Nolato AB (publ) Annual Report 2007

Experience and Innovation

Nolato Annual Report 2007

Front page: Birgitta Månsson and Magnus Nordh, Nolato Medical Rubber

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

2007 in brief

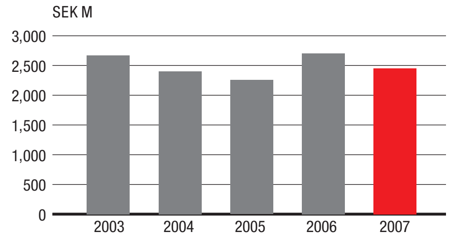
- Sales totalled SEK 2,454 M (2,702)
- Operating income (EBITA) excluding non-recurring items stood at SEK 207 M (209)
- Net income rose to SEK 151 M (48)
- Earnings per share increased to SEK 5.74 (1.82)
- Cash flow after investments totalled SEK 227 M (142), excluding acquisitions and disposals
- The Board of Directors proposes a 25 percent increase in the dividend to SEK 3.00 per share (2.40)
- Acquisition of the Cerbo Group on March 5 and disposal of printed packaging operations on May 21
- Strong growth for Nolato Medical, up 129 percent

Five-year review

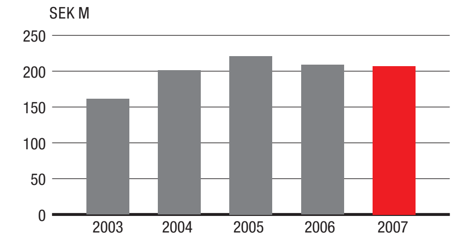
SEK M (unless otherwise specified)	2007	2006	2005	2004	2003
Net sales	2,454	2,702	2,256	2,401	2,671
Operating income (EBITA) excluding non-recurring items	207	209	221	201	161
EBITA margin excluding non-recurring items, %	8.4	7.7	9.8	8.4	6.0
Operating income (EBIT) excluding non-recurring items	200	208	221	201	150
Income after financial items	173	69	208	185	6
Net income	151	48	181	136	– 35
Cash f ow after investments, excl. acquisitions and disposals	227	142	158	231	228
Return on capital employed, %	15.2	7.4	21.0	18.9	3.6
Return on capital employed excluding non-recurring items, %	15.7	19.4	21.0	18.9	11.0
Return on shareholders' equity, %	18.5	5.9	24.2	22.1	9.7
Equity/assets ratio, %	46	46	50	41	31
Earnings per share, SEK	5.74	1.82	6.88	5.15	– 1.35
Adjusted earnings per share, SEK	5.36	6.08	6.31	5.15	2.62
Average number of shares, thousands	26,307	26,307	26,307	26,307	26,307
Average number of employees	3,760	4,144	2,790	2,700	2,353

Information for 2003 has not been restated following IFRS accounting principles

Sales

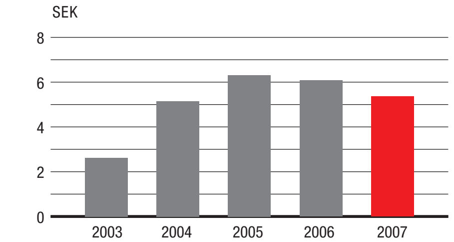


Operating income (EBITA)



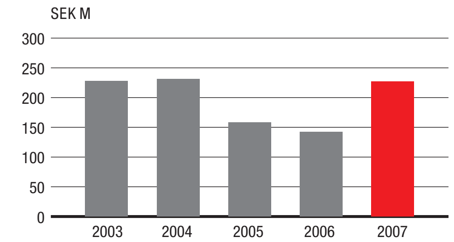
Excluding non-recurring items

Adjusted earnings per share



Excluding non-recurring items

Cash f ow after investments



Excluding acquisitions and disposals

Experience and innovation

A good year for the Nolato Group

Dear shareholders,

2007 was a good year for Nolato, with strong growth for Nolato Medical, ongoing improvement throughout the year for Nolato Telecom and another year of healthy earnings for Nolato Industrial.

Looking back on the year, we can see that all the priorities we mentioned in last year's Annual Report were carried out, with the desired results:

– Nolato Medical experienced excellent levels of growth – up 129 percent – thanks to acquisitions and new customer projects, whilst internationalisation of the business area gathered momentum.

– Nolato Telecom showed healthy volumes and improved profit margins during the second half of 2007 through additional sales to existing customers and growth in its customer base.

– Nolato Industrial has continued to boost its position as a supplier to prioritised industrial sectors.

In-depth experience in polymers

Before going into more detail about last year, I would like to take the opportunity to provide a little background to the Nolato Group, which consists of three focused business areas, each of which specialises in markets with their own distinctive characteristics and specific customer requirements:

– Nolato Medical is a leading development and production partner for products and subsystems within the fields of medical technology, pharmaceuticals and hygiene. Its operations feature significant requirements in terms of quality and safety, high demands for development-process expertise and long product life-cycles.

– Nolato Telecom is a world-leading developer and manufacturer of polymer system products within the telecommunication sector. Its mobile phone-related operations focus on Asia, and feature high levels of technology, short lead times and short product life-cycles.

– Nolato Industrial is a powerful Scandinavian and Central European market leader within polymer products for the automotive industry and other selected industrial segments. This is a heavily fragmented market, with a large number of customers and suppliers.

However, these three business areas have much in common, creating a homogenous group. All three boast in-depth technical skills within the field of polymers, and use similar technologies. In addition, they all strive to support their customers' development processes early on, thus creating the best possible conditions for cost-efficient, smooth production.

As a cohesive whole, the Group also shares a value base which has developed from the down-to-earth, ethical, professional profile which has been Nolato's trademark since it was founded seventy years ago.

We take our social responsibility seriously, complying with legislation and regulations, respecting the rights of the individual and following good business practice, wherever we operate in the world.

Continued strong growth for Nolato Medical

The year has been one of excellent growth for Nolato Medical, up 129 percent, which was achieved both through acquisitions and organically. The acquisition of Cerbo, a market-leading manufacturer of plastic pharmaceutical packaging, is fully in line with our strategies, and reinforces Nolato Medical's overall offering to medical technology and pharmaceuticals customers even further. It also strengthens the business area's opportunities for growth within the European market.

We intend to continue our growth within Nolato Medical, through both additional acquisitions and intensified internationalisation. As a result, we anticipate that Nolato Medical will become an increasingly important part of the Group over the coming years.

Recovery for Nolato Telecom

Last year was a good year for Nolato Telecom, which recovered well following the bankruptcy of BenQ Mobile in the autumn of 2006. 2007 got off to a weak start, but volumes rose steadily, particularly during the second half of the year. It was also heartening to see increased collaboration with Nolato Telecom's key customers, as well as our success in broadening the business area's customer base through agreements with the Canadian company Research in Motion, RIM, with operations including developing and producing the BlackBerry.

One strong trend within the mobile phone industry was that of vertical integration, whereby customers want to use as few suppliers as possible. For Nolato, this means that we need to focus not only on our own cutting-edge technology, but also on working together with other specialists, e.g. through various joint ventures.

Alongside this, the ongoing consolidation of suppliers to the mobile phone sector has strengthened Nolato Telecom's relative position, since the number of independent polymer specialists with mobile phone expertise has fallen, while Nolato Telecom has continued to expand its project and technical resources considerably.

The transfer of mobile phone-related operations from Europe to Asia, where the majority of customers are based, has now been fully implemented. Nolato Alpha in Kristianstad, which previously focused exclusively on this type of production, has undergone a successful shift towards other products within both telecommunications and Nolato's other areas of operation, while our Estonian unit was closed down in autumn 2007.

High international competitiveness

A significant proportion of the Group's operations are still located in Sweden, where companies such as those within Nolato Industrial enjoy excellent international competitiveness thanks to our considerable expertise, extensive automation and high levels of productivity. Nolato Industrial produces a wide range of polymer products for leading industrial companies in Scandinavia and Central Europe.

During 2007, Nolato Industrial continued to grow, recording higher sales and earnings, and a healthy cash flow.

Technology creates business opportunities

Our technology and expertise are decisive factors in most of the business carried out by Nolato. It is therefore extremely important that we remain able to offer the cutting-edge technology which our customers demand.

In some cases there may be technology which makes production more cost-effective, such as fully-integrated robot production cells, but it is often a case of using solutions which allow us to satisfy more complex customer wishes.

When it comes to mobile phones, demands such as metallic finishing are becoming increasingly important. We have been able to meet these demands in two ways: by investing in advanced technology to create plastic surfaces which resemble metal, and by forming a joint venture with a Chinese metals expert in order to be able to offer metal components.

Another example of new technology solutions is an injection-moulding technique which uses nitrogen gas in the mould to create plastic products which meet automotive customers' needs for light-weight but still rigid products.

We have also expanded and improved the efficiency of our tool manufacturing operations in China, in order to satisfy mobile phone manufacturers' wishes for an even shorter time to market.

Priorities for 2008

In last year's Annual Report, my predecessor emphasised the fact that Nolato is in a strong position for the future, with a firm financial standing and high levels of expertise, and I would like to second that.

During 2008, we will continue to expand our operations and improve their efficiency, whilst also evaluating new acquisition opportunities, primarily within Nolato Medical, but also within Nolato Industrial.

We expect Nolato Medical to continue to show good growth. Key tasks will include obtaining revenue synergies from the latest acquisitions, and ensuring that the organisation grows in line with these acquisitions. Another key issue is continued internationalisation.

It is important that Nolato Telecom concentrates on expanding its customer base, as well as working hard to ensure that its cost levels, production capacity and customer offering are constantly adapted in line with market requirements.

Hans Porat, President and CEO

Nolato Industrial must continue to focus on our selected segments and key customers, which constitute the business area's basis for ongoing profitable growth.

Commitment and expertise

Finally, I would like to say that I, as the newly-appointed CEO, am impressed by the level of expertise that I have seen in my colleagues at Nolato.

It is thanks to their great commitment that Nolato enjoys such a strong position as a systems supplier and development partner for leading customers worldwide, thus adding value for the benefit of all our shareholders.

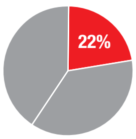
Torekov, February 2008

Hans Porat
President and CEO

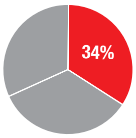
The Nolato Group

Nolato Medical

Sales: SEK 559 M (244)
Operating income (EBITA): SEK 79 M (36)
EBITA margin: 14.1% (14.8)
Operating income (EBIT): SEK 67 M (30)
Employees (year average): 417 (177)



Share of the Group's net sales



Share of the Group's operating income (EBITA)

Leading development and production partner for polymer products and subsystems within the fields of medical technology, pharmaceuticals and hygiene.

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

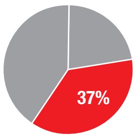
Sales:
- Cerbo France, Paris, France
- Cerbo Norge, Skedsmokorset, Norge
- Cerbo Poland, Gdynia, Poland

Project, development and production resource:
- Nolato Alpha, Kristianstad, Sweden

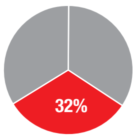
Customers include:
Astra Tech, Boston Scientific, Coloplast, Gambro, Novo Nordisk, Nycomed, Phadia and Radi Medical Systems, as well as a number of other leading medical technology and pharmaceutical players.

Nolato Telecom

Sales: SEK 920 M (1,558)
Operating income (EBITA): SEK 73 M (124)
EBITA margin: 7.9% (8.0)
Operating income (EBIT): SEK 73 M (–1)
Employees (year average): 2,735 (3,327)



Share of the Group's net sales



Share of the Group's operating income (EBITA)

A world-leading, global developer and manufacturer of polymer system products for mobile phones and telecom base station customers.

Sales, development and production:
- Nolato Alpha, Kristianstad & Lönsboda, Sweden
- Nolato Beijing, China
- Nolato Kuala Lumpur, Malaysia
- Nolato Lovepac Converting, Beijing & Shenzhen, China, Kuala Lumpur, Malaysia and Mosonmagyaróvár, Hungary
- Nolato Silikonteknik, Hallsberg, Sweden, Beijing and Shanghai, China

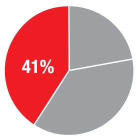
Technology and sales:
- Nolato Japan, Tokyo, Japan
- Nolato Telecom North America, North Carolina, USA

Joint Venture:
- Nolato OPD, Beijing, China

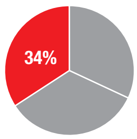
Customers include:
Elcoteq, Ericsson, Flextronics, Foxconn, GN Netcom, Nokia, Nokia Siemens, RIM, Sony Ericsson.

Nolato Industrial

Sales: SEK 1,000 M (924)
Operating income (EBITA): SEK 78 M (74)
EBITA margin: 7.8% (8.0)
Operating income (EBIT): SEK 76 M (74)
Employees (year average): 605 (635)



Share of the Group's net sales



Share of the Group's operating income (EBITA)

Leading developer and manufacturer of products and subsystems for customers within the automotive, white goods, gardening/forestry and furniture industries, as well as other selected industry segments.

Sales, development and production:
- Nolato Gota, Götene, Sweden
- Nolato Hertila, Åstorp, Sweden
- Nolato Hungary, Mosonmagyaróvár, Hungary
- Nolato Lövepac, Skånes Fagerhult, Sweden
- Nolato Plastteknik, Gothenburg, Sweden
- Nolato Polymer, Torekov & Ängelholm, Sweden
- Nolato Sunne, Sunne, Sweden

Project, development and production resource:
- Nolato Alpha, Kristianstad & Lönsboda, Sweden

Customers include:
Electrolux, Elring Klinger, Ford, Haldex, Husqvarna, IAC, Ifö, IKEA, Lear, Lindab, MCT Brattberg, Opel, Plastal, Saab Automobile, Sapa, Scania, TI Automotive, Volvo Car, Volvo Truck, Whirlpool och Woco.

History

Nolato was founded in 1938 as Nordiska Latexfabriken i Torekov AB, with the trademark “Nolato”, which has been the company name since 1982.

Today’s global group is the result of organic growth and acquisitions. The head office is still in Torekov, Sweden, but a significant proportion of operations are now based abroad.

Nolato’s shares

Nolato was listed on the stock exchange in 1984, and its B shares are now listed on the OMX Nordic Exchange in Stockholm in the Small Cap segment, where the shares are included in the IT sector.

The company

The Nolato Group is a high-tech supplier, which develops and manufactures polymer components and product systems in plastic, rubber, silicone and thermoplastic elastomers for leading customers in telecommunications, the automotive industry, white goods, medical technology, pharmaceuticals, hygiene and other selected industrial sectors.

Nolato in the world

Nolato operates wholly-owned companies with sales, development and production in Sweden, China, Malaysia and Hungary, sales companies in France, Norway and Poland, and technology and sales resources in Japan and North America.

Employees

The average number of employees in 2007 was 3,760. Of these, around 65 percent work in Asia and the remainder in Europe.

Operations

Our operations are based on in-depth expertise in polymers, founded on working closely alongside our customers. By participating in their projects from an early stage, Nolato can help develop their products and offer high-quality manufacturing and post-processing of components and complete systems.

Basic principles

Key basic principles behind Nolato’s operations include being businesslike, long-term customer relationships, decentralisation, expertise, being well organised and safeguarding the environment.

Katarzyna Janasek Olsson, Nolato Medical Rubber

Nolato's business concept

Vision

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

Nolato shall offer:

- Components, product systems and services that give the customer a competitive advantage
- A stimulating environment for the Group's employees
- Good growth in value for its shareholders

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, white goods, medical technology, pharmaceuticals, hygiene and other selected industrial sectors.

Our operations are guided by:

- Being businesslike
- Long-term customer relationships
- Decentralisation
- Expertise
- Being well organised
- Safeguarding the environment

Growth target

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

Financial targets

Nolato's target, on average over a business cycle, is to achieve:

- An EBITA margin in excess of 7 percent
- A 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

Tiger Wang, Nolato Beijing

Overall strategies

Customer focus

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

Systems deliveries

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

Efficiency

- Flexible, cost-effective manual and 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

- Develop the Group's three business areas
- Additional acquisitions within Nolato Medical and Nolato Industrial
- Continue to expand production in low-cost countries

A common foundation

Nolato's operations are based on a common foundation:

- In-depth polymer expertise
- Similar technologies in both production and manufacturing
- Our down-to-earth, ethical and professional approach, which is encapsulated in the Nolato philosophy – *Our Basic Principles* and our *Code of Conduct* (as presented on pages 12–13).

Meeting our financial targets

Since 2004, Nolato has announced its financial targets – which have remained unchanged – to the stock market. The Board of Directors has decided to adhere to its current financial targets again for 2008. These targets are detailed on the previous page.

The targets should be viewed as average targets over a business cycle.

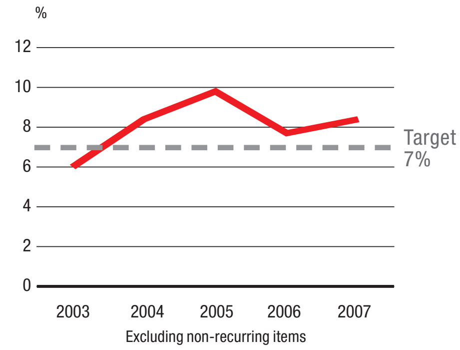
The extent to which these targets have been achieved over the last five years is shown in the diagrams to the right.

Nolato has exceeded its financial targets for the last four years.

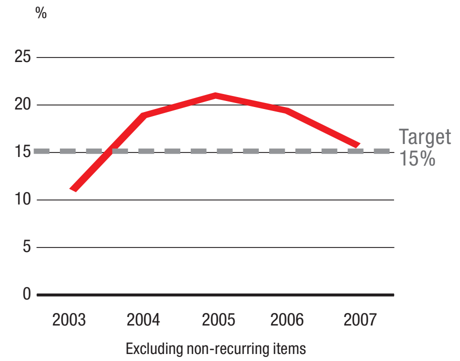
The EBITA margin for 2007 was 8.4 percent (target: 7 percent), with a return on capital employed of 15.7 percent (target: 15 percent) and a year-end equity/assets ratio of 46 percent (target: 35 percent).

All business areas recorded EBITA margins in excess of the Group's targets, which is the main reason why the Group was able to exceed its targets in 2007.

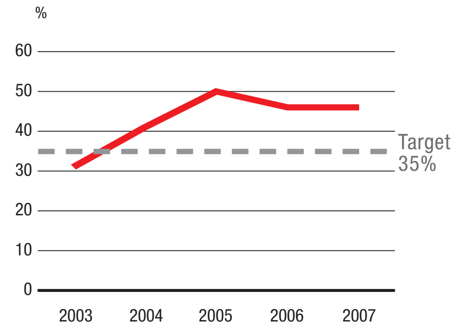
EBITA margin



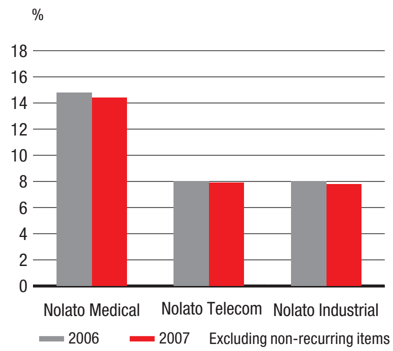
Return on capital employed



Equity/assets ratio



EBITA margin by business area



In all diagrams, information for 2003 has not been restated following IFRS accounting principles

Nolato's shares and shareholders

Nolato's shares

Nolato AB was listed on the Stockholm Stock Exchange in 1984, and its B shares are now listed on the OMX Nordic Exchange in the Small Cap segment, where the shares are included in the IT sector.

Share capital

Nolato AB's share capital stands at SEK 132 M, consisting of 26,307,408 shares.

Of these, 2,759,400 are Class A shares and 23,548,008 Class B shares. Each Class A share entitles the holder to ten votes, while a Class B share entitles the holder to one vote. All shares have equal rights to the assets and earnings of the Company.

Share price performance

Nolato's B shares fell over the course of the year by 35 percent to a year-end price of SEK 45.90 (71.00). The highest and lowest prices over the year were SEK 82.00 (January 30) and SEK 44.30 (December 27). Nolato AB's total market capitalisation as at December 31, 2007 was SEK 1,208 M. During 2007, 14.5 million (12.9) Nolato shares were traded on the Stockholm Stock Exchange. The turnover rate was 62 percent (55).

Ownership structure

On December 31, 2007, Nolato AB had 6,610 shareholders (7,254).

The proportion of shares held by Swedish institutions and funds was 30 percent of the share capital (30). The proportion held by foreign shareholders was 13 percent (14).

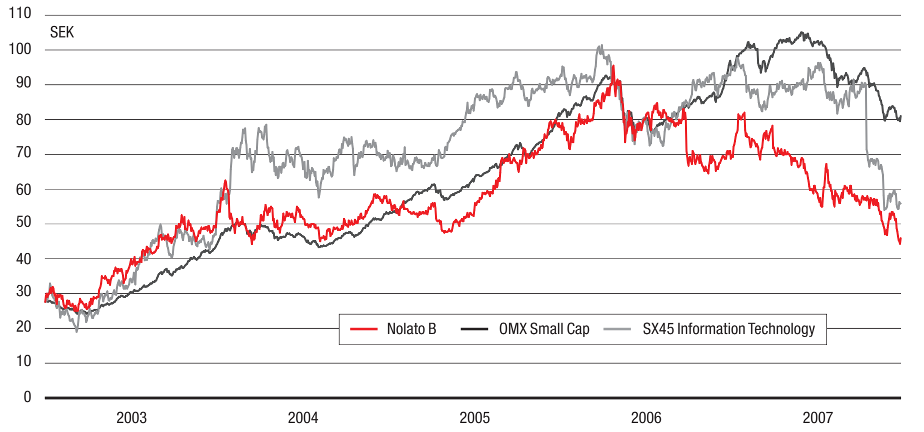
The ten largest groups of owners held 61 percent (56) of the share capital and 80 percent (78) of the votes.

Dividend policy

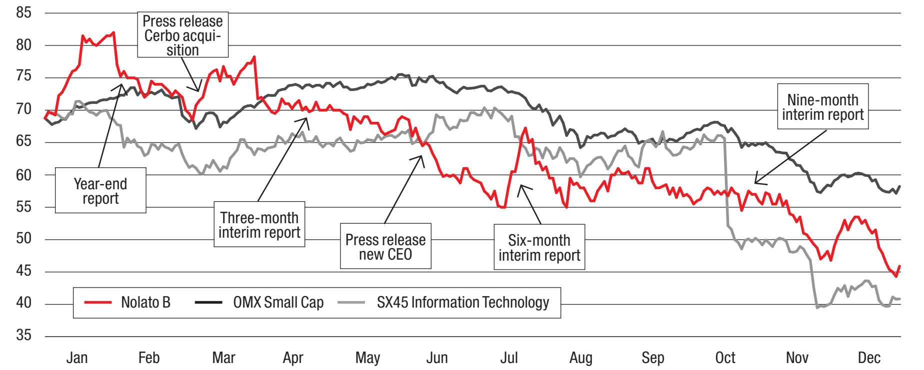
The Board's dividend proposal shall take into consideration Nolato's long-term development potential, financial position and investment needs. The Board's long-term dividend policy means that the Board intends to propose a dividend that corresponds on average to at least 35 percent of net income.

The board proposes a dividend of SEK 3.00 (2.40) per share for 2007.

Share price performance 2003-2007



Share price performance 2007



Data per share

Information for 2003 has not been restated following IFRS

	2007	2006	2005	2004	2003
Net earnings per share, SEK [1]	5.74	1.82	6.88	5.15	–1.35
Adjusted earnings per share, SEK [2]	5.36	6.08	6.31	5.15	2.62
Shareholders' equity per share, SEK [3]	33	30	32	25	22
Cash f ow per share, SEK	5.97	–0.42	6.01	8.80	8.65
Share price as at December 31, SEK	45.90	71.00	79.00	58.00	49.00
Price/earnings ratio, times [4]	8	39	11	11	neg
Turnover rate, %	62	55	74	91	39
Dividend (2007 proposal), SEK	3.00	2.40	2.40	1.75	0.80
Yield (2007 proposal), % [5]	6.5	3.4	3.0	3.0	1.6
Dividend as a percentage of earnings per share (2007 proposal)	52	132	35	34	—
Average number of shares, thousands	26,307	26,307	26,307	26,307	26,307
Price/equity ratio	1.4	2.4	2.5	2.3	2.2
Market capitalisation, SEK M	1,208	1,868	2,078	1,526	1,300

Definitions

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

Shareholder value

Nolato's 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. This includes participating actively when dealing with analysts, shareholders and the media.

