



ANNUAL REPORT
2018



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Financial Statements of the Parent Company

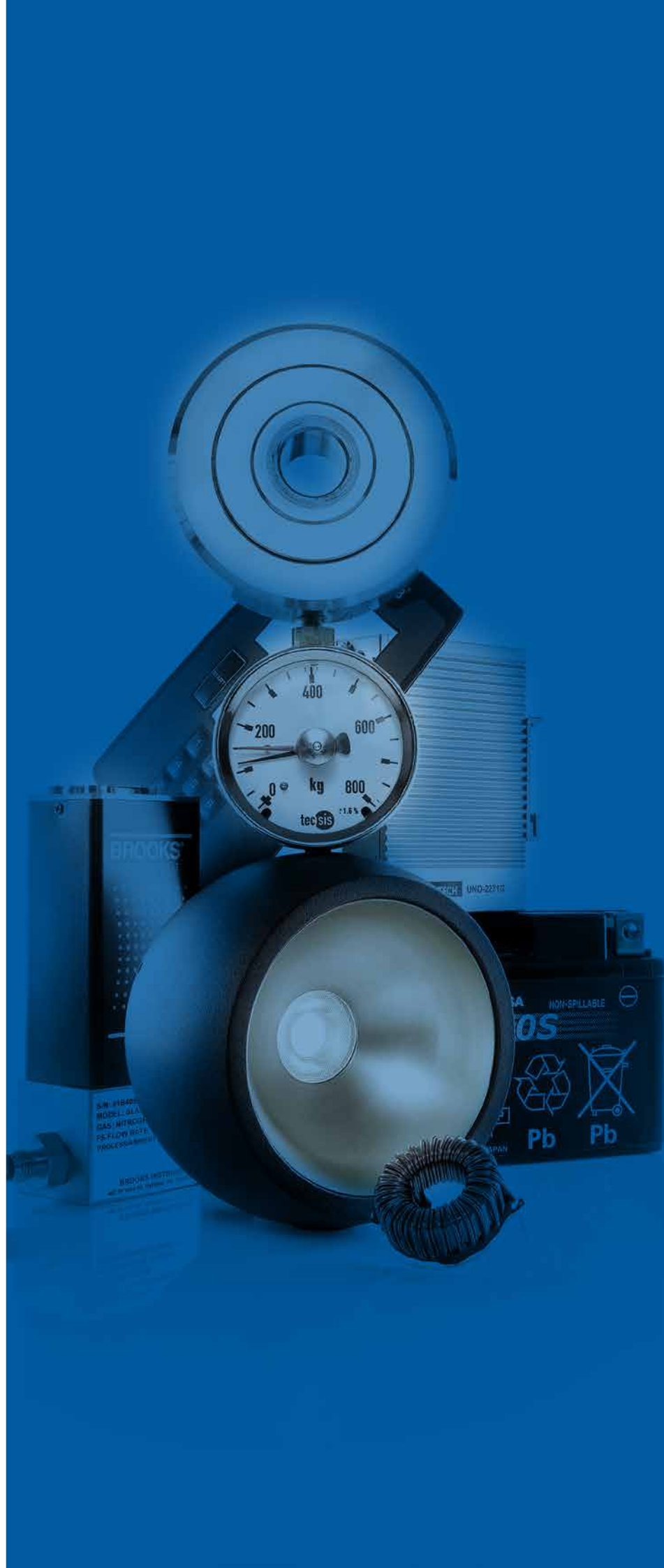
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Another record year for OEM

In 2018, OEM once again delivered a strong performance and passed the three billion kronor landmark having achieved 14 % growth. Currency movements drove growth by 4 percentage points and acquisitions by 2 percentage points, which led to organic growth of 8 percentage points. There has been strong growth in all the regions. Demand has generally been good throughout the year despite some slowing of momentum in the fourth quarter.

Operating profit (EBITA) was SEK 343 MILLION, an increase of 11 % on 2017. THE EBITA margin declined during the year from 11.2 % to 11.0 % due primarily to closure costs for one of the Group's operations in Poland.

OEM exceeded all the financial targets with its performance in 2018.

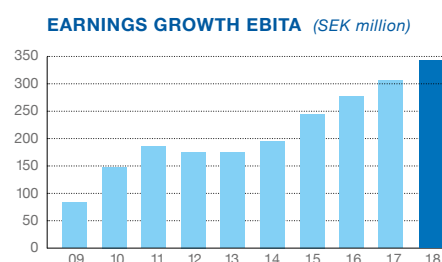
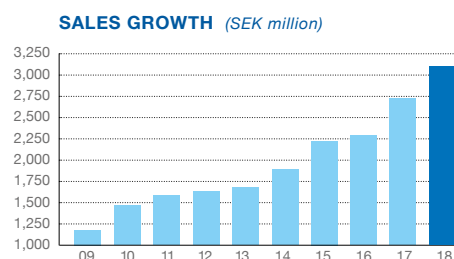
One acquisition was completed

ATB Drivtech AB with annual sales of SEK 18 MILLION was acquired during the year. The company supplies electric motors for industrial use. Its operations have been integrated into OEM Motor AB.

Increased dividend proposed

The Board of OEM is proposing an increase in the dividend to SEK 6.75 (6.00) per share. This would be the ninth consecutive year of increased dividends.

Summary		2018	2017	%
Net sales	SEK million	3,112	2,739	14
EBITA	SEK million	343	308	11
Profit before tax	SEK million	317	274	16
Profit for the year	SEK million	248	214	16
Earnings per share	SEK	10.74	9.25	16
Shareholders' equity per share	SEK	39.97	34.69	15
Average no. of employees		882	824	7
Equity/assets ratio	%	59	54	
Share price at year-end	SEK	190.50	177.00	8
Proposed dividends	SEK	6.75	6.00	13



OEM

in two minutes

3.1

BILLION IN TURNOVER

34

COMPANIES IN 14 COUNTRIES

25,000

CUSTOMERS

300

SUPPLIERS

882

EMPLOYEES

OEM is one of Europe's leading technology trading groups. The company is a value-adding 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 marketing and sales organisation, OEM serves as the extended arm of the suppliers in each market and aims to make them a leading player in their niche.

Product portfolio

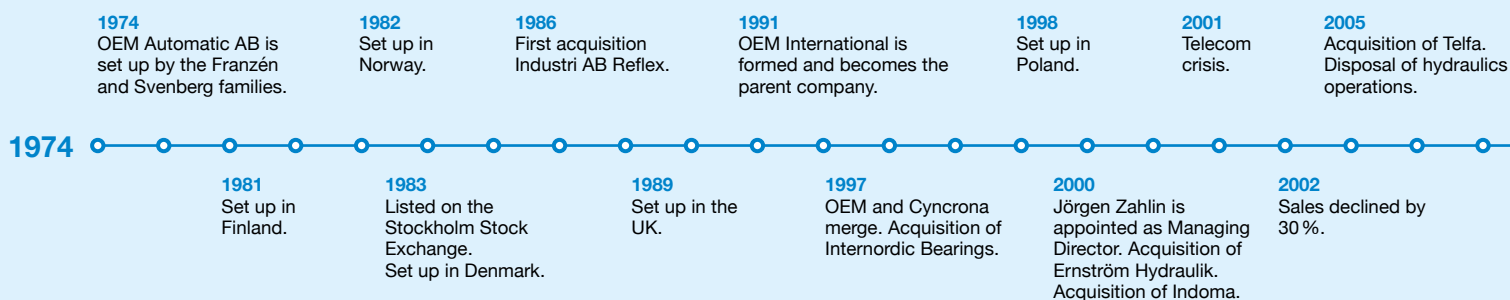
OEM has a portfolio of more than 50,000 products from over 300 suppliers who, with strong brands, are among the leading players in their respective niches. OEM's extensive product know-how, years of experience and outstanding applications expertise enable the company to be a strategic partner in multiple stages of the customers' value chain – from product development and design to purchasing and production.

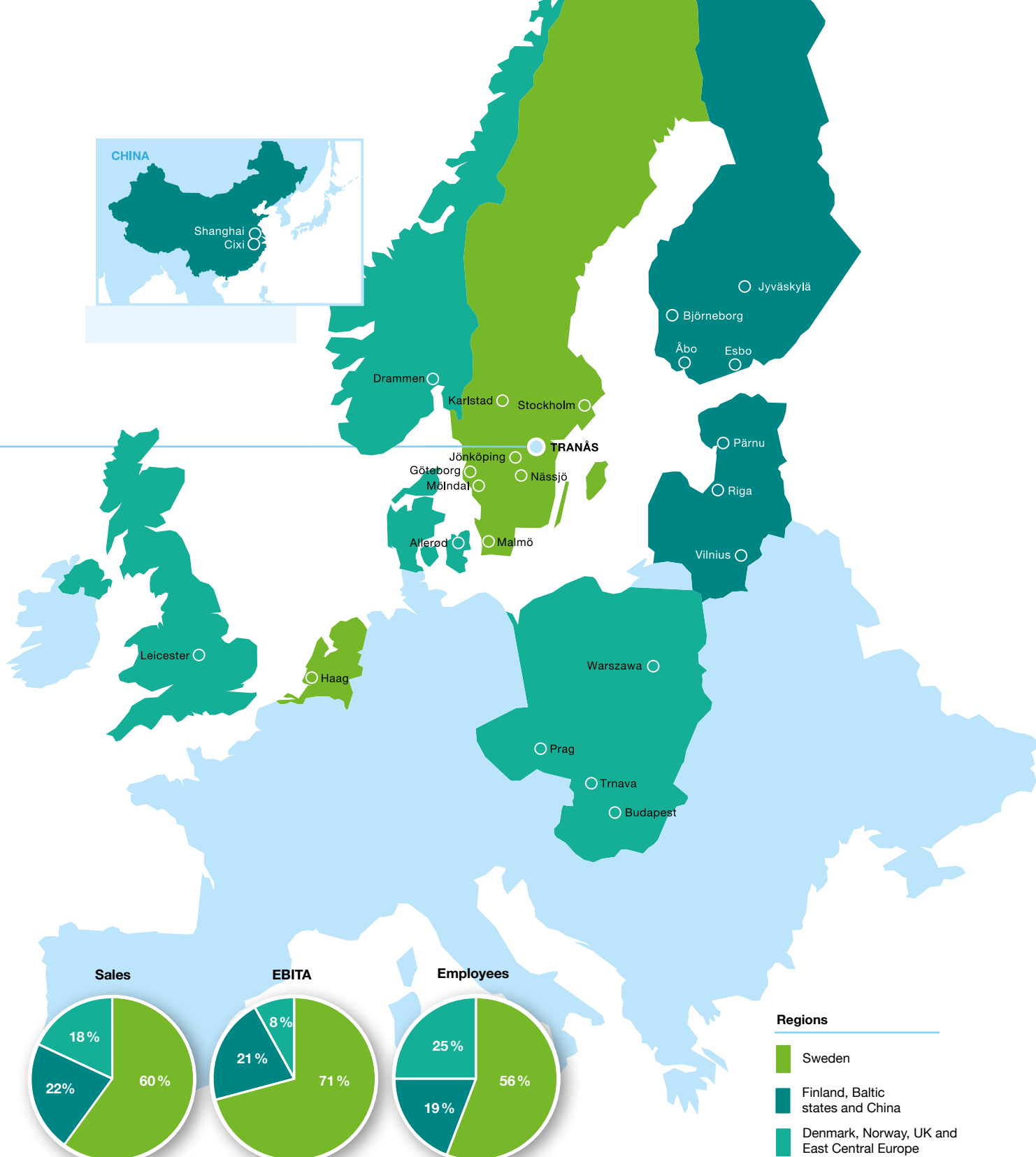
Market

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

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





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

2008
Acquisition of Elektro Elco. Set up in Slovakia.

2010
New logistics centre in Sweden. Disposal of Cyncrona.

2012
Acquisition of Akkupojat. New logistics centre in Finland.

2015
Acquisition of Rydahls, ATC Tape Converting and Scannotec.

2017
Acquisition of Rauheat and Candelux.

2007
Acquisition of Klitsö.

2009
Set up in China.

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

2014
Acquisition of Nexa and Scandling.

2016
Acquisition of Sitek-Palvelu.

2018
Acquisition of ATB Drivtech.

2018

New milestones in OEM's history

“We have become a key partner to many of our customers as they evolve.

2018 PROVED to be another year in a series of record sales and earnings. Net sales rose 14 % which meant that sales passed the SEK 3 billion mark. Organic growth of 8 % reflects strong performance while the acquired growth reached 2 % which is lower than our target. Profit before tax increased by 16 % to pass SEK 300 million.

The past five years have been a strong period in the history of the company. Sales almost reached SEK 1.7 billion in 2013, exceeded SEK 2 billion in 2015, and passed SEK 3 billion in 2018. In five years, OEM's sales have increased by 87 % or SEK 1.4 billion. That is an average annual increase of 13 %. Almost SEK 500 million is acquired growth and just over SEK 900 million is organic growth. These are impressive figures considering that the company is operating in a mature market and they clearly indicate that OEM has a strong concept and the organisation is doing a good job

Earnings trend

THE EBITA margin stood at 11.0 % in 2018, slightly down on the previous year. THE EBITA margin fell in the fourth quarter partly due to a somewhat slower pace of growth and to the winding-down of our lighting operations in Poland, which resulted in SEK 8 MILLION being charged to the income statement. Excluding these closure costs, the EBITA margin stood at 11.3 % for the full year, which is slightly higher than the previous year.

Over the past five years, OEM's earnings have grown faster than net sales, which means that the EBITA margin has steadily improved. This is despite the downward pressure on prices in the market and the fact that a significant amount of the growth comes from larger customers where the margins are generally slightly lower.

Continued strong growth in the regions

OEM built on the strong performance of 2017 in Region Sweden with an even more robust performance in 2018. Demand has remained strong for the largest operation, OEM Automatic, and both incoming orders and net sales were higher than in the previous year. OEM Automatic reported sales growth of 16 % in 2018, the majority of it being organic. Most of OEM's niche operations have also enjoyed a strong growth trajectory. During the year, Svenska Batteripoolen saw net sales increase by 28 % , Telfa by 21 %, Rydahls Bromsbandfabrik by 20 % and OEM Motor by 19 %.

OEM achieved good growth once again in Finland, the Baltic states and China in 2018, despite recent years of strong performance and high comparative figures. OEM Automatic, which is the largest operation in Finland too, has been on a strong growth trajectory with an increase in net sales of 10 %. The rate of growth is between 5 % and 10 % for the majority of the Finnish operations. The Hide-a-lite product area has continued to achieve excellent success, posting 24 % sales growth in 2018. After two weak years, the operations in the Baltic states have seen a very positive performance, posting 14 % sales growth in 2018.

OEM has continued its strong growth in the Region Denmark, Norway, the UK and East Central Europe. Net sales in Norway rose 10 % during the year and all the operations in East Central Europe have continued to see a positive growth rate well above 10 %. The companies in Denmark and the UK have, however, reported weaker growth with sales on a par with the previous year.

One acquisition was completed

Acquisitions form a key element of OEM's



growth strategy and we work actively to identify and assess potential takeover targets. A number of business combinations were analysed in 2018 and ATB Drivtech AB was acquired in the third quarter. The company manufactures bespoke electric motors and was generating annual sales of SEK 18 MILLION at the time of acquisition. ATB Drivtech's range of motors complements OEM's existing range of small electric motors and has been integrated with OEM Motor. We are pleased that this acquisition has been completed and that it is developing well, but we were rather disappointed that it was the only acquisition. Although several potential target companies have been under consideration, they were either deemed not compatible with our business activities or too expensive in relation to the risks they present.

Proposal for increase in dividend

OEM's dividend philosophy is that dividends shall be paid by an amount considered reasonable based on OEM's financial position and taking into account any need for investments or potential acquisitions.

The Board is proposing an increase in the dividend to SEK 6.75 (6.00) per share for the 2018 financial year. This is equivalent to about 63 % of earnings per share after tax and a direct return of 3.5 % based on OEM's year-end share price. The proposed dividend means that OEM has increased its dividend by an average of 15 % a year over the last 9 years.

Greater logistics capacity

Our logistics centre Höganloft came into operation in 2009 and was created with the aim of achieving world-class performance levels. Today, we offer fast, flexible and cost-efficient logistics solutions that generate considerable value for our customers. The same applies to our processing opera-

tions, where we produce unique customised solutions that improve the efficiency of our customers' processes.

The demand for logistics services is increasing as OEM grows. We are therefore radically augmenting our capacity by adding another 5,000 m² of logistics space to the facility's current 7,000 m². The extension is due to be completed at the end of 2019.

Digitalisation makes OEM stronger

Digitalisation is playing an increasingly significant role in society and is placing new demands on and creating new opportunities for OEM. We continued to implement our digitalisation programme in 2018 and have been gradually rolling out our new web platform in our operations. This affords new opportunities for digital marketing communication, the introduction of e-services and increased e-commerce, which will improve our offering in the long run. We realise that we are in the early stages of our digitalisation journey and will continue to develop new solutions and take advantage of the opportunities that digitalisation offers. We aim to be one of the leading companies in our industry and position ourselves at the forefront in this area.

Cautious optimism

Despite a long period of positive performance, we have been cautious in our assessment of future developments in demand. This means we are ready for economic fluctuations and have maintained a sharp business focus. Although we are experiencing a good level of demand at the time of writing, there are many signs of a slowdown ahead.

Today, our company is larger and stronger and our growth is the result of sales of new products to existing customers and a steady flow of new customers. We have become a key partner to many of our customers as they evolve. We have enhanced and expanded our offering and improved efficiency by focusing on details and digitalisation. This puts us in a strong position to tackle the challenges that we face and we are looking forward to addressing them.

Tranås, March 2019

Jörgen Zahlin

*Managing Director and CEO,
OEM International AB.*

Vision, business concept, goals and strategies

VISION

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

BUSINESS CONCEPT

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

Products are customised and assembled to specific requirements in OEM's processing facilities which are located adjacent to several of its logistics units.



GOALS

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

Average sales growth of 10 % per annum through a business cycle. Growth reached 14 % in 2018. 8 percentage points were organic growth, which is also the increase excluding the impact of foreign currency exchange rate fluctuations and 2 % came from acquired operations. Average annual sales growth was 13 % in the last five-year period.

EBITA margin

An average EBITA margin of 10 % per annum through a business cycle. The EBITA margin reached 11.0 % in 2018. The average EBITA margin has been 11.0 % for the past five years.

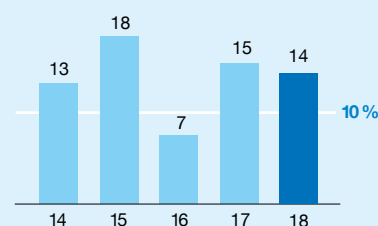
Return on equity

Return on equity at an average of 20 % per annum through a business cycle. Return on equity reached 28.7 % in 2018. The average return on equity has been 27.6 % for the past five years.

Equity/assets ratio

An average equity/assets ratio of 35 %. The equity/assets ratio was 59 % at the end of 2018. The average equity/assets ratio has been 53 % for the past five years.

SALES GROWTH (%)



The result for 2018 was 14 % compared with the average target of 10 %.

STRATEGIES

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

Growth

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

1) Organic growth

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

2) Acquisitions

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

or give OEM access to a new geographic market.

3) Geographic expansion

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

Product range

OEM shall offer a product range consisting of industrial components and systems from leading suppliers. The range is adapted to the local markets in which OEM operates. 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 understanding customer needs, and a practical way for OEM to offer its experience and

technical expertise. Face-to-face selling is supported by digital and printed marketing communication materials.

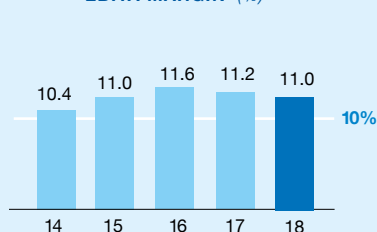
Logistics

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

Employees and management

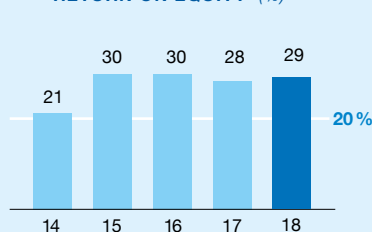
There should be a familial culture with a focus on entrepreneurship in all operations. OEM shall give its employees opportunities to develop within the company, taking account of business goals and strategies as well as the employees' ambitions. Recruitment and employee strategies will lead to a significant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

EBITA MARGIN (%)



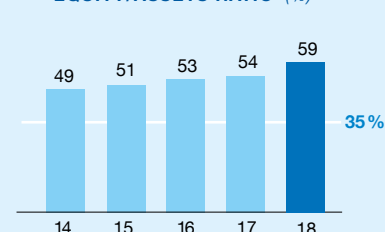
The result for 2018 was 11.0% compared with the average target of 10%.

