



Nolato AB (publ)) three-month interim report 2005

January – March

Strong margins and continued strong cash flow

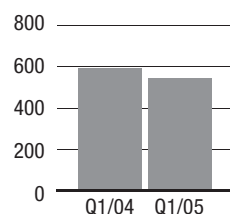
- Consolidated sales of the Nolato Group were SEK 543 M (593)
- Operating income was unchanged at SEK 40 M (40)
- Income after financial items totaled SEK 36 M (37)
- Income after tax totaled SEK 27 M (24)
- Earnings per share increased to SEK 1.05 (0.90)
- Cash flow after investments totaled SEK 54 M (70)

Group highlights

	Q1 2005	Q1 2004	Apr 04 – Mar 05	Full-year 2004
Net sales, SEK M	543	593	2,351	2,401
Operating income, SEK M	40	40	201	201
Income after financial items, SEK M	36	37	184	185
Income after tax, SEK M	27	24	139	136
Cash flow after investments, SEK M	54	70	215	231
Earnings per share, SEK	1.05	0.90	5.30	5.15
Average number of shares, 000	26,307	26,307	26,307	26,307

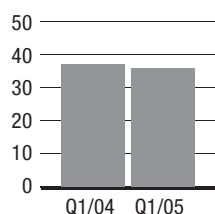
Sales

(SEK M)



Income *

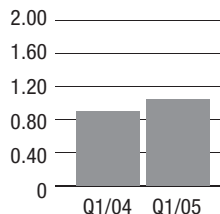
(SEK M)



* After financial items

Earnings per share

(SEK)



First quarter 2005

Consolidated sales of the Nolato Group during the first quarter totaled SEK 543 M (593).

The market for mobile (cellular) phones performed as expected and followed a normal seasonal pattern with a weaker first quarter. Price competition remains intense. The volume of network products for the telecom industry was lower in part as a result of inventory adjustments. 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 275 M (337). The growth in volume was good, while the average price and cost levels were lower per unit delivered, which offsets the increase in volume in terms of sales. Invoicings were adversely affected by a drop in the production of products with a high value of purchased components during the quarter. Excluding this component effect of roughly SEK 50 M, sales were largely unchanged.

Sales at Nolato Industrial were essentially unchanged and totaled SEK 231 M (228). The automotive industry showed positive growth. Volumes for the Household customer segment declined, partly as a result of measures carried out in Nolato's Hungarian operations.

Nolato Medical increased sales to SEK 39 M (30) compared to the same period in 2004. Excluding acquisitions, organic growth was 10 percent. Volumes were good for most of Nolato's customers.

Consolidated operating income was unchanged at SEK 40 M (40). The operating income at Nolato Telecom fell by SEK 2 M and the operating income for Nolato Medical rose by SEK 3 M compared to the same period in 2004, while operating income for Nolato Industrial was unchanged.

At Nolato Telecom, the operating

margin improved to 8.4 percent (7.4), largely as a result of a lower share of products with purchased components.

Nolato Medical improved its operating margin to 20.5 percent (16.7). A favorable product mix and increased productivity led to a sharp improvement in margins.

The margin at Nolato Industrial was 6.9 percent (7.0) and was thus basically unchanged compared to the same period in 2004.

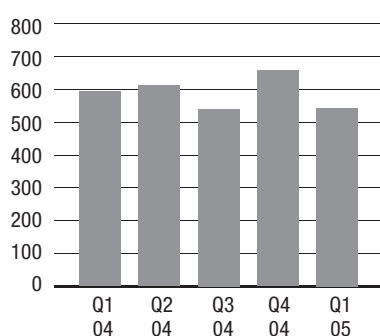
The improved margins at Nolato Telecom and Nolato Medical meant that the Group's operating margin improved to 7.4 percent (6.7).

During the preceding year, rising oil prices and greater capacity utilization among manufacturers of plastic raw materials led to rising prices for raw materials for plastic manufacturing. However, price increases in the first quarter have not risen at the same rate as in 2004, and there has also been a wider spread between the various plastic raw materials. Nolato's earnings in the first quarter were only marginally affected by these price increases in raw materials, as the bulk of these were dealt with through a change in materials or shifted to customers.