Over the course of the year, Nolato's shares were monitored and analysed by analysts including the following:

- ABG Sundal Collier
  Magnus Innala, +46 (0)8 566 28633
- ABN AMRO Bank
  Rauli Juva, +358 9 2283 2709
- Carnegie
  Charlotte Widmark, +46 (0)8 676 8787
  Oskar Tuwesson, +46 (0)8 676 8678
- Evli Bank
  Anders Wiklund, +46 (0)8 407 8039
- Kaupthing Bank
  Mikael Laséen, +46 (0)8 791 4827
- Swedbank
  Jan Ihrfelt, +46 (0)8 5859 1848

Categories of shareholders 31/12/2007

Shareholders	Number	% of all holders	% of capital	% of votes
Individuals	6,067	91.8	40.7	55.1
of which in Sweden	*5,995*	*90.7*	*40.2*	*54.8*
Institutions	543	8.2	59.3	44.9
of which in Sweden	*408*	*6.2*	*46.4*	*38.3*
Total	**6,610**	**100.0**	**100.0**	**100.0**

In Sweden	6,403	96.9	86.6	93.1
Other Nordic	36	0.5	3.8	2.0
Other European	115	1.7	5.9	3.0
US	32	0.5	2.8	1.4
Rest of world	24	0.4	0.9	0.5
Total	**6,610**	**100.0**	**100.0**	**100.0**

Category	Class A (thousands)	Class B (thousands)	% of capital	% of votes
Financial institutions	0	7,437	28.3	14.5
funds and banks	*0*	*3,239*	*12.4*	*6.3*
insurance companies	*0*	*3,377*	*12.9*	*6.6*
other fin. institutions	*0*	*821*	*3.0*	*1.6*
Social security funds	0	269	1.0	0.5
Swedish state	0	119	0.5	0.2
Unions & organisations	0	172	0.6	0.3
Other Swedish instit.	819	3,387	16.0	22.7
Holders outside Sweden	0	3,529	13.4	6.9
Swedish individuals	1,940	8,635	40.2	54.9
Total	**2,759**	**23,548**	**100.0**	**100.0**

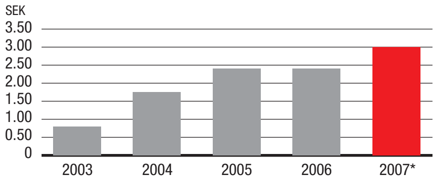
The ten largest shareholders 31/12/2007

Shareholder	Number of Class A shares	Number of Class B shares	% of capital	% of votes
Paulsson family	819,200	2,372,575	12.14	20.66
Jorlén family	1,104,700	1,734,841	10.79	24.99
Boström family	835,500	1,698,670	9.63	19.66
Skandia Liv	0	1,997,410	7.59	3.91
If Skadeförsäkring	0	1,142,800	4.34	2.23
Prior & Nilsson (Idea, Yield)	0	1,041,800	3.96	2.04
Skandia Fonder	0	936,658	3.56	1.83
Odin Fonder, Nordea Norge	0	914,600	3.48	1.79
Svolder	0	813,200	3.09	1.59
Carnegie Fonder	0	507,600	1.93	0.99
Total for ten largest shareholders	**2,759,400**	**13,160,154**	**60.51**	**79.69**
Other shareholders	0	10,387,854	39.49	20.31
Total	**2,759,400**	**23,548,008**	**100.00**	**100.00**

Class of shares 31/12/2007

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

Dividend per share 2003-2007



*Board proposal

Breakdown of shareholdings by size 31/12/2007

Holding	Number of shareholders	Number of A shares	Number of B shares	% of capital	% of votes
1 – 500	4,186	0	772,117	2.93	1.51
501 – 1,000	1,156	0	936,241	3.56	1.83
1,001 – 5,000	956	0	2,160,913	8.21	4.23
5,001 – 10,000	141	0	1,056,388	4.02	2.07
10,001 – 15,000	36	0	441,041	1.68	0.86
15,001 – 20,000	20	0	364,125	1.38	0.71
20,001 –	115	2,759,400	17,817,183	78.22	88.79
Total	6,610	2,759,400	23,548,008	100.00	100.00

Share capital performance 1984-2007

Year		Increase in share capital (SEK)	Total number of shares	Total share capital (SEK)
1984	New issue [1]	450,000	175,360	4,384,000
1984	Bonus issue 4:1	17,536,000	876,800	21,920,000
1985	Bonus issue 1:2	10,960,000	1,315,200	32,880,000
1986	New issue [2]	5,000,000	1,515,200	37,880,000
1986	New issue [3]	3,529,400	1,656,376	41,409,400
1994	Split 5:1 [4]	0	8,281,880	41,409,400
1994	New 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	Bonus issue 1:1	46,977,515	18,791,006	93,955,030
2002	New issue 2:5 [7]	37,582,010	26,307,408	131,537,040

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

A down-to-earth, ethical and professional philosophy

In a global group, where there are cultural differences and different values, a company's own code of values is extremely important. Nolato has strong values, which have evolved from the down-to-earth, ethical and professional philosophy that has characterised Nolato ever since it was founded in 1938. In order to convey these core values to every employee, Nolato has five key value and policy documents:

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

Nolato's Basic Principles

Nolato's Basic Principles make up the common values platform for all Group operations, and are thus the guiding force for all Nolato employees:

Being businesslike: Everything we do at Nolato shall have the aim of strengthening our long-term profitability.

Long-term customer relationships: Our customers are the basis of all our operations. Therefore, their long-term needs, interests and desires shall direct our development.

Decentralisation: Responsibility and authority will be delegated wherever possible.

Expertise: We believe in the inherent capabilities of people, and will provide every employee opportunities for growth based on personal and corporate preconditions and objectives.

Being well organised: All of our operations will be well-organised, right down to the smallest detail.

Safeguarding the environment: Our operations should have as little impact on the environment as possible. Our working environment should be light, healthy and safe.

Code of Conduct

Nolato's Code of Conduct highlights what we stand for in terms of the environment, social responsibility and the working environment. The code states that our operations will be carried out in accordance with the following principles:

- We respect the rights of individuals and act in accordance with good business practice.
- We do not engage in illegal industry collaboration.
- We comply with legislation and regulations, conducting business with integrity and honesty and accepting responsibility for our actions.
- We will not tolerate bribes being offered, requested or accepted. We encourage our employees to avoid situations where company loyalty could come into conflict with personal interests.

Peter Håkansson and Thomas Hofflander, Nolato Alpha

Environmental Policy

Environmental awareness has always been one of Nolato's Basic Principles. The Group's operations, which consist mainly of manufacturing components from polymer materials such as plastic, rubber, silicone and TPE, are relatively clean and involve only a limited amount of emissions into the air and water.

The Group's environmental work is decentralised, with each company being responsible for its own operations. All units other than Nolato Kuala Lumpur and Nolato Medical Rubber are environmentally certified in accordance with ISO 14001.

Nolato's Environmental Policy involves national and international environmental commitment to the long-term sustainability of society.

Our objective is that the activities of the Nolato Group should have as little negative impact on the environment as possible.

Our environmental work is based on initiatives such as saving energy, water and other natural resources. Environmental aspects will also be taken into account when choosing raw materials and distribution methods.

We will reduce relative levels of waste and emissions from our production plants.

Our Environmental Policy also states that Nolato will comply with current environmental legislation and develop long-term plans regarding national and international environmental and working environment legislation.

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

Supplier Relationship Policy

Nolato's Supplier Relationship Policy states that Nolato shall work with suppliers which adhere to our quality requirements and business principles.

This means, for example, that we insist on our suppliers following the legislation and regulations which apply to their operations, and that they continually work to reduce the negative environmental and health impact of their processes, services and products.

The policy also means that Nolato does not allow discrimination against employees, unsafe working conditions, child labour, illegal forced labour or conscious breach of environmental legislation. If a supplier is found not to be following an agreed requirement, the relationship may be terminated.

Checks are carried out to ensure that suppliers comply with Nolato's Supplier Relationship Policy by carrying out reviews before collaboration begins and through monitoring during the agreement period.

Workplace Policy

Our Workplace Policy is based on Nolato respecting all employees and their human rights. No employee may be treated differently in their employment or work tasks on the basis of their sex, religion, age, disability, sexual orientation, nationality, political views or social/ethnic origin.

We will respect employees' rights to be represented by unions and other employee representatives. We do not allow child labour. The minimum age for working at our plants is 15, regardless of the country in which they are located. Employees may not be younger than the compulsory school age that applies in the country in question. Nor do we allow forced labour in any part of our operations.

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

Customer reviews and audits

Nolato's customers often place their own demands on our operations, in the same way that we in turn place demands on our suppliers. Our major customers usually carry out extremely thorough reviews and audits to ensure that our operations meet their requirements in areas such as quality, organisation, working environment, employees, environmental awareness, etc. Other than Nolato Kuala Lumpur, all our production facilities have an established quality management system which is ISO 9001 certified. A number of our units have also achieved additional certification, such as ISO/TS 16949, which is an international quality management system for the automotive industry.

Nolato's medical technology production is ISO 13485 certified, and has been certified as meeting the specific requirements placed on this type of operation, such as PS 9000.

Decentralised organisation

At Nolato, we believe in people's inherent abilities. We therefore aim to help every employee to develop, based on their own ambitions and the company's objectives.

In line with this philosophy, Nolato strives to keep its organisation as flat as possible. We have cut out intermediaries and given employees better opportunities for managing their own work. This means, for example, that day-to-day management and planning are carried out by those who actually work in production and are in direct contact with customers. As well as ensuring greater commitment, this also provides an excellent opportunity for solving problems easily, without having to go via intermediaries.

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

Development and training

In order to work effectively within a flat organisation, Nolato focuses on development work and improving skills. Group-wide training is carried out via the Nolato Academy, which aims to boost employee skills through insight, commitment and training. Our policy has always been to recruit managers from within the organisation.

– Employee statistics, etc., can be found on page 36.
– Nolato's Basic Principles and Code of Conduct can be found in full at www.nolato.se

Thomas Nilsson, Nolato Cerbo

Nolato Medical

Excellent growth through acquisitions, internationalisation and new customer projects

Nolato Medical in brief

Operations:
Leading development and production partner for polymer products and subsystems within the fields of medical technology and pharmaceuticals.

Market:
The market features demanding development work, long product life and high demands in terms of quality and safety.

Customers:
The business area's customers include Astra Tech, Boston Scientific, Coloplast, Gambro, Novo Nordisk, Nycomed, Phadia and Radi Medical Systems, as well as a number of leading medical technology and pharmaceuticals players.

Sales: SEK 559 M (244)
Of which operations disposed of: SEK 33 M (–)
Operating income (EBITA): SEK 79 M (36)
Of which operations disposed of: SEK 3 M (–)
EBITA margin excl. non-rec. items**:** 14.1% (14.8)
Operating income (EBIT): SEK 67 M (30)
Employees (year average): 417 (177)

Head of Business Area:
Christer Wahlquist

Operations within business area:

Sales, development and production:

- Nolato Cerbo, Trollhättan, Sweden
  (acquired 05/03/2007)
  MD Glenn Svedberg (from 01/11/2007)
- Nolato Hungary, Mosonmagyaróvár, Hungary
  MD Magnus Emeus
- Nolato Medevo, Torekov & Lomma, Sweden
  MD Christer Wahlquist (from 01/01/2008)
  Johan Arvidsson (until 31/12/2007)
- Nolato Medical Rubber, Hörby, Sweden
  MD Mai Persson

Project, development and production resources:

- Nolato Alpha, Kristianstad, Sweden

Sales:

- Cerbo France, Paris, France
- Cerbo Norge, Skedsmokorset, Norway
- Cerbo Poland, Gdynia, Poland

Nolato Medical is a leading polymer product and product systems partner for medical technology and pharmaceuticals customers.

The business area develops and produces products and systems within four main fields:

- Components and systems for medical devices within fields including diabetes therapy, treating asthma, analysis/diagnostics and home care.
- Injection-moulded silicone rubber precision components.
- Polymer pharmaceutical packaging.
- Dipped medical technology products, such as cardiac catheter balloons and breathing bags.

Nolato Medical has an extensive product offering, including plastic injection moulding, TPE and silicone rubber, as well as extrusion and latex dipping. This product range also includes decoration, assembly and other post-processing, plus various logistics solutions.

Total focus on medical technology

Medical production has to meet extremely high standards in terms of traceability, quality, accuracy, etc. Nolato Medical's operations are aimed exclusively at customers working within medical technology, pharmaceuticals and industries with similar demands and requirements, which means a total focus on this specialised market.

Robert Svensson, Nolato Cerbo

Christer Wahlquist
Head of Business Area
MD, Nolato Medevo

Glenn Svedberg
MD, Nolato Cerbo

Magnus Emeus
MD, Nolato Hungary

Mai Persson
MD, Nolato Medical Rubber

Thanks to our in-depth expertise in areas such as risk analysis and quality assurance, as well as our skills and understanding when it comes to complex medical processes, Nolato Medical is able to work in close cooperation with the customer.

Most of the production is carried out using various types of hygiene room and clean room, with carefully-controlled conditions in terms of particle quantities, air humidity and temperature.

By getting involved in customers' development projects at an early stage, Nolato Medical can provide in-depth product and production design expertise, which can simplify production and thus reduce overall costs for the customer.

Market-leading specialist

Nolato Medical enjoys a very strong position within its areas of operation.

In terms of medical devices and pharmaceutical packaging, Nolato Medical is the clear Nordic market leader, and is building up a strong position within the rest of Europe. Within silicone components, Nolato Medical has a strong market position in both Scandinavia and the US. In niche products as catheter balloons, which are used in cardiac diagnostics, Nolato Medical is one of the world's leading manufacturers.

The business area's customers include Astra Tech, Boston Scientific, Coloplast, Gambro, Novo Nordisk, Nycomed, Phadia and Radi Medical Systems, as well as a number of leading medical technology and pharmaceuticals players.

Nolato Medical's main competitors are a small number of global companies with their own development resources, like Gerresheimer and West Pharmaceutical, as well as a number of smaller companies with local production operations. Some customers also produce their own polymer components.

New opportunities

Shifting population pyramids and lifestyle changes in the industrialised world mean that healthcare costs need to be cut through an ever greater proportion of home care, with hospitals becoming diagnosis and emergency centres while the care itself takes place at home.

Diagnosing any illnesses as early as possible is another important step in reducing sickness and healthcare costs.

This places ever higher demands on complex medical devices which are completely safe yet simple for the consumer to use. Design and appearance are thus increasingly important, as patients are no longer satisfied with good functionality; they also expect the colour and design of products to signal something other than illness.

In order to rise to these challenges, many manufacturers are focusing on their core competences, resulting in additional outsourcing of development and production. This brings opportunities for Nolato Medical, with its high levels of expertise and its specially-adapted resources within these areas.

Excellent growth

Nolato Medical is one of the Nolato Group's prioritised growth areas, and has shown excellent growth over the last few years. The

Inger Bengtsson, Nolato Medical Rubber.

Aleksander Blagic, Nolato Medevo

business area's sales have increased by almost 400 percent in four years through acquisitions and organic growth, and now account for almost a quarter of the Group's total sales and more than a third of earnings.

On March 5, Nolato acquired the Cerbo Group, a market-leading developer and manufacturer of pharmaceutical packaging. This acquisition makes Nolato Medical's customer offering within medical technology and pharmaceuticals even stronger, and is fully in line with Nolato's expansion strategy within the field.

On May 21, Cerbo Group's printed packaging operations – which fell outside Nolato's core area of expertise – were disposed of.

Integration of companies acquired

During 2007, the newly-acquired Medical Rubber and Cerbo were integrated into the business area's operations, including through joint marketing, technology development and mapping opportunities for increased cross-selling to common and new customers.

On December 1, the companies were renamed Nolato Medical Rubber and Nolato Cerbo in line with the Group's other com-

Anna Andreassson, Nolato Cerbo

panies. The integration processes have run according to plan, corresponding well with our expectations prior to the acquisitions.

Complete solutions

Since the business area has gone from comprising one manufacturing company to several companies in a short space of time, considerable emphasis was placed in 2007 on creating joint platforms for development, design, technology and marketing, with the aim of using the business area's various production techniques and shared resources to create complete solutions for our customers.

Major new outsourcing project

One of Nolato Medical's main focus areas is taking over production from customers through outsourcing, allowing them to concentrate on their core operations. As a result, the business area's resources for dealing with major outsourcing projects were improved during the year.

During the third quarter of 2007, a major new outsourcing order was won for additional production for Coloplast, a fast-growing Danish medical technology company with global operations. Production will take place at Nolato Medical's unit in Hungary, and is expected to begin during the second quarter of 2008, gradually increasing during the third and fourth quarters. Annual sales for the project have been estimated at SEK 20 – 25 M when it reaches full speed at the end of 2008. Deliveries will be made to Coloplast's production units in Hungary.

Strong growth during the year

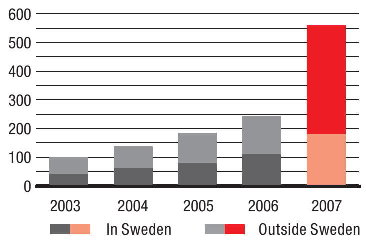
Nolato Medical saw sales grow to SEK 559 M (244). This corresponds to an increase of 116 percent compared with the same period during the previous year (adjusted for remaining operations). Organic growth was 23 percent.

Volumes were high during 2007, particularly in terms of the production of insulin products. The focus on Europe, with production in Hungary, has continued to bear fruit, and this has also contributed to the growth in sales.

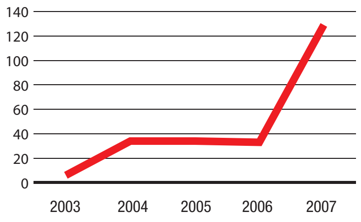
Operating income (EBITA) excluding non-recurring items stood at SEK 79 M (36). The EBITA margin excluding non-recurring items was 14.1 percent (14.8). A change in the product mix and contributions from the acquired units has resulted in a lower margin than in previous years.

Nolato Medical: five-year review

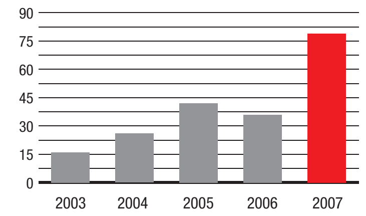
Net sales
SEK M



Growth
%

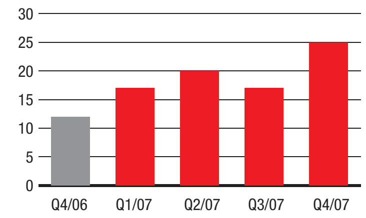


Operating income (EBITA) full-year
SEK M



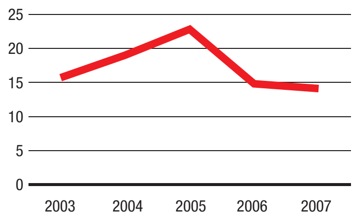
Excluding non-recurring items

Operating income (EBITA) quarter
SEK M



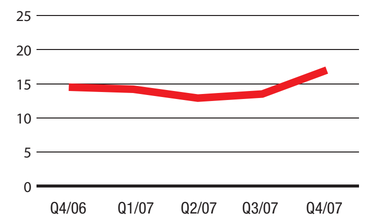
Excluding non-recurring items

EBITA margin full-year
%



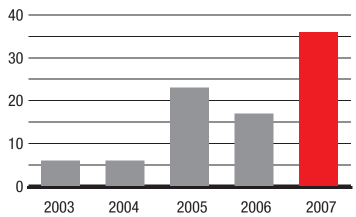
Excluding non-recurring items

EBITA margin quarter
%



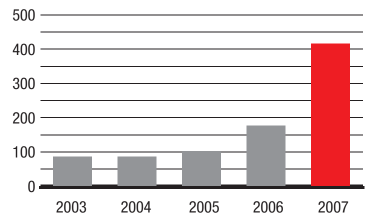
Excluding non-recurring items

Investments
MSEK

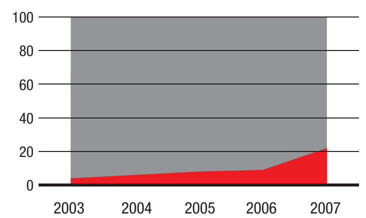


Excluding acquisitions of operations and disposals

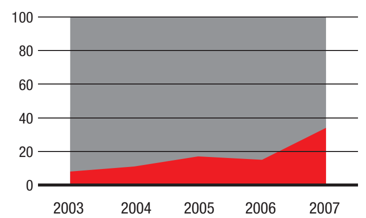
Average number of employees



Share of the Group's net sales
%



Share of the Group's operating income (EBITA)
%



Excluding non-recurring items

In all diagrams, information for 2003 has not been restated following IFRS accounting principles

Nolato Telecom

Strong end to year thanks to new and improved customer relationships

Nolato Telecom in brief

Operations:
A world-leading, global developer and manufacturer of polymer system products for mobile phones and telecom base station customers.

Market:
This is a global market, with few customers and few suppliers. Operations are characterised by a high technological content, extremely short development times, fast production start-ups, and short product life-cycles.

Customers:
Customers include Sony Ericsson, Nokia, RIM, Flextronics, Foxconn, Elcoteq, Ericsson and Nokia Siemens.

Sales: SEK 920 M (1,558)
Operating income (EBITA): SEK 73 M (124)
EBITA margin: 7.9% (8.0)
Operating income (EBIT): SEK 73 M (–1)
Employees (year average): 2,735 (3,327)

Head of Business Area:
Jonas Persson

Operations within business area:

Sales, development and production:

- Nolato Alpha, Kristianstad & Lönsboda, Sweden
  MD Håkan Hillqvist
- Nolato Beijing, China
  MD Jörgen Karlsson
- Nolato Kuala Lumpur, Malaysia
  MD Martin Dahlqvist
- Nolato Lovepac Converting, Beijing and Shenzhen, China
  MD Dan Wong
- Nolato Silikonteknik, Hallsberg, Sweden, Beijing and Shanghai, China
  MD Anders Ericsson

Technology & sales:
- Nolato Japan, Tokyo, Japan
- Nolato Telecom North America, North Carolina, USA

Joint venture:
- Nolato OPD, Beijing, China

Nolato Telecom is a world-leading, global developer and manufacturer of polymer system products for customers working within mobile phones and other telecom-related operations. The business area's customers include global players such as Sony Ericsson, Nokia, RIM, Flextronics, Foxconn, Ericsson and Nokia Siemens.

The business area operates within four main fields:

- Developing, designing and manufacturing mobile phone system products.
- Developing and manufacturing tapes and packaging for mobile phones and other electronic items (converting).
- Developing, manufacturing and selling EMI shielding solutions and materials for electronics.
- Developing and manufacturing base station components.

World leader

Nolato Telecom is one of the world's leading players in terms of developing, designing and manufacturing mobile phone system products.

This is a global market, consisting of a few dominant, global mobile phone manufacturers and a few global system suppliers.

A typical customer project includes developing, designing and manufacturing a large number of polymer components, which are then mounted alongside purchased components to give complete mechanical modules which are ready for final assembly by the customer.

In simple terms, mobile phones consist of mechanical modules, electronic modules, batteries, antennas and software. Putting it even more simply, you could say that the mechanical module is the part of the phone which the user sees.

Operations within the mobile phone sector are characterised by a high technological content, strict quality and cosmetic requirements, extremely short development times, fast production start-ups, flexible produc-

Bai Nah and Wang Xiaoping, Nolato Beijing


Jonas Persson
Head of Business Area


Håkan Hillqvist
MD Nolato Alpha


Jörgen Karlsson
MD Nolato Beijing


Martin Dahlqvist
MD Nolato Kuala Lumpur


Dan Wong
MD Nolato Lovepac Converting


Anders Ericsson
MD Nolato Silikonteknik


Patric Mattsson
Marketing & Sales


Johan Falk
Marketing & Sales

tion volumes and a short life-cycle for each product.

Nolato Telecom's extensive customer offering in this area includes product development, prototype production, project management, tool manufacturing, injection moulding, painted surfaces, metallisation, assembly, testing and verification. (See next page for schematic description.)

By getting involved in customers' development work at an early stage, Nolato Telecom can provide expertise in terms of selecting materials, product design and mechanical functions. This means that we can help customers to meet technical specifications, giving them simpler, faster and hence more cost-effective production.

Continued market growth

During 2007, 1.15 billion mobile phones were sold worldwide according to Gartner's statistics. This represents an increase of 16 percent compared with the previous year.

Gartner predicts that the market will continue to grow, albeit at a slightly slower rate than during 2007.

