



Nolato AB (publ) nine-month interim report 2006

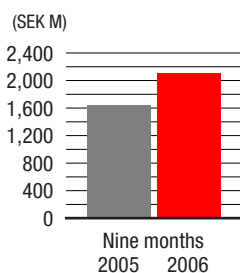
Growth in sales and continued stable earnings

- The Group's sales increased 28% to SEK 2,099 M (1,643)
- Sharp increase in sales at Nolato Telecom as a result of higher value per unit
- Operating income increased to SEK 159 M (151)
- Income after financial items increased to SEK 150 M (141)
- Net income increased to SEK 123 M (110)
- Earnings per share increased 12 % to SEK 4.68 (4.18)
- Continued expansion in medical devices – Agreement to acquire the Swedish company Medical Rubber AB
- Non-recurring costs in Q4 for BenQ's feared insolvency expected to total SEK 100 – 125 M

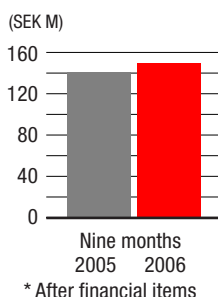
■ Group highlights

	Q3 2006	Q3 2005	Q1–Q3 2006	Q1–Q3 2005	Q4 2005 – Q3 2006	Full year 2005
Net sales, SEK M	638	535	2,099	1,643	2,712	2,256
Operating income, SEK M	46	60	159	151	229	221
Income after financial items, SEK M	44	58	150	141	217	208
Net income, SEK M	35	47	123	110	194	181
Cash flow after investments, SEK M	– 21	9	81	96	143	158
Earnings per share, SEK	1.33	1.78	4.68	4.18	7.38	6.88
Average number of shares, 000	26,307	26,307	26,307	26,307	26,307	26,307

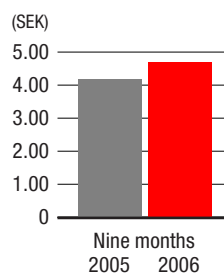
■ Sales



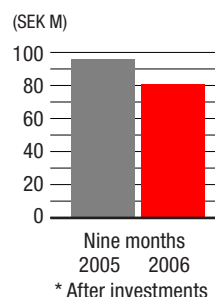
■ Income *



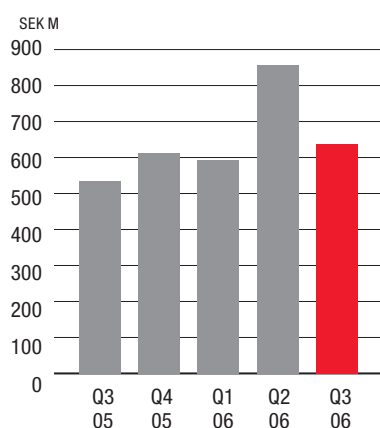
■ Earnings per share



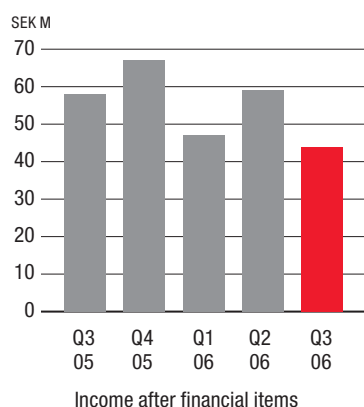
■ Cash flow *



Sales by quarter



Earnings by quarter



Third quarter 2006

- Sales increased with 19 percent to SEK 638 M (535)
- Operating income totaled SEK 46 M (60)
- Feared insolvency for BenQ

Sales

Consolidated sales of the Nolato Group during the third quarter increased 19 percent to SEK 638 M (535). Sales for Nolato Telecom increased sharply, due largely to the high value per unit. Sales for Nolato Medical increased 14 percent, while sales for Nolato Industrial were essentially unchanged.

Sales at Nolato Telecom increased 34 percent to SEK 390 M (291). The value per delivered unit increased sharply, relative to 2005. The number of assembled components remained high, as did the share of complex mobile phones, with more plastic components, higher demands for surface finishes like painting, metallization etc. Nolato's special project, which entails greater vertical integration in the value chain for the Group than usual and which had high volumes of deliveries in the second quarter, delivered significantly lower volumes in the third quarter. This had an adverse impact on sales compared to the second quarter, which is as Nolato had forecast in its second quarter report.

Nolato Medical increased sales to SEK 48 M (42) or 14 percent compared to the same period in 2005. Volumes were good for most of Nolato's customers.

Sales at Nolato Industrial were essentially unchanged compared to the same period in 2005 and totaled SEK 204 M (203).