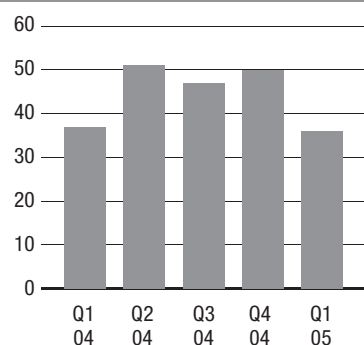
Income after financial items totaled SEK 36 M (37). Net financial items included SEK -1 M (+3) in effects of currency exchange rate differences, most of which was related to loans in foreign currencies in operations outside Sweden.

Earnings per share totaled SEK 1.05

Sales by quarter (SEK M)



Earnings by quarter (SEK M)



Earnings after financial items

Sales, operating income and operating margin by profit center

SEK M	Sales Q1/2005	Sales Q1/2004	Op. income Q1/2005	Op. income Q1/2004	Op. margin Q1/2005	Op. margin Q1/2004
Nolato Telecom	275	337	23	25	8.4%	7.4%
Nolato Industrial	231	228	16	16	6.9%	7.0%
Nolato Medical	39	30	8	5	20.5%	16.7%
Intra-Group adj, Parent Co	-2	-2	-7	-6	—	—
Group total	543	593	40	40	7.4%	6.7%

(0.90). The effective tax rate fell and totaled 25 percent (35).

Return on capital employed was 19.7 percent for the most recent twelve-month period (18.9 percent for calendar 2004). Return on operating capital was 23.7 percent for the most recent twelve-month period (23.7 percent for calendar 2004).

Nolato Telecom

Sales and income		
Three months	2005	2004
Sales (SEK M)	275	337
Operating income (SEK M)	23	25
Operating margin (%)	8.4	7.4

Sales totaled SEK 275 M (337), thus accounting for 51 percent (57) of total Group sales. Compared to the same period in 2004, sales were adversely affected by a roughly SEK 50 M decline in the sale of products with a high value of purchased components.

The growth in volume for products for mobile telephones was positive compared to the same period in 2004. At the same time, the average price and cost levels per unit were lower, which offset the increase in volume in terms of sales.

The component effect is expected to be reduced by half during the second quarter compared to the first quarter.

The volume of network products for the telecom industry was lower in part as a result of inventory adjustments.

Operating income totaled SEK 23 M (25). The operating margin improved to 8.4 percent (7.4), largely as a result of a lower share of products with a high value of purchased components.

Nolato Telecom will further bolster its Asian market development work with a focus on Japanese manufacturers of mobile telephones. The decision was made to open a technology and sales office in Tokyo, Japan. The office is expected to be operating in the third quarter.

Nolato Industrial

Sales and income		
Three months	2005	2004
Sales (SEK M)	231	228
Operating income (SEK M)	16	16
Operating margin (%)	6.9	7.0

Sales totaled SEK 231 M (228), thus accounting for 42 percent (38) of total Group sales. Volumes were stable for most customers. The automotive industry showed positive growth, while volumes in the Household customer segment declined.

Operating income totaled SEK 16 M (16). The operating margin was basically unchanged at 6.9 percent (7.0). Additional new projects from important customers in the automotive industry were received during the quarter, with most starting production in 2006/2007. Price competition remained 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 the Hungarian operations, the overview of profitability by segment/customer product that was carried out during the second half of 2004 resulted in Nolato in Hungary 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 automotive, hygiene and selected general industrial segments, which also

posted new orders. The new customer projects that were received in 2004 performed well. Given the change in the focus of operations, further cost reductions are currently being implemented and are expected to be completed during the second quarter. As a result of such measures, volume was low and operations continued to show negative earnings during the quarter.