New opportunities

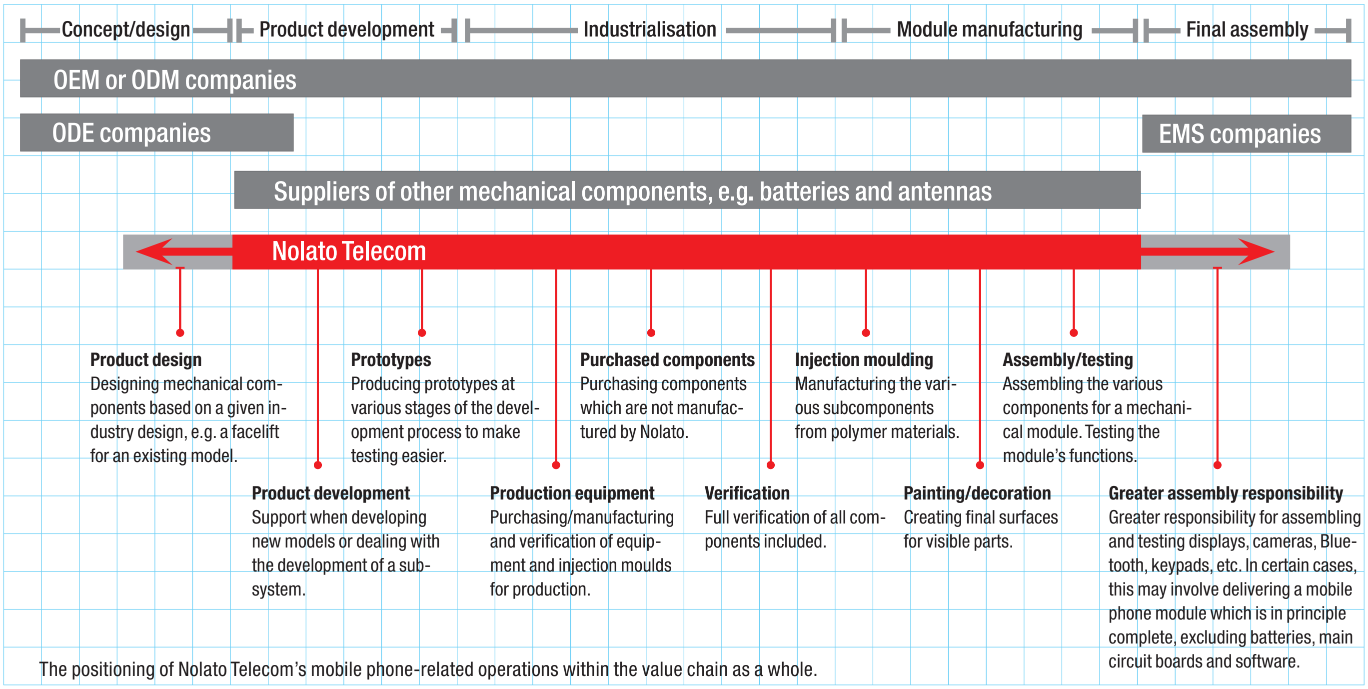
Mobile phones are becoming increasingly complex, not only in terms of technology, but also in terms of design. This places ever tougher requirements on the suppliers to the mobile phone industry, thus bringing opportunities as well as challenges.

Combining plastics with cosmetic metals (i.e. visible metal which has a design function instead of being just part of the construction) has become increasingly common, as has the use of plastics which look like metal.

In order to be able to offer customers fully-integrated development and production, including in this area, Nolato Telecom formed a joint venture in 2007 with a Chinese metals specialist. This allows Nolato Telecom itself to offer customers cosmetic metal components as well as plastic.

Investments were made in advanced metallisation technology in 2007. A flexible, high-


Metallisation makes it possible to give plastic a shiny, semi-transparent finish, creating special design effects.



The positioning of Nolato Telecom's mobile phone-related operations within the value chain as a whole.

tech process – sputter coating – coats plastic components with a thin layer of metal. This gives the appearance of being made of metal, whilst retaining the plastic's ability to let radio waves pass through; this is particularly important, for example, for the mobile phone's antenna. This metallisation technology also makes it possible to create half mirrors: special design effects which mean that text and symbols are only visible when needed or when required by the user.

A focus on Asia

There is a need for new mobile phones to be developed ever faster, as the number of models grows ever larger and the lifespan of each model grows ever shorter.

Mobile phone production is also highly dependent on demand. It is therefore extremely important to be able to adapt production levels quickly as demand for specific models rises and falls.

In order to satisfy customers' wishes for quick production start-ups and flexible production, mobile phone-related products are now largely assembled manually or semi-manually, instead of using high levels of automation as was usually the case previously.

This is one of the main reasons why mobile phone manufacturers have transferred their production from high-cost countries, such as Europe and North America, to countries where labour costs are lower, particularly in Asia.

Today, all Nolato Telecom's mobile phone-related production therefore takes place in Asia. At the end of 2007, Nolato Telecom ceased operations in Tallinn, Estonia. This was Nolato Telecom's last remaining production unit for mobile phone products in Europe.

Today, mobile phone-related production is carried out in Beijing, China, and Kuala Lumpur, Malaysia.

In an industry where the basic requirement is having the shortest possible time to market, it is extremely important for production to be based close to customers. Nolato Telecom therefore constantly monitors trends, and is ready to start production in other regions should customers express a desire for this.

Although actual production has been transferred, the mobile phone manufacturers still have extensive development operations in Europe and North America. As a result, Nolato Telecom has a global project organisation which works closely alongside its customers, often on site at their development centres around the world.

Global customers

During 2007, Nolato Telecom continued to build up relationships with key customers, winning a number of major system projects for mobile phone customers, starting production during the second half of 2007 and during 2008.

Most of Nolato Telecom's customers are global, world-leading companies. These include original equipment manufacturers such as Sony Ericsson, RIM and Nokia, as well as contract manufacturers such as Flextronics, Foxconn, Elcoteq and Solectron.

RIM, a Canadian company with operations including developing and producing the BlackBerry platform, became one of Nolato Telecom's customers in 2007. An order has so far been received for the production of a small-scale project in 2008. The company's advanced high-end products are a good fit with Nolato Telecom's operations, where the focus lies on technology development, advanced project management and high-quality production.

In terms of converting, most global mobile phone product suppliers are Nolato customers, such as Nypro, HiP, Green Point, BYD, Foxconn and Perlos.

Nolato Silikonteknik sells shielding technology to most of the market's major players via its partners, which then carry out local production for their end-customers.

Ericsson and Nokia Siemens are major customers for base station products.

Global competitors

Nolato Telecom is one of the leading global system suppliers within the mobile phone sector. The main competitors are Perlos, Balda, Nypro, HiP and Green Point.

Some contract manufacturers, such as Flextronics and Foxconn, are also Nolato Telecom's competitors, since they have their own resources for developing and manufacturing polymer components for mobile telephones.

The current trend is a reduction in the number of independent competitors. Green Point and Perlos, for example, have recently been taken over, which is likely to favour the remaining specialised, independent suppliers such as Nolato.

Constant improvement during the year

Nolato Telecom's sales for 2007 stood at SEK 920 M (1,558), corresponding to 37 percent (57) of the Group's entire sales. The significant reduction in sales is attributable primarily to the loss of BenQ, but is also due in part to weak growth in volumes for other customers during the first quarter. For the rest of the year, the reduction in sales is attributable to a change in the product mix, with a smaller proportion of products with a high value per unit delivered, despite an increase in volumes.

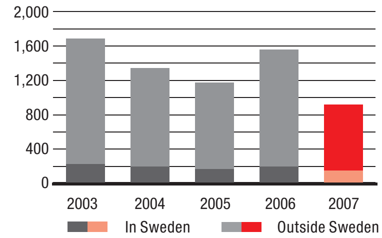
The business area's operating income (EBITA) was SEK 73 M (124). The EBITA margin was 7.9 percent (8.0). The first quarter saw low levels of capacity utilisation, with remaining fixed costs for future projects which resulted in a margin which was below that for the corresponding period during the previous year. Capacity utilisation levels remained unsatisfactory during the second quarter, but represented an improvement on those for the first quarter.

Price pressure was also more intense during the first half of the year compared with the same period during the previous year. The second half of the year featured high levels of capacity utilisation with a healthy margin.

Nolato Telecom: five-year review

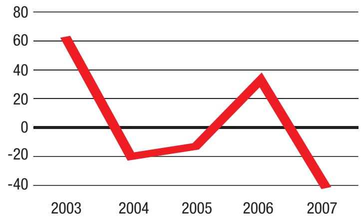
Net sales

SEK M



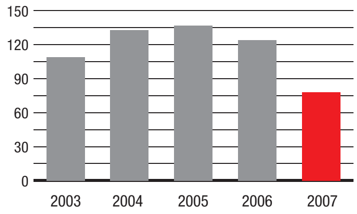
Growth

%



Operating income (EBITA) full-year

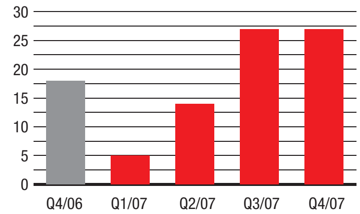
SEK M



Excluding non-recurring items

Operating income (EBITA) quarter

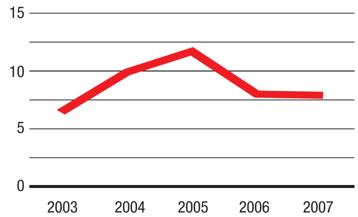
SEK M



Excluding non-recurring items

EBITA margin full-year

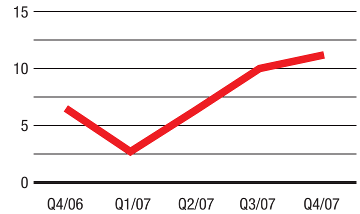
%



Excluding non-recurring items

EBITA margin quarter

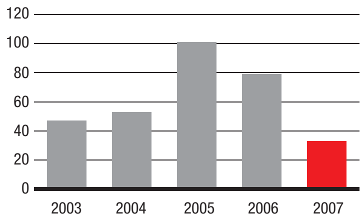
%



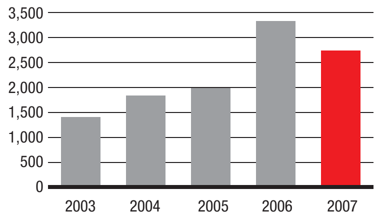
Excluding non-recurring items

Investments

MSEK

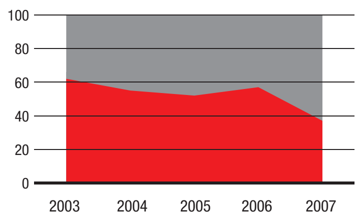


Average number of employees



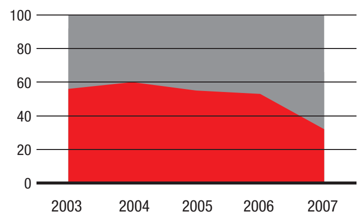
Share of the Group's net sales

%



Share of the Group's operating income (EBITA)

%



Excluding non-recurring items

In all diagrams, information for 2003 has not been restated following IFRS accounting principles

Nolato Industrial
Maintaining a strong position as a supplier to selected industrial customer segments

Nolato Industrial in brief

Operations:
Leading developer and manufacturer of products and subsystems for customers within the automotive, white goods, gardening/forestry and furniture industries, as well as other selected industry segments.

Market:
Scandinavian and Central European market leader. These markets feature large numbers of customers and large numbers of suppliers.

Customers:
Customers include: Electrolux, Elring Klinger, Ford, Haldex, Husqvarna, IAC, Ifö, IKEA, Lear, Lindab, MCT Brattberg, Opel, Plastal, Saab Automobile, Sapa, Scania, TI Automotive, Volvo Car, Volvo Truck, Whirlpool and Woco.

Sales: SEK 1,000 M (924)
Operating income (EBITA): SEK 78 M (74)
EBITA margin: 7.8% (8.0)
Operating income (EBIT): SEK 76 M (74)
Employees (year average): 605 (635)

Head of Business Area:
Hans Porat (from 01/02/2008)

Operations within business area:

Sales, development and production:

- Nolato Gota, Götene, Sweden
  MD Anders Wallgren
- Nolato Hertila, Åstorp, Sweden
  MD Johan Arvidsson (from 13/12/2007)
  Lennart Thörnqvist (to 12/12/2007)
- Nolato Hungary, Mosonmagyaróvár, Hungary
  MD Magnus Emeus
- Nolato Lövepac, Skånes Fagerhult, Sweden
  MD Jonas Persson (from 15/08/2007)
  Jörgen Karlsson (to 14/08/2007)
- Nolato Plastteknik, Gothenburg, Sweden
  MD Leif Thörneby
- Nolato Polymer, Torekov & Ängelholm, Sweden
  MD Johan Arvidsson
- Nolato Sunne, Sunne, Sweden
  MD Jan Wikström

Project, development and production resources:

- Nolato Alpha, Kristianstad & Lönsboda, Sweden

Nolato Industrial develops and manufactures components and subsystems for customers in Scandinavia and Central Europe.

Operations are characterised by broad development expertise, extensive knowledge of polymer materials, advanced technological solutions, high levels of efficiency and close customer relations.

Complete solutions

Nolato Industrial's development and production resources include companies in Sweden and Hungary.

Nolato Industrial can offer its customers complete solutions, from participation at an early stage of development projects through to the finished product.

Production includes everything from individual components to sequentially-delivered subsystems, in both soft and hard polymer materials.

Nolato Industrial can therefore supply all polymer parts for customer projects, including plastics, rubber and thermoplastic elastic parts, as well as taking responsibility for post-processing, assembly and logistics solutions.

Market leader

This is a fragmented market, with a large number of customers requiring polymer product development and production. These range from small, local companies requiring small volumes of individual components, through to large, global companies with the constant need for large volumes of complex products.

The customers which choose Nolato Indus-

Mikael Jönsson, Nolato Polymer

Hans Porat
Head of Business Area

Anders Wallgren
MD Nolato Gota

Magnus Emeus
MD Nolato Hungary

Leif Thörneby
MD Nolato Plastteknik

Johan Arvidsson
MD Nolato Polymer
MD Nolato Hertila

Jan Wikström
MD Nolato Sunne

trial as a supplier often place great emphasis on development expertise, production capacity, accurate deliveries, quality and complete solutions.

The business area's main customers are within the automotive industry (exterior and interior fittings, as well as components for fuel systems, engines and engine compartments), white goods (refrigerator interiors and microwave oven components), gardening/forestry products (casings and engine components for lawnmowers and chainsaws) and other important industrial segments, such as the engineering, furniture and construction industries.

One example of a new project carried out in 2007 is the production of advanced construction components and visible components with high surface-finish requirements for an office furnishings company's new range of work chairs.

A high degree of automation and efficiency mean that Nolato Industrial's competitiveness is constantly improving.

The companies all feature a flat organisation, with every operator contributing towards cost-effectiveness by taking a significant degree of personal responsibility, based on high levels of basic skills, ongoing training and education, teamwork based on management by objective, and a decentralised approach.

Efficiency, expertise and technology

High levels of technology and broad expertise are key factors in most of the business we do. Nolato Industrial offers its customers unique cutting-edge technology at competitive prices, thanks to our carefully-planned application of technology combined with extensive automation.

A unique new form of injection-moulding technology uses expanding nitrogen gas in the mould, allowing Nolato Industrial to provide the customers light-weight but still rigid plastic components. This technology is in particular demand within the automotive industry, and cannot be achieved using traditional injection-moulding techniques.

Claes Fredriksson, Nolato Plastteknik

Johan Skyllerstedt, Nolato Polymer

Another customer solution is In Mould Labelling (IML), a technique which is used, for example, to create products with a pre-printed, specially-designed label which forms an integral part of the product. This gives the customer exciting new opportunities for cost-effective, individual profiling.

But customer value is about more than just technology. Constant improvement, eliminating *muda* (i.e. removing all aspects of the process which do not add any value) and concentrating on *poka-yoke* (creating systems which reduce the risk of making mistakes) make the Nolato Industrial companies efficient and profitable production environments which are highly competitive.

Acquisition of Cerbo-Hertila

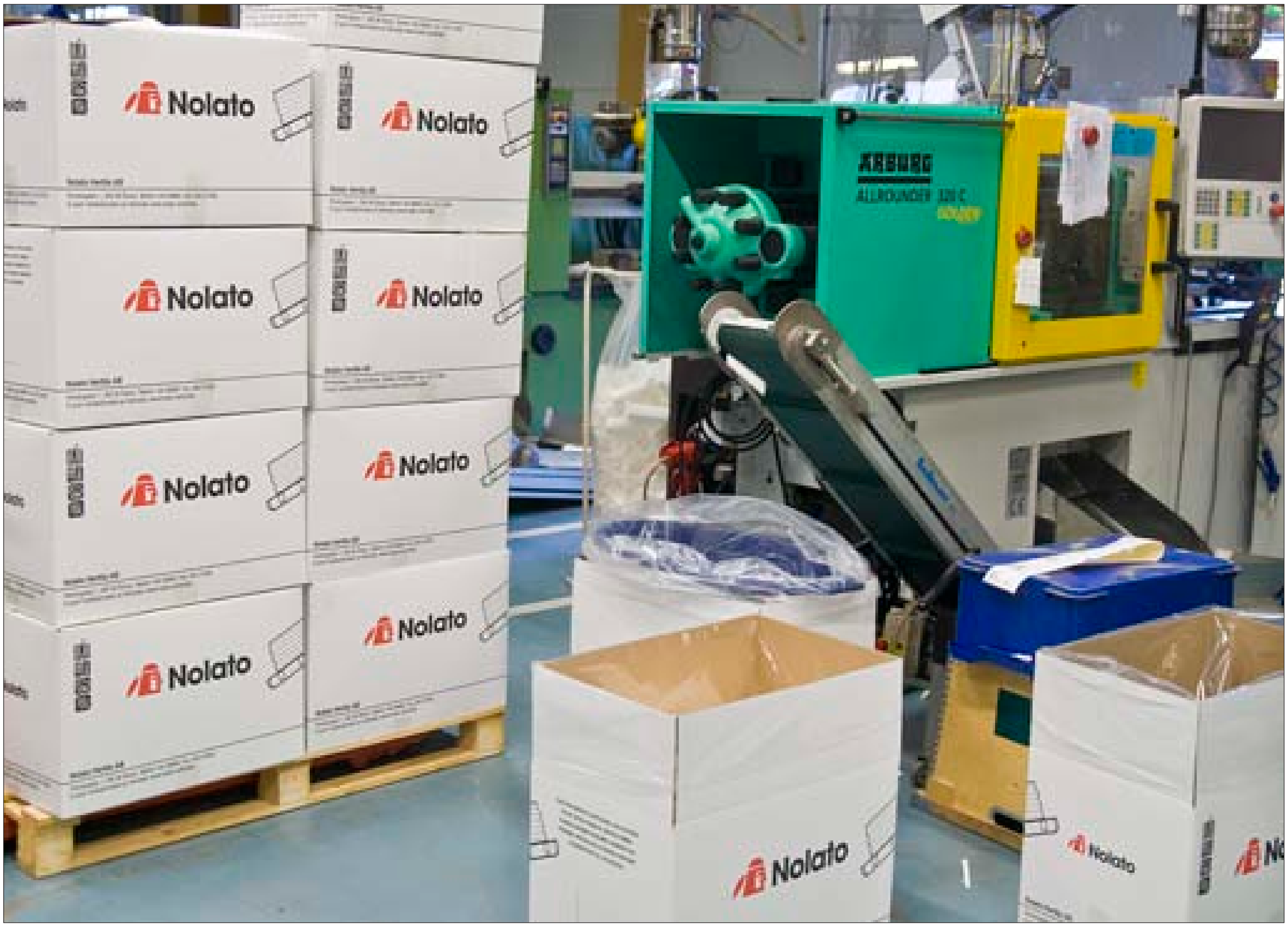
Cerbo-Hertila was acquired in March 2007 as part of the Cerbo Group acquisition. The company, which changed its name to Nolato Hertila during the summer, specialises in manufacturing and selling products which have been developed in-house, primarily in the form of injection-moulded plugs and caps. These are used for applications such as protecting contacts, connections and ducts on machines and other products against dirt and damage during assembly, transportation, storage and painting.

Nolato Hertila has annual sales of over SEK 30 M and around twenty employees at Åstorp in Sweden.

Nolato Automotive

The companies within the business area which make up Nolato Automotive work with customers in the automotive industry. Nolato Automotive supplies the major automotive manufacturers direct, as well as their tier one and two system suppliers.

Nolato Automotive manufactures a wide range of components for automotive customers, in both soft and hard polymer materials.



Nolato Hertila specialises in manufacturing and selling products which have been developed in-house, primarily in the form of injection-moulded plugs and caps.

Some of these components are for the engine compartment, which means that they have to be sturdy and strong, as well as withstanding high temperatures. They also need to meet safety requirements, so that they are flexible and do not shatter in the event of a collision.

Other components form part of the vehicle interior – such as side valances, door consoles, runners and seatbelt components – or the fuel system, for which Nolato Automotive produces a fuel tube component which meets strict requirements, including emission limits.

Nolato Automotive supplies most kinds of gaskets for engines, where the latest materials and innovative thinking help to keep weight down and ensure recyclability.

The automotive sector experienced good volumes during the year, and Nolato Automotive won a number of major new orders. Automotive customers are attracted by the advantages offered by Nolato, such as a high level of technology, strong project management, the ability to deal with a large number of components through automation and expertise in insert moulding.

Customers and competitors

Nolato Industrial's customers include Electrolux, Elring Klinger, Ford, Haldex, Husqvarna, IAC, Ifö, IKEA, Lear, Lindab, MCT Brattberg, Opel, Plastal, Saab Automobile, Sapa, Scania, TI Automotive, Volvo Car, Volvo Truck, Whirlpool and Woco.

The business area's competitors are a large number of small and medium-sized companies, which are often located close to the customer. Major competitors include Bladhs, Euroform, Flextronics, Nypro and Konstruktionsbakelit.

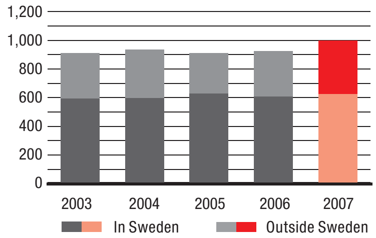
Higher sales in 2007

Sales rose by 8 percent in 2007 to SEK 1,000 M (924). Sales for the business area accounted for 41 percent (34) of the Group's entire sales. Organic growth was 5 percent.

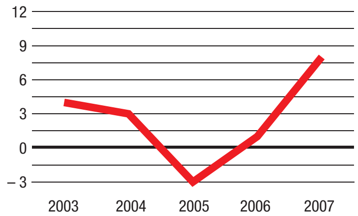
The business area's operating income (EBITA) rose to SEK 78 M (74). The EBITA margin was 7.8 percent (8.0). This margin was high during the first quarter, due mainly to high levels of capacity utilisation, but fell during the rest of the year as a result of a change in the product mix with, for example, increased assembly content for the automotive industry.

Nolato Industrial: five-year review

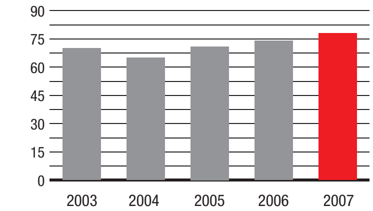
Net sales
SEK M



Growth
%

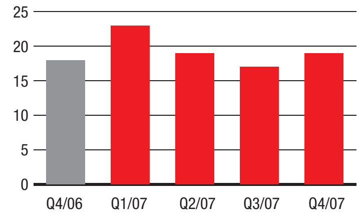


Operating income (EBITA) full-year
SEK M

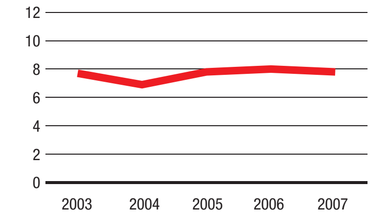


Excluding non-recurring items

Operating income (EBITA) quarter
SEK M

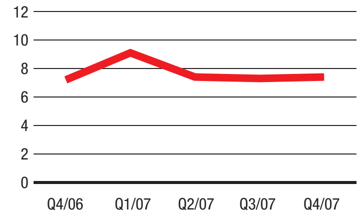


EBITA margin full-year
%

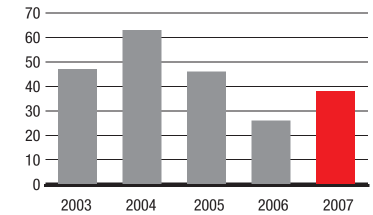


Excluding non-recurring items

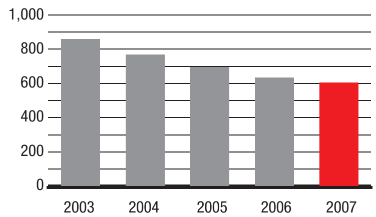
EBITA margin quarter
%



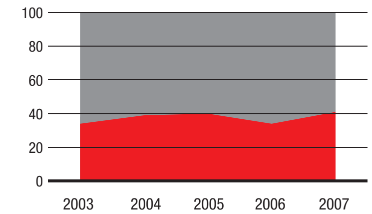
Investments
MSEK



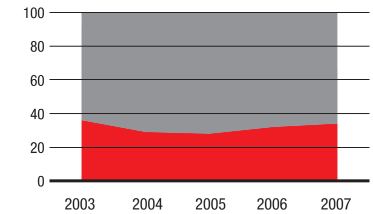
Average number of employees



Share of the Group's net sales
%



Share of the Group's operating income (EBITA)
%



Excluding non-recurring items

In all diagrams, information for 2003 has not been restated following IFRS accounting principles

Corporate governance report

Swedish Code of Corporate Governance

Nolato's Board and management work in accordance with working methods, work structures and information disclosure procedures that largely follow the Swedish Code of Corporate Governance.

