Nolato AB (publ) Annual Report 2006

Nolato

Experience and Innovation

Nolato Annual Report 2006

Definitions

Adjusted earnings per share
Net income, excluding non-recurring items and amortization on intangible assets arising from acquisitions, divided by average number of shares.

Debt/equity ratio
Interest-bearing liabilities and provisions divided by shareholders' equity.

Earnings per share
Net income, divided by average number of shares.

EBITA
Earnings before interest, taxes and amortization on intangible assets arising from acquisitions, exkluding non-recurring items.

EBITA margin
Operating income as a percentage of sales.

EBITDA
Earnings before interest, taxes, depreciation/amortization and non-recurring items.

Equity/assets ratio
Shareholders' equity as a percentage of total assets in the balance sheet.

Interest coverage ratio
Income after financial items plus financial expenses divided by financial expenses.

Liquidity
Total current assets divided by total current liabilities.

Percentage of risk-bearing capital
Shareholders' equity, plus deferred tax liabilities, as a percentage of total assets in the balance sheet.

Return on capital employed
Income after financial items plus financial expenses as a percentage of average capital employed. Capital employed consists of total assets less non-interest-bearing liabilities and provisions.

Return on operating capital
Operating income as a percentage of average operating capital. Operating capital consists of total assets less non-interest-bearing liabilities and provisions, less interest-bearing assets.

Return on shareholders' equity
Net income as a percentage of average shareholders' equity.

Return on total assets
Income after financial items plus financial expenses as a percentage of average total assets in the balance sheet.

Front page: Ronny Magnusson, Medical Rubber, Hörby, Sweden and ChunHong Cui, Nolato Beijing, China.

This document is, in all essential respects, a translation from Swedish. In the event of any difference between this translation and the Swedish original, the Swedish original shall govern.

2006 in brief

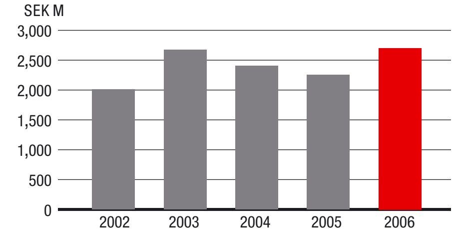
- Sales increased 20 percent to SEK 2,702 M (2,256)
- EBITA excluding non-recurring items was SEK 209 M (221)
- Earnings per share were SEK 1.82 (6.88)
- Cash flow after investments, excluding acquisitions, was SEK 142 M (158)
- The Board proposes an unchanged dividend of SEK 2.40 per share
- Start-up of new plant for Nolato Telecom in Malaysia
- Acquisition of Medical Rubber, one of Europe's leading producers of medical precision components in silicone rubber
- Non-recurring costs of SEK 130 M largely as a result of the mobile phone producer BenQ's expected bankruptcy
- Strong growth continues at Nolato Medical, 33 percent increase
- Positive performance for Nolato Industrial, with successful investments in automotive customers, automation and expansion of technology

Five-year review

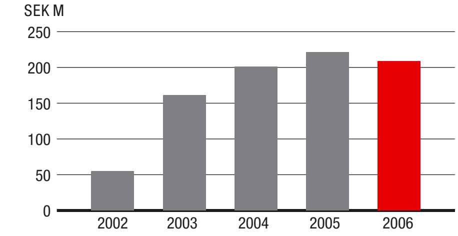
SEK M (unless otherwise specified)	**2006**	2005	2004	2003	2002
Net sales	**2,702**	2,256	2,401	2,671	2,011
EBITA excluding non-recurring items	**209**	221	201	161	55
EBITA margin excluding non-recurring items, %	**7.7**	9.8	8.4	6.0	2.7
Operating income including non-recurring items	**78**	221	201	57	42
Operating income excluding non-recurring items	**208**	221	201	150	42
Income after financial items	**69**	208	185	6	36
Net income	**48**	181	136	– 35	60
Cash flow after investments, excl. acquisitions and disposals	**142**	158	231	228	– 99
Return on capital employed, incl. non-recurring items, %	**7.4**	21.0	18.9	3.6	4.5
Return on capital employed, excl. non-recurring items, %	**19.4**	21.0	18.9	11.0	4.5
Return on shareholders' equity, %	**5.9**	24.2	22.1	9.7	3.5
Equity/assets ratio, %	**46**	50	41	31	33
Earnings per share, SEK	**1.82**	6.88	5.15	– 1.35	2.45
Adjusted earnings per share, SEK	**6.08**	6.31	5.15	2.62	1.23
Average number of shares, thousands	**26,307**	26,307	26,307	26,307	24,466
Average number of employees	**4,144**	2,790	2,700	2,353	1,992

Information for 2002–2003 is not restated following IFRS accounting principles.

Net sales

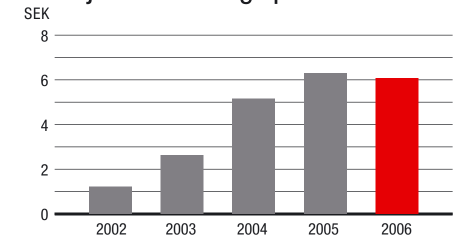


EBITA



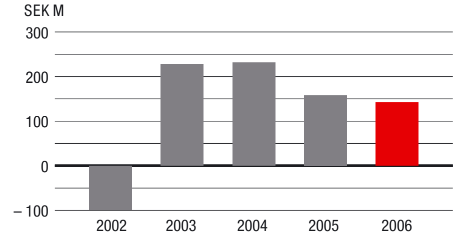
Excluding non-recurring items

Adjusted earnings per share



Excluding non-recurring items

Cash flow after investments



Excluding acquisitions and disposals

Experience and Innovation

Year of growth with a turbulent close

Dear shareholders,

2006 was an unusual year for Nolato. The first nine months were strong, with growth in the Group's sales and earnings. However, the fourth quarter was weak at Nolato Telecom because of bankruptcy proceedings for the mobile phone producer BenQ's German subsidiary.

The development at BenQ, which purchased Siemens' mobile phone operations in 2005, is obviously a major disappointment to us. Our collaboration with the German part of BenQ was exceptionally good, and as late as March 2006, Nolato was awarded BenQ's "Best Supplier Award" in competition with other major global suppliers to the mobile phone industry.

If we disregard the non-recurring charge for the expected bankruptcy, 2006 was a good year: Sales increased 20 percent compared to 2005 to SEK 2,702 M. EBITA excluding non-recurring items was SEK 209 M, which is only marginally lower than in 2005, which was the best year in Nolato's history to date.

Last year, I wrote that Nolato today is a stable and well-positioned global group with good opportunities for growth in every profit center. I will use this formulation once again. With our committed staff, high level of technology and broad expertise, we have attained a strong position as a systems provider and development partner to leading customers throughout the world.

Strong market positions

The Nolato Group has a decentralized organization, in which operations are carried out in 17 companies/operations, organized in three profit centers: Nolato Telecom, Nolato Medical and Nolato Industrial.

The three profit centers share in-depth technical expertise in polymers and similar technologies as well as a desire to be involved early on in the customer's development work. What distinguishes them are the different qualities and customer demands in their markets, which require specialization and focus in order to achieve success.

Nolato Telecom is one of the world's leading developers and producers of polymer systems products mainly for the mobile phone sector. Operations in Asia have grown sharply, and basically all manufacturing of mobile phone-related products in Europe has been transferred here.

Nolato Medical, which is a leading partner in polymer products and product systems for customers in medical technology and pharmaceuticals, continued its strong expansion. As a result of acquisitions, greater internationalization and major customer projects, sales increased a total of 33 percent last year.

Nolato Industrial is a strong market leader in the production of polymer products for the automotive industry and other selected industrial segments. Growth was stable during the year for the Swedish operations, with developments including a number of major orders from automotive customers. In the Hungarian operations, the strategic change in the customer base was a success.

Accelerated expansion at Nolato Medical

Nolato Medical continues to grow, expanding sharply in 2006 as well. The business area now consists of three companies, with four manufacturing units in Sweden and Hungary. The acquisition of Medical Rubber, which was completed in the fall, enhances Nolato Medical's position as a leading producer of polymer components and systems in medical technology and is fully in line with the Group's expansion plans in the medical field. In Hungary, a complete medical organization has been developed at Nolato Protec, clean room facilities have been built, and the start-up of new production has gone well.

We will continue our expansion in medical technology. I see substantial growth ahead, both organically and through more acquisitions, with Nolato Medical setting up production in China in the near future and in the US in the long term as well.

Continued expansion in Asia

Nolato Telecom has a large part of its operations today in Asia, where the majority of customers are located. Of the business area's almost 3,300 employees in 2006, the bulk worked in China and Malaysia.

This trend is based on our customers' shifting their mobile phone production to countries with lower costs, for instance, in Asia. As a contractor, we have had to follow our customers and make the same move. We have been aware of this development for a while and therefore have been quick to adapt to changing conditions.

So Nolato Lövepac, for instance, has along with its existing production in Beijing also set up production in Shenzhen in southern Kina, and in Kuala Lumpur, Malaysia.

Today Nolato Telecom has most of its mobile phone-related production in Asia.

Good opportunities for Nolato Telecom

2006 was a successful year for Nolato Telecom, apart from the non-recurring items for BenQ's expected bankruptcy. Operations in Beijing expanded considerably, and the number of employees there doubled in the first nine months of the year, to a peak of about 3,300.

When news of BenQ's insolvency was announced, production resources were quickly adjusted to the lower volumes, which meant that the number of employees at the Beijing factory was sharply reduced.

Intensive work is now under way to replace the lost volumes with new projects. The situation is promising because Nolato today is well equipped, with a high level of technology and development as well as production resources close to our customers. Because of the sharp expansion in our own injection mould production, our customer positions have advanced yet another step.

The set-up of the new factory in Malaysia went as planned, and the unit had small-scale production in the second half of the year. Nolato Telecom also began collaboration with the development units of several of its major customers.

Nolato Lövepac had a very successful year, reporting a sharp increase in sales and earnings. Nolato's global presence for our customers is supported by new production units in southern China, Malaysia and Hungary.

Strong corporate culture generates good business

In order to boost the supply of future leaders in the Group, in the fall of 2006 we started a "Young Managers Program," where participants get basic training in personal leadership, global awareness, organizational culture, Nolato's visions and the Group's future development.

I am convinced that our strong corporate culture, where employees feel they have the opportunity to develop and advance in the company, helps to generate good business.

All operations at Nolato are linked by a strong, shared foundation of values, which has developed from the down-to-earth, ethical and businesslike philosophy that has characterized the company ever since it was started in 1938. It is important for us to take social responsibility by always complying with laws and regulations, respecting the rights of individuals and acting in accordance with good business practices, regardless of where in the world we have our operations.

Nolato's Basic Principles and *Code of Conduct* are important guiding forces in conveying these basic values to all employees.

Technology and efficiency generate new business

All of Nolato's operations, regardless of the customer area they are focused on, are strongly technology-driven – just like our customers. On many points, it is our technology and efficiency that make the difference and thus generate business.

What attracts customers are Nolato's high level of technology, strong project management, ability to handle numerous internal components and specialist know-how, for instance, in casting metal components.

So we know that investments in the kind of technology that is demanded by customers are a basic requirement for Nolato.

Current examples of this include equipment for vacuum metallization in China (which makes it possible to coat the exterior of mobile phones with a thin layer of metal for a design effect), injection moulding machines with very high clamping force (1,700 tons at Nolato Protec for manufacturing large automotive components), substantially greater resources in two-component injection moulding, expansion of clean room facilities and more advanced automation (including six-axle robots that perform a number of assembly steps in conjunction with injection moulding).

Summing up 2006

Now, with another year behind us, the sixtieth in Nolato's history, it is important to sum up the year and reflect on the priorities we set in 2006:

"Creating growth, especially at Nolato Telecom" was our first priority, and we have had growth here of 33 percent.

"Continued expansion of Nolato Telecom's customer base" is still a priority. The loss in BenQ volumes requires additional efforts.

"Continued growth at Nolato Medical" is a priority that has yielded results: a 33 percent increase in sales through acquisitions, new business and expansion in Europe. In the fourth quarter, growth was a full 54 percent.

"Greater market share for Nolato Industrial" was also on the agenda, and during the year Nolato Industrial's market share increased, particularly in the automotive industry but also in other industrial sectors that were given priority, where substantial orders were taken from our competitors.

Priorities in 2007

As I have said before, Nolato is a strong Group, financially and in terms of competitiveness, which gives us good opportunities for growth in 2007. Our motto, "Experience and Innovation," is an apt description of our competences.

For Nolato, our top priority is obviously to fill the gap that the loss of BenQ entails, both by expanding our customer base and boosting sales to existing customers.

For Nolato Medical, it is a matter of continued growth, as well as continued internationalization of operations in the business area.

For Nolato Industrial, we will give priority to further increasing our market share.

Our strong balance sheet presents us with good opportunities to carry out acquisitions during the year, both in Nolato Medical and Nolato Industrial.

Gratitude for fine contribution

Finally, I would like to thank every employee at Nolato for your contribution in 2006. It is because of you that Nolato has performed so well.

Torekov, March, 2007

Georg Brunstam
President and CEO

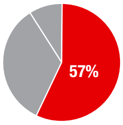
Georg Brunstam, President and CEO

The Nolato Group

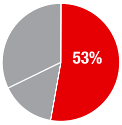
Three profit centers

Nolato Telecom

Sales: SEK 1,558 M (1,172)
EBITA: SEK 124 M (137)
EBITA margin: 8.0% (11.7)
Op. inc. excl. non-rec. items: SEK 124 M (137)
Op. inc. incl. non-rec. items: SEK – 1 M (137)
No. of employees Dec 31: 2,442 (2,311)



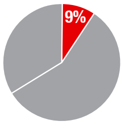
Share of Group net sales



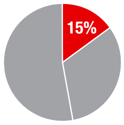
Share of Group EBITA

Nolato Medical

Sales: SEK 244 M (184)
EBITA: SEK 36 M (42)
EBITA margin: 14.8% (22.8)
Operating income: SEK 35 M (42)
No. of employees Dec 31: 272 (143)



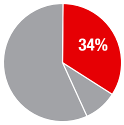
Share of Group net sales



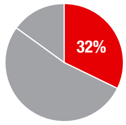
Share of Group EBITA

Nolato Industrial

Sales: SEK 924 M (911)
EBITA: SEK 74 M (71)
EBITA margin: 8.0% (7.8)
Operating income: SEK 74 M (71)
No. of employees Dec 31: 652 (687)



Share of Group net sales



Share of Group EBITA

Four business areas

Bai Na and Wang Xiaoping, Nolato Beijing

Nolato Telecom

A world-leading, global developer and manufacturer of polymer systems products for mobile phones and telecom infrastructure.

Sales, development and production:
- Nolato Alpha, Kristianstad, Sweden
- Nolato Beijing, China
- Nolato Kuala Lumpur, Malaysia
- Nolato Tallinn, Estonia
- Nolato Lövepac, Sk. Fagerhult, Sweden
- Nolato Lövepac, Mosonmagyaróvár, Hungary
- Nolato Lövepac, Beijing, China
- Nolato Lövepac, Shenzhen, China
- Nolato Lövepac, Kuala Lumpur, Malaysia
- Nolato Silikonteknik, Hallsberg, Sweden
- Nolato Sllikonteknik,Tallinn, Estonia
- Nolato Silikonteknik, Beijing, China

Technology and sales office:
- Nolato Japan, Tokyo, Japan

Examples of customers: Elcoteq, Ericsson, Flextronics, Foxconn, GN Netcom, Nokia and Sony Ericsson.

Elin Olsson, Medical Rubber

Nolato Medical

Leading development and production partner in medical technology in Scandinavia and elsewhere in Europe.

Sales, development and production:
- Nolato Medevo, Torekov, Sweden
- Nolato Medevo, Lomma, Sweden
- Nolato Protec, Mosonmagyaróvár, Hungary
- Medical Rubber, Hörby, Sweden

Examples of customers: Astra Tech, AstraZeneca, Boston Scientific, Biomet Merck, Coloplast, Gambro, Hemocue, Maquet Critical Care, Novo Nordisk, Pfizer, Phadia, Radi Medical Systems and St. Jude Medical.

Jim Johansson, Nolato Polymer

Nolato Industrial Sweden

Market leader in Scandinavia in the development and injection moulding of polymer products to customers in the automotive industry, household appliances, gardening/forestry products, the furniture industry and other general industrial sectors.

Sales, development and production:
- Nolato Gota, Götene, Sweden
- Nolato Plastteknik, Göteborg, Sweden
- Nolato Polymer, Torekov, Sweden
- Nolato Polymer, Ängelholm, Sweden
- Nolato STG, Lönsboda, Sweden
- Nolato Sunne, Sunne, Sweden

Examples of customers: Electrolux, Flextronics, Haldex, Husqvarna, IAC, Ifö, Ikea, Lear, Lindab, MCT Brattberg, Opel, Plastal, Saab Automobile, Sapa, Scania, TI Automotive, Volvo Car, Volvo Truck and Whirlpool.

Balázs Döbör, Nolato Protec

Nolato Industrial Central Europe

Development and production of polymer products for customers in the automotive and general industrial sectors.

Sales, development and production:
- Nolato Protec, Mosonmagyaróvár, Hungary

Examples of customers: Elring Klinger, Lear Corporation, Nilfisk, Philips and Woco.

History

Nolato was founded in 1938 as Nordiska Latexfabriken i Torekov AB, using the trademark "Nolato," which has been the name of the Company since 1982. Today's global group has developed through organic growth and acquisitions. The corporate office is still in Torekov, Sweden, but a large share of operations are abroad.

The share

Nolato was listed on the stock market in 1984, and Nolato's Class B share is traded today on the OMX Nordic Exchange in the Mid Cap segment, where the share is included in the information technology sector.

The company

Nolato is a high-tech contractor that develops and manufactures components and product systems in plastic, rubber, silicone and thermoplastic elastomers for leading customers in telecommunications, the automotive industry, household appliances, medical technology, hygiene and other selected industrial segments.

Nolato in the world

Nolato has wholly-owned companies with sales, development and production in Sweden, Estonia, China, Malaysia and Hungary as well as a sales and technology office in Japan.

Employees

The average number of employees in 2006 was 4,144. Of these, roughly 60 percent work in Asia.

Operations

Operations are based on in-depth expertise in polymers. The foundation of Nolato's work is close collaboration with its customers. By participating in their projects at an early stage, Nolato can help them develop their products and offer high-quality manufacturing and post-processing of components and complete systems.

Basic Principles

Important basic principles in Nolato's operations are expertise and being businesslike, long-term customer relationships, decentralization, being well-organized and safeguarding the environment.

Rathakrishnan a/l Subramaniam, Nolato Kuala Lumpur, Malaysia.

Nolato's mission

Vision

Nolato shall be a leading, global, high-tech partner in the field of polymer materials for selected customers.

The Nolato Group shall:

- Offer components, product systems and services that give the customer competitive advantages
- Provide its employees with a stimulating environment
- Offer its shareholders good growth in value

Business mission

The Nolato Group is a high-tech developer and manufacturer of polymer components and product systems for leading customers in telecommunications, the automotive industry, household goods, medical technology, hygiene and other selected industrial segments.

Our way of doing business is guided by:

- Expertise and being businesslike
- Long-term customer relationships
- Decentralization
- Being well organized
- Safeguarding the environment

Growth objective

The Nolato Group's objective is to achieve growth in the customer segments where it operates that is at least on par with the overall growth in each respective market segment.

Financial objectives

On average over a business cycle, Nolato's targets are to achieve:

- An EBITA margin in excess of 7 percent
- Return on capital employed in excess of 15 percent
- An equity/assets ratio in excess of 35 percent
- A dividend of at least 35 percent of net income

Claes Fredriksson and Johan Hansson, Nolato Plastteknik, Göteborg, Sweden, examine a side valance for the Volvo S80, which is manufactured on behalf of Lear.

Overall strategies

Customer focus

- Work more closely and expand business with existing customers
- Analyze and improve knowledge about the needs of end customers
- Broaden the customer base through intensified marketing to potential customers

Systems deliveries

- Cover the entire value-added chain from development to assembly and logistics
- Increase value-added
- Expand the customer relationship from supplier to technology partner

Efficency

- Offer flexible, cost-effective manual production as well as highly automated production
- Focus on productivity improvements, quality improvement measures and cost control
- Streamline and coordinate purchasing and logistics functions

Expansion within the current structure

- Further develop the four business areas
- Make supplementary acquisitions in Nolato Industrial and Nolato Medical
- Continue the expansion of production in low-cost countries.

Common foundation

Operations at Nolato are based on a common foundation:

- In-depth expertise in polymers
- Similar technologies in both production and manufacture
- The down-to-earth, ethical and business-like approach, which is formulated in the Nolato philosophy – *Our Basic Principles* and *Code of Conduct* (read more on pages 12 – 13).

Achievement of objectives

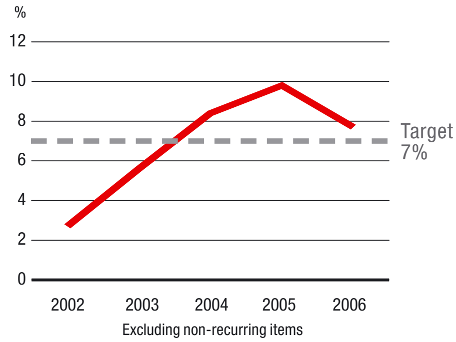
Since 2004, Nolato has disclosed its financial objectives, which have remained unchanged, to the stock market. Nolato's Board of Directors has decided to keep to its current financial objectives again for 2007. These objectives are described on the preceding page. The objectives should be seen as targets on average over a business cycle.

Achievement of these objectives over the last five years is shown in the diagrams to the right.

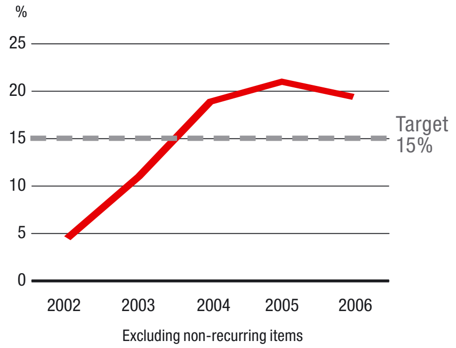
Nolato has exceeded its financial objectives for the last three years. For 2006, however, this is the case excluding the non-recurring costs that hit the Group as a result of the mobile phone producer BenQ's expected bankruptcy. The EBITA marginal then was 7.7 percent (target 7 percent), return on capital employed was 19.4 percent (target 15 percent) and the equity/assets ratio at the end of the year was 46 percent (35 percent).

All profit centers had EBITA margins above the Group's objectives, which is the primary reason why the Group could exceed its objectives in 2006, excluding non-recurring costs.

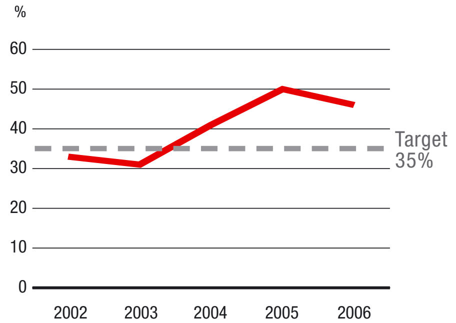
EBITA margin



Return on capital employed

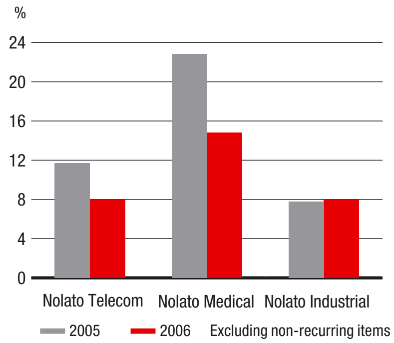


Equity/assets ratio



EBITA margin 2006

By profit center



In all diagrams, information for 2002–2003 is not restated following IFRS accounting principles.

Share data and shareholders

The Nolato Share

Nolato AB was registered on the Stockholm Stock Exchange in 1984. Today the Class B share is quoted on the OMX Nordic Exchange in the Mid Cap segment.

Share capital

The share capital of Nolato AB totals SEK 132 M and consists of 26,307,408 shares.

Of these, 2,759,400 are Class A shares and 23,548,008 Class B shares.

Class A shares entitle the holder to ten votes each, while Class B shares entitle the holder to one. All shares have equal rights to the assets and earnings of the Company.

Share price performance

Nolato's Class B shares decreased 10 percent during the year and were quoted at SEK 71.00 (79.00) at the end of 2006.

The highest and lowest market prices during the year were SEK 95.50 (April 24) and SEK 64.50 (November 13). The total market capitalization of Nolato AB on December 31, 2006, was SEK 1,868 M.

In 2006, 12.9 million (17.3) Nolato shares were traded on the OMX Nordic Exchange. The turnover rate, i.e. the degree of liquidity, was 55 percent (74).

Ownership structure

On December 31, 2006, Nolato AB had 7,254 shareholders (8,376).

The portion of shares held by Swedish institutions and funds was 30 percent of capital (30). The portion held by foreign shareholders was 14 percent of capital (10).

The ten largest groups of owners accounted for 56 percent (57) of the share capital and 78 (78) of votes.

Dividend policy

The Board's dividend proposal shall take into consideration Nolato's long-term development potential, financial position and investment needs.

The Board's long-term dividend policy means that the Board intends to propose a dividend that on average corresponds to at least 35 percent of net income. For the finan-

Share price performance 2002 – 2006

Share price performance 2006

Per share data

Information for 2002–2003 is not restated following IFRS accounting principles.

	2006	2005	2004	2003	2002
Earnings per share after tax, SEK * 1	**1.82**	6.88	5.15	–1.35	2.45
Adjusted earnings per share, SEK * 2	**6.08**	6.31	5.15	2.62	1.23
Shareholders' equity per share, SEK * 3	**30**	32	25	22	24
Cash flow per share, SEK *	**– 0.42**	6.01	8.80	8.65	– 1.50
Market price on December 31, SEK *	**71**	79	58	49	30
Price/earnings ratio, times * 4	**39**	11	11	neg	12
Turnover rate	**55**	74	91	39	32
Dividend (for 2006: proposed), SEK	**2.40**	2.40	1.75	0.80	0.50
Yield (2006 proposal), % 5	**3.4**	3.0	3.0	1.6	1.7
Dividend as a percentage of earnings per share (2006: proposed)	**132**	35	34	—	20
Average number of shares, thousands *	**26,307**	26,307	26,307	26,307	24,466
Price/equity ratio	**2.4**	2.5	2.3	2.2	1.2
Market capitalization, SEK M	**1,868**	2,078	1,526	1,300	789

* Adjustments have been made for any new share issues

Definitions
1 Net income divided by the average number of shares.
2 Net income, excluding non-recurring items and amortization on intangible assets arising from acquisitions, divided by average number of shares.
3 Shareholders' equity divided by the number of shares.
4 Quoted share price on December 31 divided by earnings per share after tax.
5 Dividend for the year divided by the market price quoted on December 31.

cial year 2006, a dividend of SEK 2.40 (2.40) per share is proposed.

