



Nolato AB (publ) year-end report January – December 2003

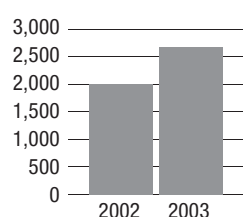
## High capacity utilization and strong growth in sales and earnings

- Net sales rose by 33 percent and totaled SEK 2,671 M (2,011)
- Net income totaled SEK –35 M (60) including nonrecurring items and SEK 58 M (17) excluding nonrecurring items, respectively
- Earnings per share totaled SEK –1.35 (2.45) including nonrecurring items and SEK 2.20 (0.70) excluding nonrecurring items, respectively
- Operating income totaled SEK 57 M (42) including nonrecurring items and SEK 150 M (42) excluding nonrecurring items, respectively
- Income after financial items totaled SEK 6 M (36) including nonrecurring items and SEK 99 M (5) excluding nonrecurring items, respectively
- Strong cash flow after investments, SEK 228 M (–68)
- Goodwill writedown of SEK 38 M in the Q 4 accounts related to Hungary
- Nolato Telecom increased its sales by 62 percent and sharply improved its operating income to SEK 109 M (–5)
- The Board of Directors proposes a dividend of SEK 0.80 (0.50) per share for 2003

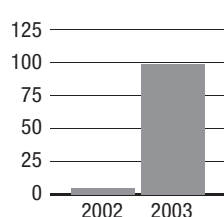
Group financial highlights	Q4 2003	Q4 2002	Full year 2003	Full year 2002
Net sales, SEK M	693	589	2,671	2,011
Nonrecurring items, SEK M	– 38	—	– 93	31
Operating income, SEK M *	39	28	150	42
Income after financial items, SEK M *	28	23	99	5
Net income, SEK M *	15	28	58	17
Cash flow after investments, SEK M	134	– 3	228	– 68
Earnings per share, SEK *	0,55	1,00	2,20	0,70
Average number of shares, 000	26,307	26,307	26,307	24,466

\* Excluding nonrecurring items

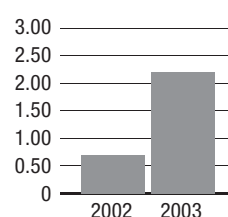
Net sales  
full year (SEK M)



Operating income \*\*  
full year (SEK M)



Earnings per share \*  
full year (SEK)



\* Excluding nonrecurring items

\*\* After financial items excl. nonrecurring items

This Interim Report is a translation from the Swedish version. If there are any differences, the Swedish version is the official report published by Nolato.

## The fourth quarter of 2003

Consolidated sales of the Nolato Group during the fourth quarter rose by 18 percent compared to the same period of last year and amounted to SEK 693 M (589).

Sales of Nolato Telecom increased by 35 percent. Volume was high and continued good sales of products with large content value provided high capacity utilization during the quarter.

In principle, Nolato Industrial sales were unchanged compared to the same period in 2002. Sales increased somewhat in Sweden, while operations in Hungary had somewhat lower sales.

Nolato Medical sales rose by 26 percent compared to the same period in 2002, primarily due to increased customer project revenues, while product sales were lower than planned.

Consolidated operating income excluding nonrecurring items rose to SEK 39 M (28) and the operating margin improved to 5.6 percent (4.8). The improvement in earnings was primarily due to higher sales and high capacity utilization. Nolato Telecom accounted for the earnings improvement because of an increase in operating income of SEK 11 M compared to the same period in 2002. At Nolato Telecom, margins improved due to increased volume. However, price pressures remain strong. Nolato Beijing in China developed better than planned during the quarter

and reported continuing positive sales and earnings growth. Previously decided and announced investments totaling SEK 20 M are underway as planned.

Negotiations were completed on the layoffs in Kristianstad, Sweden, that were announced on October 28. These layoffs will encompass 146 people.

Nolato Industrial had improved margins during the fourth quarter compared to the same period in 2002. However, the product mix in Swedish operations was not as favorable as during the third quarter of 2003. Earnings were also affected by the small number of production and invoicing days in December. Hungarian operations again reported negative earnings during the fourth quarter. Due to the negative earnings in Hungary, the entire book value of goodwill related to Hungarian operations was written down. The writedown amounted to SEK 38 M.

Weaker margins at Nolato Medical were primarily the result of lower sales of new customer products than expected and to some extent the result of the weakened dollar. Expenses were gradually adjusted during the quarter.

