

NEFAB

Year-end Report 2006

- Invoicing rose 27% to SEK 1,903 M (1,501). SEK 121 M of the invoicing increase was attributable to acquired companies.
 - Organic growth was 19%.
 - Profit after financial items increased 45% to SEK 169 M (117), which is the best profit in the Nefab history. Net profit amounted to SEK 127 M (87). Profit after financial items was charged with SEK 6 M for the impairment of Group surplus value; preceding year charged with SEK 18 M for restructuring production in Europe.
 - Earnings per share amounted to SEK 4.61 (3.15).
 - Decision to establish production in India.
 - Decision to increase capacity in China.
 - Ordinary dividend of SEK 1.20 per share (1.00) is proposed. In addition, an extraordinary dividend of SEK 1.20 per share is proposed. The combined dividend amounts to SEK 2.40 per share, totalling SEK 66.3 M.
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Fourth quarter of 2006

Invoiced sales in the fourth quarter, which were the highest quarterly sales ever reported by Nefab, amounted to SEK 523 M (410), up 28% compared with the year-earlier period. SEK 24 M of the invoicing increase was attributable to acquired companies. Translation using exchange rates for 2005 would have resulted in invoicing that was SEK 20 M higher. Accordingly, the increase in invoicing for comparable units, excluding exchange-rate differences, was 27%. Orders received amounted to SEK 515 M (407), up 27%.

Profit after financial items during the fourth quarter amounted to SEK 47 M (30).

Cash flow after investing activities in the fourth quarter amounted to SEK 15 M (37). Due to the sharp growth in invoiced sales, working capital rose during the quarter by SEK 24 M. Investments during the quarter amounted to SEK 17 M and mainly pertained to the machine construction for the plant-building projects in India and China.

Full-year 2006

Invoiced sales during the year amounted to SEK 1,903 M (1,501), up 27% compared with the year-earlier period. Sales invoiced by acquired companies accounted for SEK 121 M of the increase in invoicing. Accordingly, the increase in invoicing for comparable units was 19%. Orders received amounted to SEK 1,927 M (1,493), an increase of 29%.

The global industrial climate is strong and demand for Nefab's products was favorable in all regions and market segments.

The development from being a product-oriented company to a supplier of complete packaging solutions continues. The share of trading products and services accounted for 37% of invoicing (31).

Nordic countries

Invoicing from companies in the Nordic region amounted to SEK 531 M (465) during the year, up 14%.

The operations of Scandinavian Procase, which was already a distributor and developer of Nefab's products for long-term handling, were acquired during the year. The operations have annual sales of approximately SEK 10 M, with three employees. The acquisition resulted in a surplus value of SEK 2 M, which was allocated to amortizable intangible assets. The operations have been integrated with those of Nefab PlyPak AB.

Operating profit in the segment Nordic countries amounted to SEK 52 M (40).

Europe (excluding Nordic countries)

Invoicing from companies in the rest of Europe during the year amounted to SEK 845 M (638), up 33%. Sales invoiced by acquired companies accounted for about SEK 99 M of the increase. Invoicing for comparable units, excluding exchange-rate differences, increased by 17%.

The packaging company Macfarlane Kft of Hungary was acquired at the beginning of the year. The company's invoiced sales amount to approximately SEK 50 M annually, with operations that employ 28 people. The company's profit before net financial items amounted to approximately SEK 10 M in 2005. The price of the shares totaled approximately SEK 36 M, which was paid in cash. The acquisition resulted in a surplus value of approximately SEK 20 M, which was

allocated to amortizable intangible assets.

In addition, shares in the packaging company Mediterranean Goods S.A. in Spain were acquired during the first quarter of the year. The company has annual sales of more than SEK 40 M and profit after net financial items amounted to approximately SEK 3 M in 2005. The price of the shares totaled approximately SEK 19 M, plus a supplemental purchase price based on performance during the following year. The acquisition was effected with a cash payment. The acquisition, including the estimated supplemental purchase price, resulted in a surplus value of approximately SEK 20 M, of which SEK 11 M was allocated to amortizable intangible assets and the remaining SEK 9 M was assigned to goodwill.