Shareholder value

The Nolato management works continuously to develop and improve financial information, in order to provide the market with good conditions for determining the value of the Company as fairly as possible. During the year, the Nolato share was followed and analyzed by the following analysts, among others:

- ABG Sundal Collier – Magnus Innala +46 8 566 28633
- ABN AMRO Bank – Rauli Juva +358 9 2283 2709
- Carnegie – Charlotte Widmark +46 8 676 8787 and Oskar Tuwesson +46 8 676 8678
- Evli Bank – Anders Berg +46 8 407 8025
- HQ Bank – Mattias Cullin +46 8 696 2085
- Kaupthing Bank – Mikael Laséen +46 8 791 4827
- Swedbank – Jan Ihrfelt +46 8 5859 1848

Categories of shareholders

Shareholders	Number of shareh.	% of shareh.	% of capital	% of votes
Natural persons	6,693	92.3	42.8	56.2
of which in Sweden	*6,622*	*91.3*	*42.5*	*56.0*
Institutions	561	7.7	57.2	43.8
of which in Sweden	*426*	*5.9*	*43.2*	*36.6*
Total	7,254	100.0	100.0	100.0

In Sweden	7,048	97.2	85.7	92.7
Other Nordic countries	41	0.6	4.7	2.4
Other European countr.	129	1.8	6.5	3.4
US	23	0.3	2.2	1.1
Other countries	13	0.1	0.9	0.4
Total	7,254	100.0	100.0	100.0

Category	Class,A (thousands)	Class B (thousands)	% of capital	% of votes
Financial companies	0	6,934	26.3	13.6
banks	*0*	*3,597*	*13.6*	*7.0*
insurance companies	*0*	*3,327*	*12.6*	*6.5*
pension funds	*0*	*10*	*0.1*	*0.1*
other financial comp.	*0*	*778*	*3.0*	*1.5*
Social security funds	0	317	1.2	0.6
Swedish state	0	128	0.5	0.2
Interest organizations	0	195	0.7	0.4
Other institutions	819	2,195	11.5	20.3
Owners living abroad	0	3,760	14.3	7.4
Swedish natural persons	1,940	9,241	42.5	56.0
Total	2,759	23,548	100.0	100.0

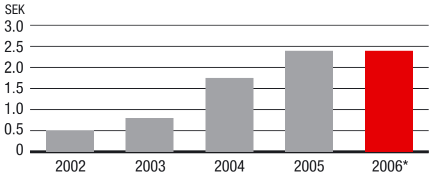
The ten largest shareholders

Shareholder	Total shares	Class A shares	Class B shares	% of capital	% of votes
Jorlén family	2,846,941	1,104,700	1,742,241	10.8	25.0
Boström family	2,536,170	835,500	1,700,670	9.6	19.7
Paulsson family	1,926,775	819,200	1,107,575	7.3	18.2
Skandia	2,097,410	0	2,097,410	8.0	4.1
Skandia/Carlson Funds	1,375,226	0	1,375,226	5.2	2.7
If Skadeförsäkring	1,175,000	0	1,175,000	4.5	2.3
Nordea Bank Norway	964,600	0	964,600	3.7	1.9
Svolder	775,600	0	775,600	2.9	1.5
Carnegie funds	620,000	0	620,000	2.4	1.2
Idea, Prior & Nilsson	493,200	0	493,200	1.9	1.0
Total for ten largest shareholders	**14,810,922**	**2,759,400**	**12,051,522**	**56.3**	**77.6**
Other shareholders	11,496,486	0	11,496,486	43.7	22.4
Total	26,307,408	2,759,400	23,548,008	100.0	100.0

Class of shares

	Number of shares	Number of votes	% of capital	% of votes
Class A	2,759,400	27,594,000	10.5	54.0
Class B	23,548,008	23,548,008	89.5	46.0
Total	26,307,408	51,142,008	100.0	100.0

Dividend per share



* Board's proposal

Breakdown of shareholdings by size

	Number of shareholders	Class A shares	Class B shares	% of capital	% of votes
1 – 500	4,579	—	847,989	3.2	1.7
501 – 1 000	1,262	—	1,022,129	3.9	2.0
1 001 – 5 000	1,105	—	2,459,211	9.4	4.8
5 001 – 10 000	133	—	985,268	3.7	1.9
10 001 – 15 000	36	—	451,423	1.7	0.9
15 001 – 20 000	21	—	380,465	1.5	0.7
20 001 –	118	2,759,400	17,401,523	76.6	88.0
Total	7,254	2,759,400	23,548,008	100.0	100.0

Changes in share capital, 1984 – 2006

Year		Increase in share capital (SEK)	Total number of shares	Total share capital (SEK)
1984	New share issue [1]	450,000	175,360	4,384,000
1984	4:1 stock dividend	17,536,000	876,800	21,920,000
1985	1:2 stock dividend	10,960,000	1,315,200	32,880,000
1986	New share issue [2]	5,000,000	1,515,200	37,880,000
1986	New share issue [3]	3,529,400	1,656,376	41,409,400
1994	5:1 split [4]	0	8,281,880	41,409,400
1994	New share issue [5]	3,750,000	9,031,880	45,159,400
1994	Conversion [6]	700,615	9,172,003	45,860,015
1995	Conversion [6]	1,117,500	9,395,503	46,977,515
1998	1:1 stock dividend	46,977,515	18,791,006	93,955,030
2002	2:5 new share issue [7]	37,582,010	26,307,408	131,537,040

[1] New share issue targeted to SEB for public sale in connection with initial stock exchange listing
[2] Targeted new share issue in connection with acquisition of the company Nolato Lövepac
[3] Targeted new share issue in connection with acquisition of the company Nolato Gejde
[4] Split with an increase in the number of shares, with 5 new shares for every old share.
[5] Targeted new share issue in connection with acquisition of the company Nolato Plastteknik
[6] Conversion and issuance of new shares when converting convertible loan
[7] New share issue, with two new shares for each five old shares at a subscription price of SEK 35 apiece

Core values

In a global group, with both cultural differences and different values, a company's own code of values and conduct becomes extremely important. Nolato has a strong core of values, which grew out of the down-to-earth, ethical and businesslike philosophy that has characterized Nolato ever since it was founded in 1938.

In order to convey these fundamental values to every employee, Nolato has five main documents regarding values and policies:

Nolato's Basic Principles, Code of Conduct, Environmental Policy, Workplace Policy and Supplier Relationship Policy.

Nolato's Basic Principles

Nolato's Basic Principles constitute the common platform of values for all Group operations and thus the guiding force for Nolato employees:

Being businesslike: everything we do at Nolato will strengthen our long-term profitability.

Long-term customer relations: Our customers are the basis of operations, so their long-term needs, interests and desires should direct our development.

Expertise: We believe in the inherent capabilities of people and will give every employee the opportunity for growth based on personal and corporate conditions and objectives.

Decentralization: Responsibility and authority will be delegated as far as possible.

Being well-organized: All of our operations will be characterized by being well-organized down to the smallest detail.

Safeguarding the environment: Our operations will have a minimal impact on the external environment. Our work environment will be light, healthy and safe.

Code of Conduct

Nolato's Code of Conduct underlines what we stand for in regard to the environment, social responsibility and the work environment.

The Code establishes that business will be carried out in accordance with the following principles:

• We respect the rights of individuals and act in accordance with fair business practices.

• We do not engage in illegal industry cooperation.

• We follow the rule of law, conduct our business with integrity and honesty and are accountable for our actions.

• We do not accept the offering, request or acceptance of bribes. We encourage our employees to avoid situations in which loyalty to the company can come into conflict with other, personal interests.

• We continually try to reduce our impact on the environment and people's health.

Environmental Policy

Environmental awareness has been one of Nolato's Basic Principles since the very beginning. Operations in the Group, which consist mainly of the manufacturing of components in polymer materials like plastic, rubber and TPEs, are relatively clean and entail only a limited amount of emissions into the air and water.

Environmental work in the Group is decentralized, and all companies are responsible for their own operations. All units except Kuala Lumpur and Medical Rubber are environmentally certified according to ISO 14001.

Based on our approach to environmental issues, we are dedicated to national and inter-

Magnus Mattsson, Nolato Silikonteknik, Hallsberg, Sweden.

national commitments that strive for a sustainable society over the long term.

Our objective is that activities of the Nolato Group will not harm the environment or have a negative effect on human health.

Our environmental work is built in part on economizing on energy, water and other natural resources. The environmental aspects will also be taken into account when we choose raw materials and distribution systems. We will reduce waste and emissions from our production plants.

Our Environmental Policy also stipulates that Nolato will comply with current environmental legislation and develop long-term plans regarding national and international legislation in the areas of the environment and workplace health and safety.

This Environmental Policy applies to all Nolato businesses, regardless of the country they operate in. The Group thus sets the same comprehensive environmental requirements for production plants in Estonia, China, Malaysia and Hungary as for our units in Sweden. These comprehensive requirements are then implemented in compliance with legislation and specific customer requirements.

Supplier Relationship Policy

Nolato's Supplier Relationship Policy stipulates that Nolato will work with suppliers that adhere to our quality requirements and business principles.

This means, in part, that Nolato insists that our suppliers follow legal requirements relevant to their operations and that they continually work to reduce environmental and health impacts from processes, services and products.

The policy also specifies that Nolato does not allow discrimination of employees, unsafe working conditions, child labor, illegal forced labor or conscious breach of environmental laws.

If a supplier has been found not to be following an agreed requirement, the work may be terminated.

Checks are carried out to ensure that suppliers live up to the tenets of Nolato's Supplier Relationship Policy both in audits before collaboration begins and through monitoring during the period of the agreement.

Workplace Policy

The fundamental principle of our Workplace Policy is that Nolato respects all employees and their human rights.

No employee may be given special treatment in regard to employment or work assignments on the basis of sex, religion, age, disability, sexual orientation, nationality, political opinion or social/ethnic origin.

We will respect our employees' rights to be represented by unions and other employee representatives.

We do not allow child labor. The minimum age for working in our operations is 15, regardless of the country they are located in. Employees may not be younger than the compulsory school age that applies in that country. Nor do we allow the forced use of labor in any of our operations.

All of Nolato's production units are run under the Group's own management, including those in Asia. So we ourselves set the standards that we want at our plants and check to ensure that operations follow the laws in that country as well as our own policies.

Customer audits and certifications

Nolato's customers often place their own demands on our operations, in the same way that we place demands on our suppliers. Our major customers usually carry out very thorough audits to ensure that our operations meet their requirements in areas such as quality, organization, work environment employees, environmental awareness etc.

All production facilities in the Group have a well-established quality control system, which is ISO 9001 certified. A number of units also have additional certifications, like ISO/TS 16949, which is an international quality control system geared to the automotive industry.

Nolato's medical device production is ISO 13485 certified and has been certified to meet other the special requirements placed on this type of operation.

In 2006, operations at Nolato Beijing were certified as a Sony Ericsson Green Partner. Among other criteria, our environmental management system had to meet Sony Ericsson's requirements in full in order to achieve this. These stipulate among other things that certain materials may not be used in the products manufactured for them and that Nolato can verify this through tests carried out in external laboratories.

Nolato's Basic Principles and Code of Conduct are available in their entirety at www.nolato.com

Thorsten Jepsson, Nolato Medevo, Lomma, Sweden.

Management by objective with personal responsibility

At Nolato, we have a strong belief in the inherent capabilities of people. This means that it is our aim is to continually help our employees grow, based on their personal ambitions and the Company's objectives

In keeping with this philosophy, Nolato endeavors to keep its organization as flat as possible. We have removed intermediaries and given employees greater opportunities to direct their own work. This way of working means, for instance, that day-to-day management and planning are carried out by those working in production, in direct contact with customers. Along with promoting greater commitment, this provides a good opportunity to solve problems easily, without unnecessary intermediaries.

We are convinced that, with teams based on management by objective and a decentralized way of working, greater commitment and thus better results are achieved throughout our operations

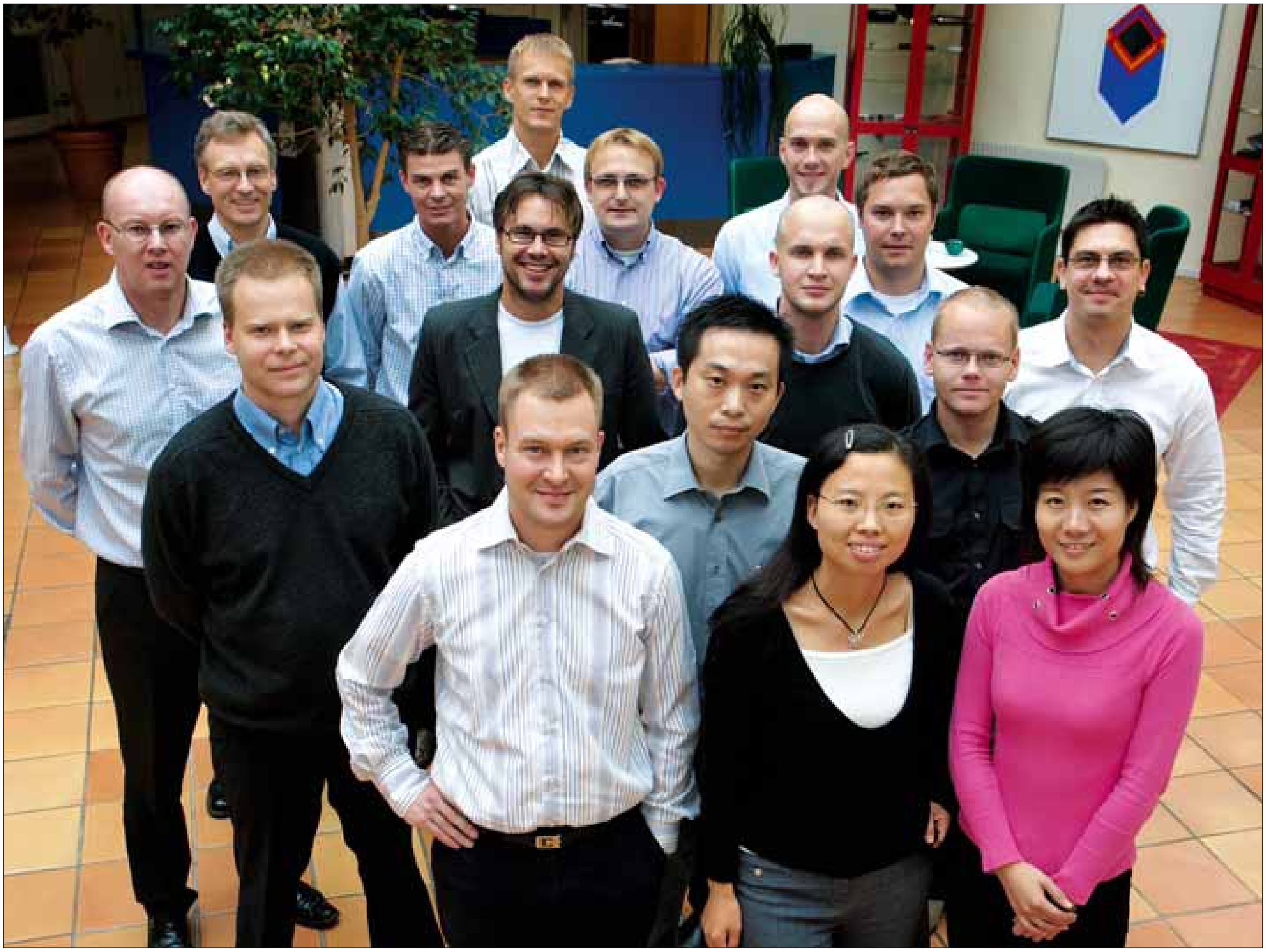
Decentralized organization

Human resource work at Nolato is also decentralized and is thus managed by individual companies in the Group. Nolato's core values are described in The Nolato Basic Principles, which has been translated into English, Estonian, Russian, Hungarian, Mandarin and Bahasa Melayu (Malaysia), so that it is available to all employees.

Human resource and leadership development

To facilitate working in a flat organization, Nolato focuses on collective team development work and on improving overall expertise.

At the corporate level, training is carried out under the umbrella of "The Nolato Academy," with the aim of furthering employee



Participants in the Young Managers Program come from all parts of Nolato.

know-how through understanding, commitment and training.

Our policy has always been to hire from within for management positions. In order to boost the supply of future managers in the Group, a "Young Managers Program" was set up in the fall of 2006 under the framework for the Nolato Academy.

The different operations in the Group have identified future leaders for the program who will undergo common basic training in areas like personal leadership, global awareness, organizational culture, Nolato's values and visions, and the Group's future development.

The training strengthens not just individuals. With this cross-fertilization, which results whenever employees from all the different parts of the Group come together, promising new opportunities for development are created.

Majority outside Sweden

The average number of employees during the year was 4,144 (2,790). The number of employees increased during the year in Asia and Estonia. Roughly 70 percent of all employees work outside Sweden.

At the end of 2006, the number of employees was reduced sharply, mainly in Asia, because of adjustments in resources made due to the loss of BenQ volumes.

At year-end, the Nolato Group had 3,370 (3.145) employees, with 2,442 (2,311) at Nolato Telecom, 272 (143) at Nolato Medical and 652 (687) at Nolato Industrial.

The number of employees in Sweden at year-end was 982 (955), in China 1,631 (1,672), in Estonia 521 (276), in Hungary 184 (207) and in Malaysia 52 (35).

Low rate of absence due to illness

Nolato has long attached great importance to creating good physical working environments, providing natural light, good housekeeping, functional equipment and good working tools. In recent years, there has also been an increasing focus on the psychosocial working environment.

Nolato also has a relatively low rate of absence due to illness. In 2006, the rate averaged 2.7 percent (3.7) for all the Group companies, with 1.0 percentage point (1.6) of this long-term absence due to illness.

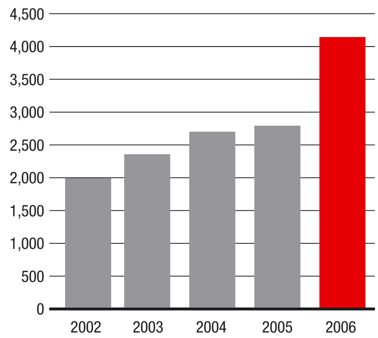
China had the lowest rate of absence due to illness, with 0.3 percent (0.3). In Malaysia, the rate was 1.3 percent, in Estonia 6.8 percent (7.6) and in Hungary 8.6 percent (10.9). The average rate for the Group's Swedish companies was 6.0 percent (6.1).

The strong drop in the Group's overall rate of absence due to illness compared to 2005 is largely the result of the lower rate in China, where the average number of employees increased sharply during the year.

Tamás Veszprémi, Nolato Protec, Hungary.

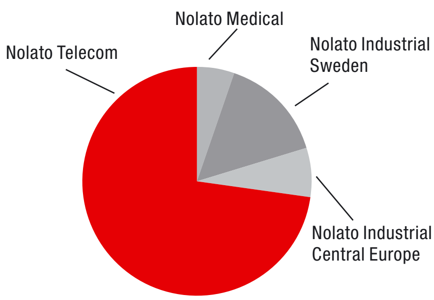
XiangJun Zhong and GuoZhi Li, Nolato Beijing, China.

Average number of employees



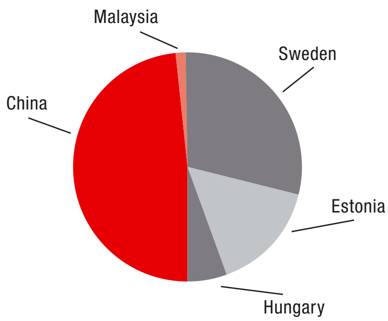
Employees by business area

Dec 31, 2006

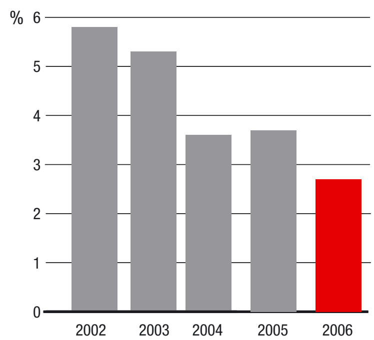


Employees by country

Dec 31, 2006



Absence due to illness



Sick leave hours / available hours

Nolato Telecom
Strong growth – turbulent close Restructuring in Asia completed

Nolato Telecom in brief

A world-leading global developer and manufacturer of polymer systems products, for customers in the mobile phone industry, and network products for the telecom industry.

The market is global, with a small number of customers and suppliers. Characterized by high technological content, extremely short development times, quick production starts and the short economic lifespan of products.

Customers include
Sony Ericsson, Nokia, Flextronics, Foxconn, Elcoteq, GN Netcom and Ericsson.

Sales: SEK 1,558 M (1,172)
EBITA: SEK 124 M (137)
EBITA margin: 8.0 % (11.7)
Op. income excl. non-rec. items: SEK 124 M (137)
Op. income incl. non-rec. items: SEK – 1 M (137)
Average number of employees: 3,327 (1,986)
Number of employees on Dec 31: 2,442 (2,311)

Head of Business Area:
Jonas Persson

- Nolato Alpha, Kristianstad, Sweden
  Average number of employees: 110
  Managing Director Håkan Hillqvist (as of Jan 1, 2007)
  Jonas Persson (until Dec 31, 2006)
- Nolato Beijing, China
  Average number of employees: 2,398
  Managing Director Peeter Mõrd
- Nolato Kuala Lumpur, Malaysia
  Average number of employees: 83
  Managing Director Martin Dahlqvist
- Nolato Tallinn, Estonia
  Average number of employees: 324
  Managing Director Tiit Tallo
- Nolato Lövepac, Skånes Fagerhult, Sweden, Beijing and Shenzhen, China, Kuala Lumpur, Malaysia and Mosonmagyaróvár, Hungary
  Average number of employees: 238
  Managing Director Jörgen Karlsson
- Nolato Silikonteknik, Hallsberg, Sweden, Tallinn, Estonia and Beijing, China
  Average number of employees: 162
  Managing Director Anders Ericsson (as of Oct 1, 2006)
  Jan-Erik Lans (until Sep 30, 2006)

Technology and sales office:
- Nolato Japan, Tokyo, Japan

Nolato Telecom is a world-leading developer and producer of polymer systems products for customers mainly in the mobile phone industry. Customers include global players like Sony Ericsson, Nokia, GN Netcom, Flextronics, Flexconn and Ericsson.

Operations are characterized by a high technological content, exacting requirements for quality, extremely short development times, fast production start-ups, flexible production volumes and a short economic lifespan for each product.

The market is concentrated and consists of a small number of dominant global mobile telephone companies and a small number of global systems providers delivering products to them.

Nolato Telecom's customer offering is extensive and includes product development, prototype production, project management, mould manufacturing, injection moulding, shielding solutions, tapes, gaskets, painting, vacuum metallization, decoration, assembly, testing, verification and quality control. (See page 19 for an illustration of Nolato's position in the total value chain.)

By taking an active part already in the early stage of the customer's development work, Nolato Telecom can provide knowledge about the choice of materials, product design and mechanical functions. A typical customer project involves the development and manufacturing of a large number of polymer components, which are assembled together with purchased components to form complete mechanical units, ready for the customer's final assembly. Based on its customer's basic specifications, Nolato Telecom can assume responsibility for substantial parts of the development of a new mobile phone's mechanical components and as a result take on customer projects that entail greater vertical integration.

Main focus in Asia

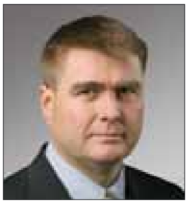
The business area's mobile phone-related operations are carried out mainly in Asia, where Nolato Telecom has units for development and production in Beijing, China, and Kuala Lumpur, Malaysia.

In 2006, basically all production of mobile phone-related products was discontinued at Nolato Alpha in Kristianstad, Sweden. Operations in Kristianstad are now concentrated

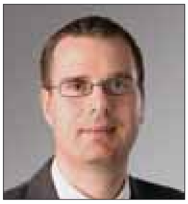
Mobile phones are given a shiny surface using vacuum metallization.

Jonas Persson
Head of Business Area

Håkan Hillqvist
Managing Director
Nolato Alpha



Peeter Mõrd
Managing Director
Nolato Beijing



Martin Dahlqvist
Managing Director
Nolato Kuala Lumpur

Jörgen Karlsson
Managing Director
Nolato Lövepac

Anders Ericsson
Managing Director
Nolato Silikonteknik

Tiit Tallo
Managing Director
Nolato Tallinn

Patric Mattsson
Director of
Marketing & Sales

Magnus Lindvall
Director of
Marketing & Sales

mainly on the production of components for base stations for mobile phone networks.

In Estonia (Tallinn), there is only limited production of mobile phone products, and production in Tallinn will be focused on other product areas.

In Sweden (Skånes Fagerhult), China (Beijing and Shenzhen), Malaysia (Kuala Lumpur) and Hungary (Mosonmagyaróvár), Nolato Lövepac manufactures gaskets and self-adhesive tapes for mobile phones and other electronic products.

In Sweden (Hallsberg), Estonia (Tallinn) and China (Beijing) Nolato Silikonteknik develops and manufactures shielding solutions for mobile phones, base stations and other electronic products.

In order to provide efficient project solutions to support the business area's customers in the mobile phone sector, technological development, marketing, sales and project management are all coordinated at the business area level. Nolato Telecom's global technology organization works in close collaboration with customers, often at their place of business, throughout the world. Nolato Lövepac and Nolato Silikonteknik also have extensive marketing and development operations which directly target their own customers in the telecom and electronics industries.

Global customers

Customers in the telecom industry include the OEM companies Sony Ericsson and Nokia as well as the contract manufacturers Flextronics, Elcoteq and Solectron. Nolato Telecom develops and manufactures systems components for headsets for GN Netcom. Ericsson and Nokia are important customers in products for base stations.

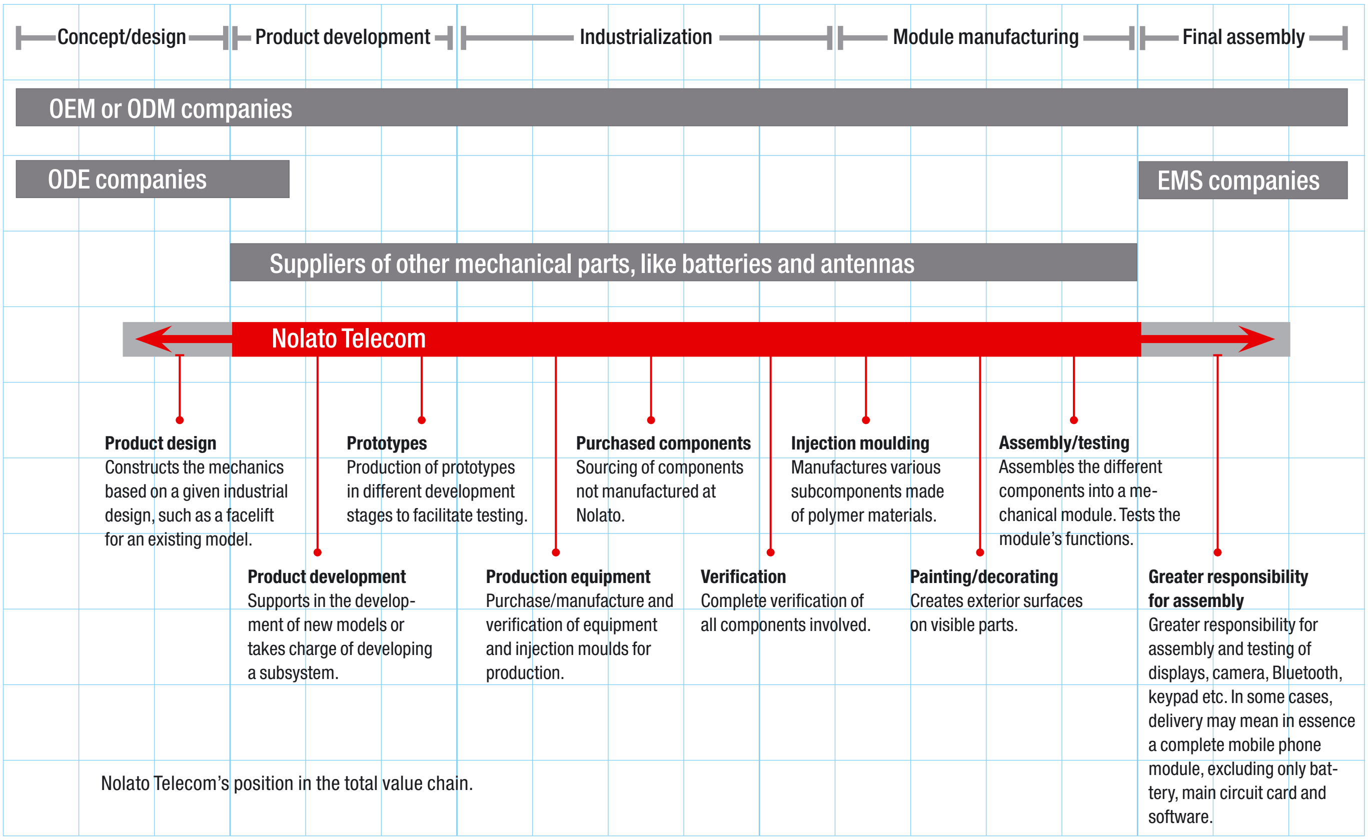
Global competitors

Nolato Telecom is one of the leading global systems providers in the mobile phone sector. The main competitors are considered to be Perlos (Finland), Balda (Germany), Nypro (US), Hi-P (Singapore) and Taiwan Green Point (Taiwan).

Some contract manufacturers, like Flextronics and Foxconn, are also Nolato Telecom's competitors since they have their own resources to develop and manufacture polymer components for mobile telephones, while at the same time meeting customer orders to manufacture essentially complete telephones.

Ma Jiushun, Nolato Lövepac, Beijing, China.

Having its own mould manufacturing is a strategically important part of Nolato Telecom's customer offering. JiHong Cao, Nolato Beijing, checks a mould for a mobile phone front.



Nolato Telecom's position in the total value chain.

Several competitors are also Nolato customers in tapes, gaskets and shielding solutions.

Continued strong growth in the market

In 2006, over one billion mobile phones were sold across the world, according to the analyst firm IDC. This is an increase of roughly 20 percent over 2005 and is once again a new sales record.

According to IDC, Nokia, with a 34 percent market share, and Motorola, with a 21 percent market share, are the unthreatened leaders. Following behind them are Samsung, with nearly 12 percent, and Sony Ericsson, with just over 7 percent of the total market.

Sony Ericsson increased its market share by about one percentage point, compared to 2005, thus increasing the distance between it and LG Electronics, which had a market share of just over 6 percent.

Higher demands for finish and design

Mobile phones are becoming increasingly complex, which places higher demands on a manufacturer's expertise and resources for development and production. Telephones have developed into multimedia machines, with advanced cameras, expanded-memory music players, map systems and the option of viewing TV programs.

But it is not just the technology content that is increasing. Users are placing ever higher demands on finish and design. For the mobile phone sector, this increasing complexity means new challenges and opportunities. The number of models continues to grow. Development time for new products has been cut by more than half in just a few years, which means a continually growing need for resources. This refined content also places higher demands on the phone's mechanical functions.

Own mould manufacturing important

Providing its own manufacturing of specialist moulds is also a strategically important part of Nolato Telecom's customer offering. With today's high demands for short lead times and very complex products, it is important to have total control over mould manufacturing.

In 2006, resources for mould manufacturing at Nolato Beijing were thus further increased in China, while a mould manufacturing unit was set up in Kuala Lumpur. This expansion was achieved mainly through new investments but also by transferring equipment from Nolato's operations in Europe.

Continued strong growth in Asia

To meet customer demands for quick production start-up and flexible production, mobile phone-related products are largely assembled manually or semi-manually instead of using extensive automation. This is also one of the basic reasons why customers moved their mobile phone production from high-cost countries to countries with lower labor costs.