The Group's increased activities and sales in China led to greater exposure to exchange rate effects related to the American dollar. This led to negative exchange rate effects in Chinese operations

totaling SEK 2 M (0) during the fourth quarter, reducing operating income.

Income after financial items was SEK 28 M (23), excluding nonrecurring items. Net financial items included SEK -4 M (+4) in effects of currency rate changes during the fourth quarter, most of which was related to translation differences in foreign operations.

During the fourth quarter, reporting of customer project operations was adjusted. (See also under the heading "Accounting and valuation principles.") The adjustment had no impact on earnings.

The corporate department for strategic purchasing and IT was reorganized. The strategic purchasing department was moved from Group level and decentralized to the various business areas, where managers coordinate certain portions of the Group's purchases. Strategic IT issues were reorganized and placed under the Group's financial department.

### Sales and operating income by profit centers (SEK M)

	Q4 s/s 2003	Q4 inc 2003*	Q4 s/s 2002**	Q4 inc 2002	S/s 2003	Inc 2003*	S/s 2002**	Inc 2002*
Nolato Telecom	450	31	333	20	1 686	109	1 039	- 5
Nolato Industrial	230	12	233	11	912	59	878	53
Nolato Medical	29	3	23	5	102	16	96	19
Intra-Group adjustments, Parent C.	- 16	- 7	0	- 8	- 29	- 34	- 2	- 25
Group total	693	39	589	28	2 671	150	2 011	42

\* Excluding nonrecurring items

\*\* Sales for 2002 have been adjusted due to a change in the accounting principle for project revenues: Nolato Telecom by SEK +4 M for Q4 and SEK +71 M for the full year, respectively; Nolato Industrial SEK +2 M for Q4 and SEK +5 M for the full year, respectively; and Nolato Medical by SEK -5 M for Q4 and SEK -1 M for the full year, respectively. The total for the Group is SEK +1 M for Q4 and SEK +75 M for the full year, respectively

## The full year 2003

### Sales and earnings

During 2003, Nolato Group sales rose by 33 percent to SEK 2,671 M (2,011).

Consolidated operating income rose to SEK 150 M (42) excluding nonrecurring items, and SEK 57 M (42) including nonrecurring items, respectively. Income after financial items was SEK 99 M (5) excluding nonrecurring items, and SEK 6 M (36) including nonrecurring items, respectively.

Nolato Telecom and Nolato Industrial accounted for the improvement in earnings by reporting an increase in operating income of SEK 114 M and SEK 6 M, respectively, compared to the previous year.

High electricity prices in Sweden, especially during early 2003, reduced earnings by about SEK 13 M compared to 2002.

Consolidated operating income was adversely affected by SEK -6 M (-2) due to foreign exchange losses.

Net financial items included SEK -16 M (0) in effects of currency rate changes, most of which was related to translation differences in the Hungarian businesses, caused by a weakening of the Hungarian forint.

Nonrecurring expenses of SEK -55 M for restructuring of Hungarian operations were charged to earnings during the third quarter. In addition, a goodwill writedown of SEK -38 M in Hungary was charged to fourth quarter earnings. Nonrecurring items during the first quarter 2002 amounted to SEK 31 M and consisted of a capital gain from the divestment of Nolato Elastoteknik, which was reported among financial items.

Earnings per share totaled SEK 2.20 (0.70) excluding nonrecurring items, and SEK -1.35 (2.45) including nonrecurring items, respectively. The effective tax rate

in percent was higher than the Group's normal tax rate because tax effects from losses and restructuring expenses at the Group's Hungarian subsidiaries was not capitalized as a tax claim, and also as an effect of the goodwill write-down in Hungary.

Return on capital employed was 11.0 percent (4.5), excluding nonrecurring items. Return on operating capital was 15.0 percent (4.0), excluding nonrecurring items.

### Nolato Telecom

Sales rose by 62 percent to SEK 1,686 M (1,039), thus accounting for 62 percent (51) of total Group sales. It was primarily customer products with a substantially higher value of purchased components that contributed to the substantial growth in sales. Volume and sales growth was favorable for tapes and shielding components as well.

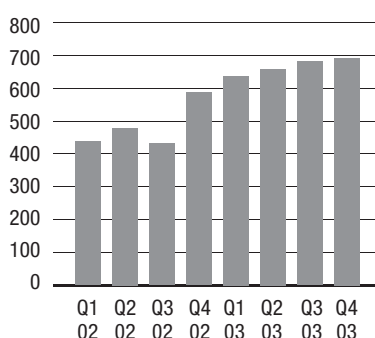
At Nolato Beijing in China, growth of sales and earnings was strong during 2003. Transfer of technology to China and development of expertise continued successively during the year.

