

Annual Report 2016

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 2017.

Dividend

The Board of Directors recommends to the Annual General Meeting a dividend of SEK 5.50 per share for the financial year 2016 and Friday 21 April 2017 as the record date. If approved by the Annual General Meeting, the dividend is payable on Wednesday 26 April 2017 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.....	19 April 2017
Interim report – January - June	13 July 2017
Interim report – January - September	19 October 2017
Financial Statement 2017	15 February 2018
Annual Report 2017	March/April 2018

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Another record year for OEM

2016 was yet another record year for OEM. Net sales were SEK 2,382 MILLION. This represented a 7 % increase on 2015. Acquisitions and foreign currency effects accounted for 1 percentage point of the increase. Region Sweden and Region Finland, the Baltic states and China reported positive growth, while sales in Region Denmark, Norway, UK and East Central Europe were slightly down.

Operating profit (EBITA) was SEK 277 MILLION. This was a 13 % improvement on 2015, which was previously the most profitable year in OEM's history. OEM exceeded its targets for return on equity and the EBITA margin thanks to the strong performance in 2016.

Two acquisitions

OEM completed two acquisitions during the year which together will increase annual Group sales by about SEK 65 MILLION. The acquired businesses are the Swedish companies RF Partner AB and its subsidiary Ranatec Instrument AB, and the Finnish company Sitek-Palvelu Oy.

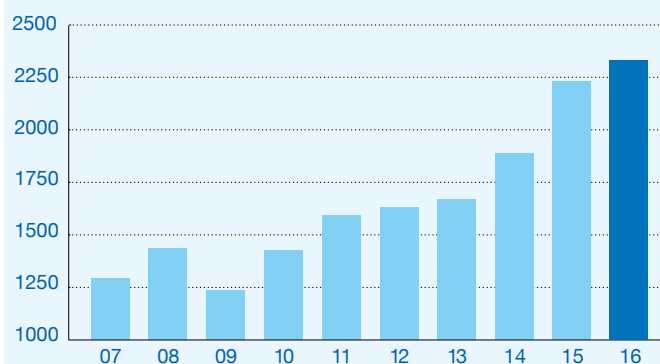
Increased dividend proposed

The Board of OEM proposes an increase in the dividend to SEK 5.50 per share (5.00). This would be the seventh consecutive year of increased dividends.

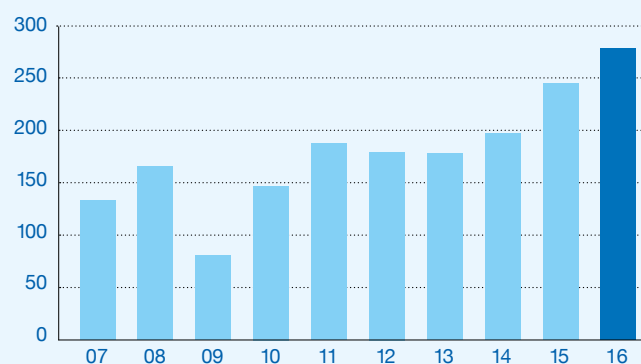
Summary

	2016	2015	%
Net sales (SEK MILLION)	2,382	2,232	7
Profit before tax (SEK MILLION)	255	221	15
Profit for the year (SEK MILLION)	201	173	16
EBITA	277	246	13
Earnings per share (SEK)	8.70	7.50	16
Shareholders' equity per share (SEK)	30.62	26.85	14
Average no. of employees	756	727	4
Equity/assets ratio %	53	51	
Share price at year-end (SEK)	151.00	141.00	7
Proposed dividend (SEK)	5.50	5.00	10

SALES GROWTH (SEK MILLION)

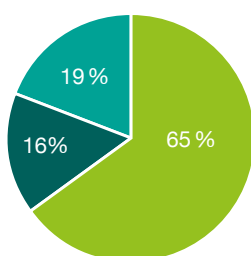


EARNINGS GROWTH EBITA (SEK MILLION)

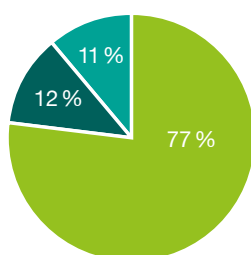


OEM at a glance

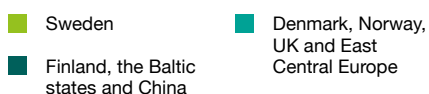
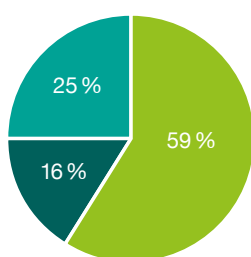
Sales



EBITA



Employees



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

Offering

OEM has a portfolio of more than 50,000 products from over 300 suppliers who are leaders with strong brands in their respective niches. OEM's extensive product know-how, years of experience and outstanding applications expertise make the company a strategic partner at many stages of the customers' value 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. Sweden is the company's domestic market. It is also the largest region and OEM has 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

OEM's customers are primarily found in various segments in the manufacturing sector. 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.

1974
OEM Automatic AB is set up by the Franzén and Svenberg families.

1982
Set up in Norway.

1986
First acquisition Industri AB Reflex.

1989
The first subsidiary outside Scandinavia is set up in the UK.

1993
The A. Karlson Group is acquired.

1997
OEM and Cyncrona merge. Acquisition of Internordic Bearings.

1998
Subsidiary set up in Poland.

1981
The first overseas subsidiary is established in Finland.

1983
Launch on the Stockholm Stock Exchange. Set up in Denmark. Sales total approximately SEK 30 million.

1988
Sales exceed SEK 100 million for the first time.

1991
OEM International is formed and becomes the parent company.

1996
Sales exceed SEK 500 million for the first time.

1999
Four acquisitions completed.

34

OPERATIONS IN 14 COUNTRIES

25,000

CUSTOMERS

300

SUPPLIERS

2.4

BILLION IN TURNOVER

772

EMPLOYEES



2000
Jörgen Zahlin is appointed as Managing Director. Acquisition of Ernström Hydraulik.

2005
Acquisition of Telfa and sale of hydraulics operations.

2006
Presence established in the Czech Republic through acquisition of EIG.

2008
Acquisition of Elektro Elco and OK Kaapelit's operations. Set up in Slovakia.

2010
New logistics centre in Sweden and new e-commerce platform. Acquisition of All Motion and sale of Cyncrona.

2012
Acquisition of Vanlid Transmission, TemFlow Control, Akkupojat and Datasensor UK. New logistics centre in Finland.

2015
Acquisition of Rydahls, ATC Tape Converting and Scannotec.

2001
Telecom crisis.

2002
Sales declined by 30%.

2007
Acquisition of Crouzet, MPX Electra and Klitsö.

2009
Set up in China.

2011
Acquisition of Svenska Batteripoolen, Echobeach, Scapro, Helag and Flexitron. Set up in Hungary.

2014
Acquisition of Nexa, Mytrade, Scanding, Kübler and agent for Conta-Clip.

2016
Acquisition of RF Partner AB and its subsidiary Ranatec Instrument AB, plus Sitek-Palvelu Oy.



AFTER CLOSING OUR ACCOUNTS for 2016, we can look back with satisfaction on a third consecutive year of strong growth for OEM. It has been a challenge to follow the record figures that we achieved in 2015. Nevertheless, we've performed well with a 7 % increase in sales and a 13 % increase in earnings. Most of the Group's operations moved in a positive direction and many of them had a high growth trajectory during the year.

Organic growth was 6 % in 2016, which is considered strong in a mature industry. It is a slight improvement on recent years and proof that OEM, which in many respects is a traditional industrial company, is growing steadily. Organic growth is what creates the long-term perspective that we are aiming for. It gives us lasting stability and reason to exist.

As well as organic growth, we make acquisitions that enable us to expand further. To achieve our annual growth target of at least 10 % we need to acquire businesses with sales of more than SEK 100 MILLION a year.

The two acquisitions made in 2016 will give OEM additional annual sales of SEK 65 MILLION. They were acquired late in the year and therefore did not have a significant impact on the 2016 sales figures. Our organisation has a team that identifies potential takeover targets using a structured approach. The fact that only two acquisitions were made cannot be attributed to any particular reason.

Improved results

If the net sales figures presented a challenge, they were nothing compared to last year's growth in earnings. It is very impressive that operating profit (EBITA) in 2016 has risen 13 % from this level. The growth is due to improvements with enhanced margins and

Continued str

increased profitability in several parts of the business. Finland and the Baltic states are continuing to perform well and have also reported improved results. Norway and China have also significantly increased their profitability despite having smaller operations. A look at other individual operations shows that Flexitron has almost doubled its earnings and the battery operations had even better growth.

The fact that the level of earnings has been raised by contributions from several different areas of our operations, and not from just one major entity, reinforces our belief and confidence in our business model. Moreover, it is not the same operations year after year, which demonstrates the dynamism that exists within our companies. The key to successful development is the daily focus given by our employees to details in a constant effort to bring about improvement.

Organic growth in all regions

OEM delivered exceptionally good growth in Sweden in 2016, with 5 % organic growth. This is our largest region and it is therefore obviously important for the growth of the Group as a whole. OEM Automatic posted the highest sales and best earnings performance ever. This is confirmation of the strength of a company that is operating in a mature market with a clearly lower rate of underlying growth. OEM Electronics has delivered a similar performance and continues to grow strong-

ly. 2016 was a good year for Flexitron and Agolux too with growth in both the companies exceeding 20 %.

OEM continues to set new records in Region Finland, the Baltic states and China. Organic growth was 10 % in the year which is primarily attributable to OEM's performance in Finland. We have also continued to work with our long-term strategy and have gained market share during the year. We have successfully expanded our portfolio of offerings in Finland where a number of operations have also contributed to the strong performance. Growth has also been strong in China during the year, which is interesting as our initial focus for 2016 was to prioritise profitability over growth in our Chinese operations. This focus had not only a positive impact on earnings but also boosted growth by almost 20 %.

OEM's third region, which comprises Denmark, Norway, the UK and countries in East Central Europe, delivered a mixed performance. Although organic growth was 2 %, overall performance was negative for the region because of the adverse impact of foreign exchange translation. Last year, the region was helped greatly by both positive translation effects and acquisitions, but organic growth was slightly negative. We have managed to reverse this in 2016. The upturn is due largely to a positive performance in the UK and Norway. It has been something of an in-between year for several of the operations in the region's growth

markets. Some of the companies can look back on many years of healthy growth, but this year produced a stall in the growth curve.

Proposal for increase in dividend

The Board of OEM aims to propose a dividend payment to shareholders that it considers reasonable given the Group's financial position and need for investment in its operations or acquisitions. The Board is proposing an increase in the dividend to SEK 5.50 (5.00) per share for the 2016 financial year. This is equivalent to about 63 % of earnings per share after tax and a direct return of 3.6 % based on OEM's year-end share price. The proposed dividend means that OEM has increased its dividend by an average of 16 % a year over the last seven years.

Digitisation from plan to action

OEM is currently undertaking a major project to make its operations more digital. The world and our industry is becoming more and more digitised and I'm convinced this will increasingly affect the way in which we do business. We are therefore investing in systems, hiring relevant expertise and speeding up the general rate of change to remain at the forefront of our industry in this area too. For us, it's about changing the way we think and act. The knowledge we have about our products and how they can be used in our customers' applications is unique. We now have to make that information more digitally accessible and create the means to move from information to communication. It will provide OEM with a critical platform that will help drive its future growth and success.

ong growth

Tranås, March 2017

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 Eastern 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 amounted to 7 % in 2016. 6 percentage points were organic growth, which is also the increase excluding the impact of foreign currency exchange rate fluctuations and 1 % came from acquired operations. Average annual sales growth was 9 % in the last five-year period.

EBITA margin

A minimum EBITA margin of 10 % per annum through a business cycle. The EBITA margin amounted to 11.6 % in 2016. The average EBITA margin was 10.9 % in the last five years.

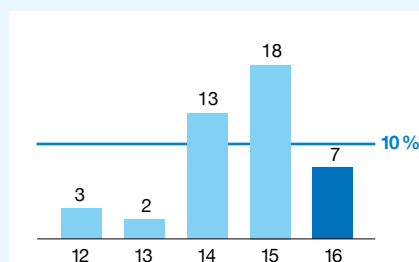
Return on equity

A minimum return on equity of 20 % per annum through a business cycle. The return on equity amounted to 30 % in 2016. The average return on equity was 23 % in the last five years.

Equity/assets ratio

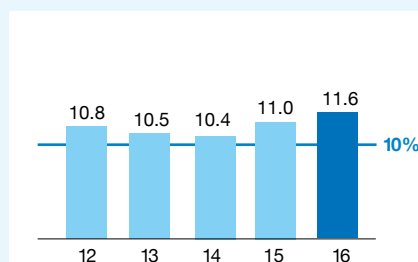
A minimum equity/assets ratio of 35 %. The equity/assets ratio was 53 % at the end of 2016. The average equity/assets ratio was 56 % in the last five years.

SALES GROWTH %



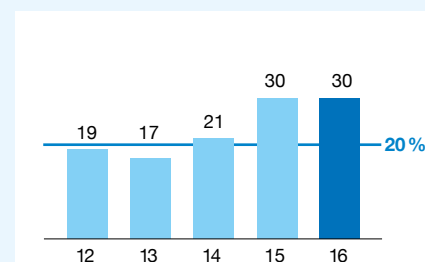
The result for 2016 was 7% compared with the minimum target of 10%.

EBITA MARGIN %



The result for 2016 was 11.6% compared with the minimum target of 10%.

RETURN ON EQUITY %



The result for 2016 was 30% compared with the minimum target of 20%.



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

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 ambition 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. OEM's key strategy is ongoing development of its range and it implements this strategy 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 under-

standing 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.

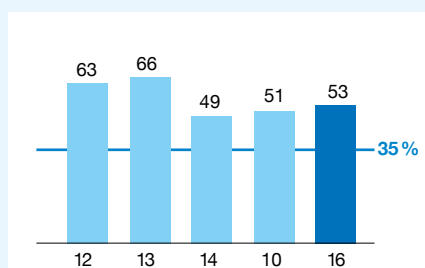
Logistics

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 will lead to a significant number of leadership positions being filled internally.

EQUITY/ASSETS RATIO %



The result for 2016 was 53% compared with the minimum target of 35%.

Acquisitions make OEM stronger

ACQUISITIONS ARE central to OEM's ongoing process of developing its operations, creating growth and expanding its range. Acquired businesses add volume, products, a wider customer base and enhance existing skills and bring new expertise to the Group. The company aims to add sales of SEK 100-150 million each year through acquisitions.

Acquisition strategy

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

- Acquisitions that give access to products that strengthen OEM's portfolio of offerings in a market where the company already has a foothold.
- Acquisitions that give access to a new geographic market for one of OEM's existing product areas
- Acquisition 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 audit firms, banks and brokers to ensure a constant inflow of potential 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 a manufacturer 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 2016, OEM completed two acquisitions. As a result of these acquisitions, the Group's annual sales increased by about SEK 65 MILLION.

RF Partner AB and Ranatec Instrument AB

RF Partner AB and its subsidiary Ranatec Instrument AB, with their head office in Mölndal in Sweden, develop and market components for radio applications, systems for radar surveillance and test systems for antennas. The companies generate sales of SEK 18 MILLION and have 4 employees.

Reason for the acquisition: With this acquisition, OEM gains a well-managed company with products and solutions that complement the range offered by Flexitron AB, one of the subsidiaries in the OEM Group.

Type of acquisition: OEM acquired the

Acquisitions completed between 2005 and 2016

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

entire companies. RF Partner will be integrated into Flexitron, while Ranatec will continue to operate as an independent company but with a strong link to Flexitron. The previous owner will continue to work as the managing director of Ranatec Instrument.

Sitek-Palvelu Oy

Sitek-Palvelu Oy, with its head office in Jyväskylä in Finland, develops and markets products for industrial automation and process applications. The company generates sales of EUR 5 MILLION and has 13 employees.

Reason for the acquisition: Sitek-Palvelu has established a unique position in the market for industrial automation and process applications, which strengthens OEM's position in the Finnish market. Parts of the product range are the same as those marketed by OEM in other markets, which will generate synergies.

Type of acquisition: OEM acquired the entire company. Sitek-Palvelu will remain an independent company in the OEM Group. The previous owner is continuing in the company as its managing director.



OEM is expanding its offering to the processing industry through its acquisition of Sitek Palvelu in Finland.

Digitisation creates new opportunities

IN 2016, OEM accelerated the digitisation of its business. The goal is to offer its customers a higher level of service, improve accessibility and reach a wider market than before. The tremendous significance that Internet has in our society places new demands on and creates new opportunities for OEM.

Daniel Wiberg, Head of Marketing at OEM Automatic, and Marcus Pålsson, Head of Digital Marketing, are involved in optimising OEM's digital transformation programme.



Deliberately creating a search-friendly online product catalogue allows us to reach new customers. The excellent results clearly show that digitisation enables opportunities, says Marcus Pålsson, Head of Digital Marketing at OEM.

Unique range and high level of expertise

The core objective of OEM's business is to provide an attractive and unique range of products. It is backed up by a high level of expertise on the products and how they can be used in customer applications, and the company wants to share this expertise with its customers. The traditional way has been through comprehensive product catalogues that impart this knowledge in an informative way and through sales personnel who meet face to face with customers.

Andreas Hvittfeldt, Product Manager at OEM Automatic, explains that customers now want product information to be available in a different way.

We're focusing more than ever on improving the product information on our website. Moreover, we want to share our expertise on our website too. Our expertise is one of our unique competitive advantages. We can do this by publishing pages with general information about product groups, guides and knowledge bases, says Andreas Hvittfeldt.

More than 100,000 product numbers

The hub of OEM's digital marketing communication is the central PIM (Product Information Management) system, where most of the Group's product information is stored. The information can be published from there on the companies' websites and other digital channels, and also printed as catalogues. The process of digitally gathering all the product information has been an enormous investment in time and money.

"We have more than 10,000 products in the system today. A lot of these have also been translated and adapted for a number of markets, which means there are more than 25,000 unique product descriptions and over 50,000 images in the system," Marcus Pålsson explains.

E-commerce is improving the service level

Several of the OEM Group companies have e-commerce systems linked to the product information, including OEM Automatic in Sweden, Norway, Denmark, Finland and the Czech Republic. This functionality is gradually being developed at other Group companies. It is a good way for OEM to

further improve the level of service it offers its customers.

"Customers who wish to purchase items online can do so at any time, round the clock. They can also call and place an order over the phone as before. E-commerce sales are increasing all the time which suggests that our customers really appreciate this option. When it comes to larger and more complex transactions, however, personal interaction between the customer and our sales staff is still critical," says Daniel Wiberg, Head of Marketing at OEM Automatic in Sweden.

According to Marcus, e-commerce is growing at a rapid pace in Norway. In just over a year, online sales there have increased to 20%.

Customers' opinions of the website and e-commerce

OEM is seeing a general increase in customers' use of its website and online sales system. Even customers who do not place orders online still use the system to check product availability and prices.

Greater focus on digitisation

OEM accelerated the pace of its digitisation process in 2016. Part of the process involves replacing some of the technical platform for the companies' websites and e-commerce service.

Marcus Pålsson explains, "This is a strategically important investment, the purpose of which is to create a stable, modern and future-proof platform for the Group's companies as they continue to invest in the digital space."

OEM sees a number of future benefits that will improve the user experience such as the ability to modify the appearance and functionality of the website to match the users' areas of interest. It will become even easier to find the right products and

information with more powerful search capabilities. It makes it simpler for existing customers and means that more new customers will discover OEM.

Andreas Hvittfeldt says, "The new platform can also give the sales staff access to enhanced digital sales tools, for instance, with capabilities for tablets".

Benefit from new opportunities

With all due respect to technology, perhaps the most important aspect of OEM's digital development process is the work that each Group company is doing to see how to gain maximum benefit from the new opportunities being created by digitisation.

"We want to be a company that is at the forefront of progress in our industry. It's widely known that OEM Automatic has talented product specialists with in-depth knowledge of their areas and professional sales staff who help our customers every day. So it's only natural that our presence on the Internet should also be the best in the market. It brings added value to our customers, strengthens our position in relation to our competitors and generates new business," comments Andreas Hvittfeldt.



”

I often use OEM Automatic's website because I prefer searching for information online rather than in catalogues. It's quick and easy to find the right product and accessories to go with it. I can also see if the product is in stock and when it will be delivered. We order about 70% of what we need from the website because it provides such a convenient service.