BenQ

On September 28, the Board of Directors of the Taiwanese company BenQ reported that it would discontinue investing in its German mobile phone unit, which was acquired from Siemens in 2005. Following this, BenQ applied for bankruptcy protection in Germany for its German subsidiary, BenQ Mobile GmbH & Co OHG. That company is currently being operated by an administrator, who is trying to continue operations or find a buyer for the company.

BenQ Mobile, previously Siemens Mobile, is and has been an important customer for Nolato, although volumes and Nolato's exposure to the company have gradually decreased. During the third quarter, BenQ Mobile accounted for a total of 18 percent of Nolato's total sales. Nolato has not made any deliveries to BenQ in October to date, but lower volumes are forecasted to BenQ Shanghai in the fourth quarter.

The financial risks vis-à-vis BenQ relating to customer receivables, inventories, accumulated project costs and obligations to component suppliers are estimated at SEK 100 – 125 M, which corresponds to an effect on per share earnings of SEK 3.55 – 4.30, after taxes are taken into consideration. The scope of these non-recurring costs, which will be reported in the fourth quarter, depends on the prospects of continued deliveries of inventory items, but especially on the possibility of canceling orders from suppliers to Nolato.

Earnings

Consolidated operating income was stable at SEK 51 M (60), excluding non-recurring items. Included in earn-

Sales, operating income and operating margin by profit center

SEK M	Sales Q3/2006	Sales Q3/2005	Op. income Q3/2006	Op. income Q3/2005	Op. margin Q3/2006	Op. margin Q3/2005
Nolato Telecom	390	291	33	37	8.5 %	12.7 %
Nolato Medical	48	42	7	11	14.6 %	26.2 %
Nolato Industrial	204	203	18	19	8.8 %	9.4 %
Intra-Group adj, Parent Co	- 4	- 1	- 12	- 7	—	—
Group total	638	535	46	60	7.2 %	11.2 %

ings is a non-recurring cost of SEK 5 M (o) for the dismissal of a managing director of one subsidiary during the quarter. Including this cost, operating income was SEK 46 M (60). The non-recurring item is reported in the consolidated accounts.

Operating income for Nolato Telecom totaled SEK 33 M (37), while operating income for Nolato Medical was SEK 7 M (11) and for Nolato Industrial SEK 18 M (19). The decline in Nolato Telecom's operating income is explained largely by lower capacity utilization at the end of the quarter, as a result of the fall in volumes for BenQ.

The operating margin for Nolato Telecom was 8.5 percent (12.7). 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 14.6 percent (26.2). During the last two quarters, costs in production were abnormally high because of the ramp-up of new customer projects. The costs for rejects and more staffing were high when these projects increased in volume. A stringent program of cost-cutting measures, including new management for the subsidiary Nolato Medevo, is now being implemented to improve the cost structure. Costs are lower relative to the second quarter of 2006, and as a result the operating margin improved.

The operating margin for Nolato Industrial was essentially unchanged at 8.8 percent (9.4).

Overall, the consolidated operating margin was 8.0 percent (11.2), adjusted for the non-recurring cost for the dismissal of a managing director in one subsidiary. Including this cost, the operating margin was 7.2 percent (11.2).

The prices of raw materials for plastic manufacturing increased somewhat during the third quarter of 2006 compared to the first half of 2006 and 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 third quarter.

Effects of currency exchange rate differences totaling SEK 2 M (–6) were charged to operating income in the third quarter.

Income after financial items was SEK 44 M (58). Net financial items included SEK –1 M (o) 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 was SEK 35 M (47). Earnings per share totaled SEK 1.33 (1.78).

First nine months of 2006

Sales and earnings

Consolidated sales totaled SEK 2,099 M (1,643) in the first nine months of 2006. Consolidated operating income in the first nine months increased to SEK 159 M (151).

The operating margin was 7.6 percent compared to 9.2 percent for the same period in 2005.

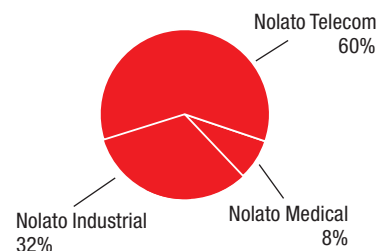
Income after financial items increased 6 percent to SEK 150 M (141). Net financial items included SEK –4 M (–1) in effects of currency exchange rate differences during the first nine months of the year, most of which was related to translation differences for loans in foreign currencies in operations outside Sweden.

