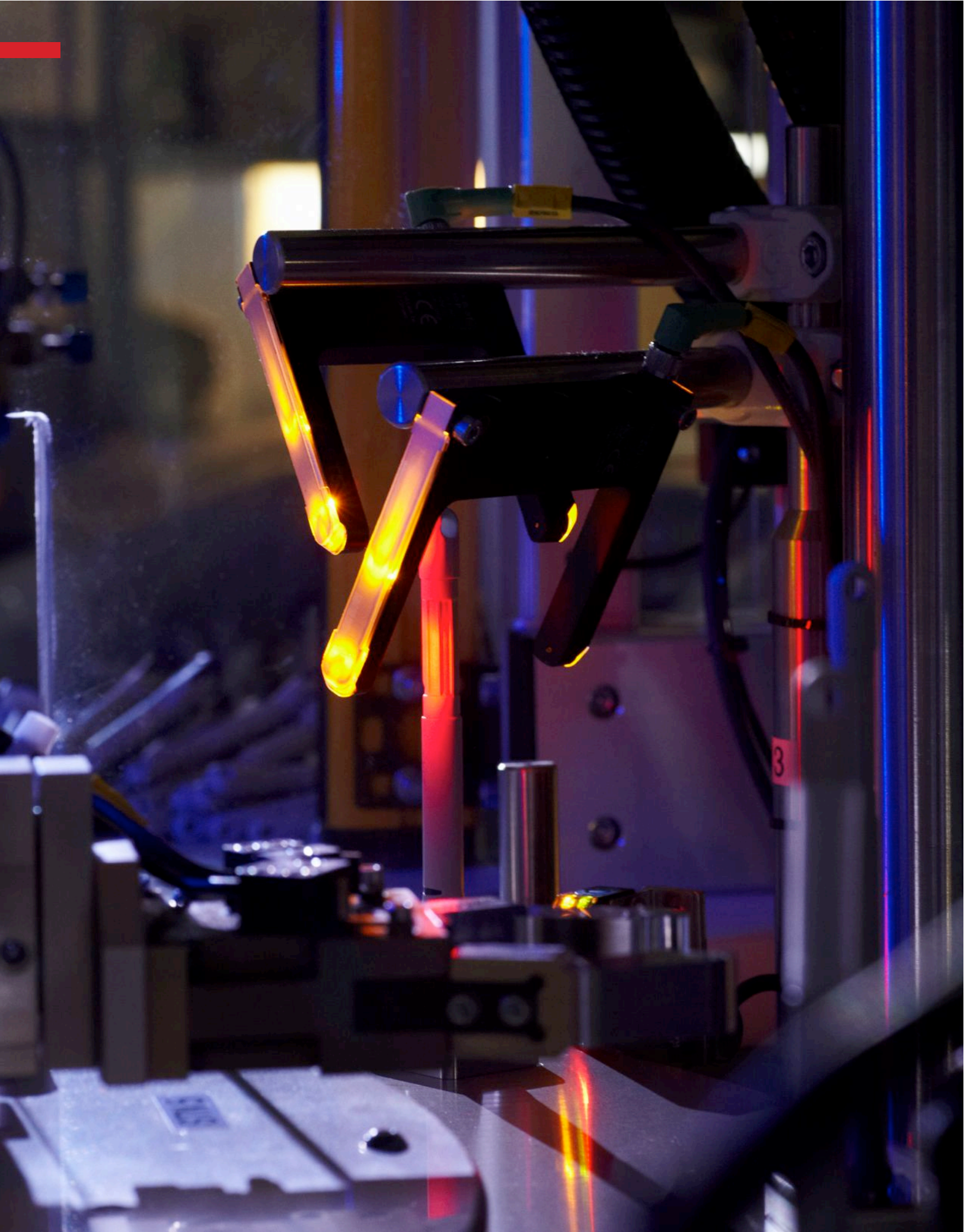




Nolato AB (publ) Annual Report 2011



2011 in brief

In 2011, Nolato Medical and Nolato Industrial performed very positively indeed, while Nolato Telecom had a problematic year in which sales were almost halved.

First quarter

Following a strong start to the year for Nolato Telecom, demand fell sharply after the Chinese New Year, partly because of uncertainty relating to electronic components supply following the natural disaster in Japan. However, the downturn was partly offset by a strong performance for the other business areas.

Second quarter

The positive performance of Nolato Medical and Nolato Industrial continued, with healthy demand and market position gains. At Nolato Telecom, volumes remained weak because of postponed or cancelled projects.

Third quarter

Nolato Medical and Nolato Industrial experienced solid growth in the third quarter also, while Nolato Telecom's volumes remained weak. A decision was taken to extend Nolato Medical's production plant in Hungary to enable further expansion.

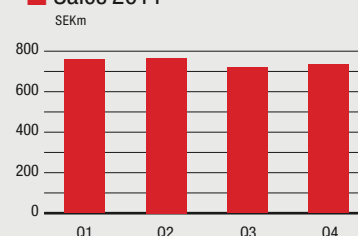
Fourth quarter

The strong trend for Nolato Industrial continued, with robust demand, market position gains and new products. Nolato Medical's product sales trend was in line with that of the market, while project-related sales decreased. Demand remained weak for Nolato Telecom.

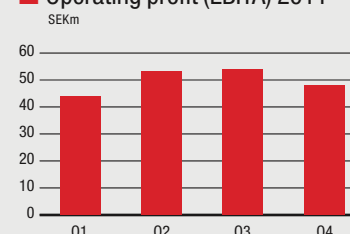
Financial highlights

SEKm (unless otherwise specified)	2011	2010
Net sales	2,977	3,375
Operating profit (EBITDA)	360	407
Operating profit (EBITA)	199	262
EBITA margin, %	6.7	7.8
Profit after financial income and expense	183	243
Profit after tax	132	187
Cash flow after investments, excl. acquisitions and disposals	112	230
Return on capital employed, %	13.9	18.4
Return on shareholders' equity, %	11.3	16.5
Net debt	82	34
Equity/assets ratio, %	54	50
Earnings per share, SEK	5.02	7.11
Adjusted earnings per share, SEK	5.28	7.37
Average number of shares, thousands	26,307	26,307
Average number of employees	5,496	7,563

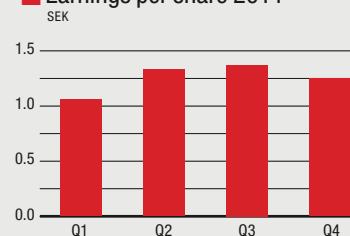
Sales 2011



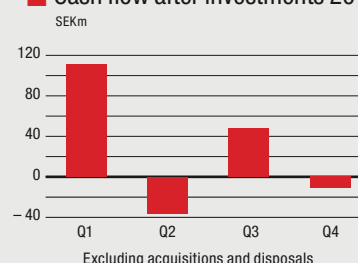
Operating profit (EBITA) 2011



Earnings per share 2011



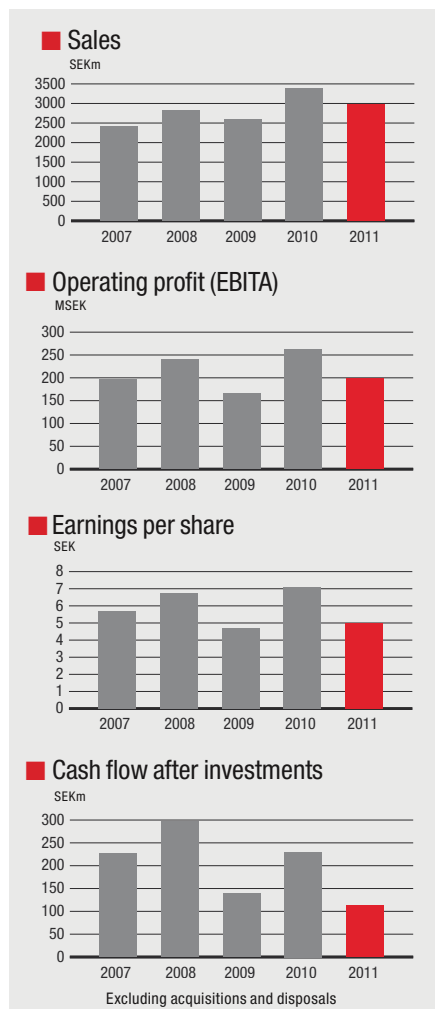
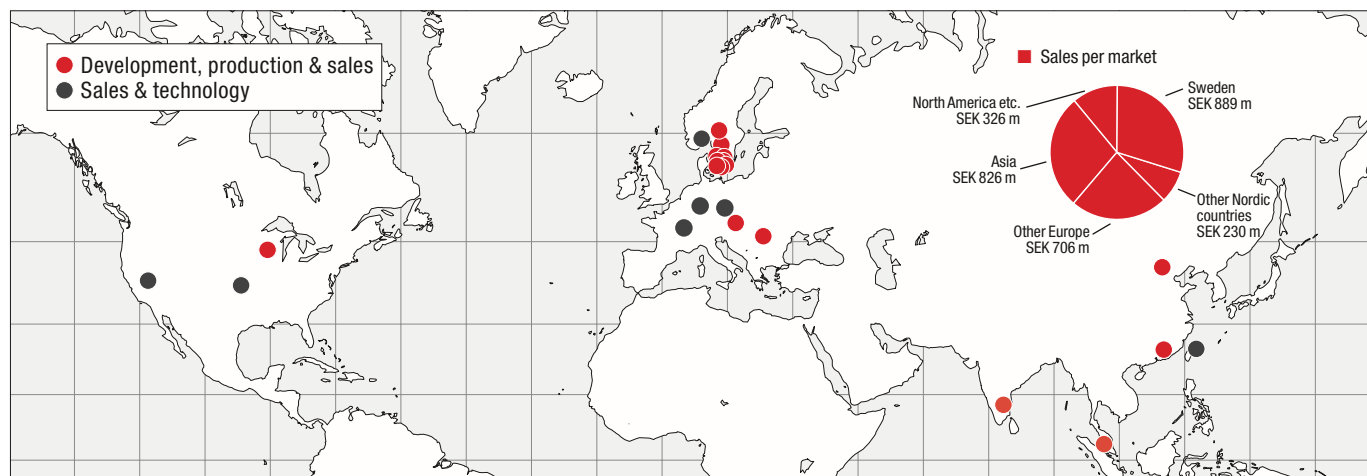
Cash flow after investments 2011



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The Nolato Group in brief



Our operations

Nolato is an accomplished supplier which, with its broad technological expertise and far-reaching specialist knowledge, offers high-tech product and product system development and manufacturing based on polymer materials such as plastic, silicone, TPE and rubber.

Examples of products are:

- medical devices (such as inhalers, insulin pens and catheter balloons)
- mobile phone components (such as complete front and back sections, display windows and other specialist components)
- products for industrial companies (such as packaging, interior fittings and vehicle components).

Our offering

Thanks to our involvement in customers' development work at an early stage, we can contribute towards optimising design, materials and production technology and hence help achieve a better end product.

We constantly try to learn more about our customers' customers in order to make proactive proposals for attractive technical solutions. This could involve retaining functionality and strength while reducing the weight of the product, developing technologies for tactile and cosmetic effects, or designing the components to facilitate the assembly process.

Our set of values

Ever since Nolato was founded in 1938, its operations have featured a down-to-earth combination of professionalism, ethics and environmental awareness.

Our Basic Principles are customer focus, knowledge, innovative thinking, sustainable development, social responsibility, decentralisation and good organisation.

Our employees

The average number of employees in 2011 was around 5,500. Of these, 84 percent were outside Sweden.

Our share

Nolato was listed on the stock exchange in 1984. Its B shares are listed on the NASDAQ OMX Nordic Exchange in the Stockholm Mid Cap segment and the Industrials sector.

Our 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 the majority of operations are now based outside Sweden.



Nolato Medical

Financial highlights:	2011	2010
Sales SEKm	917	808
Operating profit EBITA SEKm	110	100
EBITA margin %	12.0	12.4
Average number of employees	719	664

Offering:

Development and production of components and complete products in polymer materials for medical technology and pharmaceutical customers.

Sensitivity to business cycle:

Low. Steady market growth.

Product life cycle:

Long.