Andreas Andersson
Kontex Konstruktion & Montage i Uppsala AB

OEM creates value for customers and suppliers

OEM IS ONE of Europe's leading technology trading groups. The company's success is based on the creation of value for both customers and suppliers. OEM brings value to its customers' products and processes by offering technical expertise and an extensive range OF of products and systems. OEM creates value for its suppliers by being the best alternative in their choice of distribution channels.

Value for the customers

OEM shall be an attractive partner that gives its customers access to top-quality products from leading suppliers, help with development projects and the means to streamline their purchasing processes. This allows OEM to create both technical and economic value for its customers. OEM's employees have considerable knowledge of the products that the company markets and the various areas of application for these products. This means the customer has access to experience and technical expertise that can help them with their choice of constituent components and in

their development projects. A large amount of the products are also bespoke for each customer. A key feature of OEM's portfolio are the value-added services that OEM offers its customers, for instance, different components are pre-assembled on delivery according to the customers' specifications. OEM works closely alongside its customers who are increasingly choosing OEM as a strategic supplier for the coordination of an increasingly large amount of their purchases.

Value for the suppliers

Strong sales organisations form the foundation of OEM's business and are a strong reason why the company has been entrusted to represent the leading manufacturers in their markets. OEM's goal is to always be the manufacturers' best sales channel and make them the leading players in their niches. Collaboration with OEM gives the manufacturers in many cases 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 very 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 operations. The company offers over 50,000 products from more than 300 suppliers to its 25,000 customers. In other words, logistics is complex and OEM has a continuous focus on making the flow of goods a streamlined and seamless process. OEM coordinates the work to larger logistics centres where appropriate, in order to increase efficiency and automate the flow of goods. This creates a high level of cost-efficiency, quality and service. Today, OEM is able to customise its logistics operations to a great extent to meet the requirements and needs of its customers, with regard to time, packaging size and other aspects, which obviously benefits its customers.



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 300 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.

The development of our business operations is based on

Four central processes



Products from leading suppliers

OEM OFFERS A comprehensive range of products from leading suppliers in six main product areas. This is combined with OEM's in-depth knowledge of the products marketed by the company. Overall, it creates an attractive portfolio that gives customers access to high-quality products and the best possible support when choosing products for their particular application.



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

Product range development

OEM continues to extend and enhance its range. It does this primarily in three ways. The product range development process is conducted in collaboration with existing suppliers, by having access to much of their range and by working together with their product development departments. The range can also be extended if OEM identifies

new suppliers of products that are suitable for inclusion in the range. Acquisitions can also give OEM access to an entirely new range or products that complement the existing range.

Offerings adapted to each market

OEM's offering differs from one geographic market to another. This is partly a natural result of OEM having been long established in certain markets and having developed its product offering there. It is also the work of each market to adapt the offering to local demand and according to which suppliers are available for collaboration in each market.

MARKETS >	Sweden	Finland	Baltic states	China	Norway	Denmark	Czech Republic	Poland	Slovakia	United Kingdom	Hungary
PRODUCT AREAS ▾											
Electrical components	○	○	○	○	○	○	○	○	○	○	○
Flow technology	○	○	○	○	○	○	○	○	○	○	○
Motors, transmissions and brakes	○	○			○	○	○	○	○	○	○
Appliance components	○	○	○	○		○	○	○	○		
Installation components	○	○			○	○					
Ball bearings and seals	○	○									



Electrical components

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

Examples of products:

Sensors, safety products, mechanical products, machine cables, batteries and cameras/optical devices.

Areas of application:

Most of the products target original equipment manufacturers for use in the machinery that they produce, such as trucks and construction equipment. Some of the products are also used for installation of control cabinets, for example.

Examples of customers:

Toyota Material Handling Manufacturing, Atlas Copco and Sandvik.



Flow technology

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

Examples of products:

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.

Examples of customers:

Bosch Thermoteknik, Volvo and Getinge.



Motors, transmissions and brakes

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

Examples of products:

Drive electronics, motors, gears, belt transmissions, brake and friction systems.

Areas of application: The products target original equipment manufacturers for use in the machinery and devices that they produce and are used for food industry equipment, medical equipment, etc. Brake and friction products also target the automotive industry.

Examples of customers:

Tetra Pak, Nobina and GE Health Care.



Appliance components

The product area comprises products supplied by OEM Electronics, Flexitron, Ranatec Instrument, Svenska Helag, ATC Tape Converting, Scannotec, OEM Automatic and OEM Automatic Klitsø.

Examples of products:

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.

Examples of customers:

Husqvarna, Scanfil and Amica.



Installation components

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

Examples of products:

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.

Examples of customers:

Electrical wholesalers who serve professional installation companies, for example, Elektroskandia and Ahlsell. Building and DIY stores such as Bauhaus and Clas Ohlson.



Ball bearings and seals

The product area comprises products supplied by Internordic Bearings.

Examples of products:

Ball, rolling, joint and sliding bearings, seals and lock components.

Areas of application: The products target original equipment manufacturers for use in the machinery that they produce, such as park and garden machinery, domestic appliances and materials handling machinery. The products are also used by the automotive industry.

Examples of customers:

Öhlins, Husqvarna and Toyota Material Handling Manufacturing.

Strong growth in Sweden

IN 2016, OEM delivered a strong performance in Region Sweden in terms of growth and profitability. Unlike 2015, no major acquisitions were made during the year. This means that the growth was generated organically and that OEM gained market share in several business operations.

SHARE OF GROUP
NET SALES

65 %

OPERATING PROFIT
EBITA (SEK MILLION)

221

NUMBER OF
EMPLOYEES

437

Offering

Sweden is OEM's domestic market and also its largest market. The 15 companies in Sweden specialise in their respective areas.

OEM's full range of industrial products and systems comprising more than 50,000 products are available in the Swedish market. Much of its portfolio comprises bespoke solutions for a host of diverse applications for the manufacture of equipment and machinery. It is complemented with an extensive offering of standard products. In-depth product and application knowledge are an important part of the portfolio and give OEM a key competitive advantage. OEM can share its know-how and expertise with its customers and be a critical partner in their product development processes.

Market

OEM's main market in Sweden comprises machinery and equipment manufacturers. Its customers operate in a wide range of industries, from automotive and forestry to telecommunications, IT and medical technology. Electrical wholesalers, building and DIY stores are key customers for the product range of installation components, which includes LED lighting and wireless control of lighting in the home.

The Swedish industrial market is generally well-developed and mature. Although underlying annual growth has been relatively modest at 1-2 %, OEM has performed well in the past few years. Many of the company's major customers have developed in a positive direction. The weaker Swedish krona has also had a favourable impact on the export companies, which are an

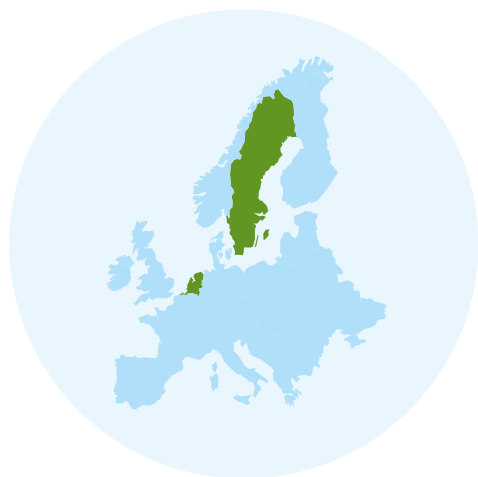
important part of Swedish industry.

The acceleration of e-commerce is opening up the market and OEM is well positioned to respond to this trend. As well as having the products, OEM has the expertise to help its customers find optimal solutions to their challenges, often through a mix of products to create customised solutions. The trend is also providing new opportunities for OEM as its companies step up their presence on the Internet.

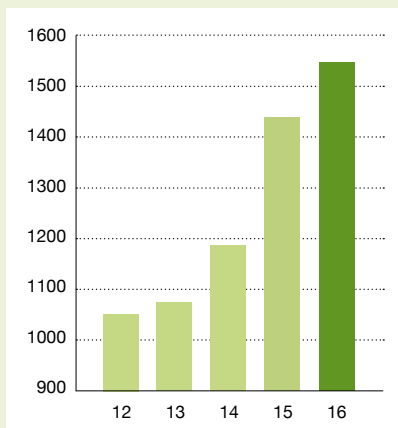
One of the realities facing OEM in the market is that Swedish industrial companies are keeping their design and development units in Sweden but are moving parts of their manufacturing operations to countries where production costs are lower, particularly to Eastern Europe and, to some extent, Asia too. OEM responds to this trend by continuously developing its range and its product and application expertise to remain an attractive partner in the development process of new products. The integration of OEM's products in the customers' machinery and equipment during the development phase ensures that OEM will be a supplier of products in the product phase too. As well as being an attractive partner for domestic production, OEM must also be able to follow its customers when they relocate their manufacturing processes abroad. OEM is able to do so through its operations in key production countries like China, Poland and the Baltic states.

Development

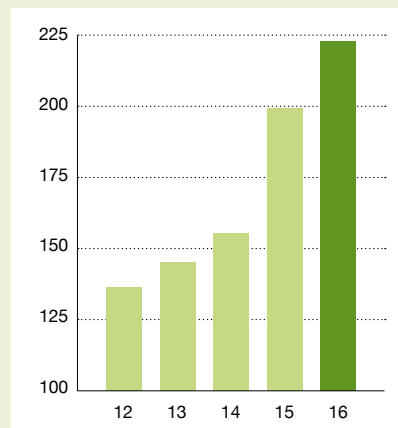
OEM delivered a strong performance in Sweden in 2016, in terms of incoming orders, sales and earnings. Net sales rose



SALES (SEK million)



OPERATING PROFIT EBITA (SEK million)



MARKET >

PRODUCT AREAS >

Electrical components

Flow technology

Motors, transmissions and brakes

Appliance components

Installation components

Ball bearings and seals

Sweden

Examples of customers:

Tetra Pak, Toyota Material Handling
Manufacturing, Rexel, Elektroskandia, ABB

Competitors include:

Addtech, Indutrade, Lagercrantz, B&B Tools

Operations are conducted through the following companies:

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, AB Ernst Hj Rydahl Bromsbandfabrik, ATC Tape Converting AB, RF Partner AB and Ranatec Instrument AB.

7% over the previous year. The effects of currency movements had a beneficial effect of 1% on net sales and acquired growth was 1%.

OEM gives priority to organic growth, which was 5% in 2016. OEM's main success factors are ongoing improvements in sales activities and the development of its range through the addition of complementary products that can create value for existing and new customers.

Operating profit (EBITA) rose 11% and the EBITA margin was 14%. The strong growth in earnings was mainly driven by the increasing sales and was further boosted by the effects of currency movements.

Events

2016 has been yet another record year for OEM Automatic, the Group's largest company, with its highest sales and earnings figures ever. The success was mainly due to ongoing improvements to its sales process across all parts of the business, with a bit of help from favourable currency

movements. OEM Automatic has continued to focus on the development of e-commerce during the year and will be making further improvements in this area in 2017.

Most of the other companies have performed well too. Elektro Elco, OEM Electronics, OEM Motor, Internordic Bearings, Nexa Trading, Svenska Batteripoolen, Flexitron and Agolux all posted record sales and earnings.

Elektro Elco and Nexa Trading, both of which market products under their own brands, have successfully introduced several new products that have contributed to their success. The operations focus strongly on product development to ensure they retain their stable market positions.

During the year, Vanlid Transmission was integrated into OEM Motor, which expanded its customer offering as a result.

Agolux and Svenska Batteripoolen have shown the strongest growth with an increase of about 20%. Agolux provides customised lighting solutions and has reached new customer groups through

its lighting solutions for bathroom and kitchen manufacturers. During the year, Svenska Batteripoolen has stepped up its marketing activities and established new sales channels which has resulted in increased market share.

In the fourth quarter, RF Partner AB and its subsidiary Ranatec Instrument AB were acquired. The companies generate sales of approximately SEK 18 MILLION and develop and market components for radio applications, systems for radar surveillance and test systems for antennas. RF Partner will be integrated into Flexitron, while Ranatec will continue to operate as an independent company but with a strong link to Flexitron.

Continued strong growth in a weak market

THE STRONG PERFORMANCE that OEM has enjoyed in the region in recent years continued throughout 2016. Higher net sales and a stable cost base have also resulted in a significant increase in revenue. The acquisition of Sitek-Palvelu Oy was completed at the end of the year. This will further strengthen OEM's position in Finland and widen the Group's product range.

SHARE OF GROUP NET SALES

16 %

OPERATING PROFIT EBITA (SEK MILLION)

35

NUMBER OF EMPLOYEES

118

Offering

In Finland, OEM offers a full range based on products from all the product areas. The offering comprises both bespoke products and systems, and standard products. The operations in Finland are conducted under the names of OEM Automatic, OEM Electronics, Akkupojat Scannotec and Sitek-Palvelu. The Hide-a-lite trademark is also marketed. Operations in the Baltic states are managed by a local company in each country, as they are in China too.

The range in the Baltic states is more concentrated and primarily comprises products in the areas of Electrical components, Appliance components and Flow technology. Since the operations, like those in China, mainly focus on customers from Finland and Sweden who have relocated their production, their offerings are gradually being expanded in response to demand and adapted to each local market.

Market

Finland is one of the countries in Europe where growth has been weakest in recent years and the country's rate of growth is slow. Finland has still not recovered from the financial crisis that dramatically weakened its previously strong IT sector. The country is largely dependent on exports, and weak growth in the surrounding region, with Russia traditionally one of its key export countries, is creating poor conditions for a rapid recovery. However, OEM has a strong market presence and is well positioned to capture the market when the underlying growth picks up.

OEM's customers in Finland operate in manufacturing industries where construction

and lifting equipment, and forest and mining machinery are examples of key segments. Major customers also include wholesalers and contract manufacturers.

The customers in the Baltic states and China are largely Finnish and Swedish companies that have relocated their production operations. There has been a decline in demand in the Baltic states during the year, but it is too early to say whether this is a trend. However since this often results in production being brought home, it means that customer demand is instead met through OEM's operations in Sweden and Finland. Some Baltic production has also been relocated to China where OEM has noted an increase in demand during the year.

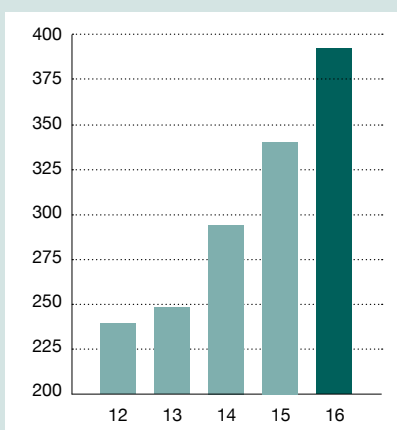
Developments in 2016

The strong performance that OEM has enjoyed in the region in recent years continued throughout 2016. Sales rose 15 per cent during the year. Growth has mainly been organic and the increase was clearly above the underlying growth, which means that OEM has gained market share during the year. Acquired growth was 4 percentage points and currency effects were 1 percentage point. The growth in sales during the year has mainly taken place with the same cost base, which produced a significant boost to earnings. Operating profit (EBITA) rose 52 % in 2016 and THE EBITA margin was 9 %.

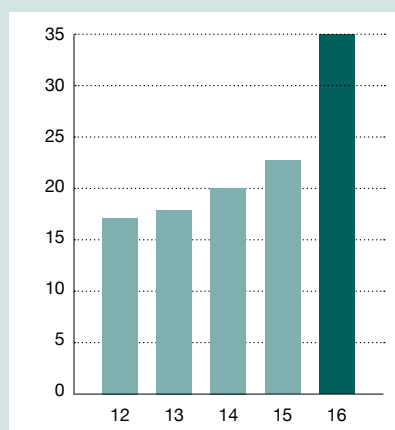
OEM's success in the region is due largely to the company having extended its offering to existing customers in Finland by introducing new products. OEM's largest product segment in the region, Cables & Connectors, achieved a strong performance in 2016 where the



SALES (SEK million)



OPERATING PROFIT EBITA (SEK million)



MARKET >

PRODUCT AREAS ▾

Electrical components

Finland



Baltic states



China



Flow technology



Motors, transmissions and brakes



Appliance components



Installation components



Ball bearings and seals



Examples of customers:

Tampereen keskustekniikka, Sandvik Mining, Rexel, Bronto Skylift

Examples of competitors:

SKS Group, Addtech, Indutrade, Wexon

Operations are conducted through the following companies:

OEM Automatic OY, Akkupojat Oy, Scannotec Oy, Sitek-Palvelu Oy, OEM Automatic OU, OEM Automatic UAB, OEM Automatic SIA, OEM Automatic (Shanghai) Co.Ltd.

company has been able to report growth of 20%. Cables & Connectors has a large market and is well positioned to continue its positive performance in the segment. Along with the battery operations, a number of OEM Automatic's operations in Finland contributed to the fine performance. These included Scannotec, which was acquired last year and had a positive performance throughout the year.

OEM has reversed a negative trend in China and increased sales by 20% in 2016. As a result of the programme of change embarked upon in 2015, the operations have also produced positive earnings in 2016. However, the operations in the Baltic states reported a negative sales trend in 2016. This was mainly because some customers decided to relocate their production to other countries. In a few cases, they have brought their production back to Finland, Sweden or China where they are continuing their partnerships with OEM. There are also some cases of customers moving their production to countries where OEM does not have any operations. Yet despite the downturn, the

operations in the Baltic states are reporting an increase in revenue. The operations in the Baltic states and China are small in comparison to those in Finland.

Events

In line with the overall strategies of the Group, there has been continuous focus throughout the year on developing the portfolio of offerings and on marketing to both the existing customer base and potential new customers. Over the past three years, OEM has introduced products from almost 30 new suppliers. This has clearly enhanced the company's presence in the market and 2016 was no exception. OEM's digitisation project is gradually being rolled out in Finland and e-commerce was introduced during the year.

2016 was the first full year of investment in the Pumps product segment. The operations have developed well during the year and the bar has been set high for the years ahead. It was also the first full year with OEM for Scannotec, which was acquired in 2015. It continues to operate under its own name, has delivered products to eight

new stations as part of the expansion of the Helsinki underground system, and has reinforced its already strong position in the market during the year.

OEM remains active in the acquisition market within the region where many privately-owned companies are facing transfers of ownership.

OEM acquired the Finnish company Sitek-Palvelu Oy at the end of the year. The company, with its head office in Jyväskylä in Finland, develops and markets products for industrial automation and process applications. Sitek was founded in 1988 and has built up a unique position in the market in Finland over the years. Parts of the product range are also the same as those marketed by OEM in other markets, which will generate synergies for the Group.

Mixed growth in a region undergoing change

OEM's third region has developed in different directions during the year. Although the performance of traditional growth markets was not as good as in previous years, mature markets like the UK and Norway had positive growth. As a whole, however, the region reported negative growth and stiffening competition.

SHARE OF GROUP
NET SALES

19%

OPERATING PROFIT EBITA
(SEK MILLION)

30

NUMBER OF
EMPLOYEES

183

Offering

OEM's third region is its most varied region, in terms of geographic spread and customers. Its product portfolio therefore differs from one market to the next. The product areas that are offered in the entire region are Electrical components, Flow technology and Motors. Appliance components are offered in Denmark, Poland, the Czech Republic and Slovakia. Installation components are also offered in Norway and Denmark.

As in OEM's other regions, the offering comprises standard products in combination with bespoke products and systems, with OEM's expertise and application know-how forming a central part of the offering. The portfolio is gradually being enhanced all the time to expand the entire product area and extend the range on offer.

The operations in the third region are conducted under the name of OEM Automatic in all markets, except Denmark where the operations are called OEM Automatic Klitsø and Poland where OEM Electronics is also established.

Market

OEM's markets in the region not only have a wide geographic spread but also differ in terms of economic development and level of maturity. Denmark, Norway and the UK, which are the mature markets, normally show low underlying growth where changes are mainly economic fluctuations or challenges in various industries and segments. Denmark was hit relatively hard by the financial crisis and it has taken some time to recover. The effects that Brexit will

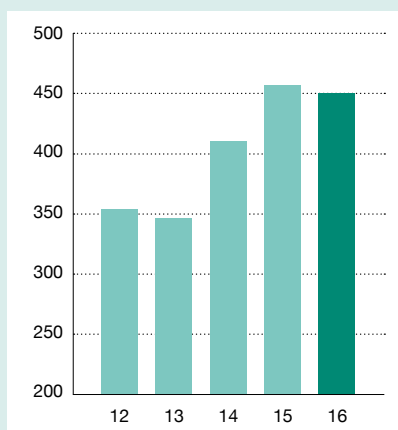
have for the UK remain to be seen. The region also includes industries that have had or are facing challenges, such as the offshore industry in Norway.

