

< Interim report Q1 2016

First quarter 2016

- Incoming orders rose 4% to SEK 610 million (586)
- Net sales rose 2% to SEK 574 million (563)
- Operating profit (EBITA) was SEK 62 million (63)
- Profit before tax was SEK 56 million (57)
- Profit after tax was SEK 44 million (44)
- Earnings per share were SEK 1.89 (1.90)



First quarter meets expectations

The rate of growth during the first quarter of 2016 was slower than the robust growth we have experienced in recent years. Consolidated net sales were up by 2% and a comparison with the much higher growth rates in recent years shows that the main reason for the difference is that the effects from acquisitions and currency movements have not been as positive. The growth in the quarter was entirely organic. The earlier timing of Easter, unlike last year, also had an adverse effect on sales.

Incoming orders rose 4%, which means the ratios between incoming orders and sales showed year-on-year improvement.

EBITA for the first quarter was on a par with the same quarter last year at SEK 62.1 million (62.6). This represents an EBITA margin of 10.8%, which is still above our long-term target of at least 10%.

Growth across the regions

The growth in Sweden was 1 % and was entirely organic. This is in line with our view of developments in the market. Profit decreased by 9% compared with the same quarter last year, due to a lower gross margin and an increased cost base.

Growth has continued at a very robust pace in the Finland/Baltic states region, mainly driven by the Finnish operations. Sales rose 11%, 10 percentage points of which was organic growth. The growth stems from we are winning new customers, increasing sales to existing customers and introducing new product areas. The increase in sales has also provided great leverage, with profit up 57% over the year-ago quarter.

In our third region, which comprises Denmark, Norway, the UK and the countries in Central Eastern Europe, organic growth was 1% compared with the previous year. However, sales were down by 3% compared with the same quarter in 2015 due here to the strong impact of movements in foreign exchange rates. The Czech Republic and Slovakia reported a slightly weaker quarter after a couple of years of strong growth. We are pleased to report that the UK is once again enjoying organic growth. The effects of currency movement also affect our profit in the region, which decreased by 21% over the previous year.

Continued focus on acquisitions

OEM is continuously assessing interesting potential takeover targets in line with its goal of annually adding sales of SEK 100-150 million through business acquisitions. However, we have not acquired any of the companies that we were considering because it was felt they were not suitable or the price was too high. In the past, we have acquired good companies at what we consider to be reasonable prices and we intend to continue doing so.

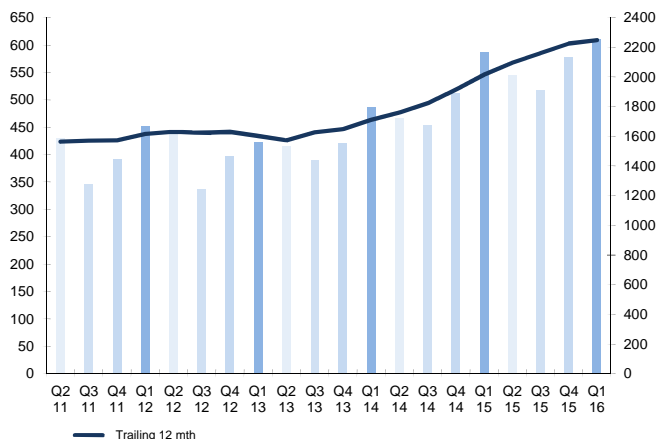
Improvements in daily operations

As we moved into 2016, we closed the door on a year of strong growth in all our regions and the most profitable year in OEM's history. Summing up the first quarter, we see that although sales growth was lower, we maintained good profit levels and incoming orders were on the rise.

