



Nolato AB (publ) six-month interim report 2006

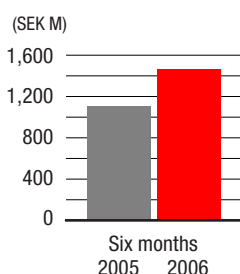
Sharp increase in sales and continued growth in earnings

- The Group's sales increased 32 % to SEK 1,461 M (1,108)
- Sharp increase in sales at Nolato Telecom as a result of high value per unit
- Operating income increased to SEK 113 M (91)
- Income after financial items increased 28 % to SEK 106 M (83)
- Net income increased to SEK 88 M (63)
- Earnings per share increased 40 % to SEK 3.35 (2.40)
- Cash flow after investments was strong at SEK 102 M (87)

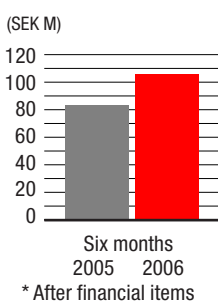
■ Group highlights

	Q2 2006	Q2 2005	Q1-Q2 2006	Q1-Q2 2005	Q3 2005 – Q2 2006	Full year 2005
Net sales, SEK M	867	565	1,461	1,108	2,609	2,256
Operating income, SEK M	62	51	113	91	243	221
Income after financial items, SEK M	59	47	106	83	231	208
Net income, SEK M	51	36	88	63	206	181
Cash flow after investments, SEK M	54	33	102	87	173	158
Earnings per share, SEK	1.94	1.35	3.35	2.40	7.83	6.88
Average number of shares, 000	26,307	26,307	26,307	26,307	26,307	26,307

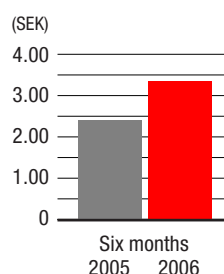
■ Sales



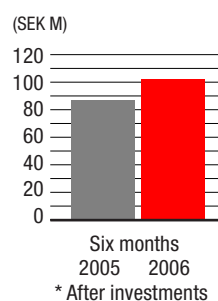
■ Income *



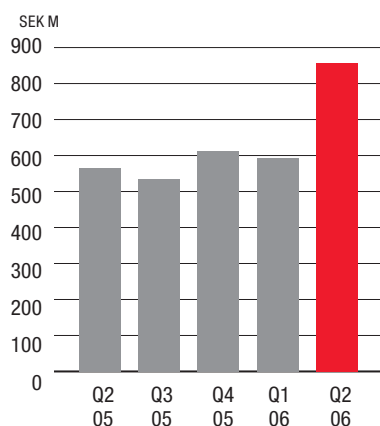
■ Earnings per share



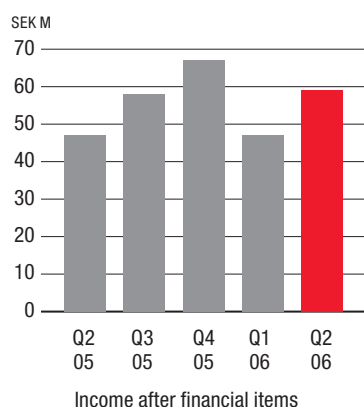
■ Cash flow *



Sales by quarter



Earnings by quarter



Second quarter 2006

- Sales increased 53 percent to SEK 867 M (565)
- Sales at Nolato Telecom increased 110 percent
- Sales at Nolato Medical increased 18 percent

Sales

Consolidated sales of the Nolato Group during the second quarter increased 53 percent to SEK 867 M (565). Sales for Nolato Telecom more than doubled, due largely to the high value per delivered unit. Sales for Nolato Medical increased 18 percent, while sales for Nolato Industrial declined slightly.

Sales at Nolato Telecom increased 110 percent to SEK 580 M (276). The value per delivered unit increased sharply, which had a positive impact on sales. The increased value is mainly the result of a project in which Nolato has had greater vertical integration than usual in the value chain. The number of assembled components was also greater, while the share of complex mobile phones, with more plastic components, higher demands for surface finishes like painting, metallization etc., remained high. It is expected that this special project will have considerably lower deliveries in the third quarter compared to the second quarter, while the rest of the project portfolio looks strong in the third quarter. On whole, this means that Nolato Telecom's sales are expected to be significantly lower

in the third quarter than in the second quarter.