RETURN ON EQUITY (%)



The result for 2018 was 29% compared with the average target of 20%.

EQUITY/ASSETS RATIO (%)



The result for 2018 was 59% compared with the average target of 35%.

Acquisitions make OEM stronger

ACQUISITIONS ARE central to OEM's 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:

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

Identifying companies for acquisition

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

platforms that OEM can offer for developing and expanding the businesses after they have been acquired.

The ideal acquisition targets have a number of common features:

- Trading company or product-owning company with annual sales of SEK 20-200 MILLION.
- Represents 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 completed 2005-2018

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

ACQUISITIONS DURING THE YEAR

In 2018, OEM made one acquisition which will deliver additional annual sales of SEK 18 MILLION to the Group.

ATB DRIVTECH AB

ATB Drivtech supplies electric motors for industrial use and complements OEM's existing range of small electric motors. Its head office is located in Ekerö.

Reason for the acquisition: ATB Drivtech's product range enhances OEM's portfolio of electric motors.

Type of acquisition: OEM acquired the entire company. The operations have been integrated with OEM Motor AB, which means that synergies have been realised. The previous owner is continuing in the company for a short time during the integration phase.



ATB Drivtech will provide a strong complement to OEM Motor's existing range, which can now offer motors with ratings of 1 kW or more.

Value-adding technology trading group

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

Value for the customers

OEM 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, high availability and modern marketing form the founda-

tion 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



A large number of the products it sells are bespoke for each customer.

words, logistics is complex and OEM focuses continually on making the flow of goods a streamlined and seamless process. OEM coordinates to larger logistics centres where appropriate, in order to increase efficiency and automate the flow of goods there. This creates a higher level of cost-efficiency, quality and service. OEM is also able to customise its logistics operations 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.

Extensive product range from leading suppliers

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

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

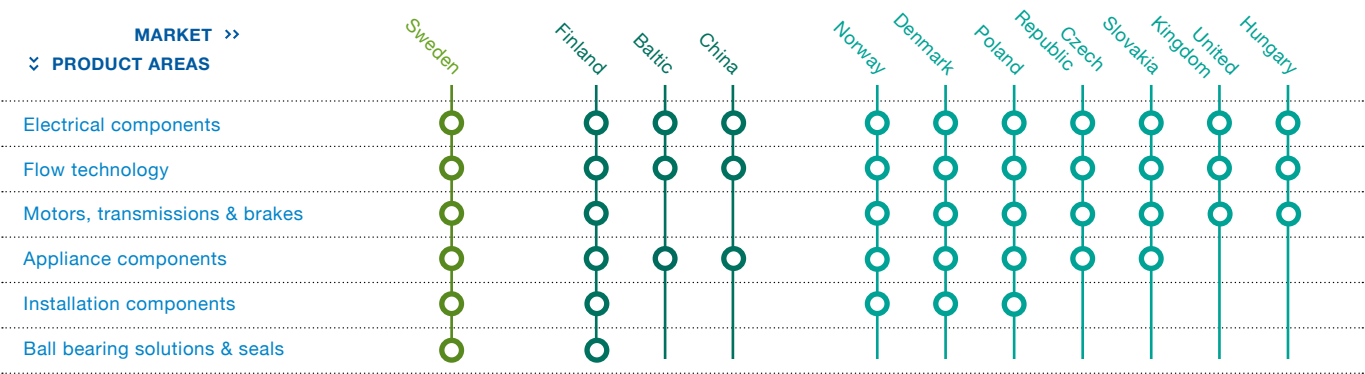
Product range development

The expansion and improvement of its range is an ongoing process for OEM and generally takes place in three ways.

- Development of the product range takes place collaboratively with existing suppliers by expanding the collaboration to much of their range and by working together on product development.
- The range is also expanded and improved by OEM identifying new suppliers of products that are suitable for inclusion in the range.
- Acquisitions can give access to an entirely new range or products that complement an existing range.

Market alignment

OEM's operations differ across the various geographic markets. This is a natural consequence of OEM having been established in different markets for varying lengths of time and of the fact that the conditions differ from one market to another. Each local operation also has to align its offerings with parameters such as local demand and which suppliers are available as partners in each market.



ELECTRICAL COMPONENTS



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

Products include:

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

Areas of application:

Most of the products are targeted at OEM's (original equipment manufacturers) for use in the machinery that they produce, for example fork-lift trucks and construction equipment. Some of the products are also used for installation of control cabinets, for example.

Customers include:

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.

Products include

Valves, hoses, sensors and pumps.

Areas of application:

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

Customers include:

Tetra Pak, Epiroc, Delaval, Volvo and Geringe.

MOTORS, TRANSMISSIONS & BRAKES



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

Products include:

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.

Customers include:

Tetra Pak, Nobina and ge Health Care.

EQUIPMENT COMPONENTS



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

Products include:

Displays, keyboards and LED lighting.

Areas of application:

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

Customers include:

Husqvarna, Danfoss, Franke and Scanfil.

INSTALLATION COMPONENTS



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

Products include:

Lighting and products for wireless control in the home.

Areas of application:

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

Customers include:

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

BALL BEARINGS & SEALS



The product area comprises products supplied by Internordic Bearings.

Products include:

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

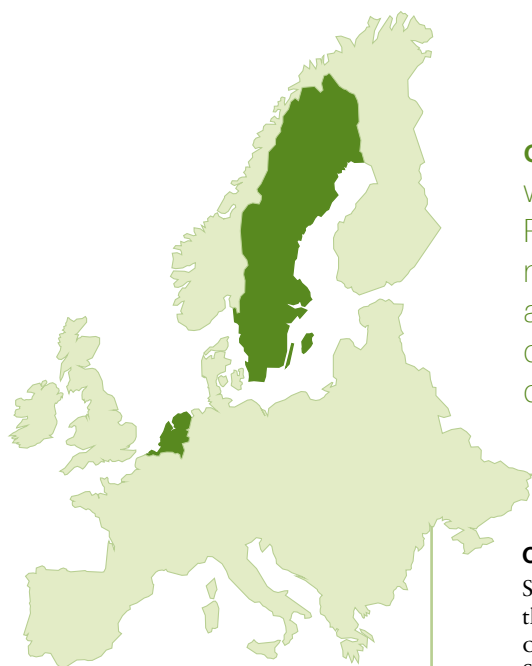
Areas of application:

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.

Customers include:

Öhlins, Husqvarna and Toyota Material Handling Manufacturing.

Yet another excellent year



OEM BUILT ON the strong performance of 2017 with an even more robust performance in Region Sweden in 2018. Several of the more niche operations are performing extremely well and OEM Automatic is also continuing to deliver good growth. Profitability has improved dramatically too.

Offering

Sweden is OEM's domestic market. It is also the Group's largest market and 60 % of OEM's total sales come from companies in Sweden. The operations in Sweden comprise 15 companies that specialise in their areas of expertise with in-depth product and application knowledge.

OEM's complete range of industrial products and systems, more than 50,000 products in all, is available in the Swedish market. Much of its portfolio comprises bespoke solutions for various applications, particularly for the manufacture of equipment and machinery. Complementing this are a large number of standard components and a smaller number of consumer products, primarily in the area of lighting.

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

Market

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

strong or weak Swedish currency.

OEM holds a strong position in the Swedish market and is a leader in several segments. Its customers are mainly equipment and appliance manufacturers, along with manufacturing companies in the automotive, forestry, telecommunications, IT and medical technology industries. In certain segments, customers also include wholesale companies, builders merchants and DIY stores.

Globalisation and digitalisation, with increasing e-commerce as a consequence, are continuously growing in importance in the Swedish market. Swedish industrial companies often keep their design and development units in Sweden, but move their manufacturing processes to countries where production costs are lower. Enhanced digitalisation also brings greater transparency, especially in terms of price competition for standard products. OEM is committed to ensuring that its pricing is competitive, based on the new conditions, and also on increasing value creation by being an attractive partner and offering customised solutions. This means that OEM often maintains its customer relationships and continues to supply customers when they have moved production abroad.

Developments in 2018

OEM built on the strong performance of previous years with a robust performance in 2018. Swedish industry is still enjoying a

60

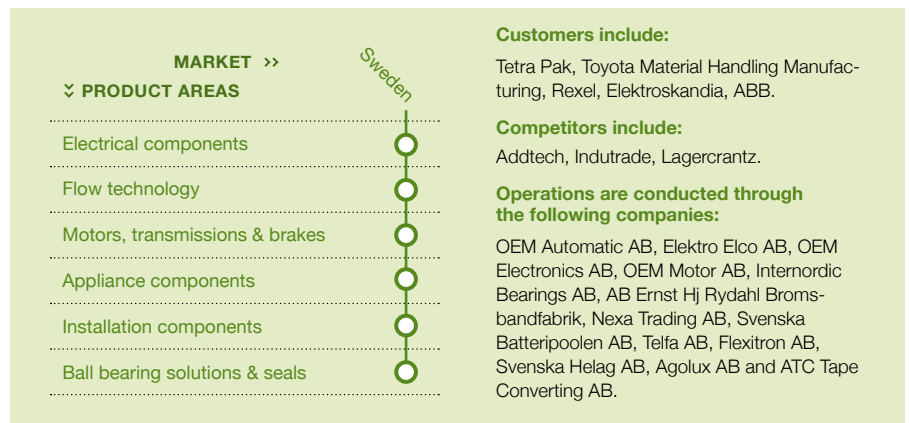
% OF GROUP
NET SALES

256

OPERATING PROFIT EBITA
(SEK million)

469

NUMBER OF EMPLOYEES



favourable economic climate and exporting companies have been assisted by Sweden's weak currency. OEM's net sales in the region grew by 12 %, 9 % of which is organic growth.

OEM can look back on a very positive year for several of its niche operations. Rydahls Bromsbandfabrik, which produces brake and friction systems, reported a 20 % increase in net sales in 2018. Telfa, whose offering to industrial companies is focused on pumps, reported a 21 % increase, while OEM Motor posted a 19 % increase in net sales. Svenska Batteripoolen's net sales grew by 28 %, the highest increase among the niche entities during the year.

OEM Automatic, the largest operation, also saw demand continuing at a good level with growth above the underlying market growth rate. Incoming orders, net sales and earnings were higher than in the previous year. OEM Automatic reported sales growth of 16 % in 2018, the majority of it being organic. Thanks to its size, OEM Automatic's growth has a major impact not only on growth in the region but also on the Group's aggregate growth.

Elektro Elco, the second largest company in the region, reported slightly lower sales growth than the general market growth in 2018. During the year, the operations underwent a process of

reorganisation with a change of CEO and a review of strategies in order to create a new basis for further growth. OEM Electronics, the third largest company in the region, saw 2 % growth during the year.

Several of the smaller operations have also seen good or excellent growth. For example, after a couple of years of weak growth, Flexitron's net sales increased by 17 % in 2018.

Overall, 2018 was another strong year for OEM in Sweden and it is mainly the large and medium-sized customers that contributed to this pleasing performance. These are also the customers with which OEM has long-standing, close relationships and for whom it serves more as a knowledge resource and a value-creating partner.

Thanks to lower cost growth, the increase in net sales has also helped drive profitability up. Operating profit (EBITA) rose 14 % and the EBITA margin stood at 14 %.



OEM Automatic, the largest operation, saw demand continuing at a good level with growth above the underlying market growth rate.

Strong growth in a weak market



OEM HAS ENJOYED continued strong growth in the region in 2018 and further consolidated its market position. Profitability is good and has performed slightly better than growth.

Offering

OEM's second region comprises operations in Finland, the Baltic states of Estonia, Latvia and Lithuania, and China.

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

OEM's operations in the Baltic states and in China are built on the strategy of following Swedish and Finnish customers that choose to outsource their production in the Baltic states or in China. The portfolio is therefore more concentrated and chiefly comprises products in the areas of Electrical components, Appliance components and Flow technology. The portfolio is gradually being expanded in response to demand and is being aligned to meet the

needs of each local market. In the Baltic states, parts of OEM's range are also sold to local customers.

Market

Manufacturing industries are OEM's main market in Finland, with forest and construction equipment, mining machinery and lifting equipment examples of key segments. Demand in recent years has been relatively good. During the latter half of 2018, however, market forecasts have been reviewed down based largely on the expectation that exports will not grow.

OEM has a strong position in the Finnish market and has successfully gained market share over a number of years, making the company a leading player in several segments. Its operations in the Baltic states and China, which are largely based on supplying products and systems to Swedish and Finnish customers, are affected more by the strategic decisions of their respective customers than by general developments in the market.

Developments in 2018

OEM has been on a strong growth trajectory in Finland for a number of years. Increased market share has provided leverage, with incoming orders, sales and earnings all seeing a high rate of growth. In 2018, OEM has once again enjoyed a

22

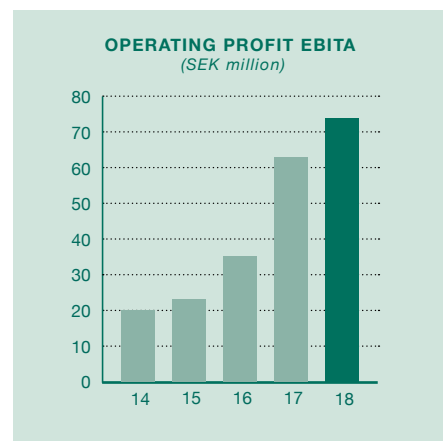
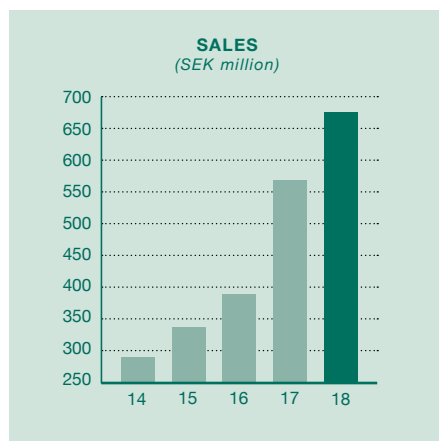
% OF GROUP
NET SALES

74

OPERATING PROFIT EBITA
(SEK million)

167

NUMBER OF EMPLOYEES



MARKET >>		Finland	Baltic states	China
PRODUCT AREAS				
Electrical components		○	○	○
Flow technology		○	○	○
Motors, transmissions & brakes		○	○	○
Appliance components		○	○	○
Installation components		○		
Ball bearing solutions & seals		○		

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

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

Operations are conducted through the following companies:
OEM Automatic FI, OEM Electronics FI, OEM Motor FI, Hide-a-lite FI, Akkupojat Oy, Sitek-Palvelu Oy, Rauheat Oy, Scannotec Oy, OEM Automatic OU, OEM Automatic UAB, OEM Automatic SIA, OEM Automatic (Shanghai) Co.Ltd.

positive performance despite strong growth and high comparative figures in the past few years. Net sales rose 18 %. Acquired growth reached 3 %. Currency movements had a positive 6 % effect on the increase in sales, resulting in 9 % organic growth.

The continued strong growth is mainly due to OEM's success in expanding its offering to existing customers in Finland by introducing new products and systems, with most growth in deliveries to OEM's major customers.

OEM Automatic, which is the largest operation in Finland too, has been on a strong growth trajectory with an increase in net sales of 10 %. OEM's second largest operation in the region, OEM Electronics, reported a 4 % increase in net sales during the year. The Hide-a-lite product area has continued to achieve excellent success, posting 24 % sales growth in 2018. The operations are still in the process of being built up, however, and the growth rate is in line with expectations. Sales of pumps, which are part of OEM Automatic, have doubled since 2017, making it another area with robust growth performance. Sitek-Palvelu and Rauheat, acquired in recent years, have also reported positive performances with 3 % and 11 % growth respectively.

After two weak years, the operations in the Baltic states have seen a very positive

performance, posting 14 % sales growth in 2018. The operations in China have almost doubled in the past four years, but did not show any further growth during the year. Profitability remains strong however. Compared with the Finnish companies, however, the operations in the Baltic states and China are still small and their impact on total growth is marginal.

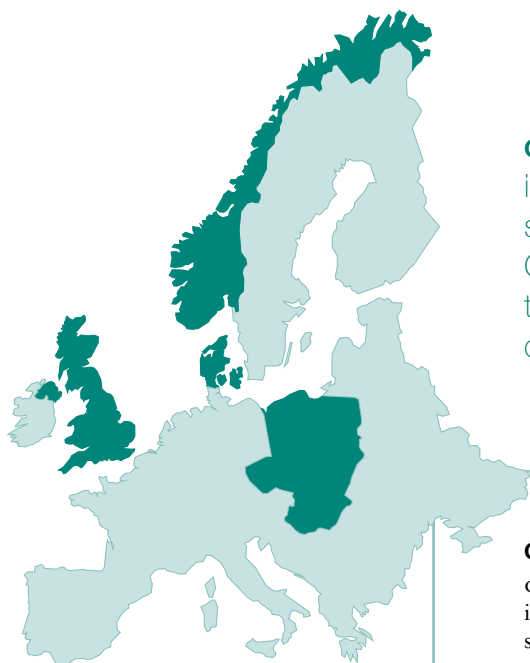
The strong sales growth in recent years has also resulted in higher profitability,

and 2018 is no exception. Operating profit (EBITA) rose 17 % during the year and the EBITA margin stood at 11 %.

OEM has been successful in expanding its offering to existing customers in Finland by introducing new products and systems.



Demand remains strong



OEM REPORTS that demand remained strong in the region in 2018. The growth rate was strongest in the emerging markets of East Central Europe. In the more mature markets, the highest growth rate was achieved by the operations in Norway.

18

% OF GROUP
NET SALES

29

OPERATING PROFIT EBITA
(SEK million)

226

NUMBER OF EMPLOYEES

Offering

OEM's third region is the most diversified in geographical terms with operations in seven countries. This geographical spread results in considerable variation in the customer mix and product portfolios. The region also includes country-specific customer types that are unique to the Group. In some cases, the product portfolio is specially tailored to these customers.

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

OEM's operations in the third region are conducted through seven companies based on the OEM Automatic concept. The OEM Electronics concept also exists in Poland, the Czech Republic, Slovakia and Denmark, and Elektro Elco is also established in Denmark and Norway.

Market

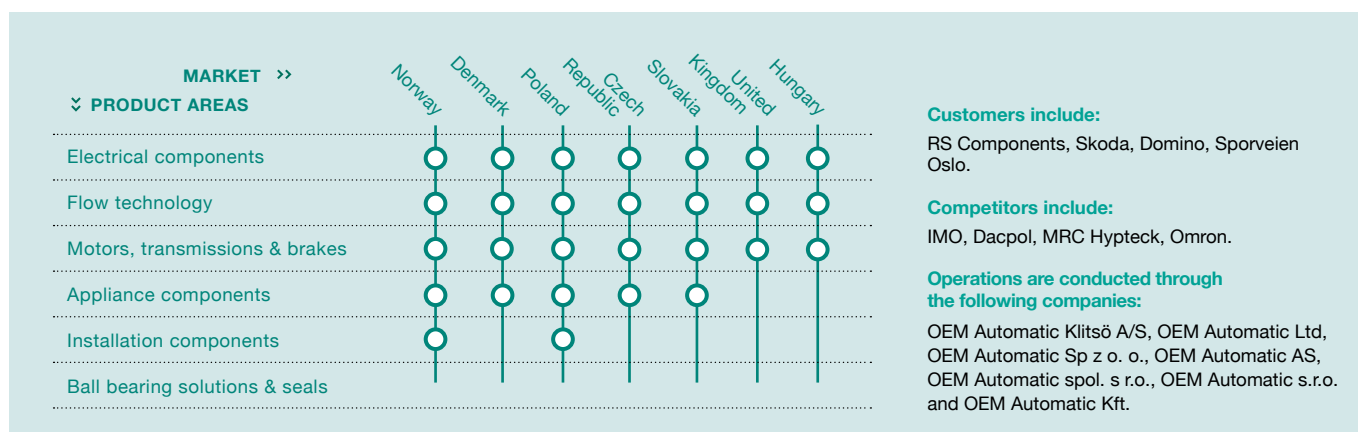
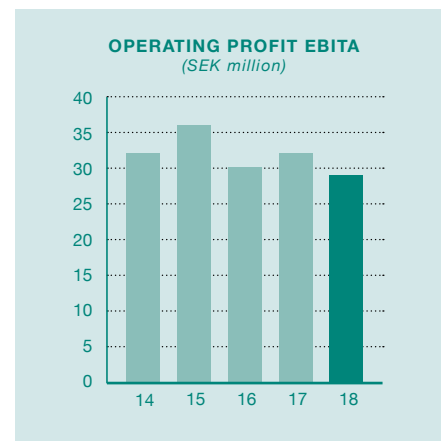
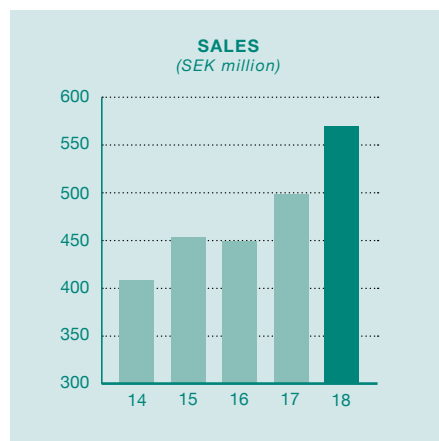
OEM's markets in the region not only have a wide geographic spread but also differ

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 changes associated with various industries and segments. For example, agriculture is an important sector of the Danish economy and the country had weak growth in 2018.