The markets in East Central Europe have experienced strong growth in recent years, both in terms of domestic industry and production that has been moved there from other countries. Underlying growth is expected to remain strong in many countries in spite of other challenges that the increased presence has brought to the market, such as stiff competition and downward pressure on prices.

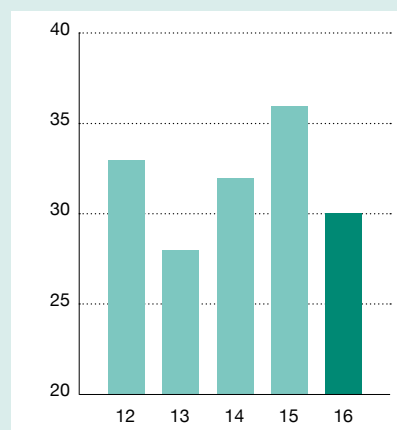
OEM holds a strong position in most of its markets. Food and pharmaceutical processing industries are a key customer group in Denmark. In Norway, the customers are primarily small-scale industrial businesses and wholesalers. Customers in the UK are a mix of large and small-scale companies with smaller 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 different types of manufacturing companies operating in a wide range of industries. Poland, which is the sixth largest economy in Europe, also has other key customer segments, including domestic mining and minerals industries. OEM's operations in Slovakia and Hungary are still in the development phase with their product portfolios and customer bases. Both of these countries have a number of key customers that manufacture vehicles and electronic products.



SALES (SEK million)



OPERATING PROFIT EBITA (SEK million)



MARKET >

PRODUCT AREAS >

	Norway	Denmark	Poland	Czech Republic	Slovakia	United Kingdom	Hungary
Electrical components	○	○	○	○	○	○	○
Flow technology	○	○	○	○	○	○	○
Motors, transmissions and brakes	○	○	○	○	○	○	○
Appliance components		○	○	○	○		
Installation components	○	○					
Ball bearings and seals							

Examples of customers:

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 AS, OEM Automatic Ltd, OEM Automatic Sp z o.o., OEM Automatic spol. s r.o., OEM Automatic s.r.o., OEM Automatic Kft.

Developments in 2016

The region has seen good growth over the last few years and sales increased in local currencies in the region as a whole during 2016. However, when translated into Swedish kronor (SEK), sales growth was negative at -1 %. Currency effects have had an adverse 3 percentage points impact on net sales. No acquisitions were made during the year. Operating profit (EBITA) fell by 16 % and the EBITA margin was 7 %.

Growth in the region differs across the markets and is strongest in the more mature markets. Sales in the UK rose 10 % after a couple of sluggish years. Growth has been positive in all the product areas thanks to a more stable currency trend and focused efforts that led to greater business volumes and a gradual increase in demand throughout the year. The positive growth reported in Norway last year has continued in 2016 and sales rose 9 % during the year. The successful implementation of OEM's digitisation process was a key factor behind the strong performance in Norway. The company is clearly seeing the results of its initiatives and an increase in online sales. Net sales fell by 6 % in Denmark, where a

large part of the business is project-related, with deliveries to the process industry. These projects vary in number and scope from one year to the next. 2016 had fewer projects than the previous year.

Growth has been weak in OEM's growth markets after a couple of years of good or excellent growth. There have been changes of an isolated character in some markets, while other markets are seeing a stronger competitive situation. A couple of major businesses were lost in Poland and the Czech Republic during the year and these have not yet been fully replaced with new ones. OEM experienced something of an in-between year in Slovakia where growth was just a few percent. Hungary continued to report good growth, albeit from a low sales level.

Events

OEM has continued to invest in the region's various business operations during the year. As well as the long-term focus areas, including organisational development, OEM has increasingly initiated its Group-wide digitisation project aimed at increasing availability, service levels and attractive-

ness. Norway has come furthest in this project and has achieved the greatest results so far.

An increasingly global market has long meant that many companies have chosen to locate their production processes outside their domestic markets. Being able to move with its customers to new markets has been one of the strongest arguments for OEM's geographic expansion in East Central Europe. In recent years, globalisation has also meant a more open and transparent way of doing business, with a blurring of national borders. This has led to tougher competition which also includes companies operating in countries where OEM does not have any operations of its own. This trend is particularly apparent in East Central Europe and OEM believes that digitisation, improved availability, breadth and transparency, in combination with its expertise, are key competitive advantages that will enable it to respond to this trend.

Expertise as a competitive advantage

ONE OF OEM's key competitive advantages is the high level of competence of its employees, which is based on the combination of top technical expertise and a strong sales focus. Its employees are the guarantee that OEM will retain its position in both the long-term and short-term as one of Europe's leading technology trading groups. The company's product specialists and sales staff are key people in relationships with manufacturers and customers. Their knowledge and commitment build lasting and trusting relationships in line with OEM's business model.

Winning corporate culture

OEM's corporate culture is based on the watchwords: positive attitude, commitment, modesty, tenacity and openness. OEM has a strong, long-term, coherent vision and has created an organisation that puts performance and well-being at its core.

Personal development towards specific targets

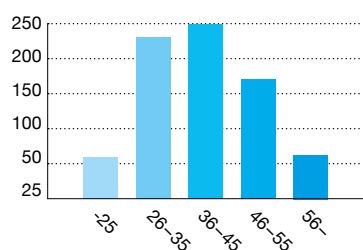
OEM's long-term competitiveness depends greatly on long-standing relationships with employees who are continuously develop-

Skills development is part of the employees' personal development and their know-how and expertise are regularly updated through training in sales, technology, IT and other areas.

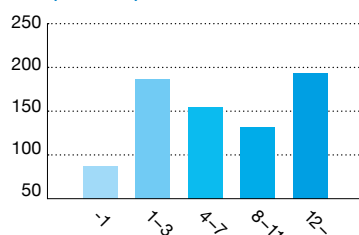


Our employees

AGE SPLIT
(NO./AGE)



LENGTH OF EMPLOYMENT
(NO./AGE)



	2016	2015
Average no. of employees	756	727
Employees at year-end	772	729
Women (%)	20	19
Sick leave person/year (DAYS)	7	7
Training costs/employee (SEK 000)	3	3
Wellness costs/employee (SEK 000)	1	1

ing professionally and a pipeline of young talent. OEM therefore works to continually improve its attractiveness as an employer for current and future employees. OEM encourages all of its employees to continue developing their skills and abilities in several different ways. The use of individual development plans is one of the most important activities. Business objectives are combined with individual goals to create plans that facilitate the ongoing development of the skills of all employees. The contents of the personal development plans are discussed at annual performance appraisals. Completed activities are evaluated and plans for the coming year are established. Skills development is part of the employees' personal development and their know-how and expertise are regularly updated through training in sales, technology, IT and other areas.

Sales training presents new business opportunities

OEM has always sustained a focus on the development of its sales force. The sales professionals must have extensive knowledge of the products, a strong sense of business responsibility and work closely alongside the customers. They can then independently drive the sales process forward and live up to OEM's high expectations of the ability of the sales staff to identify new business opportunities and deliver the best service in the market to the customer. 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 doors to other positions at OEM, such as sales manager or business area manager.

Continuous career development

All of OEM's employees are encouraged to shape their own 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 the employee's career progression and the company encourages employees to move to positions in different parts of the company and different countries too. 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.

More employees that create value

OEM regularly recruits employees, largely in the area of sales and marketing, to ensure growth opportunities in all markets. In 2016, the headcount increased from 729 employees to 772. The increase is due to new employees joining existing operations and staff taken over through acquisitions.

Young talent strengthens the organisation

The organisation is continuously strengthened through the recruitment of young employees who are interested in technology and sales. Thanks to well-designed induction programmes and personal development plans, the new employees quickly learn their duties and are assigned progressively more responsible work. OEM has a centrally co-ordinated trainee programme which allows newly-graduated employees with degrees in engineering or economics and 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.

Equal opportunities are intrinsic

At OEM, everyone has equal opportunities based on qualifications for the job, without regard to religion, ethnicity, nationality, gender, age, disability or sexual orientation. As part of OEM's ongoing CSR activities, most of the Group's companies carry out in-depth activities in the area of equal opportunities, such as the training of employees and development of policy documents. OEM's sector is traditionally male-dominated, but the company strives to improve equality in the organisation by seeking to employ more women to male-dominated positions.

Well-being is a central priority

OEM has made the well-being of its employees a central priority since day one. Well-being and health are essential for being able to perform well and develop on a personal and professional level. OEM invests time and resources into creating workplaces that are safe, healthy and attractive and the company encourages a healthy lifestyle by providing support for physical exercise and preventive health care. Activities designed to create good cohesion and improve group dynamics are often conducted in conjunction with conferences or workplace meetings.



Focus on CSR issues

OEM ESTABLISHED a Group-wide Code of Conduct in 2013 for all of the companies in the Group. The Code of Conduct aims to ensure that all the companies have a standard platform for CSR-related activities and apply a similar approach to the development of OEM's accountability in matters relating to the environment, ethics and society. Clear accountability gives it a sharper competitive edge and enhances its position as an attractive employer. Moreover, the company is inspiring a healthy business culture.



OEM strives to find packaging and transportation solutions that are best for the environment.

Code Of Conduct

OEM's Code of Conduct is largely based on the ten principles set forth in the United Nation's Global Compact. The Code of Conduct addresses human rights, labour, the environment and anti-corruption. These areas encompass all essential components of the responsibility that it feels natural to take for all of the Group's companies.

Ten key principles of the Code of Conduct.

- **Human rights.** OEM supports and respects the protection of internationally proclaimed human rights and is never complicit in human right abuses
- **Anti-corruption.** OEM represents honesty, integrity and accountability. This means it has a zero tolerance approach to all forms of corruption, including extortion and bribery
- **Environmental responsibility.** Innovative measures that reduce the impact on the environment are encouraged and OEM undertakes active initiatives to promote greater environmental responsibility.
- **Freedom of association.** In accordance with local law, all employees have the right to form or take part in union

activities. OEM respects the right to collective bargaining relating to terms and conditions of employment.

- **Forced labour.** Any use of forced or compulsory labour is prohibited and employees have the right to terminate their employment in accordance with local legislation or employment contract.
- **Child labour.** OEM has a zero-tolerance policy towards any type of child labour. No one under the age of 15 shall be employed and no one under the age of 18 shall be employed to carry out particularly demanding work.
- **Discrimination.** Diversity among OEM's employees is encouraged and no one shall be discriminated against because of their ethnicity, skin colour, gender, sexual orientation, national origin, family status, religion, political opinion, race, ethnicity, social background, social status, age, union affiliation or disability. Physical and psychological harassment is strictly prohibited
- **Preventive measures.** Sustainability is a key priority for OEM. The company takes a preventive approach to environmental protection, which means that OEM gives priority to environmentally-friendly



OEM's business processes are based on close monitoring and visualisation of results compared to objectives.

solutions and avoids environmentally-harmful substances as far as possible.

- **Consumer rights.** OEM always acts in accordance with good business practice. The company also ensures that goods and services meet legal requirements.
- **Competition.** OEM complies with local laws and regulations and does not participate in anti-competitive practices.

Activities in the area of CSR make a difference

Since the Group-wide Code of Conduct was introduced, all companies in the Group have carried out at least three CSR-related activities each year that the Boards and management teams have easily been able to follow up. The activities have been conducted in different areas and many of them involved the establishment of policies or employee training. Many activities have been carried out and the work will proceed in a similar way, with an emphasis on specific activities that can be followed up in all of the Group's companies.

Prioritisation of environmental protection solutions

OEM's Code of Conduct also deals with environmental issues. The Code of Conduct encourages actions that lead to greater environmental responsibility and preventative measures in order to give priority to environmentally-friendly solutions. OEM has identified transport, travel, use of packaging material and heating of premises as the areas that have the greatest environmental impact. There has been a strong focus on these areas for many years and OEM has always strived to find the best environmental solutions and support 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.

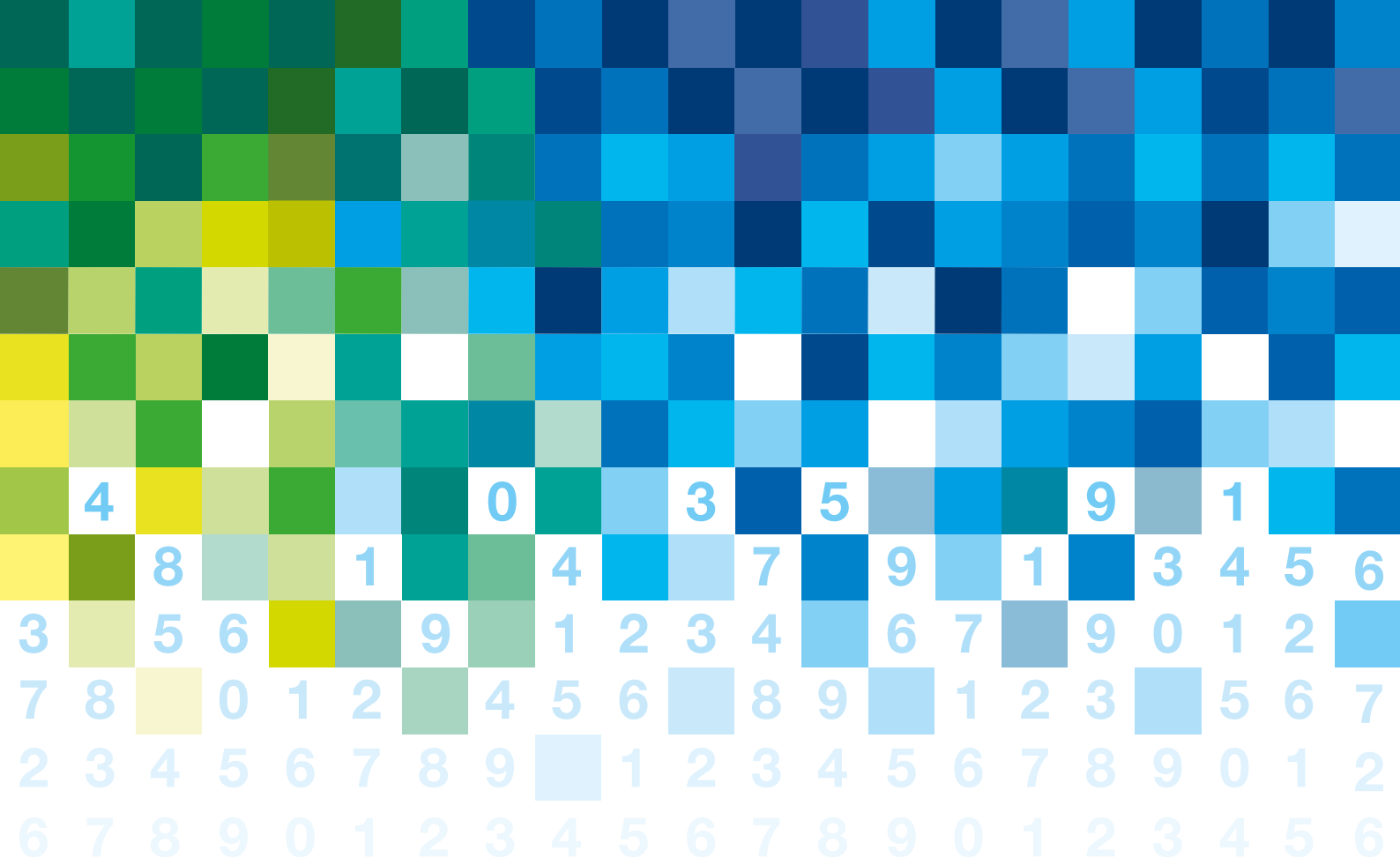
Systematic quality development

The development of quality at every stage of OEM's business processes is critical for sustaining competitive advantage and OEM's companies have long been working in a systematic manner to ensure the continuous improvement of quality and

efficiency. The Group's logistics centre in Tranås has developed its own activity management system, called "OQD" – OEM Quality Development. The management system is based on Toyota's principles and includes close monitoring of non-conformances, visualisation of results compared to objectives and improvement initiatives from employees. This quality management system has attracted considerable attention from many quarters and is considered to be one of the leading systems in the industry. OQD is used to varying extents in other logistics operations in the Group, especially in Finland.

ISO accredited companies

In Sweden, OEM Automatic, OEM Electronics, Internordic Bearings, Telfa, Ernst Hj Rydahl Bromsbandfabrik, Svenska Helag, Flexitron, Agolux 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.



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Five-year Group summary

(SEK million)

FROM THE STATEMENT OF INCOME	2016	2015	2014	2013	2012
Sweden	1,539.3	1,433.2	1,189.5	1,070.7	1,040.8
Overseas	843.1	798.5	698.0	597.7	590.6
Net sales	2,382.4	2,231.7	1,887.5	1,668.4	1,631.4
Operating income before depreciation and amortisation	304.3	272.0	221.7	197.9	195.5
Amortisation/depreciation	-45.7	-46.8	-43.2	-39.0	-33.1
Profit/loss from financial items	-3.5	-3.8	-2.8	-1.9	-3.7
Profit before tax	255.0	221.4	175.7	157.0	158.7
Tax	-54.1	-48.1	-39.0	-35.9	-32.2
Profit for the year from continuing operations	200.9	173.2	136.7	121.1	126.5
Net profit/loss after tax from discontinued operations	-	-	-	-	-0.1
PROFIT FOR THE YEAR	200.9	173.2	136.7	121.1	126.4
EBITA	277.4	246.5	196.4	174.1	176.4
FROM THE STATEMENT OF FINANCIAL POSITION					
Intangible fixed assets	196.4	175.7	175.1	145.3	157.1
Property, plant and equipment	227.0	202.9	204.2	210.6	202.0
Financial assets and deferred tax assets	1.8	2.0	2.4	2.2	1.6
Inventories	427.7	395.8	336.5	302.1	294.6
Current receivables	403.8	358.5	325.0	266.6	264.5
Cash and cash equivalents	83.1	84.7	80.1	172.8	180.9
TOTAL ASSETS	1,339.8	1,219.7	1,123.3	1,099.7	1,100.7
Equity	709.4	622.1	551.9	724.8	688.7
Non-current liabilities	132.4	123.4	116.8	96.0	86.2
Current liabilities	497.9	474.1	454.6	278.9	325.8
TOTAL EQUITY AND LIABILITIES	1,339.8	1,219.7	1,123.3	1,099.7	1,100.7

* Definitions can be found on page 90.

KPIs for the last five years

OEM GROUP		2016	2015	2014	2013	2012
Net sales **	SEK million	2,382	2,232	1,887	1,668	1,631
Of which overseas **	%	35.4	36.0	37.0	35.8	36.2
Consolidated profit before tax**	SEK million	255.0	221.4	175.7	157.0	158.7
Consolidated profit for the year	SEK million	200.9	173.2	136.7	121.1	126.4
EBITA**	SEK million	277.4	246.5	196.4	174.1	176.4
Return on total capital **	%	21.8	21.1	17.8	15.9	16.8
Return on capital employed **	%	31.6	30.0	24.1	21.3	23.2
Return on equity	%	30.2	29.5	21.4	17.1	18.9
Debt/equity ratio	times	0.29	0.37	0.45	0.15	0.17
Interest coverage ratio **	times	57.3	57.9	45.3	55.7	43.9
EBITA margin**	%	11.6	11.0	10.4	10.5	10.8
Operating margin **	%	10.9	10.1	9.5	9.5	9.9
Profit margin **	%	10.4	9.7	9.3	9.4	9.7
Capital turnover rate	times/yr	1.78	1.83	1.68	1.52	1.48
Net sales/employee**	SEK million	3.2	3.1	2.9	2.6	2.6
Equity/assets ratio	%	53.0	51.0	49.1	65.9	62.6
Operating cash flows	SEK million	218.6	191.7	151.1	133.8	125.7
Quick ratio	%	100	94	89	155	138
Average number of shares outstanding	thousands	23,107	23,107	23,107	23,107	23,107
Earnings per share	SEK	8.70	7.50	5.92	5.24	5.47
Earnings per share **	SEK	8.70	7.50	5.92	5.24	5.47
Average total number of shares	thousands	23,169	23,169	23,169	23,169	23,169
Earnings per share	SEK	8.67	7.48	5.90	5.23	5.46
Earnings per share**	SEK	8.67	7.48	5.90	5.23	5.46
Shareholders' equity per share*	SEK	30.62	26.85	23.82	31.28	29.74
Proposed dividend	SEK	5.50	5.00	4.25	4.00	3.75
Quoted price as at 31 December	SEK	151.00	141.00	110.00	88.75	67.00
P/E ratio	times	17.4	18.9	18.6	17.0	12.3
P/E ratio**	times	17.4	18.9	18.6	17.0	12.3
Direct return	%	3.6	3.5	3.9	4.5	5.6
No. of employees **	No.	756	727	654	631	623
Salaries and remuneration **	SEK million	297	281	241	219	212

* Shareholders' equity per share = visible equity

** Continuing operations

The five-year summary of key performance indicators for 2012 to 2016 has been adjusted in line with IFRS 5 by excluding discontinued operations, so that only continuing operations are reported.