Success factors:

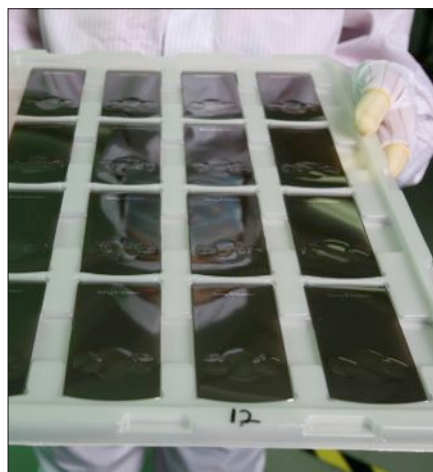
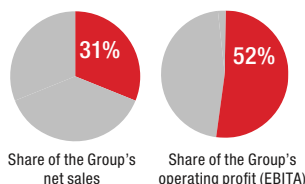
Medical understanding, quality, safety, traceability, technology, global presence.

Geographic presence:

Production units in Sweden, Hungary, China and the USA and sales offices in Norway, Germany, France and the Czech Republic.

Customers include:

AstraZeneca, Coloplast, Gambro, Nonin, Novo Nordisk, Nycomed and Phadia.



Nolato Telecom

Financial highlights:	2011	2010
Sales SEKm	935	1,575
Operating profit EBITA SEKm	11	122
EBITA margin %	1.2	7.7
Average number of employees	4,052	6,252

Offering:

Design, development and production of components and subsystems for mobile phones, often with significant cosmetic and tactile content. Specialist solutions in, for instance, shielding electronics.

Sensitivity to business cycle:

High. Volatile, project-based operations.

Product life cycle:

Short.

Success factors:

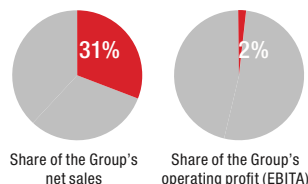
Short lead times, unique cosmetic design solutions, technology, advanced project management, production in Asia.

Geographic presence:

Production units in China, India, Malaysia and Sweden and sales offices in Taiwan and the USA.

Customers include:

Alcatel-Lucent, Ericsson, Huawei, Motorola, Nokia, RIM and Sony Mobile Communications.



Nolato Industrial

Financial highlights:	2011	2010
Sales SEKm	1,129	994
Operating profit EBITA SEKm	102	79
EBITA margin %	9.0	7.9
Average number of employees	720	642

Offering:

Development and production of components and products in polymer materials for customers in the automotive industry, white goods, gardening/forestry, hygiene, furniture and other selected areas.

Sensitivity to business cycle:

Medium. Tracks the Northern European industrial business cycle.

Product life cycle:

Medium/Long.

Success factors:

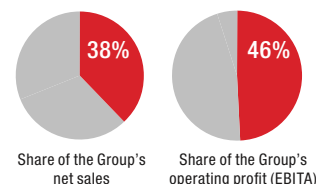
Technology, productivity, customer proximity.

Geographic presence:

Production units in Sweden, Hungary and Romania.

Customers include:

Haldex, Husqvarna, IKEA, Kinnarps, Lindab, MCT Brattberg, Sanitec, SKF, Volvo and Volvo Cars.



The value of three business areas

Dear shareholders,

2011 was a successful year for two of our three business areas, Nolato Medical and Nolato Industrial, while Nolato Telecom's performance was, unfortunately, disappointing.

Looking at the big picture, the year is a good example of the value of having three business areas. Areas that are built on shared values and technologies, but that are affected differently by business cycle fluctuations, events in our business environment and market patterns.

Nolato Medical operates on a market with long product life cycles and low business cycle dependency, while Nolato Telecom is the exact opposite, with short product life spans and high market volatility. And, between these two extremes we find Nolato Industrial.

The success of the Group is based on these very differences. Our foundation rests safely on in-depth expertise within polymer technology, insightful project management and a high degree of efficiency. Each business area is then given scope to create its own optimal prerequisites for success on its market.

At the same time, the business areas are not isolated islands. Technologies and working methods developed within one area also benefit the others. A good example of this is Nolato Telecom's expertise within high-speed assembly and electronics integration, which is increasingly beneficial also in manufacturing complex medical devices.

Nolato Medical: Now in the Premier League

Nolato Medical's strong performance continued throughout 2011. The expansion process commenced some years ago and in the space of a few years, Nolato Medical has – to use a sports analogy – gone from fourth division to Premier League.

Playing in the Premier League is not just about size. Technology platform, project management and quality are more significant. Our goal is that customers see us as

one of the best globally to work with in the development and production of large system projects.

Also, we readily take over customers' current polymer production operations so that they can concentrate on their core operations such as development and sales.

Focused on further acquisitions that generate a positive cash flow effect

Out of Nolato Medical's sales of just over SEK 900 million, acquisitions carried out in recent years account for around 40 percent. The acquisitions have turned out very well indeed and we are still interested in taking over sound companies that generate a positive cash flow effect from the very start.

However, this is not a rapid process; there are many family-owned companies on our list of interesting acquisition targets. Through building up good relationships with their owners, we endeavour to stand out as the best buyer, if and when they actually decide to sell.

In light of this, would it not be faster to grow organically by building our own factories instead of buying them? In Europe, which is currently our primary focus area for acquisitions, we believe that buying is the right way to go, particularly because medical technology customers want the possibility of inspecting a finished production unit and its quality systems before placing an order.

Nolato Telecom: Profit despite almost halved sales

Following a strong start to the year, with stocks building up ahead of the Chinese New Year in early February, demand for Nolato Telecom's existing product portfolio dropped sharply due to weak demand for our customers' products.

Also, there was a troublesome component shortage because of the natural disaster in Japan, which contributed further to customers postponing or even cancelling new mobile phone projects.

The rapid downturn cut sales almost by half. Nonetheless, Nolato Telecom managed to post a small profit for full-year 2011

thanks to its committed staff and a highly flexible production structure, and I view this as solid proof of our ability to manage this volatile market segment well.

Further development of technologies for decoration and painting

As a niche player in the mobile phone sector, it is important to have our own ideas that can capture the attention of customers through the development of tailored technologies.

The creation of customer-focused technologies with significant cosmetic, tactile and haptic content has thus continued throughout 2011. Also, we have further strengthened expertise and resources to support our customers' industrial designers in their conceptual work. In this way, we aim to become involved in customers' development work even before the concept phase, so that we can generate interest in our special technologies for decoration and painting at an early stage.

Nolato Industrial: High productivity creates success

As I mentioned briefly in the introduction, our third business area, Nolato Industrial, performed very well indeed in 2011. The operations are based on eight units, which have a strong presence on their respective markets. In Scandinavia, Nolato Industrial is the market leader and in Central Europe we are a major supplier mainly in the area of hygiene.

While efficiency and lean production are important throughout Nolato's entire operations, they constitute a survival factor for Nolato Industrial. We were awarded Volvo Cars' supplier prize, *the Award of Excellence – Cost Competitiveness* in stiff competition with every other supplier globally. I see this as proof of our success and that customers appreciate our solid productivity-enhancing work. At the same time, the award spurs us on in our endeavour to achieve constant improvement.

We can also ascertain that our high level of productivity, combined with the Group's solid stability, means that Nolato Industri-

al's competitiveness today is even greater than it was before the crisis of 2008/09.

Focus on working conditions in China is an important part of our sustainability work

Today, Nolato has 21 production units at 18 different locations in Sweden, Hungary, Romania, China, India, Malaysia and the USA. More than eight out of ten employees work outside Sweden, many of them in China.

This places tremendous demands on us, particularly in terms of creating *one* Nolato, with *one* set of core values and *one* way of dealing with matters relating to the environment, ethics and social responsibility.

All production units are wholly owned, which is a major advantage. At the same time, our operations in China are complex and require particular vigilance in matters relating to working conditions such as minimum age, salaries and overtime.

In 2011, we have therefore focused on these matters in close collaboration with our customers. We have implemented measures aimed at not only meeting statutory requirements, but also at bringing our operations into harmony with Nolato's own fundamental values and policies, and with our commitments in the framework of the UN's Global Compact.

To guide our work in the area of sustainability, we established a number of Group-wide targets at the beginning of 2011 regarding our work with environmental matters and social responsibility, as well as our relationships with business partners and other stakeholders. The sustainability section on pages 26–29 provides an account of these targets and of our achievements in 2011.

Weak performance for Nolato Telecom and economic outlook brought down the share price

Increased shareholder value is always in focus in my work. Besides developing the company optimally, this also includes actively providing information about our operations and performance in dealing with analysts, shareholders and the media.

Unfortunately, Nolato Telecom's weak performance, combined with heightened uncertainty about the global economy, brought Nolato's share price down by 39 percent during the year, which can be compared to the average performance



of shares in the NASDAQ OMX Nordic Exchange Mid Cap segment of –25 percent.

Financial position remains strong, enabling freedom to act and opportunities

Our financial position remains strong, with net debt at the year-end of just SEK 82 million and an equity/assets ratio of 54 percent. This creates freedom and opportunities to act, while enabling our customers to feel secure in their choice of Nolato as supplier.

For 2012, our overall strategic priorities are the following:

Nolato Medical must secure its place in the Premier League through *a higher proportion of system projects and further global expansion*, both organically and through acquisitions.

Nolato Telecom must regain profitability through *higher volumes, a broadened cus-*

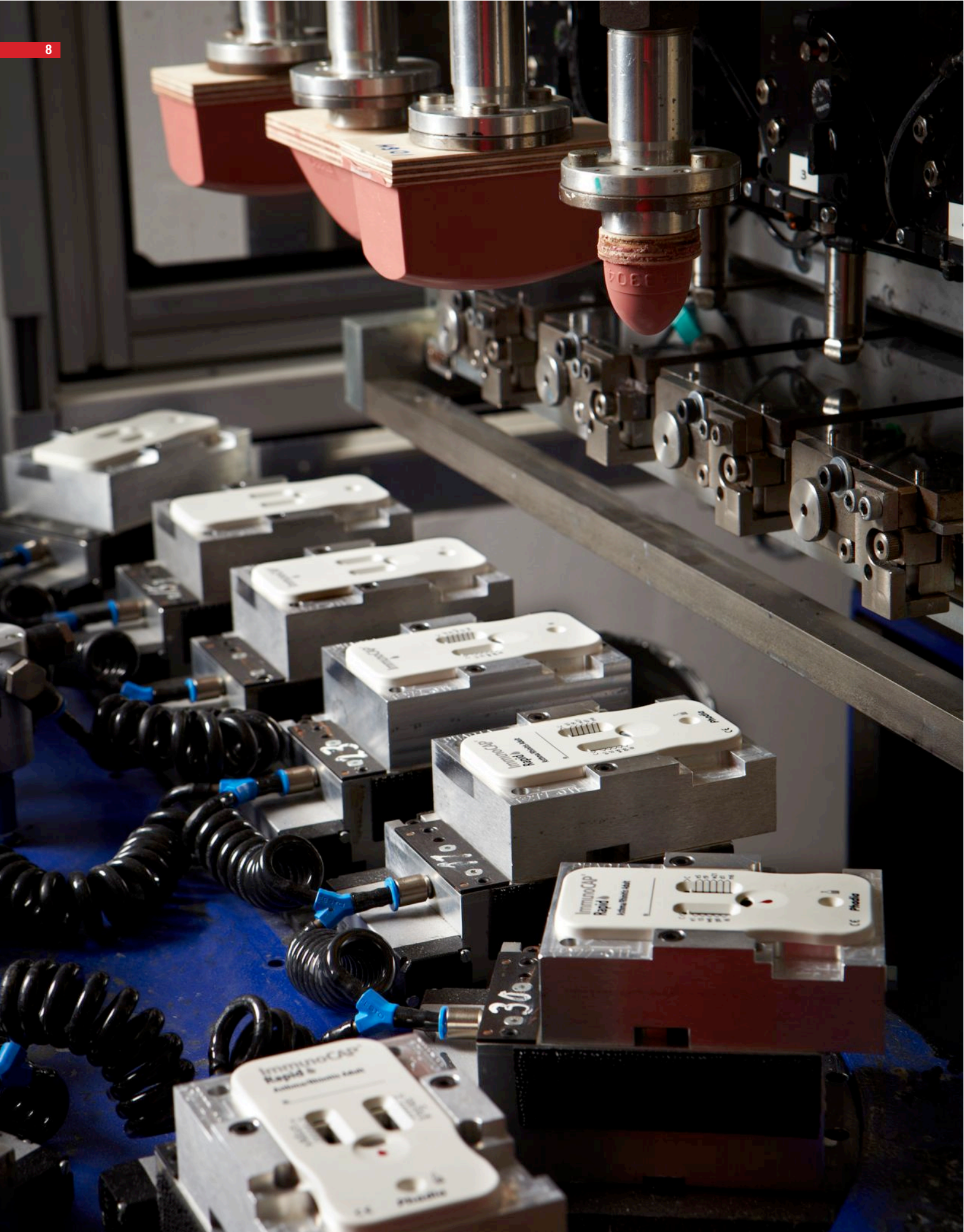
tomers base, increased vertical integration and further development of profitable niche technologies.