OEM's markets in East Central Europe are still seen as emerging markets. The markets 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 challenges that the increased presence has brought to the market, such as increased competition and downward pressure on prices.

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

The customers in East Central Europe are manufacturing companies operating in a



wide range of industries. In Poland, for example, the domestic mining and minerals industries are key customer segments. The product portfolios and customer bases of OEM's operations in Slovakia and Hungary are still in the development phase. Both of these countries have a number of key customers that manufacture vehicles and electronic products.

Developments in 2018

OEM has continued its strong growth in the region and all companies are reporting growth, with the exception of Denmark where volumes are not in line with expectations.

Net sales rose 14 % during the year.

Currency movements and acquisitions affected sales positively by 5 and 2 percentage points respectively, which means that organic growth reached 7 %.

OEM's markets in East Central Europe have been experiencing strong growth for a number of years, both in terms of domestic industry and production that has been moved there from other countries, and they have continued to prosper in 2018.

OEM has reported continued strong growth in Poland with 18 % growth. The Czech Republic has also performed well with 13 % sales growth. The operations in Slovakia and Hungary had the strongest performance with growth rates of 17 % and 27 % respectively. However, these

operations are still relatively small, with lower sales than other countries in the region and the rate of growth is in line with expectations. Almost all growth in East Central Europe is organic.

In Norway, OEM has continued the positive growth trend from the previous year, with net sales up 10 % in 2018. OEM's rate of growth in the UK is slightly above the underlying growth. Competition is fierce in Denmark and the range is limited, and OEM found it difficult to generate growth in 2018. The operations are concentrated to cyclical sectors, however, and it is therefore normal for growth to vary from year to year.

Despite the good growth, profitability in the region is below the Group's long-term profitability target. Operating profit (EBITA) fell by 8 % and the EBITA margin stood at 5 %. Closure of lighting operations in Poland impacted EBITA by SEK 8 MILLION. Excluding this closure, EBITA rose 16 % to SEK 37 MILLION.



OEM's markets in East Central Europe have experienced strong growth, both in terms of domestic industry and production that has been moved there from other countries.

Expertise and commitment central elements of the portfolio

THE EMPLOYEES' EXPERTISE and commitment are central elements of OEM's portfolio. In today's competitive market, where the products are becoming more and more similar, it is often the expertise and commitment of the employees that make the difference.

The high level of expertise of the employees is based on the combination of top technical expertise and a strong sales focus. The company's sales staff and product specialists are key people in the relationships with customers and manufacturers. The knowledge and commitment of the employees build lasting and trusting relationships in line with OEM's business model.

It is becoming ever more important to develop added values and effective internal processes that are adapted to today's digitalised world.

The 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

Strong culture

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

Personal development and long-term vision

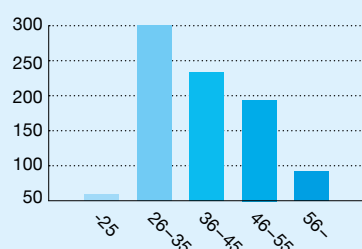
OEM's long-term competitiveness depends greatly on a combination of loyal employees who develop professionally and a pipeline of young talent. OEM therefore works to improve its attractiveness as an employer for current and future employees. OEM encourages all of its employees to continue developing their skills and abilities in different ways. The use of individual

development plans is one of the activities. Business objectives are combined with individual goals to create plans that facilitate the ongoing development of the skills of the 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, finance, IT and other areas.

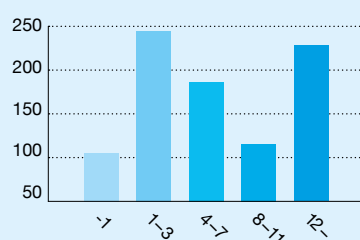
Ambitious sales force

OEM focuses strongly on the development of its sales force. The sales professionals must have extensive knowledge of the

AGE SPLIT
(No./age)



LENGTH OF EMPLOYMENT
(No./years)



	2018	2017
Average no. of employees	882	824
Employees at year-end	890	872
Women (%)	18	18
Sick leave person/year (DAYS)	7	8
Training costs/employee (SEK 000)	4	3
Wellness costs/employee (SEK 000)	1	1



OEM encourages its employees to shape their careers by being interested, creative and goal-oriented.

products, a strong sense of business responsibility and work closely alongside the customers. This enables them to develop the deals 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.

Inquiring minds and creativity are encouraged

OEM encourages its employees to shape their careers by being interested, creative and goal-oriented. Most leaders are recruited internally and considerable energy and efforts are 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.

Employee numbers increased

OEM regularly recruits employees, largely in the area of sales and marketing, to ensure growth opportunities in all markets. In 2018, the headcount increased from 872 employees to 890. The increase is mainly due to new employees joining existing operations.

Young employees add dynamism and drive

An important part of building a strong, competitive organisation is to continuously hire young employees. Fresh graduates who are interested in technology and sales add dynamism and drive. Well-designed induction programmes and individual development plans mean that the new employees quickly learn their duties and are assigned progressively more responsible work. OEM has a trainee programme for newly-graduated employees with degrees in engineering or economics and the potential to assume leadership responsibilities in the future. OEM also works collaboratively with several educational institutions, offering internship opportunities, guidance in thesis research projects and other assistance. This is a means of attracting

future personnel and reaching out with information about OEM's business and operations.

Strives to improve equality

As part of OEM's ongoing CSR programme, it carries out in-depth activities in the area of equal opportunities, such as the training of employees and development of policy documents. Everyone shall have equal opportunities based on qualifications for the job, without regard to religion, ethnicity, nationality, gender, age, disability or sexual orientation. OEM's sector is traditionally male-dominated, but the company strives for a more equal gender balance by increasingly seeking to hire women for male-dominated positions.

Well-being and health for performance

Well-being and health are essential for being able to perform well and develop, both individually and as a team, and OEM has always made the well-being of its employees a central priority. Regular investments are made to create safe, healthy and attractive workplaces and the company encourages its employees to adopt a healthy lifestyle by offering physical activity opportunities and preventive care and wellness initiatives. Activities designed to create cohesion and group dynamics are often conducted in conjunction with conferences or workplace meetings.

A responsible approach towards CSR sharpens the competitive edge

A RESPONSIBLE APPROACH to CSR-related issues promotes a healthy business culture, improves OEM's competitive edge and enhances its position as an attractive employer. Since 2013, OEM has had a Group-wide Code of Conduct designed to give the Group's companies a standard platform for CSR-related activities and ensure a similar approach in developments concerning the environment, ethics and communities.

Code Of Conduct

OEM's Code of Conduct is 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 the essential components of the responsibility that it is natural to take for all of the Group's companies. The ten key principles of the Code of Conduct are:

Human rights

- 1) OEM supports and respects the protection of internationally proclaimed human rights.
- 2) OEM shall not be complicit in human rights abuses.

Working rights

- 3) OEM upholds freedom of association in accordance with local law, and 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.
- 4) 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.
- 5) 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.
- 6) Factors such as ethnic origin, skin colour, gender, religion, political opinion, nationality, social origin, age, disability, HIV/AIDS status, union membership and sexual orientation should be ignored and all discrimination avoided with regard to applications for employment and the perfor-

mance of work. Physical and psychological harassment are strictly prohibited.

The environment

- 7) OEM applies the precautionary approach with regard to environmental hazards: *"Where there are threats of serious or irreversible damage, lack of full scientific certainty shall not be used as a reason for postponing cost-effective measures to prevent environmental degradation"*.
- 8) Innovative measures that reduce the impact on the environment are encouraged and OEM undertakes active initiatives to promote greater environmental responsibility.
- 9) OEM encourages development and increased use of environmentally-friendly technologies. Sustainable development is a keyword and OEM uses a preventive approach in its work with environmental issues.

Anti-corruption

- 10) OEM is committed to countering corruption in all forms, including extortion and bribery, and proactively develops strategies and concrete programmes to tackle corruption both internally within its business and in any of the Group's supply chains.

CSR activities

The Group's companies perform at least three CSR activities each year. These are followed up by the Boards and management teams. In 2018, one of these activities focused on discrimination and equality. The Group is committed to a culture of openness and accountability with high ethical standards and its employees play a key role in identifying any issues not aligned with the values and ethical guidelines of the Group.

OEM has a whistleblowing system in place that allows individuals to report suspected wrongdoing. This is important to encourage high ethical standards.

Priority to environmentally-friendly solutions

OEM's commitment to environmental issues is laid out in its Code of Conduct. It encourages actions and initiatives that lead to greater environmental responsibility and preventative measures in order to give priority to environmentally-friendly business practices and solutions. OEM has identified transport, travel, use of packaging materials and heating of premises as the areas that have the greatest environmental impacts. There has been a strong focus on these areas for many years and OEM strives to find good environmental solutions and supports development initiatives in these areas. Another key aspect of environmental responsibility is to offer customers high-quality, climate-friendly components. OEM's high level of product expertise enables it to help customers make environmentally-sound choices.

Quality is critical for sustaining competitive advantage

Ensuring quality at every stage of the business process is critical to competitive advantage. OEM's companies have long been working systematically to improve quality and efficiency. The Group has developed its own activity management system called "OQD" – OEM Quality Development, which is based on Toyota's principles. The management system includes close monitoring of non-conformances, visualisation of results compared with objectives and improvement initiatives from employees. OQD has attracted considerable attention from many quarters and is considered to be one of the leading systems in the industry. It was developed at OEM Automatic in Sweden and is used to varying extents in other logistics operations in the Group.

ISO certified companies

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

Ensuring quality at every stage of the business process is critical to competitive advantage and OEM works systematically to improve quality and efficiency.





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Five-year Group summary

(SEK million)

FROM THE STATEMENT OF INCOME	2018	2017	2016	2015	2014
Sweden	1,865.9	1,668.0	1,539.3	1,433.2	1,189.5
Overseas	1,246.0	1,070.9	843.1	798.5	698.0
Net sales	3,111.9	2,738.9	2,382.4	2,231.7	1,887.5
Operating income before depreciation and amortisation	376.1	337.7	304.3	272.0	221.7
Amortisation/depreciation	-53.1	-56.0	-45.7	-46.8	-43.2
Profit/loss from financial items	-5.5	-8.0	-3.5	-3.8	-2.8
Profit before tax	317.4	273.7	255.0	221.4	175.7
Tax	-69.2	-59.8	-54.1	-48.1	-39.0
PROFIT FOR THE YEAR	248.3	213.8	200.9	173.2	136.7
EBITA	342.6	307.8	277.4	246.5	196.4
FROM THE STATEMENT OF FINANCIAL POSITION					
Intangible fixed assets	192.8	200.7	196.4	175.7	175.1
Property, plant and equipment	259.5	250.7	227.0	202.9	204.2
Non-current financial assets and deferred tax assets	3.1	2.1	1.8	2.0	2.4
Inventories	568.5	493.9	427.7	395.8	336.5
Current receivables	500.7	478.4	403.8	358.5	325.0
Cash and cash equivalents	38.5	56.3	83.1	84.7	80.1
TOTAL ASSETS	1,563.2	1,482.2	1,339.8	1,219.7	1,123.3
Equity	926.0	803.7	709.4	622.1	551.9
Non-current liabilities	135.0	146.1	132.4	123.4	116.8
Current liabilities	502.3	532.4	497.9	474.1	454.6
TOTAL EQUITY AND LIABILITIES	1,563.2	1,482.2	1,339.8	1,219.7	1,123.3

Definitions can be found on page 90.

KPIs for the last five years

OEM GROUP		2018	2017	2016	2015	2014
Net sales	SEK million	3,112	2,739	2,382	2,232	1,887
of which overseas	%	40.0	39.1	35.4	36.0	37.0
Consolidated profit before tax	SEK million	317.4	273.7	255.0	221.4	175.7
Consolidated profit for the year	SEK million	248.3	213.8	200.9	173.2	136.7
EBITA	SEK million	342.6	307.8	277.4	246.5	196.4
Return on total capital	%	22.5	21.8	21.8	21.1	17.8
Return on capital employed	%	33.0	32.2	31.6	30.0	24.1
Return on equity	%	28.7	28.3	30.2	29.5	21.4
Debt/equity ratio	times	0.16	0.25	0.29	0.37	0.45
Interest coverage ratio	times	85.1	72.6	57.3	57.9	45.3
EBITA margin	%	11.0	11.2	11.6	11.0	10.4
Operating margin	%	10.4	10.3	10.9	10.1	9.5
Profit margin	%	10.2	10.0	10.4	9.7	9.3
Capital turnover rate	times/yr	1.99	1.85	1.78	1.83	1.68
Net sales/employee	SEK million	3.5	3.3	3.2	3.1	2.9
Equity/assets ratio	%	59.2	54.2	53.0	51.0	49.1
Operating cash flows	SEK million	217.2	191.5	218.6	191.7	151.1
Quick ratio	%	107	100	100	94	89
Average number of shares outstanding	thousands	23,107	23,107	23,107	23,107	23,107
Earnings per share	SEK	10.74	9.25	8.70	7.50	5.92
Average total number of shares	thousands	23,169	23,169	23,169	23,169	23,169
Earnings per share	SEK	10.71	9.23	8.67	7.48	5.90
Shareholders' equity per share	SEK	39.97	34.69	30.62	26.85	23.82
Proposed dividends	SEK	6.75	6.00	5.50	5.00	4.25
Quoted price as at 31 December	SEK	190.50	177.00	151.00	141.00	110.00
P/E ratio	times	17.8	19.2	17.4	18.9	18.6
Direct return	%	3.5	3.4	3.6	3.5	3.9
Average no. of employees	No.	882	824	756	727	654
Salaries and remuneration	SEK million	377	338	297	281	241

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 2018 financial year. The Annual Report and the Consolidated Financial Statements, including the Auditors' Report, are given on pages 29-83. Figures for 2017 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. As the brand concepts grow in strength, they are launched on new geographic markets.

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

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

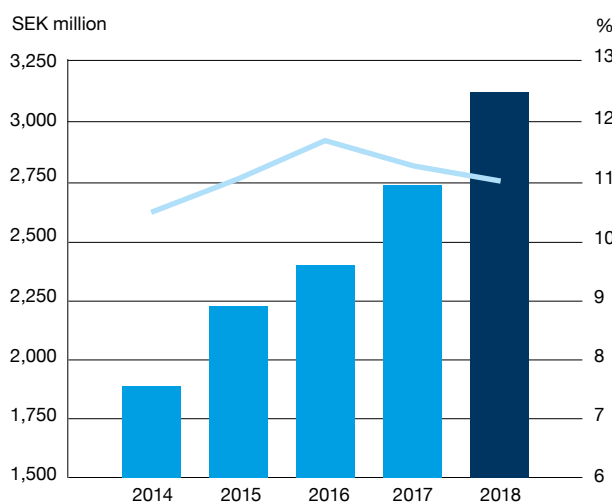
The objective of this organisation is to consolidate OEM's long-term competitive edge and increase growth outside of Sweden.

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

Incoming orders, net sales and profit

Incoming orders increased by 13% to SEK 3,163 million (2,793) during the year. At SEK 414 million, the order book was 16% up on the previous year.

Net sales rose 14% to SEK 3,112 million (2,739) over the previous year. Net sales rose 8% for comparable entities, which is also the increase



Net sales SEK million, EBITA margin %.

excluding the impact of foreign currency exchange rate fluctuations. Most of the Group's operations have experienced strong growth, with the larger entities OEM Automatic, OEM Motor and Ernst Hj Rydahls Bromsbandfabrik in Sweden and OEM Finland having contributed most to the fine performance.

Operating profit before amortisation of acquisition-related intangible fixed assets (EBITA) increased 11% during the year to SEK 343 million (308). Increased net sales are the reason for the growth curve in most of the operations. The operating margin before amortisation of acquisition-related intangible fixed assets (EBITA margin) was 11.0% (11.2%).

Profit before tax was SEK 317 million (274) and profit after tax rose 16% to SEK 248 million (214).

The year's profit after tax corresponds to SEK 10.74 (9.25) 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 Rydahls Bromsbandfabrik, ATC Tape Converting and ATB Drivtech.

A positive performance by existing entities boosted net sales by 12% to SEK 1,868 million (1,671). Acquisitions have had a marginal impact on net sales. The impact of foreign currency exchange rate movements had a beneficial 3% effect on net sales, which means that organic growth in the region was about 9%. More or less all operations delivered good growth, with the larger entities like OEM Automatic, Ernst Hj Rydahls Bromsbandfabrik and OEM Motor having contributed most to the increased net sales.

OEM Automatic reported sales growth of 16%, Ernst Hj Rydahls Bromsbandfabrik 20% and OEM Motor grew by 19%.

Incoming orders rose 11% to SEK 1,894 million (1,703). In 2018, incoming orders were 1% higher than net sales.

EBITA rose 14% to SEK 256 million (225). 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, Sitek-Palvelu and Rauheat.

In 2018, net sales for the region increased by 18% to SEK 674 million (569). Acquisitions and foreign currency exchange rate movements had positive effects of 3% and 6% respectively on net sales, which means that organic growth in the region reached 9%. This strong performance is still due to OEM's continuing focus on expanding its offering to existing customers in Finland by introducing new products and systems. All operations in Finland have reported positive growth. In 2018, the Baltic states produced a positive growth rate of 21% and the operations in China reported a sales increase of 6%. The operations in the Baltic states and China are small, however, and their impact on total growth in the region is marginal.

The level of incoming orders has also been strong, rising 16% to SEK 676 million (580).

Incoming orders were on a par with net sales in 2018.

EBITA rose 17% to SEK 74 million (63), due primarily to increased net sales.

Region Denmark, Norway, UK and East Central Europe

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

Net sales rose in the full-year 2018 by 14% to SEK 570 million (499). Acquisitions and foreign currency exchange rate movements had positive effects of 2% and 5% respectively on net sales, which means that organic growth in the region reached 7%. The operations in Hungary, Poland, Slovakia, the Czech Republic and Norway are reporting good organic growth on varying levels.

OEM's growth in the UK is slightly above the underlying growth. Net sales have dropped slightly in Denmark where competition remains fierce.

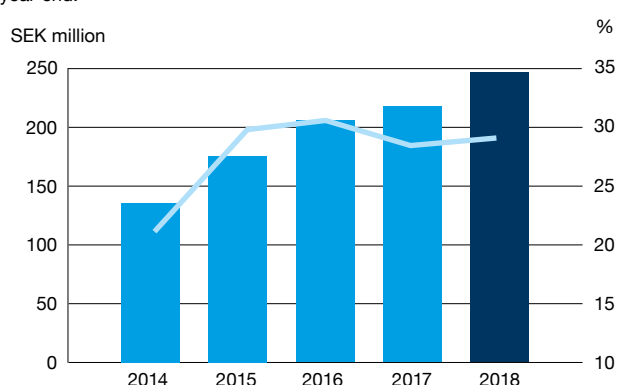
The markets in East Central Europe have been reporting good growth for a number of years.

Incoming orders increased by 16% to SEK 593 million (510). Incoming orders were 4% higher than net sales during the year.