The factory in Beijing, China, expanded significantly in the first three quarters of 2006 and had at its peak some 3,300 employees. In conjunction with the reduction in resources resulting from BenQ's feared bankruptcy, the number of employees was cut to about half this in the fourth quarter.

Of the roughly 3,300 employees in the business area, almost 80 percent worked in

Nguyen Thu Huyen, Nolato Kuala Lumpur.

Asia, with Nolato Telecom's manufacturing of systems products for mobile phones today essentially totally concentrated in China and Malaysia.

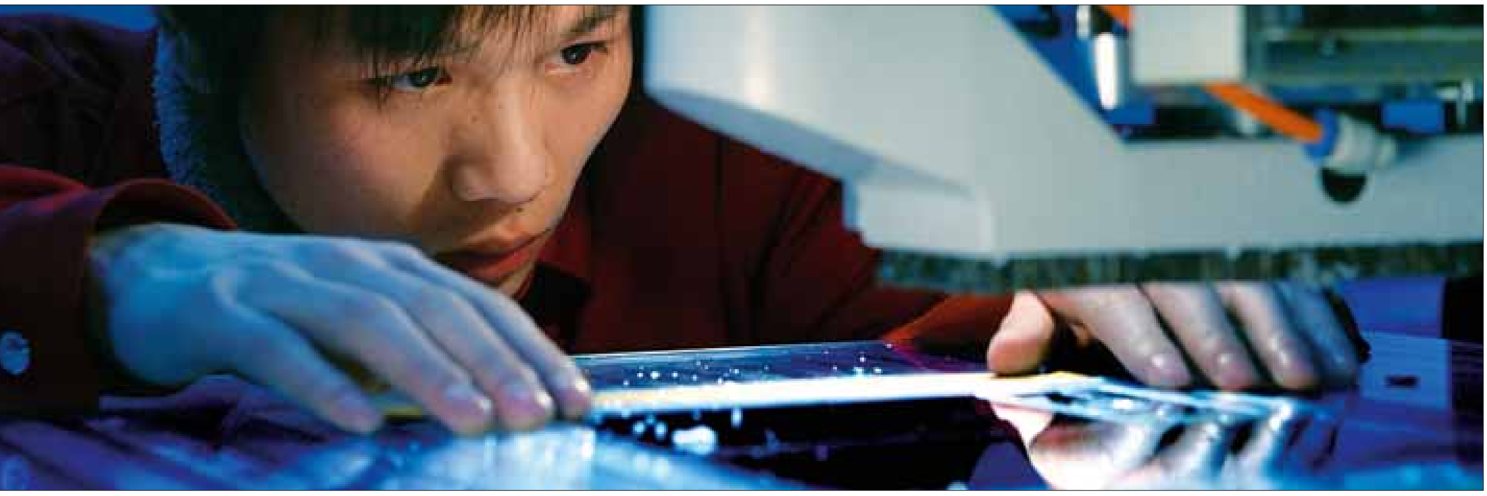
The restructuring work shifting operations from Europe to Asia is finished, and Nolato Telecom is well-position in the market, with efficient resources for development and production located close to its customers. Discussions about setting up operations in new markets are also being held with customers on an ongoing basis.

Turbulent close after strong start

Nolato Telecom's sales in 2006 increased 33 percent to SEK 1,558 M (1,172), thus corresponding to 57 percent of total Group sales. The value per delivered unit increased compared to 2005, which had a positive impact on sales. The higher value is due to greater vertical integration, with more purchased components assembled, as well as a greater share of complex phones with more plastic components and higher demands for exterior finish like painting, metallization etc.

Growth in the first nine months of 2006 was strong, and the number of employees at Nolato Telecom nearly doubled from about 2,300 at the start of the year to about 4,400 at the end of the third quarter.

This positive trend, however, was broken on September 28, when the board of directors of the Taiwanese customer BenQ announced that they would not continue to invest in their German mobile phone unit, which was acquired from Siemens in 2005. After this, BenQ filed for bankruptcy protection for its German subsidiary and on January 1 entered



Cang Hu, Nolato Beijing.

bankruptcy proceedings. BenQ accounted for 18 percent of Group sales in the third quarter of 2006. There were essentially no deliveries to Ben Q in the fourth quarter, which had an adverse impact on Nolato Telecom's sales. SEK 125 M was charged to Nolato Telecom's income in 2006 for the financial risk associated with BenQ for accounts receivable, inventories, project costs accrued, commitments to material suppliers, personnel and equipment writedowns.

Excluding the impact of these non-recurring costs, Nolato Telecom's EBITA was SEK 124 M (137) and the EBITA margin was 8.0 percent (11.7). The lower margin compared to 2005 was largely the effect of a changed product mix, with a higher share of purchased components due to greater vertical integration. The margin was also squeezed by the lost volumes to BenQ in the fourth quarter.

In 2006, Nolato Telecom's collaboration with Sony Ericsson expanded and intensified.

The expansion of mould manufacturing and painting capacity in China was completed as planned, both though new investments and a shifting of Nolato's European operations.

The business area continues to invest in technology, including the start-up of flat window production in Beijing and a decision to invest in equipment for vacuum metallization (a technology for coating plastic with a thin outer layer of metal).

In August, a decision was made to discontinue the manufacturing of products for mobile phones at Nolato Alpha in Kristianstad, Sweden, and 45 employees were given notice.

The set-up of a manufacturing unit in Kuala Lumpur, Malaysia, was completed, and the unit began small-scale production in the second half of 2006.

Looking forward

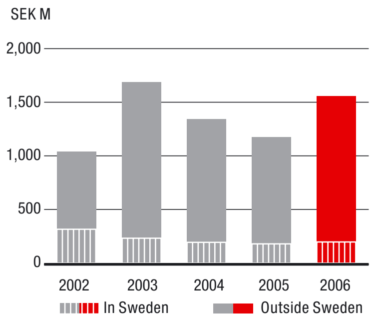
Volume growth in the mobile phone market is expected to remain good in 2007, but with a lower rate of growth compared to 2006.

There is now a strong focus on replacing the volumes that disappeared as a result of BenQ's feared bankruptcy with greater volumes from existing customers and by expanding the customer base.

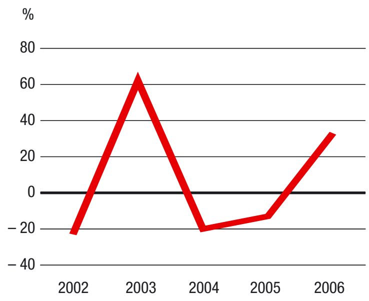
Today Nolato Telecom has completed its shift in production in mobile phones to low cost countries and is well-equipped for the future.

Nolato Telecom, Five-year review

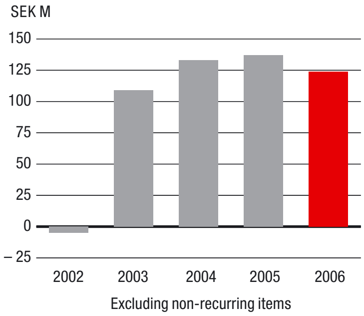
Net sales



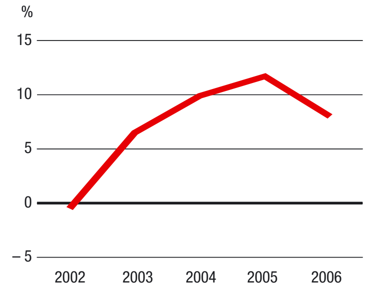
Growth



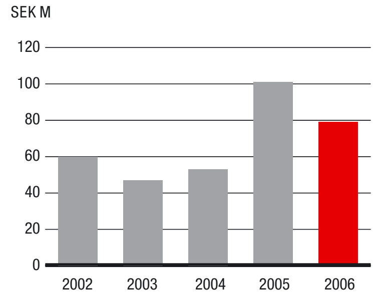
EBITA



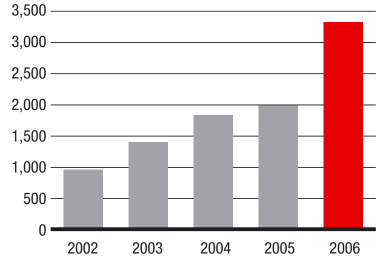
EBITA margin



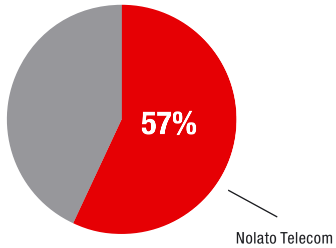
Investments



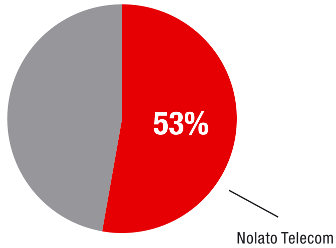
Average number of employees



Share of group net sales



Share of group EBITA



In all diagrams, information for 2002–2003 is not restated following IFRS accounting principles.

Nolato Medical
Strong growth continues through acquisitions, growth in Europe and major customer projects

Nolato Medical in brief

Leading developing and production partner in polymer products and subsystems to customers in medical technology and pharmaceuticals.

The market is characterized by long project and product life cycles and high demands for quality and safety.

Customers include Astra Tech, AstraZeneca, Boston Scientific, Coloplast, Gambro, Hemocue, Maquet Critical Care, Novo Nordisk, Pfizer, Phadia, Radi Medical Systems and St. Jude Medical.

Sales: SEK 244 M (184)
EBITA: SEK 36 M (42)
EBITA margin: 14.8% (22.8)
Operating income: SEK 35 M (42)
Average number of employees: 177 (103)
Number of employees on Dec 31: 272 (143)

Head of Business Area:
Christer Wahlquist

- Nolato Medevo, Torekov & Lomma, Sweden
  Average number of employees: 138
  Managing Director Johan Arvidsson
  (as of Aug 15, 2006)
- Nolato Protec, Mosonmagyaróvár, Hungary
  Average number of employees in medical flow: 24
  Managing Director Magnus Emeus
- Medical Rubber, Hörby, Sweden
  (acquired on Nov 1, 2006)
  Number of employees on Dec 31: 94
  Managing Director Mai Persson

Nolato Medical is a leading partner in polymer products and subsystems to customers in medical technology and pharmaceuticals. Operations are focused on the development and production of complex products, particularly in the diabetes therapy, asthma treatment, analysis/diagnosis, homecare and surgery customer segments.

Nolato Medical has a strong customer offering, which includes injection moulding and extrusion in plastic, TPEs and silicone as well as dipping in natural and synthetic rubber. This offering also comprises decoration, assembly and other post-processing, as well as different forms of logistics solutions.

Production is carried out to meet extremely high quality standards in terms of tolerances, cleanliness and traceability. Operations are characterized by long project and product life cycles.

Total focus on medical technology

Operations at Nolato Medical are aimed exclusively at customers in medical technology and industries with similar demands and requirements, which means total focus on the special prerequisites that the market entails. Because operations are concentrated on a small number of customers, each customer can be given considerable resources, while at the same time development and production can be customized to individual needs. Nolato Medical has in-depth expertise in areas such as risk analysis and quality assurance as well as the capability to work in partnership with the customer in complicat-

Åsa Nilsson, Helena Malm and Inger Bengtsson, Medical Rubber, Hörby, Sweden

Christer Wahlquist
Head of Business Area

Johan Arvidsson
Managing Director
Nolato Medevo

Mai Persson
Managing Director
Medical Rubber

Magnus Emeus
Managing Director
Nolato Protec

ed medical technology processes. By joining the customer in the development project early on, Nolato Medical can provide in-depth expertise on product and production design.

Special customer requirements

Production for medical use is very special; some of the products are used, for instance, inside the human body, which requires very high standards of cleanliness during production. Most of Nolato Medical's production thus takes place in different types of clean rooms, with specially monitored conditions for particle quantity, air humidity and temperature.

Production is also subject to traceability requirements, which means that complete documentation must be kept about each step in the process and the raw materials used.

Design increasingly important

The sharp rise in healthcare costs around the world, which is due to a change in the population pyramid as well as lifestyle changes in industrialized countries, means that the healthcare system is trying to diagnose potential illnesses as early as possible to minimize admission stays and the risk of complications.

The trend is also moving increasingly toward self-care, with hospitals becoming diagnosis and emergency centers, while care is provided in the home. This places ever higher demands on assistive medical devices, which benefits Nolato Medical as a developer and manufacturer. Such devices must cope with a complex situation, be completely safe and still be easy for consumers to use.

Design and appearance are thus increasingly important to consumers. A well-functioning device is not enough; users want a device that has a color and form that signal something other than illness.

In order to meet these challenges, many of the major players in the market are focusing on their core competences, which results in greater outsourcing of development and production. This is an interesting field for Nolato Medical because, by taking over our customers' production of polymer products, we can help companies reduce their costs as well as shorten times between product concept and launch. In the last few years, Nolato Medical has carried out a number of customer outsourcing projects.

Strong market leader

Nolato Medical has a strong position as market leader in Scandinavia. Operations are focused mainly on global medical technology companies that are among the leaders in their market, have strong future potential

Patrik Malmström and Magnus Björk, Medical Rubber, Hörby, Sweden

and high production volume. Essentially all the companies in Scandinavia in this niche are already customers today, including Astra Tech, AstraZeneca, Boston Scientific, Coloplast, Gambro, Hemocue, Maquet Critical Care, Novo Nordisk, Pfizer, Phadia, Radi Medical Systems and St. Jude Medical.

Nolato Medical's competitors consist primarily of a small number of global companies with their own development resources, like Wilden, Nypro and West Pharma. Some customers also have their own production of polymer components.

Nolato Medical is one of the leading players in the world in products for cardiac diagnosis, with sales also in Asia and the US. Customers include the world's leading manufacturer of catheters for cardiac diagnosis. Competitors are mainly the in-house production units of catheter manufacturers.

Nolato Medical is also one of the largest manufacturers in the world of dipped products for anesthetic systems, especially breathing bags and bellows.

Sharp expansion in 2006

Sales in 2006 increased 33 percent to SEK 244 M (184), thus corresponding to 9 percent (8) of total Group sales. Organic growth was 23 percent.

In 2006, the business area expanded sharp-

Johanna Johansson, Nolato Medevo, Lomma, Sweden ly and now consists of three companies with production at three sites in Sweden and one in Hungary.

On November 1, Medical Rubber, one of Europe's leading manufacturers of precision components for medical devices in silicone rubber and thermoplastic elastomers (TPEs), was acquired. The company had sales of about SEK 100 M in 2006 and has some one hundred employees in Hörby, Sweden. The acquisition enhances Nolato Medical's position as a leading manufacturer of polymer components and systems for medical devices and is fully in line with the Group's expansion strategies in the medical field. Medical Rubber's expertise and customer base are a very good fit with Nolato's current resources and further expand the Group's customer offering, which produces synergies in the business area. The company's managing director, Mai Persson, has stayed on in that position since the takeover.

Medical operations at Nolato Protec in Hungary continued to expand during the year. Its first clean room was put into operation during the summer, and a decision was made to further expand capacity for its clean room and hygienic room operations. A complete medical organization was set up, and there has been a steady transfer of expertise from the Swedish units.

Nolato Medevo experienced some production problems during the year in conjunction with the ramp-up of new production, which entailed high costs, thus impacting profitability. A stringent cost-cutting program was implemented, which resulted in lower costs in the second half of the year. Johan Arvidsson took over as new managing director of Nolato Medevo in August. A new organization, with a clear demarcation between production and new business, had a positive impact on production flow in the fall.

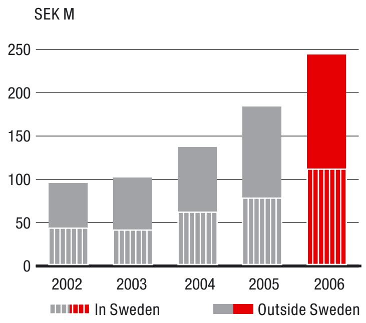
Efforts to develop European operations, which began in 2005, were successful and resulted in new projects for production in Hungary.

Looking forward

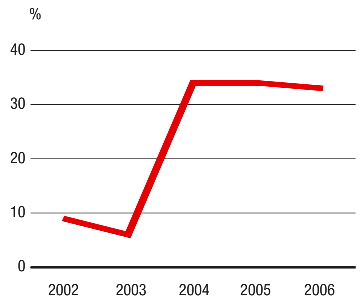
The expansion in the business area is expected to continue, both through organic growth and through continued acquisitions. A more global development and production platform is being developed, and Nolato Medical is on the way to positioning itself as a global player in the medical technology market.

Nolato Medical, Five-year review

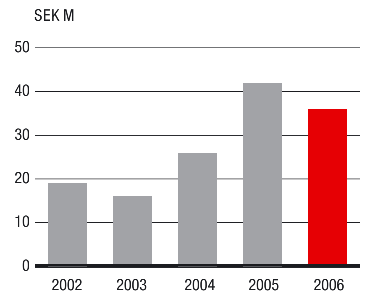
Net sales



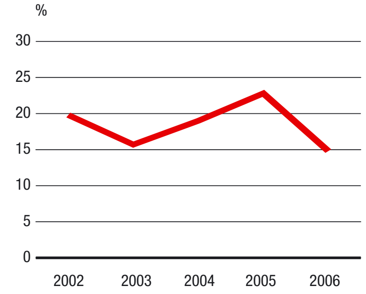
Growth



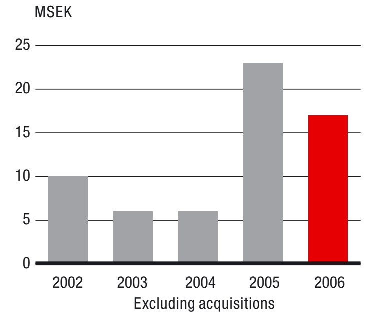
EBITA



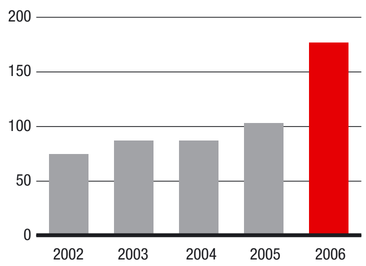
EBITA margin



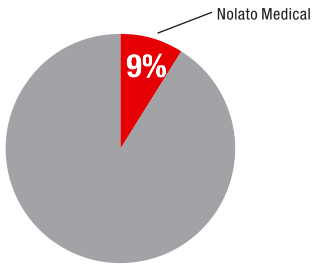
Investments



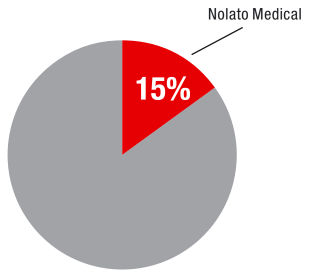
Average number of employees



Share of Group's net sales



Share of Group's EBITA



In all diagrams, information for 2002–2003 is not restated following IFRS accounting principles.

Nolato Industrial

Efficiency and technological development create strong competitiveness

Nolato Industrial in brief

Developer and manufacturer of products and subsystems for customers in the automotive industry, household appliances, gardening/forestry products, the furniture industry and other general industrial sectors.

Market leader in Scandinavia and Central Europe, markets characterized by many customers and many suppliers.

Examples of customers: Electrolux, Flextronics, Haldex, Husqvarna, Ifö, Ikea, Lear, Plastal, Saab Automobile, Scania, TI Automotive, Volvo Car, Volvo Truck, Whirlpool and Woco.

Sales: SEK 924 M (911)
EBITA: SEK 74 M (71)
EBITA margin: 8.0 % (7.8)
Operating income: SEK 74 M (71)
Average number of employees: 635 (697)
Number of employees on Dec 31: 652 (687)

Nolato Industrial Sweden
Head of Business Area:
Georg Brunstam

- Nolato Gota, Götene, Sweden
  Average number of employees: 113
  Managing Director Anders Wallgren
- Nolato Plastteknik, Göteborg, Sweden
  Average number of employees: 113
  Managing Director Leif Thörneby
- Nolato Polymer, Torekov & Ängelholm, Sweden
  Average number of employees: 89
  Managing Director Johan Arvidsson
- Nolato STG, Lönsboda, Sweden
  Average number of employees: 43
  Managing Director Håkan Hillqvist
- Nolato Sunne, Sweden
  Average number of employees: 105
  Managing Director Jan Wikström
  (as of March 12, 2007)
  Ulf Hilding (until March 11, 2007)

Nolato Industrial Central Europe
Head of Business area:
Magnus Emeus

- Nolato Protec, Mosonmagyaróvár, Hungary
  Average number of employees
  in the industrial flow: 170
  Managing Director Magnus Emeus

Nolato Industrial is a strong, market-leading development and production partner to advanced industrial and automotive customers. Operations are characterized by broad development expertise, extensive knowledge about polymer materials, advanced technological solutions, high efficiency and close collaboration with customers.

By becoming involved early on in the customers' development projects, Nolato helps make production of its customers' products more efficient.

Nolato Industrial consists of five companies in Sweden and one in Hungary. Control of the companies is characterized by coordinated decentralization, with each company responsible for its marketing to customers, sales, development and production. Customer projects involving more than one Nolato company are coordinated to make it easier for customers to benefit from Nolato's complete expertise in polymers.

Because of the close collaboration between Group companies, Nolato Industrial can offer its customers comprehensive solutions, from development to finished product. Production includes everything from single components in large volumes to sequentially delivered subsystems, in both soft and hard polymer materials. As a result, Nolato can supply all polymer parts for a customer project and also be responsible for post-processing, assembly and logistics solutions.

Market leader

The Swedish market is highly fragmented, with many customers and many suppliers. Customers consist of a large number of companies that need development and production of polymer products. These range from small, local companies which need individual products in small volumes to large, global companies with high volumes.

Nolato is a clear leader in this market. Operations are built on an active role as contractor in close collaboration with customers. The main focus is to work in partnership with customers that have continuous product development and substantial production volumes.

Major customer areas include components and subsystems to customers in the automotive industry (interior and exterior fittings as well as components for fuel systems, engines and engine compartments), household appliances (refrigerator interiors and microwave oven components), gardening/forestry products (casings and engine components for lawnmowers and power saws) and other important industrial segments, such as the furniture industry and building products.

The Swedish operations at Nolato Industrial all share a high level of technology, with companies enhancing their international competitiveness as a result of their high degree of automation and efficiency. The companies all have a flat organization, with every operator contributing to cost-effectiveness by taking considerable personal responsibility, based on their high level of basic skills, continuous education, work in teams based on management by objective, and a decentralized way of working

Great potential in Central Europe

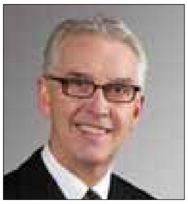
The Central European market is also fragmented, with a large number of customers and suppliers. Many of the customers are global companies which have set up production in the region largely because of lower labor costs and to achieve lower logistics costs by being close to the market.

In the last few years, Nolato has engineered a successful strategic change in its customer base in Hungary and has basically exited the once-dominant consumer electronics and household product customer segments, which are subject to intense price pressure. Operations have instead focused on customers requiring comprehensive solutions in the form of product development support, design, high levels of technology, moulding and materials expertise, complete assembly and advanced quality control systems.

This change in the customer base has been successful, and today the automotive sec-

Georg Brunstam
Head of Business Area
Nolato Industrial
Sweden

Magnus Emeus
Head of Business Area
Nolato Industrial
Central Europe



Anders Wallgren
Managing Director
Nolato Gota

Leif Thörneby
Managing Director
Nolato Plastteknik

Johan Arvidsson
Managing Director
Nolato Polymer

Håkan Hillqvist
Managing Director
Nolato STG

Jan Wikström
Managing Director
Nolato Sunne

tor and selected industrial customers each account for roughly a third of Nolato's operations in Hungary. (The remaining third consists of customers in medical technology, which are included in the Nolato Medical profit center.)

Nolato Protec, which is located in western Hungary, near the Austrian border, is a modern, efficient company. It thus provides an excellent platform for further expansion, both for customers already established in the region and for those who would like a development and production partner in Central Europe.

Success for Nolato Automotive

When dealing with customers in the automotive industry, the companies at Nolato Industrial collaborate under the name Nolato Automotive. Also included in Nolato Automotive is the automotive department of Nolato Lövepac (in terms of organization, Nolato Lövepac is included in the Nolato Telecom business area). Nolato Automotive makes deliveries to the major automotive manufacturers as well as to their systems suppliers.

In 2006, Nolato Automotive took in a number of major orders from the automotive industry. A high level of technology, strong project management, the ability to handle numerous internal components and knowledge about casting metal components in pol-

Joakim Svensson, Nolato Polymer, Torekov, Sweden, monitors the fully automated process for manufacturing bearing housing seals for SKF.

ymer materials are a few of the advantages that attract customers.

Particularly exciting are new orders Nolato has received that involve deliveries to the Ford Group's engine plant in Wales and to Jaguar and Land Rover.

Customers and competitors

Customers at Nolato Industrial include Electrolux, Elring Klinger, Flextronics, Ford, Haldex, Husqvarna, IAC, Ifö, Ikea, Lear, Lindab, MCT Brattberg, Nilfisk, Opel, Plastal, Saab Automobile, Sapa, Scania, TI Automotive, Volvo Car, Volvo Truck, Whirlpool and Woco.

Competitors are a large number of small and mid-sized companies, often in close proximity to their customers. Among the largest competitors are Bladhs Plast, Euroform, Flextronics Plast, Nypro and Konstruktionsbakelit.

Improved profitability in 2006

Nolato Industrial's sales increased 1 percent to SEK 924 M (911), thus accounting for 34 percent (40) of total Group sales. Volumes overall were stable in 2006.

EBITA increased to SEK 74 M (71). The EBITA margin was 8.0 percent (7.8). Streamlining measures in both the Swedish and Hungarian operations had a positive impact on the margin while price competition intensified.

High raw material prices have been troublesome, but because of intensive work efforts and extensive price negotiations with suppliers as well as changes in suppliers and materials, these increases have had only a marginal impact on earnings.

During the year, work to develop the market has intensified, which resulted in a greater market share, in part through the takeover of production from competitors. Measures carried out to take on new projects in the automotive industry and in other selected general industrial sectors yielded results in the form of higher sales in these market segments. At the same time, sales to customers in consumer electronics and household appliances fell, partly as a consequence of Nolato's active marketing strategy in Central Europe and partly because customers in Sweden and Hungary moved their operations to other countries.

Nolato Plastteknik (Göteborg, Sweden) continued to perform well, with a strong

Imre Babos, Nolato Protec, Hungary, at Nolato's largest injection moulding machine, with a clamping force of 1,700 tons, manufactures door parts for the new Volvo S80 and V70.

increase in sales. Volumes to the automotive industry in particular increased during the year. Investments made during the year include new technology and capacity for two-component moulding.

Nolato Sunne (Sunne, Sweden) had lower volumes as a result of lower demand for rubber parts for the automotive industry. During the year, investments were made in further automation and modernization of mixing facility. Jan Wikström, formerly managing director of AQ Holmbergs, has been named the company's new MD starting March 12, 2007. He succeeds Ulf Hilding, who is retiring after 14 years as MD.

Nolato STG (Lönsboda, Sweden) had strong growth and a sharp improvement in earnings during the year. Among other developments, the company started making major deliveries to IKEA.

Nolato Polymer (Torekov and Ängelholm, Sweden) performed very well with good volumes and improved earnings. Successful efforts to improvement productivity were carried out during the year and further enhanced competitiveness.

Nolato Gota (Götene, Sweden) performed well, and among other developments took in a number of new, advanced projects for customers in the automotive industry. During the year, further investments were made in automating production.

Nolato Protec (Mosonmagyaróvár, Hungary) reported a sharp improvement in earnings in 2006, largely because of the change in its customer base, which resulted in a large number of major new projects. Investments were made in new technology, including the Group's largest injection moulding machine, with 1,700 tons clamping force. This is used largely to produce large plastic components for the automotive industry, such as door frames.

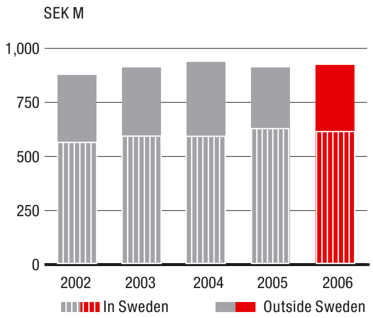
Looking forward

Operations at Nolato Industrial are well-equipped for 2007. Competitiveness here is high, thanks to the high level of automation, skilled employees and an effective platform for expanding in Central Europe.

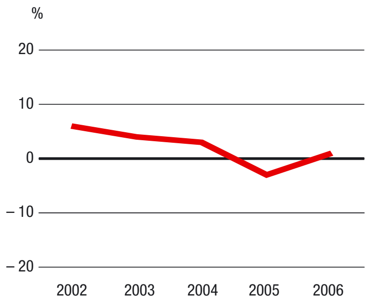
In 2007, we will continue to invest in increasing our market share, both in the automotive industry and in other customer segments. Investments in new technology and further automation will continue. We also intend to be active participants in the structural transformation in this sector.