Jörgen Zahlin,
Managing Director and Chief Executive Officer

Incoming orders

SEK million



Incoming orders

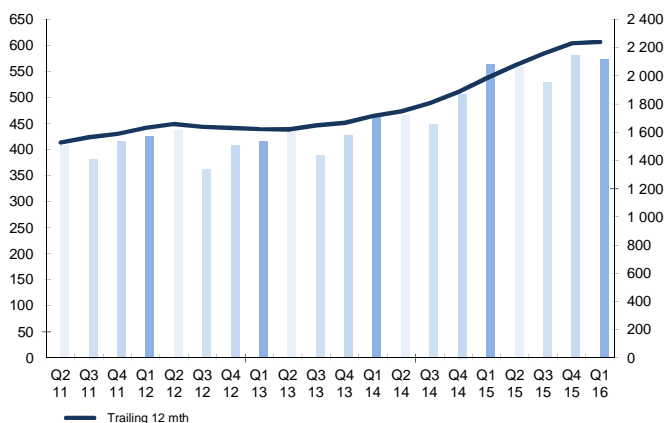
Incoming orders increased by 4% to SEK 610 million (586). For comparable entities, incoming orders rose 3% and the acquired incoming orders were 1%.

During the first quarter of 2016, incoming orders were 6% higher than net sales.

At SEK 298 million (286) on 31 March 2016, the order book was 4% higher than on the corresponding date of the previous year.

Net sales

SEK million



Sales growth

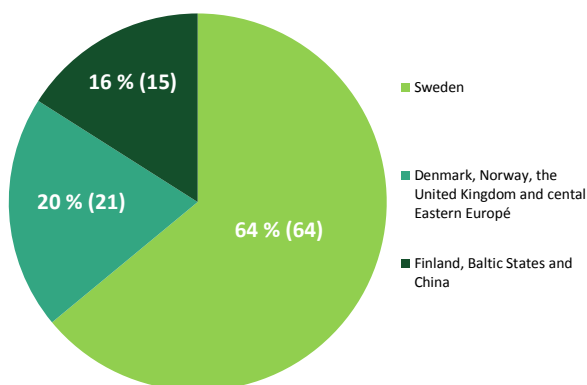
Net sales in the first quarter increased by 2% to SEK 574 million (563).

Comparable entities reported a 2% increase in net sales. Sales from business acquisitions were 1%. Foreign currency exchange rate movements had a negative -1% effect on net sales.

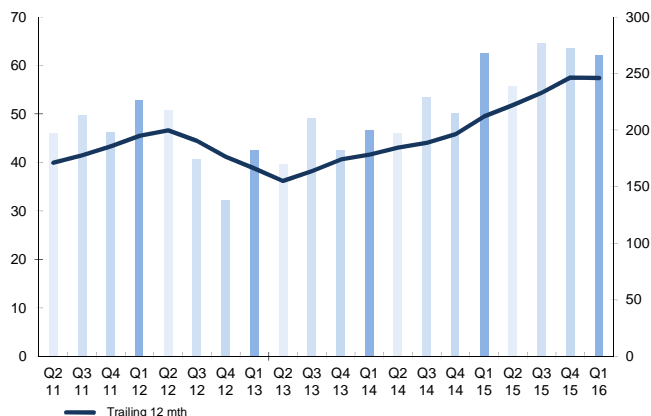
Flexitron, Nexa Trading, Svenska Batteripoolen and Internordic Bearings and the operations in Finland, Poland and Norway reported the largest growth in net sales compared with last year.

There are marginal percentage shifts across the regions, compared with the corresponding period of last year. Compared with the same period a year ago, Finland, the Baltic states and China have increased by 1%, and Denmark, Norway, the United Kingdom and Central Eastern Europe have decreased by 1%.