EBITA fell by 8% to SEK 29 million (32). Closure of lighting operations in Poland impacted EBITA by SEK 8 million. Excluding this closure, EBITA rose 16% to SEK 37 million, due primarily to increased net sales.

Profitability and financial position

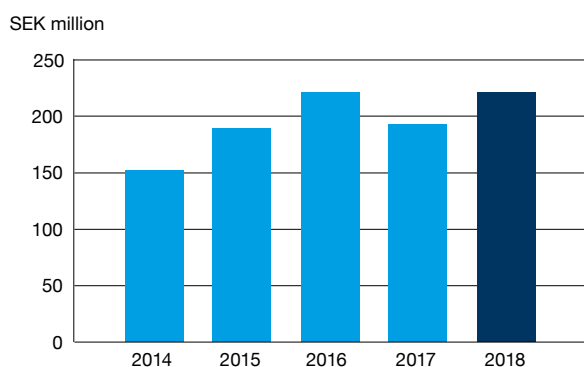
Return on capital employed was 33.0% (32.2%). Return on equity was 28.7% (28.3%) which exceeds the Group's financial target of 20% through a business cycle. The Group's equity/assets ratio at year-end was 59.2% (54.2%). Shareholders' equity per share was SEK 39.97 (34.69). Cash and cash equivalents, comprising cash and bank balances, amounted to SEK 38 million (56). The Group's cash and cash equivalents, together with committed undrawn credit facilities, amounted to SEK 396 million (366) at year-end.



Profit after tax SEK million, Return on equity %.

Cash flow

Operating cash flow was SEK 217 million (191). After net investments of SEK -47 million (-76) and amortisation, new loans and paid dividends for a total of SEK -189 million (-143), the year's cash flow was SEK -19 million (-27).



Operating cash flow, SEK million.

Investments

The Group's gross investment for the year, excluding acquisitions, was SEK 27 million (27) in machinery and equipment, SEK 11 million (11) in buildings, and SEK 1.1 million (4.1) in other intangible fixed assets comprising patents and software.

Group changes

On 17 September 2018, the entire shareholding of ATB Drivtech AB in Sweden was acquired. The company supplies electric motors for industrial use and generates annual sales of approximately SEK 18 million. Its head office is located in Ekerö. The company became part of Region Sweden on 1 September 2018.

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 890 (872), an increase of 18 employees. The average number of employees during the year was 882, compared with 824 in the previous financial year. Women represent 18% (18%) of the workforce. Absence due to illness stands, on average, at 7 days per person, which is 1 day less than last year. OEM encourages a healthy lifestyle through various forms of exercise and preventive healthcare. The average cost of training per employee is SEK 4,000 (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. This 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. The subsidiaries work closely with their suppliers to minimise this risk and 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, with approximately 25,000 customers spread across several industrial segments and geographic markets. No customer accounts for more than about 4% of total Group sales.

Competitive situation

Reorganisations and consolidations in the technology business sector are

constantly changing the competitive landscape. 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 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%.

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

The Group has not issued a forecast for 2019.

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 2018, OEM had a Swedish subsidiary whose operations require licensing or registration under the Swedish Environmental Code. The operations requiring registration represent an insignificant portion of the company's total operations. None of the Group's companies are involved in any environment-related disputes. OEM's focus on trade means that the greatest environmental impact comes from transportation, environmentally harmful substances, printed materials, packaging materials and heating. OEM takes a structured approach in all of these areas to find the best environmental solutions and support development initiatives in these areas.

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

Sustainability report

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

PARENT COMPANY

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

The Parent Company's net sales were SEK 57 million (49). Net sales relate entirely to services to subsidiary companies. Profit before year-end appropriations and tax amounted to SEK 54 million (25).

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 2018 Annual General Meeting are presented in Note 5.

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

The Board's proposed policies for remuneration of senior executives, which are to be presented at the 2019 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, the management team may also receive variable remuneration, which is capped at 58% of base salary, the equivalent of 7 monthly salaries. Senior executives shall have premium-based pension schemes, capped at 30% of fixed pay. The above proposals are the same as for the previous year.

The period of notice on the company's part may not exceed 24 months and involves the obligation to work during the period of notice. Employment agreements shall not contain provisions for severance pay. There is an exception in an agreement signed in 2001, whereby severance pay, amounting to a further 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 authorises the repurchase of 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 2012-2018. As at 31 December 2018, the company's total shareholding was 61,847 shares, which is equivalent to 0.3% of the aggregate number of shares.

The 2019 Annual General Meeting will propose that shareholders resolve to renew the mandate for the repurchase of up to 10% of the number of shares.

Other information

The Board of Directors is appointed by the Annual General Meeting. The Articles of Association contain a preemption clause which states that if Class A shares are transferred from one shareholder to another shareholder in the company, or to someone not previously a shareholder in the company, the shares shall be offered immediately to the other holders of Class A shares for redemption through a written application to the company's Board of Directors. The Articles of Association also include a conversion provision enabling holders of Class A shares to convert all or part of their holding of Class A shares into Class B shares. If the company decides to issue new shares of Class A and B, through cash issue or set-off, 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 6.75 (6.00) per share. Retained earnings in the Parent Company total SEK 295 million. The Board recommends a SEK 156 million dividend and that SEK 139 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's rules for issuers. The Code is aimed at creating good prerequisites for an active and conscientious owner role and constitutes an element in the self-regulation of Swedish enterprise. It is based on the "comply or explain" rule, which means that non-compliance with a term of the Code is not a breach provided there is an acceptable reason that can be explained. OEM International has noted a non-conformance with the rules of the Code concerning the Nomination Committee. The non-conformance is explained in detail under the heading Nomination Committee.

Division of responsibilities

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

Shareholders

OEM International AB is a public company and was listed on the Stockholm Stock Exchange in December 1983. OEM International AB had 3,693 shareholders at the end of 2018. The ten largest shareholders controlled 75% of the share capital and 91% of the voting rights at year-end. The following shareholders had, directly or indirectly, shareholdings representing at least one-tenth of the number of voting rights for all shares in the company: Orvaus AB 28.8%, 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 2018 Annual General Meeting and can be

viewed on the company's website, www.oem.se (see under The Company/Corporate Governance/Articles of Association).

Annual General Meeting

The Annual General Meeting is the highest decision-making body in OEM International AB where the shareholders exercise their voting rights. The Annual General Meeting passes resolutions concerning the adoption of the Statement of Income for the Group, the Statement of Comprehensive Income for the Group, the Statement of Financial Position for the Group and the Income Statement and Balance Sheet for the Parent Company, distribution of dividends, election of 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 proxy. 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 68.1% of the share capital and 88.8% of the voting rights took part in the 2018 Annual General Meeting held on 18 April 2018. Petter Stillström was appointed to chair the Annual General Meeting. The Annual Report and the Auditors' Report were presented at the Meeting. In connection therewith, the Chairman of the Board submitted information about the work of the Board of Directors, and Ulf Barkman, chairman of the Audit Committee, reported on the work of the Audit Committee and its cooperation with the auditors. The auditor presented the Auditors' Report and gave an oral account of the work during the year. The company's Managing Director and Chief Executive Officer, Jörgen Zahlin, presented comments on the Group's operations, the 2017 financial year and developments in the first quarter of 2018.

The 2018 Annual General Meeting decided:

- to approve the payment of a final dividend of SEK 6.00 per share
- to elect Petter Stillström, Ulf Barkman, Hans Franzén, Ingrid Nordlund, Jörgen Rosengren, Anna Stålenbring and Åsa Söderström Winberg as members of the Board of Directors
- to elect Petter Stillström as Chairman of the Board
- to adopt the proposal of the Nomination Committee that the Nomination Committee should be made up of representatives of not less than three and no more than four of the largest shareholders and that the Chairman of the Board should act as Chairman of the Nomination Committee
- to adopt the proposal of the Board of Directors that remuneration received by senior executives from OEM International AB is mainly comprised of fixed and variable components. The remuneration shall be market-competitive and the variable amount shall be capped at 58% of base salary. The company's management shall have market-competitive, premium-based pension schemes, capped at 30% of fixed pay.
- to adopt the proposal of the Board of Directors to include a conversion provision in the Articles of Association enabling holders of Class A shares to convert all or part of their holding of Class A shares into Class B shares.
- 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 2019 Annual General Meeting will be held on 24 April 2019 in Tranås.

Nomination Committee

At the Annual General Meeting held on 18 April 2018, 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 2019 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 Board of Directors will chair the Nomination Committee.

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 must be published as soon as they are made. The composition of the Nomination Committee was published on 22 October 2018. The change to the composition of the Nomination Committee was published on 12 February 2019. The composition of the Nomination Committee is available for viewing on OEM's website, www.oem.se, under The Company/Corporate Governance/Nomination Committee.

The Nomination Committee shall prepare proposals for the following items of business to be presented for resolution at the 2019 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 2019 Annual General Meeting is composed of:

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

Ongoing dialogue is conducted within the Nomination Committee which held a minuted meeting where it acquainted itself with the assessment of the work of the Board of Directors during the past year and it discussed the composition of the Board of Directors.

The Nomination Committee's proposals to the Annual General Meeting will be presented in the notice of the Annual General Meeting and on the company's website.

The composition of the Nomination Committee above deviates from the regulations of the Code 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, and that members can be dependent on major shareholders of the Company.

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 2018 Annual General Meeting, the Board has consisted of the following members, all of them elected by the Annual General Meeting: Petter Stillström (Chairman), Ulf Barkman, Hans Franzén, Ingrid Nordlund, Jörgen Rosengren, Anna Stålenbring and Åsa Söderström Winberg. Hans Franzén passed away on 17 January 2019 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, Jörgen Rosengren, Anna Stålenbring and Åsa Söderström Winberg 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.

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

Chairman of the Board

It is the duty of the Chairman of the Board, Petter Stillström, who was re-elected at the 2018 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 2018, the Board had a total of eight meetings, including the inaugural meeting.

The Board Members have participated in all Board meetings with the exception of Hans Franzén, who was absent on two occasions. Members who are unable to attend present their opinions 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 supervised by the Chairman of the Board. 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 2018 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 2019 Annual General Meeting. The total remuneration of Board members, in accordance with the approval of the Annual General Meeting, is thus SEK 1,800,000. The chairperson of the Audit Committee will receive remuneration of SEK 50,000. No additional remuneration has been paid to any Board member.

Remuneration Committee

The Board has appointed a Remuneration Committee, which consists of the Chairman, Petter Stillström, and Board members Hans Franzén and Ingrid Nordlund. Since the passing of Hans Franzén, the Remuneration Committee comprises Petter Stillström and Ingrid Nordlund. 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 thereafter 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 Group management. The Board is informed of the decisions of the Remuneration Committee. Salaries and other terms of appointment for Group management shall be set at competitive levels. In addition to base salary, Group management may also receive variable remuneration, which is capped at 58% of base salary, the equivalent of 7 monthly salaries. Compared with 2017, 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 2017. All share-related incentive schemes are subject to approval at 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 twice in the year to review and approve the above policy proposals.

Guidelines for the remuneration of senior executives will be proposed for approval and adoption at the 2019 Annual General Meeting and are presented on page 31 of this report.

Audit Committee

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

The Audit Committee shall, without it otherwise affecting the Board's responsibilities and duties, oversee the company's financial reporting and the efficiency of the company's internal control activities and risk management relating to the financial reporting, keep itself informed about the audit of the Annual Report and 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 2019 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 Group management and makes decisions in consultation with the members of the management team. In 2018, OEM's Group management members were Jörgen Zahlin, Jan Cnattingius, Jens Kjellsson, Urban Malm, Patrick Nyström and Björn Pettersson, and also Fredrik Simonsson until 8 June 2018.

Group management holds regular business reviews under the leadership of the Managing Director. The Managing Director and members of Group management are presented on pages 86 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 management 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 reviewed continuously throughout 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 2018 Annual General Meeting, KPMG AB was appointed as auditors of the company until the conclusion of the 2019 Annual General Meeting. Chartered Accountant Olle Nilsson has been the principal auditor since the 2016 Annual General Meeting. KPMG performs the audit of OEM International AB and of most of the subsidiaries.

Olle Nilsson's other major clients include Väderstad Holding AB and Taberg Media Group AB.

Internal control and risk management regarding financial reporting for the financial year 2018

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. As required by 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 intangible fixed assets, inventories and trade receivables.

Control activities

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

Information, communication and follow-up

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

Relevant steering documents and instructions are available on the Group's intranet.

The Board of Directors receives comments from the Managing Director concerning the state of the business and the development of the operations on a monthly basis. The Board of Directors also deals with all quarterly financial statements and 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	2018	2017
Operating income			
Net sales	2	3,111.9	2,738.9
Other operating income	3	5.1	7.4
Operating costs			
Goods for resale		-2,016.1	-1,755.8
Staff costs	5	-544.6	-481.9
Other expenses	6	-180.3	-170.8
Depreciation/amortisation of property, plant and equipment and intangible fixed assets	7	-53.1	-56.0
Operating profit		323.0	281.7
Finance income and expense			
Finance income	9	0.6	0.4
Finance expense	10	-6.2	-8.4
Profit before tax		317.4	273.7
Taxes	11	-69.2	-59.8
PROFIT FOR THE YEAR		248.3	213.8
Profit for the year attributable to:			
equity shareholders of the Parent		248.3	213.8
Non-controlling interests		-	-
Earnings per share, SEK *		10.74	9.25
Average number of shares outstanding *		23,107,462	23,107,462

* No effects of dilution present.

Consolidated statement of comprehensive income

(SEK million)

	Note	2018	2017
Profit for the year		248.3	213.8
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		13.0	8.4
Items that have not been or cannot be recycled to the income statement for the year			
Revaluation of defined-benefit pension schemes		-0.5	-1.1
Tax effect from revaluation of defined-benefit pension schemes		0.1	0.3
Other comprehensive income for the year		12.6	7.6
COMPREHENSIVE INCOME FOR THE YEAR		260.9	221.4
Comprehensive income for the year attributable to:			
equity shareholders of the Parent		260.9	221.4
Non-controlling interests		-	-

Consolidated statement of financial position

(SEK million)

ASSETS	Note	31 Dec 2018	31 Dec 2017
Fixed assets			
Intangible fixed assets			
Goodwill	12	136.1	127.7
Other intangible fixed assets	12	56.8	73.0
		192.8	200.7
Property, plant and equipment			
Land and buildings	13	189.6	182.4
Fixtures, fittings, tools and equipment	13	70.0	68.3
		259.5	250.7
Non-current financial assets and deferred tax assets			
Deferred tax assets	11	2.9	1.8
Non-current receivables		0.3	0.3
		3.1	2.1
Total fixed assets		455.5	453.5
Current assets			
Inventories			
Goods for resale	15	568.5	493.9
		568.5	493.9
Current receivables			
Tax receivables		0.1	1.1
Trade receivables		456.6	433.0
Other receivables		28.4	29.7
Prepaid expenses and accrued income	16	15.6	14.6
		500.8	478.4
Cash and cash equivalents		38.5	56.3
Total current assets		1,107.7	1,028.7
TOTAL ASSETS		1,563.2	1,482.2

Consolidated statement of financial position

(SEK million)

SHAREHOLDERS' EQUITY AND LIABILITIES	Note	31 Dec 2018	31 Dec 2017
Equity	17		
Share capital		38.6	38.6
Other contributed capital		39.4	39.4
Translation reserves		31.2	18.1
Retained earnings, including profit for the year		816.8	707.6
Total equity attributable to Parent Company shareholders		926.0	803.7
Liabilities			
Non-current liabilities			
<i>Interest-bearing liabilities</i>			
Non-current interest-bearing liabilities	18	33.5	41.4
Provisions for pensions	19	1.4	1.3
<i>Non interest-bearing liabilities</i>			
Non-current liabilities	20	8.1	15.1
Deferred tax liabilities	11	91.9	88.4
Total non-current liabilities		135.0	146.1
Current liabilities			
<i>Interest-bearing liabilities</i>			
Overdrafts	18	101.1	143.4
Other current liabilities	18	16.1	13.6
<i>Non interest-bearing liabilities</i>			
Trade payables		184.0	186.3
Tax liabilities		7.5	14.6
Other liabilities		69.6	65.9
Accrued expenses and deferred income	22	123.9	108.6
Total current liabilities		502.3	532.4
TOTAL EQUITY AND LIABILITIES		1,563.2	1,482.2

Consolidated statement of changes in equity

(SEK million)

	Share capital	Other contrib- uted capital	Translation reserve	Retained earn- ings, including profit for the year	Total share- holders' equity
Opening equity 1 Jan 2017	38.6	39.4	9.7	621.7	709.4
Profit for the year				213.8	213.8
Other comprehensive income for the year			8.4	-0.8	7.6
Comprehensive income for the year	38.6	39.4	18.1	834.7	930.8
Transactions with owners:					
Dividends paid				-127.1	-127.1
CLOSING BALANCE 31 DEC 2017 *	38.6	39.4	18.1	707.6	803.7
Opening equity 1 Jan 2018	38.6	39.4	18.1	707.6	803.7
Profit for the year				248.3	248.3
Other comprehensive income for the year			13.0	-0.4	12.6
Comprehensive income for the year	38.6	39.4	31.2	955.5	1,064.6
Transactions with owners:					
Dividends paid				-138.6	-138.6
CLOSING BALANCE 31 DEC 2018 *	38.6	39.4	31.2	816.8	926.0

* Equity attributable to Parent Company shareholders.

Consolidated statement of cash flows

(SEK million)

	2018	2017
Operating activities		
Profit before tax	317.4	273.7
Non-cash adjustments	52.1	54.8
	369.6	328.5
Taxes paid	-74.6	-56.8
Operating cash flows before movements in working capital	294.9	271.7
Change in inventories	-67.6	-49.8
Change in trade receivables	-15.9	-46.5
Change in other operating receivables	1.5	-9.2
Change in trade payables	-5.7	22.3
Change in other operating liabilities	10.0	3.0
Operating cash flows	217.2	191.5
Investing activities		
Acquisition of subsidiaries, net effect on cash and cash equivalents	-14.4	-39.5
Disposal of subsidiaries, net effect on cash and cash equivalents	-	1.5
Acquisition of intangible fixed assets	-1.1	-4.1
Acquisition of property, plant and equipment	-38.4	-37.2
Sales of property, plant and equipment	6.7	3.6
Investing cash flows	-47.2	-75.8
Financing activities		
Borrowing of loans	7.8	7.2
Repayment of loans	-13.2	-7.6
Change in overdrafts	-44.7	-15.0
Dividends paid	-138.6	-127.1
Financing cash flows	-188.7	-142.5
CASH FLOW FOR THE YEAR	-18.8	-26.8
Cash and cash equivalents at beginning of year	56.3	83.1
Exchange rate difference cash equivalents	0.9	0.0
Cash and cash equivalents at end of year	38.5	56.3

Additional information, refer to Note 26.

