



Nolato AB (publ) three-month interim report 2006

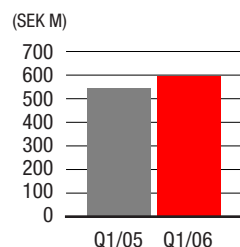
Increased sales and improved earnings

- Group sales increased 9 % to SEK 594 M (543)
- Strong growth at Nolato Medical and Nolato Telecom
- Operating income increased to SEK 51 M (40)
- Income after financial items increased 31 % to SEK 47 M (36)
- Net income increased to SEK 37 M (27)
- Earnings per share increased 34 % to SEK 1.41 (SEK 1.05)
- Cash flow after investments totaled SEK 48 M (54)

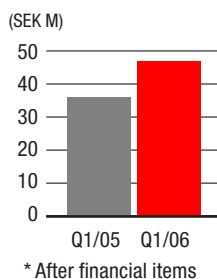
■ Group highlights

	Q1 2006	Q1 2005	Q2 2005 – Q1 2006	Full-year 2005
Net sales, SEK M	594	543	2,307	2,256
Operating income, SEK M	51	40	232	221
Income after financial items, SEK M	47	36	219	208
Net income, SEK M	37	27	191	181
Cash flow after investments, SEK M	48	54	152	158
Earnings per share, SEK	1.41	1.05	7.24	6.88
Average number of shares, 000	26,307	26,307	26,307	26,307

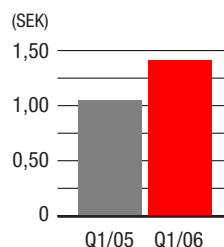
■ Sales



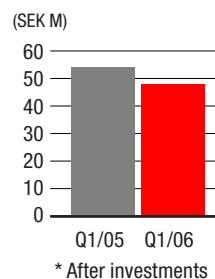
■ Income *



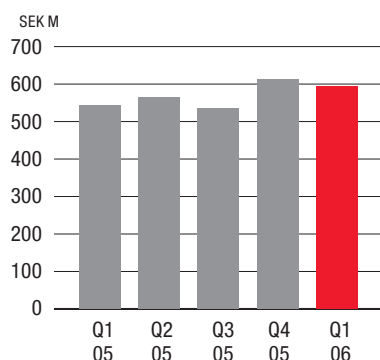
■ Earnings per share



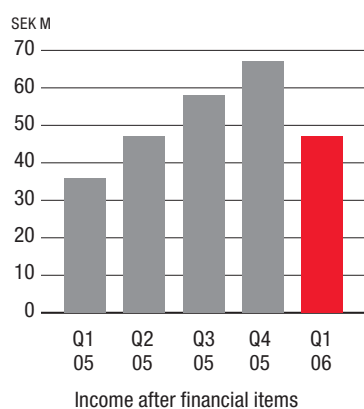
■ Cash flow *



■ Sales by quarter



■ Earnings by quarter



Sales

Consolidated sales of the Nolato Group during the first quarter increased 9 percent to SEK 594 M (543). Sales increased for every profit center. Nolato Telecom had the greatest increase in Swedish kronor while Nolato Medical had the greatest percentage increase.

The total market for mobile (cell) phones increased in volume during the quarter as expected. Price competition remained strong. The market in niches where Nolato Medical is active performed well during the quarter. The majority of Nolato Industrial's prioritized market segments had stable volumes.

Sales at Nolato Telecom increased 13 percent to SEK 311 M (275).

Volumes showed positive growth while the value per delivered unit increased compared to the same period in 2005.

Nolato Medical increased sales to SEK 55 M (39) or by 41 percent compared to the same period in 2005. Production of the Innolet insulin pen for Novo Nordisk is gradually being taken over and, combined with strong growth for other principal customers, resulted in increased sales.

Sales at Nolato Industrial increased slightly to SEK 235 M (231). Volumes were generally stable during the quarter.

Earnings

Consolidated operating income increased 28 percent to SEK 51 M (40), and every profit center reported an improvement in earnings.

Nolato Telecom increased its operating income SEK 5 M, Nolato Industrial SEK 4 M and Nolato Medical SEK 2 M compared to the same period in 2005.

At Nolato Telecom, the operating margin increased to 9.0 percent (8.4). The improved margin, compared to the same period in 2005, is largely the effect of lower cost levels in its European operations.

At Nolato Medical, the operating margin was 18.2 percent (20.5). Its expansion and the resulting change in the customer mix affected the margin.