Nolato Medical increased sales by 18 percent to SEK 58 M (49) compared to the same period in 2005. The take-over of production of the insulin pen for Novo Nordisk is gradually taking place and, together with the strong growth for other major customers, resulted in the increase in sales.

Sales at Nolato Industrial declined slightly to SEK 235 M (244). Overall, volumes were stable during the quarter.

Earnings

Consolidated operating income increased 22 percent to SEK 62 M (51).

Nolato Telecom increased its operating income by SEK 17 M while operating income for Nolato Medical decreased SEK 5 M and for Nolato Industrial decreased SEK 1 M compared to the same period in 2005.

The operating margin for Nolato Telecom was 7.8 percent (10.1). The lower margin, compared to the same period in 2005, was largely an effect of the change in product mix with greater vertical integration, more purchased components and a higher share of complex mobile phones.

The operating margin for Nolato Medical was 12.1 percent (24.5). During the quarter, costs in production were abnormally high because of the ramp-up of new customer projects. The costs were high for rejects and more staffing when these projects increased in volume.

Sales, operating income and operating margin by profit center

SEK M	Sales Q2/2006	Sales Q2/2005	Op. income Q2/2006	Op. income Q2/2005	Op. margin Q2/2006	Op. margin Q2/2005
Nolato Telecom	580	276	45	28	7.8 %	10.1 %
Nolato Medical	58	49	7	12	12.1 %	24.5 %
Nolato Industrial	235	244	18	19	7.7 %	7.8 %
Intra-Group adj, Parent Co	- 6	- 4	- 8	- 8	—	—
Group total	867	565	62	51	7.2 %	9.0 %

The operating margin for Nolato Industrial was essentially unchanged at 7.7 percent (7.8).

Overall, the consolidated operating margin was 7.2 percent (9.0).

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

As was reported in the previous interim report, during the second quarter Nolato sold a production property in Hungary that was no longer used in its operations. The sale entailed a positive effect on Group earnings of SEK 10 M. During the second quarter, a writedown was taken on Nolato Telecom's production property in Kristianstad, Sweden, as the result of smaller-scale operations there. The writedown totaled SEK 10 M and had an adverse effect on second quarter performance. However, the net of the two non-recurring items was marginal.

Effects of currency exchange rate differences totaling SEK -3 M (-1) were charged to operating income in the second quarter.

Income after financial items increased 26 percent to SEK 59 M (47). Net financial items included SEK -2 M (0) in effects of currency exchange rate differences during the second quarter, most of which was related to translation differences for loans in foreign currencies in operations outside Sweden.

Income after tax increased to SEK 51 M (36). Earnings per share increased to SEK 1.94 (1.35).

■ First six months of 2006

Sales and earnings

Consolidated sales totaled SEK 1,461 M (1,108) in the first six months of 2006. Consolidated operating income increased to SEK 113 M (91).

The operating margin was 7.7 percent compared to 8.2 percent for the same period in 2005.

Income after financial items increased 28 percent to SEK 106 M (83). Net financial items included SEK -3 M (-1) in effects of currency exchange rate differences during the first six months of the year, most of which was related to translation differences for loans in foreign currencies in operations outside Sweden.

Income after tax increased to SEK 88 M (63).

Earnings per share increased to SEK 3.35 (2.40). The effective tax rate fell to 17 percent (24) as a result of a lower tax rate in the Chinese operations.

The return on capital employed increased to 23.6 percent for the most recent twelve-month period (21.0 percent for the calendar year 2005). The return on operating capital increased to 28.5 percent for the most recent twelve-month period (25.5 for the calendar year 2005).