Nolato Industrial must *capture market share, increase productivity a notch and keep a constant watch on cash flow.* (Moreover, the latter applies to the entire Group). Nolato Industrial also offers an opportunity for *selective geographic expansion* alongside customers or through acquisitions.

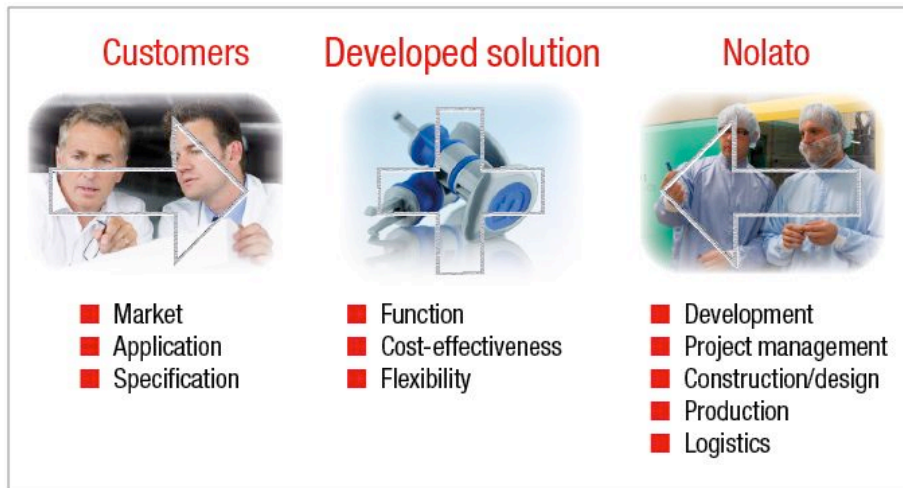
Torekov, March 2012



Hans Porat
President and CEO



Our value-creating business model



Our operations

Nolato is an accomplished supplier which, with its broad technological expertise and far-reaching specialist knowledge, offers high-tech product and product system development and manufacturing based on polymer materials such as plastic, silicone, TPE and rubber. Examples of products are:

- medical devices (such as inhalers, insulin pens and catheter balloons)
- mobile phone components (such as complete front and back sections, display windows, shielding and other specialist components)
- products for industrial companies (such as packaging, interior fittings and vehicle components).

Our business model

Nolato's business model is based on close, long-term, innovative collaboration with our customers. With progressive, leading technology, advanced project management, extensive expertise in development and design and efficient production, we create added value for our customers and for ourselves.

Short decision paths and flexible production capacity enable us to manage changes in our business environment efficiently.

Thanks to our involvement in customers' development work at an early stage, we can contribute towards optimising design, mate-

rials and production technology and hence help achieve a better end product.

We constantly try to learn more about our customers' customers in order to make proactive proposals for attractive technical solutions. This could involve retaining functionality and strength while reducing the weight of the product, developing technologies for tactile and cosmetic effects, or designing components to make the assembly process more efficient.

Large, global customers

The majority of our customers are large – often global – companies working within areas such as medical technology, pharmaceuticals, hygiene, telecommunications, the automotive industry, white goods, gardening/forestry, construction, furniture and other selected areas.

Our customers include AstraZeneca, Coloplast, Ericsson, Flextronics, Gambro, Huawei, Husqvarna, IKEA, Novo Nordisk, RIM, SKF, Sony Mobile Communications and Volvo.

Extensive technology platform

Nolato has in-depth and broad expertise, and a highly developed and modern technology platform. Our production structure is both effective and flexible which, together with a business model in which decisions are made in close cooperation with the mar-

■ Our business mission

Nolato is a high-tech developer and manufacturer of polymer product systems for leading customers in specific market areas.

With its many years of experience, in-depth expertise in materials and processes, early involvement in customer projects, advanced project management and detailed knowledge of each customer's specific requirements, Nolato is an effective and innovative partner.

■ Our vision

Nolato shall be the customer's first choice of partner.

■ Nolato's Basic Principles

We are professional

- We are professional, and we strive for long-term profitability
- We focus on the needs and wishes of our customers
- We combine skill and experience with new ways of thinking

We are well organised

- We build our operations on a shared foundation
- We take opportunities and solve problems when they arise
- We make sure our operations are well organised

We are responsible

- We work actively towards sustainable development
- We focus on social responsibility, integrity and openness

Eight factors that create value

- Advanced, leading technology in three market segments
- Expertise in development and design
- Efficient and flexible production capacity
- Advanced project management
- Expertise in applications which adds value
- Effective adaptation in a changing world
- Continuous sustainability work
- Strong financial position

ket, ensures the ideal conditions for dealing quickly and effectively with changes in the world around us.

The majority of our operations consists of developing and manufacturing components and complete products on behalf of our customers. Our customer offering comprises most technologies in the field of polymers and contains everything from concept development, product design and material optimisation to high-volume production, post-processing, assembly and logistics.

We constantly strengthen our customer offering through investing proactively in the cutting-edge technology which our customers demand, and gaining a better insight into the needs of our customers' customers.

Quality

Nolato's quality policy signifies that we shall always meet our customers' exacting requirements, needs and expectations.

All our operations shall be quality certified in accordance with ISO 9001 and industry-specific certifications such as ISO 13485 (medical technology), ISO 15378 (pharmaceutical packaging) or ISO 16949 (automotive).

Sustainability and social responsibility

Responsibility is one of the cornerstones of our corporate culture, as well as being one of our Basic Principles. Issues relating to the environment, working environment, social responsibility and ethics are therefore natural and integral aspects of our business activities. Most of the Group's units are certified in accordance with ISO 14001.

In order to guide our continuous improvement work in this area, Nolato defined a number of Group-wide targets ahead of 2011. An account of the outcome of these targets and of our sustainability work is provided on pages 26–29.

■ Our base technologies



Injection moulding

Injection moulding is our main technology. It is a method used to manufacture, with small tolerances, components made out of plastic and other polymer materials. The raw material is melted down and injected under high pressure into a mould. After cooling, the mould is separated and the finished component extracted.



Injection blow moulding

Nolato uses injection blow moulding in its production of plastic pharmaceutical packaging. The method firstly involves the injection moulding of the container to give the upper part, with the neck and fasteners for the lid, a precise shape. The lower part is then inflated to form a container of the right size and shape.



Extrusion

Extrusion is a method for continuously manufacturing products in strands, such as tubing. Nolato uses the technique in manufacturing tubing in medical technology applications, such as catheters, and in manufacturing gaskets for EMC shielding in telecommunications.



Dipping

In dipping, the product is manufactured by dipping a mould element into liquid latex. The product is formed by repeated dipping. Nolato uses the technique to manufacture, for instance, breathing bags and catheter balloons.



Die-cutting

Nolato offers both flatbed and rotary die-cutting. Flatbed die-cutting is used, for instance, in manufacturing engine gaskets. Rotary die-cutting enables, for instance, manufacturing small gaskets and cosmetic details for mobile phones, such as logos and speaker protection, on a supporting tape for easy processing in final assembly.

■ We are present in important parts of the value chain



Concept development

By providing our expertise within polymer technology, we support our customers early on, in the concept phase.



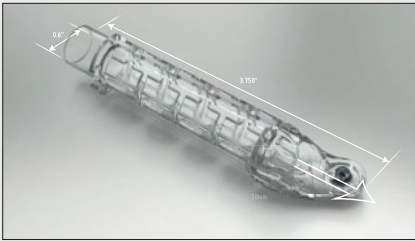
Design

We come up with suggestions for technology and design solutions, adapted to future trends and fashion.



Choice of material

Based on our in-depth knowledge about polymer technology, we make suggestions about suitable materials for the customer's products.



Construction

Based on the customer's design, we construct the product so that it fulfils the goals and can be produced efficiently.



Prototypes

We visualise the product by producing prototypes and materials samples.



Production tools

We specify and manufacture, or buy in, moulds and related production equipment.



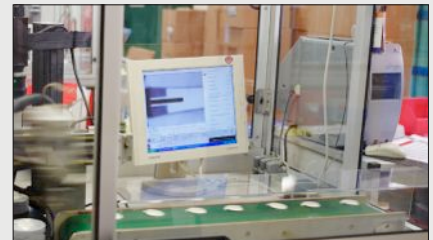
High-volume production

We manufacture components by injection moulding, injection blow moulding, dipping, extrusion or die-cutting.



Post-processing

We give the products their final finish through painting, printing, metallic surfacing and/or other decoration technologies.



Quality

With automated vision systems, professional operators and continuous improvements, we ensure correct quality for customers.



Purchasing

We buy in and check components that we do not manufacture ourselves, for instance displays, speakers and other electronic components.



Assembly

We assemble manufactured and purchased components. Automated and semi-manual, in high, medium and low volume.



Logistics

We deliver on a bespoke basis to customers' assembly plants, warehouses or directly to their customers.

Our financial targets

The Board of Nolato has established long-term financial targets for EBITA margin, return and equity/assets ratio. The goals

are to be seen as an average over a business cycle, and were most recently revised ahead of 2011, when the margin target was adjusted upwards by one percentage point. The

change was motivated by the growing proportion of medical technology, where the margin is normally slightly higher than for the Group's other operations.

Financial targets and target achievement

EBITA margin

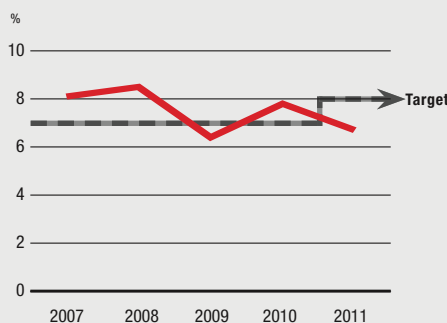
Target 8 percent

Outcome 6.7 percent

The target for the EBITA margin is that it shall be 8 percent over a business cycle. The target was adjusted upwards by one percentage point ahead of 2011.

The outcome for 2011 was 6.7 percent, which means that the target was not achieved for the individual year.

In the last five years, the EBITA margin has averaged at 7.5 percent.



Return on capital employed

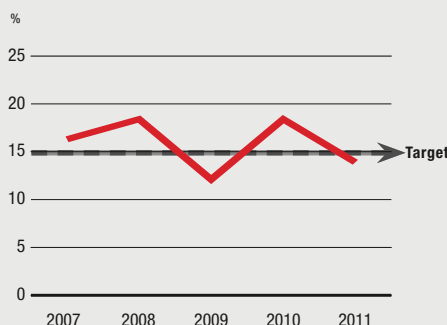
Target 15 percent

Outcome 13.9 percent

The target for return on capital employed is that it shall be 15 percent over a business cycle.

The outcome for 2011 was 13.9 percent, which means that the target was not achieved for the individual year.

In the last five years, return on capital employed has averaged at 15.8 percent.



Equity/assets ratio

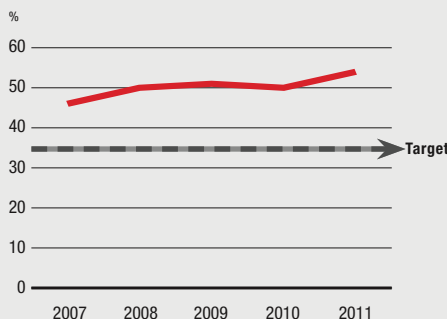
Target 35 percent

Outcome 54 percent

The target for the equity/assets ratio is that it shall be 35 percent over a business cycle.

The outcome for 2011 was 54 percent, which means that the target was achieved.

In the last five years, the equity/assets ratio has averaged at 50 percent.



Growth target

Nolato aims to achieve growth which is at least in line with growth within each market segment.

In 2011, two out of three business areas met the growth target.

Nolato Medical's sales were up 7 percent (adjusted for currency effects and acquisitions). According to estimates, growth in Nolato Medical's market segments is 5–10 percent.

Nolato Telecom's sales decreased by 37 percent (excluding currency effects), while growth in the global mobile phone market was 11 percent according to IDC.