During the second quarter, Nolato sold off a production property in Hungary which was no longer used in its operations. The sale entailed a positive effect on consolidated earnings of SEK 10 M. During the second quarter, a writedown was taken on one of Nolato Telecom's production facilities in Kristianstad, Sweden, as a result of the cut in operations there. The writedown totaled SEK 10 M and had a negative effect on earnings. The net result of these one-time transactions was thus marginal.

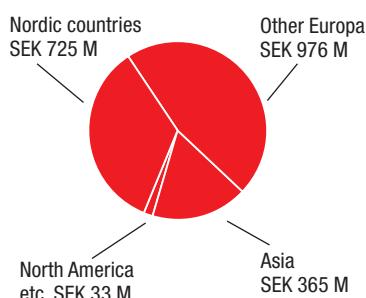
Net income increased to SEK 123 M (110).

Earnings per share increased to SEK 4.68 (4.18). The effective tax rate fell to

Sales by profit center



Sales by geographic region



18 percent (22) as a result of a lower tax rate in the Chinese operations.

The return on capital employed increased to 21.5 percent for the most recent twelve-month period (21.0 percent for the calendar year 2005). The return on operating capital fell to 25.2 percent for the most recent twelve-month period (25.5 for the calendar year 2005).

Nolato Telecom

Sales and income		
9 months	2006	2005
Sales (SEK M)	1,281	842
Operating income (SEK M)	106	88
Operating margin (%)	8.3	10.5

Sales increased 52 percent to SEK 1,281 M (842), thus accounting for 60 percent (51) of total Group sales.

The market growth for mobile phones remained good during the period. Nolato Telecom's value per delivered unit increased relative to 2005, which had a positive impact on sales. The higher value is a result of more vertical integration and more assembled 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.

On page 2 above, under the heading "BenQ," Nolato has reported on the circumstances affecting Nolato Telecom as a result of BenQ applying for bankruptcy protection for its German operations.

Major customer projects were started up during the nine-month period.

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, was completed, and the unit started small-scale production during the second quarter.

Operating income increased to SEK 106 M (88). The operating margin was 8.3 percent (10.5). 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. Pressure on prices remained strong.

Nolato Medical

Sales and income		
9 months	2006	2005
Sales (SEK M)	161	130
Operating income (SEK M)	24	31
Operating margin (%)	14.9	23.8

Sales increased 24 percent to SEK 161 M (130), 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 and has now achieved its planned level. 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 24 M (31). The operating margin was 14.9 percent (23.8).

During the second and third 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 have gradually decreased in the second half of 2006, and will reach a more normal level at the end of the year.

Nolato signed an agreement on October 23 to acquire the company Medical Rubber, which is one of Europe's leading manufacturers of precision components in silicone rubber and thermoplastic elastomers for medical devices. The acquisition enhances Nolato Medical's position as a leading manufacturer of polymer systems components in medical devices and is fully in line with Nolato's expansion strategies for the business area. Medical

Rubber's expertise and customer base complement Nolato's current resources extremely well and create even more breadth in Nolato's customer offerings, which generates synergies in the business area.

The takeover takes effect on November 1, 2006. Medical Rubber is expected to have sales of roughly SEK 100 M in 2006, with an EBITDA margin of about 18 percent, and the acquisition is expected to have a positive impact on Nolato's per share earnings as soon as the takeover is complete. The purchase price is SEK 160 M (on a debt free basis). The company has some one hundred employees in Hörby, Sweden. Customers are located throughout the world, and roughly 50 percent of the company's production is exported.

Nolato Industrial

Sales and income		
9 months	2006	2005
Sales (SEK M)	674	678
Operating income (SEK M)	56	54
Operating margin (%)	8.3	8.0

Sales totaled SEK 674 M (678), thus accounting for 32 percent (41) of the Group's total sales. Volumes were generally stable during the first nine months 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 56 M (54). The operating margin increased to 8.3 percent (8.0). The streamlining in both Swedish and Hungarian operations had a positive effect on the operating margin while the pressure on prices had a negative impact.

Personnel

The average number of employees in the Nolato Group for the period was

4,794 (2,766). The number of employees increased mainly in Asia but also in Estonia.

Investments

Total gross investments in fixed assets for the period were SEK 103 M (100).

Financial position

Cash flow before investments totaled SEK 196 M (196). Cash flow after investment activities totaled SEK 96 M (96), excluding acquisitions. During the third quarter, SEK 15 M was paid for the purchase of assets relating to the takeover of insulin pen production for Novo Nordisk, which is included in the net investments affecting cash flow. Including the purchase of assets, cash flow after investment activities was SEK 81 M (96). Net investments affecting cash flow totaled SEK 115 M (100). A production property in Hungary was sold during the second quarter, which entailed a payment to Nolato of SEK 14 M.

