



Nolato AB (publ) year-end report 2004

January – December

Sharp improvement in earnings and strong financial position

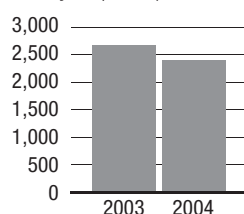
- Group sales totaled SEK 2,401 M (2,671)
- Operating income increased to SEK 195 M (57)
- Income after financial items totaled SEK 179 M (6)
- Net income totaled SEK 130 M (– 35)
- Earnings per share totaled SEK 4.95 (– 1.35)
- Cash flow after investments totaled SEK 231 M (228)
- Significantly stronger financial position; equity/assets ratio 41 percent (31)
- Dividend policy adopted by the Board
- The Board proposes a dividend of SEK 1.75 (0.80) per share

Group highlights

	Q4 2004	Q4 2003	Full year 2004	Full year 2003
Net sales, SEK M	657	693	2,401	2,671
Operating income, SEK M	51	1	195	57
Income after financial items, SEK M	48	– 10	179	6
Income after tax, SEK M	36	– 23	130	– 35
Cash flow after investments, SEK M	51	134	231	228
Earnings per share, SEK	1.40	– 0.90	4.95	– 1.35
Average number of shares, 000	26,307	26,307	26,307	26,307

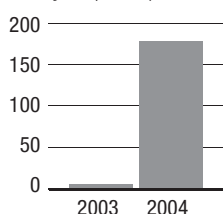
Sales

Full year (SEK M)



Income *

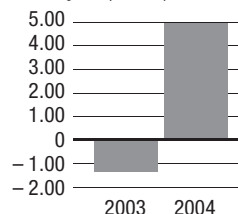
Full year (SEK M)



* After financial items

Earnings per share

Full year (SEK M)



Fourth quarter of 2004

Consolidated sales of the Nolato Group during the fourth quarter totaled SEK 657 M (693).

The market for mobile (cellular) phones was healthy during the quarter and volume was good but slightly lower than expectations. Demand for network products for the telecom industry was also good, but the rate of increase in volume declined during the fourth quarter. The majority of Nolato's industrial customers had good volumes. The market in niches

where Nolato Medical is active showed steady growth during the period.

Sales at Nolato Telecom totaled SEK 363 M (450) and the growth in volume was good, both compared to the same period in 2003 and compared to preceding quarters in 2004. Invoicings were adversely affected by lower sales of products with a high value of purchased components during the quarter. Excluding this component effect of roughly SEK 85 M, sales were largely unchanged. At the same time, the average price and cost levels per delivered unit were lower.

Nolato Industrial increased sales to SEK 257 M (230) or 12 percent compared to the same period in 2003. The majority of Nolato's customers experienced good growth in volume. Customers in the vehicle sector in particular showed strong growth.

Nolato Medical increased sales to SEK 40 M (29) or 38 percent compared to the same period the preceding year. Volumes were good for the majority of Nolato's customers. Excluding acquisitions, organic growth was 24 percent compared to the same period the preceding year.

Consolidated operating income rose to SEK 51 M (1). During the fourth quarter of 2003, writedowns of SEK 38 M for goodwill in Hungary were charged to earnings. Excluding these writedowns, operating income was SEK 39 M for the fourth quarter of 2003.

