



Nolato AB (publ) nine-month interim report 2005

Sharp improvement in earnings in third quarter

January – September 2005

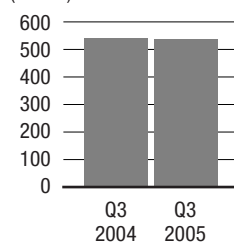
- Consolidated sales of the Nolato Group totaled SEK 1,643 M (1,744)
- Operating income was SEK 151 M (148)
- Income after financial items increased to SEK 141 M (135)
- Income after tax increased 12 percent to SEK 110 M (98)
- Earnings per share increased to SEK 4.18 (3.70)
- Cash flow after investments totaled SEK 96 M (180)
- Continued investment in Asia through expansion in Malaysia
- Income after financial items for 2005 expected to exceed the income for 2004

Group highlights

	Q3 2005	Q3 2004	Q1 – Q3 2005	Q1 – Q3 2004	Q4/2004 – Q3/2005	Full-year 2004
Net sales, SEK M	535	540	1,643	1,744	2,300	2,401
Operating income, SEK M	60	52	151	148	204	201
Income after financial items, SEK M	58	47	141	135	191	185
Income after tax, SEK M	47	38	110	98	148	136
Cash flow after investments, SEK M	9	95	96	180	147	231
Earnings per share, SEK	1.78	1.45	4.18	3.70	5.63	5.15
Average number of shares, 000	26,307	26,307	26,307	26,307	26,307	26,307

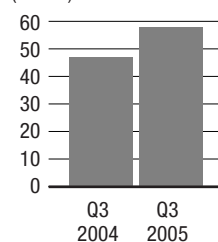
Sales

(SEK M)



Income *

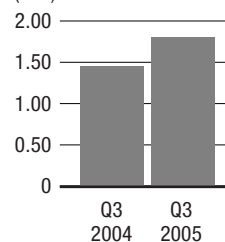
(SEK M)



* After financial items

Earnings per share

(SEK)



Third quarter 2005

- Sales SEK 535 M (540)
- Operating income increased 15 percent to SEK 60 M (52)
- Income after financial items increased 23 percent to SEK 58 M (47)

Consolidated sales of the Nolato Group during the third quarter totaled SEK 535 M (540).

The total market for mobile (cellular) phones grew in volume as expected. Price competition remains intense. The majority of Nolato's prioritized customer segments had stable volumes. The

market in niches where Nolato Medical is active showed steady growth during the quarter.

Sales at Nolato Telecom totaled SEK 291 M (303). Volume was strong during the quarter, with a continued strong increase in operations in Asia but weaker growth in European operations. At the same time, the shift in the market mix meant that the average price and cost levels were lower per unit delivered compared to the same period in 2004. Important customer projects were started during the third quarter.

Sales at Nolato Industrial totaled SEK 203 M (207). Volumes were stable during the quarter, but as in previous years, there was a strong effect from vacations being taken during the third quarter.

Nolato Medical increased sales to SEK 42 M (35) or 20 percent compared to the same period in 2004. Volumes were very good for most of Nolato's customers.

Consolidated operating income increased 15 percent to SEK 60 M (52). Every profit center reported improved earnings. Nolato Telecom increased its operating income SEK 2 M, Nolato Industrial SEK 3 M and Nolato Medical SEK 5 M compared to the same period in 2004. Income effects from currency exchange rate differences had a SEK -6 M (-1) impact on operating income during the third quarter.

The operating margin for Nolato Telecom increased to 12.7 percent (11.6). Good growth in volume with high capacity utilization, together with the cost reductions carried out, resulted in the strong margin for the quarter.

The operating margin for Nolato In-

dustrial increased to 9.4 percent (7.7). The improved margin, compared to the same period in 2004, is mainly the effect of improved earnings in the Hungarian operations.

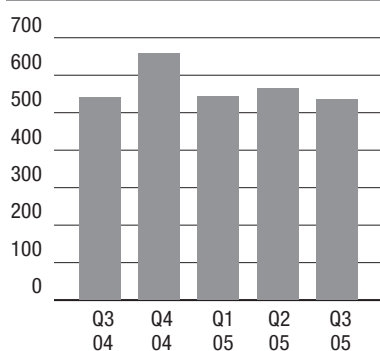
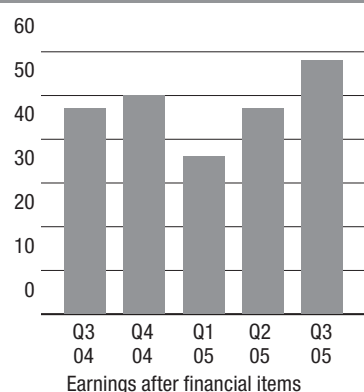
Nolato Medical improved its operating margin to a very strong 26.2 (17.1). Continued strong growth in volume, a favorable product mix and high capacity utilization resulted in the improved margin.