Definitions can be found on page 90.

The Board of Directors and the Managing Director of OEM International AB (publ.), CRN 556184-6691, hereby present the Annual Report and the consolidated financial statements for the 2016 financial year. The Annual Report and the consolidated financial statements, including the Auditors' Report, are given on pages 31-83. Figures for 2015 are given in brackets.

THE GROUP

Business review

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 link between the customers and over 300 leading and specialist manufacturers of products and systems for industrial applications, giving customers access to a diverse and extensive range of industrial components. 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.

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 OMX Nordic Mid Cap in Stockholm.

Incoming orders, net sales and profit

Incoming orders increased by 8% to SEK 2,413 million (2,226) during the year. The order book reached SEK 297 million and was 14% higher than the previous-year date.

Net sales rose 7% to SEK 2,382 million (2,232) over the previous year. Net sales increased by 6% for comparable entities, which is also the increase excluding the impact of foreign currency exchange rate fluctuations. Most of the Group's operations have performed well and many of

them had a high growth trajectory during the year.

Operating profit before amortisation of acquisition-related intangible fixed assets (EBITA) during the year was SEK 277 million (246), which is an increase of 13%. The growth is due to improvements with enhanced margins and increased profitability in several parts of the business.

The operating margin before amortisation of acquisition-related intangible fixed assets (EBITA margin) was 11.6% (11.0%).

Profit before tax was SEK 255 million (221) and profit after tax rose 16% to SEK 201 million (173).

The year's profit after tax corresponds to SEK 8.70 (7.50) per share.

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, ATC Tape Converting, RF Partner and Ranatec Instrument.

A positive performance of existing entities, coupled with the acquisition of RF Partner and its subsidiary, boosted net sales by 7% to SEK 1,543 million (1,438). The increase was 6% for comparable entities and the movement in exchange rates had a beneficial effect of about 1% on net sales. This means that organic growth was approximately 5%. Agolux, Svenska Batteripoolen, Flexitron, Nexa Trading and Internordic Bearings account for the largest percentage growth in net sales in Sweden. The largest company in the region, OEM Automatic, delivered its highest net sales and best operating profit ever. This shows the strength of the company which is operating in a mature market with clear underlying growth.

Incoming orders rose 10% to SEK 1,564 million (1,423). During 2016, incoming orders were 1% higher than net sales.

EBITA rose 11% to SEK 221 million (199). The improvement in earnings is largely attributable to higher net sales.

Region Finland, the Baltic states and China

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

Net sales for the region in 2016 rose 15% to SEK 389 million (338) despite the generally weak demand across Finnish industries. Acquisitions had a beneficial 4% effect on net sales and foreign currency exchange rate movements had a beneficial effect of about 1%. This means that organic growth was approximately 10%. Growth was primarily attributable to the operations in Finland, which meant that OEM notably increased its market share in a weak Finnish market. Growth has been robust in most of the product areas in Finland and the product area showing strongest growth was Battery. Demand has been slightly weaker in the Baltic states and net sales fell by 4% to SEK 25 million. The operations in China have reported a 23% increase in sales to SEK 19 million.

The level of incoming orders has also been good, rising 17% to SEK 397 million (340).

Incoming orders exceeded net sales by 2% in 2016.

EBITA rose 52% to SEK 35 million (23), due primarily to increased net sales and an improved gross margin.

Region Denmark, Norway, UK and East Central Europe

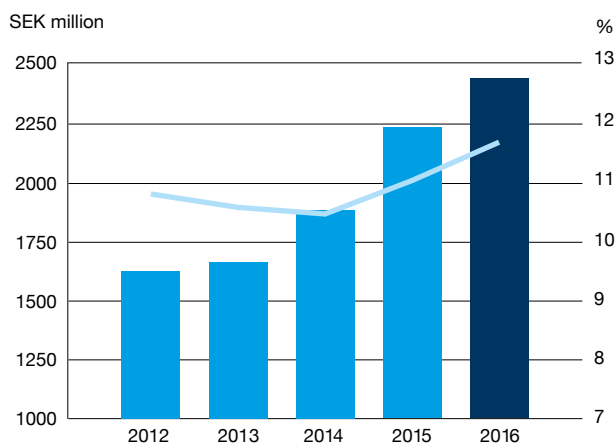
Sales are conducted under the names of OEM Automatic, OEM Automatic Klitsö and OEM Electronics.

Net sales decreased in 2016 by 1% to SEK 450 million (456). Exchange rate fluctuations had a negative 3% or so impact on net sales. This means that organic growth in the region in local currency was approximately 2%. The operations reporting organic growth are Hungary, the UK, Norway, Slovakia and the Czech Republic.

The overall modest organic growth indicates that 2016 has been something of an in-between year for OEM in several markets in the region.

Incoming orders have been on a par with net sales, falling 2% to SEK 452 million (462).

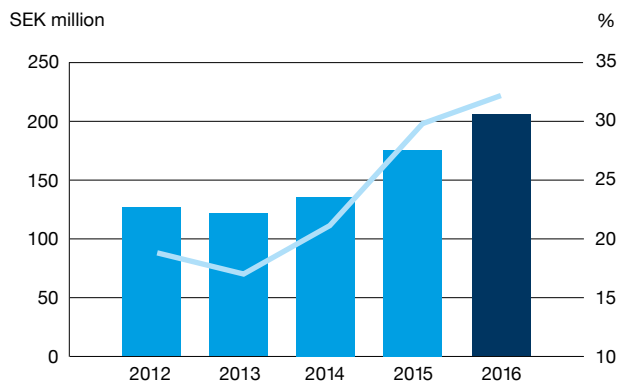
EBITA fell 16% to SEK 30 million (36), due primarily to a decline in net sales and a lower gross margin.



Net sales SEK million, EBITA margin %.

Profitability and financial position

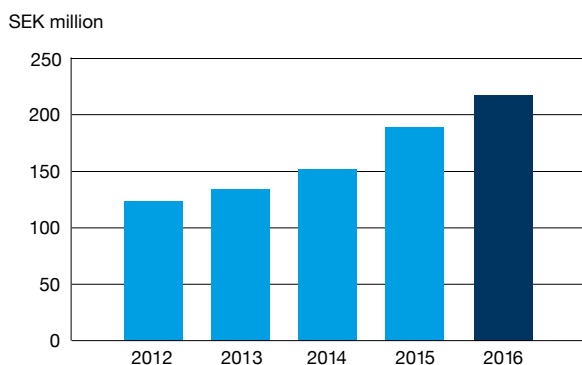
Return on capital employed was 31.6 % (30.0 %). Return on equity was 30.2 % (29.5 %) which exceeds the Group's financial target of 20 % through a business cycle. The Group's equity/assets ratio at year-end was 53.0 % (51.0 %). Shareholders' equity per share was SEK 30.62 (26.85). Cash and cash equivalents, comprising cash and bank balances, amounted to SEK 83 million (85). The Group's cash and cash equivalents, together with committed undrawn credit facilities, amounted to SEK 382 million (361) at year-end.



Profit after tax SEK million, Return on equity %.

Cash flow

The operating cash flow was SEK 219 million (192). The year's cash flow was SEK -3.1 million (6.3) after net investments of SEK -79 million (-58) and amortisation, new loans and paid dividends totalling SEK -142 million (-127).



Operating cash flow, SEK million.

Investment

The Group's gross investment for the year, excluding acquisitions, was SEK 26 million (24) in machinery and equipment, SEK 24 million (0.7) in buildings, and SEK 3.1 million (3.6) in other intangible fixed assets comprising patents and software.

Group changes

On 7 November 2016, the entire shareholding of RF Partner AB and its subsidiary Ranatec Instrument AB was acquired. The companies, with their head office in Mölndal in Sweden, develop and market components for radio applications, systems for radar surveillance and test systems for antennas. The companies generate annual net sales of approximately SEK 18 million. The companies have 4 employees and are part of Region Sweden.

On 29 December 2016, the entire shareholding of Sitek-Palvelu Oy in Finland was acquired. The company, with its head office in Jyväskylä in Finland, develops and markets products for industrial automation and process applications. The company generates annual sales of approximately EUR 5 million. The company has 13 employees and is part of Region

Finland, the Baltic states and China.

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 772 (729), an increase of 43 employees. 17 of these employees joined the Group through acquisitions. The average number of employees during the year was 756, compared with 727 in the previous financial year. The increase in average employee headcount during the year is mainly due to investment in existing companies. Women represent 20 % (19 %) of the workforce. Absence due to illness stands, on average, at 7 days per person and is on a par with last year. OEM encourages a healthy lifestyle through various forms of exercise and preventive healthcare. The average cost of training per employee is SEK 3,000 (3,000). Further 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 investments in foreign operations. A description of the financial instruments and 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 300 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 spread across several industrial segments and geographic markets. No customer accounts for more than about 4 % of total Group sales.

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 sole determining factor.

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 aims to increase its sales share outside of Sweden.

OEM's objective is to achieve a good return on shareholders' equity with limited financial risk 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%.

The Group has not issued a forecast for 2017.

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

Research and development

OEM conducts research and development activities of its own on a limited scale. Development is mainly conducted by the suppliers themselves using market demand data provided by the companies.

Environmental impact

In 2016, 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 reduce its impact on the environment.

The OEM Group's environmental policy dictates continuous efforts to minimise its external environmental impact. Its environmental programme is governed by the ambitions of the company management and the employees, customer requirements and legislation. The aim is to minimise the short and long-term impacts of its operations on the environment.

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 49 million (46). Net sales relate entirely to services to subsidiary companies. Profit before year-end appropriations and tax amounted to SEK 18 million (17).

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 2016 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 25,000. No other special fees are paid for work on committees.

The Board's proposed policies for remuneration of senior executives, which are to be presented at the 2017 Annual General Meeting, include market-competitive salaries and other benefit terms for the company's management. All share-related incentive schemes are to be decided by the Annual General Meeting. In addition to base salary, management may also receive variable remuneration, which is capped at 58% of base salary. 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 six (6) months' salaries, may be made upon termination by the company when the employee reaches the age of 55. The severance pay does not involve the obligation to work. This exception means a maximum of 18 monthly 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 par value per share is SEK 1.67.

Repurchase of 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 gives approval for authority 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 2012-2016. The company's total shareholding was 61,847 shares on 31 December 2016, which represents 0.3% of total shares.

At the forthcoming Annual General Meeting, the Board will again seek shareholder approval to renew the authority for the company to repurchase 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. If the company decides to issue new shares of Class A and B, through cash issue or set-off, holders of Class A and B shares shall have preferential rights to subscribe for new shares of the same type.

Notice of annual general meetings and extraordinary general meetings convened for the purpose of amending Articles of Association must be issued between six and four weeks before the meeting and resolutions must be supported by shareholders with at least 2/3 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.

Proposed dividend

The Board of Directors is proposing a dividend payment of SEK 5.50 (5.00) per share. Retained earnings in the Parent Company total SEK 185 million. The Board recommends a SEK 128 million dividend and that SEK 57 million be carried forward.

CORPORATE GOVERNANCE STATEMENT

Introduction

OEM International AB (the company) applies the Swedish Code of Corporate Governance (the Code) in accordance with the NASDAQ Stockholm 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 3,231 shareholders at the end of 2016. The ten largest shareholders controlled 76 % of the share capital and 91 % of the voting rights at year-end. The following shareholders have, directly or indirectly, shareholdings representing at least one-tenth of the number of voting rights for all shares in the company: Orvaus AB 28.9 %, Hans and Siv Franzén 21.3 %, Agne and 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 comprise not less than four and not more than seven members. The company is to have at least one auditor appointed by the Annual General Meeting and a deputy auditor if the elected auditor is not an auditing firm. Notice of annual general meetings and extraordinary general meetings convened for the purpose of amending Articles of Association must be issued between six and four weeks before the meeting. Notice 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 2014 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 the 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. 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 60.5 % of the share capital and 86.2 % of the voting rights took part in the 2016 Annual General Meeting held on 26 April 2016. Lars-Åke Rydh 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 reported on the cooperation with the auditors. The company's Managing Director and CEO, Jörgen Zahlén, presented comments on the Group's operations, the 2015 financial year and developments during the first quarter of 2016 and gave his assessment of the future prospects and outlook for the Group. The auditor presented the Auditors' Report and gave an oral account of the work during the year.

The 2016 Annual General Meeting decided:

- to approve the payment of a final dividend of SEK 5.00 per share.
- to elect Lars-Åke Rydh, Ulf Barkman, Hans Franzén, Jerker Löfgren, Petter Stillström and Åsa Söderström Jerring as members of the Board of Directors
- to elect Lars-Åke Rydh as Chairman of the Board of Directors.
- to adopt the proposal of the Nomination Committee that the Nomination Committee should be made up of representatives of not less than three and no more than four of the largest shareholders and that the Chairman of the Board should act as Chairman of the Nomination Committee.
- to adopt the proposal of the Board of Directors that 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 2017 Annual General Meeting will be held on 19 April in Tranås.

Nomination Committee

At the Annual General Meeting held on 26 April 2016, 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 2017 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 14 October 2016 and a change was made to its composition on 8 February 2017. 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 2017 Annual General Meeting:

- proposal for a Chairman for the Meeting
- proposal for members of the Board of Directors
- proposal for Chairman of the Board of Directors
- proposal for remuneration of the Board of Directors
- proposal for remuneration for any committee work
- proposal for auditors
- proposal for auditors' fees
- proposal for 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 2017 Annual General Meeting is composed of:

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

The Nomination Committee held two minuted meetings at which it acquainted itself with the assessment of the work of the Board of Directors during the past year and 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 in that a member of the Board may not serve as the Nomination Committee's Chairperson. It is considered reasonable for a company of this size to have a Nomination Committee in which a member of the Board who is also Chairman of the Board may serve as the Nomination Committee's Chairperson.

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 2016 Annual General Meeting, the Board has

consisted of the following members, all of them elected by the Annual General Meeting: Lars-Åke Rydh (Chairman), Ulf Barkman, Hans Franzén, Jerker Löfgren, Petter Stillström and Åsa Söderström Jerring. Jerker Löfgren passed away on 26 December 2016 and has not been replaced. The members of the Board are presented on page 84 and on the company's website (see under The Company/The Board). All Board members are independent from the company and the company's management. Board members Ulf Barkman, Lars-Åke Rydh and Åsa Söderström Jerring are independent from the company and the company's management, and also from the company's major shareholders. The current duties of the members of the Board are presented on page 84.

Chairman of the Board

It is the duty of the Chairman of the Board, Lars-Åke Rydh, who was re-elected at the 2016 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 2016, the Board had a total of nine meetings, including the inaugural meeting.

The Board members have attended all Board meetings with the exception of Ulf Barkman and Jerker Löfgren who were absent on one occasion, and Åsa Söderström Jerring on two occasions. 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 2016 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 2017 Annual General Meeting. The total remuneration of Board members, in accordance with the approval of the Annual General Meeting, is thus SEK 1,575,000. Board members may be able to invoice the remuneration through their companies if current tax legislation allows for invoicing and provided the company will not incur any expense. If a Board member invoices the Board remuneration via his/her company, the remuneration shall be augmented by an amount equivalent to the statutory social contributions and value added tax.

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

Remuneration Committee

The Board has appointed a Remuneration Committee, which consists of the Chairman, Lars-Åke Rydh, and Board members Hans Franzén and Petter Stillström. 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 approval. 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's executive team. The Board is informed of the decisions of the Remuneration Committee. Salaries and other terms of appointment for the Group's executive team 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. Compared with 2015, 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 pay. The pension scheme level is the same as for 2015. All share-related incentive schemes are to be decided by the Annual General Meeting. At present, there are no such 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 four times in the year to review and approve the above policy proposals.

Guidelines for the remuneration of senior executives will be proposed for adoption at the 2017 Annual General Meeting and are presented on page 33 of this report.

Audit Committee

During the year, the Board has had a special Audit Committee consisting of Chairman Ulf Barkman and Lars-Åke Rydh. The members of the Committee are independent from the company, the company's management and the company's major shareholders.

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 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 2017 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. In consultation with the Chairman of the Board, the Managing Director prepares the necessary information and basis for decisions prior to the Board meetings, presents the items of business 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 2016, OEM's executive team members were Jörgen Zahlin, Jan Cnattingius, Jens Kjellsson, Urban Malm, Patrick Nyström, Sven Rydell and Fredrik Simonsson.

The Group's executive team holds regular business reviews under the leadership of the Managing Director. The Managing Director and the Group's executive team are presented on pages 85 of this document and on the company's website (see 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 audit work includes such activities as an examination of compliance with the Articles of Association, the Swedish Companies Act and Annual Accounts Act, the International Financial Reporting Standards (IFRS), issues related to measurement of items recognised in the Statement of Financial Position/Balance Sheet for the Group/the Parent Company,

follow-up of essential accounting processes and governance and financial control.

The company's auditors meet with the Audit Committee three times a year and once a year with the Board. The company's auditors also attend the Annual General Meeting to explain and give opinions on the audit work.

At the 2016 Annual General Meeting, KPMG AB was appointed as auditors of the company until the conclusion of the 2017 Annual General Meeting. Chartered Accountant Olle Nilsson has been the principal auditor since the 2016 Annual General Meeting. KPMG performs the audit in OEM International AB and the majority of the subsidiaries.

Olle Nilsson's other major clients include SEW Eurodrive AB and Taberg Media Group AB.

Internal control and risk management regarding financial reporting for the financial year 2016

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 revenue recognition, and 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. Control-

lers 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 and 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 efficient management and internal control systems. One of the ways in which the Board regularly follows up the various Group companies' assessments of the internal control process is through contacts with the company's auditors. The Board has therefore decided not to have a separate internal audit.

Consolidated Statement of Income

(SEK million)

	Note	2016	2015
Operating income			
Net sales	2	2,382.4	2,231.7
Other operating income	3	7.4	5.2
Operating costs			
Commodities		-1,505.8	-1,417.5
Staff costs	5	-431.0	-406.8
Other expenses	6	-148.8	-140.7
Depreciation/amortisation of property, plant and equipment and intangible fixed assets	7	-45.7	-46.8
Operating profit		258.6	225.2
Finance income and expense			
Finance income	9	1.0	0.6
Finance expense	10	-4.5	-4.4
Profit before tax		255.0	221.4
Taxes	11	-54.1	-48.1
PROFIT FOR THE YEAR		200.9	173.2
Profit for the year attributable to:			
Parent Company shareholders		200.9	173.2
Non-controlling interests		-	-
Earnings per share, SEK *		8.70	7.50
Average number of shares outstanding *		23,107,462	23,107,462

* No effects of dilution present.