Parent Company income statements

(SEK million)

	Note	2018	2017
Operating income			
Net sales		57.1	48.6
Operating costs			
Other external costs	6	-24.7	-21.9
Staff costs	5	-28.1	-25.5
Depreciation/amortisation of property, plant and equipment and intangible fixed assets	7	-7.9	-6.8
Operating profit/loss		-3.7	-5.6
Income from interests in Group companies	8	59.8	33.2
Other interest income and similar income	9	0.8	0.7
Other interest expense and similar charges	10	-2.5	-3.0
Profit after financial items		54.4	25.4
Year-end appropriations			
<i>Difference between tax depreciation and depreciation according to plan:</i>			
Expenses brought forward for software	23	3.4	1.5
Fixtures, fittings, tools and equipment	23	0.4	-0.1
Tax allocation reserve, provision	23	-67.0	-56.0
Tax allocation reserve, reversal	23	33.2	30.0
Group contributions received		239.9	208.1
Group contributions paid		-5.0	-5.8
Profit before tax		259.3	203.1
Taxes	11	-44.4	-37.7
PROFIT FOR THE YEAR*		214.9	165.4

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

Parent Company balance sheet

(SEK million)

ASSETS	Note	31 Dec 2018	31 Dec 2017
Fixed assets			
Intangible fixed assets			
Expenses brought forward for software	12	11.4	17.1
		11.4	17.1
Property, plant and equipment			
Land and buildings	13	13.1	13.6
Fixtures, fittings, tools and equipment	13	3.4	4.5
		16.5	18.1
Non-current financial assets			
Interests in Group companies	14	415.7	414.6
Non-current receivables from Group companies		3.2	-
		418.9	414.6
Total fixed assets		446.8	449.8
Current assets			
Current receivables			
Receivables from Group companies		406.8	364.0
Other receivables		5.2	11.2
Prepaid expenses and accrued income	16	3.4	3.8
		415.4	379.0
Cash and bank balances		-	-
Total current assets		415.4	379.0
TOTAL ASSETS		862.2	828.8

Parent Company balance sheet

(SEK million)

SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES	Note	31 Dec 2018	31 Dec 2017
Equity			
Restricted equity	17		
Share capital		38.6	38.6
Reserve fund		32.3	32.3
Fund for development fees		3.8	4.9
		74.7	75.8
Non-restricted equity			
Profit brought forward		80.4	52.6
Profit for the year		214.9	165.4
		295.3	218.0
Total shareholders' equity		370.0	293.8
Untaxed reserves			
Accelerated amortisation	23	7.6	11.4
Tax allocation reserves	23	299.3	265.5
Total untaxed reserves		306.9	276.9
Provisions			
Deferred tax liabilities	11	1.9	2.0
Total provisions		1.9	2.0
Non-current liabilities			
<i>Non interest-bearing liabilities</i>			
Other liabilities	20	8.1	15.1
Total non-current liabilities		8.1	15.1
Current liabilities			
<i>Interest-bearing liabilities</i>			
Overdrafts		33.1	74.6
<i>Non interest-bearing liabilities</i>			
Trade payables		3.3	4.4
Tax liabilities		8.7	12.8
Liabilities to Group companies		106.1	130.3
Other current liabilities		11.3	8.3
Accrued expenses and deferred income	22	12.8	10.7
Total current liabilities		175.2	241.1
TOTAL EQUITY, PROVISIONS AND LIABILITIES		862.2	828.8

Parent Company statement of changes in equity (SEK million)

	Restricted equity			Non-restricted equity	Total share-holders' equity
	Share capital	Reserve fund	Fund for development costs	Profit brought forward including profit for the year	
Opening equity 1 Jan 2017	38.6	32.3	-	184.6	255.5
Provisions to development fund for the year			5.1	-5.1	-
Winding-up of development fund for the year			-0.2	0.2	-
Comprehensive income for the year *				165.4	165.4
Dividends paid				-127.1	-127.1
CLOSING EQUITY 31 DEC 2017	38.6	32.3	4.9	218.0	293.8
Opening equity 1 Jan 2018	38.6	32.3	4.9	218.0	293.8
Provisions to development fund for the year			-	-	-
Winding-up of development fund for the year			-1.0	1.0	-
Comprehensive income for the year *				214.9	214.9
Dividends paid				-138.6	-138.6
CLOSING EQUITY 31 DEC 2018	38.6	32.3	3.8	295.2	370.0
Proposed dividend, SEK 6.75 per share				156.4	

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

NUMBER OF SHARES	Total	Outstanding
Opening number 1 Jan 2017	23,169,309	23,107,462
CLOSING NUMBER 31 DEC 2017	23,169,309	23,107,462
Opening number 1 Jan 2018	23,169,309	23,107,462
CLOSING NUMBER 31 DEC 2018	23,169,309	23,107,462

Parent Company cash flow statement

(SEK million)

	2018	2017
Operating activities		
Profit after financial items	54.4	25.4
Non-cash adjustments	16.7	15.4
	71.1	40.8
Taxes paid	-48.6	-39.2
Operating cash flows before movements in working capital	22.6	1.6
Cash flow from changes in working capital		
Change in other operating receivables	-7.9	-19.2
Change in trade payables	-1.1	-2.7
Change in other operating liabilities	-20.3	38.3
Operating cash flows	-6.7	18.0
Investing activities		
Acquisition of shares in subsidiaries	-14.9	-93.5
Liquidation of subsidiaries	-	13.6
Acquisition of intangible fixed assets	-	-4.0
Acquisition of property, plant and equipment	-0.6	-1.8
Investing cash flows	-15.5	-85.7
Financing activities		
Group contributions, received	208.1	207.6
Group contributions, paid	-5.8	-4.6
Change in overdrafts	-41.5	-8.2
Dividends paid	-138.6	-127.1
Financing cash flows	22.2	67.7
CASH FLOW FOR THE YEAR	-	-
Cash and cash equivalents at beginning of year	-	-
Cash and cash equivalents at end of year	-	-

See Note 26 for additional disclosures.

Note 1

Accounting policies

Statement of compliance

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. In addition, the Swedish Financial Reporting Board's recommendation RFR 1 Supplementary Accounting Rules for Groups has been applied.

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

Requirements for preparing Parent Company and Group financial statements

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

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

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

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

The accounting policies for the Group, as described below, have been consistently applied to all the periods presented in the Group's financial statements, unless otherwise stated below.

Amended accounting policies arising from new or amended International Financial Reporting Standards, IFRS, effective in 2018

The date of initial application of IFRS 15 and IFRS 9 which the Group has adopted is 1 January 2018. Other amendments to IFRS standards that are effective from 1 January 2018 have not had any significant impact on the amounts recognised in the consolidated financial statements.

IFRS 9 Financial Instruments

IFRS 9 replaces IAS 39 *Financial Instruments: Recognition and Measurement* and is effective for accounting periods beginning on or after 1 January 2018. IFRS 9 introduces key changes to the areas of classification and measurement of financial assets and financial liabilities, impairment of financial assets and hedge accounting. OEM has decided not to restate comparatives for 2017 on transition to IFRS 9. Details of the impact of the adoption of IFRS 9 on OEM are set out below.

Classification and measurement of financial assets and financial liabilities

With the exception of derivative assets, all of the Group's classifications of financial assets were categorised under "Loans and Receivables" and

measured at amortised cost under IAS 39. Under IFRS 9, these classifications have also been measured at amortised cost since the Group has determined that the objective of the business model is to hold these financial assets to collect their contractual cash flows, and that the cash flows from the assets are solely payments of principal and interest.

The Group's derivative instruments are measured at fair value through profit or loss since hedge accounting is not applied, neither previously under IAS 39 nor under the current IFRS 9 requirements.

Nor has the adoption of IFRS 9 resulted in any changes to the recognition of the Group's financial liabilities. With the exception of derivative liabilities and contingent liabilities assumed in a business combination, all financial liabilities are measured at amortised cost. Contingent considerations are recognised at fair value through profit or loss, under both IAS 39 and IFRS 9. Further details about classification and measurement of financial instruments can be found in Note 24.

Impairment of financial assets

IFRS 9 requires recognition of impairment provisions based on expected credit losses, unlike IAS 39 which only requires recognition based on incurred credit losses with the risk that the counterparty may default before the final settlement. OEM has had a low level of credit losses in the past. During the 2008 to 2017 period, actual credit losses were only between 0.01 and 0.1% of consolidated net sales for each year. During the period, the average was 0.04%.

The adoption of IFRS 9 has therefore not resulted in a material increase in provisions for credit losses as at 1 January 2018.

Hedge accounting

Since the Group does not apply hedge accounting, OEM has not been affected by the changes in this area in IFRS 9.

IFRS 15 Revenue from contracts with customers

IFRS 15 establishes a comprehensive standard for determining when and how much revenue an entity should recognise. It replaces IAS 18 *Revenue*, IAS 11 *Construction Contracts* and relevant interpretations. IFRS 15 is based on the principle that revenue is recognised when control of a good or service transfers to a customer. Judgement is required to determine when control is transferred, i.e. a specific point in time or over time.

The Group's revenues come from the sale of goods for resale. Under IFRS 15, revenue from the sale of goods for resale is recognised when control of the goods is passed to the buyer. Under IAS 18, revenue is recognised when the goods have been delivered and the risks and rewards have been transferred to the customer. After conducting an analysis of contracts, it was ascertained that the new IFRS 15 principles have no impact on the Group's recognition of revenue, since the point in time for control in the Group regularly coincides with the applied delivery concept and transfer of risks and rewards.

New IFRS standards and interpretations that have not yet been adopted

IFRS 16 *Leases* replaces IAS 17 *Leases* and applies to accounting periods beginning on or after 1 January 2019. OEM has not early adopted IFRS 16. Under IFRS 16, OEM is essentially required, as a lessee, to recognise all leases as assets and liabilities on the balance sheet reflecting the right to use the leased asset or the obligation to pay future lease payments. In the income statement, a lessee recognises amortisation of lease assets and interest on lease liabilities. This is not expected to have any material effect on profit before tax. Operating cash flow is expected to increase and financing cash flow is expected to decrease because the portion of the lease payments that represents repayment of the lease liability will be recognised as a payment within financing activities. Additional leases are

mainly for rental of property and vehicles.

In its transition to the new standard, OEM has chosen to apply the modified retrospective approach, which means that the cumulative effect of initially applying IFRS 16 will be recognised in retained earnings in the opening balance as at 1 January 2019 without restatement of comparative figures. OEM has chosen to recognise right-of-use assets related to earlier operating leases for premises at their written-down value from the start of the lease, and equipment and vehicles at the value of the debt on 1 January 2019 plus prepayments recognised on the balance sheet as at 31 December 2018.

Leases with a term of 12 months or less or leases that expire within 12 months of the date of initially applying the standard are classified as short-term leases and are not included in the recognised lease liabilities or lease assets. Moreover, OEM has chosen not to recognise leases where the underlying asset has a low value when new (approximately SEK 50,000 or less) as a right-of-use asset or lease liability. Existing finance leases previously recognised under IAS 17 Leases have been remeasured in accordance with IFRS 16 to the amounts they were recognised at on the day immediately before adoption of the new standard, except for finance leases that expire within 12 months of the date of initially applying the standard which have been recognised as short-term leases upon the application of IFRS 16. Furthermore, for other finance leases, the VAT that was previously included in the finance lease has been removed from the books upon the application of the standard.

A marginal lending rate has been set per country, useful life and asset type.

The effects of adoption of IFRS are given below.

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

None of the other new or amended IFRS standards or interpretation statements effective in 2019 and beyond that have been adopted by IASB are expected to have any material effect on the Group's reporting.

Segmental 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 Group management. 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.

A business combination must be accounted for by applying the acquisition method. The acquisition method involves acquisitions being treated as transactions 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 a business combination is measured at fair value at the acquisition date and remeasured at fair value at each reporting date with changes reported 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

Intra-group receivables and liabilities, income or expense, and unrealised gains or losses arising from intra-group transactions with Group companies are fully eliminated when preparing the consolidated financial statements.

Foreign currency

Transactions in foreign currencies

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

Financial statements of foreign operations

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

Revenue

Performance obligations and revenue recognition

The revenue is recognised based on the amount specified in the contract with the customer and the sold quantity. The outcome of agreed volume discounts/rebates and market contributions is estimated and reduces the revenue at the time of sale. The performance obligations of the Group are considered to be satisfied when control of the good is transferred to the customer.

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

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

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

Revenue recognition

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

Operating costs and finance income and expense

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 rate method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset or to the amortised cost of a financial liability. Interest income and interest expense respectively include periodic amounts of transaction expenses and any discounts, premiums and other differences between the original carrying amount 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 revenue is recognised when the right to receive a dividend payment has been established.

Exchange gains/losses are recognised net.

Taxes

Income tax comprises current tax and deferred tax. Income tax is recognised in the income statement unless the underlying transaction is recognised in other comprehensive income or directly in equity, in which case any related tax effect is recognised in other comprehensive income or equity.

Current tax is the tax to be paid or received for the current year. This includes any adjustment to current tax in respect of previous periods. Current and deferred tax are calculated using tax rates and tax rules enacted or substantively enacted at the balance sheet date.

Deferred tax is calculated using the balance sheet liability method, providing for temporary differences between the carrying amounts and tax values of assets and liabilities. Temporary differences are not considered in consolidated goodwill.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets or liabilities.

Deferred tax assets, relating to deductible temporary differences and loss carry-forwards, are recognised only to the extent that it is probable that future taxable profits will be available against which 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

A financial asset or financial liability is recognised in the statement of financial position 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 when an invoice has been sent. A liability is recognised when the counterparty has performed and there is a contractual obligation to pay, even if an invoice has not yet 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 a 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 a part of a financial liability.

A financial asset and a financial liability may be offset and the net amount recognised in the statement of financial position only when the company has a legally enforceable right to set off the recognised amounts; and the company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Initial recognition

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

Classification and subsequent measurement of financial assets

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

Derivative assets

The Group uses foreign exchange forward contracts in order to economically hedge certain exposures to foreign exchange risk associated with purchases in foreign currencies. Changes in the fair value of the foreign exchange forward contracts have been recognised under goods for resale in the consolidated statement of income. OEM does not apply hedge accounting.

Other financial assets

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

Classification and subsequent measurement of financial liabilities

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

Derivative liabilities

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

Contingent considerations

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

Other financial liabilities

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

Classification and measurement of financial instruments before 1 January 2018

Prior to the adoption of IFRS 9 on 1 January 2018, the Group's holdings of financial assets were classified in the following measurement categories as required by IAS 39: "Financial assets measured at fair value through profit or loss" and "Loans and Receivables" (measured at amortised cost).

Financial liabilities were classified as required by IAS 39 as "Financial liabilities measure at fair value through profit or loss" and "Other financial liabilities" (measured at amortised cost). Further details can be found in Note 24.

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.

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 purchase, construction or production of assets that take a long time before they are ready for use or sale are included in the cost of acquisition. Accounting policies for impairment are presented below.

The carrying amount of property, plant and equipment 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. The gain or loss 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 expenditures

Subsequent expenditures are 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 measured reliably. 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 carrying amounts on replaced components, or parts of components, are discarded and are recognised as expenses when the component is replaced. Repairs are recognised as an expense during the period in which they are incurred.

Methods of depreciation

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

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

Estimates of useful life:

- buildings, business property, see below
- land improvements 20 years
- plant and machinery 5–10 years
- fixtures, fittings, tools and equipment 3–10 years

Business property comprises a number of components with different useful lives. The main group is land and buildings. Land is not depreciated as its useful life is considered to be indefinite. The buildings comprise 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 assets

Acquired supplier relationships with an indefinite useful life are carried at cost less any accumulated impairment. Supplier relationships with an indefinite 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 indefinite. 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 definite useful life and are recognised at cost less accumulated amortisation and impairment.

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

Subsequent expenditures

Subsequent expenditures on capitalised intangible assets are recognised as an asset in the statement of financial position only when they increase the future economic benefits of the specific asset to which they relate. All other expenditures are recognised as an expense during the period in which they are 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.

Impairment

The section below explains the impairment test for property, plant and equipment and intangible fixed assets, investments in subsidiaries and for financial assets. Assets for sale and disposal groups, inventories and deferred tax assets are exempt. The carrying amounts of exempt assets are tested in accordance with the respective accounting standards.

Impairment tests for property, plant and equipment and intangible fixed assets and interests in subsidiary undertakings

If there is an indication of impairment, the asset's recoverable amount is measured (see below). The recoverable amount is also measured annually for goodwill and other intangible assets with indefinite useful lives. If it is not possible to determine essential independent cash inflows for a particular asset, the assets are grouped by testing impairment needs to the lowest level where it is possible to identify essential independent cash flows – a so-called cash generating unit.

An impairment loss is recognised when the carrying amount of an asset or cash-generating unit, or pool of units, exceeds its recoverable amount. An impairment loss is recognised as an expense in the income statement for the year. Impairment losses recognised for a cash-generating unit (group of units) are initially allocated to goodwill. They are then allocated to the other assets of the unit (group of units) pro rata on the basis of each asset's carrying amount.

The recoverable amount is the higher of the fair value minus selling costs and value in use. Value in use is measured by discounting future cash flows using a discounting factor that takes into account the risk-free rate of interest and the risk associated with the specific asset.

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

Impairment of financial assets

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

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

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

Impairment testing of financial assets before 1 January 2018

Prior to the adoption of IFRS 9 on 1 January 2018, the Group assessed whether there was any objective evidence of impairment of any financial assets or group of assets. Objective evidence includes observable events that have occurred and that had an adverse effect that indicates that the cost of the investment in the asset may not be recovered

Capital payments to shareholders

Repurchase of 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 they have been approved at the Annual General Meeting.

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.

Accounting policies – Parent Company

The Parent Company has prepared its Annual Report according to the Annual Accounts Act (1995:1554) and the Swedish Financial Reporting Board's recommendation RFR 2, Accounting for Legal Entities. In addition, the Swedish Financial Reporting Board'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

In accordance with the relief rules in RFR 2 Accounting for Legal Entities, the Parent Company does not apply IFRS 9 Financial Instruments in a legal entity. Nor have the changes introduced in RFR 2 concerning recognition of financial instruments for companies that do not apply IFRS 9 had any significant effect for the Parent Company. The company's receivables mainly comprise current receivables related to Group contributions settled shortly after the balance sheet date. The transition to a model for impairment of receivables based on an allowance for expected credit losses therefore had no significant impact on the Parent Company.

Like the Group, the Parent Company applies IFRS 15 Revenue from contracts with customers, effective in 2018 and beyond. The Parent Company's revenue comprises internally invoiced administrative services and IFRS 15 resulted in no change to recognised revenue for either 2018 or 2017.

The Parent Company's accounting policies for 2018 are otherwise the same as for 2017.

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

Differences between the Group's and the 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 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

Services are sold only on an ongoing basis to subsidiaries. Revenue arising from the rendering of services is recognised in the income statement for the year in which the service is rendered by reference to the stage of completion on the balance sheet date. The stage of completion is determined on the basis of contract costs incurred in relation to the total estimated contract costs.

Subsidiaries

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

Financial assets and liabilities

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

Untaxed reserves are recognised inclusive of deferred tax liability in the Parent Company. In the consolidated financial statements, untaxed reserves are divided into deferred tax liability and 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 management 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 five managers in the Denmark, Norway, UK and East Central Europe region. They are responsible for the day-to-day operations and provide Group management with regular reports on the performance of the segment and resource requirements. The Group's internal reporting system is designed to enable 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' income statement, assets and liabilities are included as directly attributable items and items that can be allocated to the segment in a reasonable and reliable manner. Unallocated items comprise interest and dividend revenue, gains on disposal of financial investments, interest expense, losses on disposal of financial investments, tax expense and general administrative expenses. Unallocated assets and liabilities are deferred tax assets, deferred tax liabilities, interest-bearing assets and

liabilities. The segment's investments in property, plant and equipment and intangible fixed assets include all investments except for investments in expendable equipment and minor value assets. Internal prices between the Group's different segments are set using the "arm's-length principle", i.e. between parties who are independent of each other, well informed and with an interest in completing the transactions.

Basically all income comes from product sales, consisting of components mainly for industrial automation in the product areas of electrical components, flow technology, motors, transmissions and brakes, appliance components, installation components, and ball bearing solutions and seals. Customers include machinery and appliance manufacturing industries, wholesalers, electrical contractors, catalogue distributors, strategic end users and electronics manufacturers and strategic contract manufacturers in northern Europe.

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

Other Group-wide operations include the Parent Company, owning the shares in underlying companies, and property companies owning business properties in the locations where the Group conducts its business activities. The role of 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.