Operating income was SEK 109 M (-5). Earnings improved due to increased volume and capacity utilization and because the restructuring measures that were carried out reduced the cost level. Meanwhile, price pressure increased during the year. This was offset by an increased proportion of manufacturing in low-cost countries, which led to a lower cost level and lower sales prices.

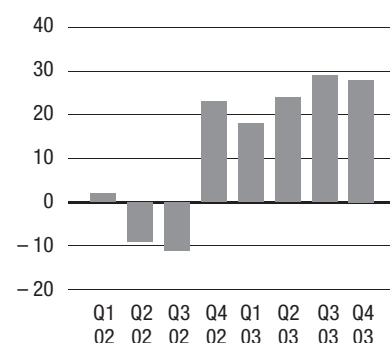
### Nolato Industrial

Sales rose by 4 percent to SEK 912 M (878), thus accounting for 34 percent (44) of total Group sales. Operating income rose to SEK 59 M (53).

Sales by quarter (SEK M)

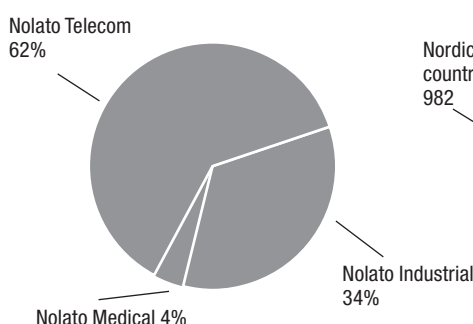


Earnings by quarter (SEK M)

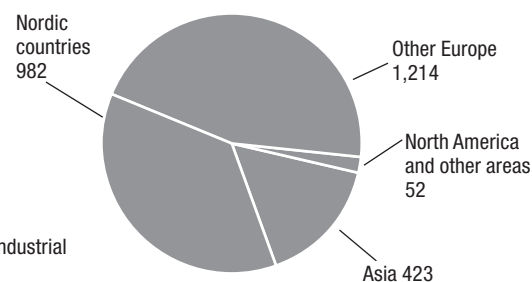


After financial items excl. nonrecurring items

Sales by profit center



Sales by geographic region (SEK M)



Nolato Industrial's businesses in Sweden continued to develop satisfactorily during 2003, with increased sales and stable profitability.

Due to lower volume and increased price pressure, Hungarian operations had negative earnings during 2003 and adversely affected earnings compared to 2002. To create an efficient and profitable organization, the subsidiary Nolato Jász, which was primarily active in the Household customer segment, was closed during the fourth quarter and its operations were moved to Nolato Protec's factory. The motive for this action was low capacity utilization in both businesses. The consolidation will enable Nolato to utilize capacity and resources more efficiently and to lower costs. Meanwhile there is strong price pressure on production in Hungary, partly due to comparisons with production costs in Asia, where competitiveness has strengthened due to the decline of the dollar.

#### Nolato Medical

Sales rose by 6 percent to SEK 102 M (96), thus accounting for 4 percent (5) of total Group sales. During the year, Nolato Medical was affected by certain customer products not reaching expected volume and to some extent by the weakening of the dollar. Operating income amounted to SEK 16 M (19).

#### Personnel

The average number of employees in the Nolato Group during the period was 2,353 (1,992). Most of the increase was attributable to Nolato's expansion in China.

#### Investments

Total gross investments in fixed assets during the period were SEK 99 M (150).

#### Financial position

Cash flow before investments amounted to SEK 323 M (20). Cash flow after investment activities was SEK 228 M (-129 excluding the effect of company divestments, -68 including this effect). Net investments amounted to SEK 95 M. Net investments amounted to SEK 149 M in 2002, while divestments of companies provided SEK 61 M. Net investment activities thus totaled SEK -88 M in 2002.

Interest-bearing assets totaled SEK 318 M (201) and interest-bearing liabilities SEK 625 M (701). Net liabilities thus declined by SEK 193 M to SEK 307 M (500). Shareholders' equity was SEK 569 M (624). The equity/assets ratio was 31 percent (33).

#### DIVIDEND

The Board of Directors will propose a dividend of SEK 0.80 (0.50) per share, equivalent to SEK 21 M.

#### FUTURE PROSPECTS

At Nolato Telecom, customer products with a substantially higher value of purchased components contributed greatly to the strong sales growth during 2003. However, the manufacture of these mobile telephone models is of a temporary nature. The effect of this increase in sales of purchased components has been estimated at more than SEK 400 M during 2003.