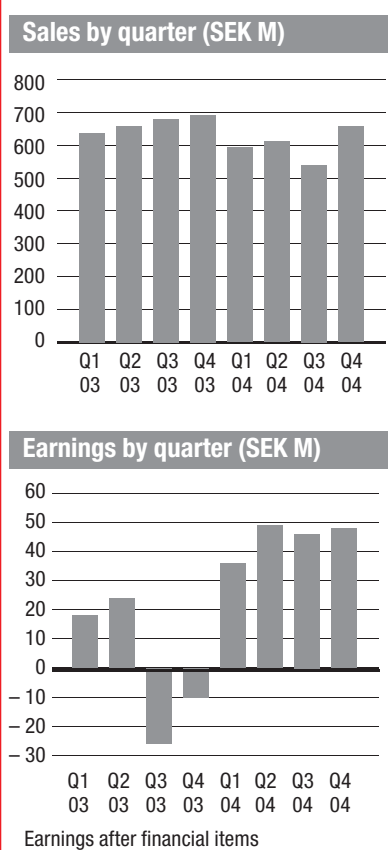
Nolato Telecom improved its oper-

ating income by SEK 7 M and Nolato Medical by SEK 4 M compared to the same period in 2003, while earnings for Nolato Industrial were unchanged (excluding the goodwill writedown in 2003).

At Nolato Telecom, the operating margin improved significantly, to 10.5 percent (6.9). This is a result of continued strong growth in Chinese operations, healthy profitability for the profit center's companies specializing in shielding solutions, tapes and gaskets, and a reduction in the sale of products with a high value of purchased components. Compared to the very strong third quarter in 2004, the margin fell largely as a result of a partially changed product mix but also on account of the continuing strong pressure on prices and lower capacity utilization in Nolato's units in Europe.

Nolato Medical also improved its operating margin considerably, to 17.5 percent (10.3). Higher volume improved capacity utilization, which led to greater productivity and higher margins.

The operating margin for Nolato Industrial amounted to 4.7 percent (5.2) and was thus basically unchanged compared to the same period in 2003. The margin was lower compared to the other quarters in 2004. This was largely an effect of the high costs in the fourth quarter for ramping up production of a major new customer project in Hungary.



Sales, operating income and operating margin by profit center

SEK M	Sales Q4/2004	Sales Q4/2003	Op. income Q4/2004	Op. income Q4/2003	Operating margin Q4/2004	Operating margin Q4/2003
Nolato Telecom	363	450	38	31	10.5%	6.9%
Nolato Industrial	257	230	12	12*	4.7%	5.2%*
Nolato Medical	40	29	7	3	17.5%	10.3%
Intra-Group adj, Parent Co	- 3	- 16	- 6	- 7	—	—
Group total	657	693	51	39*	7.8%	5.6%*

* Excluding nonrecurring items

Improved margins at Nolato Telecom and Nolato Medical contributed to the strong improvement in the Group's operating margin to 7.8 percent (5.6) excluding nonrecurring items.

Rising oil prices and greater capacity utilization among manufacturers of plastic raw materials have led to rising prices for raw materials for plastic manufacturing. Prices also continued to rise in the fourth quarter, but the rate of increase declined compared to the preceding quarters in 2004. Nolato's earnings in the fourth quarter were only marginally affected by price increases in raw materials as the bulk of these were shifted to customers or dealt with through a change in materials. If there are further price increases in raw materials in the future, they will be more difficult to contend with. However, Nolato has price adjustment clauses in many of its customer contracts, which means that changes in material prices are transferred directly to the customer or are negotiable when there are major changes. At Nolato Telecom and Nolato Medical, the percentage of raw materials is relatively low, and price changes have less of an impact.

Income after financial items totaled SEK 48 M (–10). Net financial items included SEK +3 M (–4) in effects of currency exchange rate differences in the fourth quarter, most of which was related to loans in foreign currencies in operations outside Sweden. During the fourth quarter of 2003, SEK 38 M in writedowns for goodwill in Hungary was charged to earnings. Excluding these writedowns, income after financial items for the third quarter of 2003 was SEK 28 M.

The full year 2004

Sales and earnings

During 2004, Nolato Group sales totaled SEK 2,401 M (2,671).

Consolidated operating income increased in 2004 to SEK 195 M (57). During 2003, a total of SEK 93 M in restructuring costs and writedowns of goodwill in Hungary was charged to operating income. Excluding these restructuring costs and writedowns, operating income was SEK 150 M in 2003.

The operating margin improved to 8.1 percent in 2004, compared to 5.6 percent in 2003, excluding restructuring and writedown costs in Hungary in 2003.

