 001-20, 000	1.2	3.2
20, 001-50, 000	0.9	4.3
50, 001-100, 000	0.3	2.6
100, 001-5, 000, 000	0.6	79.4
TOTAL	100.0	100.0

The total number of shareholders in OEM is 3,917.

* Source: Euroclear Sweden AB . Directly and fund manager registered. In the table, ownership details may be a combination of several items in Euroclear Sweden's statistics. This combination is intended to show an institution's or a private individual's total ownership in OEM.

Key indicators for OEM shares

The past five years

		2019	2018	2017	2016	2015
Key performance indicators						
Sales per share	SEK	142	134	118	103	96
Sales increase per share	%	6	14	15	7	18
Earnings per share*	SEK	12.47	10.71	9.23	8.67	7.48
Shareholders' equity per share *	SEK	46.03	39.97	34.69	30.62	26.85
Proposed dividend	SEK	7.00	6.75	6.00	5.50	5.00
Dividend/Income	%	56	63	65	63	67
Dividend/Shareholders' equity	%	15	17	17	18	19
Cash flow per share*	SEK	12.53	9.37	8.26	9.43	8.22
Risk key indicators						
Rate of turnover for shares	%	5	5	5	3	8
Valuation ratios						
Quoted price as per 31 December	SEK	250.00	190.50	177.00	151.00	141.00
Quoted price as per 31 December*	SEK million	5,792	4,414	4,101	3,499	3,267
P/S ratio	times	1.8	1.4	1.5	1.5	1.5
P/E ratio	times	20.0	17.8	19.2	17.4	18.9
Price/Shareholders' equity	%	543	477	510	493	525
EV/Sales	times	1.8	1.5	1.5	1.5	1.5
EBIT multiple	times	15.4	13.2	13.8	14.7	13.8
Direct return	%	2.8	3.5	3.4	3.6	3.5

* Calculated on total number of shares.

Definitions

Direct return

Dividend per share divided by the quoted price at end of year.

EBIT multiple

Enterprise value divided by operating profit after depreciation/amortisation.

EBITA*

Operating profit before amortisation of acquisition-related intangible fixed assets.

EBITA margin

EBITA as a percentage of net sales.

Shareholders' equity per share

Shareholders' equity divided by the average number of shares.

EV/Sales

Enterprise values (market value + net debt) divided by net sales.

Capital turnover rate

Net sales divided by total assets.

Cash flow per share

Operating cash flows divided by the average number of shares.

Quick ratio

Current assets less inventories divided by current liabilities.

Price/Shareholders' equity

Quoted price divided by shareholders' equity per share.

Net sales per share

Net sales divided by the number of shares on the market at end of year.

Net sales per employee

Net sales divided by average number of employees.

Net sales increase per share

Increase of the net sales per share.

Net debt

Interest-bearing liabilities less cash and cash equivalents.

Rate of turnover for shares

The number of shares sold during the year divided by the number of outstanding shares at year-end.

P/E ratio

Quoted price as per 31 December divided by earnings per share.

P/S ratio

Stock market value in relation to net sales.

Return on equity

Profit for the year divided by average shareholders' equity.

Return on capital employed

EBITA plus finance income as a percentage of average capital employed.

Return on total capital

EBITA plus finance income as a percentage of average total capital.

Interest coverage ratio

Operating profit for the year plus finance income in relation to interest expense.

Operating margin

Operating profit as a percentage of net sales.

Debt/equity ratio

Interest-bearing liabilities divided by shareholders' equity.

Equity/assets ratio

Shareholders' equity as a percentage of total capital.

Capital employed

Total assets minus non-interest-bearing liabilities and provisions.

Dividend/Shareholders' equity

Dividends in relation to the Group's shareholders' equity.

Dividend/Profit payout ratio

Dividends in relation to profit/loss for the year.

Earnings per share

The profit or loss for the year divided by the average number of shares.

Profit margin

Profit/loss before tax as a percentage of sales.

**In addition to the conventional financial performance measures established by IFRS, OEM uses the term EBITA/EBITA margin as defined above. The reason is that OEM wishes to summarise the companies' operations with regard to profit and margins, adjusted for amortisations of Group-related amortisations arising in connection with acquisitions and thereby improve the comparability of financial information across different periods of time.*

Annual General Meeting

Wednesday 22 April 2020, at 4.00 pm
at Badhotellet's Conference Centre, Ågatan 16, Tranås, Sweden.

Registration

Shareholders wishing to attend the Annual General Meeting must:

- be entered in the share register held by Euroclear Sweden AB by Thursday 16 April 2020,
- notify the company no later than Thursday 16 April 2020, before 1.00 pm at the following address:

OEM International AB,
Box 1009, 573 28 TRANÅS, Sweden
Tel. +46 (0)75-242 40 05 or e-mail: ir@oem.se

When notifying OEM of their attendance, shareholders should state their name, personal identity number (company registration number), address, phone number, their shareholding and the names of any proxies.

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 by Thursday 16 April 2020 to be entitled to attend and vote at the Annual General Meeting.

If participation is by proxy with power of attorney, the original power of attorney document and any authorisation documents must be sent to the company in good time before the Annual General Meeting. A representative of a legal entity must also submit a signed copy of a registration certificate or equivalent authorisation document to show that they may represent the legal entity. Shareholders who wish to be represented by proxy may obtain a power of attorney form from the company's head office or its website www.oem.se no later than 17 March 2020.

Dividends

The Board of Directors recommends to the Annual General Meeting a dividend of SEK 7.00 per share for the financial year 2019 and Friday 24 April 2020 as the record date. If approved by the Annual General Meeting, the dividend is payable on Wednesday 29 April 2020 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).

The agenda can also be obtained from the company when registering to attend the Meeting.

Future reports

Interim report – January - March.....	22 April 2020
Interim report – January - June	13 July 2020
Interim report – January - September	20 October 2020
Financial Statement 2020	18 February 2021

4:1 share split combined with an automatic redemption process

To facilitate trading of company shares and alter the company's capital structure, OEM's Board of Directors proposes a 4:1 share split combined with an automatic redemption procedure. This procedure splits each existing share in the company into four shares, one of which is a redemption share. The redemption share will be redeemed for SEK 10. The proposal means that approximately SEK 232 million will be distributed to the shareholders in addition to the proposed cash dividend.

In brief, the proposal means that:

- The company implements a 4:1 share split.
- One of the shares, the redemption share, will be automatically redeemed for SEK 10.
- The proposed record date for the share split is 6 May 2020.
- Shareholders who wish to sell their redemption shares before the redemption will have the opportunity to do so from 8 May through 25 May 2020 when the trading of the redemption shares takes place on the Nasdaq Stockholm stock exchange.
- Payment of the redemption amount is expected to take place on 1 June 2020.

The redemption procedure is conditional on the decisions of the Annual General Meeting in April 2020 on the following items of business:

- Amendment of the Articles of Association so that the limits for the share are increased from 20,000,000 – 80,000,000 to 60,000,000 – 240,000,000.
- Share split, whereby each existing share, from Class A and Class B, are split into four shares, one of which will be known as a redemption share.
- Reduction of the share capital for repayment to the shareholders through the withdrawal of 23,169,309 redemption shares, of which 4,767,096 are Class A and 18,402,213 are Class B shares.
- Increase of the share capital by SEK 9,653,878 and 75 öre through a bonus issue, whereby the company's distributable equity shall be used.

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