Consolidated statement of comprehensive income

(SEK million)

	Note	2016	2015
Profit for the year		200.9	173.2
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		2.0	-5.7
Items that have not been or cannot be recycled to the income statement for the year			
Revaluation of defined-benefit pension schemes		-0.1	1.1
Tax effect from revaluation of defined-benefit pension schemes		0.0	-0.3
Other comprehensive income for the year		1.9	-4.8
COMPREHENSIVE INCOME FOR THE YEAR		202.9	168.4
Comprehensive income for the year attributable to:			
Parent Company shareholders		202.9	168.4
Non-controlling interests		-	-

Consolidated statement of financial position

(SEK million)

ASSETS	Note	31 Dec 2016	31 Dec 2015
Non-current assets			
Intangible fixed assets			
Goodwill	12	117.2	97.7
Other intangible fixed assets	12	79.2	78.0
		196.4	175.7
Property, plant and equipment			
Buildings and land	13	165.3	146.3
Fixtures, fittings, tools and equipment	13	61.7	56.6
		227.0	202.9
Financial assets and deferred tax assets			
Deferred tax assets	11	1.3	1.6
Non-current receivables		0.4	0.5
		1.8	2.0
Total non-current assets		425.1	380.6
Current assets			
Inventories			
Commodities	15	427.7	395.8
		427.7	395.8
Current receivables			
Tax receivables		0.9	2.9
Trade receivables		370.2	324.0
Other receivables		18.7	17.4
Prepaid expenses and accrued income	16	14.0	14.2
		403.8	358.5
Cash and cash equivalents		83.1	84.7
Total current assets		914.7	839.0
TOTAL ASSETS		1,339.8	1,219.7

Consolidated statement of financial position

(SEK million)

EQUITY AND LIABILITIES	Note	31 Dec 2016	31 Dec 2015
Equity	17		
Share capital		38.6	38.6
Other contributed capital		39.4	39.4
Translation reserves		9.7	7.7
Retained earnings, including profit for the year		621.7	536.4
Total equity attributable to Parent Company shareholders		709.4	622.1
Liabilities			
Non-current liabilities			
<i>Interest-bearing liabilities</i>			
Non-current interest-bearing liabilities	18	35.7	34.7
Provisions for pensions	19	1.0	2.0
<i>Non interest-bearing liabilities</i>			
Non-current liabilities	20	12.5	11.0
Deferred tax liabilities	11	83.3	75.7
Total non-current liabilities		132.4	123.4
Current liabilities			
<i>Interest-bearing liabilities</i>			
Overdrafts	18	156.8	183.4
Other current liabilities	18	10.5	10.2
<i>Non interest-bearing liabilities</i>			
Trade payables		153.0	127.7
Tax liabilities		12.1	4.8
Other liabilities		66.8	58.7
Accrued expenses and prepaid income	22	98.7	89.3
Total current liabilities		497.9	474.1
TOTAL EQUITY AND LIABILITIES		1,339.8	1,219.7

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 2015	38.6	39.4	13.4	460.5	551.9
Profit for the year				173.2	173.2
Other comprehensive income for the year			-5.7	0.8	-4.8
Transactions with owners:					
Dividends paid				-98.2	-98.2
CLOSING BALANCE 31 DEC 2015 *	38.6	39.4	7.7	536.4	622.1
Opening equity 1 Jan 2016	38.6	39.4	7.7	536.4	622.1
Profit for the year				200.9	200.9
Other comprehensive income for the year			2.0	-0.1	1.9
Transactions with owners:					
Dividends paid				-115.5	-115.5
CLOSING BALANCE 31 DEC 2016 *	38.6	39.4	9.7	621.7	709.4

* Shareholders' equity attributable to Parent Company shareholders.

Consolidated statement of cash flows

(SEK million)

	2016	2015
Operating activities		
Profit before tax	255.0	221.4
Adjustments for non-cash items	43.6	47.5
	298.6	268.8
Taxes paid	-41.7	-41.9
Operating cash flows before movements in working capital	257.0	227.0
Change in inventories	-22.8	-29.3
Change in trade receivables	-33.6	-19.0
Change in other operating receivables	-1.3	0.5
Change in trade payables	21.0	-2.0
Change in other operating liabilities	-1.7	14.5
Operating cash flows	218.6	191.7
Investing activities		
Acquisition of subsidiaries, net effect on cash and cash equivalents	-30.9	-35.6
Acquisition of intangible fixed assets	-3.1	-3.6
Acquisition of property, plant and equipment	-49.8	-24.7
Sales of property, plant and equipment	4.6	5.5
Investing cash flows	-79.2	-58.4
Financing activities		
Loans raised	2.8	0.2
Loan amortisation	-2.0	-6.1
Change of overdraft	-27.7	-22.8
Dividends paid	-115.5	-98.2
Financing cash flows	-142.4	-126.9
CASH FLOW FOR THE YEAR	-3.1	6.3
Cash equivalents at beginning of year	84.7	80.1
Exchange rate difference cash equivalents	1.5	-1.7
Cash equivalents at end of year	83.1	84.7

Additional information, refer to Note 26.

Parent Company income statements

(SEK million)

	Note	2016	2015
Operating income			
Net sales		48.9	45.9
Operating costs			
Other external costs	6	-22.0	-18.9
Staff costs	5	-25.1	-25.2
Depreciation/amortisation of property, plant and equipment and intangible fixed assets	7	-6.4	-6.6
Operating profit		-4.6	-4.9
Income from interests in Group companies	8	23.9	22.4
Other interest income and similar income	9	0.8	1.0
Other interest expense and similar charges	10	-1.6	-1.2
Profit after financial items		18.4	17.4
Year-end appropriations			
<i>Difference between tax depreciation and depreciation according to plan:</i>			
Expenses brought forward for software	23	-1.0	-1.4
Fixtures, fittings, tools and equipment	23	-0.3	0.1
Tax allocation fund, provision	23	-55.7	-48.6
Tax allocation fund, reversal	23	25.0	21.0
Group contributions received		207.6	183.4
Group contributions paid		-4.6	-4.9
Profit before tax		189.4	167.0
Taxes	11	-36.8	-32.2
PROFIT FOR THE YEAR*		152.6	134.8

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

Parent Company balance sheet

(SEK million)

ASSETS	Note	31 Dec 2016	31 Dec 2015
Non-current assets			
Intangible fixed assets			
Expenses brought forward for software	12	18.1	19.4
		18.1	19.4
Property, plant and equipment			
Buildings and land	13	14.1	14.6
Fixtures, fittings, tools and equipment	13	4.0	2.9
		18.1	17.5
Financial assets			
Interests in Group companies	14	346.0	380.1
		346.0	380.1
Total non-current assets		382.2	417.1
Current assets			
Current receivables			
Receivables from Group companies		349.4	310.5
Other receivables		5.2	0.5
Prepaid expenses and accrued income	16	4.7	3.8
		359.3	314.8
Cash on hand and demand deposits		–	0.0
Total current assets		359.3	314.8
TOTAL ASSETS		741.4	732.0

Parent Company balance sheet

(SEK million)

SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES	Note	31 Dec 2016	31 Dec 2015
Equity			
Non-distributable equity	17		
Share capital		38.6	38.6
Reserve fund		32.3	32.3
		70.9	70.9
Distributable equity			
Profit brought forward		31.9	12.7
Profit for the year		152.6	134.8
		184.6	147.5
Total shareholders' equity		255.5	218.4
Untaxed reserves			
Accelerated amortisation	23	12.8	11.5
Accruals funds	23	239.5	208.8
Total untaxed reserves		252.3	220.3
Provisions			
Deferred tax liabilities	11	1.9	1.9
Total provisions		1.9	1.9
Non-current liabilities			
<i>Non interest-bearing liabilities</i>			
Other liabilities	20	12.5	5.1
Total non-current liabilities		12.5	5.1
Current liabilities			
<i>Interest-bearing liabilities</i>			
Overdrafts		82.8	99.5
<i>Non interest-bearing liabilities</i>			
Trade payables		7.1	4.6
Tax liabilities		14.3	6.3
Liabilities to Group companies		91.8	154.5
Other current liabilities		12.6	10.8
Accrued expenses and prepaid income	22	10.7	10.6
Total current liabilities		219.3	286.2
TOTAL EQUITY, PROVISIONS AND LIABILITIES		741.4	732.0

Parent Company statement of changes in equity

(SEK million)

	Non-distributable equity		Distributable equity	Total shareholders' equity
	Share capital	Reserve fund	Profit brought forward including profit for the year	
Opening equity 1 Jan 2015	38.6	32.3	110.9	181.8
Comprehensive income for the year *			134.8	134.8
Dividends paid			-98.2	-98.2
CLOSING EQUITY 31 DEC 2015	38.6	32.3	147.5	218.4
Opening equity 1 Jan 2016	38.6	32.3	147.5	218.4
Comprehensive income for the year *			152.6	152.6
Dividends paid			-115.5	-115.5
CLOSING EQUITY 31 DEC 2016	38.6	32.3	184.6	255.5
Proposed dividend, SEK 5.50 per share			127.4	

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

NUMBER OF SHARES	Total	Outstanding
Opening number 1 Jan 2015	23,169,309	23,107,462
CLOSING NUMBER 31 DEC 2015	23,169,309	23,107,462
Opening number 1 Jan 2016	23,169,309	23,107,462
CLOSING NUMBER 31 DEC 2016	23,169,309	23,107,462

Parent Company cash flow statement

(SEK million)

	2016	2015
Operating activities		
Profit after financial items	18.4	17.4
Adjustments for non-cash items	6.2	15.6
	24.6	33.0
Taxes paid	-28.8	-26.7
Operating cash flows before movements in working capital	-4.2	6.3
Cash flow from changes in working capital		
Change in other operating receivables	-20.2	-28.9
Change in trade payables	2.5	2.1
Change in other operating liabilities	-63.7	14.0
Operating cash flows	-85.6	-6.5
Investing activities		
Acquisition of subsidiaries	-35.5	-23.9
Liquidation of subsidiaries*	80.6	-
Acquisition of intangible fixed assets	-2.9	-3.5
Acquisition of property, plant and equipment	-2.9	-0.6
Investing cash flows	39.3	-28.0
Financing activities		
Group contributions, received	183.4	154.0
Group contributions, paid	-4.9	-10.5
Change of overdraft	-16.7	-10.7
Dividends paid	-115.5	-98.2
Financing cash flows	46.2	34.5
CASH FLOW FOR THE YEAR	0.0	0.0
Cash equivalents at beginning of year	0.0	0.0
Cash equivalents at end of year	-	0.0

Additional information, refer to Note 26.

*Completion of voluntary liquidation of OEM Electronic Production Technology AB

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 reported at historical costs, except derivative instruments 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. Consolidated accounting policies have also been applied consistently to the accounting and consolidation of the Parent Company and subsidiaries.

Amended accounting policies arising from new or amended International Financial Reporting Standards, effective in 2016

Amendments to IFRS standards that are effective from 1 January 2016 have not had any significant impact on the amounts recognised in the consolidated financial statements.

New IFRS standards and interpretations that have not yet been adopted

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

IFRS 9 *Financial Instruments* will supersede IAS 39 *Financial Instruments: Recognition and Measurement* and is effective for accounting periods commencing on or after 1 January 2018. IFRS 9 brings changes to how financial assets are classified and measured, introduces an impairment loss model based on expected credit losses (ECL) instead of losses only being recognised once an impairment event has happened, and introduces greater flexibility over the instruments eligible for hedge accounting. It is expected that bad debt provisions will be made earlier and will increase to some extent under the new rules for impairment of credit losses. Based on historic experience, bad debt amounts are very small and the new rules for credit loss recognition are expected to have

an insignificant effect on the financial statements. The Group's non-derivative financial assets are such that they will continue to be recognised at cost after the application of IFRS 9. Hedge accounting is not applied. IFRS 9 amends some of the requirements of IFRS 7 *Financial Instruments: Disclosures*, which will affect the disclosures presented to a small extent. IFRS 9 is thus not expected to have any material impact on the Group's financial statements.

IFRS 15 *Revenue from Contracts with Customers* is effective for accounting periods commencing on or after 1 January 2018 and will supersede IAS 18 *Revenue* and a number of existing standards and interpretations for revenue recognition. OEM is currently assessing the impact that the new revenue recognition regulations will have. The preliminary assessment is that IFRS 15 does not have a significant impact on the Group's financial statements, apart from additional disclosures.

IFRS 16 *Leases* supersedes IAS 17 *Leases* and applies to accounting periods beginning on or after 1 January 2019 subject to adoption by the European Union. OEM does not have any plans to early adopt IFRS 16. IFRS 16 requires leases that are recognised as operating leases under IAS 17 to be recognised as assets and liabilities on the balance sheet in a manner similar to current recognition of finance leases. The asset represents the right to use the leased asset and the liability represents the obligation to make lease payments. In the income statement, a lessee recognises amortisation of lease assets and interest on lease liabilities. OEM will initiate a project to assess the impact of IFRS 16 on the Group's financial statements, position and additional disclosures, and determine which option to select for transition to IFRS 16. It is expected that the recognition of the Group's finance leases will be affected only insignificantly in respect of the treatment of residual value guarantees.

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

Segment reporting

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.

Consolidation of subsidiaries

A subsidiary is an entity over which OEM International AB holds a direct or indirect controlling interest. The Parent Company has a controlling interest if it directly or indirectly has power over the investee, 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

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

Income

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

Operating costs and finance income and expense

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 discounts the present value of all estimated future cash receipts and payments through the expected life of the financial asset to that asset's net carrying amount.

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 to the cash flows from the financial asset are settled, expire or the entity no longer has control of the contractual rights. The same applies to part of a financial asset. A financial liability is derecognised and removed from the statement of financial position when the obligation is discharged, cancelled or expires. 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.

Recognition and measurement

Financial instruments are initially recognised at cost which is the fair value of the instrument including transaction costs for all financial instruments, except those instruments in the category of financial assets held at fair value through profit and loss, which are recognised at fair value excluding transaction costs. On initial recognition, the financial instruments are classified into various categories depending on the purpose for which the instruments were acquired, which then determines the subsequent measurement of the instrument.

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

Trade receivables and other current and non-current receivables classified in the category "loans and receivables"

Loans and receivables are non-derivative financial assets with fixed or de-

terminable payments that are not quoted in an active market. These assets are presented at amortised cost. Amortised cost is determined based on the effective interest that was calculated at the time of acquisition. Trade receivables are stated at their realisable values, i.e. less allowances for potential losses on doubtful receivables.

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

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

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. The Group did not engage in hedging activities during the year or during the comparative year.

Contingent considerations are measured at fair value and changes in value are reported in the income statement for the year as "Other Operating Cost" or "Other Operating Income".

Cash and cash equivalents

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

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

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

Trade payables and other operating liabilities classified in the category "Other liabilities"

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

Property, plant and equipment

Owned assets

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment in value in the consolidated financial statements. Cost comprises the purchase price, including any expenses directly attributable to their acquisition and to making that asset capable of operating as intended. 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.

Leased assets

Leases are classified in the consolidated financial statements as finance leases 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 finance leases 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 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

Depreciation is provided on a straight-line basis over the expected useful life of the asset. Land is not depreciated.

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

Expected useful lives:

- 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 comprises 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:

- Frame 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 fixed 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 expenditure

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 assets' useful lives are reviewed at least once a year. See Note 12.

Estimates of useful life:

- IT software 3 to 8 years
- trademarks 5 to 10 years
- customer relationships 5 years
- supplier relationships 5 years (unless indefinite)

Capitalisation of borrowing costs

Borrowing costs that are directly attributable to the construction of qualifying assets are capitalised as part of the cost of that asset. 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 recognised values of the Group's assets are tested on each balance sheet date for any indication of impairment. The section below explains the impairment test for property, plant and equipment and intangible assets, investments in subsidiaries and 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

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

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

Impairment test for financial assets

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

The recoverable amount for assets categorised as loans and receivables carried at amortised cost are calculated as the present value of the future cash flows discounted by the effective interest that applied on initial

recognition. Assets with a short term are not discounted. An impairment is recognised as an expense in the income statement for the year.

Reversal of impairment losses

Impairment losses on assets included in the scope of IAS 36 are reversed if there is (1) an indication that impairment has ceased and (2) 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 losses on loans and accounts receivables carried at amortised cost are reversed if a subsequent increase in the recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

Capital payments to shareholders

Repurchase of 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 retirement benefit 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 recognised in the statement of financial position when there is a present legal or constructive obligation as a result of a past event, the amount of the obligation can be reliably estimated and it is probable that an outflow of economic benefits will be required to settle the obligation.

Provisions are measured at the best estimate of the amount expected to be required to settle the obligation at the reporting date. If the effect is material, provisions are determined by discounting the expected future cash flows.

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

The Parent Company's accounting policies for 2016 have changed since 2015 as a result of amendments to the Swedish Annual Accounts Act. As a result of the changes, the Parent Company recognises pledged assets and contingent liabilities in a note to the financial statements and no longer on the balance sheet.

New IFRS standards and interpretations that have not yet been adopted are presented above for the Group. The new standards IFRS 15 Revenue, IFRS 9 Financial Instruments and IFRS 16 Leases are not expected to have any material effect on the Parent Company.

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 described below. The accounting policies of the Parent Company, as described below, have been consistently applied to all the 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

In the Parent Company, non-current financial assets are stated at their cost of acquisition, wherever applicable, less any impairment losses. Current financial assets are stated at the lower of acquisition cost and net realisable value. 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 uses the alternative method to report Group contributions. This means that both issued and received Group contributions are recognised as a year-end appropriation.

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, one manager in Finland, the Baltic states and China (hence the formation of this operating segment), and four managers in the Denmark, Norway, UK and East Central Europe region. They are responsible for the day-to-day operations and provide the Group management with regular reports on the performance of the segment and resource requirements. The Group's internal reporting system is designed to allow the Group management to monitor the performance and results of each of the market regions. The Group's segments have been identified using data from this internal reporting system, and the different areas have been assessed in order to merge segments that are similar. This means that segments have been aggregated if they share similar economic characteristics, such as long-term gross margins and have similar product areas, customer categories and methods of distribution.

In the segments' profit, assets and liabilities are included directly attributable items and items that can be distributed to the segment in a reasonable and reliable manner. Non-distributed items consist of interest and dividend income, gains from the sale of financial investments, interest expenses, losses from the sale of financial investments, tax expenses and general administration expenses. Assets and liabilities not distributed to the segments are deferred tax 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, installation components, ball bearings and seals, motors, transmissions, brakes and appliance components. Customers include machinery and appliance manufacturing industries, wholesalers, electrical contractors, catalogue distributors, strategic end users and electronics manufacturers and strategic contract manufacturers in northern Europe.

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.

YEAR 2016

	Sweden	Finland, Baltic states and China	Denmark, Norway, UK and East Central Europe	Group-wide operations	Eliminations	Total consolidated
Income						
External sales	1,543.2	389.2	450.0			2,382.4
Internal sales	77.5	6.5	1.1	68.5	-153.6	-
Total income	1,620.7	395.8	451.0	68.5	-153.6	2,382.4
Profit						
Operating profit	208.8	32.8	25.8	7.7	-16.5	258.6
Financial items				-3.5		-3.5
Tax expenses						-54.1
PROFIT FOR THE YEAR	208.8	32.8	25.8	4.2	-16.5	200.9
EBITA	220.9	34.9	30.3	7.7	-16.5	277.4
EBITA margin, %	14.3	9.0	6.7	-	-	11.6
Other disclosures						
Assets	691.9	193.7	171.6	197.3		1,254.4
Liabilities	405.7	64.4	56.4	-195.5		331.0
Investments in intangible fixed assets	0.2	-	-	2.9		3.1
Investments in property, plant and equipment	7.4	0.6	2.3	39.5		49.8
Amortisation of intangible fixed assets	0.1	-	-	4.3		4.3
Depreciation of property, plant and equipment	3.7	2.1	2.9	13.8		22.5

Cont. Note 2

YEAR 2015

	Sweden	Finland, Baltic states and China	Denmark, Nor- way, UK and East Central Europe	Group-wide operations	Eliminations	Total consoli- dated
Income						
External sales	1,437.5	337.8	456.4			2,231.7
Internal sales	84.7	3.7	1.6	62.9	-152.8	-
Total income	1,522.2	341.4	458.0	62.9	-152.8	2,231.7
Profit						
Operating profit	185.4	21.5	29.6	4.8	-16.2	225.2
Financial items				-3.8		-3.8
Tax expenses						-48.1
PROFIT FOR THE YEAR	185.4	21.5	29.6	1.0	-16.2	173.2
EBITA	198.6	23.0	36.3	4.8	-16.2	246.5
EBITA margin, %	13.8	6.8	8.0	-	-	11.0
Other disclosures						
Assets	642.2	138.2	179.0	171.0		1,130.4
Liabilities	357.6	44.0	57.1	-172.0		286.7
Investments in intangible fixed assets	0.1	-	-	3.5		3.6
Investments in property, plant and equipment	5.0	2.4	1.7	15.6		24.7
Amortisation of intangible fixed assets	0.1	-	-	4.3		4.3
Depreciation of property, plant and equipment	3.4	1.8	2.8	13.1		21.1

GEOGRAPHIC AREAS

	External sales *		Assets **		Investment	
	2016	2015	2016	2015	2016	2015
Sweden	1,539.3	1,433.2	282.9	258.5	47.9	23.2
Denmark	126.1	131.9	38.4	39.0	-	0.2
United Kingdom	121.3	122.1	23.2	29.7	1.3	0.5
Finland	345.2	296.3	73.9	46.8	1.8	2.4
The Netherlands	3.9	4.4	1.6	1.1	0.9	1.0
Norway	55.9	52.5	0.2	0.1	0.1	0.1
Poland	85.4	92.8	1.8	1.9	0.6	0.6
Estonia	21.4	22.7	0.1	0.2	-	-
Latvia	0.6	0.3	-	-	-	-
Lithuania	3.0	3.0	0.0	0.0	-	0.0
Czech Republic	41.8	40.1	0.7	0.9	-	0.1
Slovakia	12.1	11.6	0.1	0.0	-	-
Hungary	7.3	5.4	0.5	0.3	0.4	0.3
China	19.0	15.4	0.1	0.1	0.0	0.0
TOTAL	2,382.4	2,231.7	423.3	378.6	52.9	28.3

* 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		Parent Company	
	2016	2015	2016	2015
Remeasurement of contingent consideration	7.4	5.2	-	-
TOTAL	7.4	5.2	-	-

See Notes 4 and 24 for further information.