Interest-bearing assets totaled SEK 189M (109), and interest-bearing liabilities and provisions totaled SEK 259 M (237). The market value of derivatives related to interest-bearing liabilities had a further effect of SEK +7 M. Net liabilities thus totaled SEK 63 M (128). Shareholders' equity was SEK 868 M (752). The equity/assets ratio was 49 percent (48).

Future prospects

Nolato reaffirms its forecast for 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.

BenQ accounted for 18 percent of Group sales in the third quarter. Nolato now believes that deliveries to BenQ's German subsidiary will be marginal, while deliveries to other BenQ units are considered uncertain.

As a result of BenQ's feared insolvency in its German operations, it is estimated that non-recurring costs on

the scale of SEK 100 – 125 M, or SEK 3,55 – 4,30 per share after tax deductions, will be charged to earnings in the fourth quarter.

The Parent Company

Sales totaled SEK 22 M (20). Income before tax totaled SEK 29 M (18).

No significant investments were made during the period.

Accounting and valuation principles

The consolidated accounts for the Nolato Group are prepared according to International Financial Reporting Standards (IFRS), which are described in the 2005 Annual Report on pages 51-54.

The interim report has been prepared according to IAS 34, "Interim Financial Reporting," and with 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 statements or balance sheets.

Further details regarding the acquisition of Medical Rubber AB, for which an acquisition agreement was signed on October 23 with takeover effective November 1, will be reported in the year-end report. At that time, the takeover will have been completed and the takeover balance sheet adopted. Accordingly, a presentation of the fair values of the acquired assets and liabilities will also be provided then.

Information about the Nomination Committee

At Nolato's Annual Shareholders' Meeting on April 27, 2006, it was decided that the company should have

a Nomination Committee consisting of one representative for each of the five shareholders that have the largest number of votes at the end of September. After discussions with the five largest shareholders, the following people have accepted membership in Nolato's Nomination Committee prior to the 2007 Annual Shareholders' Meeting:

- Henrik Jorlén, chairman, representing the Jorlén family
 - Gun Boström, representing the Boström family
 - Erik Paulsson representing the Paulsson family
 - Erik Sjöström, representing Livförsäkringsaktiebolaget Skandia
- The Annual Shareholders' Meeting will be held on April 25, 2007. Shareholders who wish to forward suggestions to the Nomination Committee can contact one of the representatives on the Nomination Committee by e-mail:
- henrik.jorlen@bjarenet.com
 - gunbostrom@gmail.com
 - erik.paulsson@fabage.se
 - erik.sjostrom@skandia.se

Financial information schedule

- Year-end report 2006:
January 31, 2007
- Interim report for Q1 2007:
April 25, 2007
- 2007 Annual Shareholders' Meeting:
April 25, 2007
- Interim report for Q2 2007:
July 19, 2007
- Interim report for Q3 2007:
October 24, 2007

Torekov, Sweden, October 25, 2006

Nolato AB (publ)

Georg Brunstam, President and CEO

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

For further information, please contact:

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Per-Ola Holmström, CFO, tel +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 26 at 8 a.m. Those wishing to take part must apply in advance, no later than 4 p.m. on October 25. Applications can be submitted by e-mail to elisabeth.larsson@nolato.se or by telephone at +46 431 442290.

Income statements

SEK M	Q3 2006	Q3 2005	Q1–Q3 2006	Q1–Q3 2005	Q4 2005 – Q3 2006	Full year 2005
Net sales	638	535	2,099	1,643	2,712	2,256
Cost of goods sold	– 546	– 432	– 1,809 ¹⁾	– 1,355	– 2,305 ¹⁾	– 1,851
Gross income	92	103	290	288	407	405
Selling expenses	– 12	– 12	– 39	– 35	– 50	– 46
Administrative expenses	– 34	– 30	– 100	– 99	– 136	– 135
Other operating income	—	—	10 ²⁾	—	10 ²⁾	—
Other operating expenses	—	– 1	– 2	– 3	– 2	– 3
Operating income	46	60	159	151	229	221
Financial items	– 2	– 2	– 9	– 10	– 12	– 13
Income after financial items	44	58	150	141	217	208
Tax	– 9	– 11	– 27	– 31	– 23	– 27
Net income	35	47	123	110	194	181
Depreciation/amortization included	35	34	112	102	145	135
Earnings per share after full tax (SEK)	1.33	1.78	4.68	4.18	7.38	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	Sep 30, 2006	Sep 30, 2005	Dec 31, 2005
Non-current tangible assets	694	677	724
Non-current intangible assets	48	51	51
Financial fixed assets	4	—	4
Total non-current assets	746	728	779
Inventories	247	226	183
Accounts receivables	504	441	473
Other current assets	81	79	70
Cash, bank balances, and short-term investments	189	109	163
Total current assets	1,021	855	889
Total assets	1,767	1,583	1,668
Shareholders' equity	868	752	832
Interest-bearing provisions	61	58	59
Non-interest-bearing provisions	92	98	88
Interest-bearing liabilities	198	179	183
Non-interest-bearing liabilities	548	496	506
Total shareholders' equity and liabilities	1,767	1,583	1,668