During the third quarter, Group surplus value for this acquisition was impaired by SEK 6 M (of which, goodwill: 4), mainly due to a deferral of the timing of its integration.

Operating profit in the Europe (excluding Nordic countries) segment amounted to SEK 70 M (46).

Asia and America

Invoicing from companies in Asia and North and South America during the year amounted to SEK 527 M (398), an increase of 32%.

Invoicing from companies in Asia showed a very positive trend, increasing by 47% to SEK 359 M (245). A substantial portion of growth was related to the telecom industry.

Due to the strong growth in China, it was decided to establish an additional production facility there. The plant will be located in the Beijing area in northern China and complements Nefab's three existing plants in central and southern China. The new establishment will be located in leased premises and will require an investment of about SEK 15 M in machinery. The investment will generate capacity corresponding to annual invoicing of about SEK 50 M within the Group at normal capacity utilization. In addition, a decision was made to expand Nefab's operations in southern China. Nefab currently conducts these operations in leased premises in Shenzhen. During 2007, larger premises in Dongguan will be utilized, which will enable a doubling of production capacity in southern China.

For the past few years, Nefab has been conducting operations in India, where there is a large and growing need for packaging solutions. The market is currently supplied through deliveries from the Group's plants in China. It has now been decided to establish a production facility in India. The plant is expected to begin production during the spring. The establishment represents a total investment of approximately SEK 20 M in machinery and will generate capacity corresponding to annual invoicing of about SEK 40 M within the Group at normal capacity utilization. The operations will be conducted in leased premises outside New Delhi in northern India.

Following the balance-sheet date, Nefab AB acquired a minority shareholding in the company in Singapore in which Nefab conducts operations. The acquisition pertained to the remaining 40% of the shares in the company and the purchase price was SEK 3 M. In addition, the seller is entitled to a minor supplemental purchase price. The acquisition resulted in Group surplus value of SEK 2 M, which will be allocated to amortizable intangible assets. The acquisition is expected to have a marginally favorable impact on the Group's earnings per share.

Invoicing in North and South America during the year amounted to SEK 169 M (153), up 10%.

Operating profit for the Asia and America segment amounted to SEK 55 M (31).

Telecom

Invoicing to customers in the telecom industry increased by 32% to SEK 744 M (565), corresponding to 39% (38) of consolidated sales.

Nefab supplies packaging solutions, primarily for cellphone infrastructure. The Group's key customers also include the leading suppliers of mobile telephones.

Automotive

Invoicing to customers in the automotive industry rose 26% to SEK 181 M (144), corresponding to 10% (10) of consolidated sales.

Industry

Invoicing to the industry segment amounted to SEK 979 M (792), up 24%. The industry segment thereby accounted for 52% (53) of Group invoicing.

Earnings

Consolidated operating profit after financial items during the year amounted to SEK 169 M (117). Profit during the year was affected by non-recurring impairment of surplus value in acquired companies in an amount of SEK 6 M, while profit for the preceding year was affected by the restructuring of production in Europe at a cost of SEK 18 M.

Earnings per share during the year amounted to SEK 4.61 (3.15). The return on shareholders' equity was 23.5% (18.5).

In recent years, Nefab has completed a number of acquisitions. The total surplus value, at December 31, amounted to

SEK 69 M, of which SEK 57 M related to amortizable intangible assets and SEK 12 M to goodwill. Annual amortization of surplus value currently amounts to nearly SEK 10 M. Companies acquired during the year are included in the Group's profit after financial items at a loss of approximately SEK 1.5 M and in net profit at a loss of SEK 1.6 M.

Currency effect

If translated at 2005 exchange rates, invoicing during the year would have been virtually the same as the amounts reported. The assessment is that changes in exchange rates did not affect the Group's operating profit to any significant extent. Net financial items for full-year 2006 were not affected by exchange-rate changes, while the year-earlier figure included exchange-rate gains of SEK 5 M.