Share per region



EBITA SEK million



Earnings trend

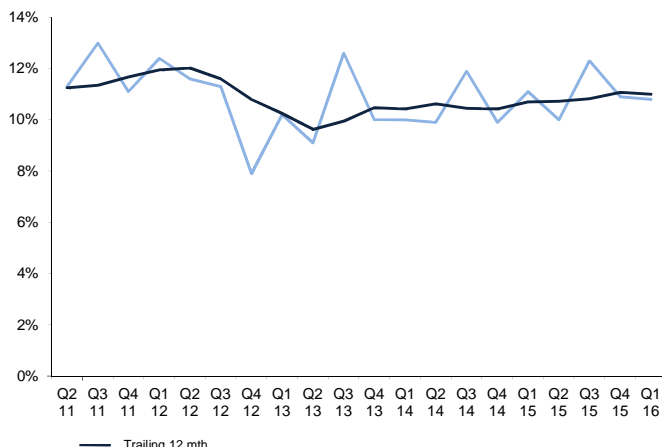
Operating profit before amortisation of acquisition-related intangible fixed assets (EBITA) in the first quarter was SEK 62 million (63), which is a decrease of 1% or SEK 0.5 million.

The EBITA margin was at 10.8% (11.1%).

Profit after tax is on a par with the previous year at SEK 44 million (44).

Earnings per share were SEK 1.89 (1.90).

EBITA margin



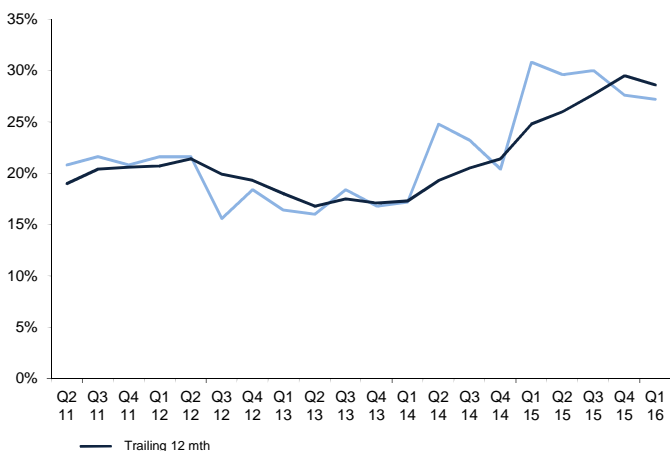
Return

The return on equity in the first quarter was 6.8% compared with 7.7% in the year-ago quarter.

The trailing-twelve-month return on equity was 29%, which is well above the 20% target.

Shareholders' equity amounted to SEK 644 million (595) with an equity/assets ratio of 52% (49%) on 31 March 2016.