Quarterly data

Consolidated financial results in brief

		Q1	Q2	Q3	Q4	Full year
Net sales (SEK M)	2006	594	867	638		
	2005	543	565	535	613	2 256
Operating income (SEK M)	2006	51	62	46		
	2005	40	51	60	70	221
Income after financial items (SEK M)	2006	47	59	44		
	2005	36	47	58	67	208
Net income (SEK M)	2006	37	51	35		
	2005	27	36	47	71	181
Cash flow after investments (SEK M)	2006	48	54	- 21		
	2005	54	33	9	62	158
Earnings per share (SEK)	2006	1.41	1.94	1.33		
	2005	1.05	1.35	1.78	2.70	6.88
Average number of shares (000)	2006	26,307	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	390		
	2005	275	276	291	330	1,172
Nolato Medical	2006	55	58	48		
	2005	39	49	42	54	184
Nolato Industrial	2006	235	235	204		
	2005	231	244	203	233	911
Intra-Group adjustments, Parent Company	2006	- 7	- 6	- 4		
	2005	- 2	- 4	- 1	- 4	- 11
Group total	2006	594	867	638		
	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	33		
	<i>Operating margin</i>	9.0%	7.8%	8.5%		
	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	7		
	<i>Operating margin</i>	18.2%	12.1%	14.6%		
	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	18		
	<i>Operating margin</i>	8.5%	7.7%	8.8%		
	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	- 12		
	2005	- 7	- 8	- 7	- 7	- 29
Group total	2006	51	62	46		
	<i>Operating margin</i>	8.6%	7.2%	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

	Q3 2006	Q3 2005	Q1–Q3 2006	Q1–Q3 2005	Q4 2005 – Q3 2006	Full year 2005
Sales growth (%)	19	– 1	28	– 6	18	– 6
Percentage of sales outside Sweden (%)	73	64	72	61	70	61
Operating income (SEK M)	46	60	159	151	229	221
Income after financial items (SEK M)	44	58	150	141	217	208
Operating margin (%)	7.2	11.2	7.6	9.2	8.4	9.8
Profit margin (%)	6.9	10.8	7.1	8.6	8.0	9.2
Return on total capital (%)	—	—	—	—	13.6	13.5
Return on capital employed (%)	—	—	—	—	21.5	21.0
Return on operating capital (%)	—	—	—	—	25.2	25.5
Return on shareholders' equity (%)	—	—	—	—	24.0	24.2
Equity/assets ratio (%)	—	—	49	48	—	50
Debt/equity ratio (%)	—	—	30	32	—	29
Interest coverage ratio	18	20	21	14	22	16
Investments affecting cash flow (SEK M)	47	33	129	100	178	149
Cash flow after investments (SEK M)	– 21	9	81	96	143	158
Earnings per share after full tax (SEK)	1.33	1.78	4.68	4.18	7.38	6.88
Cash flow per share (SEK)	– 0.80	0.35	3.08	3.65	5.44	6.01
Shareholders' equity per share after full tax (SEK)	—	—	33	29	—	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	—	—	4,794	2,766	—	2,790

■ Cash flow

SEK M	Q3 2006	Q3 2005	Q1–Q3 2006	Q1–Q3 2005	Q4 2005 – Q3 2006	Full year 2005
Cash flow from operations	78	108	231	280	324	373
Changes in working capital	– 52	– 66	– 35	– 84	– 17	– 66
Investment activities	– 47	– 33	– 115	– 100	– 164	– 149
Cash flow before financing activities	– 21	9	81	96	143	158
Financing activities	3	– 35	– 55	– 201	– 63	– 209
Decrease/increase in liquid funds	– 18	– 26	26	– 105	80	– 51

■ Change in shareholders' equity

SEK M	Q1 – Q3 2006	Q1 – Q3 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	832	660	660
Dividend to shareholders	– 63	– 46	– 46
Translation differences	– 27	34	41
Change in revaluation reserve hedge accounting	3	– 6	– 4
Net income	123	110	181
Amount at end of period	868	752	832