All told, the Group's operating margin was very strong at 11.2 percent (9.6).

In 2004, rising oil prices and greater capacity utilization among manufacturers of plastic raw materials resulted in higher prices for raw materials in plastic production. Raw material prices stabilized during the first six months of 2005. During the third quarter, prices began to rise once again. Nolato's earnings in the third quarter were only marginally affected by the changes in raw material prices.

Income after financial items increased 23 percent to SEK 58 M (47). Net financial items included SEK 0 M (+1) in effects of currency exchange rate differences during the third quarter, most of which was related to translation differences for loans in foreign currencies in operations outside Sweden.

Income after tax increased to SEK 47 M (38).

Sales by quarter (SEK M)**Earnings by quarter (SEK M)****Sales, operating income and operating margin by profit center**

SEK M	Sales Q3/2005	Sales Q3/2004	Op. income Q3/2005	Op. income Q3/2004	Op. margin Q3/2005	Op. margin Q3/2004
Nolato Telecom	291	303	37	35	12.7%	11.6%
Nolato Industrial	203	207	19	16	9.4%	7.7%
Nolato Medical	42	35	11	6	26.2%	17.1%
Intra-Group adj, Parent Co	- 1	- 5	- 7	- 5	—	—
Group total	535	540	60	52	11.2%	9.6%

January-September 2005

Sales and income

Consolidated sales of the Nolato Group during the first nine months totaled SEK 1,643 M (1,744).

Consolidated operating income increased during the first nine months to SEK 151 M (148).

The operating margin increased to 9.2 percent, compared to 8.5 percent for the same period in 2004.

Income after financial items totaled SEK 141 M (135). Net financial items included SEK -1 M (+6) in effects of currency exchange rate differences during the first nine months, most of which was related to translation differences for loans in foreign currencies in operations outside Sweden.

Income after tax increased to SEK 110 M (98).

Earnings per share increased 13 percent to SEK 4.18 (3.70). The effective tax rate fell to 22 percent (27), due to the low tax rate for Nolato's Chinese operations.

Return on capital employed increased to 19.1 percent for the most recent twelve-month period (18.9 percent for calendar 2004). Return on operating capital was 23.4 percent for the most recent twelve-month period (23.7 percent for calendar 2004).

Nolato Telecom

Sales and income

Nine months	2005	2004
Sales (SEK M)	842	979
Operating income (SEK M)	88	95
Operating margin (%)	10.5	9.7

Sales totaled SEK 842 M (979), thus accounting for 51 percent (55) of total Group sales. Compared to the same period in 2004, sales were adversely affected by roughly SEK 75 M as a result of a decline in the sale of products with a high value of purchased components. There is no further component effect as of the start of the third quarter.

The growth in volume for products for mobile telephones was strong 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.

Decisions that were made earlier to expand Nolato's injection mould capacity in China continued to be implemented as planned, both with new investments and a relocation of Nolato's European operations.

Nolato Telecom's start-up of a manufacturing unit in Kuala Lumpur, Malaysia, with a logistics and assembly unit as the first step, proceeded as planned during the quarter. At today's Board meeting, the decision was made to develop this unit into a complete production facility, including both injection moulding and painting capacity.

Operating income totaled SEK 88 M (95). The operating margin improved to 10.5 percent (9.7), largely as a result of a lower share of products with a high value of purchased components as well as better capacity utilization and the implementation of cost reductions.

Nolato Industrial

Sales and income

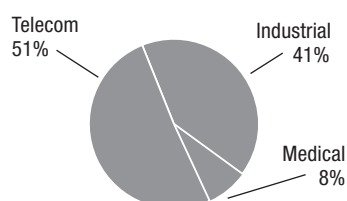
Nine months	2005	2004
Sales (SEK M)	678	679
Operating income (SEK M)	54	51
Operating margin (%)	8.0	7.5

Sales were unchanged at SEK 678 M (679), accounting for 41 percent (39) of total Group sales. Volumes were stable for most customers. The automotive industry showed positive growth, while volumes in the Household customer segment declined.