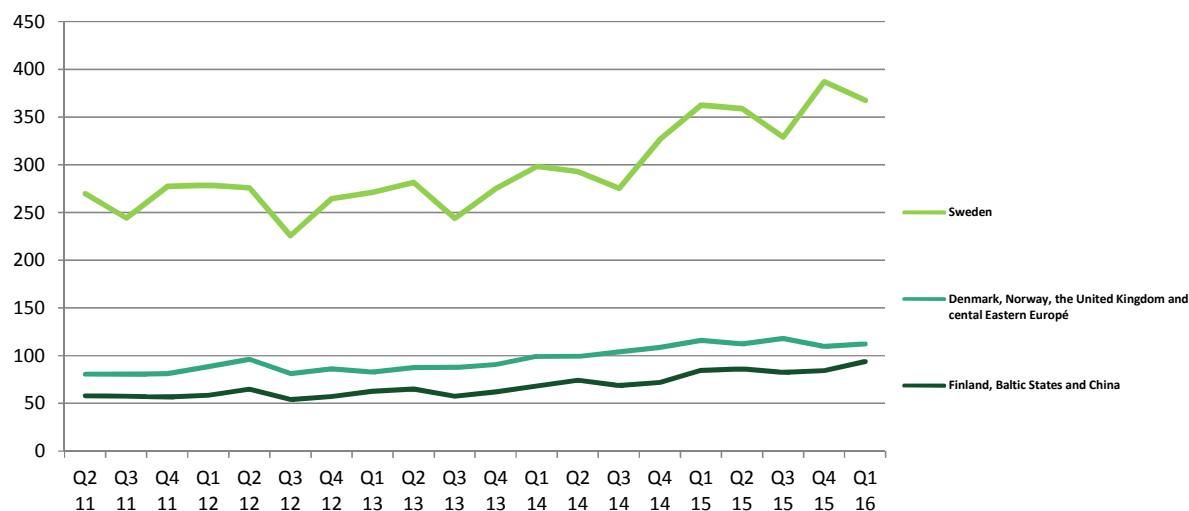
Return on equity



Note:
The return on equity for each quarter is listed by four to provide a better comparison with the trailing twelve months in the diagram.

Sales growth by region per quarter

SEK
million



There are small percentage changes across the regions over the period and all three regions have experienced stable growth over the period.

Sweden

OEM Automatic AB, OEM Motor AB, Telfa AB, Svenska Batteripoolen AB, Elektro Elco AB, Nexa Trading AB, OEM Electronics AB, Internordic Bearings AB, Svenska Helag AB, Flexitron AB, Agolux AB, Vanlid Transmission AB, Ernst Hj Rydahl Bromsbandfabrik and ATC Tape Converting AB.

SEK million	2016 Q1	2015 Q1	2015 Full year	Trailing 12 month
Incoming orders	395	371	1423	1448
Net sales	368	362	1438	1443
EBITA	47	52	199	194
EBITA margin	13%	14%	14%	13%

Net sales rose 1% in the first quarter of the year to SEK 368 million (362). Acquisitions had a beneficial 1% effect on first quarter net sales, while foreign currency exchange rate movements had a negative 1% effect. This means that organic growth in the region was 1%.

Flexitron, Svenska Batteripoolen, Nexa Trading and Internordic Bearings account for the largest percentage growth in net sales in Sweden.

Incoming orders increased by 7% to SEK 395 million (371).

Incoming orders in the first quarter exceed net sales by 7%.

During the quarter, EBITA rose 9% to SEK 47 million (52), due to a slightly lower gross margin and an increased cost base.

Finland, the Baltic states and China

OEM Automatic FI, Akkupojat Oy, OEM Electronics FI, Scannotec Oy, OEM Automatic OU, OEM Automatic UAB, OEM Automatic SIA, OEM Automatic (Shanghai) Co.Ltd.

SEK million	2016 Q1	2015 Q1	2015 Full year	Trailing 12 month
Incoming orders	98	86	340	352
Net sales	94	85	338	347
EBITA	9	6	23	26
<i>EBITA margin</i>	10%	7%	7%	8%

Net sales for the region in the first quarter of the year rose 11% to SEK 94 million (85) despite the generally weak demand across Finnish industries. Acquisitions had a beneficial 3% effect on first quarter net sales, while foreign currency exchange rate movements had a negative 2% effect. This means that organic growth in the region was 10%.

Incoming orders were also strong and increased by 14% to SEK 98 million (86).

During the first quarter, incoming orders were 5% higher than net sales. The areas showing strongest growth in Finland are Battery and Vision. Demand has been weaker in the Baltic states during the first quarter and net sales fell by 10%.

EBITA rose 57% to SEK 9 million (6), due primarily to increased net sales and a higher gross margin.

Denmark, Norway, UK and Central Eastern Europe

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

SEK million	2016 Q1	2015 Q1	2015 Full year	Trailing 12 month
Incoming orders	116	129	462	449
Net sales	112	116	456	453
EBITA	8	10	36	34
<i>EBITA margin</i>	7%	9%	8%	8%

Net sales in the first quarter of the year decreased by 3% to SEK 112 million (116). Exchange rate fluctuations had a negative 4% impact on net sales, which means that organic growth in the region was 1% in the first quarter. The operations reporting organic growth are Hungary, Poland, Norway and the UK.

Incoming orders decreased by 10% to SEK 116 million (129).