However, Nolato has currently chosen to deviate from the Code in the following key areas. These deviations are consistent with the rules of the OMX Nordic Exchange, since Nolato is not classed as a large company and is not therefore obliged to comply with the Code or explain any such deviations.

Nolato has decided not to comply with the Code for the time being in the following key areas:

- The majority of the members of the Nomination Committee not being members of the Board
- Submitting an internal audit report in relation to financial reporting.

Board members and organisation

Nolato's Board of Directors consists of seven members elected by the Annual Meeting, and three members and three deputies elected by the trades unions.

Apart from the CEO and the trades union representatives, none of the Board members is employed by or works within the Company's operations.

Board members Roger Johanson, Lars-Åke Rydh and Chairman of the Board Carl-Gustaf Sondén are deemed by the Board to act independently of the Company's major shareholders. From time to time, Erik Paulsson indirectly represents companies which are Nolato suppliers or customers. Both in relation to the situation of this Board member and to that of each supplier/customer, Nolato's Board has determined that the transactions carried out with these companies do not constitute significant business connections when considering the size of revenues generated in comparison with annual supplier/customer sales.

Nolato's Board has therefore determined that all members elected by the Annual Meeting, apart from the CEO, are independent in relation to the Company.

CEO Georg Brunstam left the Board when his employment with Nolato ended on December 9, 2007. His place on the Board therefore remains vacant until the 2008 Annual Meeting.

The members of Nolato's Board of Directors are presented in the Annual Report on page 68, including their name, position, year elected to the Board, shareholding, other duties, year of birth and education. The independence of individual Board members is assessed above.

The Group's Chief Financial Officer is Board Secretary.

The Board's working methods

The Board decides on 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.

Principles were decided on at the Board's constituent meeting following the Annual Meeting concerning the Board's rules of procedure for its work, the delegation of duties between the Board and the President and CEO, and financial reporting. The key elements of these principles determine the following:

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

– Notice of the meeting, the agenda and the relevant documentation for the Board meeting shall normally be sent out no later than one week before the meeting. Numbered minutes shall be kept for every meeting.

– The delegation of duties clarifies the responsibilities of the Board and the key duties of the Chairman and the President and CEO. The instructions for the President and CEO include limitations on decisions in relation to investments, acquisitions, transfers and certain agreements.

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

Information about the work of the Board during 2007 can be found on page 30.

Board committees

The Remuneration Committee

The Board of Directors includes a Remuneration Committee. The committee is responsible for making proposals to the Board on variable remuneration for 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 has approved these principles for the variable remuneration of senior executives and all remuneration and benefits for the President and CEO. The committee is also responsible for approving all remuneration to the Group's Executive Committee.

The members of the Remuneration Committee are Carl-Gustaf Sondén (Chairman) and Henrik Jorlén, who were appointed by the Board. The committee held one meeting in 2007. Ahead of 2008, the committee will submit proposals to the 2008 Annual Meeting on principles for variable remuneration and other remuneration and benefits for the President and CEO and senior executives.

Auditors and the Audit Committee

Ernst & Young are Nolato's appointed auditors. Ernst & Young, with Ingvar Ganestam as chief auditor, were re-elected for a period of four years at the 2004 Annual Meeting. Ingvar Ganestam has been the Company's chief auditor since 2000.

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

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

Before preparing for the adoption of the annual accounts, the auditor gives the Board a presentation of his overall observations, based on a review of the Group's internal controls and annual accounts.

Nolato's Board has elected to allow the entire Board to constitute the Audit Committee and carry out these duties.

Nolato's auditors are presented in the Annual Report on page 68, including their name, year of birth, title, year appointed, shareholding, education and other duties.

Board remuneration

For the period starting with the 2007 Annual Meeting and ending with the 2008 Annual Meeting, Board remuneration totalled SEK 820,000 (820,000), divided up as follows:

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

Director's fees are paid only to external members. Company employees and personal representatives receive no director's fee. Payment was made in December 2007.

During 2007, the current members of the Board received the following remuneration:

Carl-Gustaf Sondén	SEK 220,000
Henrik Jorlén	SEK 120,000
Gun Boström	SEK 120,000
Roger Johanson	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 Small Cap segment. Information in the form of quarterly reports, press releases, etc., is submitted in accordance with the requirements of the listing agreement and the information 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 Investor Relations. The website also includes additional information on corporate governance in terms of Board membership, procedures, work, committees and auditors. The current Articles of Association and information from the most recent Annual Meeting are also available.

Remuneration information

For information on fees, salaries, pensions and other benefits for the Board of Directors, the President and CEO and other senior executives, please see Note 8 on page 56.

Group management

The Group Management consists of Hans Porat (CEO of the Nolato Group and head of Nolato Industrial), Per-Ola Holmström (Executive Vice President and CFO), Jonas Persson (head of Nolato Telecom), Christer Wahlquist (head of Nolato Medical) and Magnus Emeus (head of Nolato Hungary).

The Group management is presented on page 69, including their length of service with Nolato, education, year of birth, shareholding etc.

Business operations

All business operations in the Group are conducted by subsidiaries, in keeping with the decentralised culture that has always characterised Nolato.

Business areas

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

The head of each business area manages current operational issues, and is in constant contact and discussion with the managing directors and other management of the subsidiaries within the business area in question.

Subsidiaries

The Group's success is thanks to the close business relationships that each Group company enjoys with its customers. Their understanding of – and sensitivity to – local needs, business practices and distribution requirements are, and remain, crucial 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 organisational changes, in accordance with the Board's rules of procedure.

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

The managing director is assisted by a management team, with members from the various company functions.

Directors' report

Nolato AB (publ) 556080-4592

Operations and structure

Nolato is a high-tech supplier, which develops and manufactures polymer components and product systems from plastic, rubber, silicone and TPE for leading customers in telecommunications, automotive products, white goods, medical technology, hygiene, pharmaceuticals and other selected industrial sectors.

Nolato operates wholly-owned companies with sales, development and production in Sweden, China, Malaysia and Hungary, sales companies in France, Norway and Poland, and a sales and technology company in Japan. The operations are based on in-depth expertise in polymers. This is founded on working closely alongside our customers. By participating in their projects from an early stage, Nolato can help develop their products and offer high-quality manufacturing and post-processing of components and complete systems.

Key basic principles behind Nolato's operations include expertise and professionalism, long-term customer relationships, decentralisation, good organisation and environmental awareness.

The Nolato Group is divided into three customer-oriented business areas:

Nolato Medical is a leading development and production partner for products and subsystems within the fields of medical technology, pharmaceuticals and hygiene.

Nolato Telecom is a world-leading developer and manufacturer of polymer system products within the telecommunications sector.

Nolato Industrial is a powerful Scandinavian and Central European market leader within polymer products for the automotive industry and other selected industrial segments.

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

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

Significant events during the financial year

Sales and earnings

– Consolidated sales during 2007 totalled SEK 2,454 M (2,702).
– Consolidated operating income (EBITA) was SEK 207 M (209).
– Income after financial items was SEK 173 M (69).
– Net income was SEK 151 M (48). Earnings per share were SEK 5.74 (1.82).

Acquisitions and disposals

On March 5, 2007, Nolato acquired the Cerbo Group, a market-leading developer and manufacturer of pharmaceutical packaging. This acquisition makes Nolato Medical's customer offering within medical technology and pharmaceuticals even stronger, and is fully in line with Nolato's expansion strategies within the medical field. The purchase sum of SEK 437 M (debt-free company) was paid in cash. The Cerbo Group's sales for 2007 as a whole are expected to be around SEK 350 M.

On May 21, 2007, Nolato sold the subsidiaries AB Cerbo Göteborg and Medigrafik A/S. These companies focus on developing and producing printed packaging for the pharmaceuticals industry, and were part of Nolato's acquisition of the Cerbo Group at the beginning of March 2007. The purchase sum of SEK 134 M (debt-free companies) was paid in cash. The sale of these companies did not bring about any realisation effect for the Group.

Sales and earnings for the Group and the Medical profit centre excluding both these companies are reported as "Remaining operations".

Nolato Medical

Nolato Medical saw sales grow to SEK 559 M (244). This corresponds to an increase of 116 percent for remaining operations compared with the same period during the previous year. Organic growth was 23 percent. Sales for remaining operations account for 22 percent (9) of the Group's entire sales.

Volumes were high for Nolato Medical in 2007. In particular, volumes for the production of insulin products rose compared with the same period during the previous year. The focus on Europe, with production in Hungary, has continued to bear fruit, and this has also contributed to the growth in sales.

Operating income (EBITA) excluding non-recurring items stood at SEK 79 M (36). The EBITA margin excluding non-recurring items was 14.1 percent (14.8).

Nolato Medical, a selected strategic partner of Coloplast AS (Denmark), won a major outsourcing order for additional production during the third quarter of 2007. Coloplast is a fast-growing Danish company with large-scale international operations. Production will take place at Nolato's factory in Hungary, and is expected to begin during the second quarter of 2008, gradually increasing during the third and fourth quarters. Annual sales for the project have been estimated at SEK 20–25 M when it reaches full speed at the end of 2008. Components and subsystems will be delivered to the customer's fast-growing production units in Hungary.

Nolato Telecom

Sales totalled SEK 920 M (1,558), corresponding to 37 percent (57) of the Group's entire sales. The significant reduction in sales is attributable primarily to the loss of BenQ, but is also due in part to weak growth in volumes for other customers during the first quarter.

For the rest of the year, the reduction in sales is attributable to a change in the product mix, with a smaller proportion of products with a high value per unit delivered, despite an increase in volumes.

During 2007, Nolato Telecom has continued to build up relationships with key customers, winning a number of major system projects for mobile phone customers, starting production during the second half of 2007 and during 2008.

Robert Karlsson, Nolato Polymer

Operating income (EBITA) was SEK 73 M (124). The EBITA margin was 7.9 percent (8.0).

During 2007, Nolato Telecom was appointed supplier to the Canadian company RIM, with operations including developing and producing the BlackBerry. An order has so far been received for the production of a small-scale project in 2008.

Nolato Telecom previously carried out production in the Estonian capital of Tallinn, but this ceased at the end of 2007. The closure of this operation has not resulted in any non-recurring items or capital losses.

Nolato Industrial

Sales rose by 8 percent to SEK 1,000 M (924). Compared with the same period during the previous year, SEK 30 M was from acquisitions. Sales for the profit centre accounted for 41 percent (34) of the Group's entire sales. Organic growth was 5 percent.

Volumes have generally been pleasing, particularly to the automotive industry.

Operating income (EBITA) rose to SEK 78 M (74). The EBITA margin was 7.8 percent (8.0).

Personnel

President and CEO Georg Brunstam submitted his resignation in June, and left the company in December.

Events after the end of the financial year

Hans Porat has taken over as the new President and CEO on February 1, 2008.

The Board's work in 2007

During 2007, the Board held six meetings and a constituent meeting after the Annual Meeting. Reviews of the Company's operations, markets and finances were rolling items on the Board's agenda.

Below is a brief summary of other important items discussed at the Board meetings.

- Torekov, January 31, 2007: The auditor reported his comments on the 2006 audit to the Board. The Board decided to propose a dividend of SEK 2.40 per share to the Annual Meeting. The Board discussed acquisition opportunities.
- Torekov, April 25, 2007: Information meeting.
- Torekov, April 25, 2007: Constituent meeting after the Annual Meeting. Carl-Gustaf Sondén, Henrik Jorlén, Gun Boström, Erik Paulsson, Lars-Åke Rydh and Georg Brunstam were re-elected as Board members at the Annual Meeting, and Roger Johanson was newly elected to the Board. Carl-Gustaf Sondén was elected Chairman of the Board by the meeting. At the constituent meeting after the Annual Meeting, the Board elected Carl-Gustaf Sondén and Henrik Jorlén to the Remuneration Committee, and Per-Ola Holmström as 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 7, 2007: Information meeting.
- Telephone meeting, July 19, 2007: A schedule and programme for the Board meetings in 2008 was adopted. The auditor reported to the Board on the review of the six-month interim report, and gave a summary of planning for the auditing process in 2007. The Board decided to appoint Per-Ola Holmström as Executive Vice President.
- Torekov, October 24, 2007: The Board decided on investing in production equipment. Acquisition opportunities were discussed.
- Torekov, December 12, 2007: Strategy plans for the Group and its business areas for the next three years and a budget for the coming year were discussed and adopted by the Board. The CFO presented his financing proposals, which were approved by the Board. The Board decided on investing in production equipment.

Board members' attendance in 2007

During 2007, the Board members elected by the Annual Meeting attended the following Board meetings:

	Jan	Apr	Jun	Jul	Oct	Dec
Carl-Gustaf Sondén	x	x	x	x	x	x
Gun Boström	x	x	–	x	x	x
Roger Johanson [1]	–	–	x	x	x	x
Henrik Jorlén	x	x	x	x	x	x
Erik Paulsson	x	x	x	x	x	x
Lars-Åke Rydh	x	x	x	x	x	x
Claes Warnander [2]	x	x	–	–	–	–
Georg Brunstam [3]	x	x	–	x	x	–

[1] Elected at 2007 Annual Meeting
[2] Left at 2007 Annual Meeting
[3] Retired from Board December 9, 2007

Risk management

Nolato's strategy includes continuously minimising business and operational risks, whilst still taking advantage of market opportunities.

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 minimised.

Comments on financial risk management and a report on this are given in Note 4 on pages 52–53.

Revenue and earnings risks

Within Nolato Telecom, which accounts for around 40 percent of the Group's sales, market growth has increased significantly in recent years. Both longer-term growth and fluctuations over shorter periods provide opportunities for strong growth within this business area, but also mean a risk of negative changes.

Nolato Medical's market promises good long-term potential for growth, and the business area's profit has grown rapidly in recent years, both organically and through acquisitions, accounting for just over 20 percent of Group sales and a larger proportion of Group earnings.

Market trends for Nolato Industrial, which accounts for around 40 percent of Group sales, are more in line with the growth in industrial production in Scandinavia and

Paintline, Nolato Kuala Lumpur

Central Europe. The pattern is more stable for this market, and fluctuates less.

Nolato Telecom and Nolato Industrial's markets in particular are experiencing continued price pressure, with falling prices as a result of tough market competition. Dealing with this price risk is a feature of day-to-day work, and requires continuous cost cutting and productivity increases, which Nolato has managed to achieve to its advantage so far. Within Nolato Telecom, this has included transferring production to China, resulting in lower costs. At Nolato Industrial, cost-effective high-productivity facilities in Sweden, combined with the production of labour-intensive parts in low-cost countries, has enabled the business area to cope with price pressure to date.

Customer dependence

Nolato Telecom has a greater dependency on a small number of customers.

The other business areas' customer bases are considerably broader, with no single customer or customer group being 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 major international industrial groups. These tend to be under public ownership, making it possible in most cases to monitor their financial performance. This is done on an ongoing basis. This kind of company rarely enters into bankruptcy or any similar arrangement, so the likelihood of losses is minimal. However, if any of these major customers were to suffer financial difficulties, there would be a risk of significant losses. BenQ's bankruptcy in 2006 is an example of this, although in this case Nolato had its customer receivables insured.

Product risks

Nolato aims to deliver products that meet customer requirements in terms of quality and delivery. This is dealt with by skilled subsidiary staff who are responsible for day-to-day operations. The biggest risk of quality and production disruption normally arises when the production of new products begins.

This is particularly true when ramping up major telecommunications projects, where there is a risk of quality and productivity disruption which could have a major impact on the Group's earnings. In order to prevent such problems, the Group – and Nolato Telecom in particular – follows a highly-developed concept for running the project prior to the industrialisation and production phases, in line with established quality assurance requirements, checklists, etc. In order to avoid the risk of problems with deliveries, it is important to maintain extremely close contact with each customer, as well as effective, reliable systems for quality control and development. Nolato has chosen to work with a relatively small number of customers, and to work closely and extensively alongside them. This makes continual close contact with customers possible, thus ensuring that deliveries satisfy their wishes. At the same time, all of the Group's subsidiaries operate in accordance with various quality and constant improvement systems, which are tailored to meet the customer's requirements or production requirements.

Supplier risks

Supplier risks include risks relating to pricing and access to raw materials and other input goods, as well as production process costs.

A number of suppliers in Europe and worldwide provide raw materials for plastics and rubber, as well as machinery. Alternative suppliers can be used, but in some cases changing supplier requires customer approval. In terms of components for Group-supplied component systems, the choice of suppliers is usually made in consultation with the customer.

Raw materials prices

The products which Nolato manufactures normally have a plastic or rubber raw materials content which makes up between 5 and 50 percent of the selling price. These raw materials are developed using different forms of oil-based products. This means that raw materials prices are dependent on oil prices and the US dollar exchange rate, as well as other factors such as production capacity and other production costs.

Plastic raw materials content, by far the Group's biggest raw material, varies from business area to business area. For Nolato Telecom, with its many "thin-walled" products, plastic only accounts for around 5 percent of the selling price, while the corresponding figure is just over 20 percent for Nolato Industrial and around 15 percent for Nolato Medical.

At Nolato Industrial, which has the highest proportion of plastic raw materials, most customer agreements enable the business area to pass on costs to the customer or renegotiate the effects of any such price increases. This right applies to most agreements where material prices have changed beyond certain agreed levels, reducing sensitivity to changes in material prices. From a historical perspective, price increases for plastic raw materials have been relatively steep over the course of the last three or four years. Raw materials prices have stabilised, but remain extremely high historically.

Price increases did not have any significant adverse effects on Nolato's margins in 2007.

Electricity prices

The Group's polymer production operations are relatively electricity-intensive, and the Group is thus reliant on the price of electricity.

The Group follows a policy for purchasing electricity in order to even out the effects of changes in the variable portion of electricity prices. The policy means that 40-80 percent of electricity requirements for the four forthcoming quarters are purchased under fixed-price agreements.

Legal risks

Nolato works with external lawyers and consultants on legal issues. The Group also has internal policies and regulations relating to which agreements, etc., people in various positions are authorised to make decisions on.

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

The Group currently has one legal dispute with a supplier. A full provision has been made for any anticipated risk of loss.

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

Nor is the Group involved in any ongoing tax cases of any significance.

Property and liability risks

In terms of traditional insurance risks such as fire, theft, downtime and liability, Nolato believes that the Group has appropriate and sufficient cover through its insurance policies.

Comments on the financial statements

Income statements

Income statements: five-year review

Sales during the five-year period have been characterised in particular by changes in Nolato Telecom's product mix. The proportion of products with a high value per unit, dependent on factors such as component content, have had a significant effect on sales.

Nolato Medical's sales have risen sharply over the course of the five-year period. Growth was 34 percent in 2005, 33 percent in 2006 and 129 percent in 2007. These strong levels of growth have been achieved thanks to additional market shares with existing customers, outsourcing projects and new customers, including through a successful focus on Europe and through acquisitions.

A restructuring programme was carried out in 2003 for the operations in Hungary, with a total cost of SEK 93 M.

Earnings rose significantly in 2004 and 2005. Restructuring measures carried out at Nolato Telecom had a positive effect, while earnings at Nolato Medical rose sharply. Nolato Medical won an outsourcing project in 2006, taking over production for Novo Nordisk. Medical Rubber was acquired on November 1.

The strong growth in this business area is largely explained by the higher volumes from the outsourcing project and the acquisition. Non-recurring costs relating to the bankruptcy of BenQ of SEK 125 M were charged to earnings in 2006, as was SEK 5 M for the dismissal of the managing director of a subsidiary, totalling SEK 130 M.

The average EBITA margin was 8.0 percent over the five-year period (excluding non-recurring items).

Income statement 2007

Consolidated sales during 2007 totalled SEK 2,454 M (2,702). Currency effects had a negative impact of around 1 percent on sales. Consolidated operating income (EBITA) was SEK 207 M (209). Non-recurring items relating to the acquisition of the Cerbo Group amounting to SEK 7 M were charged to income during the first quarter of 2007. The EBITA margin excluding non-recurring items was 8.4 percent (7.7). The Group's financial target in terms of the EBITA margin is 7 percent.

Operating income (EBIT) stood at SEK 200 M (208), excluding non-recurring items. Including non-recurring items, operating income was SEK 193 M (78).

Income after financial items was SEK 173 M (69). These net financial items included currency exchange rate effects of SEK -1 M (-1), with the majority relating to conversion differences on foreign-currency loans for foreign operations.

Net income was SEK 151 M (48). Earnings per share were SEK 5.74 (1.82). Adjusted earnings per share excluding amortisation on intangible assets arising from acquisitions and non-recurring items were SEK 5.36 (6.08). The effective tax rate excluding non-

Income statements

SEK M	2007	2006	2005	2004	2003
Net sales	2,454	2,702	2,256	2,401	2,671
Cost of goods sold [1]	– 2,060	– 2,429	– 1,851	– 2,006	– 2,347
Gross income	394	273	405	395	324
Selling expenses [2]	– 56	– 68	– 46	– 56	– 46
Administrative expenses [3]	– 138	– 134	– 135	– 134	– 172
Other operating income	—	10	—	—	—
Other operating costs [4]	– 7	– 3	– 3	– 4	– 49
Operating income	193	78	221	201	57
Financial items [5]	– 20	– 9	– 13	– 16	– 51
Income after financial items	173	69	208	185	6
Tax [6]	– 22	– 21	– 27	– 49	– 41
Net income	151	48	181	136	– 35
Scheduled depreciation/amortisation included	162	166	135	134	156

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 restructuring operations in Hungary
2) In 2006, includes non-recurring costs of SEK 17 M from BenQ's expected bankruptcy
3) In 2007, includes non-recurring costs of SEK 7 M from restructuring costs in relation to the acquisition of Cerbo
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 restructuring 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 2007, includes non-recurring revenue in relation to tax changes for foreign subsidiaries of SEK +20 M,
and SEK +2 M in relation to tax on restructuring costs.
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

Information for 2003 has not been restated following IFRS accounting principles recurring items was 24 percent (20). The return on capital employed was 15.2 percent in 2007 (7.4). Excluding non-recurring items, the return on capital employed was 15.7 percent (19.4). The Group's financial target is for a return of 15 percent. The return on operating capital was 16.1 percent in 2007 (8.3). Excluding non-recurring items, the return on operating capital was 16.7 percent (22.3).

Consolidated performance analysis

SEK M unless otherwise specified	2007	2006
Net sales	2,454	2,702
Gross income excl. amortisation and non-recurring items	545	521
As a percent of net sales	*22.2*	*19.3*
Costs [1]	– 183	– 165
As a percent of net sales	*7.5*	*6.1*
Operating income (EBITDA) excluding non-recurring items	362	356
As a percent of net sales	*14.8*	*13.2*
Depreciation	– 155	– 147
Operating income (EBITA) excluding non-recurring items	**207**	**209**
As a percent of net sales	***8.4***	***7.7***
Amortisation of intangible assets arising from acquisitions	– 7	– 1
Non-recurring items [2]	– 7	– 130
Operating income (EBIT)	193	78
Financial items	– 20	– 9
Income after financial items	173	69
Tax excluding non-recurring items	– 44	– 40
As a percent of income after financial items excl. non-recurring items	*24.4*	*20.1*
Lump-sum tax income [3]	22	19
Net income	151	48

1) Excluding non-recurring items.
2) SEK 7 M during 2007 relates to termination costs for Cerbo Group management with connection to the acquisition. SEK 125 M during 2006 relates to costs for BenQ's bankruptcy, and SEK 5 M to costs for the dismissal of the managing director of a subsidiary.
3) SEK 20 M during 2007 relates to changes in the tax situation for foreign subsidiaries. SEK 2 M during 2007 relates to the tax effect of termination costs in connection with the acquisition of the Cerbo Group. SEK 18 M during 2006 relates to the tax effect of BenQ's bankruptcy, and SEK 1 M relates to other non-recurring items.