Income after financial items totaled SEK 179 M (6). Net financial items included SEK +8 M (–16) in effects of currency exchange rate differences, most of which was related to loans in foreign currencies in operations outside Sweden. Net financial items also improved as a result of renegotiated external financing with better terms and because of lower interest rates and a reduction in net debt. Excluding restructuring and writedown costs, income after financial items was SEK 99 M in 2003.

Earnings per share totaled SEK 4.95 (–1.35). The effective tax rate fell during the year as the result of a favorable tax climate in China and totaled 27 percent in 2004.

Return on capital employed totaled 18.4 percent for 2004 (11.0 percent for 2003). Return on operating capital totaled 23.0 percent in 2004 (15.0 percent for 2003, excluding nonrecurring items).

Nolato Telecom

Sales and operating income		
Full year	2004	2003
Sales (SEK M)	1,342	1,686
Operating income (SEK M)	133	109
Operating margin (%)	9.9	6.5

Sales totaled SEK 1,342 M (1,686), thus accounting for 55 percent (62) of total Group sales. Compared to 2003, sales were adversely affected by a roughly SEK 320 M decline in the sale of products with a high value of purchased components.

Nolato Beijing in China continued to develop satisfactorily and increased sales significantly with stable profitability. With an increasingly greater share of the profit center's sales recorded in China, given lower costs and price levels, the average unit price has fallen, which had a negative impact on sales despite good volume. Investments and the capacity expansion continued. A strategic investment in Nolato's own mould production facilities is currently being implemented, which will strengthen the Group's competitiveness. New investments in equipment and the development and transfer of related skills are also under way. The investment in mould manufacturing in Beijing has led to the decision to close Nolato's own production of moulds at Nolato Alpha in Kristianstad. As a result, some 30 employees in Kristianstad were given notice in early February. The decision is not expected to entail any nonrecurring costs in 2005.

Deliveries of network products to telecom customers from the Kristianstad unit developed satisfactorily during 2004, but the rate of increase declined in the fourth quarter.

Operating income totaled SEK 133 M (109). The operating margin improved to 9.9 percent (6.5), primarily because of a lower proportion of volume with a high value of purchased components, but also as an outcome of good profitability at the profit center's companies

specializing in shielding solutions, tapes and gaskets and stable growth in profitability in Chinese operations. Price competition intensified in 2004 and is currently strong. During 2004, the profit center ramped up production of new products for its two main customers. Start-up of these new products was achieved without adversely affecting profitability to any great extent.

Nolato Industrial

Sales and operating income		
Full year	2004	2003
Sales (SEK M)	936	912
Operating income (SEK M)	58	-34
Operation margin (%)	6.2	6.5*
* Excluding nonrecurring items		

Sales amounted to SEK 936 M (912), thus accounting for 39 percent (34) of total Group sales. After a slow start at the beginning of the year, volume improved and stabilized at a high level for the majority of customers. Customers in the vehicle sector in particular showed strong growth. However, the Household customer segment had weak volume during the year.

Operating income totaled SEK 58 M (-34 incl. nonrecurring items in 2003). The operating margin was essentially unchanged at 6.2 percent (6.5 excl. nonrecurring items 2003). Several new projects for important customers, especially in the vehicle sector, were received during the year. Price competition intensified and is currently strong. Meanwhile there are demands that an increased proportion of production should take place in low-cost countries. Nolato is in a strong position, with very cost-effective units in Sweden as well as existing production units in low-cost countries.

In Nolato Industrial's Hungarian operations, the cost savings that were carried out there had their full impact, but due to low volume operations showed continued negative earnings during 2004. An overview of profitability by segment/customer product in Hungary is being carried out in order to focus operations on more profitable areas, which can have a negative impact

on the volume for existing products. One consequence of this overview is that Nolato in Hungary is ending most production of existing products for the Household customer segment as well as a large part of the production for the Consumer Electronics customer segment. Operations are now focused on vehicles, hygiene and selected general industrial segments. The intensive marketing activities continued, resulting in the sale of new customer projects in Central Europe. These are all in prioritized customer segments.