2018

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

Cont. Note 2

2017						
	Sweden	Finland, the Baltic states and China	Denmark, Norway, UK and East Central Europe	Group-wide operations	Eliminations	Total consolidated
Revenue						
External sales	1,670.9	569.4	498.5	-	-	2,738.9
Internal sales	93.2	6.4	1.6	69.3	-170.5	-
Total income	1,764.1	575.8	500.1	69.3	-170.5	2,738.9
Profit						
Operating profit	208.8	56.6	28,0	5.0	-16.7	281.7
Financial items				-8.0		-8.0
Tax expenses						-59.8
PROFIT FOR THE YEAR	208.8	56.6	28,0	-3.1	-16.7	213.8
EBITA	224.7	62.9	31.9	5.0	-16.7	307.8
EBITA margin, %	13.0	11.0	6.4			11.2
Other disclosures						
Assets	731.7	287.2	202.3	466.7	-265.0	1,422.9
Liabilities	427.5	84.3	63.7	65.3	-265.0	375.9
Investments in intangible fixed assets	0.0	29.4	0.3	3.9	-	33.6
Investments in property, plant and equipment	4.8	14.3	7.2	22.9	-	49.2
Amortisation and impairment of intangible fixed assets*	16.0	6.4	4.0	4.9	-	31.3
Depreciation of property, plant and equipment	3.9	3.0	3.2	14.6	-	24.7

* Impairment concerns Region Sweden only and amounts to SEK 5 million

SPECIFICATION OF EXTERNAL REVENUE PER REGION AND PRODUCT AREA

	Sweden	Finland, the Baltic states and China	Denmark, Norway, UK and East Central Europe	Total consolidated
2018				
Breakdown of external revenue by product area				
Automation	725.6	392.8	539.4	1,657.7
Components	281.7	68.9	-	350.6
Installation components	310.7	27.2	30.3	368.2
Other	550.2	185.2	-	735.4
TOTAL EXTERNAL REVENUE	1,868.2	674.1	569.6	3,111.9
2017				
Breakdown of external revenue by product area				
Automation	624.2	338.4	479.6	1,442.2
Components	270.9	60.9	-	331.8
Installation components	306.7	20.6	18.9	346.3
Other	469.1	149.5	-	618.6
TOTAL EXTERNAL REVENUE	1,670.9	569.4	498.5	2,738.9

Cont. Note 2

GEOGRAPHIC AREAS

	External sales *		Assets **		Investments**	
	2018	2017	2018	2017	2018	2017
Sweden	1,865.9	1,668.0	270.6	272.8	23.4	29.8
Denmark	139.8	134.9	41.1	42.4	0.0	5.3
United Kingdom	131.2	123.5	22.9	20.4	3.7	1.3
Finland	616.3	518.7	111.9	110.0	9.5	2.6
The Netherlands	2.3	2.9	1.7	1.5	0.7	0.3
Norway	63.5	56.3	0.2	0.3	0.1	-
Poland	146.3	112.2	2.8	2.8	1.7	1.7
Estonia	26.4	22.3	0.4	0.3	0.3	0.3
Latvia	1.4	0.6	-	-	-	-
Lithuania	4.0	3.5	0.0	-	0.0	-
Czech Republic	60.1	48.8	0.5	0.6	0.0	-
Slovakia	16.5	13.3	0.1	0.1	-	-
Hungary	12.2	9.5	0.0	0.3	0.0	0.0
China	25.9	24.4	0.1	0.0	0.1	-
TOTAL	3,111.9	2,738.9	452.4	451.4	39.5	41.3

* 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	
	2018	2017
Remeasurement of contingent consideration	5.1	7.4
TOTAL	5.1	7.4

See Notes 4 and 24 for further information.

Note 4

Business combinations

2018

On 17 September, the entire shareholding of ATB Drivtech AB in Sweden was acquired. The company supplies electric motors for industrial use. The business generates annual sales of approximately SEK 18 million and became part of Region Sweden on 1 September 2018. The consideration for the business acquired was SEK 10.5 million, plus a contingent consideration estimated at SEK 3.9 million, based on how the business develops in 2018, 2019 and 2020. The impact of acquisition transactions on consolidated sales in 2018 was approximately SEK 7.4 million and on profit before tax approximately SEK 1.7 million. If the acquired business had been consolidated from the start of 2018, the effect on sales and profit before tax would have been approximately SEK 21 million and SEK 4.1 million respectively.

2017

The entire shareholding of Rauheat Oy was purchased on 28 April. The company sells HVAC & plumbing products to the construction industry. The operations generate annual sales of approximately EUR 5 million and became part of Region Finland, the Baltic states and China on 1 May 2017. The consideration for the business acquired was SEK 20.7 million, plus a contingent consideration estimated at SEK 10.4 million, based on how the business develops in 2017, 2018 and 2019. The impact of acquisition transactions on consolidated sales in 2017 was approximately SEK 44 million and on profit before tax approximately SEK 2.5 million. If the acquired business had been consolidated from the start of 2017, the effect on sales and profit before tax would have been approximately SEK 56 million and SEK 1.2 million respectively.

The entire shareholding of Candelux Sp.zo.o was purchased on 22 June 2018. The company is a distributor of professional lighting for public settings, comprising products of its own and third-party premium brands. The company generates sales of approximately EUR 4 million and became part of Region Denmark, Norway, the UK and East Central Europe on 1 July 2017. The consideration for the business acquired was SEK 7.9 million, plus a contingent consideration estimated at SEK 3.1 million, based on how the business develops in 2017, 2018 and 2019.

The impact of acquisition transactions on consolidated sales in 2017 was approximately SEK 19 million and negative earnings of SEK 0.6 million. If the acquired business had been consolidated from the start of 2017, the effect on sales and profit before tax would have been approximately SEK 34 million and SEK -1.3 million respectively.

Cont. Note 4

EFFECTS OF ACQUISITION	2018	2017
The net assets of the acquired companies on acquisition:		
Intangible assets	7.2	15.4
Other fixed assets	-	11.8
Other non-current receivables	-	0,1
Inventories	0.7	14.0
Trade and other receivables	2.9	14.4
Cash and cash equivalents	0.4	1.1
Interest-bearing liabilities	-	-9.2
Trade payables and other operating liabilities	-1.2	-13.2
Deferred tax liability	-1.6	-3.7
Net identifiable assets and liabilities	8.4	30.6
Consolidated goodwill	6.0	11.5
CONSIDERATION TRANSFERRED	14.4	42.1

Goodwill

Goodwill is attributable to synergies with current operations within the Group and good profitability.
The value of the goodwill is not tax deductible.

Acquisition-related expenses

Acquisition-related expenses amount to SEK - million (0.4) and relate to consultancy fees for due diligence.
These expenses have been recognised as other operating costs in the Statement of Income.

	2018	2017
Remuneration		
Service fees paid	9.5	27.1
Due in accordance with agreement	1.0	1.5
Estimated contingent consideration	3.9	13.5
TOTAL CONSIDERATION TRANSFERRED	14.4	42.1

Contingent consideration

It is stated in the acquisition agreements for acquisitions that have been made in 2018 and 2017 that a contingent consideration will be payable to the vendors based on the development of the coverage ratio or performance.

Contingent consideration is capped at SEK 4.2 million (15.6) for these and is estimated at SEK 3.9 million (13.5) 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 2016 and 2017 has resulted in remeasurement of contingent consideration which has decreased by SEK 5.1 million.

This has been recognised as Other Income and had a positive SEK 5.1 million (7.4) effect on the operating profit in 2018.

As at 31 December 2018, the carrying amount for remaining liabilities relating to contingent considerations is SEK 14.7 million (20.4) and the earn-out for remaining contingent considerations is capped at SEK 21.6 million (28.3).

See Note 12 for further information on intangible assets.

Note 5

Employees and staff costs

AVERAGE NUMBER OF EMPLOYEES	2018	Of which men	2017	Of which men
Parent Company				
Sweden	20	85 %	19	84 %
Subsidiaries				
Sweden	454	80 %	438	80 %
Denmark	37	86 %	33	85 %
United Kingdom	51	78 %	49	82 %
Estonia	4	100 %	3	100 %
Finland	155	89 %	137	89 %
The Netherlands	2	50 %	2	50 %
China	20	75 %	20	75 %
Lithuania	1	100 %	1	100 %
Norway	18	83 %	18	83 %
Poland	78	82 %	62	82 %
Slovakia	6	83 %	8	88 %
Czech Republic	30	77 %	29	76 %
Hungary	6	83 %	5	80 %
Total in subsidiaries	862	82%	805	82%
GROUP TOTAL	882	82%	824	82%

SALARIES, OTHER REMUNERATION AND SOCIAL SECURITY EXPENSES	2018		2017	
	Salaries and remuneration	Social security expenses	Salaries and remuneration	Social security expenses
Parent Company	18.4	8.3	17.2	7.6
(of which pension costs)		(2.7)		(2.5)
Subsidiaries	358.5	129.6	320.9	115.6
(of which pension costs)		(28.1)		(24.7)
GROUP TOTAL	376.9	137.9	338.1	123.2
(of which pension costs)		(30.8)		(27.2)

SALARIES AND OTHER REMUNERATION ACROSS THE PARENT COMPANY AND SUBSIDIARIES AND BETWEEN SENIOR EXECUTIVES AND OTHER EMPLOYEES	2018		2017	
	Senior executives including the Board	Other employees	Senior executives including the Board	Other employees
Parent Company				
Sweden, of which senior executives 10 people (10)	10.3	8.1	9.4	7.8
(of which bonus)	(2.5)		(2.3)	
Subsidiaries total, of which senior executives 26 people (27)	26.2	332.3	25.1	295.7
(of which bonus)	(3.5)		(2.9)	
GROUP TOTAL, OF WHICH SENIOR EXECUTIVES 36 PEOPLE (37)	36.5	340.4	34.5	303.6
(of which bonus)	(6.0)		(5.2)	

Pension premiums to the amount of SEK 5.3 million (4.9) have been paid for the category senior executives.

REMUNERATION OF GROUP MANAGEMENT AND BOARD MEMBERS

	2018					2017				
	Base salary, Board fee	Variable remuneration	Other benefits	Pension expense	Total	Base salary, Board fee	Variable remuneration	Other benefits	Pension expense	Total
Petter Stillström Chairman of the Board	0.5	-	-	-	0.5	0.5	-	-	-	0.5
Ulf Barkman Board member	0.3	-	-	-	0.3	0.3	-	-	-	0.3
Hans Franzén Board member	0.2	-	-	-	0.2	0.2	-	-	-	0.2
Ingrid Nordlund Board member	0.2	-	-	-	0.2	0.2	-	-	-	0.2
Jörgen Rosengren Board member	0.2	-	-	-	0.2	0.2	-	-	-	0.2
Anna Stålenbring Board member	0.2	-	-	-	0.2	0.2	-	-	-	0.2
Åsa Söderström Winberg Board member	0.2	-	-	-	0.2	0.2	-	-	-	0.2
Jörgen Zahlin Managing Director	3.8	2.0	-	0.9	6.8	3.7	2.0	-	0.9	6.6
Other senior executives 5 persons (6) *	5.7	2.0	-	0.9	8.6	5.5	2.0	-	0.9	8.4
	6.9	1.6	0.1	1.9	10.5	7.0	1.8	0.1	2.0	10.8
TOTAL	12.6	3.6	0.1	2.8	19.1	12.5	3.7	0.1	2.9	19.2

* Of the other senior executives, three (four) people receive remuneration from subsidiaries.
This remuneration is included at an amount of SEK 5.9 million (6.9). Pension costs were SEK 1.4 million (1.4).

CEO/Managing Director

Pension costs are defined contribution. There are no other retirement benefit obligations. As in previous years, variable remuneration is based on the performance levels attained. SEK 2.0 million was paid in variable remuneration in 2018. Variable remuneration payment totalled SEK 2.0 million in 2017. The outcome of variable remuneration for 2018 and 2017 was at maximum. The period of notice for the Managing Director is 24 months from the company's side, with the obligation to work, and 6 months from the Managing Director's side. Retirement age for the Managing Director is 60 years. The CEO/ Managing Director's salary and remuneration is set by the Board.

Other senior executives

Pension costs are defined contribution. There are no other retirement benefit obligations. Variable remuneration payment totalled SEK 1.6 million in 2018. Variable remuneration payment totalled SEK 1.8 million in 2017. Based on the attained profit level, variable remuneration can be paid at a maximum of 40% of base salary. The period of notice for other members of Group management is maximum 12 months, upon termination by the company, with the obligation to work, and maximum 6 months upon termination by the employee. If the company serves notice after the age

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

Guidelines for remuneration and other terms of appointment of senior executives

Guidelines for senior executives, approved by the 2018 Annual General Meeting, state that Group management shall have market-competitive salaries and other remuneration terms. In addition to base salary, the management team may also receive variable remuneration, which is capped at 58% of base salary, the equivalent of seven monthly salaries. Senior executives shall have premium-based pension schemes, capped at 30% of fixed 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)	
	2018	2017	2018	2017
Board of Directors	9 %	7 %	43 %	43 %
Other senior executives	0 %	0 %	0 %	0 %

Note 6

Fees and reimbursement of expenses to the auditors

	The Group		Parent Company	
	2018	2017	2018	2017
KPMG				
Audit services	1.8	1.6	0.3	0.3
Non-audit services	0.1	0.1	0.1	0.1
Other services	0.2	0.1	0.2	0.1
	2.1	1.8	0.6	0.5
Other auditors				
Audit services	0.3	0.3	-	-
Tax advice	0.0	-	-	-
Other services	0.0	0.0	-	-
	0.4	0.3	-	-
TOTAL	2.5	2.1	0.6	0.5

Audit services refer to the audit 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 advice refers to all consultations in the area of tax. Other services refer to advice on accounting matters and advice on processes and internal control.

Note 7

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

	The Group		Parent Company	
	2018	2017	2018	2017
Customer relationships	-14.8	-15.6	-	-
Patents	-0.1	-0.1	-	-
Trademarks	-3.0	-3.3	-	-
Supplier relationships	-2.2	-2.4	-	-
Goodwill*	-	-5.0	-	-
Expenses brought forward for software	-5.8	-5.0	-5.7	-4.9
Land and buildings	-6.7	-6.0	-0.5	-0.5
Fixtures, fittings, tools and equipment	-20.7	-18.7	-1.7	-1.4
TOTAL	-53.1	-56.0	-7.9	-6.8

* The sale of the subsidiary Ranatec Instruments AB resulted in the impairment of the full value of goodwill in 2017.

Note 8

Income from interests in Group companies

	Parent Company	
	2018	2017
Dividends received	67.9	40.9
Capital gains on liquidation	-	0.2
Impairment of interests in Group companies	-8.1	-7.9
TOTAL	59.8	33.2

Note 9

Finance income/other interest income and similar income

	The Group		Parent Company	
	2018	2017	2018	2017
Interest on bank deposits	0.6	0.4	0.8	0.7
Other finance income	-	-	-	-
TOTAL	0.6	0.4	0.8	0.7

Note 10

Finance expense/interest expense and similar charges

	The Group		Parent Company	
	2018	2017	2018	2017
Interest expense on financial liabilities	-3.8	-3.9	-1.4	-1.5
Other finance expense	-2.4	-4.5	-1.1	-1.4
TOTAL	-6.2	-8.4	-2.5	-3.0

Note 11

Taxes

RECOGNISED IN STATEMENT OF INCOME/INCOME STATEMENT	The Group		Parent Company	
	2018	2017	2018	2017
Current tax	-68.5	-58.4	-44.5	-37.7
Deferred tax	-0.7	-1.4	0.0	0.0
TOTAL RECOGNISED TAX EXPENSE	-69.2	-59.8	-44.4	-37.7
LINK BETWEEN TAX EXPENSES FOR THE YEAR AND INCOME BEFORE TAX				
Reported profit before tax	317.4	273.7	259.3	203.1
Estimated tax on reported profit before tax as per applicable tax rate for income tax in each country	-70.0	-58.8	-57.0	-44.7
Non-taxable share dividends	-	-	14.9	9.0
Non-taxable income	2.3	3.4	0.0	0.1
Non-deductible items	-2.5	-4.4	-2.4	-2.1
Impact of changed tax rate	1.1	-	0.1	-
TOTAL RECOGNISED TAX EXPENSE	-69.2	-59.8	-44.4	-37.7
Deferred tax assets	2.9	1.8	-	-
TOTAL DEFERRED TAX ASSETS	2.9	1.8	-	-
Deferred tax liability				
Intangible fixed assets	7.3	9.6	-	-
Land and buildings	8.9	9.4	1.9	2.0
Untaxed reserves	75.1	68.7	-	-
Other	0.6	0.6	-	-
TOTAL DEFERRED TAX LIABILITY	91.9	88.4	1.9	2.0

The Group holds SEK 0.6 million (1.0) 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 1.6 million (3.7).

Note 12

Intangible fixed assets

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

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

2018

The acquisition of ATB Drivtech AB increases the value of customer relationships by SEK 7.2 million and goodwill by SEK 6.0 million. The estimated useful life of the customer relationships is five years.

Impairment of customer relationships

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

Cont. Note 12

Intangible fixed assets

THE GROUP	2017						
	Goodwill	Trade-marks	Customer relationships	Supplier relationships	Patents	Software	Total
Accumulated cost							
At beginning of year	123.4	42.8	102.2	44.3	0.4	37.5	350.5
New acquisitions	-	-	-	-	-	4.1	4.1
Acquisition of subsidiaries	14.0	-	15.4	-	-	-	29.5
Disposals and discontinued operations	-	-	-	-	-0.1	-	-0.1
Exchange rate differences for the year	1.4	0.3	1.8	0.6	-	-	4.1
Total cost of acquisition	138.9	43.0	119.5	44.8	0.3	41.5	388.1
Accumulated amortisation							
At beginning of year	-	-36.5	-62.5	-29.5	-0.2	-19.4	-148.0
Amortisation	-	-3.3	-15.6	-2.4	-0.1	-5.0	-26.3
Disposals and discontinued operations	-	-	-0.1	-	0.1	-	0.0
Exchange rate differences for the year	-	-0.3	-1.2	-0.5	-	-	-1.9
Total amortisation	-	-40.0	-79.4	-32.4	-0.1	-24.3	-176.2
Accumulated impairments							
At beginning of year	-6.2	-	-	-	-	-	-6.2
Impairments	-5.0	-	-	-	-	-	-5.0
Total impairments	-11.2	-	-	-	-	-	-11.2
CARRYING AMOUNT AT END OF YEAR	127.7	3.0	40.1	12.4	0.2	17.2	200.7

2017

The acquisition of Rauheat OY increases the value of customer relationships by SEK 15.2 million and goodwill by SEK 11.5 million.

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

The acquisition of Candelux Sp.zo.o increases the value of customer relationships by SEK 0.2 million. The estimated useful life of the customer relationships is five years.

The adjustment of the acquisition analysis for Sitek-Palvelu OY had a SEK 2.5 million impact on goodwill.

Impairment of goodwill

The sale of the subsidiary, Ranatec Instruments AB, resulted in the full impairment of the goodwill value.

Impairment testing of intangible fixed 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 INDEFINITE USEFUL LIVES	2018	2017
Companies		
Goodwill		
Internordic Bearings AB	3.0	3.0
OEM Automatic Klitsö AS	25.0	24.1
Elektro Elco AB	32.5	32.5
OEM Motor AB	8.0	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	2.0	2.0
Nexa Trading AB	12.0	12.0
AB Ernst Hj Rydahl Bromsbandfabrik	6.0	6.0
Scannotec OY	2.0	2.0
ATC Tape Converting AB	3.0	3.0
Sitek-Palvelu OY	17.1	16.3
Rauheat OY	12.4	11.7
	136.1	127.7
Supplier relationships with an indefinite useful life		
Telfa AB	8.8	8.8
TOTAL	144.9	136.5

The above amounts relate to goodwill totalling SEK 136,1 million (127,7) and acquired supplier relationships for Telfa AB totalling SEK 8.8 million (8.8). These are long-standing supplier relationships with an indefinite useful life that are appraised as stable over the foreseeable future. The values in use are based on estimated future cash flows for a total of 100 years with the starting point in existing business plans for the next few 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% (1-2%) for other years after the forecast period. The gross profit margins are expected to reach the same level as at the end of 2018. The forecast cash flows have been converted to a present value using a discount rate of 10% (10%) before tax. The value in use exceeds the carrying amount of the units. The company management considers that no reasonably possible change in the key assumptions would cause the carrying amounts of the units to exceed the estimated values in use.

Cont. Note 12

PARENT COMPANY	2018	2017
Expenses brought forward for software		
Accumulated cost		
At beginning of year	41.3	37.4
New acquisitions	-	3.9
Total cost of acquisition	41.3	41.3
Accumulated amortisation		
At beginning of year	-24.2	-19.3
Amortisation	-5.7	-4.9
Total amortisation	-29.9	-24.2
CARRYING AMOUNT AT END OF YEAR	11.4	17.1
Accumulated accelerated amortisation		
At beginning of year	-10.5	-12.0
Change for the year	3.4	1.5
TOTAL ACCUMULATED ACCELERATED AMORTISATION	-7.1	-10.5

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

Note 13

Property, plant and equipment

THE GROUP	2018		2017	
	Land and build-ings	Fixtures, fittings, tools and equip-ment	Land and build-ings	Fixtures, fittings, tools and equip-ment
Accumulated cost				
At beginning of year	249.9	197.8	226.2	179.9
New acquisitions	11.1	27.3	10.7	26.5
Cost of acquisitions taken over upon acquisition	-	-	11.1	2.5
Disposals and discontinued operations	-	-17.8	-	-12.6
Reclassifications	-	0.7	-	-
Exchange rate differences for the year	3.9	2.3	2.0	1.5
Total cost of acquisition	264.9	210.3	249.9	197.8
Accumulated depreciation according to plan				
At beginning of year	-67.6	-129.5	-60.9	-118.2
Accumulated depreciation taken over upon acquisition	-	-	-0.2	-1.4
Disposals and discontinued operations	-	12.4	-	9.9
Depreciation for the year	-6.7	-20.7	-6.0	-18.7
Reclassifications	-	-0.7	-	-
Exchange rate differences for the year	-1.1	-1.9	-0.6	-1.0
Total depreciation	-75.3	-140.3	-67.6	-129.5
CARRYING AMOUNT AT END OF YEAR	189.6*	70.0**	182.4*	68.3**

* Carrying amount of buildings is SEK 170.3 (170.0) for the Group and SEK 12.7 (13.2) for the Parent Company.