During the first quarter, incoming orders were 3% higher than net sales.

EBITA decreased by 21% to SEK 8 million (10), due primarily to lower net sales and a lower gross margin.

Other financial information

Cash flow

Operating cash flow was SEK 33 million (40) in the first quarter of 2016. Cash flow totalled SEK 14 million (19) in the first quarter of 2016 and was affected, in part, by investing activities of SEK -34 million (-20).

Investments

The Group's investments in property, plant and equipment totalled SEK 27 million (20). Property, machinery and equipment accounted for SEK 27 million (8), and intangible assets for SEK - million (12), of which SEK - million (12) are related to business combinations.

Cash and cash equivalents

Cash and cash equivalents, comprising cash and bank balances, amounted to SEK 99 million (99). Cash and cash equivalents, together with committed undrawn credit facilities, amounted to SEK 362 million (352) on 31 March 2016.

Intangible assets

Amortisation of intangible assets totalling SEK 6.3 million (6.1) has been charged to the income statement. The intangible assets carrying amount on 31 March 2016 was SEK 170 million (180).

Equity/assets ratio

On 31 March 2016, the equity/assets ratio was 52% (49%).

Employees

The Group's average number of employees for the period was 733 (706).

At the end of the period, the number of employees was 736 (706). 10 of them have come from acquired companies.

Share repurchase

The company has not repurchased any shares during the period. The company's total shareholding was 61,847 shares on 31 March 2016, which is equivalent to 0.3% of the aggregate number of shares. The Annual General Meeting is authorised to repurchase up to 10% of the shares, which is the equivalent of 2,316,930 shares.

Remeasurement of contingent considerations

Developments in previously implemented acquisitions have not resulted in a remeasurement of contingent consideration liability.

Accounting policies

This condensed consolidated interim report has been prepared in accordance with IAS 34, Interim Financial Reporting, and in compliance with relevant provisions from the Swedish Annual Accounts Act. The interim report for the Parent Company has been prepared in compliance with the Swedish Annual Accounts Act Chapter 9, Interim Report and the Securities Market Act. The Group and the Parent Company have applied the same accounting policies and basis of preparation as in the latest annual report. No International Financial Reporting Standards (IFRS) or International Financial

Reporting Interpretations Committee (IFRIC) interpretations adopted in 2016 have had a significant effect on the reported results or financial position of the Group.

The carrying amounts of financial assets and financial liabilities are considered to be reasonable approximations of their fair values. This is because the company management believes there have been no fluctuations in market interest rates or credit spreads that would have a material impact on the fair value of the Group's interest-bearing liabilities. Furthermore, the fair value of trade and other current receivables and payables is assumed to approximate their carrying amount given their short-term nature.

Risks and uncertainties

The OEM Group is exposed to both business-related risks and financial risks through its activities. Business-related risks include competition and operational risks, and financial risks include liquidity risk, interest rate risk and currency risk. The financial operations of the OEM Group and management of financial risks are mainly handled by the Parent Company. Frameworks for risk management procedures and risk mitigation are in place. These frameworks are characterised by a low risk level. The basis is the structured and efficient management of the financial risks that arise in the business. For a complete report on the risks affecting the Group, please refer to pages 32 and 33 and pages 76 to 78 of the 2015 Annual Report.

Other than the risks and uncertainties described in the Annual Report for 2015, no significant risks or uncertainties have been identified or removed.

Litigation

At the beginning of April 2014, Lund District Court delivered judgement on a lawsuit in which the subsidiary Internordic Bearings AB (IBS) has been involved, regarding mutual creditor claims with a client and the client's insurance company for a breach of contract claim.

The judgement meant that IBS lost the case against the client. However, the client's insurance company has not been successful in its action against IBS, and the suit has been dismissed by the Court.

The judgement meant that IBS must pay the client a net amount of SEK 4.9 million, including litigation costs, interest and net of the insurance payments that IBS receives via its own insurance company. The amount is included in the company's and the Group's income statement for the first quarter of 2014.