Nolato Medical

Sales and operating income		
Full year	2004	2003
Sales (SEK M)	137	102
Operating income (SEK M)	26	16
Operating margin (%)	19.0	15.7

Sales rose by 34 percent to SEK 137 M (102), thus accounting for 6 percent (4) of the Group's total sales. Volume increased during 2004, and growth in customer projects that had been launched in 2003 was positive. Integration of the acquisition made in June went according to plan. The acquired operations were consolidated as of July 1. Excluding the acquisition, organic growth was 26 percent compared to the same period in 2003.

Operating income was SEK 26 M (16). The operating margin stayed at a high level during 2004, 19.0 percent (15.7), due to a favorable product mix and good volume.

Personnel

The average number of employees in

the Nolato Group during the period was 2,700 (2,353). The number of employees increased sharply in China, while the number declined above all in Kristianstad, Sweden and Hungary.

Investments

Total gross investments in fixed assets during the period were SEK 125 M (99).

Financial position

Cash flow before investments amounted to SEK 356 M (323). Cash flow after investments amounted to SEK 231 M (228). Net investments totaled SEK 125 M (95).

Interest-bearing assets totaled SEK 214 M (318), and interest-bearing liabilities and provisions totaled SEK 377 M (625). Net liabilities thus totaled SEK 163 M (307). Shareholders' equity was SEK 655 M (569). The equity/assets ratio was 41 percent (31).

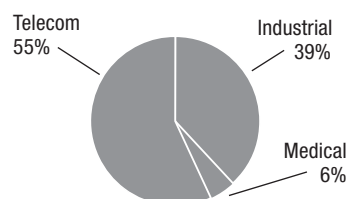
Dividends

Nolato's Board of Directors adopted the following dividend policy:

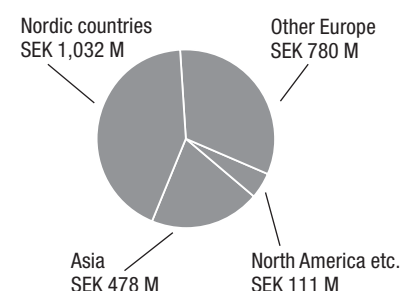
- The Board's dividend proposal shall take into consideration Nolato's long-term development opportunities, financial position and investment needs.
- The Board's long-term dividend policy means that it is the Board's intention to propose an annual dividend that is on average equal to roughly 35 percent of net income.

The Board will propose a dividend of SEK 1.75 (0.80), equivalent to SEK 46 M (21), at the Annual Meeting.

Sales by profit center



Sales by geographic region



Future prospects

Volume growth in the mobile phone market is expected to fall during 2005 compared to 2004 and will reach 5 to 10 percent. Development at Nolato Telecom is determined in large part by the growth in this market, while continuing intense pressure on prices and the shift in production and costs to Asia have an opposite effect on revenues. As a result, it is expected that sales at Nolato Telecom will remain unchanged or decline slightly in 2005.

Nolato Industrial is growing apace with the business area's main market and is expected to record stable volume while the pressure on prices remains strong.

Parent Company

Sales totaled SEK 37 M (36). Income before tax totaled SEK -70 M (-141). This includes dividends from subsidiaries of SEK 0 M (90). 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 the recommendations and opinions issued by the Swedish Financial Accounting Standards Council. Apart from the exceptions described

below, the same accounting principles have been used in this Interim Report as in the latest Annual Report.

As of January 1, 2004, the Group applies Standards Council recommendation RR 29. The change in accounting principles has not entailed any initial effect on the income statement or balance sheet, but there was a positive effect of SEK 3 M on income for the full year 2004, compared to figures using previous principles.

Reporting in accordance with IFRS

On pages 10–11 of this year-end report, Nolato gives an account of the important effects of the changeover to IFRS as pursuant to the Stockholm Stock Exchange's recommendation in November, 2004.