At Nolato Industrial, the operating margin increased to 8.5 percent (6.9). The improved margin was largely the effect of cost-cutting measures in both Swedish and Hungarian operations as well as an improved customer mix.

Overall, the Group's operating margin improved to 8.6 percent (7.4).

Prices for raw materials in plastic manufacturing did not change significantly during the first quarter of 2006 compared to the fourth quarter of 2005 but remained at a very high level historically. As a result of various measures, increases in raw material prices had only a marginal effect on earnings in the first quarter.

Effects of currency exchange rate differences totaling SEK -2 M (-2) were charged to operating income in the first quarter.

Income after financial items increased

■ Sales, operating income and operating margin by profit center

SEK M	Sales Q1/2006	Sales Q1/2005	Op. income Q1/2006	Op. income Q1/2005	Op. margin Q1/2006	Op. margin Q1/2005
Nolato Telecom	311	275	28	23	9.0%	8.4%
Nolato Medical	55	39	10	8	18.2%	20.5%
Nolato Industrial	235	231	20	16	8.5%	6.9%
Intra-Group adj, Parent Co	-7	-2	-7	-7	—	—
Group total	594	543	51	40	8.6%	7.4%

31 percent to SEK 47 M (36). Net financial items included SEK -1 M (-1) in effects of currency exchange rate differences during the first quarter, most of which was related to translation differences for loans in foreign currencies in operations outside Sweden.

Income after tax increased to SEK 37 M (27). The effective tax rate was 21 percent (25) in the first quarter.

Earnings per share increased to SEK 1.41 (1.05).

The return on capital employed increased to 22.3 percent for the most recent twelve-month period (21.0 percent for the calendar year 2005). The return on operating capital increased to 27.2 percent for the most recent twelve-month period (25.5 for the calendar year 2005).

Nolato Telecom

Sales and income

3 months	Q1/06	Q1/05
Sales (SEK M)	311	275
Operating income (SEK M)	28	23
Operating margin (%)	9.0	8.4

Sales increased 13 percent to SEK 311 M (275), thus accounting for 52 percent (51) of total Group sales.

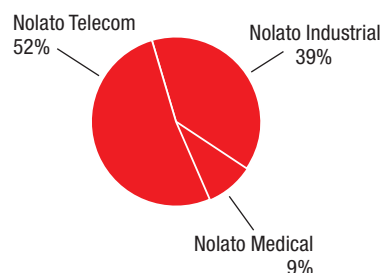
Volumes for products for mobile phones increased in the first quarter compared to the same period in 2005, which was also the case for the total market. At the same time, the value per delivered unit increased, which also had a positive impact on earnings. The higher value is a result of the larger share of complex mobile phones, with more plastic components, higher demands for surface finishes like painting, metalization etc. as well as more assembled purchased components.

Major customer projects were started up during the quarter.

The expansion of Nolato Telecom's moulding and painting capacity in China continued as planned, both through new investments and a shifting of Nolato's European operations.

The set-up of Nolato Telecom's pro-

Sales by profit center



duction unit in Kuala Lumpur, Malaysia, proceeded as planned. The unit will start production during the second quarter of 2006.

Operating income increased to SEK 28 M (23). The operating margin improved to 9.0 percent (8.4), mainly as a result of cost reductions and streamlining measures implemented in Europe, which resulted in lower levels in the European operations.

Nolato Medical

Sales and income

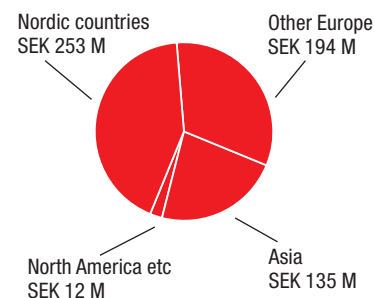
3 months	Q1/06	Q1/05
Sales (SEK M)	55	39
Operating income (SEK M)	10	8
Operating margin (%)	18.2	20.5

Sales increased 41 percent to SEK 55 M (39), thus accounting for 9 percent (7) of the Group's total sales.

The project to take over production of the insulin pen for Novo Nordisk is proceeding as planned. Production is gradually increasing and will be running at full speed in the second quarter of 2006. The business area's strong growth is explained to a large extent by the increasing volumes from this project. At the same time, efforts to develop the European market, which were begun in 2005, were successful and resulted in new projects for production in Hungary, which also contributed to the growth in sales.

Operating income totaled SEK 10

Sales by geographic region



M (8). The operating margin was 18.2 percent (20.5). The expansion and resulting change in the customer mix affected the margin compared to the same period in 2005.