Nolato Industrial, Five-year review

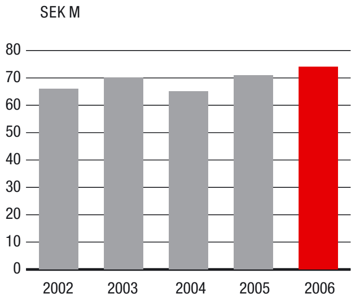
Net sales



Growth

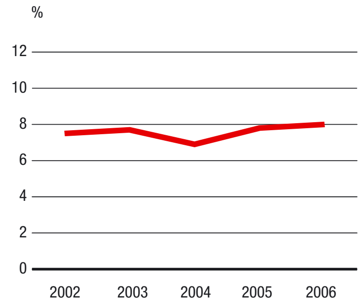


EBITA



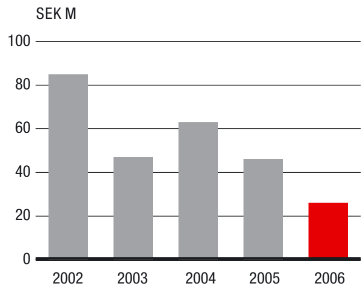
Excluding non-recurring items

EBITA margin

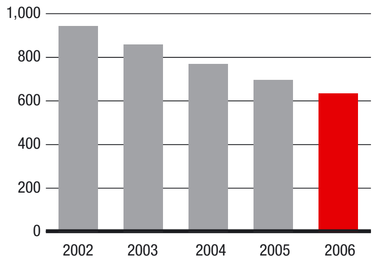


Excluding non-recurring items

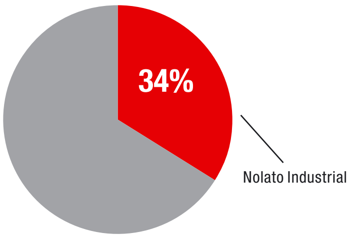
Investments



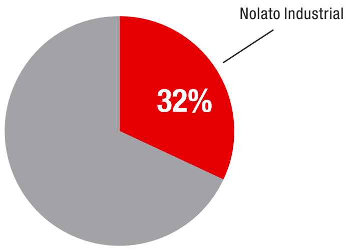
Average number of employees



Share of Group's net sales



Share of Group's EBITA



In all diagrams, information for 2002–2003 is not restated following IFRS accounting principles.

Corporate Governance Report

Swedish Code of Corporate Government

Nolato's Board and management work following procedures, work structures and information disclosure routines that in large part comply with the Swedish Code of Corporate Governance.

However, Nolato has chosen to deviate from the Code for the present in the important areas identified below. The deviations are consistent with the rules of the OMX Nordic Exchange since Nolato is not classified as a major company and is thus not bound to comply with the Code or explain such deviations.

Important areas of the Code that Nolato has decided not to comply with for the present:

- the majority of the Nomination Committee's members not being members of the Board
- submission of an internal auditing report for financial reporting
- submission of information about the way in which the Board ensures quality in financial reporting

Organization and members of the Board

Nolato's Board of Directors consists of seven members elected by the Annual Meeting as well as three members and three alternates, chosen by the unions.

Apart from the President and Chief Executive Officer (CEO) and union representatives, none of the Board members is employed or works in the business operations of the Company.

Board members Claes Warnander, Lars-Åke Rydh and Chairman of the Board Carl-Gustaf Sondén are considered by the Board to act independently of the Company's major shareholders. From time to time, Claes Warnander and Erik Paulsson indirectly represent companies that are suppliers to or customers of Nolato. Both relative to the situation of these Board members and to that of each supplier/customer, Nolato's Board has determined that the transactions with these companies do not constitute significant business connections, when the size of revenues generated is compared with the annual sales of the suppliers/customers.

Nolato's Board has thus determined that all members elected by the Annual Meeting, apart from Georg Brunstam, the President and CEO, are independent relative to the Company.

The members of the Board of Directors are presented in the Annual Report on page 68 with their name, position, year of birth, shareholding, year elected to the Board, educational background and other duties. An assessment of the independence of individual Board members is given above.

The Group's Chief Financial Officer (CFO) is Board Secretary.

Working methods of the Board

The Board determines the ultimate direction of Nolato's operations and prepares the necessary instructions. It determines the Nolato Group's management structure and appoints, dismisses and oversees the people who manage and represent Nolato.

At the Board's constituent meeting following the Annual Meeting, principles were decided concerning the Board's rules of procedure for the Board's work, the delegation of duties between the Board and the President and CEO and financial reporting. The most important parts of these principles determine the following:

– The Board shall establish a work plan with five regular meetings during the year, in which various matters as stipulated by the rules of procedure shall be considered at different meetings.

–Notice of the meeting, the agenda and relevant documentation for the Board meeting shall normally be sent out at the latest one week prior to the meeting. Numbered minutes shall be kept at every meeting.

–The delegation of duties clarifies the responsibilities of the Board and the most important duties of the Chairman and the President and CEO. Instructions to the President and CEO contain limitations on decisions regarding investments, acquisitions, transfers and certain agreements.

–In order to enable the Board to continually follow and monitor the Group's financial position and development, the President and CEO shall provide the Board with monthly reports on sales, income, capital commitment, cash flow, the balance sheet and follow-up on forecasts and forecast updates.

Information about the work of the Board in 2006 can be found on page 33.

Board committees

Compensation committee

Within the Board of Directors is a compensation committee. Its task is to propose principles to the Board for variable remuneration of senior executives, including the President and CEO.

The committee also proposes all remuneration and benefits for the President and CEO to the Board. The Board approved these principles for variable remuneration of senior executives and all remuneration and benefits for the President and CEO. The committee also has the task of approving all remuneration to the Group's Executive Committee.

The members of the compensation committee are Carl-Gustaf Sondén (Chairman) and Henrik Jorlén, who were appointed by the Board. The committee held one meeting in 2006. In preparation for 2007, the committee will submit proposals to the 2007 Annual Meeting about principles for variable remuneration and other remuneration and benefits for the President and CEO and senior executives.

Auditors and audit committee

Ernst & Young are Nolato's chosen auditors as stipulated by law. Ernst & Young, with Ingvar Ganestam as chief auditor, were reelected for a period of four years at the 2004 Annual Meeting. Ingvar Ganestam has been the Company's chief auditor since 2000.

Auditors responsible for the Company at Ernst & Young regularly read the approved minutes of Nolato's Board meetings. The auditors responsible also have continuous access to the monthly reports that the Board receives.

The Company's auditors met the full Board of Directors on three occasions during the year.

In preparation for the adoption of the annual accounts by the Annual Meeting, the auditor presents to the Board his overall observations from a review of the Group's internal controls and annual accounts.

Nolato's Board has elected to let the entire Board constitute the audit committee and carry out these duties.

Nolato's auditors are presented in the Annual Report on page 68 with their name, title, year of birth, shareholding, year appointed and educational background.

Remuneration of the Board

For the period starting with the 2006 Annual Meeting and ending with the 2007 Annual Meeting, remuneration of the Board totaled SEK 820,000 (730,000), apportioned as follows:

Chairman:	SEK 220,000
Board member:	SEK 120,000

A director's fee is paid only to external members. Employees in the Company receive no director's fee. Payment was made in December 2006.

During 2006, the present members of the Board received the following remuneration:

Carl-Gustaf Sondén	SEK 220,000
Henrik Jorlén	SEK 120,000
Gun Boström	SEK 120,000
Claes Warnander	SEK 120,000
Erik Paulsson	SEK 120,000
Lars-Åke Rydh	SEK 120,000
Total	SEK 820,000

Information policy

Nolato reports to the OMX Nordic Exchange in Stockholm, where the Company is quoted on the Nordic list in the Mid Cap segment. Information in the form of quarterly reports and press releases etc. is submitted in accordance with the policy adopted by Nolato's Board of Directors.

Reports, press releases and other information can be downloaded from Nolato's website, www.nolato.com, under the heading "Investor Relations."

There is also additional information on the website about corporate governance concerning Board membership, procedures, work and committees as well as auditors. Also available there are the current Articles of Association and information from the most recent Annual Meeting.

Information about remuneration

For information about fees, salaries, pensions and other benefits for the Board of Directors, the President and CEO and other senior executives, see Note 8 on page 57.

Group Management

Group Management

The Group Management consists of Georg Brunstam (CEO of the Nolato Group and head of Nolato Industrial Sweden), Per-Ola Holmström (CFO), Jonas Persson (head of Nolato Telecom), Christer Wahlquist (head of Nolato Medical) and Magnus Nilsson (head of Nolato Industrial Central Europe).

Business operations

All business operations in the Group are conducted by subsidiaries, in keeping with the decentralized corporate culture that has always characterized Nolato.

Business areas

Each subsidiary belongs to one of the Group's four business areas.

The head of each business area heads operational management on current operating issues and is continuously in touch and has discussions with the managing directors and other management of the subsidiaries belonging to the business area.

Subsidiaries

The success of the Nolato Group is based on the close business relationships that each Group company has with its customers. Their understanding of and sensitivity to local needs, business practices and distribution requirements are, and will remain, of the greatest important to their success.

Each subsidiary is managed by a Board of Directors, which approves and makes decisions on long-term strategies, investments, forecasts and overall structural and organizational changes, as specified by the Board's rules of procedure.

Each subsidiary has a managing director who is responsible for operations at that company, as specified in the instructions to the managing director issued by the Board of Directors.

Assisting the managing director is a management team, with members from the different departments in the company.

Report of the Directors

Nolato AB (publ) 556080-4592

Operations and structure

In its external financial information, the Group reports its results in three profit centers: Nolato Telecom, Nolato Medical and Nolato Industrial.

Nolato Industrial Sweden and Nolato Industrial Central Europe are reported as one profit center, since these business areas work in similar markets. This profit center is named Nolato Industrial.

Organizationally, the Nolato Group is divided into four customer-oriented business areas:

Nolato Telecom is a leading developer and manufacturer of components and systems products made from polymer materials for customers in the mobile phone sector and base stations for the telecom industry.

Nolato Medical is a leading development and production partner in medical technology in Scandinavia and elsewhere in Europe.

Nolato Industrial Sweden works with the development and injection moulding of polymer products for customers in automotive components, household appliances, gardening/forestry products, the furniture industry and other selected industrial sectors, primarily in Sweden.

Nolato Industrial Central Europe works with the development and manufacturing of polymer products for customers in Central Europe in fields such as automotive components, hygiene/medical devices and selected general industrial sectors.

The legal organization structure includes the Parent Company, Nolato AB (publ), with Swedish corporate identity number 556080-4592 and its registered office in Torekov, Sweden as well as its wholly-owned subsidiaries in Sweden, Estonia, Hungary, China and Malaysia.

The operations of the Parent Company, Nolato AB, include corporate management, consolidated financial reporting, financial management and IT coordination.

Important events during the financial year

Sales at Nolato Telecom increased 33 percent to SEK 1,558 M (1,172).

Nolato Telecom's value per delivered unit increased relative to the preceding year, which had a positive impact on sales. The higher value is due to greater vertical integration, more purchased components assembled and a larger share of complex mobile phones with more plastic components, higher demands for surface finish like painting, metallization etc.

Expansion of tooling and painting capacity in China was carried out as planned, both through new investments and a shifting of Nolato's operations in Europe. The business area continues to make investments in technology. Flat window production started up while a decision was made on investments in equipment for metallization.

On September 28, the Board of Directors of the Taiwanese company BenQ reported that it would discontinue investment in its German mobile phone operations, which were acquired from Siemens in 2005. On January 1, 2007, bankruptcy proceedings were begun and a trustee was appointed.

Nolato previously reported that BenQ accounted for 18 percent of the Group's sales in the third quarter of 2006. During the fourth quarter, there were virtually no deliveries made to BenQ, either in Europe or Asia, which as noted above had a negative impact on Nolato Telecom's sales. At this time, Nolato believes there will be no further deliveries of any significance to the customer in 2007.

The financial risk associated with BenQ for accounts receivable, inventories, project costs accrued, commitments to material suppliers, personnel costs and equipment writedowns has been calculated at a net SEK 125 M, which is equal to an effect on earnings per share of SEK 4.07, after taking tax deductions into account. This amount was charged to the fourth quarter. Of this cost, roughly SEK 18 M consists of equipment writedowns which has no effect on the cash flow. The remaining SEK 107 M consists of typical working capital items net of insurance compensation, which do have an effect on cash flow.

In 2006, a decision was made to discontinue the manufacturing of products included in mobile phones in Kristianstad, Sweden, and 45 people were given notice in August.

Nolato Telecom's set-up of a manufacturing unit in Kuala Lumpur, Malaysia, was completed, and the unit had small-scale production during the second half of the year.

Sales at Nolato Medical increased 33 percent to SEK 244 M (184).

The project to take over production of the insulin pen for Novo Nordisk gradually increased, as expected, during the first half of the year. In the fourth quarter, volumes for this project further increased. The strong growth in the business area excluding the acquisition is largely explained by the higher volumes for this project. At the same time, efforts to develop the European market, which began in 2005, were a success and resulted in new projects for production in Hungary, which also contributed to the growth in sales.

On October 23, Nolato signed an agreement to acquire the company Medical Rubber, which is one of Europe's leading manufacturers of medical precision components made of silicone rubber and thermoplastic elastomers. The company had sales of about SEK 100 M in 2006 and has some one hundred employees in Hörby, Sweden. The takeover was completed on November 1, 2006. The company has been consolidated in the Group since then and has had a positive effect on the Group's earnings per share since the takeover.

Sales at Nolato Industrial increased 1 percent to SEK 924 M (911).

Volumes overall were stable in 2006. Investments carried out to take on new projects for the automotive industry and other selected general industrial segments are yielding results in the form of higher sales. At the same time, Nolato Industrial reduced its 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. Nolato Industrial continued its investment in greater automation, expansion of its capacity for two-component injection moulding and injection moulding machines with higher clamping force.

Events after the end of the financial year

No events of essential importance have taken place since the balance sheet date.

The Board's work in 2006

During 2006, the Board held eight meetings and a constituent meeting after the Annual Meeting. Accounts of the Company's operations, markets and finances were fixed items on the Board's agenda. Below is a brief summary of other important items discussed in the Board meetings.

■ Torekov, Sweden, February 6, 2006: The auditor was debriefed by the full Board on his comments on the 2005 audit. The Board decided to propose a dividend of SEK 2.40 per share to the Annual Meeting and adopted a dividend policy in which the Board intends to propose a dividend averaging roughly 35 percent of net income.

The Board discussed proposals to change the Company's Articles of Association as a result of changes in the Swedish Companies Act.

■ Torekov, April 27, 2006: The decision was made by the Board to make changes in its foreign exchange policy, to hedge certain credit risks related to customer receivables and to renew the variable remuneration agreement with the President and CEO for another three years.

■ Torekov, April 27, 2006: Constituent meeting after the Annual Meeting.

Board members Carl-Gustaf Sondén, Henrik Jorlén, Gun Boström, Claes Warnander, Erik Paulsson, Lars-Åke Rydh and Georg Brunstam were re-elected at the Annual Meeting. Carl-Gustaf Sondén was elected Chairman by the Annual Meeting.

At the constituent meeting after the Annual Meeting, Carl-Gustaf Sondén and Henrik Jorlén were elected to the compensation committee and Per-Ola Holmström was elected Board Secretary.

The rules of procedure for the Board, the delegation of duties between the Board and the President and CEO, instructions for financial reporting and a financial policy were adopted.

■ Telephone meeting, June 22, 2006: Board discussions about acquisition opportunities.

■ Telephone meeting, July 20, 2006: Schedule and program for the Board meetings in 2007 adopted.

A decision was made to invest in further expansion of injection moulding production capacity in China.

The auditor reported to the Board on the review of the six-month interim report and summarized planning for the auditing process in 2006.

Acquisition opportunities were discussed by the Board.

■ Telephone meeting, October 6, 2006: Information was submitted to the Board about the situation regarding BenQ, after the customer decided to discontinue funding its German subsidiary.

Board discussions were held about acquisition opportunities, and a decision was made on the President and CEO's mandate for acquisition opportunities within certain limits.

■ Torekov, October 25, 2006: The chairman of the nomination committee presented an assessment of the Board's work. The CFO presented financing proposals, which were approved by the Board.

■ Hörby, Sweden, December 11–12, 2006: The President and CEO presented strategic plans for the Group and its business areas for the next three years as well as a budget for the coming year, which were discussed and adopted by the Board.

The auditor reported to the Board on the fall review.

The Board made a decision on investments in production equipment.

■ By letter, December 28, 2006: A decision was made to dissolve an inactive subsidiary in Hungary.

Risk management

It is part of Nolato's strategy to continuously minimize business and operational risks but at the same time take advantage of opportunities in the market. In order to manage the financial risks, the Group operates according to a financial policy adopted by Nolato's Board of Directors. This policy specifies what levels of financial risk the Group can accept, including foreign currency risks and risks for various types of funding, as well as how risks are to be minimized. Comments on and an account of financial risk management are given in Note 4 on pages 54 – 55.

Revenue and earnings risks

Nolato's growth objective is to show growth in the customer segments the Group operates in which is at least equal to the level of growth in the corresponding market segments. For Nolato Telecom, which accounts for roughly 50 percent of the Group's sales, market growth has increased sharply in recent years. Both the more long-term growth and fluctuations over shorter periods mean opportunities for strong growth in this profit center, but at the same time a higher risk of negative changes. The market for Nolato Medical has good long-term growth potential. The profit center has grown sharply in recent years and accounts for almost 10 percent of Group sales. Changes in the markets for Nolato Industrial, which accounts for almost 40 percent of Group sales, are more in line with the growth in industrial production in Scandinavia and Central Europe. The trend is more stable for this market with less fluctuation.

In the markets for Nolato Telecom and Nolato Industrial in particular, there is continuing price pressure with falling price levels as a result of tough competition in the market. Managing this price risk is part of the day-to-day work and requires continuous cost cuts and productivity increases, which Nolato has been able to do advantageously to date. At Nolato Telecom, this has included moving production to China, which has resulted in lower costs. At Nolato Industrial, cost-effective high-productivity facilities in Sweden, combined with production of labor-intensive parts in low-cost countries, have allowed the profit center to meet the price pressure to date.

At Nolato Telecom, there is greater dependency on a small number of customers. In 2006, two of the largest customers accounted for roughly half of the sales in the profit center. One of these customers was the Taiwanese company BenQ, which is commented on earlier in the Report of the Directors on page 32 regarding ongoing bankruptcy proceedings in Germany.

Nolato previously reported that BenQ accounted for 18 percent of the Group's sales in the third quarter of 2006. During the fourth quarter, there were virtually no deliveries made to BenQ, either in Europe or Asia, which had a negative impact on Nolato Telecom's sales. At this time, Nolato believes there will be no further deliveries of any significance to the customer in 2007.

The customer base for the other profit centers is substantially wider, and no single customer or customer group is so dominant that any loss of business would have a significant impact on the Group's profitability.

The Group's revenues are mostly derived from large international industrial groups. These are often public in various ways and thus in most cases it is possible to monitor their economic performance. Nolato does this continuously. This kind of company seldom declares bankruptcy or the like, so the likelihood of significant bad debt losses is minor. The expected bankruptcy of BenQ's German operations is an example of this, although in this case Nolato had its customer receivables hedged.

Risks associated with product deliveries

Nolato's ambition is to deliver products that meet customer wishes for quality and delivery. This is managed by skilled staff in the subsidiaries, who are responsible for day-to-day operations. The greatest risk of interruptions to quality and production is normally at the start of the production of new products. Especially in the ramping up of major telecom projects, there is a risk of interruptions to quality and productivity that can have a considerable impact on the Group's earnings. To prevent such interruptions, the Group, and Nolato Telecom in particular, works with a well-developed concept for running the project prior to the industrialization and production phase, in accordance with established quality assurance requirements and checklists etc.

To avoid the risk of problems with deliveries, it is important to have very close contacts with the different customers as well as effective, reliable systems for quality control and quality development. Nolato has chosen to work with relatively few customers and have close, extensive collaboration with them. This allows continual close contact with the customers to ensure that deliveries satisfy their wishes. At the same time, all of the Group's subsidiaries operate according to various kinds of quality and continuous improvement systems that are tailored to the requirements of production or the customer.

Supplier risks

These include risks related to pricing and access to raw materials and other input goods as well as process costs for production.

For deliveries of plastic and rubber raw materials as well as machinery, there are a number of suppliers in Europe and around the world. Alternative suppliers can be used, but the switch may require customer approval in some cases. For delivery of components going into the component systems delivered by the Group, the choice of suppliers is usually made together with Nolato's customer.

Products normally have a content of plastic or rubber raw materials of between 5 and 50 percent of the selling price. These raw materials are usually developed from different forms of oil-based or similar products. This means that raw material prices depend on oil prices and the dollar exchange rate, but also on other factors such as production capacity and other production costs.

The content of plastic raw material, which is clearly the dominant raw material in the Group, varies among the different profit centers. At Nolato Telecom, with its numerous "thin-walled" products, plastic accounts for only about 5 percent of the selling price, whereas the corresponding figure is roughly 20 percent at Nolato Industrial and about 15 percent at Nolato Medical.

At Nolato Industrial, which has the highest percentage of plastic raw material, most customer agreements give it the right to pass on costs to the customer or renegotiate the effects of price increases for plastic raw materials. This right becomes operative in most agreements when material prices change beyond certain agreed levels, reducing sensitivity to changes in material prices. Price increases in plastic raw materials have been quite sharp in the last two or three years from a historical perspective. Raw material prices have stabilized but are still at a very high level historically. The price increases did not adversely affect Nolato's margins to any significant degree in 2006.

The production of polymers carried out by the Group is relatively electricity-intensive, and the Group is thus dependent on the price of electricity. The Group works according to a policy for electricity purchases in order to even out the effects of changes in the variable portions of the price of electricity. The policy means that 40–80 percent of the electricity needs for the next four quarters are purchased under fixed-price agreements. The variable portion of the cost of electricity totaled approximately SEK 33 M in 2006, excluding taxes. For 2007, purchases have been contracted for roughly 66 percent of anticipated electricity needs at an average price of 16 percent higher per kWh than the average price for 2006.

Legal risks

Nolato works with external lawyers and consultants on legal issues. Internally, there are policies and regulations on what agreements etc. people in various positions can decide on.

The Group has few patents and little pattern or trademark protection, which is typical of the industry Nolato operates in.

The Group is not involved in any ongoing legal disputes of any significance.

There are no ongoing tax cases in the Group of any significance.

Property and liability risks

Regarding traditional insurance like fire, theft, business interruption and liability, Nolato believes that the Group has relevant and satisfactory protection through the insurance policies it has purchased.

Comments on the financial statements

Income statement, five-year review

Sales at the beginning of the five-year period were characterized by a sharp decline in the telecom industry. Nolato was affected more than the industry as a whole because important customers were hit by setbacks and also moved their production to Asia at a faster rate. The result was declining sales in those years and the disposal or merger of several operations, especially in the US.

Over the entire five-year period, sales posted average annual growth of 3 percent.

In 2004 compared to 2003, sales were adversely affected by some SEK 320 M by a decline in the sale of products with a high value of purchased components.

Volumes for products for mobile phones increased in 2005 compared to 2004, given the sharp growth in the mobile phone market. At the same time, the average price and cost level per unit were lower, which offset the volume increase in terms of sales.

Nolato Medical's sales increased 34 percent in 2005 compared to 2004, with volumes increasing for most of Nolato's customers.

In 2002, profitability was impacted in particular by the decline at Nolato Telecom. Margins and yields fell sharply in these years. In 2002 in particular, significant restructuring programs were implemented to reduce costs to a level that was better in line with the lower volumes. In 2004 and 2005, earnings improved sharply. Restructuring measures carried out at Nolato Telecom had a positive effect while earnings at Nolato Medical rose sharply. The average operating margin was 6.8 percent over the five-year period (excluding non-recurring items).

Income statement, 2006

Sales

Group sales totaled SEK 2,702 M (2,256) in 2006. Sales at Nolato Telecom increased 33 percent to SEK 1,558 M (1,172), thus accounting for 57 percent (52) of total Group sales.

Nolato Telecom's value per delivered unit rose compared to 2005, which had a positive impact on sales. The higher value is the result of vertical integration, more purchased components assembled, and a larger share of complex mobile phones with more plastic components, higher requirements for surface finish like painting, metallization etc.

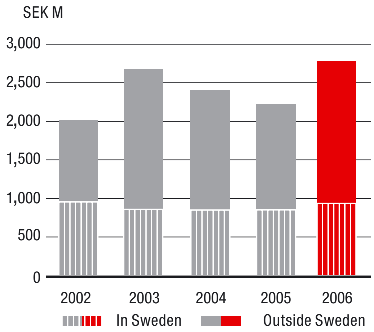
Nolato Medical's sales increased 33 percent to SEK 244 M (184), thus accounting

Income statements (SEK M) Information for 2002– 2003 is not restated following IFRS accounting principles

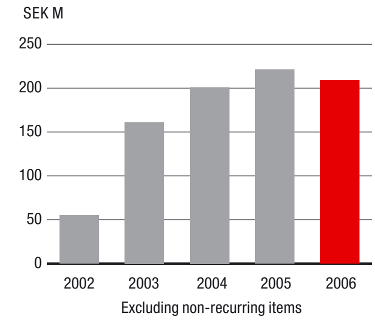
	2006	2005	2004	2003	2002
Net sales	**2,702**	2,256	2,401	2,671	2,011
Cost of goods sold [1]	**– 2,429**	– 1,851	– 2,006	– 2,347	– 1,744
Gross income	**273**	405	395	324	267
Selling expenses [2]	**– 68**	– 46	– 56	– 46	– 56
Administrative expenses [3]	**– 134**	– 135	– 134	– 172	– 156
Other operating income	**10**	—	—	—	—
Other operating expenses [4]	**– 3**	– 3	– 4	– 49	– 13
Operating income	**78**	221	201	57	42
Financial items [5]	**– 9**	– 13	– 16	– 51	– 6
Income after financial items	**69**	208	185	6	36
Tax [6]	**– 21**	– 27	– 49	– 41	24
Net income	**48**	181	136	– 35	60
Scheduled depreciation/amortization included	**166**	135	134	156	162

1) In 2006, includes non-recurring costs of SEK 108 M from BenQ's expected bankruptcy
In 2003, includes non-recurring costs of SEK 52 M from a restructuring of operations in Hungary
2) In 2006, includes non-recurring costs of SEK 17 M from BenQ's expected bankruptcy
3) In 2006, includes non-recurring costs of SEK 5 M for the dismissal of a subsidiary managing director
In 2003, includes non-recurring costs of SEK 3 M from a restructuring of operations in Hungary
4) In 2003, includes non-recurring costs of SEK 38 M from the writedown of goodwill in Nolato Protec, Hungary
5) In 2002, includes a capital gain of SEK +31 M from the sale of Nolato Elastoteknik
6) In 2006, includes a tax effect of SEK +19 M from BenQ's expected bankruptcy and dismissal of subsidiary managing director
In 2005, includes tax effect of SEK +15 M after a government authority decision

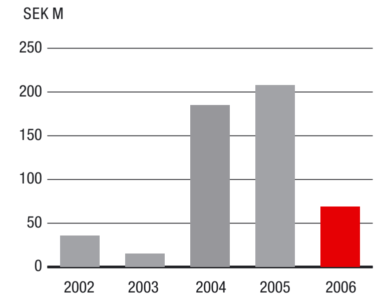
Net sales



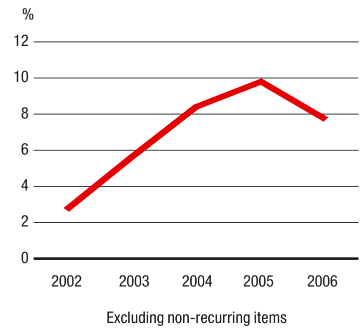
EBITA



Income after financial items



EBITA margin



In all diagrams, information for 2002–2003 is not restated following IFRS accounting principles.

for 9 percent (8) of total Group sales. Organic growth was 23 percent.

The project to take over insulin pen production for Novo Nordisk gradually expanded, as expected, during the first half of the year. In the fourth quarter, volumes for this project further increased. The strong growth in the business area excluding the acquisition is largely explained by the higher volumes from this project. At the same time, efforts to develop the European market, which began in 2005, were successful and led to new projects for production in Hungary, which also contributed to the growth in sales.

Sales at Nolato Industrial increased 1 percent to SEK 924 M (911), thus accounting for 34 percent (40) of total Group sales. Volumes overall were stable in 2006. Efforts carried out to take on new projects for the automotive industry and other selected general industrial sectors are yielding results in the form of higher sales. At the same time, Nolato Industrial reduced its sales to the consumer electronics and household appliance industries, both as a result of an active marketing strategy and because some customers moved their operations to other countries.

Earnings

In 2006, the Group's EBITA excluding non-recurring costs was SEK 209 M (221).

The EBITA margin excluding non-recurring items was 7.7 percent (9.8).

Operating income excluding non-recurring costs was SEK 208 M (221). Including non-recurring costs, operating income was SEK 78 M (221). Non-recurring costs for BenQ of SEK 125 M were charged to earnings, as was SEK 5 M for the dismissal of the managing director of a subsidiary, for a total of SEK 130 M (0).

Income after financial items was SEK 69 M (208). Net financial items included SEK –1 M (–1) in effects of currency exchange rate differences, most of which was related to translation differences for loans in foreign currencies in operations outside Sweden.

Net income was SEK 48 M (181).

Earnings per share totaled SEK 1.82 SEK (6.88). Adjusted earnings per share excluding writedowns of intangible assets from the acquisition of companies and non-recurring items totaled SEK 6.08 (6.31).

The effective tax rate excluding non-recurring items was 20 percent (20).

Return on capital employed was 7.4 percent in 2006 (21.0). Excluding non-recurring items, return on capital employed was 19.4 percent (21.0).