Nolato Industrial's sales rose by 16 percent (excluding currency effects), which is a good deal higher than the increase in production in Swedish industry as a whole which, according to Statistics Sweden, was 8.5 percent.

Growth strategy

Nolato's growth strategy is based on creating organic growth within all business areas and further strengthening Nolato Medical's global presence by taking over customers' outsourced production operations, and through acquisitions. Selective acquisitions within Nolato Industrial may also be of interest if they bring new technology or new customer segments.

Nolato provides no forecast for 2012

As in previous years, we are not providing any forecast for 2012.

The reason for this is that Nolato, as a supplier, conducts operations that are highly dependent on our customers' internal decisions and commercial performance. Factors among customers that we cannot influence, such as postponed or cancelled projects, higher or lower sales volumes and longer or shorter product life span, are thus of great significance to Nolato's sales and profit.

Three customer-focused business areas

Nolato's organisation features far-reaching decentralisation, creating a sound basis for committed and motivated employees while enabling us to make operational decisions in close contact with our customers.

Operations are conducted in three customer-focused business areas: *Nolato Medical*, *Nolato Telecom* and *Nolato Industrial*. The aim of this is to create the industry-specific conditions for each business area that are essential if we are to achieve success with our customers.

– Nolato Medical's operations within medical technology and pharmaceuticals feature long development processes, product life cycles that span many years, and very strict demands in terms of quality, traceability and safety.

– Nolato Telecom's customers within the mobile phone sector have tough demands

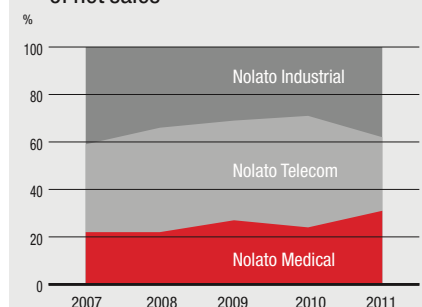
for creative material and design solutions, extremely short development times and fast production start-ups, while their products have a short life span.

– Nolato Industrial's market is more fragmented, with a large number of players involved. The key words here are proximity to the customer, technological expertise and a very high degree of automation.

The element that links the three business areas together is in-depth expertise with in polymer technology, similar production technologies, expert project management and a high degree of efficiency within production and logistics. Through collaborating closely across business area and company boundaries, we can capitalise on each other's experiences and hence offer each customer optimal solutions.

A more detailed description of our business areas can be found on pages 14–25. ■

■ The Business Areas' share of net sales



■ Three business areas that balance the operations

	Nolato Medical	Nolato Telecom	Nolato Industrial
Product	Components Systems Consumables	Components Systems Techniques Niche technologies	Components Systems Standard products
Product life cycle	Long	Short/project	Medium/long
Number of customers	Medium	Few	Many
Success factors	Medical understanding Quality/Safety Technology Global presence	Customer preferences Short lead times Technology/Project mgmt. Flexibility	Technology Efficiency Proximity
Market	Continental/Global	Global	National/Continental
Market growth	→	→	→
Driving forces	Quality of life Welfare diseases Increased self-care	Technology development Increased communication	Industrial production Cost-effectiveness Innovation

■ Strategic focus of the business areas

Nolato Medical <ul style="list-style-type: none"> – Growth market – Structural changes – Further internationalisation 	→	<ul style="list-style-type: none"> ■ Organic growth ■ Taking outsourcing projects ■ Global expansion and acquisitions
Nolato Telecom <ul style="list-style-type: none"> – Rapidly changing growth market – Project-related/volatile – Strong price pressure 	→	<ul style="list-style-type: none"> ■ Organic growth ■ Broadened customer base ■ Vertical integration
Nolato Industrial <ul style="list-style-type: none"> – Tracks the industrial business cycle – Fragmented market – Polymer materials gaining ground 	→	<ul style="list-style-type: none"> ■ Market share ■ Productivity ■ Cash flow

Nolato Medical

Further strategic reinforcement of expertise and resources

■ Nolato Medical in brief

Nolato Medical offers leading medical technology and pharmaceutical companies the development and production of components and complete products in plastic, silicone rubber, TPE and latex.

Financial highlights:	2011	2010
Sales, SEKm	917	808
Operating profit (EBITA), SEKm	110	100
EBITA margin, %	12.0	12.4
Average number of employees	719	664

Market:

The market consists of large, global medical technology and pharmaceutical companies. The products feature demanding development work, stringent requirements on quality, safety and traceability and a long life span.

Market trends:

The need for cutbacks is leading to a higher extent of self-care, placing greater demands on medical devices, which are becoming increasingly complex. Medical technology companies are reducing their numbers of suppliers, while at the same time attaching even greater importance to quality, global presence and the ability to provide support in the development phase. Medical technology companies are outsourcing production to focus more on their core expertise.

Customers include:

AstraZeneca, Coloplast, Gambro, Nonin, Novo Nordisk, Nycomed, Phadia.

Competitors include:

Bespak/Consort, Carclo, Gerresheimer, Phillips/Medisize, Nypro, Rexam, West Pharmaceutical/Tech Group.

Sensitivity to business cycle:

Low. Steady market growth.
Long-term growth potential.

Product life cycle:

Long.

Success factors:

Medical understanding, quality, safety, traceability, technology, global presence.

Geographic information:

Production units in Sweden, Hungary, China and the USA and sales offices in Norway, Germany, France and the Czech Republic.

Head of Business Area:

Christer Wahlquist

Nolato Medical is a high-tech developer and manufacturer of polymer products and systems for leading medical technology and pharmaceutical customers.

Its operations are characterised by long development processes, product life cycles that span many years, and strict requirements in terms of quality, traceability and safety.

Significant events in 2011

In 2011, Nolato Medical continued with the process of strategically reinforcing expertise and resources that was commenced a few years ago. This initiative aims at positioning the operations at the global elite level in terms of acting as collaboration partner to leading medical technology and pharmaceutical companies.

As an important part of this reinforcement process, Nolato MediTech in Hörby has undergone a 3,700 m² extension. The extension contains more clean rooms for medical technology production and premises for the business area's Technical Design Center.

The medical technology production operations in Hungary are also undergoing expansion. In autumn 2011, a 3,500 m² extension was commenced at Nolato Hun-

gary in Mosonmagyaróvár. The new part of the factory, which includes clean rooms, will be completed so that production can start gradually from 2013.

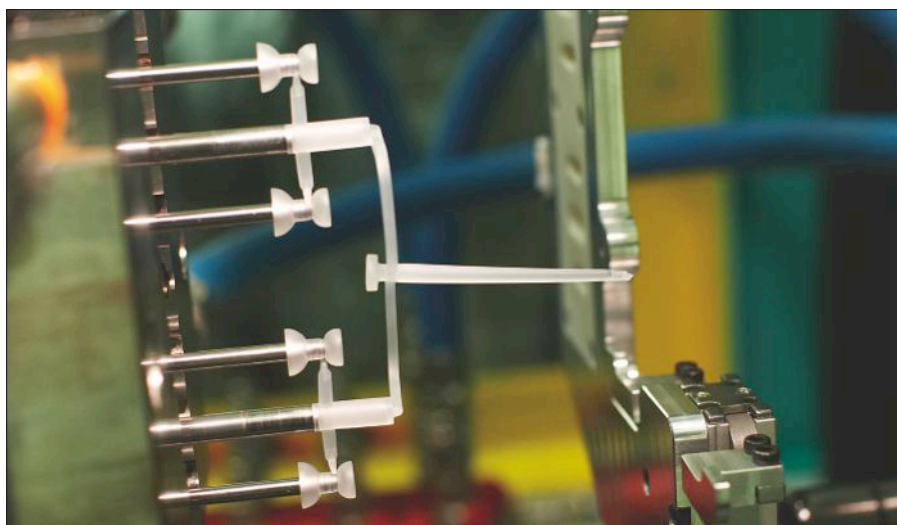
The integration of Nolato Contour, which was acquired in 2010, has proceeded according to plan and the operations are developing positively. In 2011 the company's customer offering has been broadened to include injection moulding of liquid silicone, an area in which Nolato Medical is the world leader.

In pharmaceutical packaging, a new line of triangular packaging was launched. The shape makes the packaging easy to open while enjoying good exposure on store shelves.

Sales and profit 2011

Sales rose by 13 percent to SEK 917 million (808). Organic growth was 7 percent excluding currency translation effects. The majority of the business area's customer segments experienced solid growth in volumes, and operations have performed in line with market growth.

Operating profit (EBITA) rose to SEK 110 million (100). The EBITA margin was 12.0 percent (12.4).





Advanced processes for automated high-speed assembly

Nolato has longstanding experience of automated high-speed assembly. The operations built to meet demands in terms of rapid deliveries and large volumes in the

mobile phone sector have continued undergoing development at Nolato Medical. This “medicalisation” of experience and expertise comes in handy now that medi-

cal devices have become more sophisticated and increasingly comprise advanced assembly and electronics integration.

The business area's operations

Medical technology

Within this area, Nolato Medical develops and manufactures polymer products and product systems for applications such as drug administering, diabetes therapy, asthma treatment, analysis/diagnostics and self-care. The operations require in-depth insight into the specific circumstances that govern the needs of customers. Solid expertise and understanding of complicated medical processes, quality assurance and risk analysis are crucial for success on the market.

Product development often takes several years, but on the other hand the completed products have long product life cycles – in some cases almost twenty years.

Nolato Medical has an extensive technological offering. It includes injection moulding in plastic, TPE and silicone, assembly and decoration of injection-moulded components, extrusion of medical tubing and latex dipping of products such as catheter balloons for use in heart surgery.

Production is mainly carried out in clean rooms, with extremely strict requirements in terms of quality, safety and traceability.

Development and production take place in Sweden, Hungary, the USA and China.

Pharmaceutical packaging

This area comprises the development and production of primary plastic packaging mainly for pharmaceuticals and dietary supplements. Nolato is the market leader in the Nordic region. Sales also occur to the rest of Europe and, to a certain extent, to the Middle East and North Africa as well.

Customers have strict requirements in terms of the technical properties of this packaging, such as airtightness, light transmission and anti-tampering protection. At the same time, the packaging must be easy for consumers to open. Nolato Medical works closely alongside various professional associations and research centres to develop the packaging of the future, which works for people of different ages and with varying physical circumstances.

Manufacturing is carried out in hygiene rooms. Development and production are carried out in Sweden. The operations comprise both in-house standard products and packaging developed according to the unique specifications of individual customers.

Examples of products



Medical devices

Examples of therapy areas and products: Asthma (inhalers, check valves), diabetes (insulin pens, infusion sets), hearing aids (seals, earpieces), heart rhythm treatment (seals for pacemakers, cardiac anchors), dialysis (seals, connectors), urology (urinary catheters, urodomes), surgery (catheter balloons, complete blood purification equipment), analysis (allergy tests, pregnancy tests).

Pharmaceutical packaging

Primary plastic packaging for solid medicines and dietary supplements in capsule or tablet form.



■ The business area's units

Nolato Beijing Medical
Beijing, China
Johan Jeppsson

Nolato Cerbo
Trollhättan, Sweden
MD Glenn Svedberg

Nolato Contour
Baldwin, Wisconsin, USA
MD Barry Grant

Nolato Hungary
Mosonmagyaróvár, Hungary
MD Johan Arvidsson

Nolato MediTech
Hörby and Lomma, Sweden
MD Johan Iveberg

Nolato MediTor
Torekov, Sweden
MD Anders Ekberg

■ Strategic objectives

2006 – 2011

- ☒ Build a broad technology platform
- ☒ Establish Nolato within medical
 - ✓ "Div. 4 → Premier League"
 - ✓ Global customers
 - ✓ Certification
- ☒ Geographic expansion
 - ✓ Hungary
 - ✓ North America
 - ✓ China

2012 –

- ☐ Further growth
- ☐ Secure Nolato Medical's place in the "Premier League"
- ☐ Increase the proportion of system projects
- ☐ Further geographic expansion
 - Asia/China (organic)
 - Western Europe (acquisitions)

Market

The world's growing population, which is living longer thanks to modern pharmaceuticals and advanced medical technology, brings about heightened global pressure on the entire healthcare sector. This leads to increased needs for cutbacks, resolved in part by a greater proportion of self-care. Hospitals are becoming emergency and diagnosis centres, while the actual care increasingly takes place in the home.

Since the use of these medical devices is thereby getting much closer to the patients, it is increasingly important that the products do not signify illness, instead having an appealing, user-friendly design and well thought-out functions.