Nolato Telecom

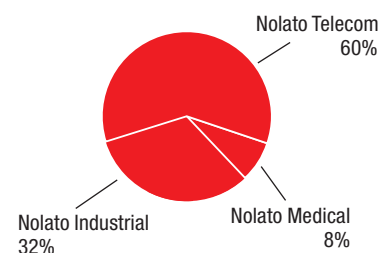
Sales and income

6 months	2006	2005
Sales (SEK M)	891	551
Operating income (SEK M)	73	51
Operating margin (%)	8.2	9.3

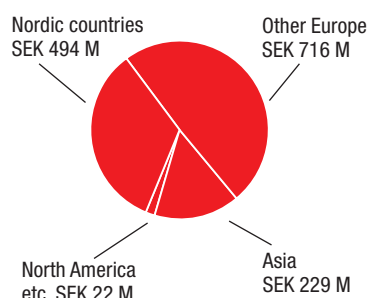
Sales increased 62 percent to SEK 891 M (551), thus accounting for 60 percent (49) of total Group sales.

The market growth for mobile phones remained good during the period. Nolato Telecom's value per delivered unit increased, especially during the second quarter, which had a positive impact on sales. The higher value is a result of more assembled pur-

■ Sales by profit center



■ Sales by geographic region



chased components as well as a larger share of complex mobile phones with more plastic components and higher demands for surface finishes like painting, metallization etc.

Major customer projects were started up during both the first and second quarter. One project stands out from other projects because Nolato also assembles and tests electronic components in this project, including the mobile phone's LCD display.

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 production unit in Kuala Lumpur, Malaysia, proceeded as planned, and the unit started small-scale production during the second quarter.

Operating income increased to SEK 73 M (51). The operating margin was 8.2 percent (9.3). The lower margin compared to the same period in 2005 was mainly the result of a change in product mix with greater vertical integration, with a higher share of purchased components, and more complex mobile phones. Price pressure remains strong.

Nolato Medical

Sales and income		
6 months	2006	2005
Sales (SEK M)	113	88
Operating income (SEK M)	17	20
Operating margin (%)	15.0	22.7

Sales increased 28 percent to SEK 113 M (88), thus accounting for 8 percent (8) of the Group's total sales.

The project to take over production of the insulin pen for Novo Nordisk gradually expanded in the first six months of the year. 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 17 M (20). The operating margin was 15.0 percent (22.7). During the second quarter, the costs of production were abnormally high as a result of the ramp-up of new customer projects, including the insulin pen. The costs for rejects and more staffing were high when these projects increased in volume. These costs are expected to gradually decrease in the second half of 2006, and reach a more normal level at the end of the year.

Nolato Industrial

Sales and income		
6 months	2006	2005
Sales (SEK M)	470	475
Operating income (SEK M)	38	35
Operating margin (%)	8.1	7.4

Sales totaled SEK 470 M (475), thus accounting for 32 percent (43) of the Group's total sales. Volumes were generally stable during the first half of the year.

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

Operating income increased to SEK 38 M (35). The operating margin increased to 8.1 percent (7.4). The improved margin is largely an effect of streamlining in both Swedish and Hungarian operations as well as a change in the customer mix. Price pressure remains strong.

Personnel

The average number of employees in the Nolato Group for the period was 4,082 (2,764). The number of employees increased in Asia.

Investments

Total gross investments in fixed assets for the period were SEK 70 M (67).

Financial position

Cash flow before investments totaled SEK 170 M (154). Cash flow after investment activities totaled SEK 102 M (87). Net investments affecting cash flow totaled SEK 68 M (67). A property in Hungary used for operations was sold during the second quarter, which resulted in a payment to Nolato of SEK 14 M.

Interest-bearing assets totaled SEK 207 M (135), and interest-bearing liabilities and provisions totaled SEK 254 M (270). The market value of derivatives related to interest-bearing liabilities had a further effect of SEK +7 M. Net liabilities thus totaled SEK 40 M (135). Shareholders' equity was SEK 830 M (695). The equity/assets ratio was 42 percent (46).

Future prospects

Nolato reaffirms its forecast for the full year 2006 in the year-end report.

Nolato Telecom is expected to increase sales as a result of increased volumes and greater value per delivered unit. Sales at Nolato Industrial are expected to be relatively unchanged, while Nolato Medical is expected to continue its healthy growth in sales.

Remuneration to employees

As was reported in the 2005 annual report on page 57, the CEO had a contract based on the performance of Nolato's share price.

This contract expired during the second quarter of 2006 and the payment, for which reserves were previously set aside and which was charged to income on a regular basis, has been made to the CEO.