** Carrying amount of car finance leases was SEK 34.9 (33.1).

PARENT COMPANY	2018		2017	
	Land and build-ings	Fixtures, fittings, tools and equip-ment	Land and buildings	Fixtures, fittings, tools and equip-ment
Accumulated cost				
At beginning of year	28.6	20.0	28.6	19.3
New acquisitions	-	0.6	-	1.8
Disposals and discontinued operations	-	-1.3	-	-1.2
	28.6	19.3	28.6	20.0
Accumulated depreciation according to plan				
At beginning of year	-15.0	-15.5	-14.5	-15.3
Disposals and discontinued operations	-	1.3	-	1.2
Depreciation for the year according to plan based on the cost	-0.5	-1.7	-0.5	-1.4
	-15.5	-16.0	-15.0	-15.5
CARRYING AMOUNT AT END OF YEAR	13.1	3.4	13.6	4.5
Accumulated accelerated depreciation				
At beginning of year	-	-0.9	-	-0.8
Change for the year	-	0.4	-	-0.1
TOTAL ACCUMULATED ACCELERATED DEPRECIATION	-	-0.5	-	-0.9

Note 14

Interests in Group companies

PARENT COMPANY	2018	2017
Book value		
At beginning of year	414.6	346.0
Acquisitions for the year	14.4	97.4
Remeasurement of contingent considerations	-5.1	-7.4
Liquidations	-	-13.4
Impairments	-8.1	-7.9
CLOSING BALANCE	415.7	414.6

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 2018	Book value 2017
Sweden							
OEM Automatic AB, Sweden	556187-1012	Tranås	20,000	100 %	100	16.0	16.0
OEM Motor AB, Sweden	556650-6498	Tranås	1,000	100 %	100	11.7	0.1
Telfa AB, Sweden	556675-0500	Gothenburg	1,000	100 %	100	10.0	10.0
Apex Dynamics Sweden AB, Sweden	556771-7466	Täby	1,000	100 %	100	0.1	0.1
Svenska Batteripoolen AB, Sweden	556929-8291	Tranås	5,000	100 %	100	0.5	0.5
Elektro Elco AB, Sweden	556564-2716	Jönköping	1,000	100 %	100	68.0	68.0
OEM Electronics AB, Sweden	556054-3828	Tranås	3,500	100 %	100	5.0	5.0
Internordic Bearings AB, Sweden	556493-8024	Nässjö	1,000	100 %	100	12.2	12.2
Svenska Helag AB, Sweden	556225-9639	Borås	1,020	100 %	100	12.6	12.6
Flexitron AB, Sweden	556414-6982	Täby	5,000	100 %	100	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	6.5
Fotbromsen Transmission i Malmö AB, Sweden (liquidated in 2018)	556322-5829	Malmö	-	100 %			
Fotbromsen Transmission i Hultsfred AB, Sweden (liquidated in 2018)	556434-4322	Kalmar	-	100 %			
Nexa Trading AB, Sweden	556327-6319	Gothenburg	2,000	100 %	100	32.4	32.4
ATC Tape Converting AB, Sweden	556242-6121	Järfälla	2,000	100 %	100	11.5	11.5
IBEC B.V., Netherlands	-	-	-	100 %		0.8	0.8
AB Ernst Hj Rydahl Bromsbandfabrik, Sweden	556535-6556	Karlstad	11,000	100 %			
RF Partner AB, Sweden	556498-5298	Möndal	1,000	100 %	100	4.3	5.7
ATB Drivtech AB, Sweden	556315-6974	Ekerö	150	100 %	1,000	2.8	-

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 2018	Book value 2017
Finland, Baltic states and China							
OEM Finland OY, Finland	-	-	-	100 %	-	11.9	11.9
Akkupojat OY, Finland	-	-	-	100 %	-	6.3	6.3
Scannotec OY, Finland	-	-	-	100 %	-	7.7	7.7
Sitek-Palvelu OY, Finland	-	-	-	100 %	-	28.9	29.3
Rauheat OY, Finland	-	-	-	100 %	-	26.4	28.9
OEM Eesti Ou., 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
Denmark, Norway, UK and East Central Europe							
OEM Automatic Klitsö AS, Denmark	-	-	1,000	100 %	DKK 1,000	46.5	46.5
OEM Automatic AS, Norway	-	-	-	100 %	-	3.5	3.5
OEM Automatic Ltd, UK	-	-	-	100 %	-	5.4	5.4
OEM Automatic Sp.z.o.o., Poland	-	-	-	100 %	-	0.0	0.0
Candelux Sp.zo.o., Poland	-	-	-	100 %	-	0.0	9.0
OEM Automatic spol.s.r.o. , Czech Republic	-	-	-	100 %	CZK 100	15.5	15.5
OEM Automatic s.r.o., Slovakia	-	-	-	100 %	SKK 200	0.0	0.0
OEM Automatic Kft, Hungary	-	-	-	100 %	-	1.2	1.2
Other business units							
OEM Industrial Components AB, Sweden	556051-4514	Tranås	100,000	100 %	5,000	46.2	46.2
Internordic Förvaltning AB, Sweden	556302-0873	Nässjö	1,000	100 %	100	1.3	1.3
OEM Logistics AB, Sweden	556194-8521	Stockholm	2,500	100 %	100	1.5	1.5
Intermate Electronics AB, Sweden	556266-6874	Tranås	1,000	100 %	100	0.6	0.6
OEM Fastighetsbolag AB, Finland	-	-	1,200	100 %	FIM 1,200	1.4	1.4
OEM Property Ltd, UK	-	-	400,000	100 %	GBP 400	5.1	5.1
Brake Components AB	559000-6499	Tranås	1,000	100 %	100	0.1	0.1
Bankerydsbackens Fastighetsbolag AB	559013-6817	Tranås	1,000	100 %	100	0.1	0.1
TOTAL						415.7	414.6

Note 15

Inventories

	The Group	
	2018	2017
Work in progress	46.8	34.8
Finished goods and merchandise	548.5	480.6
Impairment loss	-26.9	-21.5
TOTAL	568.5	493.9

Group impairment of inventories at the close of 2018 was SEK 26.9 million (21.5), which represents approximately 5% (4%) of the cost of the stock.

Note 16

Prepaid expenses and accrued income

	The Group		Parent Company	
	2018	2017	2018	2017
Accrued commission income, etc.	0.5	0.3	-	-
Prepaid rent expense	2.2	2.2	0.0	0.0
Prepaid insurance costs	4.1	3.9	0.5	0.4
Other prepaid expenses	8.8	8.3	2.9	3.5
TOTAL	15.6	14.6	3.4	3.8

Note 17

Equity

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

		2018		2017	
		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	
	2018	2017	2018	2017
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 reserves may not be reduced by distribution of dividends.

Reserve fund

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

Development fund

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

Parent company's distributable equity

The following funds and profit for the year together constitute non-restricted equity, 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%

Target achievement over the last three years:

	2018	2017	2016
• Sales growth	14 %	15 %	7 %
• EBITA margin	11 %	11 %	12 %
• Return on equity	29 %	28 %	30 %
• Equity/assets ratio	59 %	54 %	53 %

Allocation of profits

After the balance sheet date, the Board proposed a dividend of SEK 6.75 per share (6.00). 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 295.2 million. The Board recommends a SEK 156.4 million dividend and that SEK 138.8 million be carried forward.

Note 18

Liabilities to credit institutions

	The Group	
	2018	2017
Other non-current liabilities		
Bank loan	14.0	18.3
Finance lease liabilities	19.4	23.0
TOTAL	33.5	41.4
<i>Liabilities that fall due for payment later than five years after the balance sheet date amount to SEK 9.6 million (12.0).</i>		
Current liabilities		
Overdrafts	101.1	143.4
Current bank loans	0.8	3.5
Finance lease liabilities	15.3	10.1
TOTAL	117.2	157.0
FINANCE LEASE LIABILITIES		
Finance lease liabilities fall due for payment as shown below:		
Within one year	15.3	10.1
Between one and five years	19.4	23.0
Later than five years	-	-
TOTAL	34.7	33.1

The finance lease liabilities relate to leasing of cars.

Note 19

Provisions for pensions and similar obligations

	The Group	
	2018	2017
Present value of entirely or partially funded obligations	6.9	5.9
Fair value of plan assets	-5.4	-4.7
Net of entirely or partially funded obligations	1.4	1.3
The net amount recognised in the following items in the Statement of Financial Position:		
Provisions for pensions and similar obligations	1.4	1.3
Net amount in the Statement of Financial Position (obligations + assets -)	1.4	1.3
The net amount is split over plans in the following countries:		
Norway	1.4	1.3
Net amount in the Statement of Financial Position (obligations + assets -)	1.4	1.3

	The Group	
	2018	2017
Changes in the present value of the obligation for defined-benefit schemes		
Obligation for defined-benefit schemes as at 1 January	5.9	6.8
Pensions earned during the period	0.4	0.3
Actuarial gains and losses	0.4	0.9
Interest on obligations	0.1	0.2
Costs relating to previous years	-	-0.5
Pension liabilities settlement	-	-1.3
Paid benefits	0.0	-0.1
Exchange rate differences	0.1	-0.3
Obligations for defined-benefit schemes as at 31 December	7.0	5.9
Change in fair value of plan assets		
Fair value of plan assets as at 1 January	4.7	5.8
Employer contributions	0.7	0.6
Benefits paid	0.0	-0.1
Pension liabilities settlement	-	-1.3
Interest income recognised in the income statement for the year	0.1	0.1
Return excluding interest recognised in the income statement for the year	-0.1	-0.1
Exchange rate differences	0.1	-0.3
Fair value of plan assets as at 31 December	5.4	4.7
Cost recognised in the income statement		
Cost of pensions earned during the year	0.5	0.4
Net interest income/expense	0.0	0.0
Costs relating to previous years	-	-0.5
Other	0.0	0.0
TOTAL NET EXPENSE IN THE INCOME STATEMENT	0.5	-0.1
ACTUARIAL ASSUMPTIONS		
The principal assumptions used for the purpose of the actuarial valuations were as follows:		
Discount rate	2.6 %	2.4 %

In Norway, all employees are covered by defined-benefit pension schemes. SEK 0.8 million is expected to be paid in contributions for the schemes during 2019. In other countries, except for Sweden, all employees are covered by defined-contribution schemes. The company pays defined contributions to a separate legal entity and has no obligation to pay additional amounts. Costs are expensed on the consolidated income statement as the benefits are earned. Pension obligations related to the defined-benefit ITP 2 scheme for retirement and family pensions for salaried employees in Sweden are underwritten with insurance provided by Alecta. According to statement UFR 10 Reporting for Pension Scheme ITP 2, issued by the Swedish Financial Reporting Board, the ITP 2 scheme, which is underwritten by the Alecta insurance company, is a defined-benefit multi-employer scheme. For the 2018 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 1.4 million (1.2). The Group's share of the total contributions to the pension scheme is 0.009% (0.006%), while its share of the total number of active members in the

scheme is 0.010% (0.009%). 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 2018, Alecta's surplus, in the form of the collective consolidation level, was 142 percent (154). The premiums to Alecta are calculated using assumptions about interest rates, life expectancy, operating costs and tax on returns, so that the payment of a consistent amount of premium up to the date of retirement is sufficient to ensure that the entire, targeted benefit, based on the insured's current pensionable salary, is, in fact, earned. There is no agreed framework to guide the process of managing any deficit that may arise. In the first instance, losses will be covered by Alecta's collective consolidation capital and will thus not lead to increased costs through higher contractual premiums. Nor are there guidelines on how any surpluses or deficits should be allocated in the event of dissolution of the scheme or a company's withdrawal from the scheme. Most of the employees in Sweden are covered by defined-contribution pension schemes. The total cost of the Group's defined-contribution schemes is SEK 28.8 million (25.8). The Parent Company's cost for defined-contribution schemes is SEK 2.7 million (2.5).

Note 20

Other non-current liabilities

	The Group		Parent Company	
	2018	2017	2018	2017
Other non-current, non-interest-bearing liabilities	8.1	15.1	8.1	15.1
TOTAL	8.1	15.1	8.1	15.1

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

Note 21

Pledged assets and contingent liabilities

	The Group		Parent Company	
	2018	2017	2018	2017
Real estate mortgages	19.3	19.3	7.5	7.5
Chattel mortgages	63.0	65.9	-	-
Contingent liabilities				
Security undertakings to support subsidiaries	-	-	235.7	213.2
TOTAL	82.3	85.2	243.2	220.7

Note 22

Accrued expenses and deferred income

	The Group		Parent Company	
	2018	2017	2018	2017
Accrued salaries and holiday pay	64.8	57.2	5.1	4.8
Accrued social security costs	25.8	23.5	3.7	3.4
Accrued supplier inv./commercial debts	12.4	10.7	-	-
Other accrued expenses	20.9	17.3	4.1	2.4
TOTAL	123.9	108.6	12.8	10.7

Note 23

Untaxed reserves

	Parent Company	
	2018	2017
Accumulated accelerated amortisation		
At beginning of year	11.4	12.8
Changes in accelerated amortisation for the year	-3.8	-1.3
AT END OF YEAR	7.6	11.4
Tax allocation reserves		
Allocated in the financial year 2012	-	33.2
Allocated in the financial year 2013	32.0	32.0
Allocated in the financial year 2014	40.0	40.0
Allocated in the financial year 2015	48.6	48.6
Allocated in the financial year 2016	55.7	55.7
Allocated in the financial year 2017	56.0	56.0
Allocated in the financial year 2018	67.0	-
TOTAL	299.3	265.5
TOTAL UNTAXED RESERVES	306.9	276.9

Deferred tax constitutes SEK 67.5 million (60.9) 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. This is carried out in accordance with the financial policy approved by the Board of Directors. Frameworks for risk management procedures and risk mitigation are in place. These frameworks are characterised by a low risk level. The basis is the structured and efficient management of the financial risks that arise in the business.

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 2018, the amount of non-current receivables was SEK 0.3 million (0.3). At year-end, the Group's holding of such financial assets that represent current assets amounted to SEK 457 million (433) and accrued income to SEK 0.5 million (0.3) and other receivables to SEK 28 million (30). As shown above, more than 99% of the Group's financial assets are measured at amortised cost under IFRS 9. In 2017, these categories of assets belonged to the measurement category "Loans and Receivables" in IAS 39. 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 based on the exchange rates and interest rates on the balance sheet date.

Contingent considerations are classified within Level 3. Further details about contingent considerations can be found in Note 4.

The items cash and bank balances at SEK 38 million (56), overdrafts at SEK 101 million (143) and other interest-bearing liabilities at SEK 50 million (55) 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 33 million (75). 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 459 million (453). The drawn amount is SEK 101 million (143).

THE GROUP'S ASSETS AND LIABILITIES MEASURED AT FAIR VALUE	2018			2017		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets						
Derivatives	-	0.0	-	-	0.7	-
Liabilities						
Contingent considerations	-	-	14.7	-	-	20.4

CONTINGENT CONSIDERATIONS	2018	2017
Opening book value	20.4	17.5
Acquisitions for the year	3.9	13.5
Recycled to the income statement	-5.1	-7.4
Consideration paid	-5.4	-3.8
Exchange rate differences	0.8	0.7
Closing book value	14.7	20.4

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 38 million (56) and financial current assets were SEK 457 million (433). At the close of the year, the Group's financial liabilities were SEK 335 million (385). The maturity profile is presented in the table below. The table shows both capital payments and interest payments.

	2018					2017				
	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*	102.6	1.0	-	101.6	-	144.5	0.5	-	144.0	-
Other interest-bearing liabilities	14.9	0.1	0.1	0.9	13.8	21.9	0.3	0.7	2.5	18.4
Trade payables, etc.	253.6	213.5	39.7	0.4	-	252.2	211.3	39.6	1.3	-
Finance lease liabilities	35.1	1.3	3.9	10.3	19.6	33.5	0.9	2.6	6.8	23.3
	406.2	215.9	43.7	113.1	33.5	452.1	212.9	42.8	154.6	41.7

* 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 balances, overdrafts 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 -1.1 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 alongside the table to the right.

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

The Group eliminates the effects of exchange rate fluctuations as much as possible 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 60% (60%) of purchases in 2018 were in EUR, 18% (20%) USD, 3% (3%) GBP, 9% (8%) SEK and 10% (9%) in other currencies. The OEM Group manages the effects of changing exchange rates through 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 69% (68%) 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 the timing of the 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 mean that only currency movements between the time of sale and the time of invoicing affect the amount reported in Swedish Kronor. Since invoicing is carried out in SEK in accordance with currency adjustment clauses, 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 attributable 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 215 million in change in turnover.

Elektro Elco AB and Nexa Trading AB use foreign exchange forward contracts. The hedged amount is USD 0.4 million (2.6). Hedge accounting is not applied. The market value was SEK 0.01 million (0.7) as at 31 December 2018. With regard to currency risk, 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% (4%) of sales. The five largest customers accounted for 12% (13%) of sales and the ten largest customers accounted for 16% (17%) of sales. The distribution of risk is thus very good. Bad debts for the year totalled SEK 1.2 million (1.5) which represents 0.04% (0.05%) of sales. The bad debt risk is assessed as low. The average credit period was approximately 44 days.

Purchases are broken down into percentages as follows:

	2018	2017
EUR	60%	60%
USD	18%	20%
GBP	3%	3%
SEK	9%	8%
Other currencies	10%	9%
	100%	100%

Exchange rate changes significant currencies:

Currency	Weighted average 2018	Weighted average 2017	Change
EUR 1	10.20	9.58	6%
USD 1	8.63	8.48	2%
GBP 1	11.49	10.96	5%

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	7.8	0.4
DKK	30.8	1.5
EUR	179.0	9.0
GBP	37.2	1.9
NOK	8.2	0.4
PLN	22.2	1.1
HUF	1.0	0.0
CNY	3.4	0.2
TOTAL	289.7	14.5

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

Currency	Weighted average 2018	Dec 2018	Weighted average 2017	Dec 2017
NOK 100	105.71	101.80	102.55	99.46
DKK 100	136.84	136.80	128.77	131.49
EUR 1	10.20	10.22	9.58	9.79
GBP 1	11.49	11.27	10.96	11.03
PLN 1	2.38	2.37	2.24	2.34
HUF 100	3.18	3.17	3.08	3.14
CZK 1	0.40	0.40	0.36	0.38

Cont. Note 24

AGE ANALYSIS, TRADE RECEIVABLES NOT WRITTEN DOWN (SEK MILLION)	2018	2017
Trade receivables not matured	386.5	369.7
Trade receivables matured 0-30 days	62.0	55.7
Trade receivables matured > 30-90 days	6.4	3.5
Trade receivables matured > 90-180 days	0.6	1.4
Trade receivables matured > 180-360 days	0.2	0.8
Trade receivables matured > 360 days	3.0	4.5
TOTAL	458.8	435.6
PROVISION ACCOUNT FOR CREDIT LOSSES (SEK million)		
Balance at beginning of year	-2.6	-2.0
Effects of business combinations	-	-
Provision for expected losses	-1.1	-1.2
Actual losses	1.6	0.6
CLOSING BALANCE	-2.1	-2.6

Note 25

Operating leases

	The Group		Parent Company	
	2018	2017	2018	2017
Leases where the company is the lessee				
Non-redeemable lease payments amount to				
Within one year	20.4	20.1	-	-
Between one and five years	24.3	36.0	-	-
Longer than five years	-	-	-	-
TOTAL	44.7	56.1	-	-

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

	The Group		Parent Company	
	2018	2017	2018	2017
Costs reported during the year for operating leases	24.2	24.0	-	-
TOTAL	24.2	24.0	0.0	0.0

Note 26

Cash Flow Statement

Additional disclosures on the cash flow statement

	The Group		Parent Company	
	2018	2017	2018	2017
Interest received	0.6	0.4	0.8	0.7
Dividends received	-	-	67.9	40.9
Interest paid	-3.8	-3.9	-1.4	-1.5
Specification of non-cash items				
Amortisation and impairment	53.1	56.0	7.9	6.8
Capital gains	-1.3	-0.9	-	-0.2
Other	0.3	-0.3	0.7	0.9
Impairment of shares	-	-	8.1	7.9
TOTAL	52.1	54.8	16.7	15.4

ACQUISITION OF SUBSIDIARY COMPANIES AND OPERATIONS – THE GROUP	Acquisitions 2018	Acquisitions 2017	Disposals 2018	Disposals 2017
Acquired assets and liabilities				
Intangible assets	13.2	26.9	-	-
Other fixed assets	-	11.8	-	-
Inventories	0.7	14.0	-	-2.3
Trade and other receivables	2.9	14.5	-	-0.8
Cash and cash equivalents	0.4	1.1	-	-1.0
Total assets	17.2	68.3	-	-4.1
Deferred tax liability	1.6	3.7	-	-0.4
Interest-bearing liabilities	-	9.2	-	-
Current operating liabilities	1.2	13.2	-	-1.2
Total liabilities	2.8	26.2	-	-1.6
Net	14.4	42.1	-	-2.5
Consideration				
Consideration for acquired units in the current year	-14.4	-42.1	-	2.5
Consideration payable	4.9	15.0	-	-
Specified consideration for acquired units before the current year	-5.4	-13.5	-	-
Deducted: Cash and cash equivalents in the acquired operations	0.4	1.1	-	-1.0
IMPACT ON CASH AND CASH EQUIVALENTS	-14.4	-39.5	-	1.5

Cash and cash equivalents

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

Note 27

Information about the Parent Company

OEM International AB (publ) is a Swedish-registered public limited company with its headquarters in Tranås, Sweden. The Parent Company shares are listed on NASDAQ Nordic Mid Cap in Stockholm. The Head Office address is Förrådsvägen 2, Box 1009, 573 28 Tranås, Sweden. The consolidated financial statements for 2018 incorporate the financial statements of the Parent Company and its subsidiaries, jointly referred to as the Group.