Capacity and investments

Net investments by the Group during the year amounted to SEK 88 M (81). Company acquisitions with a value of SEK 40 M (26) are included. Investments during the preceding year included SEK 46 M for the establishment in Slovakia.

Financial position

The equity/assets ratio at December 31 was 52.3% (51.0). Shareholders' equity per share was SEK 21.12 (18.12). Group cash and cash equivalents on the closing date, including unutilized credit facilities, amounted to SEK 328 M (344).

Cash flow after investing activities during the year amounted to SEK 15 M, compared with a negative cash flow of SEK 7 M for the preceding year.

Parent Company

The operations of Nefab AB comprise Group management, financing and coordination of marketing, production and business development. Sales during the year amounted to SEK 83 M (74) and profit after net financial items to SEK 90 M (72).

Accounting principles

This report was prepared in accordance with IAS 34, Interim Financial Reporting. The same accounting and valuation principles as in the most recent annual report were used.

Proposed dividend

The Board of Directors proposes an ordinary dividend of SEK 1.20 per share (1.00) for the year. In addition, an extraordinary dividend of SEK 1.20 per share is proposed. The combined dividend amounts to SEK 2.40 per share, totalling SEK 66.3 M (27.6). The ordinary dividend of SEK 1.20 per share represents 26% of the Group's net profit. The Group's policy is that the dividend over a business cycle shall amount to at least 30% of net profit. Total distributable funds in the Parent Company amount to SEK 323 M and the equity/assets ratio in the Group is 52.3%. Cash and cash equivalents, including unutilized granted credit facilities, amounts to SEK 328 M, which means that after payment of the dividend the company has favorable payment capacity and investment ability.

Proposal for authorization of a new issue

The Board of Directors proposes that the Annual General Meeting resolves to authorize the Board to implement a private placement of new shares in conjunction with acquisitions in the time until the coming Annual General Meeting in 2008. The authorization will be limited to a maximum of 2.7 million shares, that is, less than 10% of the total shares outstanding in the company. Additional information will be provided in the notice convening the Annual General Meeting.

Annual General Meeting

The Annual General Meeting will be held at 4:30 p.m. on Thursday, May 24 in Alfta. Information regarding the registration procedure for the Meeting will be provided in the Annual Report, which will be distributed to shareholders in early April.

Future financial reports

Interim report, January-March 2007	April 26, 2007
Annual General Meeting	May 24, 2007
Interim report, January-June 2007	August 16, 2007
Interim report, January-September 2007	October 30, 2007

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Stockholm, February 14, 2007

Lars-Åke Rydh
President and CEO

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

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Profit and loss accounts (SEK M)

	0610-0612 3 months	0510-0512 3 months	0601-0612 12 months	0501-0512 12 months
Net sales	523	410	1 903	1 501
Cost of goods sold	<u>-382</u>	<u>-302</u>	<u>-1 377</u>	<u>-1 101</u>
Gross profit	141	108	526	400
Selling expenses	-56	-46	-214	-173
Administrative expenses	-36	-34	-136	-118
Other operating income/expenses	<u>-2</u>	<u>1</u>	<u>-1</u>	<u>5</u>
Operating profit	47	29	175	114
Net financial items	-	1	-6	3
Profit after net financial items	47	30	169	117
Taxes	<u>-10</u>	<u>-7</u>	<u>-41</u>	<u>-30</u>
Net profit	<u>37</u>	<u>23</u>	<u>128</u>	<u>87</u>
<i>Depreciation included above</i>	17	13	67	48
<i>Earnings per share, SEK *)</i>	1.32	0.82	4.61	3.15
<i>*) both before and after full dilution</i>				

Balance sheets (SEK M)