Nolato Medical

Sales and income		
Three months	2005	2004
Sales (SEK M)	39	30
Operating income (SEK M)	8	5
Operating margin (%)	20.5	16.7

Sales rose by 30 percent to SEK 39 M (30), thus accounting for 7 percent (5) of total Group sales. The operations that were acquired as of July 1 last year performed well. Excluding the acquisition, organic growth was 10 percent. During the quarter, Nolato Medical started deliveries of medical devices from its operations in Hungary, as part of a strategic investment in the European market outside Scandinavia.

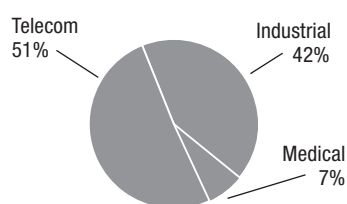
Operating income totaled SEK 8 M (5). The operating margin was quite high during the quarter at 20.5 percent (16.7), largely because of a favorable product mix and good volume.

Personnel

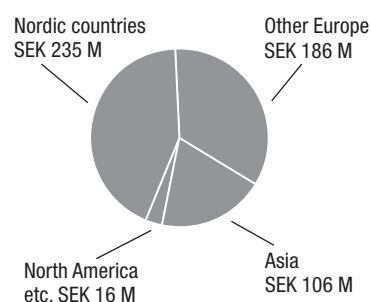
The average number of employees in the Nolato Group during the period was 2,976 (2,283).

The number of employees increased sharply in China, while the number

Sales by profit center



Sales by geographic region



declined in Kristianstad, Sweden and Hungary.

Investments

Total gross investments in fixed assets during the period were SEK 22 M (40).

Financial position

Cash flow before investments amounted to SEK 76 M (110). Cash flow after investments amounted to SEK 54 M (70). Net investments totaled SEK 22 M (40).

Interest-bearing assets totaled SEK 145 M, and interest-bearing liabilities and provisions totaled SEK 260 M, compared to SEK 214 M and SEK 377 M, respectively, at year-end 2004. Net liabilities thus increased to SEK 115 M, compared to SEK 163 M at year-end 2004. Shareholders' equity was SEK 694 M, compared to SEK 661 M. Adjusted for the proposed dividend of SEK 46 M, shareholders' equity is SEK 648 M. The equity/assets ratio was 47 percent, compared to 41 percent at year-end 2004. Adjusted for the proposed dividend, the equity/assets ratio is 45 percent.

Future prospects

Volume growth in the mobile phone market is expected to fall during 2005 compared to 2004 and will reach 5-10 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.

Nolato stands firm on its forecast in the year-end report that this will mean sales at Nolato Telecom will remain unchanged or decline slightly in 2005. Nolato Industrial is developing in line

with the main market in its area and is expected to have stable volume while price pressure will remain strong.

Parent Company

Sales totaled SEK 4 M (9). Income before tax totaled SEK -9 M (-49).

No significant investments were made during the period.

Accounting and valuation principles

The accounting and valuation principles for the Group are prepared according to IAS 34, "Interim Financial Reporting," which complies with the requirements outlined in the Swedish Financial Accounting Standards Council recommendation RR 31, "Interim Group Financial Reporting."

The accounting principles that are applied in this interim report are those described in the 2004 Annual Report on pages 52-54 and in note 28 on pages 64-65. These specify, among other things, that International Financial Reporting Standards (IFRS) are applied as of 2005 and that comparative figures for 2004 were restated in accordance with the new principles with the exception of figures for financial instruments. Under the rules for the transition to IFRS, the new principles for financial instruments are only applied in those parts of the accounts pertaining to 2005. The effect on shareholders' equity on January 1, 2005, from a restatement using the new principles is detailed in Note 1 on page 9 of this interim report.

The effects of restating comparative figures related to income in the first quarter of 2004 and shareholders' equity at the end of the quarter are described in Note 2 on page 9 of this interim report.

Corresponding information for full-year 2004 and shareholders' equity on the opening and closing dates of 2004 is given in Note 28 in the annual report submitted for 2004. Under IFRS 1, accounts shall be prepared according to the IFRS standards in effect on December 31, 2005. These standards shall also have been approved by the EU. The effects of the transition to IFRS that are detailed in this report are thus preliminary and based on IFRS standards now in effect and interpretations of these, which may be changed up until December 31, 2005, with a subsequent effect on reported amounts.