Financial information schedule

- Interim Report for Q1 2005:
April 27, 2005
- Annual Meeting:
April 27, 2005
- Interim Report for Q2 2005:
July 20, 2005
- Interim Report for Q3 2005:
October 27, 2005

Annual Meeting

The Annual Meeting will be held at 2 p.m. on April 27, 2005 at the Grevie Sports Park (Idrottsparken), not far from the Group's headquarters.

Annual Report

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

Torekov, Sweden, February 8, 2005
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 Public Authorized 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 8, 2005
Ernst & Young AB
Ingvar Ganestam,
Authorized Public Accountant
Chief Auditor

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Income statements

SEK M	Q4 2004	Q4 2003	Full year 2004	Full year 2003	Full year 2002
Net sales	657	693	2,401	2,671	2,011
Cost of goods sold	– 546	– 598	– 2,006	– 2,347 ¹	– 1,744
Gross income	111	95	395	324	267
Selling expenses	– 17	– 13	– 56	– 46	– 56
Administrative expenses	– 41	– 42	– 134	– 172 ²	– 156
Other operating expenses	– 2	– 39 ³	– 10	– 49 ³	– 13
Operating income	51	1	195	57	42
Financial items	– 3	– 11	– 16	– 51	– 6 ⁴
Income after financial items	48	– 10	179	6	36
Tax	– 12	– 13	– 49	– 41	24
Income after tax	36	– 23	130	– 35	60
Depreciation/amortization included	36	37	140	156	162
Earnings per share after full tax (SEK)	1.40	– 0.90	4.95	– 1.35	2.45
Ditto excl. nonrecurring items (SEK)	1.40	0.55	4.95	2.20	0.70
Number of shares at the end of the period (000)	26,307	26,307	26,307	26,307	26,307
Average number of shares ⁵ (000)	26,307	26,307	26,307	26,307	24,466

¹ Includes nonrecurring expenses in Q3 2003 of SEK 52 M due to restructuring of operations in Hungary.

² Includes nonrecurring expenses in Q3 2003 of SEK 3 M for restructuring of operations in Hungary.

³ Includes nonrecurring expenses in Q4 2003 of SEK 38 M due to writedown of goodwill in Nolato Protec, Hungary.

⁴ In Q1 2002 this includes a capital gain of SEK 31 M from the divestment of Nolato Elastoteknik.

⁵ Historical comparative figures have been adjusted for the bonus issue element of the 2002 new share issue.

Balance sheets

SEK M	Dec 31, 2004	Dec 31, 2003	Dec 31, 2002
Intangible fixed assets	48	54	102
Tangible fixed assets	664	690	801
Financial fixed assets	—	4	29
Total fixed assets	712	748	932
Inventories	170	181	257
Current receivables	449	505	444
Other current assets	53	83	61
Cash, bank balances, and short-term investments	214	318	201
Total current assets	886	1,087	963
Total assets	1,598	1,835	1,895
Shareholders' equity	655	569	624
Interest-bearing provisions	56	51	49
Non-interest-bearing provisions	82	70	45
Interest-bearing liabilities	321	574	652
Non-interest-bearing liabilities	484	571	525
Total liabilities and shareholders' equity	1,598	1,835	1,895

Quarterly data

Consolidated financial results in brief

		Q1	Q2	Q3	Q4	Full year
Net sales (SEK M)	2004	593	611	540	657	2,401
	2003	638	659	681	693	2,671
Nonrecurring items (SEK M)	2004	—	—	—	—	—
	2003	—	—	– 55	– 38	– 93
Operating income (SEK M)	2004	39	54	51	51	195
	2003	33	40	– 17	1	57
Income after financial items (SEK M)	2004	36	49	46	48	179
	2003	18	24	– 26	– 10	6
Income after tax (SEK M)	2004	23	34	37	36	130
	2003	10	15	– 37	– 23	– 35
Cash flow after investments (SEK M)	2004	70	15	95	51	231
	2003	12	42	40	134	228
Earnings per share (SEK)	2004	0.85	1.30	1.40	1.40	4.95
	2003	0.40	0.55	– 1.40	– 0.90	– 1.35
Average number of shares (000)	2004	26,307	26,307	26,307	26,307	26,307
	2003	26,307	26,307	26,307	26,307	26,307