	061231	051231
Goodwill	12	7
Other intangible assets	62	40
Tangible assets	258	274
Financial assets	24	19
Inventories etc.	158	131
Current assets	489	364
Cash and cash equivalents	116	148
Equity	585	501
Long-term liabilities	130	150
Current liabilities	404	332
Balance sheet total	1 119	983
<i>Of which interest-bearing liabilities</i>	162	166

Cash-flow statements (SEK M)

	0610-0612	0510-0512	0601-0612	0501-0512
Operating profit	47	29	175	114
Depreciation, financial net and taxes	<u>7</u>	<u>6</u>	<u>20</u>	<u>21</u>
Cash flow from the year's operations before changes in working capital	54	35	195	135
Changes in working capital	-22	16	-92	-61
Net investments in fixed assets	<u>-17</u>	<u>-14</u>	<u>-88</u>	<u>-81</u>
Cash flow after investments	15	37	15	-7
Dividend	-	-	-28	-50
Financing	<u>-17</u>	<u>34</u>	<u>-19</u>	<u>54</u>
Changes in liquid funds	-2	71	-32	-3

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Key ratios

	0610-0612	0510-0512	0601-0612	0501-0512
Gross margin, %	27.0	26.4	27.7	26.7
Operating margin, %	8.9	7.0	9.2	7.6
Net margin, %	8.9	7.4	8.9	7.8
Return on equity, %	25.6	18.5	23.5	18.5
Return on total capital, %	17.1	13.7	17.0	13.5
Return on capital employed, %	26.0	20.3	25.3	20.3
Equity/assets ratio, %	52.3	51.0	52.3	51.0
Employees, yearly average	2 092	1 610	1 822	1 500
Net investments, SEK M	17	14	88	81

Key ratios per share

Earnings per share, SEK <i>(both before and after full dilution)</i>	1.32	0.82	4.61	3.15
Equity per share on closing day, SEK			21.12	18.12
Number of shares at the end of the Period, in thousands			27 629	27 629
Share price on closing day, SEK			81.75	55.75

Operating segments (SEK M)

	0610-0612	0510-0512	0601-0612	0501-0512
<u>Net sales</u>				
Nordic countries	140	122	531	465
Europe (excl. Nordic)	232	168	845	638
Asia and America	151	120	527	398
Total	523	410	1 903	1 501
<u>Operating profit</u>				
Nordic countries	14	9	52	40
Europe (excl. Nordic)	15	11	70	46
Asia and America	20	11	55	31
Undistributed costs	-2	-2	-2	-3
Total	47	29	175	114

Changes in Shareholders' Equity (SEK M)

	0610-0612	0510-0512	0601-0612	0501-0512
At beginning of the period	555	475	501	444
Dividend	-	-	-28	-50
Translation differences	-7	1	-16	20
Net profit	37	25	128	87
At end of the period	585	501	585	501

For definitions, refer to the 2005 Annual Report.

Share-related key figures are restated taking into account the split carried out in June 2005.

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Quarterly data (SEK M)