The medical devices have to be used by people who are not healthcare experts, which means higher complexity with, for instance, integrated electronics. This places new requirements on manufacturers, but also creates opportunities for suppliers like Nolato Medical to broaden their business by offering customers additional support during the development phase. Here, the Nolato Group's experience and expertise from the development and production of products for the mobile phone sector are a real benefit.

The healthcare sector's need for cutbacks also leads to demands for improving efficiency throughout the entire process. Medical technology companies are therefore opting to concentrate on their core expertise to an increasing extent. This means that they outsource parts of their product development, production and assembly operations

to suppliers, which creates further business opportunities for Nolato Medical.

Companies are also making greater demands in terms of their suppliers' expertise, global presence and opportunities for parallel production flows. Significant business opportunities are created for the companies who can meet these requirements, while those with insufficient competitiveness run a greater risk. This is leading to consolidation, with smaller, local companies being eliminated or taken over, while large, global suppliers have the opportunity of advancing their market positions.

There is a trend in pharmaceutical packaging of large customers establishing regional packaging centres, usually in Europe, America and Asia, to gain an efficient supply chain. This coincides well with Nolato Medical's presence on these three continents.

Nolato's market position

Medical technology

Within medical technology, Nolato Medical is well established as a product and systems supplier mainly to customers with development units in Scandinavia. A wide range of technologies, combined with a high degree of industry-specific expertise within both development and production, provides a firm foundation for further growth.

Since 2006, Nolato Medical has been working in a goal-oriented manner to build an attractive technology platform and bolster expertise in design and development. This has resulted in an improved market position; Nolato Medical is among the elite



today. To use a sports analogy, its advancement is like going from fourth division to Premier League.

The acquisition of Contour Plastics in the USA in 2010 gave Nolato Medical a solid market position in North America. The acquisition also created opportunities to interest North American customers in Nolato Medical's global offering, and for European customers to carry out production in the USA as well as in Sweden, Hungary and China.

Nolato Medical is a global leading manufacturer in terms of both silicone injection moulding and the production of catheter balloons.

Pharmaceutical packaging

Nolato Medical is market leader in the Nordic region within pharmaceutical packaging, with around 60 percent of the entire market. Elsewhere in Europe, Nolato Medical is one of several respected suppliers with a comprehensive offering.

In recent years, Nolato Medical's growth in pharmaceutical packaging has been stronger on markets outside the Nordic region. For example, sales have increased sharply in Germany. Exports outside Northern Europe are also continually growing thanks to an inflow of new customers on new markets.

Further development

Within *medical technology*, the strategic plan involves the business area continuing to expand by growing organically, taking over production from customers (outsourcing) and through additional acquisitions.

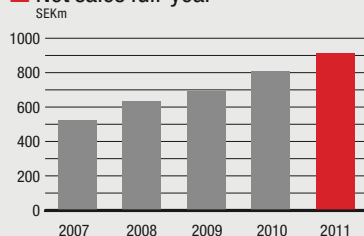
The systematic building up of resources and expertise in recent years has left Nolato Medical well placed to attract large, global customers and to participate in their system projects as a development and production partner.

The geographic platform will be reinforced further by expanding production capacity in low-cost countries and through acquisitions, mainly in Western Europe.

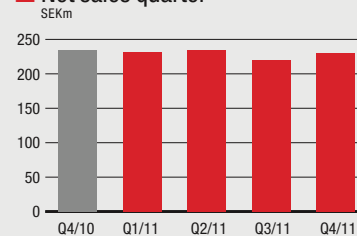
In *pharmaceutical packaging*, the strategic plan involves expanding the production platform further, and higher growth outside of the Nordic region, where we are also seeking acquisitions. Adding more production technologies and further production units might also be in the cards. ■

Nolato Medical: five-year review

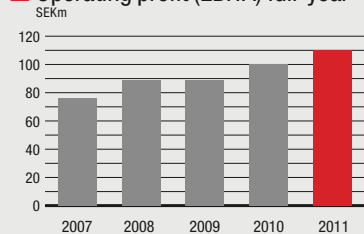
Net sales full-year



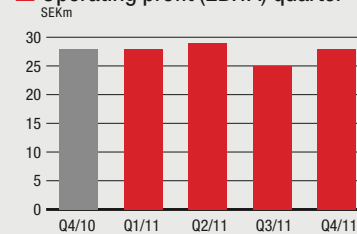
Net sales quarter



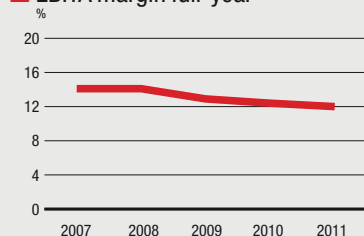
Operating profit (EBITA) full-year



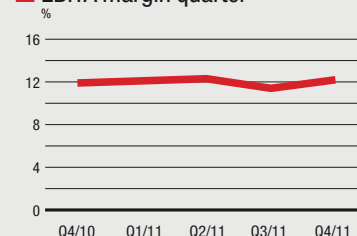
Operating profit (EBITA) quarter



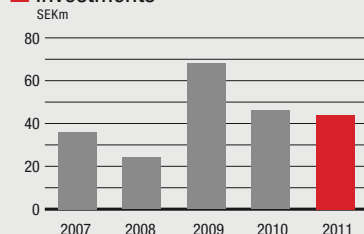
EBITA margin full-year



EBITA margin quarter

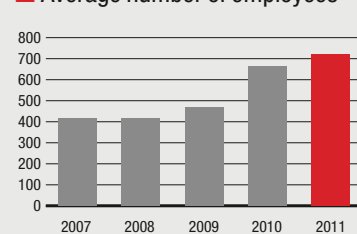


Investments

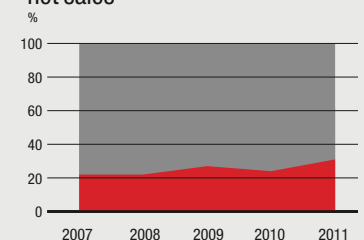


Affecting cash flow, excluding acquisitions and disposals.

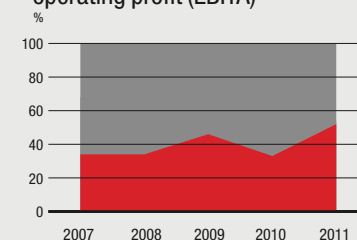
Average number of employees



Share of Group's net sales



Share of Group's operating profit (EBITA)



Nolato Telecom

Problematic year was managed well thanks to flexible production structure

■ Nolato Telecom in brief

Nolato Telecom offers design, development and production of components and subsystems in the mobile phone sector, often with significant cosmetic content, and products and systems for shielding electronics.

Financial highlights:	2011	2010
Sales, SEKm	935	1,575
Operating profit (EBITA), SEKm	11	122
EBITA margin, %	1.2	7.7
Average number of employees	4,052	6,252

Market:

Nolato Telecom's market consists of a few large, global companies within the mobile phone sector. These customers have high technological demands, extremely short development times and quick production start-ups. The products have a short life span.

Market trends:

Most mobile phones today consist of a large touchscreen at the front, so lots of resources are invested in making the remaining surfaces unique through design, choice of material and cosmetic/haptic effects. Plastic is the predominant material once more because of antenna problems in the use of metal.

Customers include:

Alcatel-Lucent, Ericsson, Huawei, Motorola, Nokia, Nokia Siemens Networks, RIM and Sony Mobile Communications.

Competitors include:

BYD, Chomerics, Foxconn, Hi-P, Jabil Green Point, Lite On Mobile, Nypro.

Sensitivity to business cycle:

High. Volatile market.
Project-based operations.

Product life cycle:

Short.

Success factors:

Short lead times, unique cosmetic design solutions, technology, advanced project management, production in Asia.

Geographic information:

Development, project management and production in China, India, Malaysia and Sweden. Sales and technology offices in Sweden, Taiwan and North America.

Head of Business Area:

Jörgen Karlsson

Nolato Telecom operates in a market featuring a few large, global customers within the mobile phone sector.

These companies have extremely high demands in terms of their suppliers' technology and their expertise and resources for dealing with extremely short development times and quick production start-ups.

Significant events in 2011

2011 was a problematic year for Nolato Telecom, with demand for the existing product portfolio decreasing sharply after the Chinese New Year at the beginning of February. Several project start-ups were postponed or cancelled, partly because of an electronics components shortage following the natural disaster in Japan and floods in Thailand.

Thanks to a flexible cost structure and rapid adaptation of the organisation and resources, the business area nevertheless posted a profit for the full year, despite sales being almost halved.

Following the cutbacks, focus has turned to developing the offering and product portfolio ahead of 2012, including:

- New patented technology with low

environmental impact; high-gloss paint around the entire phone with no masking or building up of paint at the edges.

- New technology for painting external LDS antennas.

– New technologies for processing silicone as a material for mobile phones, for cosmetic purposes and to achieve watertightness.

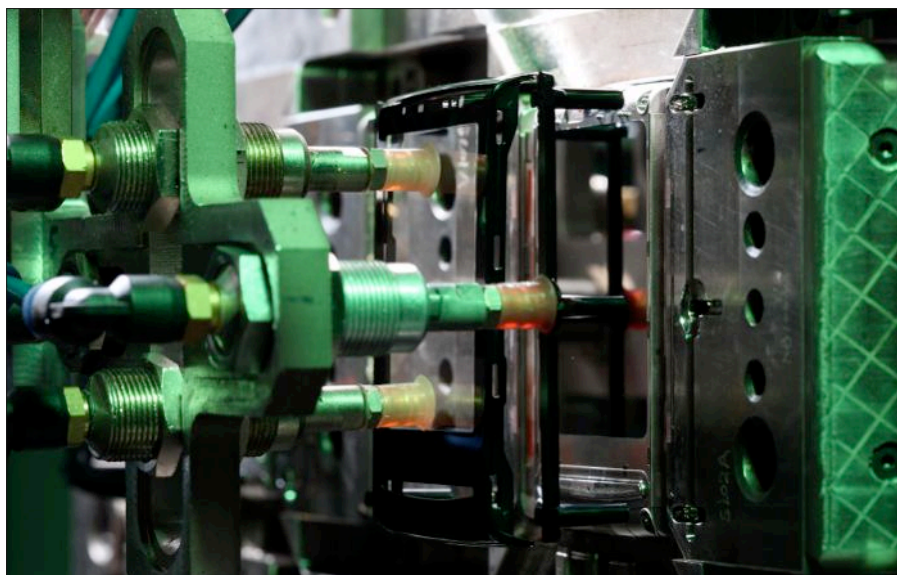
- New shielding gasket especially for base stations in the 4G/LTE networks.

– Rotary die-cut, plastic-based, non-conductive flexible and environmentally friendly alternatives to small metal mobile phone components.

Sales and profit 2011

Sales dropped by 41 percent to SEK 935 million (1,575), of which onward sales of touchscreens are included at approximately SEK 95 million (200). Excluding currency translation effects, sales fell by 37 percent.

Despite sharply reduced volumes during the year, the business area posts an operating profit (EBITA), amounting to SEK 11 million (122). The EBITA margin was 1.2 percent (7.7).





Unique technologies that make the mobile phone stand out from the crowd

Making a mobile phone that stands out from the crowd today is largely about creating a unique combination of cosmetic and tactile solutions. Both appearance

and touch appeal when the phone is hand-held are important competitive elements for mobile phone manufacturers. Nolato Telecom has therefore developed technolo-

gies that can create exactly what the mobile phone manufacturer wants to achieve. For instance, how about a phone with a shell feel to it? Or made from real wood?

The business area's operations

Subsystems for mobile phones

Components and subsystems for mobile phones dominate Nolato Telecom's operations, and comprise the development and production of complete mechanical modules and specialist components, such as advanced decoration solutions and mobile phone windows with a high degree of scratch resistance.

A mechanical module can be described in simple terms as the visible part of a mobile phone. Electronics, a battery, antennas and software are then added to the mechanical module during the manufacturer's final assembly to create a complete phone.

The operations feature intensive product development, short lead times and short product life spans, placing tough demands on suppliers' technology, project management and ability to deal with fast changeovers. A global project management organisation enables Nolato Telecom to work closely with its customers, often on-site at their development centres around the world.

Production takes place in Beijing, China.

Die-cut, adhesive components

Within this area, Nolato Telecom focuses on

developing and manufacturing small adhesive components with mechanical or cosmetic functions.