Note 28

Events after the Reporting Period

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

For the Group to make a judgement as to whether there is any impairment of goodwill, an estimation of the value in use of the cash-generating units was made using assumptions about future conditions and estimates of parameters. Full details of these are disclosed in Note 12. The company management considers that no reasonably possible change in the key assumptions would cause the carrying amounts of the units to exceed the estimated values in use.

Measurement of other intangible assets

Other intangible fixed assets are mainly the values arising on acquisition, comprising SEK 10.4 million for supplier relationships and SEK 33.7 million for customer relationships. The supplier relationships are divided into two amounts, SEK 1.6 million and SEK 8.8 million respectively. The supplier relationship, with a value of SEK 8.8 million, has an indefinite useful life. As regards supplier relationships with a value of SEK 1.6 million, the assessment is that they will be amortised over a five-year period. A maximum of 11 months remain of the amortisation period. The customer relationships consist of new market establishments and these are expected to be amortised over a five-year period. A maximum of 56 months remain of the amortisation period.

Note 30

Earnings per share

	2018	2017
Profit for the year	248.3	213.8
Earnings per share for total, continuing and discontinued operations are based on the following number of shares		
Average number of shares outstanding	23,107,462	23,107,462

	2018	2017
Earnings per share on the number of shares outstanding		
Earnings per share	10.74	9.25

There is no dilutive effect.

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

Note 31

Related party disclosures

The OEM Group's related parties consist primarily of senior executives (Note 5), other senior executives (Note 5) and major shareholders.

Other than Board fees, salaries and other employee benefits and a dividend payout of SEK 6.00 per share, no remuneration has been paid to related parties.

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	80,383,780
Profit for the year	214,865,912

295,249,692

The Board of Directors proposes that

a final dividend of SEK 6.75 per share be paid to the shareholders	156,392,836
and that the following be carried forward	138,856,856

295,249,692

The Board of Directors' 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 26 April 2019 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 8 March 2019. 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 24 April 2019.

Tranås, Sweden, 8 March 2019

Petter Stillström
Chairman of the Board

Ulf Barkman
Member of the Board

Ingrid Nordlund
Member of the Board

Jörgen Rosengren
Member of the Board

Anna Stålenbring
Member of the Board

Åsa Söderström Winberg
Member of the Board

Jörgen Zahlin
Managing Director

Our Auditors' Report was presented on 11 March 2019
KPMG AB

Olle Nilsson
Authorised Public Accountant

Auditors' Report

To the Annual General Meeting of OEM International AB (publ),
Corp. ID no. 556184-6691

Report on the Annual Report and the Consolidated Financial Statements

Opinion

We have conducted an audit of the Annual Report and the Consolidated Financial Statements of OEM International AB (publ) for 2018. The company's Annual Report and financial statements are presented on pages 29-80 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 2018, and its financial performance and its cash flows for the year, in accordance with the Swedish Annual Accounts Act. The Consolidated Financial Statements have been prepared as required by the Swedish Annual Accounts Act and present fairly, in all material respects, the financial position of the Group at 31 December 2018, 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.

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

Basis for opinion

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

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

Measurement of acquired intangible assets and the Parent Company's interests in Group companies.

See Notes 12, 14 and 29 and the accounting policies on pages 50-52 of the Annual Report and the Consolidated Financial Statements for details and a description of the matter.

Description of key audit matter

As at 31 December 2018, the Group reports goodwill and other intangible assets arising on acquisitions of SEK 180 million, representing 11.5% of total assets. Goodwill and intangible assets with an indefinite useful life are subject to impairment tests at least once a year. Other intangible assets should be tested for impairment when there is an indication that the asset may be impaired.

The impairment tests are inherently complex and judgemental and are performed for each cash generating unit.

IFRS 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 flows, which require assumptions of future market conditions and thus indirectly how competitors might be expected to react, and which discount rate should be used to take into account that future assessed payments are associated with risk.

As at 31 December 2018, Parent Company interests in Group companies amounted to SEK 416 million. If the value of the interests exceeds equity in the respective Group companies, the same type of impairment test is performed, using the same technique and input values as for goodwill and acquired intangible assets in the Group.

Response in the audit

We have examined and assessed the Group's testing for impairment to assess compliance with the prescribed method. Moreover, we have assessed the reasonableness of the predicted future cash flows 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 disclosures in the Annual Report and assessed whether they corroborate the assumptions used by the Group management for impairment testing and whether, in all material respects, sufficient information is disclosed as required by IFRS.

Information other than the Annual Report and the Consolidated Financial Statements

This document also contains other disclosures than the Annual Report and the Consolidated Financial Statements and can be found on pages 1-28 and 84-91. 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 due to fraud or error.

In preparing the Annual Report and the Consolidated Financial Statements, the Board of Directors and the Managing Director are responsible for the assessment of the company's and the Group's ability to continue as a going concern. They disclose, as applicable, matters that can impact the ability to continue as a going concern and to use the going concern basis of accounting.

The Board of Directors and the Managing Director cannot use the going concern basis of accounting, however, if they intend to liquidate the company, cease trading or have no realistic alternative but to do so.

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

Responsibilities of the auditors

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

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 due to fraud or error, design and implement audit procedures responsive to those risks, and obtain sufficient appropriate audit evidence 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.

Other statutory and regulatory disclosures

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 2018 and the proposed appropriations of the company's profit or loss.

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

Basis for opinion

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

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

Responsibilities of the Board and the Managing Director

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

The Board is responsible for the company's organisation and

management of the company's affairs. This involves regularly assessing the company's and the Group's financial situation and ensuring that the company's organisation is structured to allow satisfactory controls of its accounts, funds management and financial affairs in general.

The Managing Director is in charge of day-to-day management in accordance with guidelines and instructions from the Board of Directors and is responsible for taking necessary measures to ensure that the company's accounts are prepared in accordance with legal requirements and that funds management is controlled in a satisfactory manner.

Responsibilities of the auditors

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 or loss, and thereby our opinion on this, is to ascertain, with a reasonable degree of assurance, whether the proposal is in accordance with the Swedish Companies Act.

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

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

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 or loss 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 of Directors' proposed appropriations of the company's profit or loss, we have examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is consistent with the Swedish Companies Act.

KPMG AB, Box 214, 551 14, Jönköping, Sweden, was appointed as OEM International AB (publ)'s auditors by the General Meeting of Shareholders on 18 April 2018. KPMG AB or auditors working for KPMG AB have been the company's auditors since 1974.

Jönköping, 11 March 2019

KPMG AB

Olle Nilsson

Authorised Public Accountant

Board of Directors



Petter Stillström

Born in 1972
Board Chairman since 2017 and Board member since 2010
Master of Economics
Not employed by OEM
CEO and major shareholder in AB Traction
Other appointments:
Chairman of the Board in BE Group AB, Nilörgruppen AB and Softronic AB
Board member of AB Traction incl. Group companies
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



Jörgen Rosengren

Born in: 1,967
Board member since 2017
M.Sc. Engineering
Not employed by OEM
Other appointments: Managing Director of Bufab AB
Number of shares: 740 OEM Class B



Ingrid Nordlund

Born in: 1,968
Board member since 2017
MBA
Not employed by OEM
Other appointments: Managing Director of NGS Group AB and Board member of Transcendent Group AB
Number of shares: 600 OEM Class B



Åsa Söderström Winberg

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



Anna Stålenbring

Born in: 1,961
Board member since 2017
MBA
Not employed by OEM
Other appointments: Board member of Troax AB, FM Mattsson Mora Group AB and OnePartner Group AB
Number of shares: 1,000 OEM Class B

Hans Franzén

Born in 1940
Died on 17 January 2019
Board Chairman 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, Cendio AB, MAZE Holding i Tranås AB and Tingsvägen Förvaltning AB
Board member of Ovacon AB and IB Medical AB
Number of shares: 707,376 OEM Class A and 582,990 OEM Class B



IN MEMORIAM

Hans Franzén

1940 – 2019

Hans Franzén, co-founder, major shareholder and Board member of OEM International, passed away at the age of 78 on 17 January 2019 following a short illness.

Hans and his family moved to Tranås in 1974
and founded OEM Automatic together with Agne Svenberg.
This lay the foundation for the listed company OEM International.

From the very start,
Hans was engaged in all kinds of roles in the company and
his active contributions to making OEM the success it is today
simply cannot be overstated.

He will be greatly missed by his family and friends and within the companies.

Hans was a fantastic businessman
and his spirit will live on in the companies as they continue his work.

Senior executives



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



Born in 1955
Finance Director
Group employee since 1985
Number of shares: 10,000
OEM Class B



Born in 1968
Managing Director of OEM
Automatic AB
Group employee since 1990
Number of shares: 11,000
OEM Class B



Born in 1962
Managing Director of OEM
Electronics AB
Group employee since 1983
Number of shares: 2,800
OEM Class B



Born in 1969
Head of Marketing/
Business Development
Group employee since 2017
Number of shares: 0



Born in 1958
Head of Region Finland, the
Baltic states and China
Group employee since 1982
Number of shares: 22,500
OEM Class B

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 1,371,600 on 31 December 2018. OEM's shares were transferred to the O List in 2000 and its shares have been trading on the NASDAQ Nordic Small Cap market since 2006. The shares were transferred to the NASDAQ Nordic Mid Cap market in 2014.

Price trends

The price of OEM International shares rose 17% during the year from SEK 177.00 to a closing price of SEK 190.50. During the year, the Stock Exchange's index for Nasdaq Stockholm_PI rose 8%. The highest price paid during the year was SEK 223.00 on 2 October. The lowest price paid during the year was SEK 151.50 on 6 February. OEM's market value at the close of 2018 was SEK 4,414 million.

Sales

In 2018, 1,149,366 Class B shares (1,138,223) were sold, corresponding to a turnover rate of 5% (5%). The average shareholder in OEM therefore retains shares for about 16 (16) years.

OEM's Class B shares were sold on 100% (100%) of the trading days. The average daily turnover in 2018 was 4,653 shares (4,553). As at 31 December 2018, OEM International had 3,693 shareholders (4,194). Institutional ownership is about 45% (44%) and foreign ownership amounts to 9% (9%).

Repurchase of shares

The repurchase programme for shares, which was adopted for the first time by the Annual General Meeting in 2000, is intended to improve the company's capital structure and contribute positively to return on shareholders' equity and earnings per share. After implemented reductions in previous years, 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 granted a mandate 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 ABG Sundal Collier ASA regarding liquidity guarantees for company shares. The aim is to reduce the difference between purchase and sales prices. The goal is to achieve a lower investment cost and to lower the share trading risk for present and future shareholders. Commitments fall within the scope of the NASDAQ Nordic Stock Exchange system with liquidity guarantees and started on 1 December 2004.

Dividend policy

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

Dividend

The Board proposes a SEK 6.75 (6.00) per share dividend, equivalent to 19% (20%) of distributable equity in the Group.

Financial information

OEM is committed to communicating high-quality information to the market and 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 2019 financial year are shown on page 91 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



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

— OEM International B

— OMX Stockholm_PI

Change in share capital

Year	Transaction	Change in share capital, SEK million	Total share capital, SEK million	Average no. of shares	Par value per share, SEK
	Opening value	0.1	0.1	500	100.00
1981	Bonus issue	0.3	0.4	4,000	100.00
1983	Split	-	0.4	40,000	10.00
1983	Bonus issue	0.4	0.8	80,000	10.00
1983	New issue	0.8	1.6	160,000	10.00
1983	New issue	0.4	2.0	200,000	10.00
1986	Bonus issue	4.0	6.0	600,000	10.00
1986	New issue through conversion	0.4	6.4	636 000	10.00
1994	Split	-	6.4	1,272,000	5.00
1996	Bonus issue	6.4	12.7	2,544,000	5.00
1996	Bonus issue	12.7	25.4	5,088,000	5.00
1997	New issue through subscription in kind	20.1	45.5	9,113,703	5.00
2001	Reduction	-3.9	41.6	8,332,203	5.00
2003	Reduction	-1.0	40.6	8,132,203	5.00
2004	Reduction	-2.0	38.6	7,723,103	5.00
2007	Split	-	38.6	30,892,412	1.25
2007	Redemption	-9.6	29.0	23,169,309	1.25
2007	Bonus issue	9.6	38.6	23,169,309	1.67
2014	Split	-	38.6	46,338,618	0.83
2014	Redemption	-19.3	19.3	23,169,309	0.83
2014	Bonus issue	19.3	38.6	23,169,309	1.67

Shareholding structure

OEM's largest shareholders as at 28 Dec 2018

	Class A shares	Class B shares	Percentage share capital	Percentage votes
Orvaus AB	1,627,320	2,749,481	18.9 %	28.8 %
Franzén Hans and Siv	1,280,376	1,256,290	11.0 %	21.3 %
Svenberg Agne and Inger	1,223,400	443,886	7.2 %	19.2 %
AB Traction	636,000	250,000	3.8 %	10.0 %
Lannebo equity funds		3,149,581	13.6 %	4.8 %
Nordea Investment Funds		2,339,098	10.1 %	3.5 %
SEB Investment Management		1,433,283	6.2 %	2.2 %
AP3 Third Swedish National Pension Fund		445,038	1.9 %	0.7 %
Mats Guldbrand		279,500	1.2 %	0.4 %
Johan Atmer		242,400	1.0 %	0.4 %
Total 10 owners	4,767,096	12,588,557	75.1 %	91.3 %
Other		5,751,809	24.9 %	8.7 %
TOTAL	4,767,096	18,340,366	100.0 %	100.0 %
Votes per share	10	1		

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

Shareholder analysis

As at 28 Dec 2018*

SIZE CLASS	Percentage of no. of shareholders	Percentage of share capital
1-500	68.0	1.3
501-1,000	11.9	1.4
1,001-2,000	8.6	2.0
2,001-5,000	6.0	3.1
5,001-10,000	2.3	2.6
10,001-20,000	1.4	3.2
20,001-50,000	0.9	4.3
50,001-100,000	0.2	2.6
100,001-5,000,000	0.7	79.4
TOTAL	100.0	100.0

The total number of shareholders in OEM is 3,693.

* Source: Euroclear Sweden AB. Directly and fund manager registered. In the table, shareholder details may be a combination of several items in Euroclear Sweden's statistics.

This combination is intended to show an institution's or a private individual's total ownership in OEM.

Key indicators for OEM shares

The past five years

		2018	2017	2016	2015	2014
Key performance indicators						
Sales per share	SEK	134	118	103	96	81
Sales increase per share	%	14	15	7	18	13
Earnings per share*	SEK	10.71	9.23	8.67	7.48	5.90
Shareholders' equity per share *	SEK	39.97	34.69	30.62	26.85	23.82
Proposed dividend	SEK	6.75	6.00	5.50	5.00	4.25
Dividend/Income	%	63	65	63	67	72
Dividend/Shareholders' equity	%	17	17	18	19	18
Cash flow per share*	SEK	9.37	8.26	9.43	8.22	6.52
Risk key indicators						
Rate of turnover for shares	%	5	5	3	8	15
Valuation ratios						
Quoted price as at 31 December	SEK	190.50	177.00	151.00	141.00	110.00
Quoted price as at 31 December*	SEK million	4,414	4,101	3,499	3,267	2,549
P/S ratio	times	1.4	1.5	1.5	1.5	1.4
P/E ratio	times	17.8	19.2	17.4	18.9	18.6
Price/Shareholders' equity	%	477	510	493	525	462
EV/Sales	times	1.5	1.5	1.5	1.5	1.4
EBIT multiple	times	13.2	13.8	14.7	13.8	12.3
Direct return	%	3.5	3.4	3.6	3.5	3.9

* Calculated on total number of shares.

Definitions

Direct return

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

EBIT multiple

Enterprise value (market value + net debt) divided by operating profit after depreciation/amortisation.

EBITA*

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

EBITA margin

EBITA as a percentage of net sales.

Shareholders' equity per share

Shareholders' equity divided by the average number of shares.

EV/Sales

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

Capital turnover rate

Net sales divided by total assets.

Cash flow per share

Operating cash flows divided by the average number of shares.

Quick ratio

Current assets less inventories divided by current liabilities.

Price/Shareholders' equity

Quoted price divided by shareholders' equity per share.

Net sales per share

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

Net sales per employee

Net sales divided by average number of employees.

Net sales increase per share

Increase of the net sales per share.

Rate of turnover for shares

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

P/E ratio

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

P/S ratio

Stock market value in relation to net sales.

Return on equity

Profit for the year divided by average shareholders' equity.

Return on capital employed

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

Return on total capital

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

Interest coverage ratio

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

Operating margin

Operating profit as a percentage of net sales.

Debt/equity ratio

Interest-bearing liabilities divided by shareholders' equity.

Equity/assets ratio

Shareholders' equity as a percentage of total capital.

Capital employed

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

Dividend/Shareholders' equity

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

Dividend/Profit payout ratio

Dividends in relation to profit/loss for the year.

Earnings per share

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

Profit margin

Profit/loss before tax as a percentage of sales.

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

Annual General Meeting

**Wednesday 24 April 2019, at 4.00 pm
at Badhotellet's Conference Centre,
Ågatan 16, Tranås, Sweden.**

Registration

Shareholders wishing to attend the Annual General Meeting must:

- be entered in the share register held by Euroclear Sweden AB by Tuesday 16 April 2019.
- notify the company no later than Tuesday 16 April 2019, before 1.00 pm at the following address:

OEM International AB,
Box 1009, 573 28 TRANÅS, Sweden
Tel. +46-75-242 40 14, +46-75-242 40 05 or
e-mail: ir@oem.se

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

Shareholders who have registered their shares in the name of an authorised agent must temporarily register the shares in their own name with Euroclear Sweden AB by Tuesday 16 April 2019 to be entitled to attend and vote at the Annual General Meeting.

If participation is by proxy, the power of attorney form and any authorisation documents must be sent to the company in good time before the Annual General Meeting. A representative of a legal entity must also submit a signed copy of a registration certificate or equivalent authorisation document to show that the 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 22 March 2019.

Dividend

The Board of Directors recommends to the Annual General Meeting a dividend of SEK 6.75 per share for the financial year 2018 and Friday 26 April 2019 as the record date. If approved by the Annual General Meeting, the dividend is payable on Thursday 2 May 2019 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.....	24 April 2019
Interim report – January - June	12 July 2019
Interim report – January - September	17 October 2019
Financial Statement 2019	18 February 2020

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