Balance sheets

SEK M	2007	2006	2005	2004	2003
Tangible fixed assets	752	683	724	664	690
Intangible fixed assets	383	193	51	54	54
Financial fixed assets	14	13	4	—	4
Total fixed assets	**1,149**	**889**	**779**	**718**	**748**
Inventories	201	187	183	170	181
Current receivables	506	517	543	502	588
Cash and bank balances	62	131	163	214	318
Total current assets	**769**	**835**	**889**	**886**	**1,087**
Total assets	**1,918**	**1,724**	**1,668**	**1,604**	**1,835**
Shareholders' equity	881	789	832	661	569
Long-term liabilities, interest-bearing	318	191	200	230	485
Long-term liabilities, non-interest-bearing	131	104	73	61	70
Current liabilities, interest-bearing	68	106	42	147	140
Current liabilities, non-interest-bearing	520	534	521	505	571
Total shareholders' equity and liabilities	**1,918**	**1,724**	**1,668**	**1,604**	**1,835**

Information for 2003 has not been restated following IFRS accounting principles.

Balance sheets

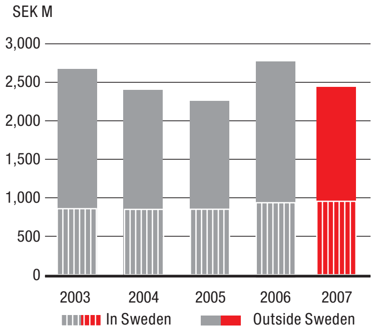
Balance sheet: five-year review

At the beginning of the five-year period, total assets were SEK 1,835 M, before falling from 2004 to 2006. Total assets then rose again to SEK 1,918 M at the end of the period. On average, 41 percent of assets consisted of inventories and receivables over the five-year period. These items are closely related to sales. This also applies to non-interest-bearing current liabilities. Tangible fixed assets rose at the end of the period, primarily as a result of acquisitions.

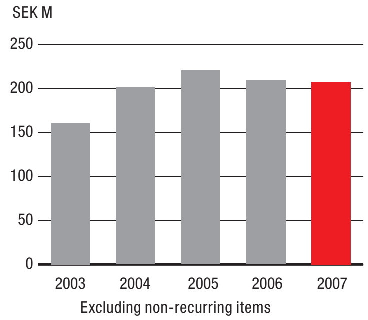
Intangible assets consist mainly of goodwill remaining from the acquisitions of Nolato Gota in 2000, Medical Rubber in 2006 and Cerbo in 2007. Shareholders' equity has increased gradually over the period with the exception of 2006, when it decreased.

The dramatic improvement in operating profitability in 2004 and 2005, combined 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 rose from 31 percent in 2003 to 46 percent in 2007. The

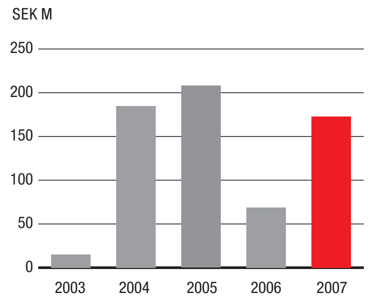
Sales



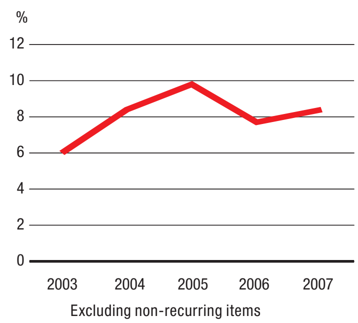
Operating income (EBITA)



Income after financial items



EBITA margin



Information for 2003 has not been restated following IFRS accounting principles

Group's objective is an equity/assets ratio of at least 35 percent. Interest-bearing liabilities and provisions consist largely of funding from credit institutions. Since 2003, interest-bearing liabilities and provisions fell sharply until 2006. Strong cash flows have enabled Nolato to make principal payments on its borrowings. Since then, interest-bearing liabilities have risen in connection with loans taken out to finance acquisitions.

Balance sheet 2007

Total assets were SEK 1,918 M (1,724). Fixed assets rose as a result of the acquisition of Cerbo and the resultant goodwill and other Group revaluation surpluses. Overall, current assets in the form of inventories and receivables remained relatively unchanged compared with the previous year.

Despite a positive cash flow, cash holdings fell SEK 69 M to SEK 62 M (131). Interest-bearing liabilities increased. The increase in net debt is a result of the acquisition and purchase price of Cerbo. Non-interest bearing liabilities showed only minor changes compared to the previous year. Shareholders' equity rose as a consequence of the net income for 2007.

Cash f ow statements

Cash f ow statement: five-year review

Cash f ow before changes in working capital

The cash flow before changes in working capital improved year on year between 2003 and 2005, primarily due to a rise in earnings. The cash flow weakened in 2006 as a result of a drop in earnings, which were affected by factors such as the bankruptcy of BenQ.

Changes in working capital

Working capital, measured as current assets (excluding cash items) less current non-interest-bearing liabilities, averaged 7.4 percent of sales during the five-year period. Naturally, the credit periods negotiated by Nolato have a significant impact on this working capital.

The general pattern of rising customer 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 significant effect of the pace of sales at the end of the year. High sales during the last quarter, compared with other quarters during the same year, normally bring high levels of accounts receivable and vice versa in the event of relatively low sales during the last quarter.

Investments

During the period 2003-2007, the level of investments has been lower than the level of depreciations for each year. The reason for the relatively low levels of investment is that equipment from operations which were disposed of, mainly in the US, was able to be transferred to other, expanding companies in the Group, particularly in China. Following the 2006 bankruptcy of customer BenQ, Nolato Telecom also experienced free capacity, resulting in low levels of investment during 2007.

Nolato Medical made a small-scale acquisition in 2004. Medical Rubber was acquired in 2006, as was Cerbo Group in 2007.

Cash f ow statements

SEK M	2007	2006	2005	2004	2003
Cash flow before changes in working capital	325	225	373	330	260
Changes in working capital	– 10	55	– 66	26	63
Cash flow from operations	315	280	307	356	323
Investment activities	– 158	– 291	– 149	– 125	– 95
Cash flow after investments	157	– 11	158	231	228
Financing activities	– 231	– 11	– 209	– 335	– 111
Cash flow for the year	– 74	– 22	– 51	– 104	117
Liquid funds at January 1	131	163	214	318	201
Exchange rate difference in liquid funds	5	– 10	—	—	—
Liquid funds at December 31	62	131	163	214	318

Dividend

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 for 2005 and 2006 was SEK 2.40 per share, with SEK 63 M being paid out in 2006 and 2007.

The Board has proposed a dividend for 2007 of SEK 3.00 per share, corresponding to a total of SEK 79 M, which will be paid out in 2008 if the Annual Meeting agrees to the proposal.

Cash flow statement 2007

Cash flow from operations

Cash flow before investments totalled SEK 315 M (280). Working capital fell by SEK –10 M (+55). SEK 51 M was received in insurance compensation relating to accounts receivable at BenQ, while payments in relation to BenQ had a negative impact of approximately SEK 43 M. Excluding these payments, cash flow before investments totalled SEK 307 M. Outstanding future payments relating to BenQ have been estimated at around SEK 7 M.

Investments

Cash flow after investments totalled SEK 227 M (142), excluding acquisitions and disposals of operations. Including acquisitions and disposals of operations, cash flow after investments stood at SEK 157 M (-11). Net investments affecting cash flow totalled SEK 158 M (291), of which acquisitions and disposals of operations accounted for a net total of SEK 70 M (153). Excluding acquisitions and disposals, net investments affecting cash flow amounted to SEK 88 M (123). Gross investments in fixed assets totalled SEK 107 M (128) excluding acquisitions.

SEK M	2007	2006
Buildings and land	5	5
Machinery and equipment	87	99
Construction in progress	15	24
Total investments	**107**	**128**

Financial position

Interest-bearing assets totalled SEK 62 M (131), and interest-bearing liabilities and provisions totalled SEK 386 M (297). The market value of derivatives related to interest-bearing liabilities was SEK +10 M (+4). Net debt thus totalled SEK 314 M (162). Shareholders' equity was SEK 881 M (789). The equity/assets ratio was 46 percent (46).

At the end of the year, Nolato extended and increased loan agreements with credit institutions worth SEK 350 M, with a two-year term. This means that, in all, Nolato has loan agreements for SEK 775 M which will be due for repayment within the next two years. Agreements, or covenants, have been entered into with these credit institutions for the majority of the loan agreements in relation to the fulfilment of customary key ratios.

Nolato's acquisitions of Medical Rubber during the fourth quarter of 2006 and the Cerbo Group during the first quarter of 2007 have both had an impact on the balance sheet, through assets being acquired and financed through loans from credit institutions.

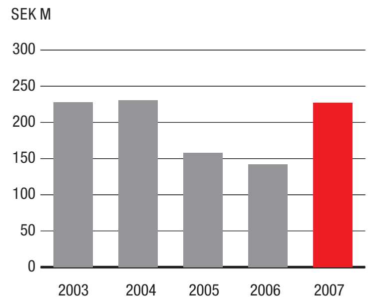
SEK M	2007	2006
Interest-bearing liabilities credit inst.	300	242
Interest-bearing pension liabilities	86	55
Market value of derivatives	– 10	– 4
Total borrowings	**376**	293
Cash, bank, short-term inv.	– 62	– 131
Net debt	**314**	162
Working capital	189	176
As percent of sales (average) (%)	7.4	7.3
Capital employed	1,267	1,086
Return on cap. empl. (average) (%) *	15.7	19.4
Shareholders' equity	881	789
Return on equity (average) (%)	18.5	5.9

*Excluding non-recurring items

Product development costs

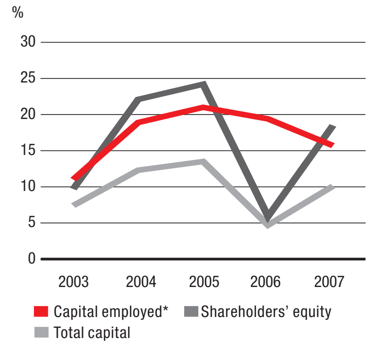
The Group's expenditure on product development totalled SEK 127 M (216), of which SEK 0 M (0) was capitalised. This includes developing tools, materials, designs and technology. Expenses consist almost entirely of development costs in conjunction with product development undertaken in partnership with Group customers.

Cash flow after investments



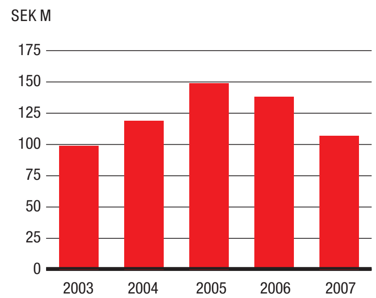
Excluding acquisitions and disposals

Return



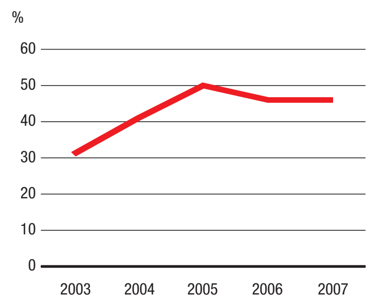
*Excluding non-recurring items

Investments



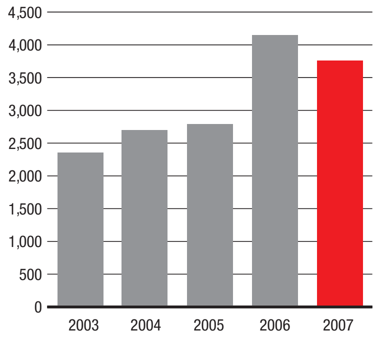
Excluding acquisition of operations and disposals

Equity/assets ratio



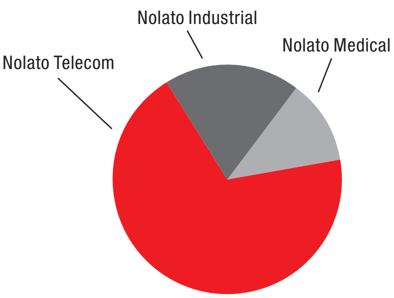
Information for 2003 has not been restated following IFRS accounting principles

Average number of employees



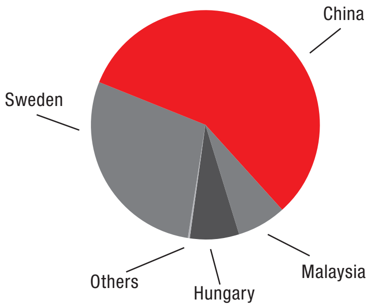
Employees per business area

December 31, 2007

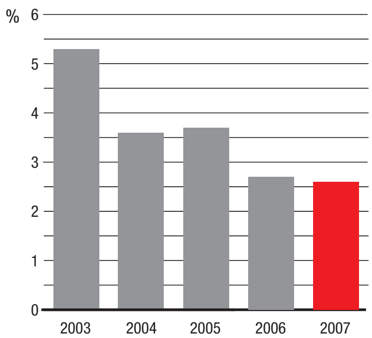


Employees per country

December 31, 2007



Absence due to illness



Hours illness/available hours

Employee information

The average number of employees during the period was 3,760 (4,144). The number of employees during the year fell, particularly in Estonia (where operations ceased during the second half of the year) and in Asia.

The Group has employees in Sweden, China, Malaysia, Hungary, Japan, France, Norway and Poland. 74 percent of all employees are outside Sweden.

At the end of the year, the Nolato Group had 3,433 (3,370) employees, of which 2,360 (2,442) worked for Nolato Telecom, 653 (652) for Nolato Industrial, 416 (272) for Nolato Medical and 4 (4) for the Parent Company.

Low levels of absence due to illness

Nolato has long placed great importance on creating good working environments. Daylight, good organisation, functional equipment and good tools are all important. A greater focus has also been placed on the psychosocial working environment in recent years.

Nolato also has a relatively low level of absence due to illness, which in 2007 averaged 2.6 percent (2.7) for all companies within the Group. Of this, long-term absence due to illness made up 1.3 percentage points (1.0). The lowest levels of absence due to illness were in China, with 0.3 percent (0.3). Absence due to illness was 0.6 percent (1.3) in Malaysia, 9.9 percent (6.8) in Estonia and 5.5 percent (8.6) in Hungary. The average figure for the Swedish companies was 6.6 percent (6.0).

The fact that the Group's overall absence due to illness is so low is due mainly to the low levels in Asia, where 63 percent of the Group's employees are based.

Arif Mislimi, Nolato Medevo

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 such as plastic, rubber, silicone and TPEs, are comparatively clean and cause only a limited amount of emissions into the air and water.

Decentralised environmental work

The Group's environmental work is decentralised, and all operations – except Nolato Kuala Lumpur and Nolato Medical Rubber – are environmentally-certified in accordance with ISO 14001.

Nolato's Environmental Policy involves national and international environmental commitment to the long-term sustainability of society. The objective is that the activities of the Nolato Group should have as little negative impact on the environment as possible.

Ongoing environmental work is carried out at Nolato with the aim of saving energy, water and other natural resources. Environmental aspects should also be taken into account when choosing raw materials and distribution methods. We will reduce relative levels of waste and emissions from our production plants. During 2007, for example, computerised heating and ventilation management systems were introduced at one of the larger production facilities in order to allow energy savings to be made.

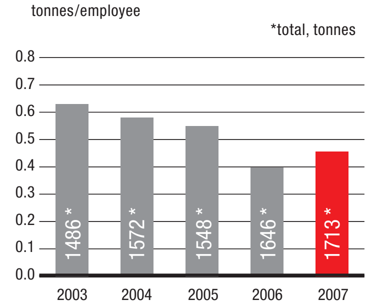
Environmental Policy

Our Environmental Policy also states that all operations will comply with current environmental legislation and develop long-term plans regarding national and international environmental and working environment legislation.

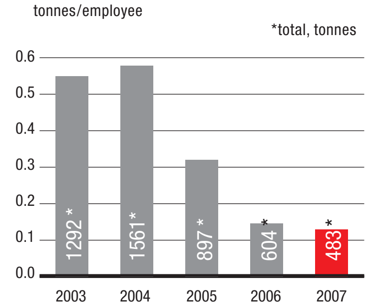
This Environmental Policy applies to all Nolato businesses, regardless of the country in which they operate. The Group therefore sets the same overall environmental requirements for its production plants in China, Malaysia and Hungary as for its Swedish units. These requirements are then implemented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

Key environmental figures: five-year overview

Combustible waste

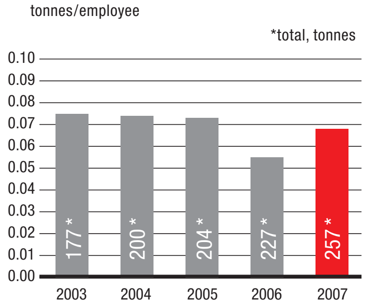


Landfill

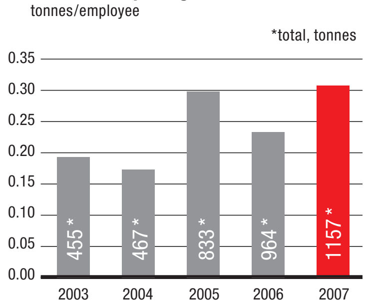


Reducing the amount of waste sent to landfill is a joint Group target.

Hazardous waste

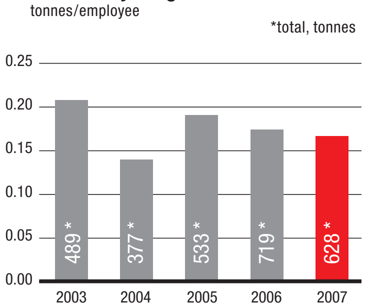


Plastic recycling

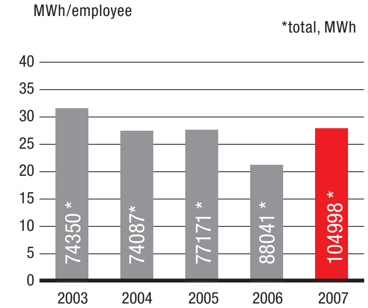


Overall plastics recycling has increased, largely in connection with a reduction in the amount of plastic sent to landfill.

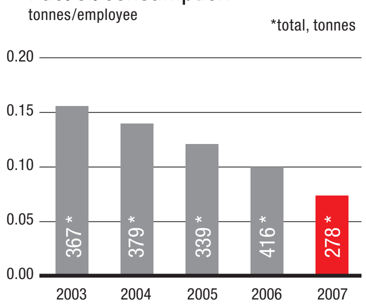
Other recycling



Electricity consumption

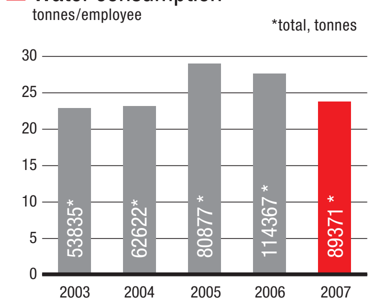


Fuel oil consumption



Waste heat from the injection moulding machinery used for heating.

Water consumption



Water used for process cooling.

Definitions

Adjusted earnings per share
Net income, excluding non-recurring items and amortisation on intangible assets arising from acquisitions, divided by the 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.

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.

Operating income (EBITDA)
Earnings before interest, taxes, depreciation/amortisation and non-recurring items.

Operating income (EBITA)
Earnings before interest, taxes and amortisation of intangible assets from company acquisitions, excluding non-recurring items.

Operating income (EBIT)
Earnings before taxes and financial income and expense.

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

Return on total capital
Income after financial items plus financial expenses as a percentage of average 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.

Group financial highlights: five-year overview

	2007	2006	2005	2004	2003
Sales and earnings					
Net sales (SEK M)	2,454	2,702	2,256	2,401	2,671
Sales growth (%)	– 9	20	– 6	– 10	33
Percentage of sales outside Sweden (%)	61	68	61	65	68
Operating income (EBITA), excluding non-recurring items (SEK M)	207	209	221	201	161
Operating income (EBIT) (SEK M)	193	78	221	201	57
Operating income (EBIT), excluding non-recurring items (SEK M)	200	208	221	201	150
Financial items (SEK M)	– 20	– 9	– 13	– 16	– 51
Income after financial items (SEK M)	173	69	208	185	6
Income after financial items, excluding non-recurring items (SEK M)	180	199	208	185	99
Net income (SEK M)	151	48	181	136	– 35
Non-recurring items*) (SEK M)	– 7	– 130	—	—	– 93
Financial position					
Total assets (SEK M)	1,918	1,724	1,688	1,604	1,835
Shareholders' equity (SEK M)	881	789	832	661	569
Interest-bearing assets (SEK M)	62	131	163	214	318
Interest-bearing liabilities and provisions (SEK M)	386	293	233	377	625
Net debt (SEK M)	314	162	70	163	307
Equity/assets ratio (%)	46	46	50	41	31
Proportion of risk-bearing capital (%)	53	52	54	44	32
Liquidity (%)	131	130	158	136	153
Debt/equity ratio (times)	0,4	0,4	0,3	0,6	1,1
Cash flow					
Cash f ow from operations (SEK M)	315	280	307	356	323
Investment activities (SEK M)	– 158	– 291	– 149	– 125	– 95
Cash f ow before financing activities (SEK M)	157	– 11	158	231	228
Profitability					
Return on total assets before tax (%)	10.1	4.7	13.5	12.3	2.4
Return on capital employed before tax (%)	15.2	7.4	21.0	18.9	3.6
Return on capital employed before tax, excluding non-recurring items (%)	15.7	19.4	21.0	18.9	11.0
Return on operating capital before tax (%)	16.1	8.3	25.5	23.7	15.0
Return on operating capital before tax, excluding non-recurring items (%)	16.7	22.3	25.5	23.7	15.0
Return on shareholders' equity (%)	18.5	5.9	24.2	22.1	9.7
EBITA margin, excluding non-recurring items (%)	8.4	7.7	9.8	8.4	6.0
Profit margin, excluding non-recurring items (%)	7.3	7.4	9.2	7.7	3.7
Interest coverage ratio (times)	8	8	16	8	4
Personnel					
Number of employees (people)	3,760	4,144	2,790	2,700	2,353
Sales per employee (SEK thousands)	653	652	809	889	1,135
Income after financial items per employee **) (SEK thousands)	48	48	75	69	42

* Non-recurring items for 2007 consisted of restructuring costs of SEK 7 M in relation to the acquisition of Cerbo.
Non-recurring items for 2006 consisted of costs relating to the bankruptcy of BenQ of SEK 125 M and costs of SEK 5 M for severance pay for the managing director of a subsidiary.
Non-recurring items for 2003 consisted of restructuring costs for the Hungarian operations of SEK 55 M and the writedown of goodwill in Nolato Protec, Hungary of SEK 38 M.

** Calculated excluding non-recurring items

Information for 2003 has not been restated following IFRS accounting principles.

Consolidated income statement

SEK M	Note	Remaining operations 2007	2006	Operations disposed of 2007	2006	Group total 2007	2006
Net sales	6	2,421	2,702	33	—	2,454	2,702
Cost of goods sold	7	– 2,033	– 2,429	– 27	—	– 2,060	– 2,429
Gross income		**388**	**273**	**6**	**—**	**394**	**273**
Selling expenses		– 54	– 68	– 2	—	– 56	– 68
Administrative expenses	9	– 137	– 134	– 1	—	– 138	– 134
Other operating income	10	—	10	—	—	—	10
Other operating expenses	11	– 7	– 3	—	—	– 7	– 3
		– 198	**– 195**	**– 3**	**—**	**– 201**	**– 195**
Operating income		**190**	**78**	**3**	**—**	**193**	**78**
Financial income	13, 15	3	4	—	—	3	4
Financial expenses	13, 16	– 22	– 13	– 1	—	– 23	– 13
		– 19	**– 9**	**– 1**	**—**	**– 20**	**– 9**
Income after financial items		**171**	**69**	**2**	**—**	**173**	**69**
Tax	18	– 21	– 21	– 1	—	– 22	– 21
Net income		**150**	**48**	**1**	**—**	**151**	**48**
Entire earnings are attributable to the Parent Company's shareholders							
Scheduled depreciation/amortisation included	12	160	166	2	—	162	166
Earnings per share after full tax (SEK)*		5.70	1.82	0.04	—	5.74	1.82
Number of shares on December 31 (thousands)		26,307	26,307	26,307	—	26,307	26,307
Average number of shares (thousands)		26,307	26,307	26,307	—	26,307	26,307

*The Company does not have any ongoing financial instrument programmes which involve any dilution in the number of shares.