Note 4

Business combinations

2016

On 7 November 2016, the entire shareholding of RF Partner AB and its subsidiary Ranatec Instrument AB was acquired. The companies develop and market components for radio applications, systems for radar surveillance and test systems for antennas. Their operations generated sales of approximately SEK 18 million in 2015 and are part of Region Sweden. The consideration for the business acquired was SEK 13.5 million, plus a contingent consideration estimated at SEK 3.0 million, based on how the business develops in 2016, 2017 and 2018. The impact of acquisition transactions on consolidated sales in 2016 was approximately SEK 4.3 million and on profit before tax approximately SEK 0.3 million. If the acquired business had been consolidated from the start of 2016, the effect on sales and profit before tax would have been approximately SEK 17 million and SEK 2.3 million respectively.

The entire shareholding of Sitek-Palvelu OY was acquired on 29 December 2016. The company develops and markets products for industrial automation and process applications. The company generates sales of approximately EUR 5.0 million and is part of Region Finland, the Baltic states and China. The consideration for the business acquired was SEK 19.4 million, plus a contingent consideration estimated at SEK 8.7 million, based on how the business develops from 2017 to 2019. The impact of acquisition transactions on consolidated sales in 2016 was approximately SEK 4.2 million and with zero profit. If the acquired business had been consolidated from the start of 2016, the effect on sales and profit before tax would have been approximately SEK 45 million and SEK 1.6 million respectively.

2015

On 27 January 2015, all shares in AB Ernst Hj Rydahl Bromsbandfabrik, known as Rydahls, were acquired. The company is one of the leading suppliers of brake and friction components in the Nordic region and its acquisition adds a completely new market segment to OEM. The business generated sales of approximately SEK 117 million in 2014 and is part of Region Sweden. The consideration for the business acquired was SEK 21.5 million, plus a contingent consideration estimated at SEK 8.5 million, based on how the business develops in 2015 and 2016. The impact of acquisition transactions on consolidated sales in 2015 was approximately SEK 114 million and on profit before tax approximately SEK 4.5 million.

The entire shareholding of Scannotec OY was acquired on 12 June 2015. The company markets technical products and systems for guidance, information, surveillance and safety that are used in public transport and in industrial facilities and its acquisition opens up a completely new market segment to OEM. The company generates sales of approximately EUR 1.5 million and is part of Region Finland, the Baltic states and China. The consideration for the business acquired was SEK 5.5 million, plus a contingent consideration estimated at SEK 2.5 million, based on how the business develops from 2015 to 2017. The impact of acquisition transactions on consolidated sales in 2015 was approximately SEK 8.2 million and on profit before tax approximately SEK 0.8 million. If the acquired business had been consolidated from the start of 2015, the effect on sales and profit before tax would have been approximately SEK 14 million and SEK 1.0 million respectively.

On 27 August 2015, all shares in ATC Tape Converting AB were acquired. The company converts and markets industrial tape, which complements the Group's existing range. The company generates sales of approximately SEK 18 million and is part of Region Sweden. Consideration for the business acquired was SEK 10 million, plus a contingent consideration estimated at SEK 1.5 million, based on how the business develops in 2015. The impact of acquisition transactions on consolidated sales in 2015 was approximately SEK 6.3 million and on profit before tax approximately SEK 0.4 million. If the acquired business had been consolidated from the start of 2015, the effect on sales and profit before tax would have been approximately SEK 20 million and SEK 0.9 million respectively.

EFFECTS OF ACQUISITION	2016	2015
The net assets of the acquired companies on acquisition:		
Intangible assets	21.6	13.5
Other fixed assets	0.9	2.8
Inventories	7.7	32.8
Trade and other receivables	11.9	22.3
Cash and cash equivalents	6.9	5.4
Interest-bearing liabilities	-0.5	-11.0
Trade payables and other operating liabilities	-16.9	-22.4
Deferred tax liability	-5.1	-4.6
Net identifiable assets and liabilities	26.5	38.8
Consolidated goodwill	18.6	10.8
CONSIDERATION TRANSFERRED	45.1	49.6

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

Acquisition-related expenses amount to SEK - million (0.3) and relate to consultancy fees for due diligence. These expenses have been recognised as other operating expenses in the Statement of Income.

	2016	2015
Remuneration		
Service fees paid	26.8	32.8
Due in accordance with agreement	6.6	4.3
Estimated contingent consideration	11.7	12.5
TOTAL CONSIDERATION TRANSFERRED	45.1	49.6

Contingent consideration

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

Contingent consideration is capped at SEK 21.2 million (14.3) and is estimated at SEK 11.7 million (12.5) in the acquisition cost analysis.

The contingent considerations have been calculated using weighted probability techniques.

Remeasurement of contingent consideration

The growth of acquired businesses in 2014, 2015 and 2016 has resulted in remeasurement of contingent consideration which has decreased by SEK 7.4 million.

This has been recognised as Other Income and had a positive SEK 7.4 million (5.2) effect on the operating profit in 2016.

See Note 12 for further information on intangible assets.

Note 5

Employees and staff costs

AVERAGE NUMBER OF EMPLOYEES	2016	Of which men	2015	Of which men
Parent Company				
Sweden	18	83 %	18	83 %
Subsidiaries				
Sweden	421	79 %	410	79 %
Denmark	33	82 %	31	81 %
United Kingdom	46	83 %	44	84 %
Estonia	3	100 %	3	100 %
Finland	107	88 %	103	87 %
The Netherlands	2	50 %	2	50 %
China	21	71 %	21	71 %
Lithuania	1	100 %	1	100 %
Norway	17	82 %	17	82 %
Poland	46	78 %	42	79 %
Slovakia	8	88 %	6	100 %
Czech Republic	28	75 %	26	77 %
Hungary	5	83 %	3	100 %
Total in subsidiaries	738	80 %	709	81 %
GROUP TOTAL	756	80 %	727	81 %
SALARIES, OTHER REMUNERATION AND SOCIAL SECURITY EXPENSES	2016		2015	
	Salaries and remuneration	Social security expenses	Salaries and remuneration	Social security expenses
Parent Company (of which pension expenses)	15.9	8.0 (2.5)	15.9	7.5 (2.3)
Subsidiaries (of which pension expenses)	281.4	103.7 (23.4)	265.4	95.1 (21.9)
GROUP TOTAL	297.3	111.8	281.3	102.5
(of which pension expenses)		(25.8)		(24.2)
SALARIES AND OTHER REMUNERATION ACROSS THE PARENT COMPANY AND SUBSIDIARIES AND BETWEEN SENIOR EXECUTIVES AND OTHER EMPLOYEES	2016		2015	
	Senior executives including the Board	Other employees	Senior executives including the Board	Other employees
Parent Company Sweden, of which senior executives 9 people (9) (of which bonus)	8.9 (2.2)	7.0	9.0 (2.1)	6.9
Subsidiaries total, of which senior executives 24 people (24) (of which bonus)	20.2 (2.0)	261.1	19.9 (2.1)	245.5
GROUP TOTAL, OF WHICH SENIOR EXECUTIVES 33 PEOPLE (33)	29.1	268.2	28.9	252.5
(of which bonus)	(4.2)		(4.2)	

Pension premiums to the amount of SEK 4.5 million (4.4) have been paid for the category senior executives.

REMUNERATION OF GROUP MANAGEMENT AND BOARD MEMBERS

	2016					2015				
	Base pay, board fee	Variable remuneration	Other benefits	Pension expense	Total	Base salary, Board remuneration	Variable remuneration	Other benefits	Pension expense	Total
Lars-Åke Rydh, Chairman of the Board	0.5	-	-	-	0.5	0.5	-	-	-	0.5
Ulf Barkman, Board member	0.3	-	-	-	0.3	0.3	-	-	-	0.3
Hans Franzén, Board member	0.2	-	-	-	0.2	0.2	-	-	-	0.2
Jerker Löfgren, Board member	0.2	-	-	-	0.2	0.2	-	-	-	0.2
Petter Stillström, Board member	0.2	-	-	-	0.2	0.2	-	-	-	0.2
Åsa Söderström Jerring, Board member	0.2	-	-	-	0.2	0.2	-	-	-	0.2
Jörgen Zahlin, Managing Director	3.2	1.7	-	0.9	5.8	3.4	1.7	-	0.9	6.0
Other senior executives 6 persons (6) *	4.8	1.7	-	0.9	7.4	5.0	1.7	-	0.9	7.6
	6.7	1.8	0.1	1.8	10.5	6.5	1.9	0.1	1.7	10.2
TOTAL	11.5	3.5	0.1	2.7	17.9	11.5	3.6	0.1	2.5	17.7

* Of the other senior executives, four (four) people receive remuneration from subsidiaries. This remuneration is included at an amount of SEK 6.2 million (6.1). Pension expenses were SEK 1.3 million (1.2).

CEO/Managing Director

Pension expenses are defined contribution. There are no other retirement benefit obligations. As in previous years, variable remuneration is based on the performance levels attained. SEK 1.7 million was paid in variable remuneration in 2016. Variable remuneration payment totalled SEK 1.7 million in 2015. Bonus could be paid at a maximum of 58 % of base salary. 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 retirement benefit obligations. Variable remuneration payment totalled SEK 1.8 million in 2016. Variable remuneration payment totalled SEK 1.9 million in 2015. 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 six monthly salaries. 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. 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 2016 Annual General Meeting, state that Group management shall have market-competitive salaries and other remuneration terms. In addition to base salary, management may also receive variable remuneration, which is capped at 58 % of base salary. Senior executives shall have premium-based pension schemes, capped at 30 % of fixed pay. The maximum term of notice is 24 months and shall also include the obligation to work during the term 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 SPLIT	Group (percentage of women)		Parent (percentage of women)	
	2016	2015	2016	2015
Board of Directors	2 %	2 %	17 %	17 %
Other senior executives	0 %	0 %	0 %	0 %

Note 6

Fees and reimbursement of expenses to the auditors

	The Group		Parent Company	
	2016	2015	2016	2015
KPMG				
Audit assignments	1.5	1.6	0.2	0.3
Audit activities other than the audit assignment	0.1	0.1	0.1	0.1
Other assignments	0.2	0.2	0.2	0.2
	1.8	1.9	0.5	0.6
Other auditors				
Audit assignments	0.3	0.3	-	-
Tax counselling	-	0.1	-	-
Other assignments	0.1	0.1	-	-
	0.4	0.5	-	-
TOTAL	2.2	2.4	0.5	0.6

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

Note 7

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

	The Group		Parent Company	
	2016	2015	2016	2015
Customer relationships	-11.6	-13.6	-	-
Patents	-0.1	-0.1	-	-
Trademarks	-3.3	-3.3	-	-
Supplier relationships	-3.9	-4.4	-	-
Expenses brought forward for software	-4.3	-4.3	-4.3	-4.3
Buildings and land	-5.1	-4.8	-0.5	-0.5
Fixtures, fittings, tools and equipment	-17.4	-16.4	-1.7	-1.8
TOTAL	-45.7	-46.8	-6.4	-6.6

Note 8

Income from interests in Group companies

	Parent Company	
	2016	2015
Dividends received	23.7	31.3
Capital gains on liquidation	2.2	-
Impairment of interests in Group companies	-2.0	-8.9
TOTAL	23.9	22.4

Note 9

Finance income/other interest income and similar income

	The Group		Parent Company	
	2016	2015	2016	2015
Interest on bank deposits	1.0	0.6	0.8	0.6
Other finance income	0.0	-	-	0.3
TOTAL	1.0	0.6	0.8	1.0

Note 10

Finance expense/interest expense and similar charges

	The Group		Parent Company	
	2016	2015	2016	2015
Interest expense on financial liabilities	-4.5	-3.9	-1.3	-1.2
Other finance expense	-	-0.5	-0.4	-
TOTAL	-4.5	-4.4	-1.6	-1.2

Note 11

Taxes

RECOGNISED IN STATEMENT OF INCOME/INCOME STATEMENT	The Group		Parent Company	
	2016	2015	2016	2015
Current tax	-51.1	-46.2	-36.8	-32.1
Deferred tax	-3.0	-1.9	0.0	0.0
TOTAL RECOGNISED TAX EXPENSE	-54.1	-48.1	-36.8	-32.2
LINK BETWEEN TAX EXPENSES FOR THE YEARS AND PROFIT BEFORE TAX				
Reported profit before tax	255.0	221.4	189.4	167.0
Estimated tax on reported profit before tax as per applicable tax rate for income tax in each country	-54.9	-47.9	-41.7	-36.7
Non-taxable share dividends	-	-	5.2	6.9
Non-taxable income	3.9	2.3	0.5	-
Non-deductible items	-3.1	-2.5	-0.8	-2.3
Impact of changed tax rate	-	-	-	-
TOTAL RECOGNISED TAX EXPENSE	-54.1	-48.1	-36.8	-32.2
Deferred tax assets	1.3	1.6	-	-
TOTAL DEFERRED TAX ASSETS	1.3	1.6	-	-
Deferred tax liability				
Intangible fixed assets	10.9	11.4	-	-
Buildings and land	7.3	7.1	1.9	1.9
Untaxed reserves	63.6	56.6	-	-
Other information	1.6	0.8	-	-
TOTAL DEFERRED TAX LIABILITY	83.3	75.7	1.9	1.9

The Group holds SEK 1.5 million (2.1) in non-capitalised deferred tax assets equivalent to loss carryforwards which, when measured using the probability-weighted average amounts of possible outcomes, cannot be considered available for use because the surplus cannot be offset against these within a reasonable future period. The acquisition of subsidiaries affected the deferred tax liability by SEK 4.5 million (2.9).

Note 12

Intangible fixed assets

THE GROUP	2016						
	Goodwill	Trade-marks	Customer relationships	Supplier relationships	Patents	Software	Total
Accumulated cost of acquisition							
At beginning of year	103.9	42.3	82.7	43.5	0.4	34.5	307.3
New acquisitions	-	-	-	-	0.1	3.0	3.1
Acquisition of subsidiaries	18.6	-	21.7	-	-	-	40.3
Sales and disposals	-	-	-	-	-0.1	-	-0.1
Exchange rate differences for the year	0.9	0.4	-2.2	0.8	-	-	-0.1
Total cost of acquisition	123.4	42.8	102.2	44.3	0.4	37.5	350.5
Accumulated amortisation							
At beginning of year	-	-32.8	-52.4	-25.0	-0.2	-15.1	-125.4
Amortisation	-	-3.3	-11.6	-3.9	-0.1	-4.3	-23.1
Sales and disposals	-	-	-	-	0.1	-	0.1
Exchange rate differences for the year	-	-0.4	1.5	-0.6	-	-	0.5
Total amortisation	-	-36.5	-62.5	-29.5	-0.2	-19.4	-148.0
Accumulated impairments							
At beginning of year	-6.2	-	-	-	-	-	-6.2
Impairments	-	-	-	-	-	-	-
Total impairments	-6.2	-	-	-	-	-	-6.2
CARRYING AMOUNT AT END OF YEAR	117.2	6.3	39.7	14.8	0.2	18.1	196.4

Total carrying amount relating to trademarks, customer relationships, supplier relationships, patents and software was SEK 79.2 million (78.0) at year-end.

2016

The acquisition of RF Partner AB increases the value of customer relationships by SEK 7.0 million and goodwill by SEK 5.0 million. The expected useful life of the customer relationships is five years.

The acquisition of Sitek-Palvelu OY increases the value of customer relationships by SEK 14.7 million and goodwill by SEK 13.6 million. The expected useful life of the customer relationships is five years.

Cont. Note 12

Intangible fixed assets

THE GROUP	2015						
	Goodwill	Trade-marks	Customer relationships	Supplier relationships	Patents	Software	Total
Accumulated cost of acquisition							
At beginning of year	94.1	42.7	69.8	44.2	0.3	31.0	282.0
New acquisitions	-	-	-	-	0.1	3.5	3.6
Acquisition of subsidiaries	10.8	-	13.5	-	-	-	24.4
Exchange rate differences for the year	-1.0	-0.4	-0.5	-0.7	-	-	-2.7
Total cost of acquisition	103.9	42.3	82.7	43.5	0.4	34.5	307.3
Accumulated amortisation							
At beginning of year	-	-29.9	-38.8	-21.1	-0.1	-10.8	-100.7
Amortisation	-	-3.3	-13.6	-4.4	-0.1	-4.3	-25.7
Exchange rate differences for the year	-	0.4	0.1	0.5	-	-	0.9
Total amortisation	-	-32.8	-52.4	-25.0	-0.2	-15.1	-125.4
Accumulated impairments							
At beginning of year	-6.2	-	-	-	-	-	-6.2
Impairments	-	-	-	-	-	-	-
Total impairments	-6.2	-	-	-	-	-	-6.2
CARRYING AMOUNT AT END OF YEAR	97.7	9.6	30.3	18.4	0.2	19.4	175.7

2015

The acquisition of AB Ernst Hj Rydahl Bromsbandfabrik increased the value of customer relationships by SEK 6.3 million and goodwill by SEK 6.0 million. The expected useful life of the customer relationships is five years.

The acquisition of Scannotec OY increased the value of customer relationships by SEK 2.5 million and goodwill by SEK 1.8 million. The expected useful life of the customer relationships is five years.

The acquisition of ATC Tape Converting AB increased the value of customer relationships by SEK 4.7 million and goodwill by SEK 3.0 million. The expected useful life of the customer relationships is five years.

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.

GOODWILL AND INTANGIBLE ASSETS WITH AN INDETERMINABLE USEFUL LIFE	2016	2015
Companies		
Goodwill		
Internordic Bearings AB	3.0	3.0
OEM Automatic Klitsö AS	23.5	22.6
Elektro Elco AB	32.5	32.5
OEM Motor AB*	2.0	2.0
OEM Automatic AB**	3.3	3.3
Svenska Helag AB	3.0	3.0
Svenska Batteripoolen AB***	1.8	1.8
Flexitron AB	5.0	5.0
Akkupojat OY	1.9	1.8
Nexa Trading AB	12.0	12.0
AB Ernst Hj Rydahl Bromsbandfabrik	6.0	6.0
Scannotec OY	1.9	1.8
ATC Tape Converting AB	3.0	3.0
RF Partner AB	5.0	-
Sitek-Palvelu OY	13.3	-
	117.2	97.8
Supplier relationships with an indeterminable useful life		
Telfa AB	8.8	8.8
TOTAL	126.0	106.6

* All Motion Technology operations have been transferred to OEM Motor AB.

** The operations of TemFlow Control AB and Kübler Svenska AB have been transferred to OEM Automatic AB

*** The operations of Svenska Batteripoolen i Borlänge AB have been transferred to Svenska Batteripoolen AB

The above amounts relate to goodwill amounting to SEK 117,2 million (97,8) and acquired supplier relationships for Telfa AB amounting to 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 usage values are based on estimated future cash flows for a total of 100 years with the starting point in existing business plans for the next 3 years. The principal assumptions for the measurement for all cash-generating units are assumptions about margins and volume growth. The business plans are based on experience from previous years, but take 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 forecast at 1-2% (2%) for other years after the forecast period. The gross profit margins are expected to reach the same level as at the end of 2016. The forecast cash flows have been converted to a present value using a discount rate of 10% (10%) before tax. The recoverable amounts 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 recoverable amounts.