Typical products include die-cut components for applying on or in a mobile phone, such as logos, design elements and speaker grilles. These products are die-cut on a supporting tape and delivered to the mobile phone manufacturer's assembly line.

The development work is carried out together with our customers around the world. Operations are carried out in Beijing and Shenzhen, China, and in Chennai, India.

Shielding

Nolato Telecom develops process and material solutions for shielding electronics, including in mobile phone network base stations.

The business model is based on licensing the application process and the sale of materials and equipment to local agents, mainly in Asia and India. These agents then carry out the actual application work for end customers in, for instance, the telecommunications and electronics industries.

Technology and solution development and manufacturing the shielding material takes place in Sweden. Shielding production takes place in Sweden, China and Malaysia.

Examples of products

Subsystems for mobile phones

Injection-moulded, painted and decorated components that form the front and back sections of mobile phones, in certain cases integrated with touch-screens and other electronics ("mechanical modules"). Injection-moulded or milled display windows with high levels of mechanical and optical quality. Creative material and surface design with significant cosmetic and haptic content.



Die-cut, adhesive components

Small, designed adhesive components with mechanical and/or cosmetic functions, such as logos, speaker grilles and three-dimensional design elements.



Shielding

Materials and applications for dispensed, injection-moulded or extruded shielding of electronics from electromagnetic interference, such as for mobile phone network base stations.



■ The business area's units

Nolato Beijing

Beijing, China
MD Jörgen Karlsson

Lövepac Converting

Beijing, China
Shenzhen, China
Chennai, India
MD Dan Wong

Nolato Silikonteknik

Hallsberg, Sweden
Beijing, China
Kuala Lumpur, Malaysia
MD Anders Ericsson

■ Strategic objectives

2006 – 2011

- ✓ Establish a strong foothold on important markets
 - ✓ Beijing, China
 - ✓ Shenzhen, China
 - ✓ Chennai, India
- ✓ Increased competitiveness through specialist and niche thinking
- ✓ Own offering of "productised" technologies

2012 –

- ☐ Organic growth
- ☐ Extended customer base
- ☐ Vertical integration
 - Better competitiveness through technologies of our own and a high degree of expertise in project management and ramp-ups
 - Collaboration with other players in the value chain
- ☐ Further development of the shielding business

Market

For many years, the mobile phone market consisted of well-known, long-established companies selling traditional mobile phones that had been developed in-house. However, with Apple's iPhone and then Google's Android open operating system, the circumstances changed and computer-like mobile phones with touchscreens are now winning an ever larger share of the market.

Until now, these smartphones have been a separate segment, and have typically been expensive. However, the distinction between smartphones and ordinary mobile phones is being eroded as handsets in lower price classes are also being fitted with advanced operating systems that enable them to perform the same functions as the more expensive models.

This trend means that customers are demanding more in terms of the materials and design of high-end phones. Creative uniqueness when selecting materials and cosmetic effects have therefore become increasingly important.

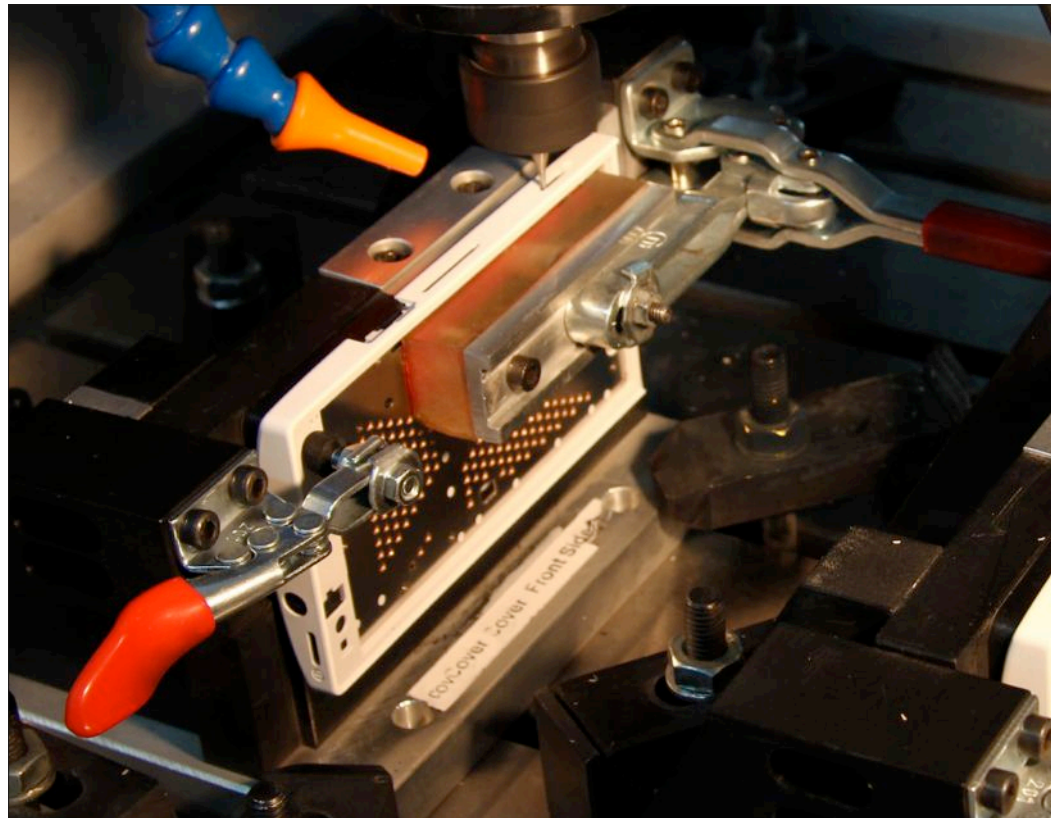
Nolato's market position

Suppliers within the mobile phone sector can be split up into three main groups:

- Vertical integrators, which can manufacture an entire phone (for example BYD, Foxconn)
- Mechanical suppliers with access to most mechanical technologies, but with limited resources within electronics (for example Jabil Green Point, Hi-P, Nolato and Nypro)
- Mechanical suppliers with limited technical expertise of their own, which therefore need to outsource elements of their production (mainly Chinese, local companies).

A large proportion of the volumes within the mobile phone sector is therefore dealt with by a few global vertical integrators, which can offer a global presence, a comprehensive technology offering, low production costs and resources for producing extremely large volumes.

Compared with these, Nolato Telecom is a small player. We therefore focus mainly on the upper segment of the market, and differentiate ourselves through technological cutting-edge expertise within fields such as developing mechanical components with significant cosmetic and tactile content. Nolato's global market share is only around a few percent.



Nolato Telecom is regarded by its customers as being a highly competent partner, and is usually awarded projects featuring advanced production technology and strict demands in terms of cosmetic and tactile performance.

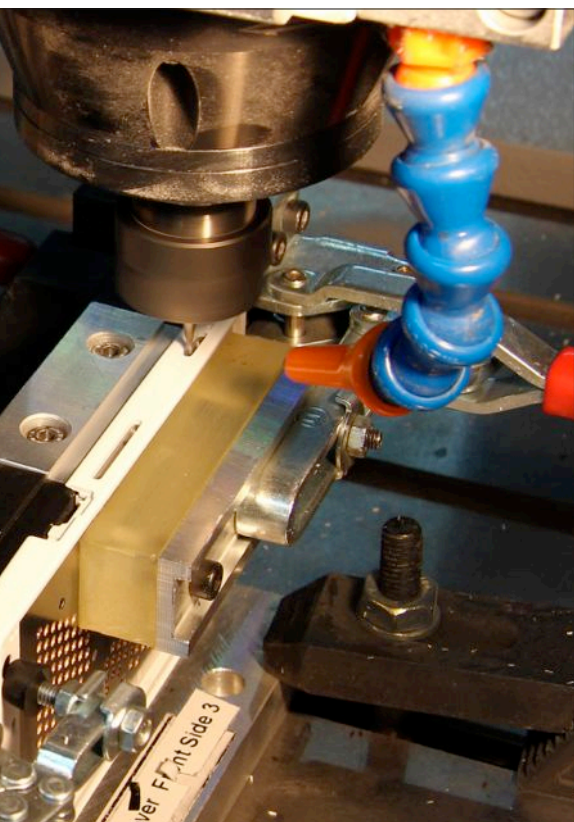
Further development

The design trend within mobile phone manufacturing is heading towards fewer components, but with more added value per component.

Mobile phone manufacturers are therefore actively seeking specialists who have the expertise to provide advanced technology. Nolato Telecom identified this trend early on, and has therefore consciously invested in the technology, equipment and expertise needed to proactively offer customers attractive solutions.

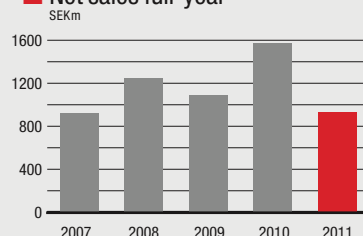
In the mobile phone sector, its strategy is to be the best niche technology supplier and offer customers differentiated products, often with significant cosmetic content. Growth in the mobile phone sector is to take place organically.

In the shielding area, expansion of the operations will take place through further market-related and technology initiatives. ■

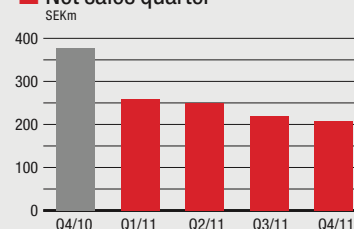


Nolato Telecom: five-year review

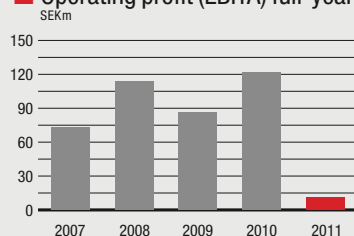
■ Net sales full-year



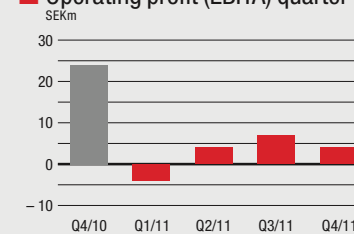
■ Net sales quarter



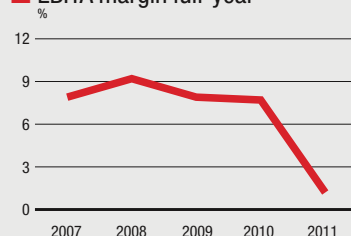
■ Operating profit (EBITA) full-year



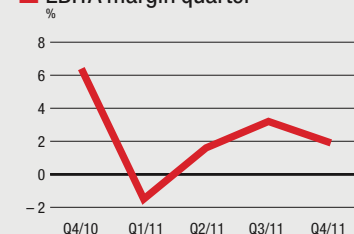
■ Operating profit (EBITA) quarter



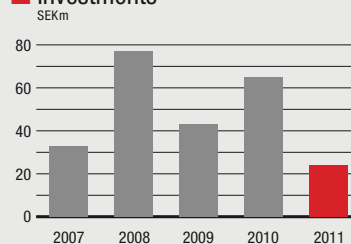
■ EBITA margin full-year



■ EBITA margin quarter

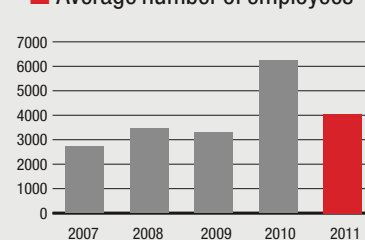


■ Investments

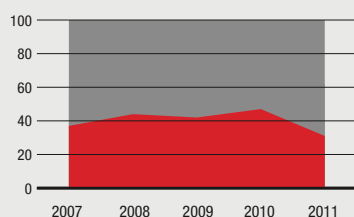


Affecting cash flow, excluding acquisitions and disposals.

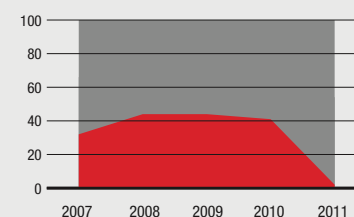
■ Average number of employees



■ Share of Group's net sales



■ Share of Group's operating profit (EBITA)



Nolato Industrial

Strong entrepreneurial companies with highly productive operations

■ Nolato Industrial in brief

Nolato Industrial's operations are based on strong, individual entrepreneurial companies that develop and manufacture products and product systems in plastic, TPE and rubber for customers working in the automotive industry, white goods, gardening/forestry, hygiene and furniture, as well as other selected areas.