For this reason, Nolato is repeating that the sales of Nolato Telecom, with its known project and product portfolio, will be lower during 2004 than in 2003. Sales of other profit centers are expected to increase during 2004.

#### THE PARENT COMPANY

Sales were SEK 36 M (46). Income after financial items amounted to SEK 38 M (-50), excluding nonrecurring items. Earnings included dividends from subsidiaries of SEK 90 M (6). Income before taxes totaled SEK -96 M (-25) and included nonrecurring expenses for writedowns of shares in subsidiaries totaling SEK 134 M. No significant investments were made during the period.

#### ACCOUNTING AND VALUATION PRINCIPLES

The accounting and valuation principles used in this Interim Report comply with the Swedish Annual Accounts Act as well as with recommendations and opinions issued by the Swedish Financial Accounting Standards Council.

During the fourth quarter, reporting of customer project operations was adjusted in accordance with the Standards Council recommendation RR 11 regarding revenue. Customer project revenues are thus reported as revenue during the period when the work is performed, instead of as previously during the period when the project was concluded. As a result of this change, historical comparative figures for revenues during the fourth quarter of 2002 increased by SEK 1 M and for the full year 2002 by SEK 75 M, compared to the principle used previously. The adjustment had no impact on earnings. Comparative figures for 2002, including effects on the sales of Nolato's profit centers, have been restated and the effects of the change on each profit center are shown in the note to the table that shows sales and earnings by profit center.

During 2003, the application of the Standards Council's recommendation RR 25 on reporting

by business segment resulted in a change of accounting principle. Central expenses for Nolato's headquarters and general administrative expenses are no longer being charged to the profit centers, but instead are being charged to the Parent Company. Comparative figures for profit center operating incomes have been restated.

The application of other recommendations that have gone into effect since January 1, 2003 did not have any material impact on the income statement or balance sheet. Otherwise the same accounting principles have been used in this Interim Report as in the latest Annual Report.

#### FINANCIAL INFORMATION SCHEDULE

Interim Report for  
January – March 2004:  
– April 28, 2004  
Annual Meeting:  
– April 28, 2004  
Interim Report for  
January – June 2004:  
– August 11, 2004  
Interim Report for  
January – September 2004:  
– October 26, 2004

#### ANNUAL MEETING

The Annual Meeting will be held at 2:00 p.m. on April 28, 2004 at the Grevie sports park (Idrottsparken), not far from the Group's headquarters in Torekov, Sweden.

#### ANNUAL REPORT

The complete Annual Report will be available to shareholders at Nolato's headquarters in Torekov from early April. The printed report will also be mailed to shareholders at that time.

*Torekov, February 4, 2004  
Nolato AB (publ)  
The Board of Directors*

#### AUDITOR'S REVIEW REPORT

We have reviewed this Year-End Report in compliance with the recommendation of the Swedish Institute of Authorized Public Accountants (FAR). A review is significantly more limited than an audit. Nothing has emerged that indicates that the Year-End Report does not fulfill the requirements of the Securities Exchange and Clearing Operations Act and the Annual Accounts Act.

*February 4, 2004  
Ernst & Young AB  
Ingvar Ganestam, Authorized  
Public Accountant.  
Chief Auditor*

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Georg Brunstam and Per-Ola Holmström will comment on the year-end report during a teleconference (conducted in Swedish) at 4 p.m. on February 4. To participate, please register by telephone at +46 431 44 22 90.

Income statements (SEK M)	Q4 2003	Q4 2002	full year 2003	full year 2002
Net sales	693	589	2,671	2,011
Cost of goods and services sold <sup>1</sup>	– 598	– 508	– 2,347	– 1,744
<b>Gross income</b>	<b>95</b>	<b>81</b>	<b>324</b>	<b>267</b>
Sales expenses	– 13	– 14	– 46	– 56
Administrative expenses <sup>2</sup>	– 42	– 37	– 172	– 156
Other operating expenses <sup>3</sup>	– 39	– 2	– 49	– 13
<b>Operating income</b>	<b>1</b>	<b>28</b>	<b>57</b>	<b>42</b>
Financial items <sup>4</sup>	– 11	– 5	– 51	– 6
<b>Income after financial items</b>	<b>– 10</b>	<b>23</b>	<b>6</b>	<b>36</b>
Tax	– 13	5	– 41	24
<b>Net income for the period</b>	<b>– 23</b>	<b>28</b>	<b>– 35</b>	<b>60</b>
Depreciation included	37	41	156	162
Earnings per share after full tax (SEK)	– 0.90	1.00	– 1.35	2.45
Ditto excluding items affecting comparability (SEK)	0.55	1.00	2.20	0.70
Number of shares at the end of the period (000)	26,307	26,307	26,307	26,307
Average number of shares <sup>5</sup> (000)	26,307	26,307	26,307	24,466