Nolato Industrial

Sales and income

3 months	Q1/06	Q1/05
Sales (SEK M)	235	231
Operating income (SEK M)	20	16
Operating margin (%)	8.5	6.9

Sales totaled SEK 235 M (231), thus accounting for 39 percent (42) of the Group's total sales. Volumes were generally stable during the quarter. Deliveries to the automotive industry and other general industrial segments increased while deliveries to the consumer electronics and household appliance industries decreased compared to the same period in 2005.

Investments carried out to attract new projects for the automotive industry and other selected general industrial segments are now yielding results through higher sales. At the same time, Nolato reduced sales in certain segments, both as a result of an active marketing strategy and as a consequence of some customers moving operations to other countries.

Operating income was SEK 20 M (16). The operating margin increased to 8.5 percent (6.9). The improved margin is largely an effect of the change in the

customer mix and high capacity utilization in the Swedish as well as the Hungarian units. Price competition remains strong.

Personnel

The average number of employees in the Nolato Group in the period was 3,607 (2,976). The number of employees increased in Asia.

Investments

Total gross investments in fixed assets for the period were SEK 38 M (22).

Financial position

Cash flow before investments totaled SEK 97 M (76). Cash flow after investment activities totaled SEK 48 M (54). Net investments affecting cash flow totaled SEK 49 M (22).

Interest-bearing assets totaled SEK 223 M (145), and interest-bearing liabilities and provisions totaled SEK 258 M (260). The market value of derivatives related to interest-bearing liabilities had a further effect of SEK +9 M. Net liabilities thus totaled SEK 26 M (115). Shareholders' equity was SEK 861 M (694). Adjusted for the proposed dividend of SEK 63 M, shareholders' equity was SEK 798 M (648). The equity/assets ratio was 47 percent (47). Adjusted for the proposed dividend, the equity/assets ratio was 45 percent (45).

Events after the reporting period

After the end of the reporting period, Nolato sold a property in Hungary which is no longer used in its operations. The sale means a positive effect on consolidated earnings during the second quarter of roughly SEK 10 M.

However, it is thought that a write-down is needed for Nolato Telecom's production plant in Kristianstad, Sweden, as a result of the downsizing of production there. This writedown is expected to be made during the second quarter and is preliminarily estimated at SEK -10 M, which means that the net effect of the two transactions on net earnings is not significant.

Future prospects

Nolato maintains its forecast in the year-end report. Nolato Telecom is expected to increase sales as a result of increased volumes and greater value per delivered unit. Nolato Medical is expected to continue its healthy growth in sales while Nolato Industrial's sales are expected to be relatively unchanged.

The Parent Company

Sales totaled SEK 12 M (4). Income before tax totaled SEK -7 M (-9).

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 2005 Annual Report on pages 51-54.

Financial information schedule

- Six-month interim report 2006:
 - July 20, 2006
- Nine-month interim report 2006:
 - October 25, 2006

Torekov, Sweden, April 27, 2006
Nolato AB (publ)
Georg Brunstam
President and CEO

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

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Income statements

SEK M	Q1 2006	Q1 2005	Q2 2005 – Q1 2006	Full-year 2005
Net sales	594	543	2,307	2,256
Cost of goods sold	– 495	– 457	– 1, 889	– 1,851
Gross income	99	86	418	405
Selling expenses	– 13	– 12	– 47	– 46
Administrative expenses	– 34	– 33	– 136	– 135
Other operating expenses	– 1	– 1	– 3	– 3
Operating income	51	40	232	221
Financial items	– 4	– 4	– 13	– 13
Income after financial items	47	36	219	208
Tax	– 10	– 9	– 28	– 27
Net income	37	27	191	181
Depreciation/amortization included	33	34	134	135
Earnings per share after full tax (SEK)	1.41	1.05	7.24	6.88
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, 2006	Mar 31, 2005	Dec 31, 2005
Non-current tangible assets	720	657	724
Non-current intangible assets	50	53	51
Financial fixed assets	4	—	4
Total non-current assets	774	710	779
Inventories	232	187	183
Accounts receivables	487	384	473
Other current assets	102	53	70
Cash, bank balances, and short-term investments	223	145	163
Total current assets	1,044	769	889
Total assets	1,818	1,479	1,668
Shareholders' equity	861	694	832
Interest-bearing provisions	60	57	59
Non-interest-bearing provisions	94	84	88
Interest-bearing liabilities	198	203	183
Non-interest-bearing liabilities	605	441	506
Total shareholders' equity and liabilities	1,818	1,479	1,668