During the second quarter, a new similar contract was reached with the CEO. The contract is based on the performance of Nolato's share price, and more detailed contract terms can be found on Nolato's website, www.nolato.com, under Corporate Governance.

The Parent Company

Sales totaled SEK 13 M (12). Income before tax totaled SEK -1 M (26).

No significant investments were made during the period.

Accounting and valuation principles

The accounts of the Nolato Group have been prepared in accordance with International Financial Reporting Standards (IFRS), which are described in the 2005 Annual Report on pages 51-54.

The interim report for the Group is prepared according to IAS 34, "Interim Financial Reporting," and the Swedish Financial Accounting Standards Council recommendation RR 31, "Interim Group Financial Reporting."

The new or revised IFRS standards or IFRIC interpretations that entered into force since January 1, 2006, have not had any material effect on the Group's income statement or balance sheets.

Financial information schedule

■ Nine-month interim report 2006:

October 25, 2006

■ Year-end report 2006:

January 31, 2007

Torekov, Sweden, July 20, 2006

Nolato AB (publ)

Georg Brunstam

President and CEO

Auditor's Review Report

We have reviewed this Interim 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 Interim Report does not fulfill the requirements of the Securities Exchange and Clearing Operations Act and the Annual Accounts Act.

Torekov, Sweden July 20, 2006

Ernst & Young AB

Ingvar Ganestam,

Authorized Public Accountant

Chief Auditor

For further information, please contact:

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Per-Ola Holmström, Chief Financial Officer, tel +46 431 442293 or +46 705 763340

Georg Brunstam and Per-Ola Holmström will be commenting on the report (in Swedish) in a telephone conference on July 20 at 2 p.m. Those wishing to take part in the telephone conference should call +46 8 686 70 80 and enter the code 40 84 10.

Income statements

SEK M	Q2 2006	Q2 2005	Q1–Q2 2006	Q1–Q2 2005	Q3 2005 – Q2 2006	Full year 2005
Net sales	867	565	1,461	1,108	2,609	2,256
Cost of goods sold	– 768 ¹⁾	– 466	– 1,263 ¹⁾	– 923	– 2,191 ¹⁾	– 1,851
Gross income	99	99	198	185	418	405
Selling expenses	– 14	– 11	– 27	– 23	– 50	– 46
Administrative expenses	– 32	– 36	– 66	– 69	– 132	– 135
Other operating income	10 ²⁾	—	10 ²⁾	—	10 ²⁾	—
Other operating expenses	– 1	– 1	– 2	– 2	– 3	– 3
Operating income	62	51	113	91	243	221
Financial items	– 3	– 4	– 7	– 8	– 12	– 13
Income after financial items	59	47	106	83	231	208
Tax	– 8	– 11	– 18	– 20	– 25	– 27
Net income	51	36	88	63	206	181
Depreciation/amortization included	44	34	77	68	144	135
Earnings per share after full tax (SEK)	1.94	1.35	3.35	2.40	7.83	6.88
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

1) Includes a SEK –10 M writedown of property

2) Includes a SEK +10 M capital gain from the sale of a property used in operations

Balance sheets

SEK M	Jun 30, 2006	Jun 30, 2005	Dec 31, 2005
Non-current tangible assets	691	677	724
Non-current intangible assets	49	52	51
Financial fixed assets	4	—	4
Total non-current assets	744	729	779
Inventories	240	206	183
Accounts receivables	689	383	473
Other current assets	91	68	70
Cash, bank balances, and short-term investments	207	135	163
Total current assets	1,227	792	889
Total assets	1,971	1,521	1,668
Shareholders' equity	830	695	832
Interest-bearing provisions	60	57	59
Non-interest-bearing provisions	91	84	88
Interest-bearing liabilities	194	213	183
Non-interest-bearing liabilities	796	472	506
Total shareholders' equity and liabilities	1,971	1,521	1,668