Quarterly data

Consolidated financial results in brief

		Q1	Q2	Q3	Q4	Full year
Net sales (SEK M)	**2007**	**560**	**636**	**624**	**634**	**2,454**
	2006	594	867	638	603	2,702
Operating income (EBITDA) excluding non-recurring items (SEK M)	**2007**	**75**	**88**	**94**	**105**	**362**
	2006	84	106	86	80	356
Operating income (EBITA) excluding non-recurring items (SEK M)	**2007**	**38**	**48**	**56**	**65**	**207**
	2006	51	62	51	45	209
EBITA margin excluding non-recurring items (%)	**2007**	**6.8**	**7.5**	**9.0**	**10.3**	**8.4**
	2006	8.6	7.2	8.0	7.5	7.7
Operating income (EBIT) (SEK M)	**2007**	**30**	**46**	**54**	**63**	**193**
	2006	51	62	46	– 81	78
Operating income (EBIT) excluding non-recurring items (SEK M)	**2007**	**37**	**46**	**54**	**63**	**200**
	2006	51	62	51	44	208
Income after financial items (SEK M)	**2007**	**27**	**41**	**47**	**58**	**173**
	2006	47	59	44	– 81	69
Net income (SEK M)	**2007**	**20**	**31**	**36**	**64**	**151**
	2006	37	51	35	– 75	48
Cash f ow after investments, excl. acquisitions and disposals (SEK M)	**2007**	**23**	**81**	**52**	**71**	**227**
	2006	48	54	– 21	61	142
Earnings per share (SEK)	**2007**	**0.76**	**1.18**	**1.37**	**2.43**	**5.74**
	2006	1.41	1.94	1.33	– 2.86	1.82
Adjusted earnings per share (SEK)	**2007**	**0.99**	**1.21**	**1.45**	**1.71**	**5.36**
	2006	1.41	1.94	1.48	1.25	6.08

Net sales by business area per quarter (SEK M)

		Q1	Q2	Q3	Q4	Full year
Nolato Medical	**2007**	**113**	**140**	**126**	**147**	**526**
	2006	55	58	48	83	244
Nolato Telecom	**2007**	**185**	**223**	**271**	**241**	**920**
	2006	311	580	390	277	1,558
Nolato Industrial	**2007**	**252**	**257**	**233**	**258**	**1,000**
	2006	235	235	204	250	924
Operations disposed of	**2007**	**13**	**20**	**—**	**—**	**33**
	2006	—	—	—	—	—
Group adjustments, Parent Company	**2007**	**– 3**	**– 4**	**– 6**	**– 12**	**– 25**
	2006	– 7	– 6	– 4	– 7	– 24
Group total	**2007**	**560**	**636**	**624**	**634**	**2,454**
	2006	594	867	638	603	2,702

Operating income (EBITA) by business area (SEK M)

		Q1	Q2	Q3	Q4	Full year
Nolato Medical	**2007**	**16**	**18**	**17**	**25**	**76**
EBITA margin (%)		***14.2%***	***12.9%***	***13.5%***	***17.0%***	***14.4%***
	2006	10	7	7	12	36
EBITA margin (%)		18.2%	12.1%	14.6%	14.5%	14.8%
Nolato Telecom	**2007**	**5**	**14**	**27**	**27**	**73**
EBITA margin (%)		***2.7%***	***6.3%***	***10.0%***	***11.2%***	***7.9%***
	2006	28	45	33	18	124
EBITA margin (%)		9.0%	7.8%	8.5%	6.5%	8.0%
Nolato Industrial	**2007**	**23**	**19**	**17**	**19**	**78**
EBITA margin (%)		***9.1%***	***7.4%***	***7.3%***	***7.4%***	***7.8%***
	2006	20	18	18	18	74
EBITA margin (%)		*8.5%*	*7.7%*	*8.8%*	*7.2%*	*8.0%*
Operations disposed of	**2007**	**1**	**2**	**—**	**—**	**3**
	2006	—	—	—	—	—
Group adjustments, Parent Company	**2007**	**– 7**	**– 5**	**– 5**	**– 6**	**– 23**
	2006	– 7	– 8	– 7	– 3	– 25
Group total	**2007**	**38**	**48**	**56**	**65**	**207**
EBITA margin (%)		***6.8%***	***7.5%***	***9.0%***	***10.3%***	***8.4%***
	2006	51	62	51	45	209
EBITA margin (%)		8.6%	7.2%	8.0%	7.5%	7.7%

Consolidated balance sheet

SEK M	Note	2007	2006
Assets			
Fixed assets			
Tangible fixed assets	22	752	683
Intangible fixed assets	25	383	193
Deferred tax assets	18	14	13
Total fixed assets		**1,149**	**889**
Current assets			
Inventories	28	201	187
Accounts receivable	29	462	426
Current tax assets		6	4
Other receivables		16	45
Derivative assets	37	10	4
Prepayments and accrued income		12	38
Cash and bank balances		62	131
Total current assets		**769**	**835**
Total assets		**1,918**	**1,724**
Shareholders' equity and liabilities			
Shareholders' equity			
Share capital	30	132	132
Other capital contributed		228	228
Other reserves	31	31	30
Retained earnings		490	399
Total shareholders' equity		**881**	**789**
Long-term liabilities			
Loans	32	230	136
Provisions for pensions and similar obligations	34	86	55
Deferred tax liabilities	18	129	103
Other liabilities, interest-bearing		2	—
Other provisions	35	2	1
Total long-term liabilities		**449**	**295**
Current liabilities			
Accounts payable		315	311
Loans	32	18	50
Overdraft facilities	32	48	56
Other liabilities, interest-bearing		2	—
Customer advances		8	9
Current tax liabilities		17	1
Other liabilities		21	27
Accrued expenses and prepayments	36	157	180
Other provisions	35	2	6
Total current liabilities		**588**	**640**
Total liabilities		**1,037**	**935**
Total liabilities and shareholders' equity		**1,918**	**1,724**
Collateral pledged	40	163	161
Contingent liabilities	41	3	3

Changes in consolidated shareholders' equity

SEK M	Share capital	Other contributed capital	Other reserves	Retained earnings	Total shareholders' equity
Balance on January 1, 2006	**132**	**228**	**55**	**417**	**832**
Translation differences	—	—	– 20	– 11	– 31
Transfer of depreciation – buildings and land	—	—	– 10	10	—
Cash f ow hedging, net	—	—	5	– 2	3
Total transactions reported against shareholders' equity	**—**	**—**	**– 25**	**– 3**	**– 28**
Net income	—	—	—	48	48
Dividend for 2005	—	—	—	– 63	– 63
Balance on December 31, 2006	**132**	**228**	**30**	**399**	**789**
Balance on January 1, 2007	**132**	**228**	**30**	**399**	**789**
Translation differences	—	—	3	1	4
Transfer of depreciation – buildings and land	—	—	– 2	2	—
Total transactions reported against shareholders' equity	**—**	**—**	**1**	**3**	**4**
Net income	—	—	—	151	151
Dividend for 2006	—	—	—	– 63	– 63
Balance on December 31, 2007	**132**	**228**	**31**	**490**	**881**

Consolidated cash f ow statement

SEK M	Note	2007	2006
Operations			
Operating income		193	78
Adjustments for items not included in cash f ow			
Depreciation/amortisation		162	138
Writedowns and provisions		6	36
Capital gain/loss		—	– 12
Translation differences		—	3
		361	**243**
Interest received		3	3
Interest paid		– 24	– 10
Income tax paid		– 15	– 11
Cash flow from operations before changes in working capital		**325**	**225**
Changes in working capital			
Changes in inventories		19	8
Changes in accounts receivable		– 10	42
Changes in accounts payable		– 33	58
Other changes in working capital		14	– 53
		– 10	**55**
Cash flow from operations		**315**	**280**
Investment activities			
Acquisition of tangible fixed assets*		– 97	– 154
Government grants received		—	1
Acquisition of operations and shares, excluding liquid funds	42	– 187	– 153
Sale of subsidiary	43	117	14
Sale of tangible fixed assets		9	1
		– 158	**– 291**
Cash flow before financing activities		**157**	**– 11**
Financing activities			
Borrowings		—	65
Payments of loan principal		– 168	—
Change in other long-term liabilities and provisions		—	– 13
Dividend paid		– 63	– 63
Cash flow from financing activities		**– 231**	**– 11**
Cash flow for the period		**– 74**	**– 22**
Liquid funds at January 1		**131**	**163**
Exchange rate difference in liquid funds		5	– 10
Liquid funds at December 31		**62**	**131**

*Includes SEK 15 M in 2006 for taking over production equipment for outsourcing project.

Parent Company income statement

SEK M	Note	2007	2006
Net sales	5	17	53
Selling expenses		– 6	– 18
Administrative expenses	9	– 36	– 36
		– 42	**– 54**
Operating income		**– 25**	**– 1**
Income from shares in Group companies	14	93	76
Financial income	13,15	21	10
Financial expenses	13,16	– 25	– 16
		89	**70**
Income after financial items		**64**	**69**
Appropriations	17	– 30	—
Tax	18	16	3
Net income		**50**	**72**
Scheduled depreciation/amortisation included	12	—	—

Parent Company balance sheet

SEK M	Note	2007	2006
Assets			
Financial fixed assets			
Shares in Group companies	26, 27	771	607
Receivables from Group companies		221	191
Deferred tax assets	18	2	2
Total fixed assets		**994**	**800**
Current assets			
Receivables from Group companies		156	117
Other receivables		15	1
Prepayments and accrued income		2	25
		173	**143**
Cash and bank balances		6	42
Total current assets		**179**	**185**
Total assets		**1,173**	**985**
Shareholders' equity and liabilities			
Shareholders' equity			
Restricted equity			
Share capital (26,307,408 shares)	30	132	132
Statutory reserve		228	228
		360	**360**
Unrestricted equity			
Retained earnings		373	264
Net income		50	72
		423	**336**
Total shareholders' equity		**783**	**696**
Untaxed reserves			
Tax allocation reserve		30	—
Other provisions	35	2	1
Long-term liabilities			
Liabilities to credit institutions	32	177	148
Liabilities to Group companies		70	—
Total long-term liabilities		**247**	**148**
Current liabilities			
Liabilities to credit institutions	32	66	112
Accounts payable		2	2
Liabilities to Group companies		14	1
Other liabilities		15	5
Accrued expenses and prepayments	36	14	20
Total current liabilities		**111**	**140**
Total shareholders' equity and liabilities		**1,173**	**985**
Collateral pledged	40	—	—
Contingent liabilities	41	136	105

Parent Company changes in shareholders' equity

SEK M	Share capital	Statutory reserve	Unrestricted shareholders' equity	Total shareholders' equity
Opening balance on January 1, 2006	**132**	**228**	**320**	**680**
Exchange rate difference on overseas net investment	—	—	– 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**
Opening balance on January 1, 2007	**132**	**228**	**336**	**696**
Dividend	—	—	– 63	– 63
Group contributions, after tax	—	—	100	100
Net income	—	—	50	50
Closing balance on December 31, 2007	**132**	**228**	**423**	**783**

Parent Company cash f ow statement

SEK M	2007	2006
Operations		
Operating income	– 25	– 1
Adjustments for items not included in cash f ow		
Translation differences, etc.	5	– 9
	– 20	**– 10**
Dividends from subsidiaries	39	80
Interest received	16	10
Interest paid	– 25	– 7
Income tax paid	– 11	—
Cash flow from operations before changes in working capital	**– 1**	**73**
Changes in working capital		
Other changes in working capital	57	– 88
Cash flow from operations	**56**	**– 15**
Investment activities		
Acquisitions of financial fixed assets	– 210	– 192
Sale of financial fixed assets	—	13
Liquidation of subsidiaries	100	—
Cash flow from investment activities	**– 110**	**– 179**
Cash flow before financing activities	**– 54**	**– 194**
Financing activities		
Borrowings	—	110
Payments of loan principal	– 17	—
Change in long-term intra-Group transactions	1	101
Dividend paid	– 63	– 63
Group contributions	97	38
Change in provisions	—	– 6
Cash flow from financing activities	**18**	**180**
Decrease in liquid funds	**– 36**	**– 14**
Liquid funds at January 1	**42**	**56**
Liquid funds at December 31	**6**	**42**

Note 1 General information

Nolato is a high-tech developer and manufacturer of polymer components and product systems for leading customers in telecommunications, the automotive industry, household appliances, medical technology, pharmaceuticals, hygiene and other selected industrial segments. Nolato AB is a limited company with its registered office in Torekov, Sweden. The address of its corporate headquarters is SE-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 Group accounts 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 30:06 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.

Changes in the Group's accounting principles
During the year, the Group has introduced the following EU-approved new and amended IASB and IFRIC standards and statements.

IFRS 7 Financial Instruments: Disclosures requires that the Company submits information which enables the users of these financial reports to evaluate the significance of the Company's financial instruments and the nature and extent of risks arising from these.

An amendment to *IAS 1 Presentation of Financial Statements* requires that the Company submits information which enables the users of these financial reports to assess the Company's objectives, principles and methods for capital management.

The other new or revised IFRS standards or IFRIC interpretations that entered into force on January 1, 2007 have not had any material effect on the Group's reports.

Future changes to accounting principles
IASB and IFRIC have issued the following new standards and statements which come into force for financial years beginning on January 1, 2008 or later.

IFRS 8 Operating Segments includes disclosure requirements relating to the Group's operating segments, and replaces the requirement to define primary and secondary segments for the Group based on operating branches and geographical areas.

IAS 23 Borrowing Costs has been amended so that the standard requires activation of borrowing costs when these relate to assets which necessarily takes a substantial period of time to get ready for their intended use or sale.

IFRIC 11, IFS 2 Group and Treasury Share Transactions requires that arrangements whereby an employee is assigned rights to a company's equity instruments be reported as share-based payments regulated with equity instruments, even if the company purchases the instruments from an external party or if the shareholders provide the equity instruments required.

IFRIC 12 Service Concession Arrangements relates to operators who have service concessions, and describes reporting for obligations and rights received in service concession arrangements.

IFRIC 13 Customer Loyalty Programmes requires that rewards from customer loyalty programmes be reported as a specific component of the sale transaction where they are awarded, and that their share of remuneration received, calculated at fair value, be reported as prepaid income and charged to income over the periods during which the undertaking is fulfilled.

IFRIC 14, IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction deals with the issue of how asset limits and minimum funding according to defined benefit pension plans should be calculated in accordance with IAS 19 Employee Benefits.

Nolato will evaluate the effects and application of new standards and statements during 2008.

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 which 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 which 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 judgements, estimates and assumptions that affect the application of accounting principles. Estimates and assumptions are based on historical experience and a number of other factors which seem reasonable under current conditions. Assumptions made by Group management in the application of IFRS standards which have a significant impact on the financial reports and estimates made which 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 accordance with IFRS 3 Business Combinations and by applying 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 on acquisition. Amounts that cannot be allocated are reported as goodwill.

Intra-Group transactions and balance sheet items, as well as unrealised 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 various units within the Group are valued in the currency used in the economic environment in which the various companies primarily operate. SEK, which is the Parent Company's functioning currency and reporting currency, is used in the consolidated accounts. For subsidiaries, the local currency in their respective countries is used as the reporting currency, which is considered to be the functional 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. The exception is transactions that constitute hedges which meet the conditions for hedge accounting of the cash f ow 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 arising 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 the assets and investments of subsidiaries are located geographically.

Revenues, costs and earnings for the various business areas have been affected by internal deliveries. Internal prices between the business areas 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 as 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 f ows (cash-generating units).

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

Reporting 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 which have been decided, or which have been announced and which are very likely to be confirmed.

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

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

Deferred tax assets attributable to unused loss carryforwards or other future tax deductions are reported if 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 the cost of goods sold in the income statement. This includes developing tools, materials, designs and technology. Costs consist almost entirely of development expenses in connection with product development undertaken in partnership with Group customers.

Development projects which are considered to be of significant value to the Group in future years have been capitalised in the balance sheet 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. Fees which are directly attributable to the purchase of the asset are included in the acquisition value. Transfers from shareholders' equity of gains/losses from cash f ow 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 written down immediately to its recoverable value if the asset's reported value exceeds its expected recoverable value.

Intangible fixed 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 capitalised 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 acquisition 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:

Capitalised expenditures	5 years
Customer relations	8–10 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 have been made for obsolescence. Allowances are made for intra-Group profits resulting 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 which are exposed to only an insignificant risk of f uctuation 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 where 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

Pension obligations

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 such as 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 charged to consolidated income as the benefits accrue.

In defined benefit plans, payments to employees and former employees are 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. This 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 found in Note 34.

Actuarial gains and losses may arise when 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 which 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 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 multi-employer defined benefit pension plan. For the 2007 financial year, the Company had no access to any such information which 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 held with Alecta totalled SEK 5 M (6).

Alecta's surplus can be allocated to insurers and/or insurees. On December 31, 2007, Alecta's surplus, in the form of the collective funding ratio, amounted to 152 percent (143). 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.

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 calculated initially at the time of issue 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 either to 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 which 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 f ow statement was prepared using the indirect method. The reported cash f ow includes only transactions which involve payments made or payments received.

Changes for the year in working capital and working liabilities have been adjusted for the 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 in accordance with 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 materialise but where there was uncertainty about the amount or the date the obligation will 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 relating to assets reduce the acquisition value of the assets and affect reported earnings during the utilisation period through lower depreciation or amortisation. Government grants relating to earnings reduce the expenses to which the grants are related. Government grants relating to assets are reported in the cash f ow statement under "Investment activities", while government grants relating to earnings are included in operating income.

Financial instruments

The Group classifies its financial instruments under one of the following categories: financial assets valued at fair value via the income statement, loan receivables and customer receivables, financial instruments which are held until maturity and financial assets which can be sold. The classification depends on the purpose for which the instrument was purchased. 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 their 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 revaluations. The method for reporting the gain or loss which arises in revaluation depends on whether the derivative is identified as a hedging instrument and, if this is the case, the nature of the item being hedged. The Group identifies certain derivatives as either fair value hedges or hedges on forecast transactions which are very likely to take place (cash f ow hedges).

When a transaction is carried out, the Group documents the relationship 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 which have been identified as fair value hedges are reported together with the changes in the fair value of the asset or liability which gave rise to the hedged item.

Cash flow hedging

The effective portion of changes in the fair value of derivative instruments which have been identified as cash f ow 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 when 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.

Calculating fair value

The fair value of financial instruments traded in an active market is based on market prices quoted on the balance sheet date. The quoted market price 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.

The Parent Company

The accounting and valuation principles of the Parent Company comply with the Swedish Annual Accounts Act and with recommendation RR 32:06 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 which 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 which 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 comply with the consolidated accounting principles, as are described above, with the following exceptions:

Future changes to accounting principles

The Swedish Financial Reporting Board has issued RFR 1 Additional accounting rules for groups and RFR 2 Accounting for legal entities. These recommendations come into force for financial years beginning on January 1, 2008 or later.

Reporting 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 with Alecta. Charges for the year to Alecta totalled SEK 74,000 (232,000).

Financial instruments
The Parent Company does not report derivative instruments in the balance sheet. Outstanding derivative instruments on December 31, 2007, are described in Note 39 on page 64.

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

The following depreciation/amortisation periods have been used:

Capitalised 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, the Group management and the Board of Directors must make estimates and assumptions which 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 which are dealt with in this section are those considered to be most important for understanding the financial reports, given the degree of significant 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 current value of pension obligations depends on a number of factors, which are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the present value of such obligations include 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 it is assumed will be paid for the pension obligations. In determining the appropriate discount rate, the Group takes into consideration government bond interest rates denominated in the currency in which the payments will be made and with 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 in order 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 initially reported, such differences will affect the provisions for current and deferred tax for the period when 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 in order 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, this 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 from the Group's customers and on historical deliveries.

Since Nolato supplies products for projects with short life-cycles, the changes in volumes are considerable. There is therefore always a risk for the Group that the customer will phase out a product for which we hold unique components in stock.

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 should be delegated within the Group, what financial risks the Group is prepared to assume and what financial risks should be limited. The policy balances and limits the following financial risks:
– foreign exchange risks (cash f ow 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 30-31.

Foreign exchange risks

Cash flow risks
These are defined as changes in the cash f ow due to foreign exchange rate f uctuations in currency f ows.

According the Group's financial policy, future forecast net f ows 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%

However, net f ows in USD for the Chinese operations were not hedged, as the Chinese currency currently is only allowed to f uctuate within a range.

Foreign exchange risks for financial f ows relating to loans and investments in foreign currencies can be avoided by the Group's companies borrowing in foreign currencies or hedging these f ows. According to this policy, any hedging or risk-taking is decided on a case-by-case basis for foreign exchange risk in financial f ows. 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 is detailed 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, i.e. its foreign net assets, is not hedged. Nolato's current exposure is detailed in the sensitivity analysis on page 53.

Funding and borrowing risk

In order to maintain financial f exibility and to satisfy the Group's capital needs, Nolato has negotiated credit facilities with varying contract lengths, partly so that it can finance financial f uctuations and organic growth, and partly so that it can be prepared to make major investments and acquisitions. At the end of the year, almost half of the Group's funding was renegotiated with a new three-year agreement. Current liquid reserves are detailed in Note 32 on page 62 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, i.e. net liabilities. The interest rate effect and interest-bearing liabilities are detailed in the sensitivity analysis.

Liquidity and credit risks

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

Transaction exposure and sensitivity analyses

Net exposure of sales and purchases in foreign currencies

SEK M	12 mo estimated net f ows	Total hedging	Percent-age	Average ex-change rate
USD	44	24	55%	6.66
EUR	33	12	36%	9.35
DKK	88	43	49%	1.26
Total	**165**	**79**	**48%**	
Unhedged currency f ows USD in China	187	—		
Total	**352**	**79**	**22%**	

Nolato's Swedish operations have a net exposure largely in EUR, USD and DKK, whereas the Hungarian operations have only limited net f ows in foreign currency. The Chinese operations have a forecast net inf ow in USD of SEK 187 M, which is not hedged. On December 31, 2007, 22 percent of the future forecast net f ow was hedged via forward contracts.

Interest-bearing net liabilities on December 31, 2007

	Outstanding amount (SEK M)	Term out-standing (mo)	Remaining fixed-interest period (mo)	Average interest rate (%)
Interest-bearing liabilities				
Bank loans, SEK*	187	11	4	5.3
Bank loans, USD	57	12	2	5.3
Bank loans, EUR	38	6	1	5.0
Overdraft facilities, HUF	4	6	1	8.1
Pension liability, SEK	86	12	0	4.4
Other liabilities, SEK	4	12	12	5.0
Total	**376**	**11**	**3**	**5.1**
Interest-bearing assets				
Liquid funds	– 62	0	0	1,2
Total net liabilities	**314**			

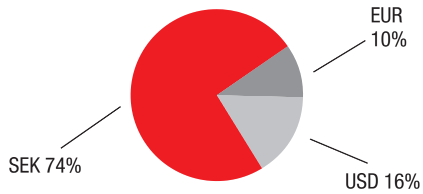
* Including the effect of currency swaps

Translation exposure of net assets on December 31, 2007

SEK M	Net assets	Swedish krona 1% stronger
Nolato Beijing, CNY	178	– 2
Nolato Lovepac Converting, CNY	18	0
Nolato Hungary, HUF	70	– 1
Nolato Kuala Lumpur, MYR	– 10	0
Nolato Tallinn, EEK	15	0
Cerbo Norge, NOK	2	0
Cerbo Polen, PLN	1	0
Cerbo France, EUR	0	0
Cerbo Danmark, DKK	0	0
Total	**274**	**– 3**

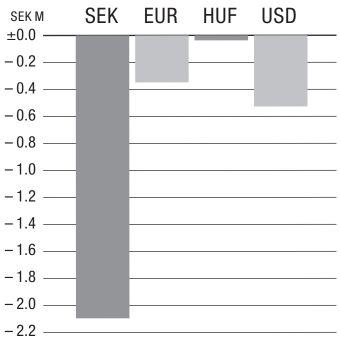
The Group had SEK 274 M (287) in foreign net assets, and a one percent strengthening of the Swedish krona would have a SEK –3 M impact on net assets.

Breakdown of interest-bearing liabilities by currency



The diagram includes derivatives in order 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, 2007. A 1 percent rise in interest rates would have a negative effect on the Group of SEK 3 M.

Transaction exposure on December 31, 2007

	Unhedged forecast net f ows, 12 months (SEK M)	Change in currency	Effect on earnings (SEK M)
USD	207	+/– 1%	SEK 2 M
EUR	21	+/– 1%	SEK 0 M
DKK	45	+/– 1%	SEK 1 M
Total	**273**		**SEK 3 M**

The Group had SEK 273 M in unhedged net f ows, including effects from currency hedges. A +1/–1% change in the value of the Swedish and Chinese currencies would have a SEK 3 M effect on net income.