Financial highlights:	2011	2010
Sales, SEKm	1,129	994
Operating profit (EBITA), SEKm	102	79
EBITA margin, %	9.0	7.9
Average number of employees	720	642

Market:

Nolato Industrial's market is fragmented and diversified, with a large number of global and local customers and suppliers.

Market trends:

Global companies are reducing their number of suppliers and outsourcing an increasing amount of their product development operations to suppliers. Plastic is gaining market share over metal for weight-related and environmental reasons.

Customers include:

Haldex, Husqvarna, IKEA, Kinnarps, Lindab, MCT Brattberg, Sanitec, Scania, SKF, Volvo, Volvo Car.

Competitors include:

Bladhs, Euroform, Konstruktionsbakelit, Nypro, Plastunion, Talent Plastics.

Sensitivity to business cycle:

Medium. Tracks the Northern European industrial business cycle.

Product life cycle:

Medium/long.

Success factors:

Technology, productivity, customer proximity.

Geographic information:

Development and production in Sweden, Hungary and Romania.

Head of Business Area:

Hans Porat

The Nolato Industrial business area develops and manufactures advanced products in plastic, TPE and rubber, primarily for Nordic industrial companies.

The market is fragmented and diversified, with a large number of global and local customers and suppliers.

Significant events in 2011

Nolato Industrial continued to perform well in 2011, with robust demand, market position gains and new products.

In Sweden, production space has been extended to cope with the higher demand.

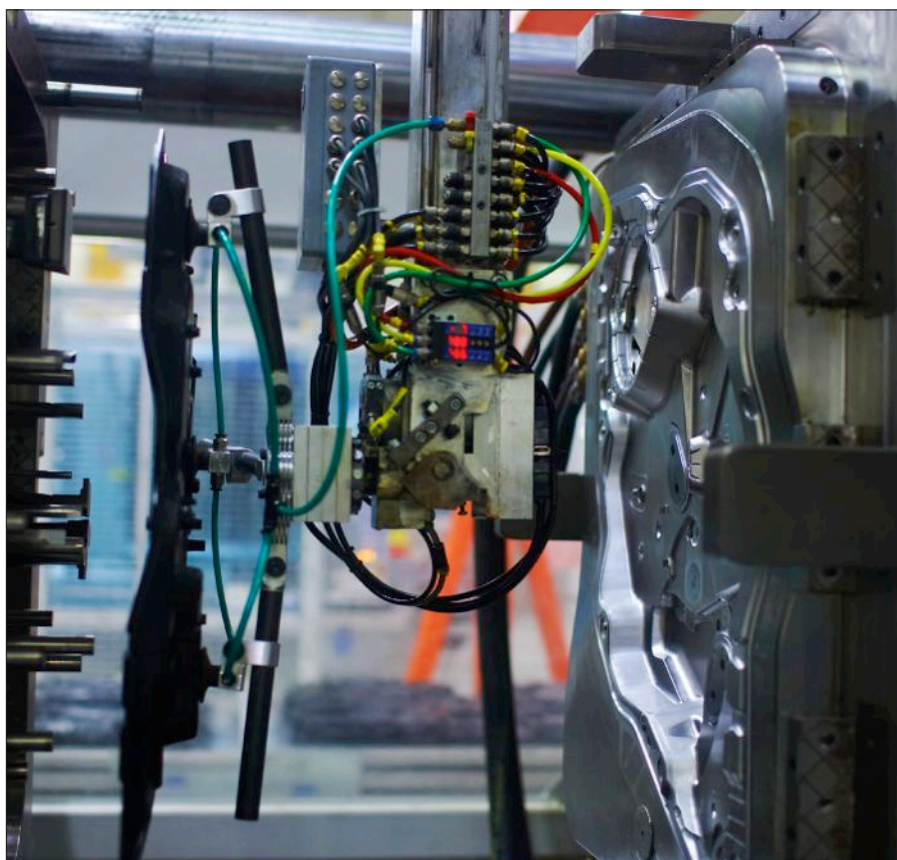
In competition with all of Volvo Car Corporation's suppliers globally, Nolato was awarded the prize *Award of Excellence for Cost Competitiveness*.

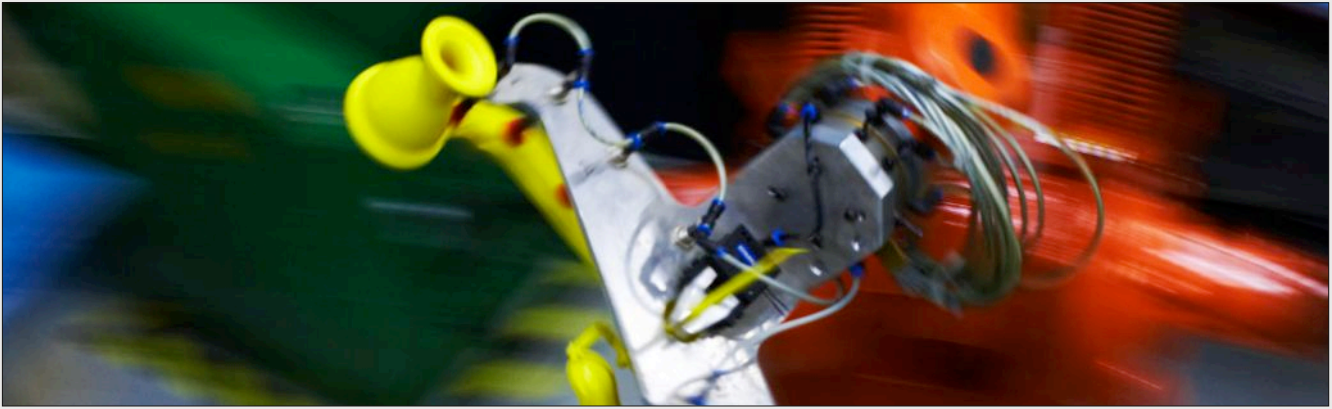
In the spring, Nolato Hungary started up a new production unit in Romania for manufacturing products in the hygiene sector. The unit has performed well and according to plan.

Sales and profit 2011

Sales rose by 14 percent to SEK 1,129 million (994). Excluding currency translation effects, sales rose by 16 percent.

Operating profit (EBITA) totalled SEK 102 million (79), with a strong EBITA margin of 9.0 percent (7.9). High capacity utilisation and a high productivity level had a positive impact on the margin.





Constant improvements are part of our everyday work

Being lean is in our genes. Ensuring that anything that does not ultimately benefit our customers is eradicated early on in the process. Through constant improvements,

optimising processes, reducing scrap, shortening lead times and finding new solutions. There is frequent evidence of our customers' appreciation of our work. Not only in

the form of, for instance, the Volvo Cars Award of Excellence for Cost Competitiveness. But also through customers' constant renewed confidence in us as a supplier.

The business area's operations

Nolato Industrial's business concept is based on eight strong, individual entrepreneurial companies, which create business opportunities both individually and in cooperation with each other.

Technological expertise, project management and highly efficient production provide excellent conditions for working closely alongside customers in connection with development and production solutions.

The customer offering includes development, project management and production using both soft and hard polymer materials, as well as combinations of these and other materials, such as metals.

Operations are aimed mainly at large industrial companies which attach importance to the supplier's development expertise, accurate deliveries, production capacity, quality and capacity for holistic solutions.

White goods, gardening/forestry, hygiene and packaging

Cooperation with customers within white goods, gardening/forestry, hygiene and packaging features high volumes and long product runs. The customers are global businesses with comprehensive purchasing operations. Within the Nordic area, their operations are often integrated into larger, international organisations.

Within the *gardening/forestry* customer

area, products include casings, gaskets and fuel systems for chainsaws.

Within *hygiene*, large volumes of consumer products are supplied. Production is mainly carried out in Hungary and Romania, and also in Sweden to a certain extent.

Products delivered to the *packaging industry* include large production runs of various types of polymer packaging, with strict demands in terms of airtightness, productivity, quality and accurate delivery.

Automotive industry

The automotive industry, in which Nolato Industrial is both a tier-one supplier and a tier-two supplier, accounts for more than a third of the business area's sales. Examples of products include gaskets, oil traps, membranes, filter holders, side valances, interior components and specialist fuel system tubes.

Its customers can be found in both the Nordic region and the rest of Europe.

Other industries

This area primarily includes customers located close to the company in question. Here too, there are large global companies with significant purchasing operations and large volumes, but there are also a number of medium-sized and small companies.

Customer relationships tend to be long term, featuring joint technological development and ongoing production.

■ Examples of products

White goods, gardening/forestry, hygiene and packaging

Components for microwave ovens, components for chainsaws (complete recoil housing, filler caps, intake pipes in rubber/metal, air filter holders, engine gaskets, cylinder gaskets, etc.), flush buttons and complete flushing mechanisms for toilets, transportation crates for the clothing industry.



Automotive industry

Brake components for heavy vehicles, gaskets for engines and exhaust systems, interior fittings, oil suction pipes, fuel hoses, membranes for crankcase ventilation, battery boxes, ducts, clamping, runners, fuel gaskets.



Other industries

High-voltage adapters, water membranes, ball retainers and storage seals for ball bearings, copper foils for soldering heat exchangers, armrests for office chairs, water membranes, conveyor belts, gaskets for ventilation ducts, transportation protection for rock drills.



■ The business area's units

Nolato Gota

Götene, Sweden
MD Peter Holterberg

Nolato Hertila

Åstorp, Sweden
MD Håkan Hillqvist

Nolato Hungary

Mosonmagyaróvár, Hungary
MD Johan Arvidsson

Nolato Lövepac

Skånes Fagerhult, Sweden
MD Henrik Enoksson

Nolato Plastteknik

Göteborg, Sweden
MD Magnus Hettne

Nolato Polymer

Torekov & Ängelholm, Sweden
MD Anders Willman

Nolato Romania

Negoiesti, Romania
MD Johan Arvidsson

Nolato Sunne

Sunne, Sweden
MD Bo Norlin

■ Strategic objectives

2006 – 2011

- ☒ Market share
- ☒ Productivity
- ☒ Cash flow

2012 –

- ☐ Market share
- ☐ Productivity
- ☐ Cash flow
- ☐ Selective geographic expansion
 - alongside customers
 - through selective acquisitions that bring new customers or technologies

Market

The European market for conversion of polymer products is fragmented, consisting of almost 50,000 companies with combined sales of around EUR 50 billion.

The typical company is family-owned, turning over SEK 20–35 million annually and operating in a local market. With the exception of the packaging industry, there has been no widespread consolidation, often due to the local nature of business. The fact that business is done locally is due to the fact that the products in this market are often fairly bulky, making them expensive to transport.

The degree of differentiation within the Nordic region is just as strong as elsewhere in Europe. There are over 700 manufacturers of polymer products in Sweden, of which just under two thirds have fewer than five employees. Within plastic injection moulding, Nolato has around thirty Swedish competitors with combined sales of more than SEK 40 million. Nolato's companies are among the largest in the market.

In 2011 the market as a whole continued on an upward trend following the dramatic downturn of 2008/09. According to Statistics Sweden, industrial production in Sweden rose by 8.5 percent and automotive production by 22.4 percent compared with 2010. The market trend is heading towards

increased use of plastic as a replacement for metal, particularly in the automotive industry, where fuel consumption and hence weight is of great importance.

The choice of environmentally friendly materials (bioplastics) and production processes is also an important aspect of development work.