The Group's target is a return on capital employed of 15 percent.

Return on operating capital was 8.3 percent 2006 (25.5). Excluding non-recurring items, return on operating capital was 22.3 percent (25.5). EBITA for Nolato Telecom excluding non-recurring items was SEK 124 M (137). The EBITA margin was 8.0 percent (11.7). The lower margin compared to the same period in 2005 was largely the effect of a change in product mix with greater vertical integration, with a higher share of purchased components. During the fourth quarter, lost volumes to its customer BenQ squeezed the margin. Price pressure remained strong and intensified during the year.

EBITA for Nolato Medical was SEK 36 M (42). The EBITA margin was 14.8 percent (22.8).

In 2006, production costs were abnormally high because of the ramp-up of customer projects, including the insulin pen. Costs were high for rejects and higher staffing when these projects increased in volume. A cost-cutting program was implemented and was successful, leading to lower costs in the third and fourth quarter.

On October 23, Nolato signed an agreement to acquire the company Medical Rubber, which is one of Europe's leading producers of medical precision components in silicone rubber and thermoplastic elastomers. The company had sales of SEK 100 M in 2006 and has some one hundred employees in Hörby, Sweden. The takeover was completed on November 1, 2006. The company has been consolidated in the Group since then and has had a positive impact on the Group's earnings per share from the time of takeover.

EBITA for Nolato Industrial increased to SEK 74 M (71). The EBITA margin increased to 8.0 percent (7.8). Cost-cutting measures in both the Swedish and Hungarian operations had a positive effect on the margin while price competition had an adverse impact.

Balance sheets, five-year review

At the beginning of the five-year period, total assets were SEK 1,895 M before falling in 2003 and 2004. They have since increased again to SEK 1,724 M at the end of the period. Roughly 41 percent of assets on average consisted of inventories and receivables over the five-year period. These items are close-

Consolidated performance analysis

SEK M	**2006**	2005
Net sales	**2,702**	2,256
Gross income excluding amortization and non-recurring items	**521**	531
As a percent of net sales	*19.3*	*23.5*
Costs 1)	**– 165**	– 175
As a percent of net sales	*6.1*	*7.8*
EBITDA excluding non-recurring items	**356**	356
As a percent of net sales	*13.2*	*15.8*
Amortization and writedowns	**– 147**	– 135
EBITA excluding non-recurring items	**209**	221
As a percent of net sales	***7.7***	*9.8*
Amortization of acquisition goodwill	**– 1**	—
Non-recurring items 2)	**– 130**	—
EBIT	**78**	221
Financial items	**– 9**	– 13
Income after financial items	**69**	208
Tax excluding non-recurring items	**– 40**	– 42
As a percent of income after financial items excluding non-recurring items	*20.1*	*20.2*
Lump-sum tax income 3)	**19**	15
Net income	**48**	181

1) Excluding non-recurring items.
2) SEK 125 M pertains to costs for BenQ's expected bankruptcy and SEK 5 M to costs for the dismissal of a subsidiary managing director.
3) SEK 18 M for 2006 pertains to tax income for BenQ's expected bankruptcy and SEK 1 M for 2006 to other non-recurring items. SEK 15 M in 2006 pertains to tax income resulting from a government agency decision.

ly related to the trend in sales. This applies to non-interest-bearing current liabilities as well.

In connection with the closure of operations in the US in 2001, production equipment was sold to a great extent, but there were writedowns as well, thereby reducing tangible fixed assets. Because net investments have been relatively low in recent years and because of writedowns of fixed assets in Hungary in 2003, tangible fixed assets decreased during the period.

Goodwill from acquisitions in Hungary has been written down to zero. This occurred in 2003, which sharply reduced intangible assets. Remaining intangible assets consist mainly of goodwill remaining from the acquisition of Nolato Gota in 2000 and the acquisition in 2006 of Medical Rubber.

Shareholders' equity increased gradually during the period with the exception of 2006, when shareholders' equity decreased. In 2002, a new share issue was carried out which added a net amount of SEK 246 M to shareholders' equity. Despite improved operating profitability in 2002 and especially in 2003, shareholders' equity did not increase. This is due to a decision on non-recurring costs in Hungary in 2003.

The sharp improvement in operating profitability in 2004 and 2005, together with an improvement in net financial items and a decreasing average tax rate, resulted in an increase in shareholders' equity in these years.

Nolato's equity/assets ratio was affected by the events above and increased from 33 percent in 2002 to 46 percent in 2006. The Group's objective is an equity/assets ratio not below 35 percent.

Interest-bearing liabilities and provisions consist largely of funding from credit institutions. Since 2002, interest-bearing liabilities and provisions have increased sharply by roughly SEK 400 M. Strong cash flows have enabled Nolato to make principal payments on its borrowings.

Balance sheets, 2006

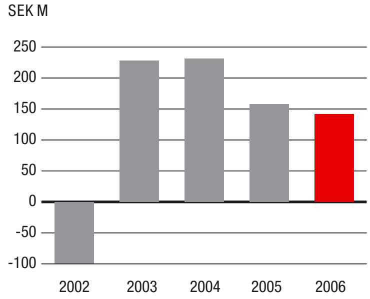
Total assets were SEK 1,724 M (1,668). Fixed assets increased as a result of the acquisition of Medical Rubber and the goodwill and other revaluation surpluses relating to the Group that resulted. Assets in the form of receivables fell slightly compared to 2005, while inventories were relatively unchanged.

Despite a positive cash flow, cash holdings fell SEK 32 M to SEK 131 M (163). Interest-bearing liabilities increased. The increase in net debt is a result of the acquisition and purchase price of Medical Rubber. Non-interest-bearing liabilities showed only minor changes compared to 2005. Shareholders' equity decreased somewhat as a result of the comparatively low net income largely because of the non-recurring costs related to BenQ's expected bankruptcy.

Balance sheets (SEK M) Information for 2002– 2003 is not restated following IFRS accounting principles

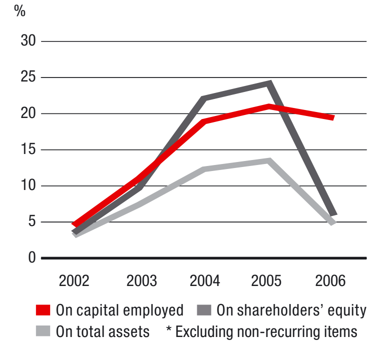
	2006	2005	2004	2003	2002
Tangible fixed assets	**683**	724	664	690	801
Intangible fixed assets	**193**	51	54	54	102
Financial fixed assets	**13**	4	—	4	29
Total fixed assets	**889**	779	718	748	932
Inventories	**187**	183	170	181	257
Current receivables	**517**	543	502	588	505
Cash and bank balances	**131**	163	214	318	201
Total current assets	**835**	889	886	1,087	963
Total assets	**1,724**	1,668	1,604	1,835	1,895
Shareholders' equity	**789**	832	661	569	624
Long-term liabilities, interest-bearing	**191**	200	230	485	583
Long-term liabilities, non-interest-bearing	**104**	73	61	70	45
Current liabilities, interest-bearing	**106**	42	147	140	118
Current liabilities, non-interest-bearing	**534**	521	505	571	525
Total shareholders' equity and liabilities	**1,724**	1,668	1,604	1,835	1,895

Cash flow after investments

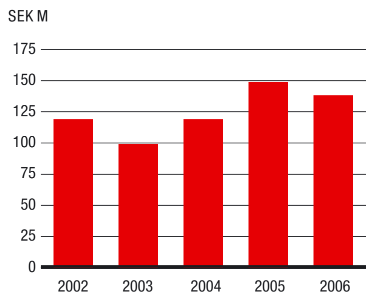


Excluding acquisitions and disposals

Return

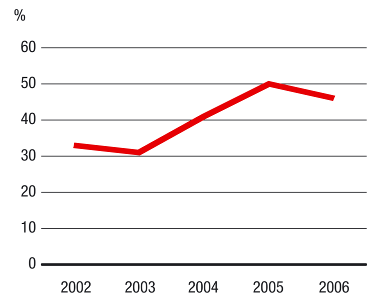


Investments



Excluding acquisitions and disposals

Equity/assets ratio



In all diagrams, information for 2002–2003 is not restated following IFRS accounting principles.

Cash flow statement, five-year review

Cash flow before changes in working capital

Since 2002, cash flow from operations has improved gradually as profitability has improved, up until 2006, when cash flow fell slightly compared to 2005.

Changes in working capital

Working capital, measured as current assets (excluding cash items) less current non-interest-bearing liabilities, averaged 8 percent of sales during the five-year period.

Significant factors that affect this working capital are, of course, the credit periods that Nolato offers its customers and the credit periods that Nolato is given by suppliers.

The general tendency of increasing credit periods over the five-year period also applies to Nolato, but this has been offset by the extension of credit periods that Nolato has been given by its suppliers.

An analysis of working capital at the end of each year, as a percentage of annual sales, shows the powerful effect the pace of sales late in the year has. High sales during the last quarter, compared to other quarters during the same year, normally cause high levels of accounts receivable and vice versa in the event of relatively low sales during the last quarter.

Investments

In 2002–2004, the level of investments was low, with the level of writedowns for each year exceeding that year's investment level. The reason for the relatively low levels of investment is that equipment from divested operations, mainly the US, could be moved to other, expanding companies in the Group, mainly in China.

The expansion carried out by the Group in these years took place primarily in China. The expansion there is generally considered less investment-intensive given that production is less automated than a similar expansion in Europe.

There was a minor acquisition made at Nolato Medical in 2004.

Funding

The strong expansion and acquisitions that occurred in 2000 required funding that could not be supplied internally from regular operations. This funding was provided in its entirety by borrowed capital. The Group then paid down this external funding in 2001–2005.

In 2002, Nolato carried out a new share issue, which gave the Group a net amount of SEK 246 M in liquidity from the shareholders.

Dividend

No dividend was paid to the shareholders for the period 2000-2001, as a result of weak profitability. Consequently, no dividend was paid in 2001 or 2002.

Payment of dividends was resumed for the financial year 2002, with SEK 13 M being paid out in 2003.

The dividend for 2003 was SEK 0.80 per share, with SEK 21 M being paid out in 2004.

For 2004, the dividend was SEK 1.75 per share, with SEK 46 M being paid out in 2005.

The dividend in 2005 was SEK 2.40 per share, with SEK 63 M being paid out in 2006.

Cash flow statement, 2006

Cash flow from operations

Cash flow before investments was SEK 280 M (307). Lower profitability, but also a smaller need for working capital, led to a somewhat lower cash flow than in 2005.

Investments

Net investments affecting cash flow totaled SEK 291 M (149).

During the third quarter of 2006, SEK 15 M was paid for the purchase of assets relating to the takeover of insulin pen production for Novo Nordisk, and in the fourth quarter SEK 153 M was paid for the acquisition of Medical Rubber. Both are included in net investments affecting cash flow. A production property in Hungary was sold during the second quarter, which entailed a payment to Nolato of SEK 14 M.

Excluding acquisitions and disposals, net investments affecting cash flow totaled SEK 138 M (149). Investments consisted of the following:

SEK M	**2006**	2005
Buildings and land	**5**	6
Machinery and equipment	**109**	93
Construction in progress	**24**	50
Total investments	**138**	149

Financial position

Interest-bearing assets totaled SEK 131 M (163) and interest-bearing liabilities and provisions totaled SEK 297 M (242). The mar-

Cash flow statement (SEK M)

	2006	2005	2004	2003	2002
Cash flow before changes in working capital	**225**	373	330	260	166
Changes in working capital	**55**	– 66	26	63	– 146
Cash flow from operations	**280**	307	356	323	20
Investment activities	**– 291**	– 149	– 125	– 95	– 57
Cash flow after investments	**– 11**	158	231	228	– 37
Financing activities	**– 11**	– 209	– 335	– 111	102
Decrease/increase in liquid funds	**– 22**	– 51	– 104	117	65
Liquid funds on January 1	**163**	214	318	201	136
Translation difference in liquid funds	**– 10**	—	—	—	—
Liquid funds on December 31	**131**	163	214	318	201

ket value of derivatives for interest-bearing liabilities was SEK +4 M (+9). Net debt thus totaled SEK 162 M (70). Shareholders' equity was SEK 789 M (832). The equity/assets ratio was 46 percent (50).

In early 2007, Nolato extended a loan agreement with credit institutes for SEK 250 M for another two years. This means that Nolato has loan agreements totaling about SEK 600 M with maturity dates of between zero and two years.

SEK M	2006	2005
Int.-bear. liab. credit inst.	**242**	183
Int.-bear. pension liabilities	**55**	59
Market value of derivatives	**– 4**	– 9
Total borrowings	**293**	233
Cash, bank, short-term inv.	**– 131**	– 163
Net debt	**162**	70
Working capital	**176**	220
In percent of sales (avg.) (%)	**7,3**	9,0
Capital employed	**1,086**	1,074
Ret. on cap. empl. (avg.) (%) *	**19.4**	21.0
Shareholders' equity	**789**	832
Return on equity (avg.) (%)	**5.9**	24.2

* Excluding non-recurring cost

Environmental information

Some of the Group's companies conduct operations that require permits under the provisions of the Swedish Environmental Code. These operations, which consist largely of the production of products made of polymer materials like plastic, rubber, silicone and TPEs, are comparatively clean and cause only a limited amount of emissions into the air and water.

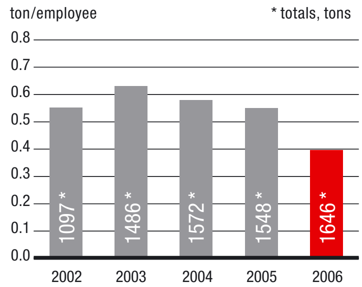
Environmental work in the Group is decentralized, and 15 of 17 operations are environmentally certified in accordance with ISO 140001. (Nolato Kuala Lumpur, which was recently started up, and Medical Rubber, which was acquired during the year, are not environmentally certified.)

Based on Nolato's approach to environmental issues, the Environmental Policy establishes that Nolato is dedicated to national and international commitments that strive for a sustainable society over the long term. The objective is that the activities of the Nolato Group will have as limited a negative impact on the environment as possible.

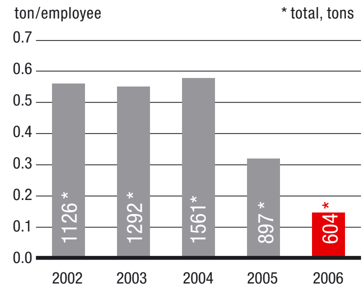
Nolato's environmental work is built in part on economizing on energy, water and other natural resources. The environmental aspects will also be taken into account in the

Environmental highlights 2002-2006

Burnable waste

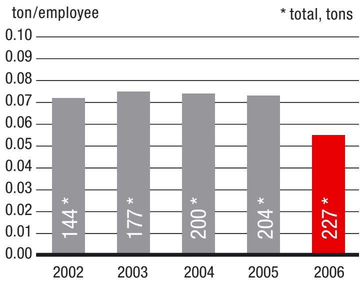


Disposal site waste

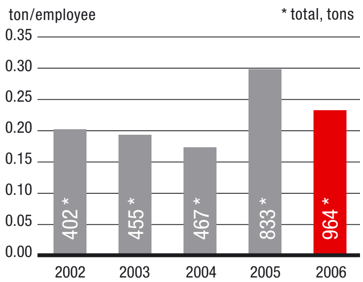


A common Group goal is to reduce the amount of waste that is left at disposal sites.

Hazardous waste

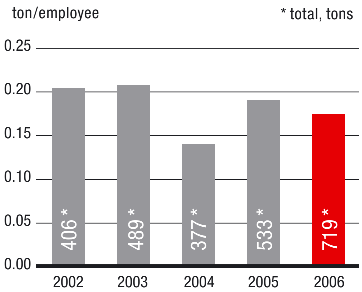


Recycling, plastic

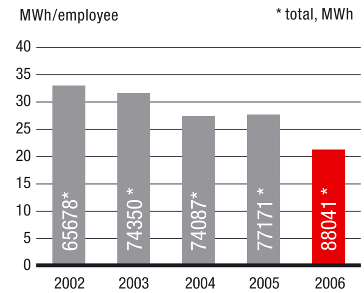


The recycling of plastic has increased considerably, largely in conjunction with the reduction in the amount left at disposal sites.

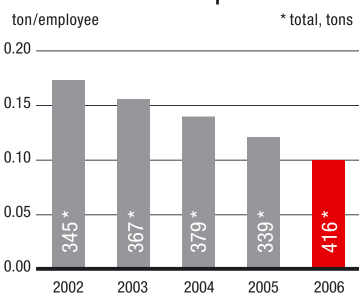
Other recycling



Electricity consumption

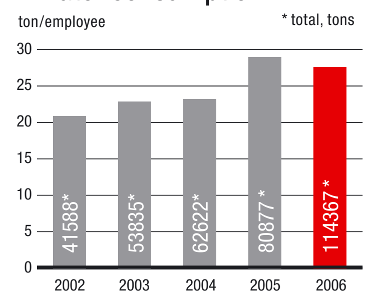


Fuel oil consumption



Waste heat from injection moulding machines is used for heating.

Water consumption



Water is used for process cooling. Total consumption increased but fell in per employee terms.

selection of raw materials and distribution systems. The relative amounts of waste and emissions from Nolato's production facilities are to be reduced.

The Environmental Policy also stipulates that Nolato will comply with current environmental legislation and develop long-term plans regarding national and international legislation in the areas of the environment and workplace health and safety.

The Environmental Policy applies to all Nolato businesses, regardless of the country they operate in. The Group thus sets the same comprehensive environmental requirements for production plants in Estonia, China, Malaysia and Hungary as for Nolato's units in Sweden. These comprehensive requirements are then implemented in compliance with legislation and specific customer requirements.

In 2006, all environmental parameters measured showed lower values per employee, as seen in the report on the preceding page. Because of higher sales and consequently higher production volumes, some totals did increase.

Personnel

The average number of employees in the period was 4,144 (2,790). The number of employees increased during the year in Asia and Estonia.

At the end of 2006, the number was reduced sharply, mainly in Asia, because of adjustments made to the fall in BenQ volumes.

Product development costs

The Group's expenditures for development totaled SEK 216 M (247), of which SEK 0 M (0) was capitalized. This included development of moulds, materials, designs and technology. Costs consisted almost entirely of development expenditures in conjunction with product development undertaken in partnership with Nolato's customers.

Future prospects

The growth of volumes in the mobile phone market is expected to remain good in 2007, but with a lower rate of growth compared to 2006.

Because of Nolato Telecom's normal seasonal variation, temporarily low volumes in a major customer project under way and the loss of BenQ volumes, sales at Nolato Telecom are expected to fall 20–25 percent in the first quarter of 2007, compared to the fourth quarter of 2006.

In the first quarter of 2007, Nolato Medical is expected to continue its positive growth in sales while Nolato Industrial's sales are expected to remain stable.

Group financial highlights, 2002 – 2006

Information for 2002– 2003 is not restated following IFRS accounting principles

	2006	2005	2004	2003	2002
Sales and earnings					
Sales (SEK M)	**2,702**	2,256	2,401	2,671	2,011
Sales growth (%)	**20**	– 6	– 10	33	– 15
Percentage outside Sweden (%)	**68**	61	65	68	53
EBITA, excluding non-recurring items (SEK M)	**209**	221	201	161	55
Operating income, including non-recurring items (SEK M)	**78**	221	201	57	42
Operating income, excluding non-recurring items (SEK M)	**208**	221	201	150	42
Financial items (SEK M)	**– 9**	– 13	– 16	– 51	– 6
Income after financial items, including nonrecurring items (SEK M)	**69**	208	185	6	36
Income after financial items, excluding nonrecurring items (SEK M)	**199**	208	185	99	5
Net income (SEK M)	**48**	181	136	– 35	60
Non-recurring items * (SEK M)	**– 130**	—	—	– 93	43
Financial position					
Total assets (SEK M)	**1,724**	1,668	1,604	1,835	1,895
Shareholders' equity (SEK M)	**789**	832	661	569	624
Interest-bearing assets (SEK M)	**131**	163	214	318	201
Interest-bearing liabilities and provisions (SEK M)	**293**	233	377	625	701
Net liabilities (SEK M)	**162**	70	163	307	500
Equity/assets ratio (%)	**46**	50	41	31	33
Percentage of risk-bearing capital (%)	**52**	54	44	32	33
Liquidity (%)	**130**	158	136	153	150
Debt/equity ratio (times)	**0.4**	0.3	0.6	1.1	1.1
Cash flow					
Cash flow from operations (SEK M)	**280**	307	356	323	20
Investment activities (SEK M)	**– 291**	– 149	– 125	– 95	– 57
Cash flow before financing activities (SEK M)	**– 11**	158	231	228	– 37
Profitability					
Return on total assets before tax (%)	**4.7**	13.5	12.3	2.4	4.8
Return on capital employed before tax, including non-recurring items (%)	**7.4**	21.0	18.9	3.6	4.5
Return on capital employed before tax, excluding non-recurring items (%)	**19.4**	21.0	18.9	11.0	4.5
Return on operating capital before tax, including non-recurring items (%)	**8.3**	25.5	23.7	15.0	4.0
Return on operating capital before tax, excluding non-recurring items (%)	**22.3**	25.5	23.7	15.0	4.0
Return on shareholders' equity before tax (%)	**5.9**	24.2	22.1	9.7	3.5
EBITA margin (%)	**7.7**	9.8	8.4	6.0	2.7
Profit margin, excluding non-recurring items (%)	**7.4**	9.2	7.7	3.7	0.2
Interest coverage ratio (times)	**8**	16	8	4	1
Personnel					
Number of employees	**4,144**	2,790	2,700	2,353	1,992
Sales by employee (SEK K)	**652**	809	889	1,135	1,010
Income after financial items per employee ** (SEK K)	**48**	75	69	42	3

* Non-recurring costs in 2006 consist of SEK 125 M in costs for BenQ's expected bankruptcy and SEK 5 M in dismissal pay for a subsidiary managing director

During 2003, non-recurring items consisted of restructuring expenses for operations in Hungary in the amount of SEK 55 M and a writedown of goodwill for Nolato Protec, Hungary in the amount of SEK 38 M.

During 2002, non-recurring items referred to a capital gain of SEK 31 M due to the sale of Nolato Elastoteknik and tax effects of SEK 12 M due to the closure of operations in the US.

** Calculated excluding non-recurring items.

Consolidated income statement

SEK M

	Note	2006	2005
Net sales	6	**2,702**	2,256
Cost of goods sold	7	**– 2,429**	– 1,851
Gross income		**273**	405
Selling expenses		**– 68**	– 46
Administrative expenses	9	**– 134**	– 135
Other operating income	10	**10**	—
Other operating expenses	11	**– 3**	– 3
		– 195	– 184
Operating income		**78**	221
Financial income	13, 15	**4**	2
Financial expenses	13, 16	**– 13**	– 15
		– 9	– 13
Income after financial items		**69**	208
Tax	17	**– 21**	– 27
Net income		**48**	181
All of net income is attributable to the shareholders of the Parent Company			
Scheduled depreciation/amortization and writedowns included	12	**166**	135
Earnings per share after full tax (SEK) *		**1.82**	6.88
Number of shares on December 31 (thousands)		**26,307**	26,307
Average number of shares (thousands)		**26,307**	26,307

*The Company has no ongoing program with financial instruments that entails any dilution of the number of shares.

Quarterly data

Group highlights

		Q1	Q2	Q3	Q4	Full-year
Net sales (SEK M)	**2006**	**594**	**867**	**638**	**603**	**2,702**
	2005	543	565	535	613	2,256
EBITDA excluding non-recurring items (SEK M)	**2006**	**84**	**106**	**86**	**80**	**356**
	2005	74	85	94	103	356
EBITA excluding non-recurring items (SEK M)	**2006**	**51**	**62**	**51**	**45**	**209**
	2005	40	51	60	70	221
EBITA margin excluding non-recurring items (%)	**2006**	**8.6**	**7.2**	**8.0**	**7.5**	**7.7**
	2005	7.4	9.0	11.2	11.4	9.8
Income after financial items (SEK M)	**2006**	**47**	**59**	**44**	**– 81**	**69**
	2005	36	47	58	67	208
Net income for the period (SEK M)	**2006**	**37**	**51**	**35**	**– 75**	**48**
	2005	27	36	47	71	181
Cash flow after investments, excluding acquisitions (SEK M)	**2006**	**48**	**54**	**– 21**	**61**	**142**
	2005	54	33	9	62	158
Earnings per share (SEK)	**2006**	**1.41**	**1.94**	**1.33**	**– 2.86**	**1.82**
	2005	1.05	1.35	1.78	2.70	6.88
Adjusted earnings per share (SEK)	**2006**	**1.41**	**1.94**	**1.48**	**1.25**	**6.08**
	2005	1.05	1.35	1.78	2.13	6.31

Net sales by profit center (SEK M)

		Q1	Q2	Q3	Q4	Full-year
Nolato Telecom	**2006**	**311**	**580**	**390**	**277**	**1,558**
	2005	275	276	291	330	1,172
Nolato Medical	**2006**	**55**	**58**	**48**	**83**	**244**
	2005	39	49	42	54	184
Nolato Industrial	**2006**	**235**	**235**	**204**	**250**	**924**
	2005	231	244	203	233	911
Intra-Group adjustments, Parent Company	**2006**	**– 7**	**– 6**	**– 4**	**– 7**	**– 24**
	2005	– 2	– 4	– 1	– 4	– 11
Group total	**2006**	**594**	**867**	**638**	**603**	**2,702**
	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**	**18**	**124**
	EBITA margin (%)		***9.0***	***7.8***	***8.5***	***6.5***	***8.0***
		2005	23	28	37	49	137
	EBITA margin (%)		*8.4*	*10.1*	*12.7*	*14.8*	*11.7*
Nolato Medical		**2006**	**10**	**7**	**7**	**12**	**36**
	EBITA margin (%)		***18.2***	***12.1***	***14.6***	***14.5***	***14.8***
		2005	8	12	11	11	42
	EBITA margin (%)		*20.5*	*24.5*	*26.2*	*20.4*	*22.8*
Nolato Industrial		**2006**	**20**	**18**	**18**	**18**	**74**
	EBITA margin (%)		***8.5***	***7.7***	***8.8***	***7.2***	***8.0***
		2005	16	19	19	17	71
	EBITA margin (%)		*6.9*	*7.8*	*9.4*	*7.3*	*7.8*
Intra-Group adjustments, Parent Company		**2006**	**– 7**	**– 8**	**– 7**	**– 3**	**– 25**
		2005	– 7	– 8	– 7	– 7	– 29
Group total		**2006**	**51**	**62**	**51**	**45**	**209**
	EBITA margin (%)		***8.6***	***7.2***	***8.0***	***7.5***	***7.7***
		2005	40	51	60	70	221
	EBITA margin (%)		*7.4*	*9.0*	*11.2*	*11.4*	*9.8*

Consolidated balance sheet

SEK M

	Note	**2006**	2005
Assets			
Fixed assets			
Tangible fixed assets	21	**683**	724
Intangible fixed assets	24	**193**	51
Deferred tax assets	17	**13**	4
Total fixed assets		**889**	779
Current assets			
Inventories	27	**187**	183
Accounts receivable	28	**426**	473
Current tax receivables		**4**	8
Other receivables		**45**	42
Derivative instruments	35	**4**	9
Prepayments and accrued income		**38**	11
Liquid funds		**131**	163
Total current assets		**835**	889
Total assets		**1,724**	1,668
Shareholders' equity and liabilities			
Shareholders' equity			
Share capital	29	**132**	132
Other contributed capital		**228**	228
Other reserves	30	**30**	55
Retained earnings		**399**	417
Total shareholders' equity		**789**	832
Long-term liabilities			
Loans	31	**136**	141
Provisions for pensions and similar obligations	33	**55**	59
Deferred tax liability	17	**103**	73
Other provisions	34	**1**	—
Total long-term liabilities		**295**	273
Current liabilities			
Accounts payable		**311**	283
Loans	31	**50**	—
Bank overdraft facilities	31	**56**	42
Advances from customers		**9**	5
Current tax liabilities		**1**	4
Other liabilities		**27**	25
Derivative instruments	35	**—**	11
Accrued expenses and prepayments	36	**180**	178
Other provisions	34	**6**	15
Total current liabilities		**640**	563
Total liabilities		**935**	836
Total liabilities and shareholders' equity		**1,724**	1,668
Collateral pledged	38	**161**	132
Contingent liabilities	39	**3**	1

Changes in consolidated shareholders' equity

SEK M

	Share capital	Other contributed capital	Other reserves	Retained earnings	Total share-holders' equity
Opening balance on January 1, 2005	**132**	**228**	**34**	**266**	**660**
Translation differences	—	—	28	13	41
Transfer of depreciation buildings and land	—	—	– 3	3	—
Cash flow hedge, after tax	—	—	– 4	—	– 4
Total transactions reported directly against shareholders' equity	—	—	21	16	37
Net income	—	—	—	181	181
Dividend for 2004	—	—	—	– 46	– 46
Closing balance on December 31, 2005	**132**	**228**	**55**	**417**	**832**
Opening balance on January 1, 2006	**132**	**228**	**55**	**417**	**832**
Translation differences	—	—	– 20	– 11	– 31
Transfer of depreciation buildings and land	—	—	– 10	10	—
Cash flow hedge, after tax	—	—	5	– 2	3
Total transactions reported directly against shareholders' equity	—	—	– 25	– 3	– 28
Net income	—	—	—	48	48
Dividend for 2005	—	—	—	– 63	– 63
Closing balance on December 31, 2006	**132**	**228**	**30**	**399**	**789**

Consolidated cash flow statement

SEK M

	Note	2006	2005
Operations			
Operating income		**78**	221
Adjustment for items not included in cash flow			
Depreciation/amortization		**138**	135
Writedowns and provisions		**36**	15
Capital gain/loss		**– 12**	—
Translation differences etc.		**3**	26
		243	397
Interest received		**3**	2
Interest paid		**– 10**	– 15
Income tax paid		**– 11**	– 11
Cash flow from operations before changes in working capital		**225**	373
Changes in working capital			
Changes in inventories		**8**	– 13
Changes in accounts receivable		**42**	– 24
Changes in accounts payable		**58**	– 24
Other changes in working capital		**– 53**	– 5
		55	– 66
Cash flow from operations		**280**	307
Investment activities			
Acquisition of tangible fixed assets *		**– 154**	– 149
Government grants received		**1**	—
Acquisition of operations and shares, excluding liquid funds	40	**– 153**	—
Sale of subsidiary	41	**14**	—
Sale of tangible fixed assets		**1**	—
		– 291	– 149
Cash flow before financing activities		**– 11**	158
Financing activities			
Borrowings		**65**	19
Payments of loan principal		—	– 167
Change in other long-term liabilities and provisions		**– 13**	– 15
Dividend paid		**– 63**	– 46
Cash flow from financing activities		**– 11**	– 209
Cash flow for the period		**– 22**	– 51
Liquid funds at January 1		**163**	214
Exchange rate difference in liquid funds		**– 10**	—
Liquid funds at December 31		**131**	163

* In 2006, SEK 15 M was paid for the takeover of insulin pen production equipment for Novo Nordisk.