Note 5 Intra-Group purchases and sales

	The Parent Company	
	2007	2006
Purchases from Group companies total	—	—
Sales to Group companies total	17	28

Note 6 Information about divisions and geographic areas, Nolato Group

Information about business areas

The Group's operations are reported externally in three business areas. The business areas are the primary classifying principle. A description of the three business areas can be found on pages 14 – 25.

The assets in each business area 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 business areas.

	Nolato Medical			Nolato Telecom		Nolato Industrial		Elimination		Total	
	2007		2006	2007	2006	2007	2006	2007	2006	2007	2006
	Remaining operations	Disposed operations									
Net sales											
External sales	526	33	244	908	1,554	987	904	—	—	2,454	2,702
Intra-Group sales	—	—	—	12	4	13	20	– 25	– 24	—	—
Total revenues	**526**	**33**	**244**	**920**	**1,558**	**1,000**	**924**	**– 25**	**– 24**	**2,454**	**2,702**
Income											
Operating income (EBITA)	76	3	36	73	124	78	74				
Amortisation on intangible assets arising from acquisitions	– 5	—	–1	—	—	– 2	—				
Non-recurring items	– 7	—	–5	—	– 125	—	—				
Expenses not allocated	—	—	—	—	—	—	—	– 23	– 25		
Operating income	**64**	**3**	**30**	**73**	**– 1**	**76**	**74**	**– 23**	**– 25**	**193**	**78**
Financial income										3	4
Financial expenses										– 23	– 13
Tax expenses for the year										– 22	– 21
Net income										**151**	**48**
Other information											
Assets	606	—	354	537	608	706	614	– 7	4	1,842	1,580
Assets not allocated										76	144
Total assets										**1,918**	**1,724**
Liabilities	103	—	67	221	300	196	176	2	– 8	522	535
Liabilities not allocated										515	400
Total liabilities										**1,037**	**935**
Investments	35	1	23	33	79	38	26	—	—	107	128
Depreciation	36	2	13	62	93	62	60	—	—	162	166
Significant expenses, other than depreciation/amortisation with no offsetting payments, writedowns and provisions	6	—	1	—	6	8	2				

Information about geographic regions

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

	Nordic countries		Other Europe		North America, etc.		Asia		Group	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
External net sales	1,241	1,058	596	1,132	45	41	572	471	2,454	2,702
Assets	1,342	1,019	161	348	—	—	415	357	1,918	1,724
Average number of employees	977	879	414	622	—	—	2,369	2,643	3,760	4,144
Investments	55	50	23	11	—	—	29	67	107	128

Note 7 Research and development, Group

	2007	2006
Expensed customer project development expenditures	127	216
Total	**127**	**216**

Note 8 Personnel

Average number of employees

	2007 Number	2007 Of which men	2006 Number	2006 Of which men
The Parent Company				
Nolato AB, Torekov, Sweden	6	83%	5	80%
Subsidiaries				
Cerbo France Sarl, France	1	0%	—	—
Cerbo Göteborg AB, Gothenburg, Sweden	13	57%	—	—
Cerbo Norge A/S, Norway	2	50%	—	—
Cerbo Polen Sp. z o.o., Poland	2	50%	—	—
Medigrafik AS, Denmark	13	67%	—	—
Nolato Alpha AB, Kristianstad, Sweden	82	85%	118	89%
Nolato Beijing Ltd., China	1,920	23%	2,560	30%
Nolato Cerbo AB, Trollhättan, Sweden	83	53%	—	—
Nolato Gota AB, Götene, Sweden	114	72%	113	73%
Nolato Hertila AB, Åstorp, Sweden	16	79%	—	—
Nolato Hungary Kft, Hungary	224	49%	194	51%
Nolato Kuala Lumpur SDN BHD, Malaysia	193	11%	83	30%
Nolato Lövepac AB, Skånes Fagerhult, Sweden	65	71%	82	65%
Nolato Lovepac Converting Ltd., China	256	53%	—	—
Nolato Medevo AB, Torekov, Sweden	133	68%	138	62%
Nolato Medical Rubber AB, Hörby, Sweden	84	46%	15	44%
Nolato Plastteknik AB, Gothenburg, Sweden	101	56%	113	57%
Nolato Polymer AB, Torekov, Sweden	90	73%	89	87%
Nolato Silikonteknik AB, Hallsberg, Sweden	30	70%	58	66%
Nolato STG AB, Lönsboda, Sweden	44	61%	43	65%
Nolato Sunne AB, Sunne, Sweden	101	85%	105	87%
Nolato Tallinn AS, Estonia	187	14%	428	13%
Group total	**3,760**	**37%**	**4,144**	**38%**

Salaries, other remuneration and employer payroll fees

	2007 Salaries and other remuneration	2007 Social expenses (of which pension expenses)	2006 Salaries andother remuneration	2006 Social expenses (of which pension expenses)
The Parent Company	11	8 (5) *	18	13 (7) *
Subsidiaries	454	178 (35)	417	163 (24)
Group total	**465**	**186 (40) ****	**435**	**176 (31) ****

* Of the Parent Company's non-statutory pension expenses, SEK 1,670,000 (1,674,000) pertained to the President and SEK 0 (0) to the Board of Directors.

** Of the Group's non-statutory pension expenses, SEK 6,940,000 (6,273,000) pertained to the category of Board of Directors and President/ Managing Director.

Salaries and other remuneration by country

	2007 Company Mgmt	2007 Other employees	2006 Company Mgmt	2006 Other employees
The Parent Company [1]	10	1	8	10
(of which variable remuneration)	2		—	
Subsidiaries in Sweden [2]	49	290	43	249
(of which variable remuneration)	3		3	
Subsidiaries in Estonia [3]	2	8	2	24
(of which variable remuneration)	—		—	
Subsidiaries in China [4]	4	67	4	71
(of which variable remuneration)	—		—	
Subsidiaries in Malaysia [5]	1	8	1	2
(of which variable remuneration)	—		—	
Subsidiaries in Hungary [6]	4	21	4	17
(of which variable remuneration)	—		—	
Total subsidiaries [7]	60	394	54	363
(of which variable remuneration)	3		3	
Group total [8]	**70**	**395**	**62**	**373**
(of which variable remuneration)	**5**		**3**	

1) Company management 4 (4) people + Board
2) Company management 72 (63) people
3) Company management 7 (7) people
4) Company management 7 (7) people
5) Company management 5 (4) people
6) Company management 4 (4) people
7) Company management 95 (85) people
8) Company management 99 (89) people + Board

Remuneration to the Board and senior executives

Remuneration and other benefits during 2007

SEK thousands	Base salary/ Director's fee	Variable remun.*	Other benef.**	Pension premiums	Other remun.***	Total
Chairman of the Board, Carl-Gustaf Sondén	220	—	—	—	—	220
Board member, Gun Boström	120	—	—	—	—	120
Board member, Erik Paulsson	120	—	—	—	—	120
Board member, Henrik Jorlén	120	—	—	—	—	120
Board member, Lars-Åke Rydh	120	—	—	—	1	121
Board member, Roger Johanson	120	—	—	—	—	120
President and CEO, Georg Brunstam	3,229	1,373	238	1,344	1,308	7,492
Other senior executives (4 people)	6,012	1,570	352	1,326	193	9,453
Total	**10,061**	**2,943**	**590**	**2,670**	**1,502**	**17,776**

Remuneration and other benefits during 2006

SEK thousands	Base salary/ Director's fee	Variable remun.*	Other benef.**	Pension premiums	Other remun.***	Total
Chairman of the Board, Carl-Gustaf Sondén	220	—	—	—	—	220
Board member, Gun Boström	120	—	—	—	—	120
Board member, Erik Paulsson	120	—	—	—	—	120
Board member, Henrik Jorlén	120	—	—	—	—	120
Board member, Lars-Åke Rydh	120	—	—	—	2	122
Board member, Claes Warnander	120	—	—	—	—	120
President and CEO, Georg Brunstam	3,240	4,466	193	1,347	189	9,435
Other senior executives (4 people)	5,526	—	325	1,203	654	7,708
Total	**9,586**	**4,466**	**518**	**2,550**	**845**	**17,965**

* "Variable remuneration" pertains to remuneration charged as expenses for the financial year and payable in the following year.
Variable remuneration for the President for 2007 was paid in 2007.
In 2006, the President was paid SEK 4,466,000 in a share-based bonus which was charged to income in 2003-2005.

** "Other benefits" pertains to company cars.

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

Gender distribution of senior executives, 2007

	Group		The Parent Company	
	Men	Women	Men	Women
Presidents	16	1	1	—
Board members	69	5	8	2
Other senior executives in subsidiaries/Parent Company	64	12	4	—
Total	**149**	**18**	**13**	**2**

Gender distribution of senior executives, 2006

	Group		The 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**

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. The remuneration principles for the President and other senior executives are decided on by the Annual Meeting. 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 2007, the Group Management consisted of four people plus the President. For the current composition see page 69.

Prep. 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 the Group Management.

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, each business area must report positive earnings excluding non-recurring items. In 2007, the outcome for the President was 40 percent of base salary (0) and for other senior executives an average of 26 percent of base salary (0).

In addition, the President has a contract based on Nolato's share price performance. The starting price is SEK 48 per share, which will be compared to the average price during Q1 2011. The increase in value per share will be multiplied by a factor of 150,000 to determine the remuneration. The remuneration has been maximised 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, 2007, SEK 0 was reserved for this remuneration.

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 2007, the average pension premium was 40 percent of base salary (40).

Other senior executives have defined contribution pension plans. For 2007, the average pension premium was 22 percent of base salary (22). 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. In the event of termination by the Company, a notice period of 24 months applies. Other senior executives shall provide a notice period of 6 months. In the event of termination by the Company, a notice period of 12-24 months applies. 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. 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.

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 thousands	Group		Parent Company	
	2007	2006	2007	2006
Ernst & Young	2,288	1,651	418	400
Total	**2,288**	**1,651**	**418**	**400**

For independent consulting, assistance, etc.

SEK thousands	Group		Parent Company	
	2007	2006	2007	2006
Ernst & Young	1,362	910	1,109	684
Total	**1,362**	**910**	**1,109**	**684**

Note 10 Other operating income

	Group	
	2007	2006
Capital gain from sale of property	—	10
Total	**—**	**10**

Note 11 Other operating income

	Group	
	2007	2006
Amortisation on customer relations	– 7	– 1
Amortisation on capitalised expenditures	—	– 2
Total	**– 7**	**– 3**

Note 12 Depreciation, amortisation and writedowns

Scheduled depreciation and amortisation and writedowns are included in operating expenses as follows:

	Group		Parent Company	
	2007	2006	2007	2006
Customer relations	7	1	—	—
Capitalised expenditures	—	8	—	—
Buildings and land	15	26	—	—
Machinery and other technical facilities	130	117	—	—
Equipment, tools, fixtures and fittings	10	14	—	—
Total	**162**	**166**	**—**	**—**

Depreciation/amortisation was distributed according to utilisation as follows:

	Group		Parent Company	
	2007	2006	2007	2006
Cost of goods sold	151	158	—	—
Selling expenses	1	1	—	—
Administrative expenses	3	4	—	—
Other operating expenses	7	3	—	—
Total	**162**	**166**	**—**	**—**

Note 13 Exchange rate differences

	Group		Parent Company	
	2007	2006	2007	2006
Exchange rate diff., operating income, net	3	– 5	—	—
Exchange rate diff., financial items, net	– 1	– 1	5	– 9
Total	**2**	**– 6**	**5**	**– 9**

Note 14 Income from shares in Group companies

	Parent Company	
	2007	2006
Dividends from subsidiaries	39	80
Income from liquidation of subsidiaries	74	—
Income from sale of subsidiaries	—	– 4
Writedown of shares in subsidiaries	– 20	—
Total	**93**	**76**

Note 15 Financial income

	Group		Parent Company	
	2007	2006	2007	2006
Interest income, Group companies	—	—	14	8
Interest income, others	3	4	2	2
Exchange rate differences	—	—	5	—
Total	**3**	**4**	**21**	**10**

Note 16 Financial expenses

	Group		Parent Company	
	2007	2006	2007	2006
Interest expenses, Group companies	—	—	– 7	—
Interest expenses, others	– 21	– 11	– 17	– 6
Other financial expenses	– 1	– 1	– 1	– 1
Exchange rate differences	– 1	– 1	–	– 9
Total	**– 23**	**– 13**	**– 25**	**– 16**

Note 17 Appropriations

	Parent Company	
	2007	2006
Provision to tax allocation reserve	30	—
Total	**30**	**—**

Note 18 Tax

	Group 2007	Group 2006	Parent Company 2007	Parent Company 2006
Current tax	– 19	– 13	16	3
Deferred tax	– 3	– 8	—	—
Total	**– 22**	**– 21**	**16**	**3**

Deferred tax revenue/expense for the year

	Group 2007	Group 2006	Parent Company 2007	Parent Company 2006
Tax revenue for temp. diff.	20	5	—	—
Tax expense for temp. diff.	– 23	– 13	—	—
Total	**– 3**	**– 8**	**—**	**—**

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

	Group 2007	Group 2006	Parent Company 2007	Parent Company 2006
Reported income before tax	173	69	34	69
Tax according to applicable tax rate	– 48	– 19	– 10	– 19
Dividends from subsidiaries	—	—	11	22
Income from liquidation of subsidiaries	—	3	21	– 1
Non-deductible writedowns of shares in subs.	—	—	– 6	—
Prior loss carryforwards utilised	– 3	—	—	—
Adjustment for taxes in prior years	– 1	1	—	1
Prior loss carryforwards not utilised	8	—	—	—
Loss carryforwards not utilised	– 2	– 2	—	—
Effect of foreign tax rates	14	– 2	—	—
Other	10	– 2	—	—
Total	**– 22**	**– 21**	**16**	**3**

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 2007	Group 2006	Parent Company 2007	Parent Company 2006
Hedge accounting	—	2	—	—
Current tax related to Group contributions	—	—	– 39	– 4
Total	**—**	**2**	**– 39**	**– 4**

Deferred tax liabilities

	Group 2007	Group 2006	Parent Company 2007	Parent Company 2006
Untaxed reserves	59	36	—	—
Revaluation of real estate	19	20	—	—
Revaluation surplus rel. to Group	24	12	—	—
Earnings from foreign subsidiaries	8	19	—	—
Other	28	26	—	—
Total deferred tax liabilities	**138**	**113**	**—**	**—**

Deferred tax assets

	Group 2007	Group 2006	Parent Company 2007	Parent Company 2006
Provisions for pension obligations	1	—	—	—
Loss carryforwards reversed	8	3	—	—
Other	14	20	2	2
Total deferred tax assets	**23**	**23**	**2**	**2**
Net deferred taxes	**– 115**	**– 90**	**2**	**2**

Offsetting of deferred tax assets and deferred tax liabilities occurs where a legal right of offset applies. Thus SEK 14 M (13) was reported as deferred tax assets and SEK 129 M (103) as deferred tax liabilities.

The Group's unutilised loss carryforwards amounted to SEK 100 M (89) and were related to factors such as operations in Malaysia and Hungary. No tax effects related to these have been taken into account because it is uncertain whether they can be utilised within the foreseeable future.

Note 19 Costs allocated by type of cost

	Group 2007	Group 2006	Parent Company 2007	Parent Company 2006
Raw materials and supplies	– 1,148	– 1,450	—	—
Changes in inventories of finished goods and work in progress	16	6	—	—
Costs for remuneration to employees	– 651	– 611	– 19	– 31
Energy costs	– 65	– 46	—	—
Other costs	– 251	– 367	– 23	– 23
Depreciation	– 162	– 166	—	—
Total costs	**– 2,261**	**– 2,634**	**– 42**	**– 54**

Note 20 Non-recurring items, Group

Non-recurring items for the following amounts are included in the income statement:

	2007	2006
Restructuring costs from acquisition of Cerbo Group	– 7	—
BenQ's bankruptcy	—	– 125
Dismissal of Managing Director in subsidiary	—	– 5
Tax changes for foreign subsidiaries	20	—
Tax effect	2	19
Total	**15**	**– 111**

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

	2007	2006
Cost of goods sold	—	– 108
Selling expenses	—	– 17
Administrative expenses	– 7	– 5
Tax	22	19
Total	**15**	**– 111**

Non-recurring costs for restructuring on acquisition of Cerbo Group.
Non-recurring items relating to the acquisition of Cerbo Group on March 5, 2007 amounting to SEK 7 M were charged to income. These costs consist of termination costs for Cerbo Group management as a direct result of their posts no longer remaining after Nolato made the acquisition.

Non-recurring costs for BenQ's 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 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 21 Earnings per share, Group

	2007	2006
Net income	151	48
Non-recurring items		
Restructuring costs from acquisition of Cerbo	– 7	—
BenQ's bankruptcy	—	– 125
Dismissal of Managing Director in subsidiary	—	– 5
Tax changes for foreign subsidiaries	20	—
Tax effect	2	19
Total	**15**	**– 111**
Amortisation of intangible assets arising from company acquisitions	– 7	– 1
Tax on depreciation	2	—
Adjusted net income	**141**	**160**
Average number of shares (thousands)	26,307	26,307
Earnings per share	**5.74**	**1.82**
Adjusted earnings per share	**5.36**	**6.08**

Note 22 Tangible fixed assets, Group

	Buildings and land	Machinery and other technical facilities	Equipment, tools, fixtures and fittings	Construction in progress and advance payments	Total
On January 1, 2006					
Acquisition value	455	1,198	152	58	1,863
Acc. amortisation, writedowns	– 186	– 834	– 119	—	– 1,139
Reported value	**269**	**364**	**33**	**58**	**724**
January 1 – December 31, 2006					
Book value on January 1	269	364	33	58	724
Acquisitions	5	95	4	24	128
Acquired via business combinations	—	8	3	—	11
Government grants	—	– 1	—	—	– 1
Reclassification	—	57	—	– 57	—
Disposals	– 4	—	—	—	– 4
Depreciation/amortisation	– 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	1,281	151	24	1,879
Acc. amortisation, writedowns	– 181	– 889	– 126	—	– 1,196
Reported value	**242**	**392**	**25**	**24**	**683**
January 1 – December 31, 2007					
Book value on January 1	242	392	25	24	683
Acquisitions	5	77	10	15	107
Acquired via business combinations	20	126	—	30	176
Reclassification	2	32	12	– 46	—
Disposals	—	– 60	– 2	– 2	– 64
Depreciation/amortisation	– 15	– 130	– 10	—	– 155
Exchange rate differences	2	3	—	—	5
Reported value on December 31	**256**	**440**	**35**	**21**	**752**
On December 31, 2007					
Acquisition value	461	1,563	170	21	2,215
Acc. amortisation, writedowns	– 205	– 1,123	– 135	—	– 1,463
Reported value	**256**	**440**	**35**	**21**	**752**

Taxation values and reported values

	2007	2006
Taxation value of buildings in Sweden	159	108
Reported value of buildings in Sweden	160	157
Taxation value of land in Sweden	33	22
Reported value of land in Sweden	35	31

Note 23 Leasing

Financial leases

	Group	
	2007	2006
Acquisition value of buildings and machinery	25	17
Accumulated depreciation of buildings and machinery	– 21	– 14
Reported value	**4**	**3**

Future Group payment obligations as at December 31, 2007

	Financial leases	Operating leases
Lease payment for the year	1	18
2008	2	16
2009	1	7
2010	1	5
2011	—	4
2012	—	3

Operational leases consist mainly of rental contracts for production premises.

The Parent Company has no significant leasing agreements.

Note 24 Tangible fixed assets, Parent Company

Tools, fixtures and fittings

	2007	2006
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 25 Intangible fixed assets, Group

	Customer relations	Capitalised expenditures	Goodwill	Total
On January 1, 2006				
Acquisition value	—	17	182	199
Accumulated amortisation, writedowns	—	– 9	– 139	– 148
Reported value	**—**	**8**	**43**	**51**
January 1 – December 31, 2006				
Book value on January 1	—	8	43	51
Acquisition value	32	—	119	151
Amortisation	– 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 amortisation, writedowns	– 1	– 17	– 139	– 157
Reported value	**31**	**0**	**162**	**193**
January 1 – December 31, 2007				
Book value on January 1	31	0	162	193
Acquisition value	38	—	242	280
Disposals	– 3	—	– 80	– 83
Amortisation	– 7	—	—	– 7
Reported value on December 31	**59**	**0**	**324**	**383**
On December 31, 2007				
Acquisition value	67	17	463	547
Accumulated amortisation, writedowns	– 8	– 17	– 139	– 164
Reported value	**59**	**0**	**324**	**383**

Goodwill impairment testing

Reported goodwill values were tested before December 31, 2007. As detailed below, a total of SEK 324 M in goodwill is reported in Nolato's consolidated balance sheet. Goodwill is allocated to individual cash-generating units, identified by business area.

	2007	2006
Nolato Medical	221	122
Nolato Industrial	103	40
Total	**324**	**162**

The recoverable amounts for a cash-generating unit are determined using calculations of useful life. These calculations are determined by expected future cash f ows based on forecasts and strategic plans which are approved by the Group management and which run for three years. Cash f ow beyond this period is extrapolated based on the rate of inf ation, but 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 10.6%.

Note 26 Shares in Group companies

	Parent Company	
	2007	2006
Acquisition value on January 1	844	680
Acquisition value	187	173
New share issue/additions	23	19
Disposals	—	– 28
Liquidation	– 78	—
Accumulated acquisition value on December 31	**976**	**844**
Accumulated writedowns on January 1	237	248
Disposals	—	– 11
Writedowns for the year	20	—
Liquidation	– 52	—
Accumulated writedowns on December 31	**205**	**237**
Reported value on December 31	**771**	**607**

Note 27 Shares in Group companies, Parent Company

The Parent Company's holdings	% of equity	% of votes	Book value
AB Cerbo Group, Trollhättan, Sweden	100%	100%	187
Nolato Alpha AB, Kristianstad, Sweden	100%	100%	12
Nolato Beijing Ltd, China	100%	100%	91
Nolato Gejde AB, Torekov, Sweden	100%	100%	1
Nolato Gota AB, Götene, Sweden	100%	100%	116
Nolato Hungary Kft, Hungary	100%	100%	46
Nolato Kuala Lumpur SDN BHD, Malaysia	100%	100%	0
Nolato Lövepac AB, Sk. Fagerhult, Sweden	100%	100%	10
Nolato Lovepac Converting Ltd, China	100%	100%	9
Nolato Medevo AB, Torekov, Sweden	100%	100%	6
Nolato Medical Rubber AB, Hörby, Sweden	100%	100%	163
Nolato Plastteknik AB, Gothenburg, Sweden	100%	100%	62
Nolato Polymer AB, Torekov, Sweden	100%	100%	5
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%	0
Nolato Torekov AB, Torekov, Sweden	100%	100%	12
Total book value			**771**

Shares owned via subsidiaries	% of equity	% of votes
A/S Cerbo Norge, Norway	100%	100%
Cerbo Danmark AS, Denmark	100%	100%
Cerbo France Sarl, France	100%	100%
Cerbo Polen Sp. z o.o., Poland	100%	100%
Kartongprod. Berglund AB, Trollhättan, Sweden	100%	100%
Nolato Cerbo AB, Trollhättan, Sweden	100%	100%
Nolato Hertila AB, Åstorp, Sweden	100%	100%

Parts in joint ventures	% of equity	% of votes
Nolato OPD Ltd, China	50%	50%

Information on subsidiaries' corporate identity numbers and registered offices:

A/S Cerbo Norge	926620762	Norway
AB Cerbo Group	556534-6870	Sweden
Cerbo Danmark AS	248729	Denmark
Cerbo France Sarl	494591092 RCS	France
Cerbo Polen Sp. z o.o.	146681	Poland
Kartongprodukter Berglund AB	556216-6818	Sweden
Nolato Alpha AB	556164-1050	Sweden
Nolato Beijing Ltd	110000410152952	China
Nolato Cerbo AB	556054-9270	Sweden
Nolato Gejde AB	556545-5549	Sweden
Nolato Gota AB	556054-1301	Sweden
Nolato Hertila AB	556231-7593	Sweden
Nolato Hungary Kft	0809005432	Hungary
Nolato Kuala Lumpur SDN BHD	702672-A	Malaysia
Nolato Lövepac AB	556120-6052	Sweden
Nolato Lovepac Converting Ltd	110000410302897	China
Nolato Medevo AB	556309-0678	Sweden
Nolato Medical Rubber AB	556146-2606	Sweden
Nolato OPD Ltd	110302010534069	China
Nolato Plastteknik AB	556198-4385	Sweden
Nolato Polymer AB	556380-2890	Sweden
Nolato Silikonteknik AB	556137-5873	Sweden
Nolato STG AB	556098-4584	Sweden
Nolato Sunne AB	556101-2922	Sweden
Nolato Tallinn Polymer AS	11084299	Estonia
Nolato Torekov AB	556042-2858	Sweden

Note 28 Inventories

	Group	
	2007	2006
Raw materials and supplies	91	95
Products being manufactured	33	31
Finished goods and goods for resale	72	56
Work in progress	5	5
Total	**201**	**187**

The cost of inventories charged to income is included under "Cost of goods sold", and totalled SEK 1,132 M (1,444). During the year, the Group wrote down SEK 7 M (40). Writedowns for the year are included in "Cost of goods sold" in the income statement. During the year, reversed writedowns totalled SEK 2 M (7).