■ Quarterly data

Consolidated financial results in brief

		Q1	Q2	Q3	Q4	Full-year
Net sales (SEK M)	2006	594				
	2005	543	565	535	613	2,256
Operating income (SEK M)	2006	51				
	2005	40	51	60	70	221
Income after financial items (SEK M)	2006	47				
	2005	36	47	58	67	208
Net income (SEK M)	2006	37				
	2005	27	36	47	71	181
Cash flow after investments (SEK M)	2006	48				
	2005	54	33	9	62	158
Earnings per share (SEK)	2006	1.41				
	2005	1.05	1.35	1.78	2.70	6.88
Average number of shares (000)	2006	26,307				
	2005	26,307	26,307	26,307	26,307	26,307

Net sales by profit center (SEK M) (Mkr)

		Q1	Q2	Q3	Q4	Full-year
Nolato Telecom	2006	311				
	2005	275	276	291	330	1,172
Nolato Medical	2006	55				
	2005	39	49	42	54	184
Nolato Industrial	2006	235				
	2005	231	244	203	233	911
Intra-Group adjustments, Parent Company	2006	- 7				
	2005	- 2	- 4	- 1	- 4	- 11
Group total	2006	594				
	2005	543	565	535	613	2,256

Rörelseresultat per resultatenhet per kvartal (Mkr)

		Q1	Q2	Q3	Q4	Full-year
Nolato Telecom	2006	28				
	<i>Operating margin</i>	9.0%				
	2005	23	28	37	49	137
	<i>Operating margin</i>	8.4%	10.1%	12.7%	14.8%	11.7%
Nolato Medical	2006	10				
	<i>Operating margin</i>	18.2%				
	2005	8	12	11	11	42
	<i>Operating margin</i>	20.5%	24.5%	26.2%	20.4%	22.8%
Nolato Industrial	2006	20				
	<i>Operating margin</i>	8.5%				
	2005	16	19	19	17	71
	<i>Operating margin</i>	6.9%	7.8%	9.4%	7.3%	7.8%
Intra-Group adjustments, Parent Company	2006	- 7				
	2005	- 7	- 8	- 7	- 7	- 29
Group total	2006	51				
	<i>Operating margin</i>	8.6%				
	2005	40	51	60	70	221
	<i>Operating margin</i>	7.4%	9.0%	11.2%	11.4%	9.8%

■ Group financial highlights

	Q1 2006	Q1 2005	Q2 2005 – Q1 2006	Full-year 2005
Sales growth (%)	9	– 8	– 2	– 6
Percentage of sales outside Sweden (%)	64	61	62	61
Operating income (SEK M)	51	40	232	221
Income after financial items (SEK M)	47	36	219	208
Operating margin (%)	8.6	7.4	10.1	9.8
Profit margin (%)	7.9	6.6	9.5	9.2
Return on total capital (%)	—	—	14.0	13.5
Return on capital employed (%)	—	—	22.3	21.0
Return on operating capital (%)	—	—	27.2	25.5
Return on shareholders' equity (%)	—	—	24.6	24.2
Equity/assets ratio (%)	47	47	—	50
Debt/equity ratio (%)	30	37	—	29
Interest coverage ratio	20	10	19	16
Investments affecting cash flow (SEK M)	49	22	176	149
Cash flow after investments (SEK M)	48	54	152	158
Earnings per share after full tax (SEK)	1.41	1.05	7.24	6.88
Cash flow per share (SEK)	1.82	2.05	5.78	6.01
Shareholders' equity per share after full tax (SEK)	33	26	—	32
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	3,607	2,976	—	2,790

■ Cash flow

SEK M

	Q1 2006	Q1 2005	Q2 2005 – Q1 2006	Full-year 2005
Cash flow from operations	76	78	371	373
Changes in working capital	21	– 2	– 43	– 66
Investment activities	– 49	– 22	– 176	– 149
Cash flow before financing activities	48	54	152	158
Financing activities	12	– 123	– 74	– 209
Increase/decrease in liquid funds	60	– 69	78	– 51

■ Change in shareholder's equity

SEK M

	Q1 2006	Q1 2005	Full-year 2005
Amount on January 1	832	661	661
Effect of change in accounting principle to IFRS	—	– 1	– 1
Opening balance, shareholders' equity, adjusted in accordance with new principle	832	660	660
Dividend to shareholders	—	—	– 46
Translation differences	– 10	10	41
Change in revaluation reserve hedge accounting	2	– 3	– 4
Net income	37	27	181
Amount at end of period	861	694	832