Financial information schedule

Interim Report for Q2 2005:

– July 20, 2005

Interim Report for Q3 2005:

– October 27, 2005

Torekov, Sweden, April 27, 2005

Nolato AB (publ)

Georg Brunstam

President and CEO1

This report has not been reviewed by the Company's auditors.

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Income statements

SEK M	Q1 2005	Q1 2004	Apr 04 – Mar 05	Full-year 2004
Net sales	543	593	2,351	2,401
Cost of goods sold	– 457	– 502	– 1,961	– 2,006
Gross income	86	91	390	395
Selling expenses	– 12	– 12	– 56	– 56
Administrative expenses	– 33	– 37	– 130	– 134
Other operating expenses	– 1	– 2	– 3	– 4
Operating income	40	40	201	201
Financial items	– 4	– 3	– 17	– 16
Income after financial items	36	37	184	185
Tax	– 9	– 13	– 45	– 49
Income after tax	27	24	139	136
Depreciation/amortization included	34	34	134	134
Earnings per share after full tax (SEK)	1.05	0.90	5.30	5.15
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	26,307

Balance sheets

SEK M	Mar 31, 2005	Mar 31, 2004	Dec 31, 2004
Intangible fixed assets	657	704	664
Tangible fixed assets	53	53	54
Financial fixed assets	—	5	—
Total fixed assets	710	762	718
Inventories	187	189	170
Current receivables	384	434	449
Other current assets	53	79	53
Cash, bank balances, and short-term investments	145	248	214
Total current assets	769	950	886
Total assets	1,479	1,712	1,604
Shareholders' equity	694	599	661
Interest-bearing provisions	57	52	56
Non-interest-bearing provisions	84	39	82
Interest-bearing liabilities	203	487	321
Non-interest-bearing liabilities	441	535	484
Total shareholders' equity and liabilities	1,479	1,712	1,604

Quarterly data

Consolidated financial results in brief

		Q1	Q2	Q3	Q4	Full year
Net sales (SEK M)	2005	543				
	2004	593	611	540	657	2,401
Operating income (SEK M)	2005	40				
	2004	40	56	52	53	201
Income after financial items (SEK M)	2005	36				
	2004	37	51	47	50	185
Income after tax (SEK M)	2005	27				
	2004	24	36	38	38	136
Cash flow after investments (SEK M)	2005	54				
	2004	70	15	95	51	231
Earnings per share (SEK)	2005	1.05				
	2004	0.90	1.35	1.45	1.45	5.15
Average number of shares (000)	2005	26,307				
	2004	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	2005	275				
	2004	337	339	303	363	1,342
Nolato Industrial	2005	231				
	2004	228	244	207	257	936
Nolato Medical	2005	39				
	2004	30	32	35	40	137
Intra-Group adjustments, Parent Company	2005	- 2				
	2004	- 2	- 4	- 5	- 3	- 14
Group total	2005	543				
	2004	593	611	540	657	2,401

Operating income by profit center (SEK M)

		Q1	Q2	Q3	Q4	Full year
Nolato Telecom	2005	23				
Operating margin		8.4%				
	2004	25	35	35	38	133
Operating margin		7.4%	10.3%	11.6%	10.5%	9.9%
Nolato Industrial	2005	16				
Operating margin		6.9%				
	2004	16	19	16	14	65
Operating margin		7.0%	7.8%	7.7%	5.4%	6.9%
Nolato Medical	2005	8				
Operating margin		20.5%				
	2004	5	7	6	7	25
Operating margin		16.7%	21.9%	17.1%	17.5%	18.2%
Intra-Group adjustments, Parent Company	2005	- 7				
	2004	- 6	- 5	- 5	- 6	- 22
Group total	2005	40				
Operating margin		7.4%				
	2004	40	56	52	53	201
Operating margin		6.7%	9.2%	9.6%	8.1%	8.4%