■ Quarterly data

Consolidated financial results in brief

		Q1	Q2	Q3	Q4	Full year
Net sales (SEK M)	2006	594	867			
	2005	543	565	535	613	2,256
Operating income (SEK M)	2006	51	62			
	2005	40	51	60	70	221
Income after financial items (SEK M)	2006	47	59			
	2005	36	47	58	67	208
Net income (SEK M)	2006	37	51			
	2005	27	36	47	71	181
Cash flow after investments (SEK M)	2006	48	54			
	2005	54	33	9	62	158
Earnings per share (SEK)	2006	1.41	1.94			
	2005	1.05	1.35	1.78	2.70	6.88
Average number of shares (000)	2006	26,307	26,307			
	2005	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	2006	311	580			
	2005	275	276	291	330	1,172
Nolato Medical	2006	55	58			
	2005	39	49	42	54	184
Nolato Industrial	2006	235	235			
	2005	231	244	203	233	911
Intra-Group adjustments, Parent Company	2006	- 7	- 6			
	2005	- 2	- 4	- 1	- 4	- 11
Group total	2006	594	867			
	2005	543	565	535	613	2,256

Operating income by profit center (SEK M)

		Q1	Q2	Q3	Q4	Full year
Nolato Telecom	2006	28	45			
	<i>Operating margin</i>	9.0%	7.8%			
	2005	23	28	37	49	137
	<i>Operating margin</i>	8.4%	10.1%	12.7%	14.8%	11.7%
Nolato Medical	2006	10	7			
	<i>Operating margin</i>	18.2%	12.1%			
	2005	8	12	11	11	42
	<i>Operating margin</i>	20.5%	24.5%	26.2%	20.4%	22.8%
Nolato Industrial	2006	20	18			
	<i>Operating margin</i>	8.5%	7.7%			
	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	- 8			
	2005	- 7	- 8	- 7	- 7	- 29
Group total	2006	51	62			
	<i>Operating margin</i>	8.6%	7.2%			
	2005	40	51	60	70	221
	<i>Operating margin</i>	7.4%	9.0%	11.2%	11.4%	9.8%

■ Group financial highlights

	Q2 2006	Q2 2005	Q1–Q2 2006	Q1–Q2 2005	Q3 2005 – Q2 2006	Full year 2005
Sales growth (%)	53	– 8	32	– 8	13	– 6
Percentage of sales outside Sweden (%)	76	59	72	60	68	61
Operating income (SEK M)	62	51	113	91	243	221
Income after financial items (SEK M)	59	47	106	83	231	208
Operating margin (%)	7.2	9.0	7.7	8.2	9.3	9.8
Profit margin (%)	6.8	8.3	7.3	7.5	8.9	9.2
Return on total capital (%)	—	—	—	—	13.9	13.5
Return on capital employed (%)	—	—	—	—	23.6	21.0
Return on operating capital (%)	—	—	—	—	28.5	25.5
Return on shareholders' equity (%)	—	—	—	—	27.0	24.2
Equity/assets ratio (%)	—	—	42	46	—	50
Debt/equity ratio (%)	—	—	31	39	—	29
Interest coverage ratio	26	15	23	13	22	16
Investments affecting cash flow (SEK M)	33	45	82	67	164	149
Cash flow after investments (SEK M)	54	33	102	87	173	158
Earnings per share after full tax (SEK)	1.94	1.35	3.35	2.40	7.83	6.88
Cash flow per share (SEK)	2.06	1.25	3.88	3.30	6.58	6.01
Shareholders' equity per share after full tax (SEK)	—	—	32	26	—	32
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	—	—	4,082	2,764	—	2,790

■ Cash flow

SEK M	Q2 2006	Q2 2005	Q1–Q2 2006	Q1–Q2 2005	Q3 2005 – Q2 2006	Full year 2005
Cash flow from operations	77	94	153	172	354	373
Changes in working capital	– 4	– 16	17	– 18	– 31	– 66
Investment activities	– 19	– 45	– 68	– 67	– 150	– 149
Cash flow before financing activities	54	33	102	87	173	158
Financing activities	– 70	– 43	– 58	– 166	– 101	– 209
Decrease/increase in liquid funds	– 16	– 10	44	– 79	72	– 51

■ Change in shareholders' equity

SEK M	Q1 – Q2 2006	Q1 – Q2 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	– 63	– 46	– 46
Translation differences	– 31	31	41
Change in revaluation reserve hedge accounting	4	– 13	– 4
Net income	88	63	181
Amount at end of period	830	695	832