Cont. Note 12

PARENT COMPANY	2016	2015
Expenses brought forward for software		
Accumulated cost of acquisition		
At beginning of year	34.5	31.0
New acquisitions	2.9	3.5
Total cost of acquisition	37.4	34.5
Accumulated amortisation		
At beginning of year	-15.1	-10.8
Amortisation	-4.3	-4.3
Total amortisation	-19.3	-15.1
CARRYING AMOUNT AT END OF YEAR	18.1	19.4
Accumulated accelerated amortisation		
At beginning of year	-11.0	-9.6
Change for the year	-1.0	-1.4
TOTAL ACCUMULATED ACCELERATED AMORTISATION	-12.0	-11.0

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

Note 13

Property, plant and equipment

THE GROUP	2016		2015	
	Buildings and land	Fixtures, fittings, tools and equipment	Buildings and land	Fixtures, fittings, tools and equipment
Accumulated cost of acquisition				
At beginning of year	202.1	166.9	203.1	147.6
New acquisitions	24.3	25.5	0.7	24.0
Cost of acquisitions taken over upon acquisition	-	2.1	-	13.4
Sales and disposals	-	-14.0	-	-17.3
Reclassifications	-	-	-0.1	0.1
Exchange rate differences for the year	-0.2	-0.5	-1.7	-0.8
Total cost of acquisition	226.2	179.9	202.1	166.9
Accumulated depreciation according to plan				
At beginning of year	-55.8	-110.3	-51.6	-94.9
Accumulated depreciation taken over upon acquisition	-	-1.2	-	-10.6
Sales and disposals	-	10.3	-	11.1
Depreciation for the year	-5.1	-17.4	-4.8	-16.4
Reclassifications	-	-	-	-0.1
Exchange rate differences for the year	0.1	0.4	0.5	0.6
Total depreciation	-60.9	-118.2	-55.8	-110.3
CARRYING AMOUNT AT END OF YEAR	165.3*	61.7**	146.3*	56.6**

* Carrying amount of buildings is SEK 150.7 (136.4) for the Group and SEK 13.7 (14.2) for the Parent Company.

** Carrying amount of car finance leases was SEK 29.4 (27.0).

PARENT COMPANY	2016		2015	
	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	18.8	28.6	19.4
New acquisitions	-	2.9	-	0.6
Sales and disposals	-	-2.3	-	-1.2
	28.6	19.3	28.6	18.8
Accumulated depreciation according to plan				
At beginning of year	-13.9	-15.9	-13.4	-15.2
Sales and disposals	-	2.2	-	1.1
Depreciation for the year according to plan based on the cost	-0.5	-1.7	-0.5	-1.8
	-14.5	-15.3	-13.9	-15.9
CARRYING AMOUNT AT END OF YEAR	14.1	4.0	14.6	2.9
Accumulated accelerated depreciation				
At beginning of year	-	-0.5	-	-0.6
Change for the year	-	-0.3	-	0.1
TOTAL ACCUMULATED ACCELERATED DEPRECIATION	-	-0.8	-	-0.5

Note 14

Interests in Group companies

PARENT COMPANY	2016	2015
Book value		
At beginning of year	380.1	370.8
Acquisitions for the year	45.2	20.2
Remeasurement of contingent considerations	-0.2	-3.6
Liquidations	-78.4	-
Shareholders' contributions	1.2	1.6
Impairments	-2.0	-8.9
CLOSING BALANCE	346.0	380.1

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 2016	Book value 2015
Sweden							
OEM Automatic AB, Sweden	556187-1012	Tranås	-	100 %			
OEM Motor AB, Sweden	556650-6498	Tranås	1,000	100 %	100	0.1	0.1
Telfa AB, Sweden	556675-0500	Gothenburg	1,000	100 %	100	10.0	10.0
All Motion Technology AB in liquidation, Sweden	556601-7009	Täby	1,000	100 %	100	5.7	5.7
Apex Dynamics Sweden AB, Sweden	556771-7466	Täby	1,000	100 %	100	0.1	-
Svenska Batteripoolen i Borlänge AB in liquidation, Sweden	556234-3722	Borlänge	2,000	100 %	100	1.3	1.3
Skäggriskan 201601 AB in liquidation, Sweden (formerly Temflow Control AB)	556286-7365	Stockholm	1,000	100 %	100	2.3	2.3
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	-	100 %			
Internordic Bearings AB, Sweden	556493-8024	Nässjö	-	100 %			
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	10.8	10.8
Agolux AB, Sweden	556892-3774	Tranås	5,000	100 %	100	0.5	0.5
Vanlid Transmission AB, Sweden	556233-6643	Malmö	3,000	100 %	100	6.5	8.0
Ronson Transmission AB, Sweden	556322-5829	Malmö	-	100 %			
Fenix Transmission AB, Sweden	556434-4322	Kalmar	-	100 %			
Nexa Trading AB, Sweden	556327-6319	Gothenburg	2,000	100 %	100	32.4	31.8
Skäggriskan 201602 AB in liquidation, Sweden (formerly Kübler Svenska AB)	556316-7245	Stockholm	2,000	100 %	100	4.1	4.6
ATC Tape Converting AB, Sweden	556242-6121	Järfälla	2,000	100 %	100	11.5	11.5
IBEC B.V., Netherlands	-	-	-	100 %			
AB Ernst Hj Rydahl Bromsbandfabrik	556535-6556	Karlstad	11,000	100 %			
RF Partner AB, Sweden	556498-5298	Mölnadal	1,000	100 %	100	16.7	-
Ranatec Instrument AB, Sweden	556419-8942	Mölnadal	-	100 %			
Finland, Baltic states and China							
OEM Finland OY, Finland	-	-	-	100 %			
Akkupojat OY, Finland	-	-	-	100 %	-	6.3	6.3
Scannotec OY, Finland	-	-	-	100 %	-	8.3	8.3
Sitek-Palvelu OY, Finland	-	-	-	100 %	-	28.6	-
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

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 2016	Book value 2015
Denmark, Norway, UK and East Central Europe							
OEM Automatic Klitsö AS, Denmark	-	-	1000	100 %	DKK 1,000	46.5	47.5
OEM Automatic AS, Norway	-	-	-	100 %			
OEM Automatic Ltd, UK	-	-	-	100 %			
OEM Automatic sp.z o.o., Poland	-	-	-	100 %			
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	0.0
Other business units							
OEM Industrial Components AB, Sweden	556051-4514	Tranås	100,000	100 %	5,000	46.2	46.2
OEM Electronics Production Technology AB, Sweden	556038-8356	Stockholm	300	100 %	300	-	78.4
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						346.0	380.1

Note 15

Inventories

	The Group	
	2016	2015
Work in progress	39.8	36.8
Finished goods and merchandise	407.9	378.8
Impairment loss	-20.0	-19.8
TOTAL	427.7	395.8

Group impairment of inventories at the close of 2016 was SEK 20.0 million (19.8), which represents approximately 4% (5%) of the cost of the stock.

Note 16

Prepaid expenses and accrued income

	The Group		Parent Company	
	2016	2015	2016	2015
Accrued commission income, etc.	0.2	2.2	-	-
Prepaid rent expense	1.6	2.4	0.0	0.0
Prepaid insurance costs	3.8	1.9	0.4	0.4
Other prepaid expenses	8.5	7.7	4.2	3.4
TOTAL	14.0	14.2	4.7	3.8

Note 17

Equity

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

		2016		2015	
		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	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	
	2016	2015	2016	2015
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 consolidated financial statements. The Parent Company and the Group present their financial statements in Swedish krona. The translation reserve also comprises exchange-rate differences arising on the translation of liabilities reported as hedging instruments of a net investment in a foreign operation.

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.

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 %

In the past three years, target achievement, based on the new targets that have been set, has been:

- Sales growth
- EBITA margin
- Return on equity
- Equity/assets ratio

2016	2015	2014
7 %	18 %	13 %
12 %	11 %	10 %
30 %	30 %	21 %
53 %	51 %	49 %

Allocation of profits

After the balance sheet date, the Board proposed a dividend of SEK 5.50 per share (5.00). The Board aims to propose a reasonable dividend of profits to the shareholders, by taking into account the financial position, the tax situation and any need for acquisitions or investments in the operation. Retained earnings in the Parent Company total SEK 184.6 million. The Board recommends a SEK 127.4 million dividend and that SEK 57.2 million be carried forward.

Note 18

Liabilities to credit institutes

	The Group	
	2016	2015
Other non-current liabilities		
Bank loan	14.6	15.9
Finance lease liabilities	21.1	18.8
TOTAL	35.7	34.7
<i>Liabilities that fall due for payment later than five years after the balance sheet date amount to SEK 9.8 million (9.3).</i>		
Current liabilities		
Overdrafts	156.8	183.4
Current bank loans	2.1	2.0
Finance lease liabilities	8.4	8.2
TOTAL	167.3	193.6
FINANCE LEASE LIABILITIES		
Finance lease liabilities fall due for payment as shown below:		
Within one year	8.4	8.2
Between one and five years	21.1	18.8
Later than five years	-	-
TOTAL	29.4	27.0

The finance lease liabilities relate to leasing of cars.

Note 19

Provisions for pensions and similar obligations

	2016	2015
Present value of entirely or partially funded obligations	6.8	7.3
Fair value of plan assets	-5.8	-5.3
Net of entirely or partially funded obligations	1.0	2.0
The net amount recognised in the following items in the Statement of Financial Position:		
Provisions for pensions and similar obligations	1.0	2.0
Net amount in the Statement of Financial Position (obligations + assets -)	1.0	2.0
The net amount is split over plans in the following countries:		
Norway	1.0	2.0
Net amount in the Statement of Financial Position (obligations + assets -)	1.0	2.0

	2016	2015
Changes in the present value of the obligation for defined-benefit schemes		
Obligation for defined-benefit schemes as at 1 January	7.3	8.5
Pensions earned during the period	0.3	0.5
Actuarial gains and losses	0.2	-1.0
Interest on obligations	0.2	0.2
Costs relating to previous years	-0.9	-
Pension liabilities settlement	-0.8	-
Paid benefits	-0.2	-0.2
Exchange rate differences	0.7	-0.7
Obligations for defined-benefit schemes as at 31 December	6.8	7.3
Change in fair value of plan assets		
Fair value of plan assets as at 1 January	5.3	5.2
Contributions by employer	0.8	0.7
Paid benefits	-0.2	-0.2
Pension liabilities settlement	-0.8	-
Interest income recognised in the income statement for the year	0.2	0.1
Return excluding interest recognised in the income statement for the year	0.0	0.0
Exchange rate differences	0.5	-0.4
Fair value of plan assets as at 31 December	5.8	5.3
Expense recognised in the income statement		
Expense for pensions earned during the year	0.4	0.7
Net interest income/expense	0.0	0.1
Costs relating to previous years	-0.9	-
Other information	0.1	0.1
TOTAL NET EXPENSE IN THE INCOME STATEMENT	-0.3	0.8
ACTUARIAL ASSUMPTIONS		
The principal assumptions used for the purpose of the actuarial valuations were as follows:		
Discount rate	2.7%	2.7%

In Norway, all employees are covered by defined-benefit pension schemes. SEK 0.7 million is expected to be paid in contributions for the schemes during 2017. 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 2016 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 1.2 million (1.1). The Group's share of the total contributions to the pension scheme is 0.006 % (0.005 %), while its share of the total number of active members in the scheme is 0.009 %

(0.008 %). 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 2016, Alecta's surplus, in the form of the collective consolidation level, was 149 percent (153). The premiums to Alecta are determined by assumptions regarding interest rates, life expectancy, operating costs and tax on returns, and is calculated in order 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 23.6 million (22.1). The Parent Company's cost for defined-contribution schemes is SEK 2.5 million (2.3).

Note 20

Other non-current liabilities

	The Group		Parent Company	
	2016	2015	2016	2015
Other non-current, non-interest-bearing liabilities	12.5	11.0	12.5	5.1
TOTAL	12.5	11.0	12.5	5.1

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

Note 21

Pledged assets and contingent liabilities

	The Group		Parent Company	
	2016	2015	2016	2015
Property mortgages	19.2	19.1	7.5	7.5
Business mortgages	65.9	72.4	-	-
TOTAL	85.0	91.5	7.5	7.5

The litigation proceedings reported in previous Annual Reports were concluded in 2016. Leave to appeal was not granted by the Supreme Court to any party. The judgement of the Court of Appeal therefore has legal force and thereupon all matters of dispute were settled in 2016.

Note 22

Accrued expenses and prepaid income

	The Group		Parent Company	
	2016	2015	2016	2015
Accrued salaries and holiday pay	49.5	45.3	4.7	5.1
Accrued social security costs	21.7	19.5	3.3	2.8
Prepaid income	-	0.2	-	-
Accrued supplier inv./commercial debts	5.7	6.0	-	-
Other accrued expenses	21.8	18.2	2.7	2.7
TOTAL	98.7	89.3	10.7	10.6

Note 23

Untaxed reserves

	Parent Company	
	2016	2015
Accumulated accelerated amortisation		
At beginning of year	11.5	10.2
Changes in accelerated amortisation for the year	1.3	1.3
AT END OF YEAR	12.8	11.5
Accruals funds		
Allocated in the fiscal year 2010	-	25.0
Allocated in the fiscal year 2011	30.0	30.0
Allocated in the fiscal year 2012	33.2	33.2
Allocated in the fiscal year 2013	32.0	32.0
Allocated in the fiscal year 2014	40.0	40.0
Allocated in the fiscal year 2015	48.6	48.6
Allocated in the fiscal year 2016	55.7	-
TOTAL	239.5	208.8
TOTAL UNTAXED RESERVES	252.3	220.3

Deferred tax constitutes SEK 55.5 million (48.5) 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. An elimination of risks that helps the Group achieve a relatively stable coverage ratio over time. 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 financing activities and management of financial risks are handled mainly by the Parent Company in accordance with the treasury policy approved by the Board of Directors. There are frameworks for how risk management is to be conducted and for how the 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 amount of financial assets and liabilities is the same as their fair value. The Group's holdings of such financial assets that represent fixed assets are fairly limited. At the close of 2016, the amount of non-current receivables was SEK 0.4 million (0.5). At year-end, the Group's holding of such financial assets that represent current assets amounted to SEK 370 million (324) and accrued income to SEK 0.2 million (2.2) and other receivables to SEK 19 million (17). As is evident above, more than 99% of the financial assets are categorised as loans and receivables. The financial liabilities are measured at amortised cost, except for derivative instruments 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 company's interest-bearing liabilities are classified within Level 2. 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 measured using the exchange rates and interest rates on the balance sheet date.

Contingent considerations are classified within Level 3. Refer to Note 4 for further information about contingent considerations.

The items cash and bank balances at SEK 83 million (85), overdrafts at SEK 157 million (183) and other interest-bearing liabilities at SEK 46 million (47) 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 83 million (99). 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 456 million (460). The drawn amount is SEK 157 million (183).

THE GROUP'S ASSETS AND LIABILITIES MEASURED AT FAIR VALUE	2016			2015		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets						
Derivatives	-	-	-	-	0.4	-
Liabilities						
Contingent considerations	-	-	17.5	-	-	19.8

CONTINGENT CONSIDERATIONS	2016	2015
Opening book value	19.8	19.6
Acquisitions for the year	11.7	12.5
Recycled to the income statement	-7.4	-5.2
Consideration paid	-6.5	-7.4
Exchange rate differences	0.0	0.2
Closing book value	17.5	19.8

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 83 million (85) and financial current assets were SEK 370 million (324). At the close of the year, the Group's financial liabilities were SEK 356 million (356). The maturity profile is presented in the table below. The table shows both capital payments and interest payments.

	2016					2015				
	Total	With- in 1 month	1-3 months	3 months -1 year	1 year and longer	Total	With- in 1 month	1-3 months	3 months -1 year	1 year and longer
Overdraft*	157.9	0.5		157.4		184.7	0.5	-	184.2	-
Other interest-bearing liabilities	16.9		0.5	1.6	14.8	18.1	-	0.5	1.5	16.1
Trade payables, etc.	219.8	185.8	33.8	0.2		186.4	161.6	24.8	-	-
Finance lease liabilities	29.7	0.7	2.1	5.6	21.3	27.3	0.7	2.1	5.5	19.0
	424.4	187.0	36.5	164.8	36.0	416.5	162.8	27.4	191.2	35.1

* 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 -1.2 million (-1.4) 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 above shows that 58 % (57 %) of purchases in 2016 were in EUR, 22 % (21 %) USD, 4 % (4 %) GBP, 9 % (10 %) SEK and 7 % (8 %) 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 threshold value, which means that exchange rate changes below 2.25 % are not taken into account. Currency adjustments are made symmetrically for rising and falling currency rates. Currency clauses and sales in the purchasing currency make up about 66 % (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 32 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 157 million in change in turnover.

Elektro Elco AB and Nexa Trading AB use foreign exchange forward contracts. The hedged amount is USD - million (2.0). Hedge accounting is not applied. The market value was SEK - million (0.4) as at 31 December 2016. 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. 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 25,000 purchasing customers in total. The largest individual customer accounted for approximately 4 % (3 %) of sales. The five largest customers accounted for 14 % (12 %) of sales and the ten largest customers accounted for 18 % (16 %) of sales. The distribution of risk is thus very good. Bad debts for the year totalled SEK 1.0 million (1.3) which represents 0.04 % (0.06 %) of sales. The bad debt risk is assessed as low. The average credit period rose to approximately 43 days.

Purchases are broken down into percentages as follows:

	2016	2015
EUR	58 %	57 %
USD	22 %	21 %
GBP	4 %	4 %
SEK	9 %	10 %
Other currencies	7 %	8 %
	100 %	100 %

Exchange rate changes significant currencies

Currency	Weighted average 2016	Weighted average 2015	Change
EUR 1	9.40	9.31	1 %
USD 1	8.52	8.35	2 %
GBP 1	11.54	12.79	-10 %

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

	Carrying amount SEK million	Sensitivity analysis, +/- 5% in exchange rate. Impact on the Group's shareholders' equity
CZK	6.5	0.3
DKK	25.5	1.3
EUR	104.4	5.2
GBP	39.2	2.0
NOK	8.1	0.4
PLN	13.0	0.7
HUF	1.7	0.1
CNY	-1.2	0.1
TOTAL	197.2	10.0

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

Currency	Weighted average 2016	Dec 2016	Weighted average 2015	Dec 2015
NOK 100	101.13	104.75	103.61	95.74
DKK 100	126.21	127.89	124.84	122.43
EUR 1	9.40	9.51	9.31	9.13
GBP 1	11.54	11.10	12.79	12.40
PLN 1	2.15	2.15	2.21	2.14
HUF 100	3.00	3.04	2.99	2.89
CZK 1	0.35	0.35	0.34	0.34

Cont. Note 24

AGE ANALYSIS, TRADE RECEIVABLES NOT WRITTEN DOWN (SEK MILLION)	2016	2015
Trade receivables not matured	325.9	284.1
Trade receivables matured 0-30 days	41.1	34.3
Trade receivables matured > 30-90 days	1.4	4.5
Trade receivables matured > 90-180 days	0.9	0.5
Trade receivables matured > 180-360 days	0.8	0.3
Trade receivables matured > 360 days	2.0	2.1
TOTAL	372.2	325.9
PROVISIONS FOR LOSS (SEK M)		
Balance at beginning of year	-1.9	-1.6
Effects of business combinations	-	0.0
Provision for expected losses	-0.5	-0.8
Confirmed losses	0.5	0.5
CLOSING BALANCE	-2.0	-1.9

Note 25

Operating leases

	The Group		Parent Company	
	2016	2015	2016	2015
Leases where the company is the lessee				
Non-redeemable lease payments amount to				
Within one year	18.6	18.4	-	-
Between one and five years	30.4	29.6	-	-
Longer than five years	-	1.9	-	-
TOTAL	49.0	49.9	-	-

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

	The Group		Parent Company	
	2016	2015	2016	2015
Costs reported during the year for operating leases	24.1	22.6	-	0.2
TOTAL	24.1	22.6	0.0	0.2

Note 26

Cash Flow Statement

Additional disclosures on the cash flow statement

	The Group		Parent Company	
	2016	2015	2016	2015
Interest received	1.0	0.6	0.8	0.6
Dividends received	-	-	23.7	31.3
Interest paid	-4.5	-3.9	-1.3	-1.2
Specification of items not included in cash flow				
Amortisation/depreciation	45.7	46.8	6.4	6.6
Capital gain profits	-0.7	0.7	-2.1	-
Other information	-1.3	-0.1	-0.2	0.1
Write-off shares	-	-	2.0	8.9
TOTAL	43.6	47.5	6.2	15.6
ACQUISITION OF SUBSIDIARY COMPANIES AND OPERATIONS – THE GROUP				
Acquired assets and liabilities				
Intangible assets	40.2	24.3		
Other fixed assets	0.9	2.8		
Inventories	7.7	32.8		
Trade and other receivables	11.9	22.3		
Cash and cash equivalents	6.9	5.4		
Total assets	67.6	87.6		
Deferred tax liability	5.1	4.6		
Interest-bearing liabilities	0.5	11.0		
Current operating liabilities	16.9	22.4		
Total liabilities	22.5	38.0		
Net	45.1	49.6		
Consideration				
Consideration for acquired units in the current year	-45.1	-49.6		
Consideration payable	18.0	16.8		
Specified consideration for acquired units before the current year	-10.7	-8.1		
Deducted: Cash and cash equivalents in the acquired operations	6.9	5.4		
IMPACT ON CASH AND CASH EQUIVALENTS	-30.9	-35.6		

Cash and cash equivalents

Cash and cash equivalents currently only consist of cash and bank balance.