Parent Company income statement

SEK M

	Note	2006	2005
Net sales	5	**53**	30
Selling expenses		**– 18**	– 13
Administrative expenses	9	**– 36**	– 43
		– 54	– 56
Operating income		**– 1**	– 26
Income from shares in Group companies	14	**76**	154
Financial income	13, 15	**10**	7
Financial expenses	13, 16	**– 16**	– 24
		70	137
Income after financial items		**69**	111
Tax	17	**3**	11
Net income		**72**	122
Scheduled depreciation/amortization included	12	**—**	—

Parent Company balance sheet

SEK M

	Note	2006	2005
Assets			
Financial fixed assets			
Shares in Group companies	25, 26	**607**	432
Receivables from Group companies		**191**	315
Deferred tax assets	17	**2**	2
Total fixed assets		**800**	749
Current assets			
Receivables from Group companies		**117**	44
Other receivables		**1**	2
Prepayments and accrued income		**25**	1
		143	47
Cash and bank balances		**42**	56
Total current assets		**185**	103
Total assets		**985**	852
Shareholders' equity and liabilities			
Shareholders' equity			
Restricted equity			
Share capital (26,307,408 shares)	29	**132**	132
Statutory reserve		**228**	228
		360	360
Unrestricted equity			
Retained earnings		**264**	198
Net income		**72**	122
		336	320
Total shareholders' equity		**696**	680
Other provisions	34	**1**	7
Long-term liabilities			
Liabilities to credit institutions	31	**148**	150
Total long-term liabilities		**148**	150
Current liabilities			
Liabilities to credit institutions	31	**112**	—
Accounts payable		**2**	1
Liabilities to Group companies		**1**	3
Other liabilities		**5**	1
Accrued expenses and prepayments	36	**20**	10
Total current liabilities		**140**	15
Total shareholders' equity and liabilities		**985**	852
Collateral pledged	38	**—**	—
Contingent liabilities	39	**105**	81

Parent Company changes in shareholders' equity

SEK M

	Share capital	Share premium reserve	Statutory reserve	Unrestricted shareholders' equity	Total share-holders' equity
Opening balance on January 1, 2005	**132**	**209**	**19**	**217**	**577**
Reclassification	—	– 209	209	—	—
Dividend	—	—	—	– 46	– 46
Group contributions, after tax	—	—	—	27	27
Net income	—	—	—	122	122
Closing balance on December 31, 2005	**132**	**—**	**228**	**320**	**680**
Opening balance on January 1, 2006	**132**	**—**	**228**	**320**	**680**
Reclassification	—	—	—	– 4	– 4
Dividend	—	—	—	– 63	– 63
Group contributions, after tax	—	—	—	11	11
Net income	—	—	—	72	72
Closing balance on December 31, 2006	**132**	**—**	**228**	**336**	**696**

Parent Company cash flow statement

SEK M

	2006	2005
Operations		
Operating income	**– 1**	– 26
Adjustments for items not included in cash flow		
Translation differences etc.	**– 9**	– 11
	– 10	– 37
Dividends from subsidiaries	**80**	55
Interest received	**10**	7
Interest paid	**– 7**	– 10
Income tax paid	**—**	– 1
Cash flow from operations before changes in working capital	**73**	14
Changes in working capital		
Other changes in working capital	**– 88**	– 28
Cash flow from operations	**– 15**	– 14
Investment activities		
Acquisitions of financial fixed assets	**– 192**	– 83
Sale of financial fixed assets	**13**	—
Liquidation of subsidiaries	**—**	76
Cash flow from investment activities	**– 179**	– 7
Cash flow before financing activities	**– 194**	– 21
Financing activities		
Borrowings	**110**	—
Payments of loan principal	**—**	– 90
Change in long-term intra-Group transactions	**101**	– 134
Dividend paid	**– 63**	– 46
Group contributions	**38**	227
Change in provisions	**– 6**	—
Cash flow from financing activities	**180**	– 43
Decrease in liquid funds	**– 14**	– 64
Liquid funds on January 1	**56**	120
Liquid funds on December 31	**42**	56

Note 1 General information

Nolato AB and its subsidiaries are a high-tech developer and manufacturer of polymer components and product systems for leading customers in telecommunications, the automotive industry, household appliances, medical technology, hygiene and other selected industrial segments.

Nolato AB is a joint-stock company with its registered office in Torekov, Sweden. The address of its corporate headquarters is Nolatovägen, 260 93 Torekov, Sweden.

Nolato AB is quoted on the OMX Nordic Exchange.

Note 2 Accounting and valuation principles

Compliance with standards and laws

The accounts of the Group are prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and with interpretations from the International Financial Reporting Interpretations Committee (IFRIC) that have been endorsed by the EU Commission for application within the EU. Recommendation RR 30 of the Swedish Financial Accounting Standards Council, "Supplementary Rules for Consolidated Financial Statements," has also been applied.

The Parent Company applies the same accounting principles as the Group except in those cases specified in the section "Accounting principles of the Parent Company." Those deviations that arise between the principles of the Parent Company and the Group are caused by limitations in the possibilities of applying IFRS for the Parent Company as a result of the Swedish Annual Accounts Act, the Swedish Law on Safeguarding Pension Commitments and, in some cases, for tax reasons.

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

The International Accounting Standards Board (IASB) has issued the following new accounting recommendations, which entered into force for financial years starting on January 1, 2007, or later.

IAS 1, "Presentation of financial statements," has been expanded to include paragraphs 124 A-C. These concern the new disclosure requirements for the Company's objectives, policies and processes for managing capital. Nolato will evaluate the effects of applying IAS 1 paragraphs A-C in 2007.

IFRS 7, "Financial instruments: Disclosures" replaces large parts of IAS 32, "Financial instruments: Disclosures and classifications." IAS 32 will henceforth only contain rules on the classification of financial instruments. IFRS 7 contains expanded disclosure requirements regarding the significance of financial instruments for the Company's financial position and performance as well as the nature and scope of the risks arising from its financial instruments. Nolato will evaluate the effects of applying IFRS 7 in 2007.

Basis for preparing the financial reports

The functional currency of the Parent Company is the Swedish krona (SEK), which is also the reporting currency for the Parent Company and the Group. This means that the financial reports are presented in Swedish kronor. All amounts are presented in millions of kronor unless otherwise indicated.

Assets and liabilities are reported at their historical acquisition values, except for certain financial assets and liabilities, which are valued at fair value. Fixed assets and long-term liabilities consist in all significant respects only of amounts that are expected to be recovered or paid after more than twelve months after the balance sheet date. Current assets and current liabilities consist in all significant respects only of amounts that are expected to be recovered or paid within twelve months of the balance sheet date. Offsetting of receivables and liabilities and of revenues and costs is done only if this is required or expressly permitted.

Preparing financial reports in accordance with IFRS requires that Group management makes judgments, estimates and assumptions that affect the application of accounting principles. Estimates and assumptions are based on historical experience and a number of other factors that seem reasonable under current conditions. Assumptions made by Group management in the application of IFRS standards that have a significant impact on the financial reports and estimates made that may entail significant adjustments to the financial reports for the following year are described under the section "Significant estimates."

Consolidated accounts

The consolidated financial statements include Nolato AB (publ) ("the Parent Company") and those subsidiaries in which the Parent Company directly or indirectly holds more than 50 percent of the votes or is otherwise entitled to formulate the financial and operating strategies in a way that normally results from a shareholding equivalent to more than half of the voting rights. Companies acquired or disposed of are included in the Group's income statement during the period they are held.

The consolidated financial statements have been prepared in compliance with IFRS 3, "Business Combinations" and with the application of the purchase method. This method means that shareholders' equity in the Group includes shareholders' equity in the Parent Company and the portion of shareholders' equity in subsidiaries that has accumulated since the acquisition. The difference between the acquisition value of shares in a subsidiary and that company's shareholders' equity at the time of acquisition, adjusted in accordance with consolidated accounting principles, has been allocated among the assets and liabilities valued at market value that were taken over in the acquisition. Amounts that cannot be allocated are reported as goodwill.

Intra-Group transactions and balance sheet items as well as unrealized gains on transactions between Group companies are eliminated. The accounting principles for subsidiaries have in some cases been changed to guarantee the consistent application of consolidated accounting principles.

Translation of financial statements of foreign subsidiaries

Items included in the financial reports for the different units in the Group are valued in the currency used in the economic environment that the different companies primarily operate in. SEK, which is the Parent Company's functioning currency and reporting currency, is used in consolidated accounts. For subsidiaries, the local currency in their respective countries is used as the reporting currency, which is considered to constitute the functioning currency.

Transactions in foreign currencies are translated into the functional currency at the rate in effect on the balance sheet date. Exchange rate gains and losses arising from the payment of such transactions and from the revaluation of monetary assets and liabilities denominated in foreign currencies at the rate on the balance date are reported in the income statement. There is an exception for transactions that constitute hedges which meet the conditions for hedge accounting of the cash flow or net investments, in which case gains/losses are reported in shareholders' equity.

The earnings and financial position of all Group companies are translated into the Group's reporting currency as follows:

– assets and liabilities are translated on the balance sheet date
– revenues and costs are translated at the average rate of exchange for the financial year
– currency differences that arise are reported in a separate section in shareholders' equity.

Business segment information

The Group's primary classifying principles for business segments are based on lines of business which correspond with the Group's classification of business area operations. The Group's secondary information on business segments is based on where customers and where the assets and investments of subsidiaries are located geographically.

Revenues, costs and earnings for the various profit centers have been affected by internal deliveries. Internal prices between profit centers are market-based. Internal deliveries are eliminated when the consolidated financial statements are prepared.

Revenue recognition

Sales proceeds for products and services are reported when there is an agreement with the customer, delivery has occurred or services have been performed and all significant risks have been transferred to the customer. Sales proceeds are reported net of allowances for value-added tax, discounts and returns.

Writedowns

Assets that have an undetermined useful life, goodwill, are not written down but are instead tested annually to determine whether any writedown is necessary.

Assets written down are assessed to determine whether there has been a decline in value whenever events or changes in circumstances indicate that the reported value may no longer be recoverable. A writedown is taken in the amount at which the reported value of the asset exceeds its recoverable value. The recoverable value is the higher of an asset's fair value less selling expenses and its value in use. In assessing the need for a writedown, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

In determining the value in use, the future cash flow is discounted using a discount rate that takes into consideration the risk-free interest rate and the risk associated with the particular asset.

Reporting of income tax
Income tax reported includes taxes payable or receivable during the year in question, adjustments to prior years' current tax and changes in deferred tax.

All tax liabilities and assets are valued at nominal amounts based on tax rules and tax rates that have been decided or announced and that are very likely to be confirmed.

Tax effects related to items that are reported in the income statement are also reported in the income statement. Tax effects related to items that are reported against shareholders' equity are reported against shareholders' equity.

Deferred tax is calculated using the balance sheet method for all temporary differences that arise between reported values of assets and liabilities. The temporary differences are caused primarily by tax-deductible losses and untaxed reserves.

Deferred tax assets attributable to unused loss carryforwards or other future tax deductions are reported to the extent that they are likely to be used to offset taxable surpluses within the foreseeable future.

Product development costs
Product development costs are normally charged as operating expenses as they occur and are included in cost of goods sold in the income statement. This includes development of tools, material, designs and technology. Costs consist almost entirely of development expenses in conjunction with product development undertaken in partnership with Group customers. Development projects that are considered to be of significant value to the Group in future years have been capitalized in the balance sheet as an intangible asset.

Development projects considered to be of significant value to the Group in the coming years have been capitalized as an intangible asset.

Tangible fixed assets
Tangible fixed assets are reported at historical acquisition value less accumulated scheduled depreciation and any writedowns. Depreciation is calculated based on estimated useful life. Included in acquisition value are fees that are directly attributable to the purchase of the asset. Transfers from shareholders' equity of gains/losses from cash flow hedges which meet the conditions of hedge accounting may also be included in the acquisition value for the purchase of tangible fixed assets in foreign currencies.

In 2001, there was a revaluation of SEK 99 M for buildings and land. In conjunction with the transition to IFRS, the remaining revaluation after taking depreciation into account, SEK 92 M, was transferred to acquisition value, in accordance with IFRS 1:17.

There is no depreciation of land. Depreciation of other assets is charged on a straight-line basis over their expected useful life, taking into account the estimated residual value, as follows:

Buildings	25 years
Land improvements	20 – 27 years
Injection moulding machines	8 – 10 years
Automated assembly equipment	3 years
Other machinery	5 – 10 years
Information technology	3 years
Other tools, fixtures and fittings	5 – 10 years

The residual value and useful life of assets are tested each balance sheet date and adjusted if necessary. The reported value of an asset is immediately written down to its recoverable value if the asset's reported value exceeds its expected recoverable value.

Intangible assets
Goodwill
Goodwill consists of the amount by which the acquisition value exceeds the fair value of the Group's share of the identifiable net assets of the acquired subsidiary at the time of the acquisition. Goodwill from the acquisition of subsidiaries is reported as an intangible asset. Goodwill is tested annually to identify whether any writedown is needed and is reported at acquisition value less accumulated writedowns. Any gain or loss from the disposal of a unit includes the remaining reported value of the goodwill associated with the unit disposed of.

In an impairment test, goodwill is allocated to individual cash-generating units.

Other intangible assets
Other intangible assets consist of capitalized expenditures, customer relations and other assets. Intangible assets are reported at acquisition value less accumulated depreciation and any writedowns.

Acquired intangible assets are reported separately from goodwill if they fit the definition of an asset, are separable or arise from contractual or other legal rights and their market value can be reliably measured. Intangible assets acquired in a business combination that are reported separately from goodwill consist of customer relations, technical knowledge, trademarks and contracts.

Straight-line depreciation is used over the expected period of use as follows:

Capitalized expenditures	5 years
Customer relations	10 years

Inventories
Inventories are valued at the lower of cost or net market value. The Company applies the FIFO (first in, first out) principle. Required allowances for obsolescence have been made. Allowances are made for intra-Group profits that result from deliveries between companies in the Group. Work in progress and finished goods include both direct expenses and reasonable markups for indirect manufacturing costs.

Liquid funds
Liquid funds include, in addition to cash holdings and bank deposits, short-term financial investments that are exposed to only an insignificant risk of fluctuation in value, are traded in the open market at known rates, and mature less than three months after the acquisition date. Liquid funds and short-term investments are valued at fair value.

Leasing
In the consolidated financial statements, leasing is classified either as financial or operating leases. Financial leases exist when the financial risks and benefits associated with ownership are transferred in all significant respects to the lessee. If this is not the case, they are called operating leases. Significant assets held according to financial leases are reported as fixed assets in the Group's balance sheet. The obligation to pay future leasing fees is reported as a liability. These assets are subject to scheduled depreciation, while the lease payments are reported as interest and payments of loan principal. In the case of operating leases, leasing fees are reported as expenses over the life of the lease.

Employee remuneration
Employee benefits
There are a number of both defined contribution and defined benefit pension plans within the Group. In Sweden, employees are included in both defined benefit and defined contribution pension plans. In other countries like China, Hungary, Estonia and Malaysia, employees are included in defined contribution pension plans.

In defined contribution plans, the company pays defined contributions to a separate legal unit and has no obligation to make further contributions. Charges are expensed to consolidated income as the benefits accrue.

In defined benefit plans, payment to employees and former employees is made based on their salary at the time they retired and the number of years vested. The Group bears the risk of ensuring that payments undertaken are made.

Nolato's defined benefit plans are unfunded. These obligations are reported in the balance sheet as provisions.

Pension expenses and pension obligations stemming from defined benefit plans are calculated using the projected unit credit method. The method allocates pension expenses as employees perform services for the Company, which increases their entitlement to future payment. Calculation is made annually by independent actuaries. The Company's liabilities are valued at the present value of expected future payments using a discount rate equal to the interest rate of top-rated corporate bonds or government bonds with a maturity equal to that of such liabilities. The most important actuarial assumptions can be seen in Note 33.

There may arise actuarial gains and losses in setting the present value of pension obligations and the fair value of plan assets. These arise either when the difference between these two values deviates from the difference using previous assumptions or when assumptions change. The portion of actuarial gains and losses on the balance sheet date of the preceding year that exceeds 10 percent of the present value of pension obligations or the fair value of plan assets, whichever is higher, is reported in the income statement over the employees' average remaining period of service.

The liability for retirement pensions and family pensions for executives in Sweden is insured through a policy with Alecta. According to a statement issued by the Standards Council's Emerging Issues Task Force, URA 42, this is a multi-employer defined benefit pension plan. For the 2006 financial year, the Company had no access to any such information that would allow it to report this plan as a defined benefit plan. The ITP pension plan (for salaried employees in industry), which is insured through a policy with Alecta, is thus reported as a defined contribution plan. Charges for the year for pension policies insured at Alecta totaled SEK 5,601 K (5,393).

Alecta's surplus can be allocated to insurers and/or insurees. At year-end 2006, Alecta's surplus, in the form of a collective funding ratio, totaled 143.1 percent (128.5). The collective funding ratio is determined by the market value of Alecta's assets as a percent of the pension liability using Alecta's own actuarial calculation assumptions, which do not comply with IAS 19.

Share-based benefits
The Group has a share-based remuneration plan in which payment is made in cash. Remuneration is valued at fair value and reported as a cost with a corresponding increase in liabilities. Fair value is reported initially at the time of issuance and allocated over the vesting period. The fair value of the cash settlement options is calculated using the Black-Scholes option pricing model and takes into account the terms and conditions of the instrument issued. The liability is revalued on each balance sheet date and when it is settled. All changes in the fair value of the liability are reported in the income statement as a personnel cost.

Employer payroll fees relating to share-based remuneration settled in cash are expensed at the same rate as the share-based remuneration.

Severance pay
Severance pay is given when an employee's position is terminated prior to the normal retirement date or when an employee accepts voluntary redundancy in exchange for such payment. The Group reports the severance pay when it is demonstrably obliged to either terminate the employee according to a detailed formal plan without the chance of rehire or to give remuneration upon termination as a result of an offer that was made to encourage employees to resign voluntarily. Benefits that fall due after more than 12 months from the balance sheet date are discounted to present value.

Bonus plans
The Group reports a liability and expense for bonuses based on its established bonus policy. The Group reports a liability when there is a legal obligation or an informal obligation based on previous practice.

Cash flow statement
The cash flow statement was prepared using the indirect method. Reported cash flow includes only transactions that involve payments made or payments received.

Changes for the year in working capital and working liabilities have been adjusted for effects of currency exchange rate differences. Acquisitions and disposals are reported in investment activities. The assets and liabilities held by the companies acquired or disposed of at the time of the change are not included in the statement of changes in working capital nor in the change in balance sheet items reported under financing activities.

Borrowing costs
Borrowing costs are reported according to the general rule in IAS 23, where they are charged to the period to which they are attributable.

Provisions
Provisions have been made for all obligations attributable to the financial year or a previous financial year which, on the balance sheet date, were likely to materialize but where there was uncertainty about the amount or the date the obligation is be met.

Government grants
Government grants are reported in the balance sheet and income statement only when it is reasonably certain that the terms and conditions associated with these grants will be met and the grants will be received. Government grants related to assets reduce the acquisition value of the assets and affect reported earnings during the utilization period through lower depreciation or amortization. Government grants related to earnings reduce the expenses to which the grants are related. Government grants related to assets are reported in the cash flow statement under "Investment activities," while government grants related to earnings are included in operating income.

Financial instruments
The Group classifies its financial instruments into one of the following categories: financial assets valued at fair value via the income statement, loan receivables and customer receivables, financial instruments that are held until maturity and financial assets that can be sold. The classification depends on what purpose the instrument was purchased for. The classification of instruments is determined at the first reporting date and is retested every reporting date.

Most of the Group's financial assets and liabilities are attributable to deliveries of goods and services, where receivables have a short maturity. The Nolato Group reports these receivables based on their acquisition value. Because of their short maturity, there is no need to consider the time value until payment is made.

Liquid funds and short-term investments have been classified as assets where value is set at fair value and changes in value are reported in the income statement.

Financial liabilities are valued at accumulated acquisition value. This is calculated so that a constant effective interest rate is obtained over the lending period provided that they have a short maturity and there is no contractual interest rate. In this way, trade payables and similar current liabilities are reported at nominal value.

Reporting of derivative instruments and hedging
Financial derivative instruments are reported in the balance sheet on the contract date and are valued at fair value, both initially and upon subsequent revaluation. The method for reporting the gain or loss that arises in revaluation depends on whether the derivative is identified as a hedging instrument and, if such is the case, the nature of the item that is hedged. The Group identifies certain derivatives as either fair value hedges or hedges on forecast transactions that are very likely to take place (cash flow hedges). When a transaction is effected, the Group documents the relation between the hedging instrument and the item hedged, as well as the objective of the risk management.

Fair value hedging
Changes in the fair value of derivatives that have been identified as fair value hedges are reported together with the changes in the fair value of the asset or liability that gave rise to the hedged item.

Cash flow hedging
The effective portion of changes in the fair value of derivative instruments that have been identified as cash flow hedges and which meet the conditions for hedge accounting is reported in shareholders' equity. Accumulated amounts in shareholders' equity are reversed in the income statement in those periods the hedge item affects earnings (for instance, when the forecast sale took place). When a hedge instrument expires or is sold or when the hedge no longer meets the conditions of hedge accounting and there are accumulated gains or losses from hedging in shareholders' equity, those gains/losses remain in shareholders' equity and are entered in the income statement at the same time the forecast transaction is finally reported in the income statement. When a forecast transaction is no longer expected to take place, the accumulated profit or loss reported in shareholders' equity is immediately transferred to the income statement.

Calculation of fair value
The fair value of financial instruments that are traded in an active market is based on market prices quoted on the balance sheet date. The quoted market price that is used for the Group's financial assets is the purchase price at that time; the quoted market price for financial liabilities is the sale price at that time.

Accounting principles of the Parent Company
The accounting and valuation principles of the Parent Company comply with the Swedish Annual Accounts Act as well as with recommendation RR 32 of the Swedish Financial Accounting Standards Council.

The Parent Company's financial reports are presented in millions of Swedish kronor unless otherwise indicated. They have been prepared based on historical acquisition values. Fixed assets and long-term liabilities consist in all significant respects only of amounts that are expected to be recovered or paid in more than 12 months after the balance sheet date. Current assets and current liabilities consist in all significant respects only of amounts that are expected to be recovered or paid within 12 months of the balance sheet date. Offsetting of receivables and liabilities and of revenues and costs is made only if this is required or expressly permitted.

The accounting principles of the Parent Company are in compliance with the consolidated accounting principles, which are described above, with the following exceptions:

Reporting of income tax
In the Parent Company, untaxed reserves are reported gross as a liability in the balance sheet. Appropriations are reported as gross amounts in the income statement.

Leasing
The Parent Company only has leasing agreements for the leasing of office space and certain other rental contracts. All leasing agreements are reported as operating leases.

Remuneration to employees
The Parent Company has employees who are included in both defined contribution and

defined benefit pension plans. According to RR 32, all pension plans are classified and reported as defined contribution. This means that premiums paid are charged to the income statement. Defined benefit pension plans are insured through a policy at Alecta. Charges for the year to Alecta totaled SEK 252 K (51).

Financial instruments
The Parent Company has chosen to apply IAS 39 as of January 1, 2007. This means that the Parent Company does not report derivative instruments in the balance sheet on December 31, 2006. Outstanding derivative instruments on December 31, 2006, are described in Note 37.

Tangible and intangible fixed assets
Fixed assets are reported at historical acquisition value less accumulated scheduled depreciation/amortization. Depreciation/amortization has been calculated based on estimated useful life as follows:

The following depreciation/amortization periods have been used:

Capitalized expenditures	5 years
Information technology	3 years
Other tools, fixtures and fittings	5 years

Note 3 Significant estimates

In order to prepare the financial reports, Group management and the Board of Directors must make estimates and assumptions that affect the asset and liability items and revenue and cost items reported in the financial statements and in other information submitted. The estimates and assumptions for accounting purposes that are treated in this section are those considered to be most important for understanding the financial reports given the degree of important assumptions and uncertainty.

Useful life of machinery, tools, fixtures and fittings
The Group determines the expected useful life and thus the relevant depreciation for the Group's machinery, tools, fixtures and fittings. This calculation is based on the expected use of the asset and when the asset will become technically or commercial outdated as a result of changes in production.

Pension benefits
The present value of pension obligations depends on a number of factors determined on an actuarial basis using a number of assumptions. Included in the assumptions used in determining the present value of such obligations are the discount rate and salary increases. Every change in these assumptions will affect the reported value of pension obligations.

The Group determines an appropriate discount rate at the end of every year. This is the rate used to determine the present value of expected future payments which are assumed will be paid for the pension obligations. In determining the appropriate discount rate, the Group takes into consideration interest rates for government bonds denominated in the currency in which the payments will be made and which have a maturity that corresponds to the estimates for the present pension obligation.

Income tax
The Group is required to pay income tax in many countries. Numerous estimates are needed to determine the total provision for income tax. There are many transactions and calculations where the final tax is uncertain at the time the transaction and calculations are made. The Group reports a liability based on known rules at year-end. In cases where the final tax differs from that first reported, such differences will affect the provisions for current and deferred tax for the period that these were determined.

Goodwill impairment testing
Each year, the Group investigates whether there is any need to write down goodwill, in accordance with the accounting principle described in Note 2. The recoverable value of cash-generating units has been determined by calculating the value in use. Certain assumptions must be made to arrive at these calculations.

After performing a sensitivity analysis, it can be stated that even if the retested gross margin had been 10 percent lower than the management's estimate or the discount rate had been 10 percent higher than the management's estimate, it would not have resulted in any writedown of the reported value.

Obsolescence in inventories
Each balance sheet date, the Group makes an assessment of the risk of obsolescence in its inventories. This assessment is based on forecasts and plans that have been received from the Group's customers but is also based on historical deliveries.

If there is a risk of obsolescence, inventory is reported at net market value.

Note 4 Financial risk management

Nolato's financial policy specifies how responsibility for financial operations is to be delegated in the Group, what financial risks the Group is prepared to assume and what financial risks are to be limited. The policy balances and limits the following financial risks:
– foreign exchange risks (cash flow and translation exposure)
– borrowing and interest rate risks
– liquidity and credit risks in the financial markets.
The policy is adopted by Nolato's Board and revised annually or when needed.
Nolato's business risks are described on pages 33 – 34.

Foreign exchange risks

Cash flow risks
These are defined as changes in the cash flow due to foreign exchange rate fluctuations in currency flows.

According the Group's financial policy, future forecast net flows of foreign currency for products and services are hedged for a period of twelve months as follows:

Next 3 months	60 – 80 %
Next 4 – 6 months	40 – 60 %
Next 7 – 9 months	20 – 40 %
Next 10 – 12 months	0 – 20 %

No hedging of net flows in USD for the Chinese operations, however, was effected as the Chinese currency is pegged to the USD and is only allowed to fluctuate within a small range. No hedging of the net flow in EUR for the Estonian operations was effected as the Estonian currency is pegged to the EUR.

Foreign exchange risks for financial flows relating to loans and investments in foreign currencies can be avoided by the Group's companies borrowing in foreign currencies or hedging these flows. According to this policy, any hedging or risk-taking is decided on a case-by-case basis for foreign exchange risk in financial flows. Any hedging costs and any differences in interest rate levels between countries are taken into consideration in decisions about any possible risk-taking. Nolato's current exposure can be seen in the sensitivity analysis.

Translation exposure
Translation exposure is the effect produced when the income statement and balance sheet of a foreign subsidiary are translated into Swedish kronor in the consolidated income statement and balance sheet. Translation is a reporting effect calculated at every reporting date. The income statement is translated at the average rate for the year, while the closing rate on December 31 is used to translate the balance sheet.