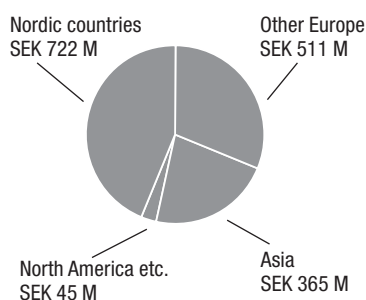
Operating income totaled SEK 54 M (51). The operating margin improved to 8.0 percent (7.5). Price competition remained strong.

In the Hungarian operations, the overview of profitability by segment/customer project that was carried out during the second half of 2004 resulted in a focusing of operations on vehicles, hygiene and selected general industrial segments. The new customer projects that were taken on in 2004 performed well. Given the change in the focus of operations, cost reductions were implemented during the year. Earnings continued to improve in the Hungarian operations during the third quarter as well. This largely explains the improvement in Nolato Industrial's operating margin.

Sales by profit center



Sales by geographic region



Nolato Medical

Sales and income		
Nine months	2005	2004
Sales (SEK M)	130	97
Operating income (SEK M)	31	18
Operating margin (%)	23.8	18.6

Sales rose 34 percent to SEK 130 M (97), thus accounting for 8 percent (6) of total Group sales. The operations that were consolidated as of July 1 last year performed well. Excluding the acquisition, organic growth was 21 percent.

Nolato Medical signed an agreement with Novo Nordisk for the production of the insulin pen InnoLet, as was mentioned in the last quarterly report. The project is running according to plan and began with the takeover of small-scale operations during the end of the third quarter. Production is gradually increasing and will be running at full speed in the second quarter of 2006. Compared with the information in the last quarterly report, there has been a slight shift in the timetable, but total sales are the same as before, which means growth in sales of about 15 percent on an annual basis for Nolato Medical.

Operating income totaled SEK 31 M (18). The operating margin was quite high during the first nine months of 2005 at 23.8 percent (18.6), largely because of a favorable product mix as well as continued good volume and high capacity utilization.

Personnel

The average number of employees in the Nolato Group during the period was 2,766 (2,612). The number of employees increased sharply in China, while the number declined in Kristianstad, Sweden and Hungary.

Investments

Total gross investments in fixed assets during the period were SEK 100 M (94).

Financial position

Cash flow before investments totaled SEK 196 M (274). The need for working capital increased during the third quarter. The reason for the increase is mainly that project inventories for new customer projects increased in scope and tied up capital in both inventories and customer receivables during the end of the period. Cash flow after investments totaled SEK 96 M (180). Net investments totaled SEK 100 M (94).

Interest-bearing assets totaled SEK 109 M and interest-bearing liabilities and provisions totaled SEK 237 M, compared to SEK 214 M and SEK 377 M, respectively, at year-end 2004. Net liabilities thus decreased to SEK 128 M, compared to SEK 163 M at year-end 2004. Shareholders' equity was SEK 752 M, compared to SEK 661 M at year-end 2004. The equity/assets ratio was 48 percent, compared to 41 percent at year-end 2004.

Events after the end of the period

October 3 was the final date for Nolato's employee option program from 2000, and the program expired without any options being exercised. There were a total of 67,000 options outstanding with a fair value of less than SEK 0.1 M at the end of 2004. According to the recommendations in effect for options programs in 2000, no costs for calculated fair values have been reported in the income statement. Because the company had no intention of issuing new shares in the event of a delivery of shares, the options were not considered to entail any dilution effect. The program is described in the 2004 Annual Report on page 57, note 3.

Future prospects

Volume growth in the mobile phone market is expected to remain strong but will decline in 2005 compared to 2004. 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 is changing the forecast in its year-end report, which predicted that sales at Nolato Telecom would remain unchanged or decline slightly in 2005, to a slight decline in sales for Nolato Telecom in 2005. In addition, it is expected that sales for Nolato Medical will increase during the year and significantly exceed sales in 2004. 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.

Nolato also expects consolidated income after financial items for 2005 to exceed the income for 2004. Nolato did not provide any forecast for earnings for 2005 in previous reports.

Parent Company

Sales totaled SEK 20 M (28). Income before tax totaled SEK 18 M (–59).

No significant investments were made during the period.

Accounting and valuation principles

The interim report for the Group is 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 10 of this interim report.

The effects of restating comparative figures related to income in the third quarter of 2004 and shareholders’ equity at the end of the quarter are described in Note 2 on page 10 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.