The client and its insurance company have appealed against the judgement to the Court of Appeal. IBS has also decided to appeal against the judgement. A hearing took place in all cases at the Court of Appeal on 15 to 17 February 2016, and the same ruling was passed as at the District Court. The client and its insurance company have appealed against the judgement to the Supreme Court. IBS has also decided to appeal against the judgement.

Related party transactions

No related party transactions have been entered into that materially affected the financial position or the performance of the Group and Parent Company during the period.

Parent company

Net sales were SEK 7.2 million (6.7) and profit after financial items was SEK -5.9 million (-5.3). Net sales relate entirely to inter-company transactions. The foregoing risks and uncertainties specified for the Group also apply indirectly to the Parent Company.

Events after the close of the reporting period

There are no significant events to report after the close of the reporting period.

Tranås, Sweden, 26 April 2016

Jörgen Zahlin
Managing Director and Chief Executive Officer

The company's auditors have not conducted a special audit of this report.

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

<p>The information in this report is of such a nature that its disclosure by OEM International AB (publ.) is required under the Swedish Securities Market Act. The information was released to the media for publication on 26 April 2016 at 2 p.m.</p>

The regions' sales and earnings

SALES & EARNINGS BY REGION *

Net sales (SEK million) *

	Jan- March 2016	Jan- March 2015	Q4 2015	Q3 2015	Q2 2015	Trailing 12 mth	Full year 2015
Sweden, external income	368	362	387	329	359	1 443	1 438
Sweden, income from other segments	21	23	18	19	24	82	85
Finland, the Baltic States and China, external income	94	85	84	82	86	347	338
Finland, the Baltic States and China, income from other s	2	1	1	1	1	5	4
Denmark, Norway, the United Kingdom and Central Eastern Europe, external income	112	116	110	118	112	453	456
Denmark, Norway, the United Kingdom and Central Eastern Europe, income from other segments	0	0	0	0	1	2	2
Other operating segments/elimination	-23	-24	-20	-20	-26	-89	-90
	574	563	581	530	557	2 242	2 232

Operating profit (SEK million) *

	Jan- March 2016	Jan- March 2015	Q4 2015	Q3 2015	Q2 2015	Trailing 12 mth	Full year 2015
Sweden	44	49	49	46	42	180	185
Finland, the Baltic States och China	9	6	4	7	5	25	22
Denmark, Norway, the United Kingdom and Central Eastern Europe	7	9	4	9	7	28	30
Group functions	-3	-6	1	-3	-4	-8	-11
	57	58	58	59	50	225	225

Consolidated profit/loss (SEK million) *

	Jan- March 2016	Jan- March 2015	Q4 2015	Q3 2015	Q2 2015	Trailing 12 mth	Full year 2015
Operating profit	57	58	58	59	50	225	225
Net financial items	-1	-1	-1	-1	-2	-4	-4
Pre-tax profit/(loss)	56	57	58	58	49	220	221

The Group's performance and financial position

CONDENSED CONSOLIDATED STATEMENT OF INCOME AND OTHER COMPREHENSIVE INCOME (SEK MILLION)