Group financial highlights

	Q1 2005	Q1 2004	Apr 04 – Mar 05	Full-year 2004
Sales growth (%)	– 8	– 7	– 10	– 10
Percentage of sales outside Sweden (%)	61	64	64	65
Operating income (SEK M)	40	40	201	201
Income after financial items (SEK M)	36	37	184	185
Operating margin (%)	7.4	6.7	8.5	8.4
Profit margin (%)	6.6	6.2	7.8	7.7
Return on total capital (%)	—	—	12.9	12.3
Return on capital employed (%)	—	—	19.7	18.9
Return on operating capital (%)	—	—	23.7	23.7
Return on shareholders' equity (%)	—	—	21.5	22.1
Equity/assets ratio (%)	47	35	—	41
Debt/equity ratio (%)	37	90	—	57
Interest coverage ratio	10	6	9	8
Gross investments (SEK M)	22	40	107	125
Cash flow after investments (SEK M)	54	70	215	231
Earnings per share after full tax (SEK)	1.05	0.90	5.30	5.15
Cash flow per share (SEK)	2.05	2.65	8.20	8.80
Shareholders' equity per share after full tax (SEK)	26	23	—	25
Number of shares on December 31 (000)	26,307	26,307	26,307	26,307
Average number of shares (000)	26,307	26,307	26,307	26,307
Number of employees	2,976	2,283	—	2,700

Cash flow

SEK M

	Q1 2005	Q1 2004	Apr 04 – Mar 05	Full-year 2004
Cash flow from operations	78	78	330	330
Changes in working capital	– 2	32	– 8	26
Investment activities	– 22	– 40	– 107	– 125
Cash flow before financing activities	54	70	215	231
Financing activities	– 123	– 140	– 318	– 335
Decrease/increase in liquid funds	– 69	– 70	– 103	– 104

Change in shareholders' equity

SEK M

	Q1 2005	Q1 2004	Full-year 2004
Amount on January 1	661	569	569
Effect of change in accounting principle to IFRS	– 1	—	—
Opening balance, shareholders' equity, adjusted in accordance with new principle	660	569	569
Dividend to shareholders	—	—	– 21
Translation differences	10	6	– 13
Change in revaluation reserve hedge accounting	– 3	—	—
Other changes	—	—	– 10
Income after tax	27	24	136
Amount at end of period	694	599	661

Transition to the International Financial Reporting Standards (IFRS)

As of January 1, 2005, Nolato applies the International Financial Reporting Standards (IFRS). According to IFRS 1, accounts shall be prepared according to the IFRS standards in force on December 31, 2005. These standards will also have to be approved by the EU. The effects of the transition to IFRS that are reported below are thus preliminary and based on current IFRS standards and interpretations of these, which may be changed prior to December 31, 2005 with consequent effects on reported figures. Comparative figures are 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 is the first financial report for Nolato to be presented in accordance with IFRS.

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

Note 1 Recalculation of equity for the Group, full year 2004

Reconciliation of the Group's equity, overview

SEK M	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
Goodwill writeoffs	7
Total change to IFRS	6
Equity based on IFRS Dec 31, 2004	661
Market value of commercial forward exchange contracts	1
Market value of interest derivatives, 3 with a tax deduction of 1	– 2
Equity based on IFRS Jan 1, 2005	660

Note 2 Recalculation of equity and net income for the first quarter 2004

Reconciliation of the Group's equity, overview

SEK M	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 March 31, 2004	598
Goodwill writeoffs	1
Total change to IFRS	1
Equity based on IFRS March 31, 2004	599

Reconciliation of the Group's net income, overview

SEK M	Amount
Net income based on Swedish accounting principles Q1 2004	23
Goodwill writeoffs	1
Net income based on IFRS 2004	24

Reconciliation of operating income by profit center, overview

SEK M	Q1 2004	Adjustment IFRS	IFRS 2004
Nolato Telecom	25	—	25
Nolato Industrial	15	1	16
Nolato Medical	5	—	5
Group adjustments, Parent Co.	– 6	—	– 6
Group total	39	1	40