Net sales by profit center (SEK M)

		Q1	Q2	Q3	Q4	Full year
Nolato Telecom	2004	337	339	303	363	1,342
	2003	375	402	459	450	1,686
Nolato Industrial	2004	228	244	207	257	936
	2003	244	238	200	230	912
Nolato Medical	2004	30	32	35	40	137
	2003	24	27	22	29	102
Intra-Group adjustments, Parent Company	2004	– 2	– 4	– 5	– 3	– 14
	2003	– 5	– 8	0	– 16	– 29
Group total	2004	593	611	540	657	2,401
	2003	638	659	681	693	2,671

Operating income by profit center (SEK M)

		Q1	Q2	Q3	Q4	Full year
Nolato Telecom	2004	25	35	35	38	133
	<i>Operating margin</i>	7.4%	10.3%	11.6%	10.5%	9.9%
	2003	22	29	27	31	109
	<i>Operating margin</i>	5.9%	7.2%	5.9%	6.9%	6.5%
Nolato Industrial	2004	15	17	14	12	58
	<i>Operating margin</i>	6.6%	7.0%	6.8%	4.7%	6.2%
	2003	13	17	– 38	– 26	– 34
	<i>Operating margin</i>	5.3%	7.1%	– 19.0%	– 11.3%	– 3.7%
Nolato Medical	2004	5	7	7	7	26
	<i>Operating margin</i>	16.7%	21.9%	20.0%	17.5%	19.0%
	2003	4	6	3	3	16
	<i>Operating margin</i>	16.7%	22.2%	13.6%	10.3%	15.7%
Intra-Group adjustments, Parent Company	2004	– 6	– 5	– 5	– 6	– 22
	2003	– 6	– 12	– 9	– 7	– 34
Group total	2004	39	54	51	51	195
	<i>Operating margin</i>	6.6%	8.8%	9.4%	7.8%	8.1%
	2003	33	40	– 17	1	57
	<i>Operating margin</i>	5.2%	6.1%	– 2.5%	0.1%	2.1%

Group financial highlights

	Q4 2004	Q4 2003	Full year 2004	Full year 2003	Full year 2002
Sales growth (%)	– 5	18	– 10	33	– 15
Percentage of sales outside Sweden (%)	66	69	65	68	53
Operating income (SEK M)	51	1	195	57	42
Ditto excluding nonrecurring items (SEK M)	51	39	195	150	42
Income after financial items (SEK M)	48	– 10	179	6	36
Ditto excluding nonrecurring items (SEK M)	48	28	179	99	5
Operating margin (%)	7.8	5.6 *	8.1	5.6 *	2.1
Profit margin (%)	7.3	4.0 *	7.5	3.7 *	0.2 *
Return on total capital (%)	—	—	11.9	7.4 *	3.1
Return on capital employed (%)	—	—	18.4	11.0 *	4.5
Return on operating capital (%)	—	—	23.0	15.0 *	4.0
Return on shareholders' equity (%)	—	—	21.2	9.7 *	3.5 *
Equity/assets ratio (%)	—	—	41	31	33
Debt/equity ratio (%)	—	—	58	110	112
Interest coverage ratio	11	5 *	8	4 *	1 *
Gross investments (SEK M)	31	25	125	99	150
Cash flow after investments (SEK M)	51	134	231	228	– 37
Earnings per share after full tax (SEK)	1.40	– 0.90	4.95	– 1.35	2.45
Ditto excluding nonrecurring items (SEK)	1.40	0.55	4.95	2.20	0.70
Cash flow per share (SEK)	1.95	5.10	8.80	8.65	– 1.50
Shareholders' equity per share after full tax (SEK)	—	—	25	22	24
Number of shares on December 31 (000)	26,307	26,307	26,307	26,307	26,307
Average number of shares ** (000)	26,307	26,307	26,307	26,307	24,466
Number of employees	—	—	2,700	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 2004	Q4 2003	Full year 2004	Full year 2003	Full year 2002
Cash flow from operations	76	60	330	260	166
Changes in working capital	6	100	26	63	– 146
Investment activities	– 31	– 26	– 125	– 95	– 57
Cash flow before financing activities	51	134	231	228	– 37
Financing activities	– 154	– 12	– 335	– 111	102
Decrease/increase in liquid funds	– 103	122	– 104	117	65