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 2016 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

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

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 carrying amounts of 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 recoverable amount of cash-generating units for the company's goodwill impairment testing. These are described in Note 12. In the opinion of the company's management, a reasonably possible change in the key assumptions would not cause the estimated recoverable amounts to fall below the carrying amounts of the units.

Measurement of other intangible assets

Other intangible fixed assets consist primarily of the values arising at acquisition divided into SEK 15 million for supplier relationships, SEK 40 million for customer relationships and SEK 6.3 million for brands. Supplier relationships are divided into two amounts, SEK 6.0 million and SEK 8.8 million, respectively. The supplier relationship, with a value of SEK 8.8 million, has an indefinite useful life. The amortisation period for supplier relationships with a value of SEK 6.0 million is expected to be five years. A maximum of 35 months remain of the amortisation period. 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 59 months remain of the amortisation period. Trademarks comprise the Hide-a-lite trademark, which includes a number of light fixture series for concealed lighting. The Hide-a-lite trademark will be written off over a ten-year period and 23 months remain of the amortisation period.

Note 30

Earnings per share

	2016	2015
Profit for the year	200.9	173.2
Earnings per share for total, continuing and discontinued operations are based on the following number of shares		
Average number of outstanding shares	23,107,462	23,107,462

	2016	2015
Earnings per share on the number of outstanding shares		
Earnings per share	8.70	7.50

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. (SEK million)

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. Dividend paid to related parties was SEK 5.00 per share. The Parent Company and its subsidiaries are related parties. See Note 14. The Parent Company's net sales comprise the sale of services to its subsidiaries. Related party transactions are priced at market-rate terms and conditions.

Note 32

Proposed allocation of profits

PARENT COMPANY

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

Retained earnings	31,949,706
Profit for the year	152,631,155

184,580,861

The Board of Directors proposes that

a final dividend of SEK 5.50 per share be paid to the shareholders	127,431,200
and that the following be carried forward	57,149,661

184,580,861

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 Friday 21 April 2017 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 policies in Sweden and that the consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards as stipulated in the European Commission's and the Swedish Financial Reporting Board's Regulation (EC) No. 1606/2002 of 19 July, 2002, regarding the application of international accounting standards. The Annual 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 07 March 2017. 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 19 April 2017.

Tranås, Sweden, 07 March 2017

Lars-Åke Rydh
Chairman of the Board

Ulf Barkman
Member of the Board

Hans Franzén
Member of the Board

Petter Stillström
Member of the Board

Åsa Söderström Jerring
Member of the Board

Jörgen Zahlin
Managing Director

Our Auditors' Report was presented on 9 March 2017
KPMG AB

Olle Nilsson
Authorised Public Accountant

Statement on the Annual Report and consolidated financial statements

Opinion

We have conducted an audit of the Annual Report and consolidated financial statements of OEM International AB (publ) for 2016. The company's Annual Report and Consolidated Financial Statements are presented on pages 31-80 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 as at 31 December 2016, 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 as at 31 December 2016, 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.

A Corporate Governance Report has been prepared. The Directors' Report and the Corporate Governance Report are consistent with the remainder of the Annual Report and the Consolidated Financial Statements, and the Corporate Governance Statement is consistent with the

Swedish Annual Accounts Act.

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.

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.

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

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.

Valuation of goodwill and other intangible assets arising in connection with acquisitions

See Notes 12 and 29 and the accounting policies on page 51 of the Annual Report for details and a description of the matter.

Description of key audit matter

As at 31 December 2016, the Group reports goodwill and other intangible assets arising on acquisitions of SEK 178 million (156), representing 13.3% (12.8%) of total assets. Goodwill and other intangible assets arising on or in connection with acquisitions are subject to impairment tests at least once a year. These are inherently complex and require considerable judgement on the part of management. An impairment test is performed for each cash generating unit.

Current regulations require impairment to be tested using a certain model whereby management must make forward-looking forecasts and judgements of the internal and external conditions and plans of the business. These include future cash receipts and payments, which require assumptions of future market conditions and thus indirectly how competitors might be expected to react. Another important assumption is which discount rate should be used to take into account that future assessed payments are associated with risk and thus are worth less than cash and cash equivalents that are directly available to the Group.

Response in the audit

We have examined the Group's testing for impairment to assess compliance with the prescribed method. Moreover, we have assessed the reasonableness of the predicted future cash receipts and payments and the discount rates used, by analysing and evaluating management's written documentation and plans. We have also interviewed management and evaluated previous years' assessments in relation to actual outcomes.

We have involved our own valuation specialists in the audit team to ensure experience and expertise in the area, particularly with regard to the company's discount rate assumptions and method used to test for impairment.

An important part of our work has also been to examine the Group's own sensitivity analysis to evaluate how changes in the assumptions may impact the valuation.

We have also reviewed the adequacy of the disclosures in the Annual Report and assessed whether they corroborate the assumptions used by the Group for impairment testing and whether sufficient information is disclosed to understand the judgements made by management.

Other disclosures

This document also contains other disclosures than the Annual Report and the Consolidated Financial Statements and can be found on pages 1-30. 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 (EU). 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 caused by 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

The objectives of our audit are to obtain reasonable assurance that the Annual Report and the Consolidated Financial Statements as a whole are free from material misstatement, whether caused by 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 they could, individually or collectively, reasonably be expected to influence the economic decisions of users taken on the basis of the Annual Report and the Consolidated Financial Statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the Annual Report and Consolidated Financial Statements, whether caused by fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting one resulting from error. This is because fraud may involve sophisticated and carefully organised schemes designed to conceal it, such as forgery, deliberate failure to record transactions, incorrect disclosure or intentional misrepresentations being made to the auditor.
- obtain an understanding of the company's internal control activities relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director in the financial statements.
- conclude on the appropriateness of the Board of Directors and the Managing Director's use of the going concern basis of accounting in the preparation of the Annual Report and the Consolidated Financial Statements. We also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Annual Report and the Consolidated Financial Statements or, if such disclosures are inadequate, to modify our opinion about the Annual Report and the Consolidated Financial Statements. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group of companies to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the Annual Report and the Consolidated Financial Statements, including the disclosures, and whether the Annual Report and the Consolidated Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient and appropriate audit evidence about the financial information for the entities or the business activities of the Group in order to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of the planned scope and timing of the audit. We must also communicate any significant findings from the audit, including any significant deficiencies in internal control that we have identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the Annual Report and the Consolidated Financial Statements, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 (publ) for the year 2016 and the proposed appropriations of the company's profit.

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 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.

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. 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, or
- 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, 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 are not in accordance with the Swedish Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgement and maintain professional scepticism throughout the audit. The review of the management activities and the proposed appropriations of the company's profit is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgement guided by risk and materiality. This means that we focus our review on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and review decisions made, support for decision-making, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board's proposal for appropriation of the company's profit, we have examined the Board's statement and a selection of the underlying information for this in order to be able to determine whether the proposal is consistent with the Swedish Companies Act.

Jönköping, 9 March 2017

KPMG AB

Olle Nilsson

Authorised Public Accountant

Board of Directors



Lars-Åke Rydh

Born in 1953.
Board Chairman since 2010 and Board member since 2004.
M.Sc. Engineering.
Not employed by OEM.
Other appointments:
Chairman of the Board of Danfo AB, Olja economic association, Plastprint AB, Schuchardt Maskin AB and Prototypen AB.
Board member of Nolato AB, Nefab AB, HL Display AB, Söderbergsföretagen AB, Investment AB Vittrinen AB, Investment AB Chiffonjén, and Östrand & Hansen AB.
Number of shares: 12,000 OEM Class B.



Hans Franzén

Born in 1940.
Chairman of the Board 1992–2006. Board member since 1974.
CEO through 31 December 2001.
Engineer.
Not employed by OEM.
Other appointments:
Chairman of the Board of Tranås Rostfria AB, TR Equipment AB and Cendio AB.
Board member of Ovacon AB and IB Medical AB.
Number of shares: 707,376 OEM Class A and 585,990 OEM Class B.



Petter Stilström

Born in 1972.
Board member since 2010.
Master of Economics.
Not employed by OEM.
Managing Director and major shareholder in Traction.
Other appointments:
Chairman of the Board in BE Group AB, Nilörngruppen AB and Softronic AB.
Board member in AB Traction and several unlisted companies in Traction's sphere of influence.
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.
Number of shares: 42,000 OEM Class B.



Åsa Söderström Jerring

Born in 1957.
Board member since 2015.
MBA.
Not employed by OEM.
Other appointments:
Chairman of the Board of Delete OY and Scanmast AB.
Board member of Vattenfall AB, JM AB, ELU Konsult AB, Nordic Room Improvement and Balco AB.
Member of IVA, The Royal Swedish Academy of Engineering Sciences.
Number of shares: 2,000 OEM Class B.

Jerker Löfgren

Born in 1950.
Died on 26 December 2016
Board member since 2010.
LLM.
Not employed by OEM.
Tax lawyer at Söderberg & Partners.
Other appointments:
Chairman of the Board of Orvaus AB and Orvavus Nörvalen AB.
Number of shares: 0.

Senior executives



Jörgen Zahlin

Born in 1964.

Managing Director of OEM International AB since 1 March 2000.

Managing Director and CEO since 1 January 2002.

Group employee since 1985.

Number of shares: 39,832 OEM Class B.



Jan Cnattingius

Born in 1955.

Finance Director.

Group employee since 1985.

Number of shares: 10,000 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.



Fredrik Simonsson

Born in 1971.

Managing Director of Elektro Elco AB.

Group employee since 1993.

Number of shares: 1,000 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.

Sven Rydell

Born in 1973.

Marketing and Communications Director. Group employee since 2008 but ended employment on 31 December 2016.

Number of shares: 0.

OEM International on the stock exchange

OEM's shares were launched on the Stockholm Stock Exchange's OTC List in December 1983 and the growth in the share price has been good since then. 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 1,087,200 on 31 December 2016. OEM's shares were transferred to the O List in 2000 and its shares have been trading on the NASDAQ OMX Nordic Small Cap market since 2006. The shares were transferred to the NASDAQ OMX Nordic Mid Cap market in 2014.

Price trends

The price of OEM International shares rose during the year from SEK 141.00 to a closing price of SEK 151.00. The highest price paid during the year was SEK 156.00 on 16 September and 3 October. The lowest price paid during the year was SEK 113.00 on 12 July. OEM's market value at the close of 2016 was SEK 3,499 million. During the year, the Stock Exchange's index for Nasdaq Stockholm_PI rose 6 %.

Sales

In 2016, 787,180 Class B shares (1,954,247) were sold, corresponding to a turnover rate of 3 % (8 %). The average shareholder in OEM therefore retains shares for about 23 (9) years.

OEM's Class B shares were sold on 100 % (100 %) of the trading days. The average daily turnover in 2016 was 3,111 shares (7,817). As at 31 December 2016, OEM International had 3,281 shareholders (2,860). Institutional ownership is about 44 % (44 %) and foreign ownership amounts to 9 % (11 %).

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 Board has been authorised by the Annual General Meeting to repurchase up to 10 % of the total number of shares, i.e. 2,316,931 shares. The

objective is to continue the repurchases up to 10 % of the total number of shares wherever the Board considers the conditions to be attractive. The acquired shares will be retained, deregistered or used as payment in corporate acquisitions. We have minimised the disadvantages which this can entail, that is, that the number of shareholders is decreased and the liquidity of the share declines, by mainly purchasing large blocks of shares.

Liquidity boosting measures

OEM International has signed an agreement with Remium AB regarding liquidity guarantees for company shares. The aim is to reduce the difference between purchase and sales prices. The goal is to achieve a lower investment cost and to lower the share trading risk for present and future shareholders. Commitments fall within the scope of the NASDAQ 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.

Dividend

The Board proposes a SEK 5.50 (5.00) per share dividend, equivalent to 20 % (22 %) of distributable equity in the Group.

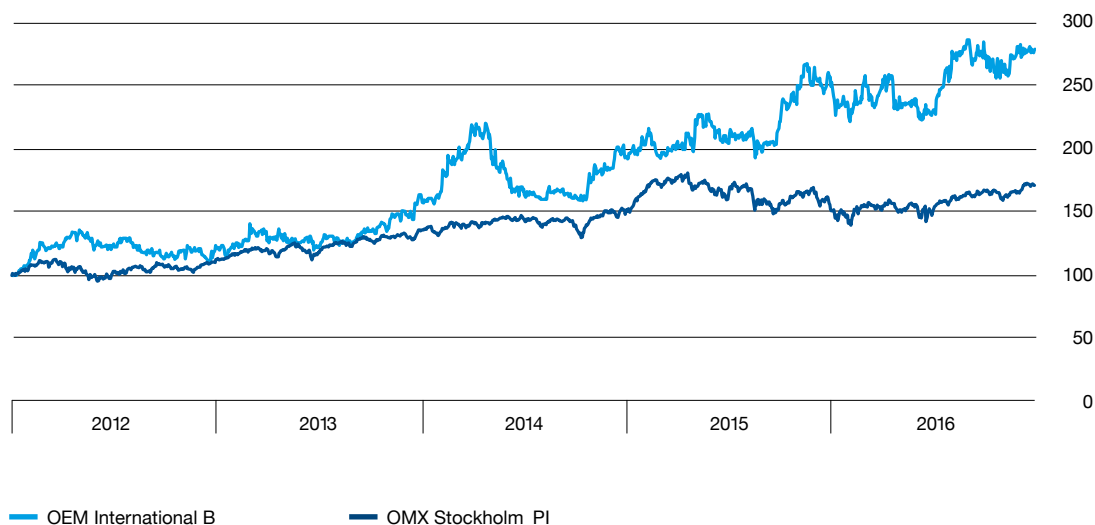
Financial information

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 2016 financial year are shown on page 2 of this Annual Report.

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

The Company offers shareholders the opportunity to 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



Shareholding structure

OEM's largest shareholders as at 30 December 2016

	Class A shares	Class B shares	Percentage share capital	Percentage votes
Orvaus AB	1,627,320	2,802,360	19.2 %	28.9 %
Franzén Hans and Siv	1,280,376	1,262,290	11.0 %	21.3 %
Svenberg Agne and Inger	1,223,400	446,486	7.2 %	19.2 %
AB Traction	636,000	250,000	3.8 %	10.0 %
Lannebo equity funds		3,603,677	15.6 %	5.5 %
Nordea Investment Funds		2,213,077	9.6 %	3.4 %
SEB Investment Management		1,275,732	5.5 %	1.9 %
Fjärde AP Fonden		317,100	1.4 %	0.5 %
Mats Guldbrand		279,500	1.2 %	0.4 %
Länsförsäkringar Jönköping		243,495	1.1 %	0.4 %
Total 10 owners	4,767,096	12,693,717	75.6 %	91.4 %
Other		5,646,649	24.4 %	8.6 %
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 break-down. The purpose is to provide a clear overview of the various shareholders' interests in the company.

Key indicators for OEM shares

The past five years

		2016	2015	2014	2013	2012
Key performance indicators						
Sales per share	SEK	103	96	81	72	70
Sales increase per share	%	7	18	13	2	2
Earnings per share*	SEK	8.67	7.48	5.90	5.23	5.46
Shareholders' equity per share *	SEK	30.62	26.85	23.82	31.37	29.82
Proposed dividend	SEK	5.50	5.00	4.25	4.00	3.75
Dividend/Income	%	63	67	72	77	69
Dividend/Shareholders' equity	%	18	19	18	13	13
Cash flow per share*	SEK	9.43	8.22	6.52	5.78	5.43
Risk key indicators						
Rate of turnover for shares	%	3	8	15	7	12
Valuation ratios						
Quoted price as per 31 December	SEK	151.00	141.00	110.00	88.75	67.00
Quoted price as per 31 December*	SEK million	3,499	3,267	2,549	2,056	1,552
P/S ratio	times	1.5	1.5	1.4	1.2	1.0
P/E ratio	times	17.4	18.9	18.6	17.0	12.3
Price/Shareholders' equity	%	493	525	462	283	225
EV/Sales	times	1.5	1.5	1.4	1.2	0.9
EBIT multiple	times	14.7	13.8	12.3	10.1	9.2
Direct return	%	3.6	3.5	3.9	4.5	5.6

* Calculated on total number of shares.

The key indicators are based on the continuing operation. Comparative information for 2012 to 2016 has been restated.

Shareholder analysis

As at 30 Dec 2016*

SIZE CLASS	Percentage of no. of shareholders	Percentage of share capital
1-500	61.2	1.2
501-1,000	14.8	1.5
1,001-2,000	10.5	2.2
2,001-5,000	7.0	3.1
5,001-10,000	2.6	2.6
10,001-20,000	1.7	3.4
20,001-50,000	1.1	4.6
50,001-100,000	0.4	4.0
100,001-5,000,000	0.6	77.4
TOTAL	100.0	100.0

The total number of shareholders in OEM is 3,231.

* 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.

Change in share capital

Year	Transaction	Change in share capital, SEK million	Total share capital, SEK million	Average no. of shares	Face value per share SEK
	Opening value	0.1	0.1	500	100.00
1981	Bonus issue	0.3	0.4	4,000	100.00
1983	Split	-	0.4	40,000	10.00
1983	Bonus issue	0.4	0.8	80,000	10.00
1983	New issue	0.8	1.6	160,000	10.00
1983	New issue	0.4	2.0	200,000	10.00
1986	Bonus issue	4.0	6.0	600,000	10.00
1986	New issue through conversion	0.4	6.4	636,000	10.00
1994	Split	-	6.4	1,272,000	5.00
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

EBITA*

Operating profit before amortisation of acquisition-related intangible fixed assets

Return on total capital

EBITA plus finance income as a percentage of average total capital

Return on capital employed

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

Capital employed

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

Return on equity

Profit for the year divided by average shareholders' equity.

Debt/equity ratio

Interest-bearing liabilities divided by shareholders' equity.

Interest coverage ratio

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

EBITA margin*

EBITA as a percentage of net sales.

Operating margin

Operating profit as a percentage of net sales.

Profit margin

Profit/loss before tax as a percentage of sales.

Capital turnover rate

Net sales divided by total assets.

Net sales per employee

Net sales divided by average number of employees.

Equity/assets ratio

Shareholders' equity as a percentage of total capital.

Quick ratio

Current assets less inventories divided by current liabilities.

Earnings per share

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

Shareholders' equity per share

Shareholders' equity divided by the number of shares.

Direct return

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

Net sales per share

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

Net sales increase per share

Increase of the net sales per share.

Dividend/Profit payout ratio

Proposed dividend in relation to profit/loss for the year from continuing operations.

Dividend/Shareholders' equity

Proposed dividend in relation to the Group's equity and non-controlling interests.

Cash flow per share

Operating cash flows divided by the number of shares.

Share turnover

The number of shares traded over the year divided by the number of shares outstanding at year-end.

P/S ratio

Stock market value in relation to net sales.

P/E ratio

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

Price/Shareholders' equity

Quoted price divided by shareholders' equity per share.

EV/Sales

Enterprise value (market value + net debt + non-controlling interests) divided by net sales.

EBIT multiple

Enterprise value divided by operating profit after depreciation/amortisation.

**In addition to the conventional financial performance measures established by IFRS, OEM uses the term EBITA/EBITA margin as defined above. The reason for this is that the company wishes to reflect the underlying business activities and improve the comparability of financial information across different periods of time.*

Addresses

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