	Jan- March 2016	Jan- March 2015	Q4 2015	Q3 2015	Q2 2015	Trailing 12 mth	Full year 2015
Net sales	574	563	581	530	557	2 242	2 232
Other operating income	0	0	4	1	-	5	5
Operating costs ***	-505	-494	-516	-460	-496	-1 976	-1 965
Depreciation of fixed assets	-12	-12	-12	-12	-11	-47	-47
Operating profit	57	58	58	59	50	225	225
Net financial income/expense	-1	-1	-1	-1	-2	-4	-4
Pre-tax profit/(loss)	56	57	58	58	49	220	221
Tax	-12	-13	-12	-12	-11	-47	-48
Profit/loss for the period	44	44	45	46	38	173	173
Other comprehensive income							
Profit/loss for the period	44	44	45	46	38	173	173
Items that have been transferred or may recycled to net income							
Exchange differences for the period on translation of overseas operations	-1	-1	-6	2	-1	-5	-6
Items that can not be recycled to net profit							
Revaluation of defined-benefit pension plans	-1	0	1	0	0	0	1
Other comprehensive income for the period	-2	-1	-5	2	-1	-5	-5
Comprehensive income for the period	42	43	40	48	37	168	168
Earnings per outstanding share, SEK*	1,89	1,90	1,96	1,98	1,66	7,49	7,50
Earnings per total shares, SEK*	1,88	1,90	1,95	1,98	1,65	7,46	7,48
EBITA**	62	63	64	65	56	246	246

* Attributable to shareholders of the parent company. There are no dilution effects.

** Definition of EBITA; Operating profit before amortisation of acquisition-related intangible fixed assets.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (SEK MILLION)

	2016-03-31	2015-03-31	2015-12-31
Fixed assets			
Goodwill	98	93	98
Other intangible assets	72	87	78
Total intangible assets	170	180	176
Property, plant and equipment	222	206	203
Total property, plant and equipment	222	206	203
Financial assets	0	0	0
Total financial assets	0	0	0
Total fixed assets	392	386	379
Deferred tax assets	2	2	2
Current assets			
Inventories	387	346	396
Current receivables	386	391	359
Cash and cash equivalents	99	99	85
Total current assets	873	837	839
Total assets	1 267	1 225	1 220
Equity	664	595	622
Non-current interest-bearing liabilities	42	42	35
Provisions for pensions	3	3	2
Non-current non-interest-bearing liabilities	7	18	11
Deferred tax liabilities	74	70	76
Total non-current liabilities	125	133	123
Current interest-bearing liabilities	202	217	194
Current non-interest-bearing liabilities	276	280	281
Total current liabilities	477	497	474
Total equity and liabilities	1 267	1 225	1 220

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (SEK MILLION)

	2016-03-31	2015-03-31	2015-12-31
At beginning of year	622	552	552
Comprehensive income for the period			
Profit/loss for the period	44	44	173
Other comprehensive income for the period	-2	-1	-5
Comprehensive income for the period	42	43	168
Dividends paid	-	-	-98
At the end of the period	664	595	622

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (SEK MILLION)

	Jan- March 2016	Jan- March 2015	Q4 2015	Q3 2015	Q2 2015	Trailing 12 mth	Full year 2015
Operating cash flows							
before movements in working capital	53	57	69	58	42	223	227
Movements in working capital	-19	-17	1	-31	12	-37	-35
Operating cash flows	33	40	71	27	54	186	192
Acquisition of subsidiaries net effect on cash and cash equivalents	-8	-16	-1	-13	-5	-28	-36
Acquisition of intangible fixed assets	0	0	-3	0	-1	-4	-4
Acquisition of property, plant and equipment	-27	-5	-8	-5	-6	-46	-25
Sales of property, plant and equipment	1	1	2	1	1	5	6
Investing cash flows	-34	-20	-10	-17	-11	-73	-58
Financing cash flows							
- Change in financial liabilities	-29	121	-45	4	12	0	-32
- Dividends paid	-98	-92	-	-	-98	-	-
Financing cash flow	-127	0	-45	4	-86	0	-127
Cash flow for the period	-128	19	16	14	-43	-141	6
Cash and cash equivalents at the beginning of the period	85	80	70	57	99	99	80
Exchange rate difference	0	0	-1	-2	1	-2	-2
Cash and cash equivalents at the end of the period	-43	99	84	70	57	-43	85