Change in shareholders' equity

SEK M	Dec 31, 2004 Full year	Dec 31, 2003 Full year	Dec 31, 2002 Full year
Amount on January 1	569	624	342
Dividend to shareholders	– 21	– 13	—
New share issue	—	—	246
Translation differences	– 13	– 11	– 2
Change in accounting principle	—	—	– 16
Other changes	– 10	4	– 6
Income after tax	130	– 35	60
Amount at end of period	655	569	624

Changeover to the International Financial Reporting Standards (IFRS)

As of January 1, 2005, Nolato will apply the International Financial Reporting Standards (IFRS) as approved by the EU. Comparative figures will be recalculated starting January 1, 2004, because the Nolato Group publishes financial information with a comparative year in its Annual Report. The interim report for the first quarter of 2005 will be the first financial report for Nolato to be presented in accordance with IFRS.

There are differences for Nolato between current accounting practice and IFRS in the areas “Business Combinations” (IFRS 3) and “Financial Instruments: Recognition and Measurement” (IAS 39).

The report on the impact of the changeover to IFRS is essentially complete, and below is a description and a quantification of those areas preliminarily expected to have a material effect on Nolato's equity and net income for 2004.

The information related to the changeover has been compiled in accordance with the IFRS principles that are expected to be applied on December 31, 2005. IFRS is the subject of an ongoing review and approval by the EU, which is why changes are still possible. This may affect the information described on these pages.

Recalculation of equity and net income for the Group

Reconciliation of the Group's equity, overview

SEK M	Note	Amount
Equity based on Swedish accounting principles Jan 1, 2004		569
Equity based on IFRS Jan 1, 2004		569
Equity based on Swedish accounting principles Dec 31, 2004		655
Purchase price allocation of acquisitions 2004	1	– 1
Goodwill writeoffs	2	7
Total change to IFRS		6
Equity based on IFRS Dec 31, 2004		661
Market value of commercial forward exchange contracts	3	1
Market value of interest derivatives, 3 with a tax deduction of 1	3	– 2
Equity based on IFRS Jan 1, 2005		660

Reconciliation of the Group's net income, overview

SEK M	Note	Amount
Net income based on Swedish accounting principles 2004		130
Purchase price allocation of acquisitions 2004	1	– 1
Goodwill writeoffs	2	7
Total change to IFRS		6
Net income based on IFRS 2004		136

Reconciliation of operating income by profit center, overview

SEK M	Note	2004	Adjustment IFRS	IFRS 2004
Nolato Telecom		133	—	133
Nolato Industrial	2	58	7	65
Nolato Medical	1	26	– 1	25
Group adjustments, Parent Co.		– 22	—	– 22
Group total		195	6	201

Notes

1. Purchase price allocation for acquisitions made in 2004

The accounting rules for company acquisitions entail rather substantial changes in the way company acquisitions are reported. Among other changes, a more detailed purchase price allocation is required which includes in the value a number of intangible assets that are acquired, such as customer relations, trademarks and order volumes. The estimated economic life of these assets shall also be determined and written down according to plan.

The acquisition at Nolato Medi-

cal in 2004 has been recalculated in accordance with the rules set out in IFRS 3. This resulted in SEK 1 M being reclassified from goodwill to other intangible long-term assets. This effect was recorded in its entirety during 2004 and does not recur in later periods.