According to the Group's policy, the Group's capital, that is, its foreign net assets, is not hedged. Nolato's current exposure can be seen in the sensitivity analysis.

Funding and borrowing risk
In order to maintain financial flexibility and satisfy the Group's capital needs, Nolato has negotiated credit facilities with varying contract lengths, in part so that it can finance financial fluctuations and organic growth and in part be prepared to make large investments and acquisitions. At the end of the year, roughly one third of the Group's funding was renegotiated with a new three-year agreement. Current liquid reserves are detailed in Note 31 on page 63 and in the analysis of interest-bearing net liabilities.

Interest rate risk
Interest rate risk is defined as the risk of an effect on the Group's earnings as a result of changes in market interest rates. The maturity of the Group's fixed-term loans and investments determines how quickly interest rate changes impact earnings. The Group's policy specifies that the average maturity of fixed-term loans and investments for the

Group is to be between 5 months and 2 years. This affects all interest-bearing assets and liabilities, that is, net liabilities. The interest rate effect and interest-bearing liabilities can be seen in the sensitivity analysis.

Liquidity and credit risks

The Group's policy for investing liquid funds specifies that they can only be invested in financial instruments that can be redeemed on short notice or that have a highly liquid secondary market to reduce liquidity risk. Investments, apart from traditional bank deposits, may only be made in what are called low-risk interest-bearing securities (with a high rating based on official statistics from official rating agencies) and high liquidity. The tenor of these interest-bearing securities may not exceed three months, according to the policy.

Transaction exposure and sensitivity analyses

Net exposure of sales and purchases in foreign currencies

SEK M	12 mo estimated net flows	Total hedging	Percent-age	Average ex-change rate
USD	60	45	75%	6.78
EUR	33	10	30%	9.06
DKK	56	28	50%	1.21
HUF	82	82	100%	0.04
Total	**231**	**165**	**71%**	
Unhedged currency flows USD	16	—		

Nolato's Swedish and Estonian operations have a net exposure largely in EUR, USD and DKK, whereas Hungarian operations have only limited net flows in foreign currency. Chinese operations have a forecast net inflow in USD of SEK 16 M, which is not hedged. On December 31, 2006, 71 percent of the future forecast net flow was hedged via forward contracts.

Interest-bearing net liabilities on December 31, 2006

	Outstanding amount (SEK M)	Term out-standing (mo)	Remaining fixed-interest period (mo)	Average interest rate (%)
Interest-bearing liabilities				
Bank loans, SEK *	182	16	4	3.9
Bank loans, USD	17	12	0	5.5
Bank loans, EUR	37	6	1	4.9
Overdraft facilities, HUF	2	6	1	9.7
Pension liability	55	12	0	4.2
	293	14	3	4.2
Interest-bearing assets				
Liquid funds	– 131	0	0	2.4
Total net liabilities	**162**			

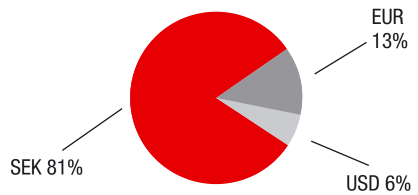
* Including the effect of currency swaps

Translation exposure of net assets on December 31, 2006

SEK M	Net assets	Swedish krona 1% stronger
Nolato Beijing, CNY	135	– 1
Nolato Lövepac, CNY	9	0
Nolato Protec, HUF	57	– 1
Nolato Jasz, HUF	81	– 1
Nolato Kuala Lumpur, MYR	– 4	0
Nolato Tallinn, EEK	9	0
Total	**287**	**– 3**

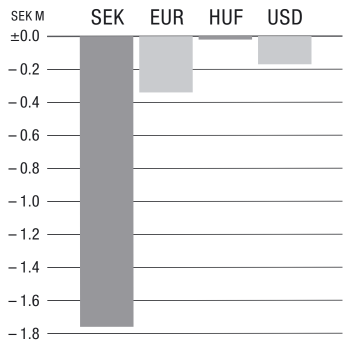
The Group had SEK 287 M (339) in foreign net assets, and a one percent strengthening in the Swedish krona would have a SEK –3 M on net assets.

Breakdown of interest-bearing liabilities by currency



The diagram includes derivatives to hedge loans valued in foreign currencies in SEK.

Interest rate effect



The effect on interest expense of a 1 percent rise in interest rates, including derivatives, calculated on interest-bearing liabilities on December 31, 2006. A one-percent rise in interest rates would have a negative effect on the Group of SEK 2 M.

Transaction exposure on December 31, 2006

	Unhedged forecast net flows, 12 months (SEK M)	Change in currency	Effect on earnings (SEK M)
USD	15	+/– 1%	0 SEK M
EUR	23	+/– 1%	0 SEK M
DKK	28	+/– 1%	1 SEK M
Total	**66**		**1** SEK M

The Group had SEK 66 M in unhedged net flows, including effects from currency hedges. A +1/–1% change in the value of the Swedish krona would have a SEK 1 M effect on net income. The table does not include the effect of the unhedged net flow in the Chinese operations.

Note 5 Intra-Group purchases and sales

	Parent Company	
	2006	2005
Purchases from Group companies total	**—**	—
Sales to Group companies total	**28**	30

Note 6 Information about divisions and geographic areas, Nolato Group

Information about profit centers

The Group's operations are reported externally in three profit centers. Profit centers are the primary classifying principle. A description of the three profit centers is found on pages 16–29.

The assets in each profit center consist of all operating assets used by the division, primarily fixed assets, inventories and accounts receivable. Liabilities assigned to divisions include all operating liabilities, mainly accounts payable and accrued expenses.

Liquid funds, borrowings, provisions for pensions and deferred taxes have not been allocated to profit centers.

	Nolato Telecom		Nolato Industrial		Nolato Medical		Elimination		Total	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
Revenues										
External sales	**1,554**	1,171	**904**	901	**244**	184	**—**	—	**2,702**	2,256
Intra-Group sales	**4**	1	**20**	10	**—**	—	**– 24**	– 11	**—**	—
Total revenues	**1,558**	1,172	**924**	911	**244**	184	**– 24**	– 11	**2,702**	2,256
Earnings										
Items not reflecting operations	**– 125**	—	**—**	—	**—**	—	**—**	—	**– 125**	—
Earnings by profit center	**124**	137	**74**	71	**35**	42	**—**	—	**233**	250
Expenses not allocated									**– 30**	– 29
Operating income									**78**	221
Financial expenses									**4**	2
Financial income									**– 13**	– 15
Tax expenses for the year									**– 21**	– 27
Net income									**48**	181
Other information										
Assets	**608**	704	**614**	686	**354**	99	**4**	3	**1,580**	1,492
Assets not allocated									**144**	176
Total assets									**1,724**	1,668
Liabilities	**300**	306	**176**	174	**67**	40	**– 8**	1	**535**	521
Liabilities not allocated									**400**	315
Total liabilities									**935**	836
Investments	**79**	101	**26**	46	**23**	28	**—**	4	**128**	179
Depreciation and writedowns	**93**	63	**60**	63	**13**	9	**—**	—	**166**	135
Significant expenses, other than depreciation/amortization with no offsetting payments, writedowns and provisions	**6**	24	**2**	8	**1**	7				

Information about geographic regions

In the Nordic region, which is the Group's domestic market, the Group manufactures and sells from all three profit centers. Elsewhere in Europe, the Group has manufacturing operations in Hungary for the Nolato Industrial and Nolato Medical profit centers and in Estonia for the Nolato Telecom profit center. In Asia, the Group has manufacturing operations in China and Malaysia for the Nolato Telecom profit center.

	Nordic region		Other Europe		North America etc.		Asia		Group	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
External net sales	**1,058**	992	**1,132**	670	**41**	57	**471**	537	**2,702**	2,256
Assets	**1,019**	1 055	**348**	191	**—**	—	**357**	422	**1,724**	1,668
Average number of employees	**879**	934	**622**	429	**—**	—	**2,643**	1 427	**4,144**	2,790
Investments	**50**	73	**11**	30	**—**	—	**67**	76	**128**	179

Note 7 Research and development, Group

	2006	2005
Expensed customer project development expenditures	**216**	247
Total	**216**	247

Note 8 Personnel

Average number of employees

	2006 No. of empl.	2006 Of whom men	2005 No. of empl.	2005 Of whom men
Parent Company				
Nolato AB, Torekov	**5**	**80%**	5	100%
Subsidiaries				
Medical Rubber AB, Hörby	**15**	**44%**	—	—
Nolato Alpha AB, Kristianstad	**118**	**89%**	197	86%
Nolato Beijing, China	**2,560**	**30%**	1,424	22%
Nolato Gota AB, Götene	**113**	**73%**	114	75%
Nolato Kuala Lumpur, Malaysia	**83**	**30%**	3	50%
Nolato Lövepac AB, Skånes Fagerhult	**82**	**65%**	69	50%
Nolato Medevo AB, Torekov	**138**	**62%**	101	61%
Nolato Plastteknik AB, Göteborg	**113**	**57%**	117	54%
Nolato Polymer AB, Torekov	**89**	**87%**	91	75%
Nolato Protec, Hungary	**194**	**51%**	233	53%
Nolato Silikonteknik AB, Hallsberg	**58**	**66%**	100	54%
Nolato STG AB, Lönsboda	**43**	**65%**	34	74%
Nolato Sunne AB, Sunne	**105**	**87%**	108	85%
Nolato Tallin AS, Estonia	**428**	**13%**	194	31%
Group total	**4,144**	**38%**	2,790	41%

Salaries, other remuneration and employer payroll fees

	2006 Salaries and other remun.	2006 Empl. payroll fees (of which nonstat. pension expenses)	2005 Salaries and other remun.	2005 Empl. payroll fees (of which nonstat. pension expenses)
Parent Company	**18**	**13**	12	9
		(7)*		(5)*
Subsidiaries	**417**	**163**	385	159
		(24)		(31)
Group total	**435**	**176**	397	168
		(31)**		(36)**

* Of the Parent Company's non-statutory pension expenses, SEK 1,674 K (1,566) pertained to the President and SEK 0 (0) to the Board of Directors.

** Of the Group's non-statutory pension expenses, SEK 6,273 K (5,891) pertained to the category of Board of Directors and President/Managing Director.

Salaries and other remun. by country	2006 Board and President	2006 Other employees	2005 Board and President	2005 Other employees
Parent Company	**5**	**13**	6	6
Subsidiaries in Sweden	**10**	**282**	11	292
Subsidiaries outside Sweden				
Estonia	**1**	**25**	1	14
China	**2**	**73**	2	38
Malaysia	**1**	**2**	—	—
Hungary	**2**	**19**	2	25
Total subsidiaries	**16**	**401**	16	369
Group total	**21**	**414**	22	375

Remuneration to senior executives

Principles

A director's fee is paid to the Chairman and members of the Board as decided by the Annual Meeting. No director's fee is paid to employees of the Group or to employee representatives. Remuneration for the President and other senior executives is made up of a base salary, variable remuneration, other benefits and a pension. "Other senior executives" refers to individuals who, together with the President, constitute the Group Management. During 2006, Group Management consisted of 4 people plus the President. For the current composition see page 69.

Preparation of business and the decision-making process

The Board of Directors has appointed a compensation committee, consisting of the Chairman of the Board and one other Board member. The committee has proposed and the Board of Directors has approved the current principles for variable remuneration. The committee has made decisions on all remuneration and benefits for the President, which have been presented to and approved by the Board. The committee has approved the remuneration of Group Management.

Remuneration and other benefits during 2006

SEK K	Base salary/ Director's fee	Variable remun.*	Other benef.**	Pension premiums	Other remun.***	Total
Chairman of the Board	220	—	—	—	—	220
Other Board members	600	—	—	—	2	602
President	3,240	4,466	193	1,347	189	9,435
Other senior executives (4)	5,526	—	325	1,203	654	7,708
Total	9,586	4,466	518	2,550	845	17,965

Remuneration and other benefits during 2005

SEK K	Base salary/ Director's fee	Variable remun.*	Other benef.**	Pension premiums	Other remun.***	Total
Chairman of the Board	180	—	—	—	1	181
Other Board members	550	—	—	—	—	550
President	3,072	1,229	176	1,260	33	5,770
Other senior executives (6)	8,273	2,298	361	2,027	203	13,162
Total	12,075	3,527	537	3,287	237	19,663

* "Variable remuneration" pertains to remuneration charged as expenses for the financial year and payable in the following year. In 2006, the President was paid SEK 4,466 K in a share-based bonus which was charged to income in 2003-2005.

** "Other benefits" pertains to company cars.

*** "Other remuneration" pertains to the President's taxable travel allowance as well as payment made to the President and other senior executives for accrued vacation benefits.

Variable remuneration

Variable remuneration paid to the President and other senior executives is based on operating income and return on capital employed. The maximum outcome for the President is 40 percent of base salary and for other senior executives 30 percent of base salary. At the same time, all profit centers must report positive earnings excluding non-recurring items. In 2006, the outcome for the President was 0 percent of base salary (40) and for other senior executives an average of 0 percent of base salary (28).

In addition, the President has a contract based on Nolato's share price performance. The starting price is SEK 79 per share, which will be compared to the average price during Q1 2009. The increase in value per share will be multiplied by a factor of 150,000 to determine the remuneration. The remuneration has been maximized at an amount corresponding to 50 percent of gross salary in the form of regular monthly salary that the President has received during the period. On December 31, 2006, SEK 500 K was reserved for this remuneration.

In Q2 2006, the previous three-year contract on remuneration based on Nolato's share price performance expired. As a result, SEK 4,466 K fell due to the President.

Pensions

The retirement age for the President and other senior executives is 65. The President's pension premium amounts to 40 percent of pension-qualifying salary and follows a defined contribution plan. Variable remuneration does not qualify as pensionable income. For 2006, the average pension premium was 40 percent of base salary (40).

Other senior executives have defined contribution pension plans. For 2006, the average pension premium was 22 percent of base salary (24). Variable remuneration does not qualify as pensionable income.

Severance pay

The Company and the President have agreed on a notice period of 6 months if the President resigns of his own volition. In case of termination by the Company, a notice period of 24 months applies. Other senior executives shall provide a notice period of 6 months. In case of termination by the Company, a notice period of 12-24 months applies. Any other income that is received during the notice period shall be deducted from the salary and other remuneration payable during the notice period. No such deduction shall be made for the President. Both the President and other senior executives collect base salary and other benefits during the notice period. There is no remuneration after the notice period.

Gender distribution of senior executives, 2006

	Group		Parent Company	
	Men	Women	Men	Women
Presidents	14	1	1	—
Board members	58	7	8	2
Other senior executives in subsidiaries/Parent Company	65	10	4	—
Total	137	18	13	2

Gender distribution of senior executives, 2005

	Group		Parent Company	
	Men	Women	Men	Women
Presidents	13	—	1	—
Board members	56	4	9	1
Other senior executives in subsidiaries/Parent Company	58	8	6	—
Total	127	12	16	1

Note 9 Information on remuneration to auditors

The Company's auditing firm has been remunerated:

For auditing and other examinations in acc. with the Swedish Companies Act etc.

SEK K	Group		Parent Company	
	2006	2005	**2006**	2005
Ernst & Young	**1,651**	1,596	**400**	400
Total	**1,651**	1,596	**400**	400

For independent consulting, assistance, etc.

SEK K	Group		Parent Company	
	2006	2005	**2006**	2005
Ernst & Young	**910**	520	**684**	227
Total	**910**	520	**684**	227

Note 10 Other operating income

	Group	
	2006	2005
Capital gain from sale of property	**10**	—
Total	**10**	—

Note 11 Other operating expenses

	Group	
	2006	2005
Writedown on customer relations	**– 1**	—
Writedown on capitalized expenditures	**– 2**	– 3
Total	**– 3**	– 3

Note 12 Depreciation, amortization and writedowns

Included in operating expenses are scheduled depreciation and amortization and writedowns as follows:

	Group		Parent Company	
	2006	2005	**2006**	2005
Customer relations	**1**	—	**—**	—
Capitalized expenditures	**8**	3	**—**	—
Buildings and land	**26**	15	**—**	—
Machinery and other technical facilities	**117**	104	**—**	—
Equipment, tools, fixtures and fittings	**14**	13	**—**	—
Total	**166**	135	**—**	—

Included in the amount above are SEK 10 M for the writedown of a building in Kristianstad, Sweden, and SEK 18 M for other writedowns.

Depreciation/amortization was distributed according to utilization as follows:

	Group		Parent Company	
	2006	2005	**2006**	2005
Cost of goods sold	**158**	126	**—**	—
Selling expenses	**1**	2	**—**	—
Administrative expenses	**4**	4	**—**	—
Other operating expenses	**3**	3	**—**	—
Total	**166**	135	**—**	—

Note 13 Exchange rate differences

	Group		Parent Company	
	2006	2005	**2006**	2005
Exchange rate diff., operating income, net	**– 5**	– 14	**—**	—
Exchange rate diff., financial items, net	**– 1**	– 1	**– 9**	– 14
Total	**– 6**	– 15	**– 9**	– 14

Note 14 Income from shares in Group companies

	Parent Company	
	2006	2005
Dividends from subsidiaries	**80**	55
Income from liquidation of subsidiaries	**—**	75
Income from sale of subsidiaries	**– 4**	—
Reversal of writedown of shares in subsidiaries	**—**	52
Writedown of shares in subsidiaries	**—**	– 28
Total	**76**	154

Note 15 Financial income

	Group		Parent Company	
	2006	2005	**2006**	2005
Interest income, Group companies	**—**	—	**8**	6
Interest income, other	**4**	2	**2**	1
Total	**4**	2	**10**	7

Note 16 Financial expenses

	Group		Parent Company	
	2006	2005	**2006**	2005
Interest expense, Group companies	**—**	—	**—**	– 2
Interest expense, other	**– 11**	– 13	**– 6**	– 7
Other financial expenses	**– 1**	– 1	**– 1**	– 1
Exchange rate differences	**– 1**	– 1	**– 9**	– 14
Total	**– 13**	– 15	**– 16**	– 24

Note 17 Tax

	Group		Parent Company	
	2006	2005	**2006**	2005
Current tax	**– 13**	– 13	**3**	10
Deferred tax	**– 8**	– 14	**—**	1
Total	**– 21**	– 27	**3**	11

Deferred tax revenue/expense for the year

	Group		Parent Company	
	2006	2005	**2006**	2005
Tax revenue for temp. diff.	**5**	24	**—**	1
Tax expense for temp. diff.	**– 13**	– 38	**—**	—
Total	**– 8**	– 14	**—**	1

Difference between the Group's tax and tax based on applicable tax rate

	Group		Parent Company	
	2006	2005	**2006**	2005
Reported income before tax	**69**	208	**69**	111
Tax according to applicable tax rate	**– 19**	– 58	**– 19**	– 31
Tax effect of non-deductible expenses	**—**	– 1	**—**	—
Dividends from subsidiaries	**—**	—	**22**	15
Income from liquidation of subsidiaries	**3**	—	**– 1**	21
Non-deductible writedowns of shares in subs.	**—**	—	**—**	– 8
Tax-exempt rev. of writedowns of shares in subs.	**—**	—	**—**	15
Adjustment for taxes in prior years	**1**	19	**1**	—
Prior loss carryforwards not utilized	**—**	—	**—**	—
Loss carryforwards not utilized	**– 2**	– 3	**—**	—
Effect of foreign tax rates	**– 2**	16	**—**	—
Other	**– 2**	—	**—**	– 1
Total	**– 21**	– 27	**3**	11

The tax rate applicable to the Group's income is 28%. Tax on Group contributions received is reported directly against shareholders' equity.

Tax related to items reported directly against shareholders' equity

	Group		Parent Company	
	2006	2005	**2006**	2005
Hedge accounting	**2**	– 1	**—**	—
Current tax related to Group contributions	**—**	—	**– 4**	– 11
Total	**2**	– 1	**– 4**	– 11

Deferred tax liabilities

	Group		Parent Company	
	2006	2005	**2006**	2005
Untaxed reserves	**36**	35	**—**	—
Revaluation of real estate	**20**	24	**—**	—
Revaluation surplus rel. to Group	**12**	4	**—**	—
Earnings from foreign subsidiaries	**19**	20	**—**	—
Other	**26**	3	**—**	—
Total deferred tax liabilities	**113**	86	**—**	—

Deferred tax assets

	Group		Parent Company	
	2006	2005	**2006**	2005
Provisions for pension obligations	**—**	2	**—**	—
Loss carryforwards reversed	**3**	—	**—**	—
Derivative instruments	**—**	3	**—**	—
Other	**20**	12	**2**	2
Total deferred tax assets	**23**	17	**2**	2
Net deferred taxes	**– 90**	– 69	**2**	2

Offsetting of deferred tax assets and deferred tax liabilities occurs where a legal right of offset applies. Thus SEK 13 M (4) was reported as deferred tax assets and SEK 103 M (73) as deferred tax liabilities.

The Group's unutilized loss carryforwards amounted to SEK 89 M (172) and were related in their entirety to operations in Hungary. No tax effects related to these have been taken into account because it is uncertain whether they can be utilized within the foreseeable future.

Note 18 Cost allocated by type of cost

	Group		Parent Company	
	2006	2005	**2006**	2005
Raw materials and supplies	**– 1,450**	– 1,035	**—**	—
Changes in inventories of finished goods and work in progress	**6**	– 6	**—**	—
Costs for remuneration to employees	**– 611**	– 565	**– 31**	– 21
Energy costs	**– 46**	– 38	**—**	—
Other costs	**– 367**	– 256	**– 23**	– 35
Depreciation	**– 166**	– 135	**—**	—
Total costs	**– 2,634**	– 2,035	**– 54**	– 56

Note 19 Non-recurring items, Group

Included in the income statement are non-recurring items for the following amounts:

	2006	2005
BenQ's expected bankruptcy	**– 125**	—
Dismissal of Managing Director in subsidiary	**– 5**	—
Tax resulting from government authority decision	**—**	15
Tax effect	**19**	—
Total	**– 111**	15

Non-recurring items have been allocated in the income statement among the following items:

	2006	2005
Cost of goods sold	**– 108**	—
Selling expenses	**– 17**	—
Administrative expenses	**– 5**	—
Tax	**19**	15
Total	**– 111**	15

Non-recurring costs for BenQ's expected bankruptcy
On September 28, 2006, the Board of Directors of the Taiwanese company BenQ announced that it would discontinue its investment in its German mobile phone operations. On January 1, 2007, bankruptcy proceedings were begun and a trustee was appointed.

It is Nolato's opinion that no distributions will be made in the event of bankruptcy, which is why all accounts receivable from BenQ Mobile GmbH and products in its inventory for BenQ have been valued at SEK 0 M net after insurance compensation. At year-end 2006, provisions were also made for expected costs for settling with suppliers and for personnel costs. These costs total SEK 107 M. In addition, a SEK 18 M writedown for equipment was made.

Note 20 Earnings per share, Group

	2006	2005
Net income, incl. non-recurring items	**48**	181
Non-recurring items		
BenQ's expected bankruptcy	**– 125**	—
Dismissal of Managing Director in subsidiary	**– 5**	—
Tax resulting from government authority decision	**—**	15
Tax effect	**19**	—
Total	**– 111**	15
Writedown of intangible assets arising from company acquisitions	**– 1**	—
Adjusted net income	**160**	166
Average number of shares (thousands)	**26,307**	26,307
Earnings per share	**1.82**	6.88
Adjusted earnings per share	**6.08**	6.31

Note 21 Tangible fixed assets, Group

	Buildings and land	Machinery and other technical facilities	Equipment, tools, fixtures and fittings	Construction in progress and advances	Total
On January 1, 2005					
Acquisition value	444	1,145	126	27	1,742
Accumulated depreciation	– 171	– 807	– 100	—	– 1,078
Reported value	273	338	26	27	664
January 1 – December 31, 2005					
Reported value on January 1	273	338	26	27	664
Acquisitions	6	101	15	57	179
Reclassifications	4	18	5	– 27	—
Divestments and disposals	—	– 2	—	—	– 2
Depreciation	– 15	– 104	– 13	—	– 132
Translation differences	1	13	—	1	15
Reported value	269	364	33	58	724
On December 31, 2005					
Acquisition value	455	1 198	152	58	1,863
Accumulated depreciation	– 186	– 834	– 119	—	– 1,139
Reported value	269	364	33	58	724
January 1 – December 31, 2006					
Reported value on January 1	269	364	33	58	724
Acquisitions	5	95	4	24	128
Acquired via acquisition of ops.	—	8	3	—	11
Government grants	—	– 1	—	—	– 1
Reclassification	—	57	—	– 57	—
Disposals and retirements	– 4	—	—	—	– 4
Depreciation	– 16	– 107	– 12	—	– 135
Writedowns	– 10	– 10	– 2	—	– 22
Exchange rate differences	– 2	– 14	– 1	– 1	– 18
Reported value on December 31	242	392	25	24	683
On December 31, 2006					
Acquisition value	423	1281	151	24	1,879
Accumulated depreciation	– 181	– 889	– 126	—	– 1,196
Reported value	242	392	25	24	683

Tax assessment values and reported values	**2006**	2005
Tax assessment values, buildings in Sweden	**108**	92
Reported values, buildings in Sweden	**157**	180
Tax assessment values, land in Sweden	**22**	19
Reported values, land in Sweden	**31**	32

Note 22 Leasing

		Group
Financial leasing agreements	**2006**	2005
Acquisition value, buildings and machinery	**17**	17
Accumulated depreciation, buildings and machinery	**– 14**	– 12
Reported value	**3**	5

Future payment obligations in the Group on December 31, 2006

	Financial leases	Operating leases
Lease payment for the year	0	12
2007	0	12
2008	0	8
2009	0	6
2010	0	6
2011	0	5

Operational leases consist mainly of rental contracts for production premises.

The Parent Company has no significant leasing agreements.

Note 23 Tangible fixed assets, Parent Company

Tools, fixtures and fittings	2006	2005
Acquisition value on January 1	**2**	2
Accumulated acquisition value on December 31	**2**	2
Depreciation on January 1	**2**	2
Accumulated depreciation on December 31	**2**	2
Reported value on December 31	**—**	—

Note 24 Intangible fixed assets, Group

	Customer relations	Capitalized expenditures	Goodwill	Total
On January 1, 2005				
Acquisition value	—	19	182	201
Accumulated amortization, writedowns	—	– 8	– 139	– 147
Reported value	—	11	43	54
January 1 – December 31, 2005				
Book value on January 1	—	11	43	54
Amortization	—	– 3	—	– 3
Reported value on December 31	—	8	43	51
On December 31, 2005				
Acquisition value	—	17	182	199
Accumulated amortization, writedowns	—	– 9	– 139	– 148
Reported value	—	8	43	51
1 January – 31 december 2006				
Book value on January 1	—	8	43	51
Acquisitions	32	—	119	151
Amortization	– 1	– 2	—	– 3
Writedowns	—	– 6	—	– 6
Reported value on December 31	31	0	162	193
On December 31, 2006				
Acquisition value	32	17	301	350
Accumulated amortization, writedowns	– 1	– 17	– 139	– 157
Reported value	31	0	162	193

Impairment test for writedowns of goodwill
An impairment test for reported goodwill values was performed prior to the end of the accounting period, December 31 2006. As is shown below, goodwill totaling SEK 162 M was reported in Nolato's consolidated balance sheet. Goodwill was allocated among the Group's cash-generating units identified by profit center.

	2006	2005
Nolato Industrial	**40**	40
Nolato Medical	**122**	3
Total	**162**	43

The recoverable amounts for a cash-generating unit are determined using calculations of useful life. These calculations are determined by expected future cash flows based on forecasts and strategic plans which are approved by Group management and run for three years. Cash flow beyond this period is extrapolated based on the rate of inflation, in no case over 2 percent. The operating margin for the period beyond the strategic plan is based on historical performance and forecast values.

The discount rate used is the weighted average cost of capital (WACC) before tax of 10.5%.