Nomination Committee

As was disclosed in a press release on October 26, the following people have accepted membership in Nolato’s Nomination Committee prior to the 2006 Annual Shareholders’ Meeting:

- Henrik Jorlén, representing the Jorlén family
- Gun Boström, representing the Boström family
- Erik Paulsson, representing the Paulsson family
- Erik Sjöström, representing Livförsäkringsaktiebolaget Skandia

Financial information schedule

- Year-end Report for 2005:
Februari 6, 2006
- Interim Report for Q1, 2006:
April 27, 2006
- Annual Shareholder’s Meeting:
April 27, 2006
- Interim Report for Q2, 2006:
July 20, 2006
- Interim Report for Q3, 2006:
October 25, 2006

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

Torekov, Sweden, October 27, 2005
Nolato AB (publ)
Georg Brunstam
President and CEO

For further information, please contact:

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Per-Ola Holmström, CFO, +46 431 442293 or +46 705 763340

Georg Brunstam and Per-Ola Holmström will be commenting on the report (in Swedish) in a presentation held in Stockholm on October 28 at 8 a.m. Those wishing to take part must apply in advance, no later than 4 p.m. on October 27.

Applications can be submitted by e-mail to elisabeth.larsson@nolato.se or by telephone at +46 431-442290.

Income statements

SEK M	Q3 2005	Q3 2004	Q1 – Q3 2005	Q1 – Q3 2004	Q4/2004 – Q3/2005	Full-year 2004
Net sales	535	540	1,643	1,744	2,300	2,401
Cost of goods sold	– 432	– 448	– 1,355	– 1,460	– 1,901	– 2,006
Gross income	103	92	288	284	399	395
Selling expenses	– 12	– 14	– 35	– 39	– 52	– 56
Administrative expenses	– 30	– 24	– 99	– 93	– 140	– 134
Other operating expenses	– 1	– 2	– 3	– 4	– 3	– 4
Operating income	60	52	151	148	204	201
Financial items	– 2	– 5	– 10	– 13	– 13	– 16
Income after financial items	58	47	141	135	191	185
Tax	– 11	– 9	– 31	– 37	– 43	– 49
Income after tax	47	38	110	98	148	136
Depreciation/amortization included	34	34	102	100	136	134
Earnings per share after full tax (SEK)	1.78	1.45	4.18	3.70	5.63	5.15
Number of shares at the end of the period (000)	26,307	26,307	26,307	26,307	26,307	26,307
Average number of shares (000)	26,307	26,307	26,307	26,307	26,307	26,307

Balance sheets

SEK M	Sep 30, 2005	Sep 30, 2004	Dec 31, 2004
Tangible fixed assets	677	687	664
Intangible fixed assets	51	51	54
Total fixed assets	728	738	718
Inventories	226	177	170
Accounts receivables	441	424	449
Other current assets	79	54	53
Cash, bank balances, and short-term investments	109	317	214
Total current assets	855	972	886
Total assets	1,583	1,710	1,604
Shareholders' equity	752	649	661
Interest-bearing provisions	58	53	56
Non-interest-bearing provisions	98	51	82
Interest-bearing liabilities	179	475	321
Non-interest-bearing liabilities	496	482	484
Total shareholders' equity and liabilities	1,583	1,710	1,604

Quarterly data

Consolidated financial results in brief

		Q1	Q2	Q3	Q4	Full-year
Net sales (SEK M)	2005	543	565	535		
	2004	593	611	540	657	2,401
Operating income (SEK M)	2005	40	51	60		
	2004	40	56	52	53	201
Income after financial items (SEK M)	2005	36	47	58		
	2004	37	51	47	50	185
Income after tax (SEK M)	2005	27	36	47		
	2004	24	36	38	38	136
Cash flow after investments (SEK M)	2005	54	33	9		
	2004	70	15	95	51	231
Earnings per share (SEK)	2005	1.05	1.35	1.78		
	2004	0.90	1.35	1.45	1.45	5.15
Average number of shares (000)	2005	26,307	26,307	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	276	291		
	2004	337	339	303	363	1 342
Nolato Industrial	2005	231	244	203		
	2004	228	244	207	257	936
Nolato Medical	2005	39	49	42		
	2004	30	32	35	40	137
Intra-Group adjustments, Parent Company	2005	- 2	- 4	- 1		
	2004	- 2	- 4	- 5	- 3	- 14
Group total	2005	543	565	535		
	2004	593	611	540	657	2,401

Operating income by profit center (SEK M)