Note 29 Accounts receivable

	Group	
	2007	2006
Accounts receivable	463	489
Deduction: Provision for decline in value of accounts receivable	– 1	– 63
Accounts receivable net	**462**	**426**

During the year, the Group reversed SEK 0 M (2) in provisions for decline in the value of receivables as of January 1. During the year, provisions totalled SEK 0 M (61).

Total accounts receivable

	Total	Not due	Due ≤15 days	Due 16-60 days	Due > 60 days
2007	463	351	63	35	14
2006	489	344	43	14	88

Accounts receivable, including provision for writedown

	Total	Not due	Due ≤15 days	Due 16-60 days	Due > 60 days
2007	462	351	63	35	13
2006	426	344	43	14	25

Note 30 Share capital

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

	Number of shares	Share capital (SEK thousands)
Share capital, December 31, 2005	26,307,408	131,537
Share capital, December 31, 2006	26,307,408	131,537
Share capital, December 31, 2007	26,307,408	131,537

Note 31 Other reserves, Group

	Revaluation build. & land	Hedging reserve	Transl. reserve	Total
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**
Balance on January 1, 2007	**51**	**0**	**– 21**	**30**
Transfer of depreciation – gross	– 3	—	—	– 3
Transfer of depreciation – tax	1	—	—	1
Translation differences	—	—	3	3
Balance on December 31, 2007	**49**	**0**	**– 18**	**31**

Note 32 Borrowings

	Group		Parent Company	
	2007	2006	2007	2006
Long-term				
Bank loans	230	136	177	148
	230	136	177	148
Short-term				
Bank loans	18	50	66	50
Overdraft facilities	48	56	—	62
	66	106	66	112
Total borrowings	**296**	**242**	**243**	**260**

Maturity dates for bank loan borrowings are as follows:

	2007	2006	2007	2006
Within 1 year	66	106	66	112
Between 2 and 5 years	230	136	177	148
More than 5 years	—	—	—	—
Total	**296**	**242**	**243**	**260**

Total credit lines granted in the Group totalled SEK 775 M (610).

Amounts reported, by currency, are as follows:

	2007	2006	2007	2006
EUR	180*)	173*)	132	132
SEK	55	50	55	112
USD	57	17	56	16
HUF	4	2	—	—
Total	**296**	**242**	**243**	**260**

*) The Group has hedged a debt of EUR 15 M through currency swaps at a rate of 8.79. The market value of the currency swap is SEK 10 M (4).

Interest-bearing liabilities and interest rate swaps

At the end of the year, the Group's interest-bearing liabilities amounted to SEK 296 M (242). The average interest rate, including effects of interest rate swap contracts, was 5.1 percent (4.2). The average fixed-interest term is 3 months (3).

	Group		Parent Company	
	2007	2006	2007	2006
Liabilities with fixed interest rates	—	—	—	—
Liabilities with floating interest rates	296	242	243	260
Total liabilities	**296**	**242**	**243**	**260**

Note 33 Net liabilities, Group

	2007	2006
Cash and bank balances	62	131
Loans, long-term	– 52	– 136
Provisions for pensions and similar obligations	– 86	– 55
Other longt-term liabilities, interest-bearing	– 2	—
Loans, short-term	– 196	– 50
Overdraft facilities	– 48	– 56
Other short-term liabilities, interest-bearing	– 2	—
Derivative instruments, see Note 37	10	4
Total	**– 314**	**– 162**

Note 34 Provisions for pensions and similar obligations

SEK thousands	Group 2007	2006
Defined benefit pension plans	85,361	54,772
Other pension plans	1,038	642
Total	**86,399**	**55,414**

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. The Group only operates such plans in Sweden.

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

SEK thousands	2007	2006
Present value of unfunded obligations	101,618	67,137
Unreported actuarial gains (+)/losses (–)	– 16,257	– 12,365
Net liability in the balance sheet	**85,361**	**54,772**

Fair value of the defined benefit pension plans:

SEK thousands	2007	2006
Balance on January 1	67,137	66,147
Benefits vested during the period	1,004	462
Interest rate expenses	3,761	2,604
Benefits redeemed	—	– 4
Pension payments	– 2,687	– 1,319
Acquisition of subsidiaries	28,185	—
Actuarial gain/loss	4,218	– 753
Total	**101,618**	**67,137**

Experience adjustments total SEK -1,077,000 (753,000).

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

SEK thousands	2007	2006
Expenses related to service during the financial year	1,004	462
Interest expense	3,761	2,604
Actuarial losses reported for the year	326	400
Total expense for defined benefit pension plans	**5,091**	**3,466**
Expense for defined contribution plans	29,446	29,076
Expense for special salary tax and yield tax	8,641	7,882
Total pension expense	**43,178**	**40,424**

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

SEK thousands	2007	2006
Amounts charged to operating income	1,330	862
Amounts charged to financial expenses	3,761	2,604
Total	**5,091**	**3,466**

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

SEK thousands	2007	2006
Net liability on January 1 according to the balance sheet adopted	54,772	52,628
Acquisition of subsidiaries	28,185	—
Net expense reported in the income statement	5,091	3,466
Pension payments and benefits redeemed	– 2,687	– 1,322
Net liability on December 31	**85,361**	**54,772**

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

%	2007	2006
Discount rate	4.50	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 2007 financial year, the Company had no access to any such information which 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 held with Alecta totalled SEK 5 M (6). Alecta's surplus can be allocated to insurers and/or insurees. On December 31, 2007, Alecta's surplus, in the form of the collective funding ratio, amounted to 152 percent (143). 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 35 Other provisions

Group	Share-based bonus	Provision to restructuring reserve	Other	Total
Amount on January 1	1	6	—	7
Provisions for the year	—	—	2	2
Reversed provisions	– 1	—	—	– 1
Provisions utilised	—	– 4	—	– 4
Amount on December 31	**—**	**2**	**2**	**4**

Payment of restructuring reserve provision will take place mainly in 2008.

Parent Company	Share-based bonus	Other	Total
Amount on January 1	1	—	1
Provisions for the year	—	2	2
Reversed provisions	– 1	—	– 1
Amount on December 31	**—**	**2**	**2**

Note 36 Accrued expenses and prepayments

	Group 2007	Group 2006	Parent Company 2007	Parent Company 2006
Salary liabilities	68	66	6	10
Employer payroll fees	35	35	3	6
Other items	54	79	5	4
Total	**157**	**180**	**14**	**20**

Note 37 Derivative instruments, Group

	2007 Assets	2007 Liabilities	2006 Assets	2006 Liabilities
Currency forward contracts, cash f ow hedges	—	—	—	—
Currency forward contracts, fair value hedges	10	—	4	—
Total	**10**	**—**	**4**	**—**

Currency forward contracts

Currency forward contracts entered into but unutilised are detailed in the table below. The market value on December 31, 2007, was SEK 0 M (0). The market value of contracts identified as cash f ow hedges which meet the conditions for hedge accounting was SEK 0 M (0). This value has been reported in shareholders' equity. The remaining market value, SEK 0 M (0), was reported in the income statement.

Currency	Nominal value in contract SEK M	Average rate	Market value SEK M	Reported against income statement	Reported against shareholders' equity
EUR/SEK	12	9.35	0	0	0
USD/SEK	24	6.66	0	0	0
DKK/SEK	43	1.26	0	0	0
Total	79		**0**	**0**	**0**

Gains and losses in shareholders' equity in relation to currency forward contracts on December 31, 2007, 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 6, 2008	15,000	8.79	EUR	10

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

Note 39 Financial instruments, Parent Company

According to the Parent Company's accounting principles, derivatives are not reported in the balance sheet. On Dec. 31, 2007, the market value of unrealised derivatives was SEK 0 M (0).

Currency forward contracts, cash flow hedges

Currency	Nominal value in contract SEK M	Average rate	Market value SEK M
EUR/SEK	12	9.35	0
USD/SEK	24	6.66	0
DKK/SEK	43	1.26	0
Total	**79**		0

Note 40 Collateral pledged for own liabilities and provisions

	Group 2007	Group 2006	Parent Company 2007	Parent Company 2006
Chattel mortgages	111	115	—	—
Real estate mortgages	52	46	—	—
Total	**163**	**161**	**—**	**—**

Note 41 Contingent liabilities

	Group 2007	Group 2006	Parent Company 2007	Parent Company 2006
Guarantees on behalf of subsidiaries	—	—	136	105
Other contingent liabilities	3	3	—	—
Total	**3**	**3**	**136**	**105**

Note 38 Fair value of financial assets, Group

Financial assets	2007 Loan receivables and customer receivables	2007 Assets valued at fair value via income statement	2007 Non-financial assets	2007 Total	2006 Loan receivables and customer receivables	2006 Assets valued at fair value via income statement	2006 Non-financial assets	2006 Total
Tangible fixed assets	—	—	752	752	—	—	683	683
Intangible fixed assets	—	—	383	383	—	—	193	193
Deferred tax assets	—	—	14	14	—	—	13	13
Inventories	—	—	201	201	—	—	187	187
Accounts receivable	462	—	—	462	426	—	—	426
Current tax assets	—	—	6	6	—	—	4	4
Other receivables	—	—	16	16	—	—	45	45
Derivative assets	—	10	—	10	—	4	—	4
Prepayments and accrued income	—	—	12	12	—	—	38	38
Cash and bank balances	62	—	—	62	131	—	—	131
Total	**524**	**10**	**1,384**	**1,918**	**557**	**4**	**1,163**	**1,724**

Financial liabilities	2007 Other financial liabilities	2007 Non-financial liabilities	2007 Total	2006 Other financial liabilities	2006 Non-financial liabilities	2006 Total
Loans	248	—	248	186	—	186
Provisions for pensions and similar obligations	—	86	86	—	55	55
Deferred tax liabilities	—	129	129	—	103	103
Other liabilities, interest-bearing	4	—	4	—	—	—
Other provisions	—	4	4	—	7	7
Accounts payable	315	—	315	311	—	311
Overdraft facilities	48	—	48	56	—	56
Customer advances	—	8	8	—	9	9
Current tax liabilities	—	17	17	—	1	1
Other liabilities	—	21	21	—	27	27
Accrued expenses and prepayments	54	103	157	79	101	180
Total	**669**	**368**	**1,037**	**632**	**303**	**935**

Note 42 Company acquisitions

2007, Acquisition of AB Cerbo Group

Description of the acquisition

Nolato acquired 100% of the shares in AB Cerbo Group on March 5, 2007. 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. AB Cerbo Group's earnings have been included in Nolato's consolidated accounts since March 5, 2007.

Financial effects

During the period March 5 – December 31, 2007, AB Cerbo Group contributed SEK 199 M to the Group's net sales and SEK 1 M to the Group's net earnings (after SEK 7 M charged in restructuring costs in connection with the acquisition, SEK 5 M net after tax).

Acquisition value, goodwill and cash flow effects

Acquisition value	
Purchase price	184
Acquisition expenses	4
Total acquisition value	**188**
Additional fair value of net assets acquired (as specified below)	55
Goodwill	**243**

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	
Cash paid acquisition value	188
Less liquid funds acquired	– 1
Net cash flow from the acquisition in 2007	**187**

Assets acquired and liabilities assumed

	Reported value	Adjustment to fair value	Fair value
Goodwill	91	– 91	0
Other intangible assets	0	38	38
Tangible fixed assets	176	—	176
Inventories	32	2	34
Other current assets	54	—	54
Liquid funds	1	—	1
Total acquired assets	**354**	**– 51**	**303**
Provisions	30	—	30
Deferred tax liabilities	21	12	33
Long-term liabilities	227	—	227
Current liabilities	68	—	68
Total liabilities assumed	**346**	**12**	**358**
Acquisition assets, net	**8**	**– 63**	**– 55**

2006, 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 the synergies expected to be achieved as a result, in particular, of greater sales volumes but also, to some extent, lower costs through better purchase terms from external suppliers and the coordination of various levels of the business area.

Cash flow effects	
Cash paid acquisition value	169
Less liquid funds acquired	– 16
Net cash flow from the acquisition in 2006	**153**
Additional purchase price 2007	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 acquired assets	**56**	**32**	**88**
Deferred tax liabilities	4	9	13
Current liabilities	21	—	21
Total liabilities assumed	**25**	**9**	**34**
Acquisition assets, net	**31**	**23**	**54**

Note 43 Sale of subsidiaries

2007, Sale of Cerbo Göteborg AB and Medigrafik A/S

During 2007, Nolato sold its shares in Cerbo Göteborg AB and Medigrafik A/S.

Financial effects	
Purchase price	117
Book value	– 117
Capital gain	**0**

2006, 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 operational.

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:	
Retained earnings	SEK 373 M
Net income	SEK 50 M
Total	SEK 423 M

The Board of Directors and the President propose that these funds be disposed of as follows:

Dividend of SEK 3.00 per share to the shareholders	SEK 79 M
To be carried forward	SEK 344 M
Total	SEK 423 M

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 undersigned certify that the consolidated accounts and the annual report have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as adopted for use in the European Union, and generally accepted accounting principles respectively, and give a true and fair view of the financial positions and results of the Group and the Company, and that the management reports of the Group and the Company give a fair review of the development of the operations, financial positions and results of the Group and the Company and describe substantial risks and uncertainties that the Group companies face.

Torekov, Sweden, February 28, 2008

Carl-Gustaf Sondén
Chairman of the Board

Gun Boström
Board member

Henrik Jorlén
Board member

Erik Paulsson
Board member

Lars-Åke Rydh
Board member

Roger Johanson
Board member

Hans Porat
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 2007. 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 have 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, as well as significant estimates made by the Board of Directors and the President when preparing the Parent Company and consolidated accounts, and 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 or the President has acted in any way 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.

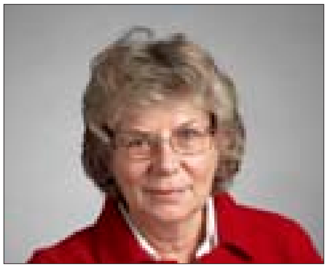
We recommend that the Annual General Meeting adopt the Parent Company and consolidated income statements and balance sheets, distribute the profit in the Parent Company in accordance with the proposal in the Report of the Directors, and discharge the members of the Board of Directors and the President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

Torekov, Sweden, February 28, 2008

Ernst & Young
Ingvar Ganestam
Authorised public accountant, chief auditor

Board of Directors and auditors

Carl-Gustaf Sondén, Chairman of the Board.
Member since 2003.
Shareholding in Nolato: 20,000 B.
Other directorships: Chairman of the Board of Skåne Marin AB and Board member of NP Nilssons Trävaru AB.
Born 1945. Education: upper secondary school in engineering.



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

Roger Johanson
Head of Private Equity Skandia Liv Kapitalförvaltning. Member since 2007
Shareholding in Nolato: 0
Other directorships: Board member of Biophausia AB, Creandum AB and Cash-Cap AB. Born 1959
Education: Biochemistry and biotechnology, Royal Institute of Technology.

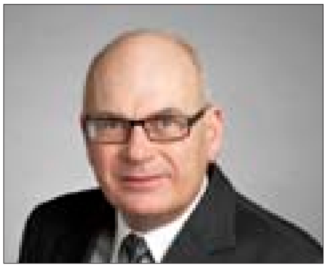
The Board of Directors

Nolato's Board of Directors consists of seven members elected by the Annual Meeting, and three members and deputies elected by the trades unions.

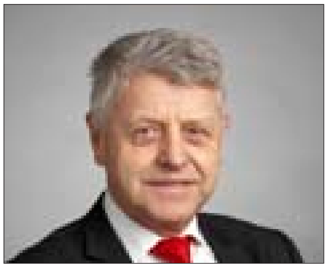
Nolato's President and CEO Georg Brunstam was a member of the Board until December 9, 2007, when he left the Board when his employment with Nolato ended.

Nomination committee

The nomination committee prior to the 2008 Annual Meeting consists of Henrik Jorlén, Gun Boström, Erik Paulsson and Erik Sjöström (Skandia).



Henrik Jorlén
Member since 1974.
Shareholding in Nolato: 294,000 A and 57,200 B.
Born 1948. Education: commercial school.



Erik Paulsson
Member since 2003.
Shareholding in Nolato (incl. family and companies): 609,200 A and 2,372,575 B.Other directorships: Chairman of the Board of SkiStar AB, Wihlborgs Fastigheter AB, Diös Fastigheter AB and Fabege AB. Board member of Investment AB Öresund. Born 1942.
Education: elementary school.

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

Auditors

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

Nolato's Corporate Governance Report can be found on pages 26 - 27.

Eva Norrman
Employee representative PTK since 1997, permanent staff since 2006.
Nolato Plastteknik AB.
Shareholding in Nolato: 0.
Born 1951. Education: nursing.

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.

Deputy members

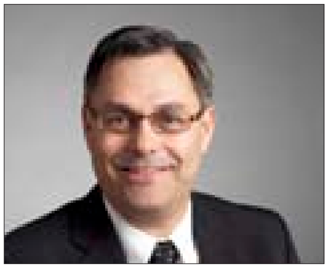
Ingegerd Andersson Employee representative LO since 2004.
Shareholding in Nolato: 0.
Born 1951. Education: upper secondary school.

Bo Eliasson Employee representative LO since 2004.
Shareholding in Nolato: 0.
Born 1947.
Education: lower school certificate.

Fredrik Welander Employee representative PTK since 2007.
Shareholding in Nolato: 4,000 B.
Born 1969. Education: electrical engineer.

Group Management

Hans Porat
President and CEO, and head of Nolato Industrial since 2008
Employed at Nolato since 2008
Education: Master of Science
Born 1955
Shareholding incl. family: 33,898 B



Per-Ola Holmström
Executive Vice President and CFO since 1995
Employed at Nolato since 1995
Education: MBA
Born 1964
Shareholding incl. family: 20,154 B

Jonas Persson
Head of Nolato Telecom since 2006
Employed at Nolato since 1999
Education: Master of Engineering
Born 1969
Shareholding incl. family: 12,712 B

Christer Wahlquist
Head of Nolato Medical since 2005
Employed at Nolato since 1996
Education: Master of Engineering, MBA
Born 1971
Shareholding incl. family: 20,712 B

Magnus Emeus
MD of Nolato Hungary since 2002
Employed at Nolato since 1998
Education: MBA
Born 1966
Shareholding incl. family: 14,742 B

Information about the Group Management can be found on page 27.

Annual Meeting and 2008 financial calendar

Annual Meeting

Shareholders are welcome to attend Nolato's Annual Meeting at 6:00 p.m. on Monday, April 28, 2008 at Idrottsparken in Grevie.

Light refreshments will be served after the Annual Meeting.

Registration

Shareholders who wish to participate in the Annual Meeting should be listed on the register of shareholders maintained by VPC AB on Tuesday April 22, 2008, and should register their intention to attend the Annual Meeting with the company no later than 4:00 p.m. on Tuesday, April 22, 2008.

Attendees may register in the following ways:

– using the response card enclosed with the Annual Report sent to shareholders
– by e-mailing nolatoab@nolato.se
– by fax to +46 431 442291
– by writing to Nolato AB, 260 93 Torekov, Sweden.

When registering, shareholders should state their name, address, telephone number, civic registration number or corporate identity number, number of shares and any assistants. These details will be used only for the purposes of registering attendance and drawing up a register of voters. For shareholders who will be represented by a representative, an original power of attorney should be sent when registering or, where the party holding power of attorney is a legal entity, proof of registration or other documentation demonstrating the authorisation of the company signatory. Shareholders wishing to bring one or two assistants should register this before the cut-off date for shareholder 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 in order to be entitled to participate in the Annual Meeting following registration. In order for this registration to be entered in the register of shareholders no later than April 22, 2008, shareholders must request re-registration by the manager in plenty of time.

Other

The reporting documents and the auditors' report will be available at the company's headquarters at Nolatovägen, 260 93 Torekov, Sweden by Monday April 14, 2008. The documents will be sent to those shareholders requesting these.

Documents are also available from Nolato's website, www.nolato.se, under Investor Relations.

Financial calendar

All financial information will be posted on Nolato's web site, www.nolato.com, as soon as it is published. During 2008, financial information will be released as follows:

- Three-month interim report 2008:
April 28, 2008
- Annual Meeting:
April 28, 2008
- Six-month interim report 2008:
July 21, 2008
- Nine-month interim report 2008:
October 27, 2008

IR contact

Per-Ola Holmström, CFO, is responsible for Nolato's investor relations.

Telephone +46 431 44 22 93
E-mail: per-ola.holmstrom@nolato.se

The Nolato Annual Report is produced by Strategisk Information AB, Limhamn, Sweden. Translation by Teknotrans. Printed by JMS Mediahus, March 2008.

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

Nolato Alpha
Box 2072
SE-291 02 Kristianstad, Sweden
Street address: Tegelbruksv. 15
Telephone: +46 44 18 60 00
Fax: +46 44 12 70 80
E-mail: alpha@nolato.se
– Box 44
SE-280 70 Lönsboda, Sweden
Street address: Hammarvägen
Telephone: +46 479 252 00
Fax: +46 479 252 10

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

Nolato Cerbo
Box 905
SE-461 29 Trollhättan, Sweden
Street address: Verkmästarev. 1-3
Telephone: +46 520 40 99 00
Fax: +46 520 40 99 02
E-mail: nolatocerbo@nolato.se
– Cerbo Norge
Postboks 157
NO-2021 Skedsmokorset, Norway
Telephone: +47 6387 8220
Fax: +47 6387 4120
E-mail: cerbo.norge@nolato.com
– Cerbo France
15, Rue Vignon
FR-75008 Paris, France
Telephone: +33 1 78 10 64 18
Fax: +33 1 46 36 64 18
E-mail: cerbo.france@nolato.com
– Cerbo Poland
ul. Jagiellonska 13
PL-80371 Gdansk, Poland
Telephone: +48 58 558 3131
Fax: +48 58 558 2499
E-mail: nolatocerbo@nolato.se

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

Nolato Hertila
Persbogatan 1
SE-265 38 Åstorp, Sweden
Telephone: +46 42 668 80
Fax: +46 42 519 39
E-mail: hertila@nolato.se

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

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: +46 433 323 00
Fax: +46 433 323 02
E-mail: loevepac@nolato.se

Nolato Lovepac Converting
Xingsheng Industrial Park
No.7 Tongji Road
Beijing Development Area
Beijing 100176, P.R. China
Telephone: +86 10 6780 5580
Fax: +86 10 6787 4404
– Room 1105, Cyber Times
Tower A
Tianan Cyber Park
Futian District
Shenzhen 518041, P.R. China
Telephone: +86 755 8347 4286
Fax +86 755 8347 4283
– 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
– HU-9200 Mosonmagyaróvár,
Hungary
Jánossomorjai utca 3
Telephone: +36 96 578770
Fax: +36 96 578778

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

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

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

Nolato Polymer
SE-260 93 Torekov, Sweden
Street address: Nolatovägen
Telephone: +46 31 44 22 00
Fax: +46 431 44 22 01
E-mail: polymer@nolato.se
– Framtidsgatan 6
SE-262 73 Ängelholm, Sweden
Telephone: +46 31 44 22 00

Nolato Silikonteknik
Bergsmansvägen 4,
SE-694 91 Hallsberg, Sweden
Telephone: +46 582 889 00
Fax: +46 582 889 99
E-mail: silikonteknik@nolato.se
– 402 Longsheng Industrial Park
7, Rong Chang Road East
Beijing Development Area
Beijing 100176, P.R. China
Telephone: +86 10 6787 2200
Fax: +86 10 6787 2671

Nolato Sunne
Box 116
SE-686 23 Sunne, Sweden
Street address: Sundgatan 21
Telephone: +46 565 173 00
Fax: +46 565 173 73
E-mail: sunne@nolato.se

Nolato Telecom North America
3924 McConnell Road
Greensboro, NC 27406, USA
Telephone: +1 336 508 8407
Fax: +1 336 69 2444
E-mail: telecom@nolato.se

Experience and Innovation