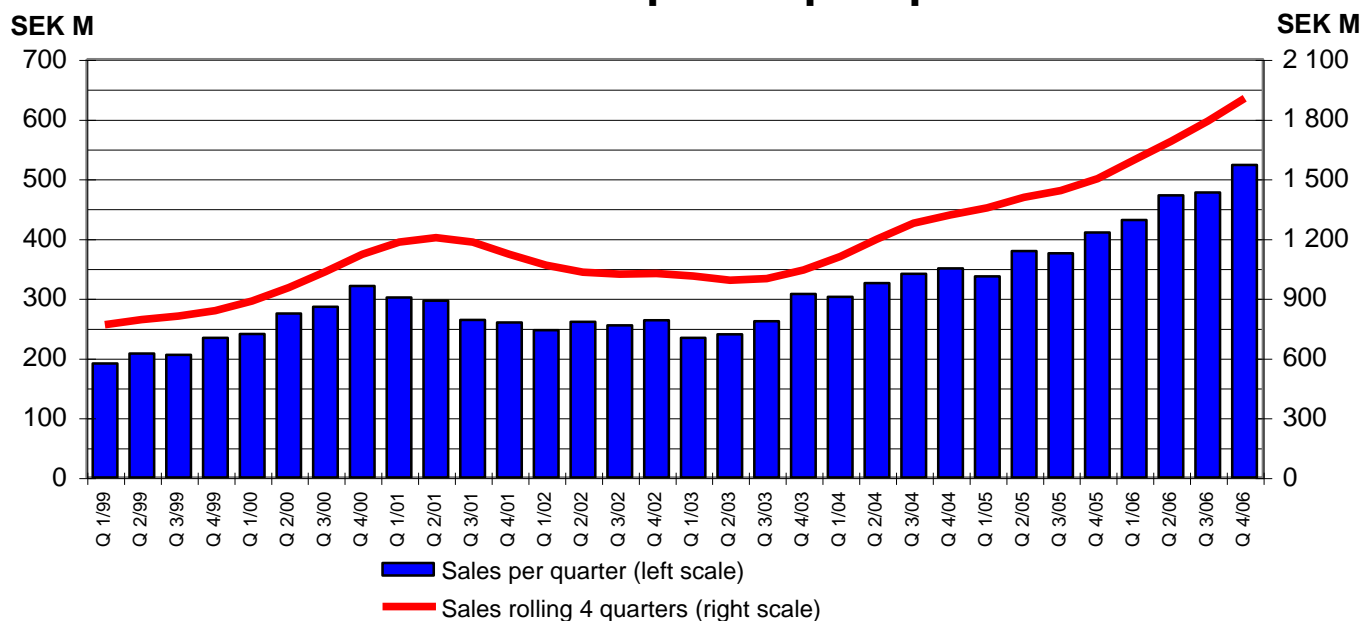
	Q1/04	Q2/04	Q3/04	Q4/04	Q1/05	Q2/05	Q3/05	Q4/05	Q1/06	Q2/06	Q3/06	Q4/06
Net sales	302	326	341	350	337	379	375	410	431	472	477	523
Cost of goods sold	-213	-232	-249	-261	-248	-281	-271	-302	-309	-344	-342	-382
Gross profit	89	94	92	89	89	98	104	108	122	128	135	141
Selling expenses	-37	-37	-36	-37	-38	-44	-44	-46	-51	-52	-55	-56
Administrative expenses	-24	-24	-21	-24	-28	-27	-28	-34	-34	-32	-33	-36
Other operating income/expenses	3	-	-	-1	1	1	2	1	-	-	1	-2
Operating profit	31	33	35	27	24	28	34	29	37	44	48	47
Net financial items	-1	-2	-	-1	-	2	-1	1	-2	-4	-1	-
Profit after net financial items	30	31	35	26	24	30	33	30	35	40	47	47
Taxes	-8	-8	-10	-5	-6	-8	-8	-7	-8	-10	-13	-10
Net profit	22	23	25	21	18	22	25	23	27	30	34	37
Fixed assets	272	278	271	276	292	333	328	341	377	366	356	356
Current assets	504	533	553	560	549	531	562	642	665	677	752	763
Equity	405	406	429	444	467	450	475	501	525	518	555	585
Long-term liabilities	104	112	112	89	89	93	90	150	157	154	142	130
Current liabilities	267	293	283	303	285	321	325	332	360	371	411	404
Balance sheet total	776	811	824	836	841	864	890	983	1 042	1 043	1 108	1 119
Gross margin, % *)	29.5	28.8	27.2	25.5	26.5	26.0	27.9	26.4	28.3	27.1	28.4	27.0
Operating margin, %	10.3	10.0	10.4	7.8	7.1	7.3	9.0	7.0	8.6	9.3	10.1	8.9
Net margin, %	10.1	9.4	10.2	7.6	7.1	7.9	8.7	7.4	8.1	8.5	9.8	8.9
Return on equity, %	22.9	22.4	23.7	19.4	15.9	19.0	21.3	18.5	20.8	23.0	25.6	25.6
Return on total capital, %	16.5	16.8	17.7	13.5	11.7	13.2	15.7	13.7	15.0	17.0	18.0	17.1
Return on capital employed, %	23.8	25.4	27.3	20.9	17.8	19.9	23.8	20.3	22.1	25.5	27.5	26.0
Equity/assets ratio, %	52.2	50.1	52.1	53.1	55.6	52.1	53.5	51.0	50.4	49.8	50.1	52.3
Earnings per share, SEK	0.81	0.82	0.90	0.76	0.66	0.79	0.89	0.82	0.96	1.09	1.24	1.32
Equity per share, SEK	14.65	14.69	15.53	16.05	16.90	16.29	17.20	18.12	18.99	18.77	20.09	21.12
Share price on closing day, SEK	35.38	39.5	39.75	44.63	48.00	47.70	47.20	55.75	61.00	62.00	64.25	81.75