Note 25 Shares in Group companies

	Parent Company	
	2006	2005
Acquisition value on January 1	**680**	598
Acquisitions	**173**	—
New share issue/additions	**19**	83
Disposals	**– 28**	—
Liquidation	**—**	– 1
Accumulated acquisition value on December 31	**844**	680
Accumulated writedowns on January 1	**248**	272
Disposals	**– 11**	—
Writedowns for the year	**—**	28
Reversed writedowns	**—**	– 52
Accumulated writedowns on December 31	**237**	248
Reported value on December 31	**607**	432

Note 26 Shares in Group companies, Parent Company

The Parent Company's holdings	% of equity	% of votes	Book value
Medical Rubber M.R. AB, Hörby, Sweden	100%	100%	173
Nolato Alpha AB, Kristianstad, Sweden	100%	100%	12
Nolato Beijing Ltd, China	100%	100%	68
Nolato Gejde AB, Torekov, Sweden	100%	100%	1
Nolato Gota AB, Götene, Sweden	100%	100%	116
Nolato Jász Kft, Hungary	100%	100%	26
Nolato Kuala Lumpur, Malaysia	100%	100%	9
Nolato Lövepac AB, Sk, Fagerhult, Sweden	100%	100%	10
Nolato Lövepac Beijing Ltd, China	100%	100%	9
Nolato Medevo AB, Torekov, Sweden	100%	100%	6
Nolato Plastteknik AB, Göteborg, Sweden	100%	100%	62
Nolato Polymer AB, Torekov, Sweden	100%	100%	5
Nolato Protec Kft, Hungary	100%	100%	46
Nolato Silikonteknik AB, Hallsberg, Sweden	100%	100%	12
Nolato STG AB, Lönsboda, Sweden	100%	100%	4
Nolato Sunne AB, Sunne, Sweden	100%	100%	35
Nolato Tallinn Polymer AS, Estonia	100%	100%	1
Nolato Torekov AB, Torekov, Sweden	100%	100%	12
Total book value			**607**

Information on subsidiaries' corporate identity numbers and registered offices:

Medical Rubber M.R. AB	556146-2606	Hörby, Sweden
Nolato Alpha AB	556164-1050	Kristianstad, Sweden
Nolato Beijing Ltd	—	China
Nolato Gejde AB	556545-5549	Torekov, Sweden
Nolato Gota AB	556054-1301	Götene, Sweden
Nolato Jász Kft	—	Hungary
Nolato Kuala Lumpur	—	Malaysia
Nolato Lövepac AB	556120-6052	Sk Fagerhult, Sweden
Nolato Lövepac Beijing Ltd	—	China
Nolato Medevo AB	556309-0678	Torekov, Sweden
Nolato Plastteknik AB	556198-4385	Göteborg, Sweden
Nolato Polymer AB	556380-2890	Torekov, Sweden
Nolato Protec Kft	—	Hungary
Nolato Silikonteknik AB	556137-5873	Hallsberg, Sweden
Nolato STG AB	556098-4584	Lönsboda, Sweden
Nolato Sunne AB	556101-2922	Sunne, Sweden
Nolato Tallinn Polymer AS	—	Estonia
Nolato Torekov AB	556042-2858	Torekov, Sweden

Note 27 Inventories

	Group	
	2006	2005
Raw materials and supplies	**95**	71
Products being manufactured	**31**	22
Finished goods and goods for resale	**56**	50
Work in progress	**5**	40
Total	**187**	183

The cost of inventories charged to income is included under "Cost of goods sold" and totaled SEK 1,444 M (1,041).

During the year, the Group wrote down SEK 40 M (14). Writedowns for the year are included in "Cost of goods sold" in the income statement. During the year, reversed writedowns totaled SEK 7 M (0).

Note 28 Accounts receivable and other receivables

	Group	
	2006	2005
Accounts receivable	**489**	477
Deduction: Provision for decline in value of receivables	**– 63**	– 4
Accounts receivable net	**426**	473

During the year, the Group reversed SEK 2 M (1) in doubtful receivables as of January 1. The amount has been included in "Selling expenses" in the income statement. During the year, writedowns totaled SEK 61 M (2) and mainly pertain to receivables from BenQ.

Fair value of accounts receivable and other receivables is as follows:

	2006	2005
Accounts receivable	**426**	473
Other receivables	**49**	50
Prepayments and accrued income	**38**	11
Total	**513**	534

Note 29 Share capital

The share capital of Nolato AB totals SEK 132 M, divided into 26,307,408 shares. Of these, 2,759,400 are Class A shares and 23,548,008 are Class B shares. Class A shares entitle the holder to ten votes each and Class B shares one share each. All shares have equal rights to the assets and earnings of the Company.

	Number of shares	Share capital SEK K
Share capital, December 31, 2004	26,307,408	131,537
Share capital, December 31, 2005	26,307,408	131,537
Share capital, December 31, 2006	26,307,408	131,537

Note 30 Other reserves

	Revaluation build. & land	Hedging reserve	Transl. reserve	Total
Balance on January 1, 2005	**64**	**– 1**	**– 29**	**34**
Transfer of depreciation – gross	– 4	—	—	– 4
Transfer of depreciation – tax	1	—	—	1
Translation differences	—	—	28	28
Cash flow hedges:				
Fair value losses for the year	—	– 7	—	– 7
Tax on fair value losses	—	2	—	2
Transfers to the income statement	—	2	—	2
Tax on transfers to the income statement	—	– 1	—	– 1
Balance on December 31, 2005	**61**	**– 5**	**– 1**	**55**
Balance on January 1, 2006	**61**	**– 5**	**– 1**	**55**
Transfer of depreciation – gross	– 14	—	—	– 14
Transfer of depreciation – tax	4	—	—	4
Translation differences	—	—	– 20	– 20
Cash flow hedges:				
Transfers to the income statement	—	7	—	7
Tax on transfers to the income statement	—	– 2	—	– 2
Balance on December 31, 2006	**51**	**0**	**– 21**	**30**

Note 31 Borrowings

	Group		Parent Company	
	2006	2005	**2006**	2005
Long-term				
Bank loans	**136**	141	**148**	150
	136	141	**148**	150
Short-term				
Bank loans	**50**	—	**50**	—
Overdraft facilities	**56**	42	**62**	—
	106	42	**112**	—
Total borrowings	**242**	183	**260**	150

Maturity dates for bank loan borrowings are as follows:

	2006	2005	**2006**	2006
Within 1 year	**106**	42	**112**	—
Between 2 and 5 years	**136**	141	**148**	150
More than 5 years	**—**	—	**—**	—
	242	183	**260**	150

Total credit lines granted in the Group totaled SEK 610 M (648).

Amounts reported, by currency, are as follows:

	2006	2005	**2006**	2005
EUR	**173***	163*	**132**	132
SEK	**50**	—	**112**	—
USD	**17**	18	**16**	18
HUF	**2**	2	—	—
	242	183	**260**	150

* The Group has hedged liabilities of EUR 15 M through currency swaps at a rate of 8.79. The market value of the currency swap is SEK 4 M (9).

Interest-bearing liabilities and interest rate swaps

At the end of the year, the Group's interest-bearing liabilities amounted to SEK 242 M (183). The average interest rate, including effects of interest rate swap contracts, was 4.2 percent (3.4). The average fixed-interest term is 3 months (3).

	Group		Parent Company	
	2006	2005	**2006**	2005
Liabilities with fixed interest rates	**—**	—	**—**	—
Liabilities with floating interest rates	**242**	183	**260**	150
Total liabilities	**242**	183	**260**	150

Note 32 Net liabilities, Group

	2006	2005
Cash and bank balances	**131**	163
Loans, long-term	**– 136**	– 141
Provisions for pensions and similar obligations	**– 55**	– 59
Loans, short-term	**– 50**	—
Overdraft facilities	**– 56**	– 42
Derivative instruments, see Note 35	**4**	9
Total	**– 162**	– 70

Note 33 Provisions for pensions and similar obligations

	Group	
SEK K	**2006**	2005
Defined benefit pension plans	**54,772**	52,628
Other pension plans	**642**	6,113
Total	**55,414**	58,741

Defined benefit pension plans

In the Group, there are defined benefit pension plans in which employees are entitled to remuneration after leaving their position based on their final salary and vesting period. In the Group, such plans are only found in Sweden.

The amounts reported in the balance sheet have been calculated as follows:

SEK K	**2006**	2005
Present value of unfunded obligations	**67,137**	66,147
Unreported actuarial gains (+) / losses (–)	**– 12,365**	– 13,519
Net liability in the balance sheet	**54,772**	52,628

Fair value of the defined benefit pension plans:

SEK K	**2006**	2005
Balance on January 1	**66,147**	53,533
Benefits vested during the period	**462**	387
Interest rate expenses	**2,604**	2,670
Benefits redeemed	**– 4**	– 5
Pension payments	**– 1,319**	– 1,099
Actuarial gain/loss	**– 753**	10,661
Total	**67,137**	66,147

The entire actuarial gain in 2006, SEK 753 K, is attributable to experience adjustments.

The amounts reported in the income statement during the financial year for defined benefit pension plans are as follows:

SEK K	**2006**	2005
Expenses related to service during the financial year	**462**	387
Interest expense	**2,604**	2,670
Actuarial losses reported for the year	**400**	—
Total expense for defined benefit pension plans	**3,466**	3,057
Expense for defined contribution plans	**29,076**	28,088
Expense for special salary tax and yield tax	**7,882**	7,888
Total pension expense	**40,424**	39,033

Expenses for defined benefit pension plans are allocated in the income statement as follows:

SEK K	2006	2005
Cost of goods sold	**446**	152
Selling expenses	**195**	110
Administrative expenses	**221**	125
Financial expenses	**2,604**	2,670
Total	**3,466**	3,057

Changes in net liability as reported in the balance sheet are as follows:

SEK K	2006	2005
Net liability on January 1 according to the balance sheet adopted	**52,628**	50,675
Net expense reported in the income statement	**3,466**	3,057
Pension payments and benefits redeemed	**– 1,322**	– 1,104
Net liability on December 31	**54,772**	52,628

Important actuarial assumptions on the balance sheet date (weighted averages)

%	2006	2005
Discount rate	**3.95**	3.95
Future annual salary increases	**3.20**	3.20
Future annual pension increases	**3.20**	3.20
Employee turnover	**5.00**	5.00

Alecta:

The liability for retirement pensions and family pensions for executives in Sweden is secured through a policy with Alecta. According to a statement issued by the Standards Council's Emerging Issues Task Force, URA 42, this is a multiple-employer defined benefit pension plan. For the 2006 financial year, the Company had no access to any such information that would allow it to report this plan as a defined benefit plan. The ITP pension plan (for salaried employees in industry), which is insured at Alecta, is thus reported as a defined contribution plan. Charges for the year for pension insurance policies at Alecta totaled SEK 6 M (5). Alecta's surplus can be allocated to insurers and/or insurees. On December 31, 2006, Alecta's surplus, in the form of the collective funding ratio, amounted to 143.1 percent (128.5). The collective funding ratio is determined by the market value of Alecta's assets as a percentage of the pension liability using Alecta's own actuarial calculation assumptions, which do not comply with IAS 19.

Note 34 Other provisions

Group	Share-based bonus	Provision to restructuring reserve	Total
Amount on January 1	7	8	15
Provisions for the year	1	5	6
Reclassification	—	– 1	– 1
Provisions utilized	– 7	– 6	– 13
Amount on December 31	1	6	7

Provisions to restructuring reserve for the year consist mainly of personnel costs relating to personnel reductions in Kristianstad, Sweden. Payment of this provision will take place mainly in 2007. The provision for share-based bonuses is expected to be paid out in 2009 and is described in Note 8.

Parent Company	Share-based bonus
Amount on January 1	7
Provisions for the year	1
Provisions utilized	– 7
Amount on December 31	1

Note 35 Derivative instruments, Group

	2006 Assets	2006 Liabilities	2005 Assets	2005 Liabilities
Currency forward contract, cash flow hedges	**—**	**—**	—	– 10
Currency forward contracts, fair value hedges	**4**	**—**	9	—
Interest rate swaps, cash flow hedges	**—**	**—**	—	– 1
	4	**—**	9	– 11

Currency forward contracts

Currency forward contracts entered into but unutilized on December 31, 2006, are detailed in the table below. The market value on December 31, 2006, was SEK 0 M (–10). The market value of contracts identified as cash flow hedges which meet the conditions for hedge accounting was SEK 0 M (–4).This value has been reported in shareholders' equity. The remaining market value, SEK 0 M (–6), was reported in the income statement.

Currency	Nominal value in contract SEK M	Average rate	Market value SEK M	Realized gains/ losses	Unrealized gains/ losses
EUR/SEK	10	9.06	0	0	0
USD/SEK	45	6.78	0	0	0
HUF/SEK	82	0.04	0	0	0
DKK/SEK	28	1.21	0	0	0
Total			**0**	**0**	**0**

Gains and losses in shareholders' equity on currency forward contracts on December 31, 2006, will be transferred to the income statement at various dates within one year of the balance sheet date.

Currency forward contracts, fair value hedges

Maturity date	Amount	Rate	Currency	Market value
November 8, 2006	15,000	8.79	EUR	4

The currency swap pertains to the hedging of long-term liabilities in EUR.

Note 36 Accrued expenses and prepayments

	Group		Parent Company	
	2006	2005	**2006**	2005
Salary liabilities	**66**	63	**10**	5
Employer payroll fees	**35**	31	**6**	3
Other items	**79**	84	**4**	2
Total	**180**	178	**20**	10

Note 37 Financial instruments, Parent Company

According to the Parent Company's accounting principles, derivatives are not reported in the balance sheet. On December 31, 2006, the market value of unrealized derivatives was SEK 0 M (–11).

Currency forward contracts, cash flow hedges

Currency	Nominal value in contract SEK M	Average rate	Market value SEK M
EUR/SEK	5	9.06	0
USD/SEK	41	6.78	0
HUF/SEK	82	0.04	0
DKK/SEK	28	1.21	0
Total			**0**

Note 38 Collateral pledged for own liabilities and provisions

	Group		Parent Company	
	2006	2005	**2006**	2005
Chattel mortgages	**115**	88	**—**	—
Real estate mortgages	**46**	44	**—**	—
Total	**161**	132	**—**	—

Note 39 Contingent liabilities

	Group		Parent Company	
	2006	2005	**2006**	2005
Guarantees on behalf of subsidiaries	**—**	—	**105**	81
Other contingent liabilities	**3**	1	**—**	—
Total	**3**	1	**105**	81

Note 40 Company acquisitions

Acquisition of Medical Rubber AB

Description of the acquisition
On November 1, 2006, Nolato acquired 100% of the shares in Medical Rubber AB. The acquisition was reported using the acquisition method, with the total purchase price being allocated among the assets acquired and liabilities assumed based on their fair values. Fair value was determined following generally accepted accounting principles and methods. Medical Rubber's earnings were included in Nolato's consolidated accounts as of November 1, 2006.

Financial effects
During the period November 1 – December 31, 2006, Medical Rubber AB contributed SEK 18 M to the Group's net sales and SEK 3 M to the Group's net earnings. Medical Rubber's net sales for full-year 2006 were SEK 100 M and its pro forma net income including revaluation surplus relating to the Group was SEK 9 M.

Acquisition value, goodwill and cash flow effects

Acquisition value	
Purchase price	169
Unpaid portion of purchase price	4
Total acquisition value	173
Less fair value of net assets acquired (as specified below)	– 54
Goodwill	**119**

Goodwill consists of synergies expected to be achieved mainly as a result of higher sales volumes, but also to some degree from lower costs through better purchasing terms from external suppliers and coordination of different levels of the business area.

Cash flow effects from the acquisition are:	
Cash paid acquisition value	169
Less liquid funds acquired	– 16
Net cash flow from the acquisition in 2006	**153**
Additional purchase price to be paid in 2007, still unpaid	4
Net cash flow from the acquisition	157

Assets acquired and liabilities assumed

	Reported value	Adjustment to fair value	Fair value
Customer relations	—	32	32
Fixed assets	11	—	11
Current assets	29	—	29
Liquid funds	16	—	16
Total assets acquired	56	32	88
Deferred tax	4	9	13
Current liabilities	21	—	21
Total liabilities assumed	25	9	34
Assets acquired, net	31	23	54

Acquisitions in 2005

In 2005, Nolato acquired all shares in the company that owns the property where Nolato Jasz previously carried out operations, Nolato REH Kft. The property was previously leased by Nolato Jasz. The leasing agreement was reported as a financial leasing agreement. The purchase price for the shares in Nolato REH Kft was SEK 3 M. The amount increased the Group's reported value of buildings by SEK 3 M.

In 2005, Nolato AB acquired all shares in Nolato Gejde AB, as part of a restructuring within the Group.

Note 41 Sale of subsidiary

Sale of Nolato REH Kft
In 2006, Nolato sold its shares in Nolato REH Kft. The company owned a production property in Hungary which was no longer used in operations.

Financial effects	
Purchase price	14
Book value building	– 4
Capital gain	10

Proposed distribution of earnings

Nolato AB (publ)

The earnings at the disposal of the Annual General Meeting are as follows (SEK M):	
Retained earnings	264
Net income	72
Total	336

The Board of Directors and the President propose that these funds be distributed as follows (SEK M):

Dividend of SEK 2.40 per share to the shareholders	63
To be carried forward	273
Total	336

The proposed dividend, in the view of the Board of Directors, is in line with the principle of prudence with respect to both the demands that the type and size of operations and the risks associated with them place on shareholders' equity and the Company's capital requirements, liquidity and financial position.

The Board of Directors and the President hereby ensure that, to the best of our knowledge:
- the Annual Report is prepared in accordance with generally accepted accounting principles for stock market companies,
- the information submitted corresponds to actual conditions,
- nothing of material importance has been omitted that would affect the picture of the company presented in the Annual Report.

Torekov, Sweden, March 2, 2007

Carl-Gustaf Sondén
Chairman

Gun Boström

Henrik Jorlén

Erik Paulsson

Lars-Åke Rydh

Claes Warnander

Georg Brunstam
President

Magnus Bergqvist
Employee representative

Eva Norrman
Employee representative

Björn Jacobsson
Employee representative

Auditor's report

To the Annual Meeting of Shareholders in Nolato AB (publ)
Swedish corporate identity number 556080-4592

We have audited the Parent Company and consolidated accounts and the administration of the Board of Directors and President of Nolato AB for the financial year 2006. These accounts and the administration of the Company and the application of the Annual Accounts Act when preparing the Parent Company accounts, as well as the application of IFRS international standards as adopted by the EU and the Annual Accounts Act when preparing the consolidated accounts, are the responsibility of the Board of Directors and the President. Our responsibility is to express an opinion on the Parent Company and consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain high, but not absolute, assurance that the Parent Company and consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and their application by the Board of Directors and President and significant estimates made by the Board of Directors and the President when preparing the Parent Company and consolidated accounts as well as evaluating the overall presentation of information in the Parent Company and consolidated accounts. To form a basis for our opinion regarding discharge of liability, we examined significant decisions, actions taken and circumstances of the Company in order to be able to determine the possible liability to the Company of any Board member or the President. We also examined whether any Board member of the President in some way or other has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

In our opinion, the Parent Company accounts have been prepared in accordance with the Annual Accounts Act, thus providing a true and fair view of the Company's earnings and financial position in accordance with generally accepted accounting standards in Sweden. The consolidated accounts have been prepared in accordance with IFRS international accounting standards as adopted by the EU and the Annual Accounts Act, thus providing a true and fair view of the Group's earnings and financial position. The statutory Report of the Directors is consistent with the other parts of the Parent Company and consolidated accounts.

We recommend that the Annual General Meeting adopt the Parent Company and consolidated income statements and balance sheets, distribute the profit in the Parent Company in accordance with the proposal in the Report of the Directors and discharge the members of the Board of Directors and the President from liability for the financial year.

Torekov, Sweden, March 2, 2007

Ernst & Young
Ingvar Ganestam
Authorized Public Accountant, Chief Auditor

Board of Directors and auditors

Carl-Gustaf Sondén, chairman
Member since 2003. Shareholding in Nolato 12,000 B. Other directorships: Chairman of Skåne Marin AB, member of Airsonett AB and NP Nilssons Trävaru AB. Born 1945. Education engineer.

Gun Boström
Member since 1971. Shareholding in Nolato 417,750 A and 485,800 B. Born 1942. Education engineer.

Erik Paulsson
Member since 2003. Shareholding in Nolato (incl. family and companies) 609,200 A and 1,101,575 B.
Other directorships: Chairman of SkiStar AB and Wihlborgs Fastigheter AB, Deputy Chairman Fabege AB. Born 1942. Education elementary school.

Claes Warnander
Senior Executive Director China, Haldex AB. Shareholding in Nolato 1,960 B. Member since 1999. Other directorships: Board member of Velux A/S and Emotron AB. Born 1943. Education LLB, MBA, MS.

Henrik Jorlén
Member since 1974. Shareholding in Nolato 294,000 A and 48,200 B. Born 1948. Education commercial school.

Lars-Åke Rydh
President of Nefab AB. Member since 2005. Shareholding in Nolato 2,000 B. Other directorships: Board member Nefab AB, Handelsbanken Region East, OEM International AB. Born 1953. Education MS in engineering.

Georg Brunstam
President and CEO of Nolato AB. Member since 2003. Shareholding in Nolato 80,000 B. Other directorships: Board member Nibe Industrier AB, DIAB International AB, AB Wilh. Becker. Born 1957. Education MS in engineering.

Magnus Bergqvist
Employee representative LO since 1990. Nolato Sunne AB.
Shareholding in Nolato 0. Born 1955. Education upper secondary school.

Björn Jacobsson
Employee representative LO since 2000. Nolato Gota AB. Shareholding in Nolato 0. Born 1971. Education upper secondary school.

Ewa Norrman
Employee representative PTK since 1997. Nolato Plastteknik AB.
Shareholding in Nolato 0. Born 1951. Education nurse.

Deputy members

Ingegerd Andersson employee representative LO since 2004, Nolato Plastteknik AB. Shareholding in Nolato 0. Born 1951. Education upper secondary school.

Bo Eliasson employee representative LO since 2004, Nolato Polymer AB. Shareholding in Nolato 0. Born 1947. Education lower school certificate.

Auditors

Ernst & Young AB
Chief auditor:
Ingvar Ganestam, born 1949.
Authorized public accountant. Auditor at Nolato since 2000. Shareholding in Nolato 0. Education MBA. Elected auditors at companies including Alfa Laval AB, Lindab AB and the IKEA Group.

Nomination committee

The nomination committee prior to the 2007 Annual Meeting consists of Henrik Jorlén, Gun Boström, Erik Paulsson and Erik Sjöström (Skandia).

Nolato's Corporate Governance Report can be found on pages 30 – 31.

Group Management

Georg Brunstam
President and CEO of Nolato
and head of Nolato Industrial Sweden
since 2003
Employed at Nolato since 2003
Education MS in engineering
Born 1957
Shareholding incl. family 80,000

Per-Ola Holmström
Chief financial officer since 1995
Employed at Nolato since 1995
Education MBA
Born 1964
Shareholding incl. family 1,442

Jonas Persson
Head of Nolato Telecom since 2006
Employed at Nolato since 1999
Education MS in engineering
Born 1969
Shareholding incl. family 0

Christer Wahlquist
Head of Nolato Medical since 2005
Employed at Nolato since 1996
Education MS in engineering, MBA
Born 1971
Shareholding incl. family 1,500

Magnus Emeus
Head of Nolato Industrial Central Europe
since 2002
Employed at Nolato since 1998
Education MBA
Born 1966
Shareholding incl. family 30

Information about the Group Management can be found on page 31.

Annual Meeting and 2007 financial calendar

Annual Meeting

Shareholders are welcome to attend Nolato's Annual Meeting at 6:00 p.m. on Wednesday, April 25, 2007 at the Grevie Sports Park (Idrottsparken), not far from the Group's headquarters in Torekov, Sweden.

Light refreshments and beverages will be served after the Annual Meeting.

Registration

Shareholders who wish to participate in the proceedings at the Annual Meeting should register with the company no later than 4:00 p.m. on Thursday, April 19, 2007. Registration can be made using the postage paid response card enclosed with the Annual Report sent to shareholders, by letter to Nolato AB, SE-260 93 Torekov, Sweden, by e-mail to nolatoab@nolato.se or by fax to +46 431 44 22 91.

When registering, shareholders should state their name, address, telephone number, personal ID number or corporate identity number, number of shares and any assistants. If participation is supported by proxy, registration certificate or other authorization document, this should be sent to the Company well before the Annual Meeting.

Right to participate

Only shareholders entered in the register of shareholders printed by VPC AB on Thursday, April 19, 2007 have the right to participate in the Annual Meeting following registration.

Shareholders who, through the trust department of a bank or other manager, have registered their shares in the name of a nominee, must temporarily register the shares in their own name to have the right to participate in the Annual Meeting following registration. In order for this registration to be entered in the register of shareholders no later than Thursday, April 19, 2007, shareholders must request re-registration by the manager no later than a few banking days prior to this date.

Financial calender

All financial information will be posted on Nolato's web site, www.nolato.com, as soon as it is published.

During 2007, financial information will be released as follows:

- Three-month interim report 2007: April 25, 2007
- Annual Meeting April 25, 2007
- Six-month interim report 2007: July 19, 2007
- Nine-month interim report 2007: October 24, 2007

Per-Ola Holmström, CFO, is responsible for Nolato's financial information.

He can be reached:
by telephone at +46 431 44 22 93 or
by e-mail at per-ola.holmstrom@nolato.se

The Nolato Annual Report is produced by Strategisk Information AB, Malmö, Sweden. Translation Susan Long. Printed by JMS Mediahus, March 2007.

Nolato AB
SE-260 93 Torekov, Sweden
Street address: Nolatovägen
Telephone: +46 431 44 22 90
Telefax: +46 43144 22 91
Internet: www.nolato.se
E-mail: info@nolato.se

Nolato Alpha
Box 2072,
SE-291 02 Kristianstad, Sweden
Street address: Tegelbruksv. 15
Telephone: +46 4418 60 00
Telefax: +46 44 12 70 80
E-mail: alpha@nolato.se

Nolato Beijing
402 Longsheng Industrial Park
7, Rong Chang Road East
Beijing Development Area
Beijing 100176, P.R. China
Telephone: +86 10 6787 2200
Telefax: +86 10 6787 2671
E-mail: beijing@nolato.com

Nolato Gota
Box 29, SE-533 21 Götene,
Sweden
Street address: Alsborgsgatan 2
Telephone: +46 511 34 21 00
Telefax: +46 51134 21 01
E-mail: gota@nolato.se

Nolato Japan
Spacea Ebisu, Room 610
6-22 Higashi 3-chome Shibuya-ku
Tokyo, Japan 150-0011
Telephone: +81 3 3407 8513
E-mail: japan@nolato.com

Nolato Kuala Lumpur
2 Jalan U1/20, Section U1
Hicom-Glenmarie Industrial Park,
40150 Shah Alam
Selangor D. E., Malaysia
Telephone: +60 3 5569 3743
Fax: +60 3 5569 3744
E-mail: kualalumpur@nolato.com

Nolato Lövepac
Ringvägen 5,
SE-280 40 Skånes Fagerhult,
Sweden
Telephone: +46 433323 00
Telefax: +46 433323 02
E-mail: loevepac@nolato.se
– Nolato Lövepac, Beijing, China:
Xingsheng Industrial Park
No.7 Tongji Road
Beijing Development Area
Beijing 100176, P.R. China
Telephone +86 10 6780 5580
Telefax +86 10 6787 4404
– Nolato Lövepac, Shenzhen,
China:
Room1105, Cyber Times Tower A
Tianan Cyber Park
Futian District
Shenzhen 518041, P.R. China
Telephone +86 755 8347 4286
Telefax +86 755 8347 4283
– Nolato Lövepac, Malaysia:
2 Jalan U1/20, Section U1
Hicom-Glenmarie Industrial Park,
40150 Shah Alam
Selangor D. E., Malaysia
Telephone: +60 3 5569 3743
Fax: +60 3 5569 3744
E-mail: kualalumpur@nolato.com
– Nolato Lövepac, Hungary:
HU-9200 Mosonmagyaróvár,
Hungary
Jánossomorjai utca 3
Telephone: +36 96 578770
Telefax: +36 96 578778

Nolato Medevo
SE-260 93 Torekov, Sweden
Street address: Nolatovägen
Telephone: +46 431 44 22 60
Telefax: +46 431 44 22 61
E-mail: medevo@nolato.se
– Nolato Medevo, Lomma:
Box 28, SE-234 21 Lomma,
Sweden
Street address: Koppargatan 13
Telephone: +46 431 44 22 60

Medical Rubber
Medicingatan 4
SE-242 93 Hörby, Sweden
Telephone: +46 415 197 00
Fax: +46 415 100 54
E-mail: info@medicalrubber.se

Nolato Plastteknik
Box 4123,
SE-422 04 Hisings Backa, Sweden
Street address: Exportgatan 59
Telephone: +46 31 58 84 00
Telefax: +46 31 58 84 01
E-mail: plastteknik@nolato.se

Nolato Polymer
SE-260 93 Torekov, Sweden
Street address: Nolatovägen
Telephone: +46 431 44 22 00
Telefax: +46 431 44 22 01
E-mail: polymer@nolato.se
Nolato Polymer, Ängelholm:
Framtidsgatan 6
SE-262 73 Ängelholm,
Sweden
Telephone: +46 431 44 22 00

Nolato Protec
HU-9200 Mosonmagyaróvár,
Hungary
Jánossomorjai utca 3
Telephone: +36 96 578770
Telefax: +36 96 578778
E-mail: protec@nolato.com

Nolato Silikonteknik
Bergsmansvägen 4,
SE-694 91 Hallsberg, Sweden
Telephone: +46 582 889 00
Telefax: +46 582 889 99
E-mail: silikonteknik@nolato.se
– Nolato Silikonteknik, Estonia:
Peeterburi tee 81,
EE-11 415 Tallinn, Estonia
Telephone: +372 606 39 00
Telefax: +372 606 39 01
– Nolato Silikonteknik, China
402 Longsheng Industrial Park
7, Rong Chang Road East
Beijing Development Area
Beijing 100176, P.R. China
Telephone: +86 10 6787 2200
Telefax: +86 10 6787 2671

Nolato STG
Box 44, SE-280 70 Lönsboda,
Sweden
Street address: Hammarvägen
Telephone: +46 479 252 00
Telefax: +46 479 252 10
E-mail: stg@nolato.se

Nolato Sunne
Box 116, SE-686 23 Sunne,
Sweden
Street address: Sundgatan 21
Telephone: +46 565 173 00
Telefax: +46 565 173 73
E-mail: sunne@nolato.se

Nolato Tallinn
Peeterburi tee 81,
EE-11 415 Tallinn, Estonia
Telephone: +372 606 39 00
Telefax: +372 606 39 79
E-mail: tallinn@nolato.com

Nolato

Experience and Innovation