		Q1	Q2	Q3	Q4	Full-year
Nolato Telecom	2005	23	28	37		
	<i>Operating margin</i>	8.4%	10.1%	12.7%		
	2004	25	35	35	38	133
	<i>Operating margin</i>	7.4%	10.3%	11.6%	10.5%	9.9%
Nolato Industrial	2005	16	19	19		
	<i>Operating margin</i>	6.9%	7.8%	9.4%		
	2004	16	19	16	14	65
	<i>Operating margin</i>	7.0%	7.8%	7.7%	5.4%	6.9%
Nolato Medical	2005	8	12	11		
	<i>Operating margin</i>	20.5%	24.5%	26.2%		
	2004	5	7	6	7	25
	<i>Operating margin</i>	16.7%	21.9%	17.1%	17.5%	18.2%
Intra-Group adjustments, Parent Company	2005	- 7	- 8	- 7		
	2004	- 6	- 5	- 5	- 6	- 22
Group total	2005	40	51	60		
	<i>Operating margin</i>	7.4%	9.0%	11.2%		
	2004	40	56	52	53	201
	<i>Operating margin</i>	6.7%	9.2%	9.6%	8.1%	8.4%

Group financial highlights

	Q3 2005	Q3 2004	Q1 – Q3 2005	Q1 – Q3 2004	Q4/2004– Q3/2005	Full-year 2004
Sales growth (%)	– 1	– 21	– 6	– 12	– 6	– 10
Percentage of sales outside Sweden (%)	64	65	61	64	63	65
Operating income (SEK M)	60	52	151	148	204	201
Income after financial items (SEK M)	58	47	141	135	191	185
Operating margin (%)	11.2	9.6	9.2	8.5	8.9	8.4
Profit margin (%)	10.8	8.7	8.6	7.7	8.3	7.7
Return on total capital (%)	—	—	—	—	12.6	12.3
Return on capital employed (%)	—	—	—	—	19.1	18.9
Return on operating capital (%)	—	—	—	—	23.4	23.7
Return on shareholders' equity (%)	—	—	—	—	21.1	22.1
Equity/assets ratio (%)	—	—	48	38	—	41
Debt/equity ratio (%)	—	—	32	82	—	57
Interest coverage ratio	20	8	14	7	13	8
Gross investments (SEK M)	33	23	100	94	131	125
Cash flow after investments (SEK M)	9	95	96	180	147	231
Earnings per share after full tax (SEK)	1.78	1.45	4.18	3.70	5.63	5.15
Cash flow per share (SEK)	0.35	3.60	3.65	6.85	5.60	8.80
Shareholders' equity per share after full tax (SEK)	—	—	29	25	—	25
Number of shares on December 31 (000)	26,307	26,307	26,307	26,307	26,307	26,307
Average number of shares (000)	26,307	26,307	26,307	26,307	26,307	26,307
Number of employees	—	—	2,766	2,612	—	2,700

Cash flow

SEK M	Q3 2005	Q3 2004	Q1 – Q3 2005	Q1 – Q3 2004	Q4/04 – Q3/05	Full-year 2004
Cash flow from operations	108	81	280	254	356	330
Changes in working capital	– 66	37	– 84	20	– 78	26
Investment activities	– 33	– 23	– 100	– 94	– 131	– 125
Cash flow before financing activities	9	95	96	180	147	231
Financing activities	– 35	– 17	– 201	– 181	– 355	– 335
Decrease/increase in liquid funds	– 26	78	– 105	– 1	– 208	– 104

Change in shareholders' equity

SEK M	Q1 – Q3 2005	Q1 – Q3 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	– 46	– 21	– 21
Translation differences	34	2	– 13
Change in revaluation reserve hedge accounting	– 6	—	—
Other changes	—	1	– 10
Income after tax	110	98	136
Amount at end of period	752	649	661

Transition to the International Financial Reporting Standards (IFRS)

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 Q1 – Q3 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 September 30, 2004	645
Goodwill writeoffs	5
Purchase price allocation for acquisitions in 2004	– 1
Total change to IFRS	4
Equity based on IFRS September 30, 2004	649

Reconciliation of the Group's net income, overview

SEK M	Q1 2004	Q2 2004	Q3 2004	Q1 – Q3 2004
Net income based on Swedish accounting principles	23	34	37	94
Goodwill writeoffs	1	2	2	5
Purchase price allocation for acquisitions in 2004	—	—	– 1	– 1
Net income based on IFRS 2004	24	36	38	98

Reconciliation of operating income by profit center, overview

SEK M	Q3 2004	Q3 adjustm. IFRS	IFRS 2004	Q1 – Q3 2004	Q1 – Q3 adjustm. IFRS	IFRS 2004
Nolato Telecom	35	—	35	95	—	95
Nolato Industrial	14	2	16	46	5	51
Nolato Medical	7	– 1	6	19	– 1	18
Group adjustments, Parent Co.	– 5	—	– 5	– 16	—	– 16
Group total	51	1	52	144	4	148

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 was 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).