For definitions, refer to the 2005 Annual Report.

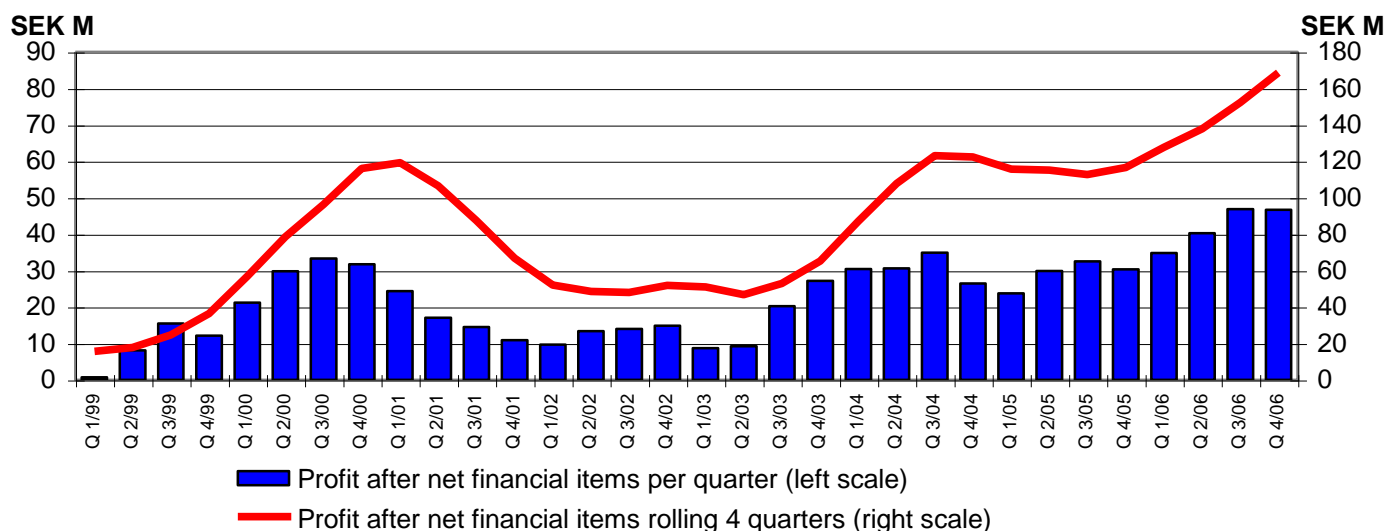
*) Gross margin = Gross profit divided by Net sales.

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Sales development per quarter



Earnings trend per quarter



Quarters to Q4/03 are reported in accordance with the Swedish Financial Accounting Standards Council's recommendations. Other quarters are reported in accordance with IFRS.

Facts about Nefab

Nefab delivers complete packaging solutions to international industrial groups, primarily within the telecom and automotive industries. Nefab companies are located in Europe, North and South America and Asia. Invoiced sales in 2006 amounted to SEK 1.9 billion. The Nefab share is listed on the Nordic Exchange.

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