<sup>1</sup> Includes nonrecurring expenses for Q3/2003 of SEK 52 M due to restructuring of operations in Hungary

<sup>2</sup> Includes nonrecurring expenses for Q3/2003 of SEK 3 M due to restructuring of operations in Hungary

<sup>3</sup> Includes nonrecurring expenses for Q4/2003 of SEK 38 M due to writedown of goodwill in Nolato Protec, Hungary

<sup>4</sup> Includes Q1/2002 a capital gain of SEK 31 M from the divestment of Nolato Elastoteknik

<sup>5</sup> Historical comparative figures have been adjusted for the bonus issue element of the 2002 new share issue

Balance sheets (SEK M)	Dec 31, 2003	Dec 31, 2002
Intangible fixed assets	54	102
Tangible fixed assets	690	801
Financial fixed assets	4	29
<b>Total fixed assets</b>	<b>748</b>	<b>932</b>
Inventory	181	257
Current receivables	588	505
Cash, bank deposits and short-term investments	318	201
<b>Total current assets</b>	<b>1,087</b>	<b>963</b>
<b>Total assets</b>	<b>1,835</b>	<b>1,895</b>
Shareholders' equity	569	624
Interest-bearing liabilities and provisions	625	701
Non-interest-bearing liabilities and provisions	641	570
<b>Total liabilities and shareholders' equity</b>	<b>1,835</b>	<b>1,895</b>

Group highlights	Q4 2003	Q4 2003	full year 2003	full year 2002
Sales growth (%)	18	2	33	– 15
Percentage of sales outside Sweden (%)	69	58	68	53
Operating income (SEK M)	1	28	57	42
Ditto excl. nonrecurring items (SEK M)	39	28	150	42
Income after financial items (SEK M)	– 10	23	6	36
Ditto excl. nonrecurring items (SEK M)	28	23	99	5
Operating margin* (%)	5.6	4.8	5.6	2.1
Profit margin* (%)	4.0	3.9	3.7	0.2
Return on total capital* (%)	—	—	7.4	3.1
Return on capital employed* (%)	—	—	11.0	4.5
Return on operating capital* (%)	—	—	15.0	4.0
Return on shareholders' equity* (%)	—	—	9.7	3.5
Equity/assets ratio (%)	—	—	31	33
Debt/equity ratio (%)	—	—	110	112
Interest coverage ratio* (times)	5	2	4	1
Gross investments (SEK M)	25	38	99	150
Cash flow after investments (SEK M)	134	– 3	228	– 68
Earnings per share after full tax (SEK)	– 0.90	1.00	– 1.35	2.45
Ditto excl. nonrecurring items (SEK)	0.55	1.00	2.20	0.70
Cash flow per share (SEK)	5.10	– 0.10	8.65	– 2.80
Shareholders' equity per share (SEK M)	—	—	22	24
Number of shares at the end of the period (000)	26,307	26,307	26,307	26,307
Average number of shares (000)	26,307	26,307	26,307	24,466
Number of employees	—	—	2,353	1,992

\* Calculated excluding nonrecurring items

\*\* Historical comparative figures have been adjusted for the bonus issue element of the 2002 new share issue

Cash flow (SEK M)	Q4 2003	Q4 2002	full year 2003	full year 2002
Cash flow from operations	60	66	260	166
Changes in working capital	100	-32	63	-146
Investment activities	-26	-37	-95	-88
<b>Cash flow before financing activities</b>	<b>134</b>	<b>-3</b>	<b>228</b>	<b>-68</b>
Financing activities	-12	-28	-111	133
<b>Increase/decrease of liquid funds</b>	<b>122</b>	<b>-31</b>	<b>117</b>	<b>65</b>

Change in shareholders' equity (SEK M)	Dec 31, 2003 Jan-Dec	Dec 31, 2002 Jan-Dec
Amount on January 1	624	342
Dividend	-13	—
New share issue	—	246
Conversion difference	-11	-2
New accounting principle	—	-16
Other changes	4	-6
Net income/loss for the period	-35	60
<b>Amount at end of period</b>	<b>569</b>	<b>624</b>



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