KEY PERFORMANCE INDICATORS

	Jan- March 2016	Jan- March 2015	Q4 2015	Q3 2015	Q2 2015	Trailing 12 mth	Full year 2015
Return on equity, %	6,8	7,7	6,9	7,5	7,4	28,6	29,5
Return on capital employed, % **	7,1	7,6	7,9	7,3	7,2	29,5	30,0
Return on total capital % ***	5,0	5,4	5,5	5,3	4,9	20,7	21,1
Equity/assets ratio, %	52,4	48,6					51,0
Earnings per outstanding share, SEK	1,89	1,90	1,96	1,98	1,66	7,49	7,50
Earnings per total shares, SEK	1,88	1,90	1,95	1,98	1,65	7,46	7,48
Equity per total shares, SEK	28,66	25,67					26,85
Average number of outstanding shares (thousands)	23 107	23 107	23 107	23 107	23 107	23 107	23 107
Average total shares (thousands)	23 169	23 169	23 169	23 169	23 169	23 169	23 169
Operating margin, %	9,9	10,2	10,0	11,2	9,0	10,0	10,1
EBITA-margin, % *	10,8	11,1	10,9	12,2	10,0	11,0	11,0

* Definition of EBITA margin; EBITA divided by net sales.

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

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

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

The Parent Company's performance and financial position

CONDENSED INCOME STATEMENT OF THE PARENT COMPANY (SEK MILLION)

	Jan- March 2016	Jan- March 2015	Q4 2015	Q3 2015	Q2 2015	Trailing 12 mth	Full year 2015
Net sales	7	7	25	7	7	46	46
Operating costs	-11	-10	-11	-10	-12	-45	-44
Depreciation	-2	-2	-2	-2	-2	-7	-7
Operating profit	-6	-5	12	-5	-7	-5	-5
Income from investments in Group companies	-	-	-9	-	31	22	22
Net financial income/expense	0	0	0	0	0	-1	0
Profit/loss after financial items	-6	-5	3	-5	25	17	17
Year-end appropriations	-	-	150	-	-	150	150
Pre-tax profit/(loss)	-6	-5	153	-5	25	166	167
Tax	1	1	-36	1	1	-32	-32
Profit/loss for the period	-5	-4	117	-4	26	134	135

Comprehensive income for the period corresponds with the profit/loss for the period.

CONDENSED BALANCE SHEET OF THE PARENT COMPANY (SEK MILLION)

Assets	2016-03-31	2015-03-31	2015-12-31
Intangible fixed assets	19	19	19
Property, plant and equipment	17	19	18
Financial assets	380	371	380
Total fixed assets	416	409	417
Current receivables	318	269	315
Cash on hand and demand deposits	-	0	0
Total current assets	318	269	315
Total assets	733	678	732
Equity and liabilities			
Equity	213	178	218
Untaxed reserves	220	191	220
Deferred tax liabilities	2	2	2
Non-current non-interest-bearing liabilities	1	8	5
Total non-current liabilities	1	8	5
Current interest-bearing liabilities	109	117	99
Current non-interest-bearing liabilities	189	182	187
Total current liabilities	298	299	286
Total equity and liabilities	733	678	732

Notes

Segment reporting is presented on page 6, disclosures about fair value of financial instruments are presented on page 9 and accounting policies are presented on page 8.

One of Europe's leading technology trading companies with 33 operating entities in 14 countries

For 40 years, OEM's idea has been to serve as a link that creates value between customers and manufacturers of industrial components and systems. Over the years, the company has grown from a small, family-owned business in Tranås in southern Sweden into an international technology trading group operating in 14 countries in northern Europe, Central Eastern Europe, the UK and China. OEM has partnerships with more than 300 leading and specialist manufacturers and is responsible for their sales in selected markets. Its range comprises more than 50,000 products in the areas of electrical components, flow technology, motors, transmissions and brakes, ball bearings and seals, appliance components and installation components. The Group has a customer base of more than 25,000 businesses, primarily in the manufacturing sector. The company's high level of expertise enables it to help customers increase purchasing efficiency and choose the right components.



www.oem.se