2. Goodwill writeoffs

According to IFRS, goodwill shall not be written off; instead, writedowns shall be made annually. Nolato carried out writedown tests at January 1, 2004 and December 31, 2004. According to these tests, there is no need to make writedowns. Goodwill writeoffs for the full year 2004 totaled SEK 7 M

and are largely related to companies at Nolato Industrial.

3. Market value of financial instruments

According to current accounting principles, derivatives that are purchased for hedging purposes and held to maturity are not recorded at market value. With the introduction of IFRS, all derivatives will be recorded at market value. The Company intends to apply hedge accounting principles.

Market value of commercial forward exchange contracts

Nolato has applied hedge accounting for derivatives, in particular forward

Quarterly data after recalculation to IFRS

After recalculation of the 2004 annual accounts to IFRS, Nolato will report the following comparative figures for 2004.

Consolidated financial results in brief	Q1	Q2	Q3	Q4	Full year
Net sales (SEK M)	593	611	540	657	2,401
Operating income (SEK M)	40	56	52	53	201
Income after financial items (SEK M)	37	51	47	50	185
Income after tax (SEK M)	24	36	38	38	136
Cash flow after investments (SEK M)	70	15	95	51	231
Earnings per share (SEK)	0.90	1.35	1.45	1.45	5.15
Average number of shares (000)	26,307	26,307	26,307	26,307	26,307

Net sales by profit center (SEK M)	Q1	Q2	Q3	Q4	Full year
Nolato Telecom	337	339	303	363	1,342
Nolato Industrial	228	244	207	257	936
Nolato Medical	30	32	35	40	137
Intra-Group adjustments, Parent Company	– 2	– 4	– 5	– 3	– 14
Group total	593	611	540	657	2,401

Operating income by profit center (SEK M)	Q1	Q2	Q3	Q4	Full year
Nolato Telecom	25	35	35	38	133
Operating margin	7.4%	10.3%	11.6%	10.5%	9.9%
Industrial	16	19	16	14	65
Operating margin	7.0%	7.8%	7.7%	5.4%	6.9%
Medical	5	7	6	7	25
Operating margin	16.7%	21.9%	17.1%	17.5%	18.2%
Intra-Group adjustments, Parent Company	– 6	– 5	– 5	– 6	– 22
Group total	40	56	52	53	201
Operating margin	6.7%	9.2%	9.6%	8.1%	8.4%

exchange contracts, that are purchased to ensure the value of the currency flow forecast. The Company expects to continue to apply hedge accounting for these instruments, and changes in the market value will be recorded in the balance sheet. At the start of 2005, the market value of these derivatives was SEK +1 M.

Market value of interest derivatives

Changes in the market value of interest derivatives are regulated under IAS 39 and will be recorded as equity where hedge accounting applies in every case. At the start of 2005, the market value of these derivatives was SEK –3 M, SEK –2 M after tax, which has been recorded against equity.

Embedded derivatives arise to such a limited extent that a market valua-

tion of these is not considered to have a material effect on income or the balance sheet.

Component depreciation

IAS 16 requires a detailed breakdown of property, plant and equipment into components, each with its own useful life. Nolato believes that the Company already uses component depreciation with separate useful lives, which is relevant in our operations. This means that the introduction of IAS 16 will not have any material effect on our accounts.



The changeover to IFRS is reported in accordance with IFRS 1, “First-Time Adoption of International Financial Reporting Standards.” In general,

a company is required to adopt its accounting principles and apply these retroactively in order to determine its opening balance in accordance with IFRS.

Certain exceptions from this retroactive application are allowed, however, and Nolato has chosen the following:

- To apply IFRS 3, “Business Combinations,” starting from the effective date of changeover, January 1, 2004.
- Not to recalculate comparable financial information for 2004 in accordance with the requirements in IAS 39, “Financial Instruments: Recognition and Measurements,” adopted by the EU. However, we have recalculated as of January 1, 2005, and the effect of this is described above.