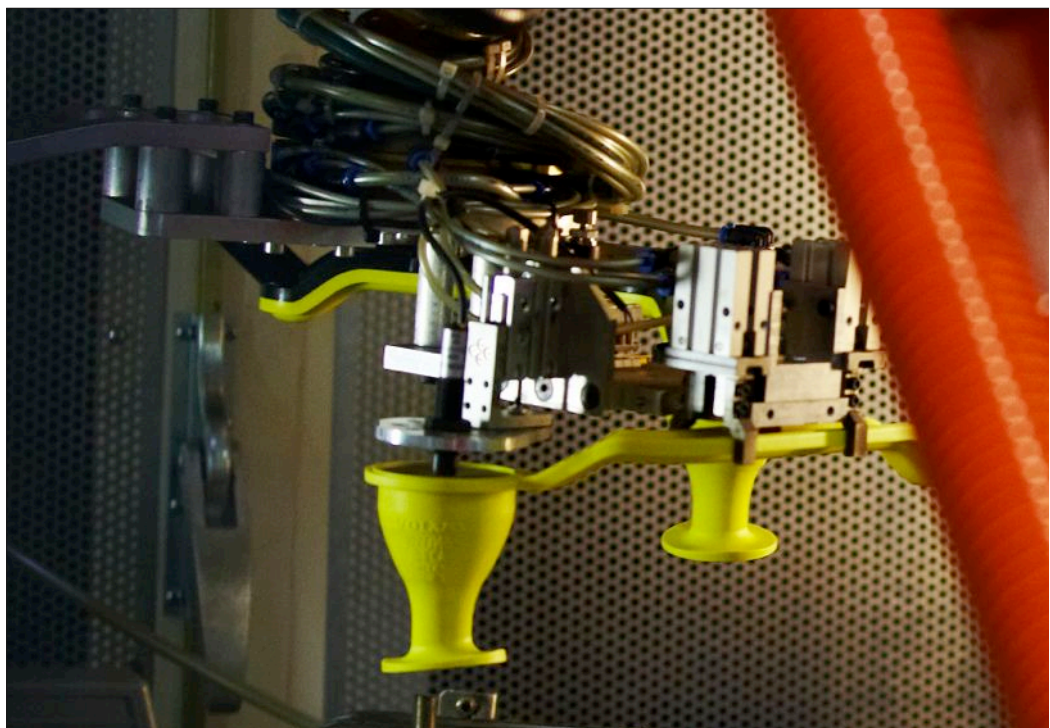
Earlier and more in-depth involvement in product development is leading to customers reducing the number of suppliers. This benefits companies like Nolato, which have significant resources and a strong financial position, and which can meet customers' increasingly high expectations in terms of development and technological offering.

The biggest risk in the market is that the large customer companies will transfer their production to low-cost countries, looking for new, local suppliers there.

Nolato's market position

Nolato Industrial is the Swedish market leader, with a market share of around 25 percent of business with those supplier companies with sales of over SEK 40 million. In Central Europe, Nolato Industrial has a strong position as a quality supplier of products in the hygiene segment.

The size and stability of the companies, combined with proximity to key customers, a high level of technological expertise, good



efficiency and committed employees, help to create a stable market position.

Further development

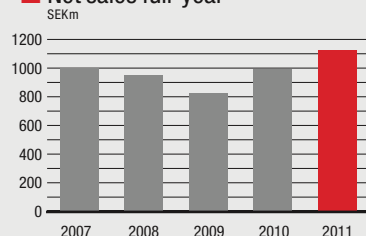
Nolato Industrial's key factors are proximity to customers, a high level of technological content and good productivity. A high degree of automation and production efficiency means that the competitiveness of the companies is constantly improving.

The combined strength inherent in the business area is important, enabling the business area's companies to benefit from shared resources. Examples of this include Group-wide purchasing, distribution of work and cooperation between different units, as well as clusters for customer groups or large customers. At the same time, it is extremely important to safeguard each individual company's entrepreneurial spirit, since this is where business is generated and, together with accurate product estimates, profitability is created.

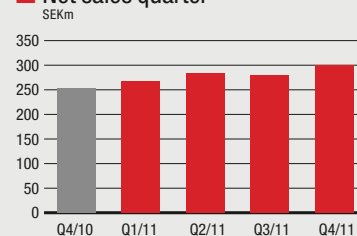
Nolato Industrial continues to focus sharply on the Nordic market and Nordic customers' exports. Growth will mainly occur organically, but selective geographic expansion might also be of interest. This can occur through, for instance, the acquisition of companies with unique technological expertise or with a strong position in a particular customer segment. ■

Nolato Industrial: five-year review

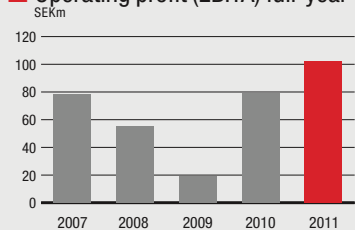
■ Net sales full-year



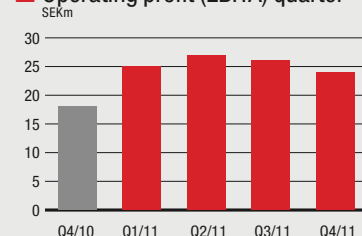
■ Net sales quarter



■ Operating profit (EBITA) full-year



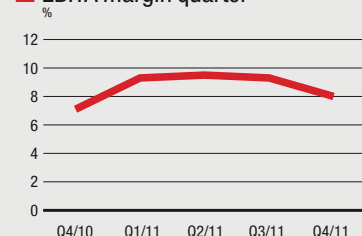
■ Operating profit (EBITA) quarter



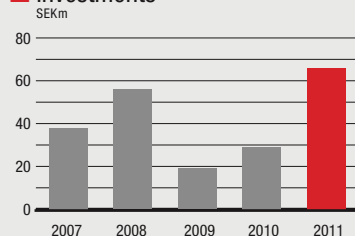
■ EBITA margin full-year



■ EBITA margin quarter

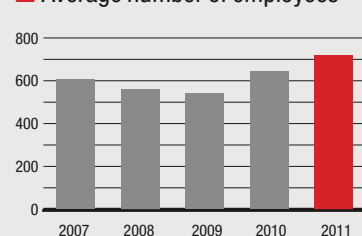


■ Investments

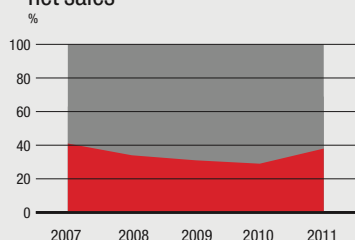


Affecting cash flow, excluding acquisitions and disposals.

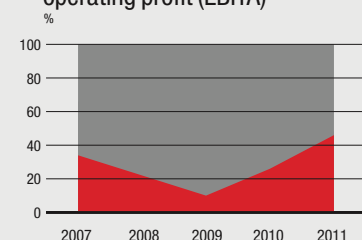
■ Average number of employees



■ Share of Group's net sales



■ Share of Group's operating profit (EBITA)



Goal-oriented sustainability work

■ Sustainability strategy

The strategy for our sustainability work is based on the following cornerstones:

Integration with business operations

Sustainability work is essential for sound business operations. Taking sustainability aspects into account is therefore a normal feature of, for instance, investments, company acquisitions, customer and supplier relationships, transportation and in the development of products and production processes.

Systematic, target-oriented sustainability work

We work in accordance with the basic principle of “what gets measured gets done”. We therefore have a comprehensive system to gather data within the field of sustainability, establish goals and then follow up on the results.

This also involves the certification of all production units in accordance with environmental management system ISO 14001. We also review and perform systematic audits to ensure that our suppliers meet the requirements of our Code of Conduct and environmental policy.

Openness and dialogue with stakeholders

Openness and transparency have long been a matter of course for Nolato. This includes, for example, reporting the Group's sustainability performance in accordance with the GRI (Global Reporting Initiative) guidelines, level B.

We also have an ongoing dialogue regarding sustainability with different stakeholders such as customers, suppliers, investors and various public institutions.

Target-oriented activities

Sustainability work is based on the environmental targets set within the framework of the environmental management system. An account of the Group's overall goals and outcome in 2011 is provided on page 29.

Endorsement of the UN's Global Compact

Since 2009, Nolato has been an endorser of the United Nations' Global Compact, an initiative with ten principles regarding the environment, working conditions, human rights and anti-corruption measures.

→ Read more in our sustainability report at www.nolato.com/sustainability

Nolato has strong core values, which have evolved from the down-to-earth, ethical and professional philosophy that has characterised the company ever since it was founded in 1938, and which are based on the view that efficient and profitable business operations must be combined with responsibility for people and the environment.

In recent years, Nolato has evolved into a Group with extensive international operations, with more than eight out of ten employees working outside Sweden.

This has placed new demands on our sustainability work, for instance, in terms of our social responsibility initiatives in China, which was home to 71 percent of our employees in 2011.

Units under own management

At the end of the year, Nolato had 21 production units at 18 locations in Sweden, Hungary, Romania, China, India, Malaysia and the USA.

All of the units are wholly owned by Nolato, which enables a Group-wide way of dealing with matters relating to the environment, ethics and social responsibility.

Active governance of sustainability work

Matters relating to the overall sustainability strategy, our goals and reporting of the outcome are managed at Group level. Follow-up occurs at Board and management meetings and in the evaluation of the production units.

The Group's overall values and policy documents must be adhered to. However, in accordance with Nolato's decentralised organisation, the Group companies have a relatively high degree of freedom to draw up themselves how the work is to be implemented in everyday operations. The MD of each company has the ultimate responsibility for all matters relating to the environment, ethics and social responsibility.

Sustainability reporting according to GRI

Since 2008, we have reported in accordance with the GRI (Global Reporting Initiative) guidelines. The purpose of this reporting

system is to make it easier for various stakeholders to assess and compare organisations from a sustainability perspective. The key figures reported help us to maintain a focus on important areas.

Nolato reports in accordance with GRI level B, which we deem to be a reasonable level. It gives the Group's stakeholders relevant information about our sustainability work.

An important part of monitoring and communication is the Group's annual sustainability report. Since 2011, this has been issued as a separate document and complements the sustainability section of the annual report.

The separate sustainability report provides the results of our work in more detail.

Environmental management systems

All Nolato production units are to be certified in accordance with the requirements of the environmental management system ISO 14001. Certification is an important tool in the systematic work, with internal and external audits that place demands in terms of constant improvements in sustainability work. The first unit was certified as early as in 1997.

In 2011, Nolato Contour, which was acquired by the Group in 2010, has prepared its certification. The certification institute's audits were carried out in January 2012, and certification is expected to be complete in March 2012. Certification work is also under way at Lövepac Converting in India, and certification is expected in 2012. The smaller, newly started up operations in Malaysia and Romania have not yet commenced their certification work.

Since 2010, Nolato Beijing has also been certified in accordance with occupational health and safety management standard OHSAS 18001, and work is in progress to introduce this occupational health and safety system at Lövepac Converting's units in China as well.

Group targets show the way

In the framework of ISO 14001, manage-



Nolato has overall sustainability targets in three main areas, which complement the local environmental targets of the individual units. See page 29 for the 2011 outcome.

ment of environmental work by objectives is an important element. In 2011, the Group therefore set Group-wide targets for the entire area of sustainability to complement the local environmental goals of each individual unit.

The overall sustainability targets are to stimulate the establishment of detailed goals and the implementation of tangible activities. We are already seeing many positive effects of these activities. However, the work is by no means complete and the targets are unchanged for 2012.

An account of the Group's sustainability targets and outcome in 2011 is presented in the table on page 29.

CSR in China

Nolato has a large number of employees in China. We have therefore monitored the criticism surrounding working conditions among suppliers in the mobile phone sector, and in 2011 we have had a major focus on CSR. This applies in particular to the working conditions of employees, such as minimum age, salaries, overtime and remuneration for overtime.

In close collaboration with our large customers, we have implemented measures aimed at not only meeting statutory requirements, but also at bringing our operations into complete harmony with Nolato's own ethical and social values, and with our commitments in the framework of the Global Compact.

In Beijing, we have appointed a spe-

cial CSR group with specific responsibility for matters relating to social responsibility. Also, we have strengthened our management system, reviewed agreements with staffing agencies, inspected the physical circumstances of employees at work and at leisure, and revised our own personnel handbook.

We have also trained a number of employees in conducting CSR evaluations and intensified audits of our suppliers in order to ensure that they meet our requirements.

However, the circumstances in China are highly complex, and solutions in these areas are not always simple and straightforward. An example of this is that many employees in China want to do as much overtime as possible, and this can conflict with legislation in China and with our values.

We will therefore maintain our strong focus on these matters in 2012.

Everybody has the right of representation

Another important CSR matter is the right to organise trade unions and of representation by employee representatives. In accordance with our Code of Conduct, all Nolato employees have such rights. This also includes the right to collective negotiations and agreements.

At the units in China, there are unions in accordance with the rules applicable to large companies in China. All staff are provided with information about the union upon employment, and can then make their own decision on membership. In 2011, all

The Nolato Spirit

Nolato has five fundamental value and policy documents, which convey the values, principles and attitudes that make up our core values.

Nolato's Basic Principles

The Basic Principles make up the common values platform for all Group operations, and are thus the guiding force for all Nolato employees, regardless of where in the world or in which part of the organisation they may work.

Nolato's Code of Conduct

The Code of Conduct formalises the content of the Basic Principles in terms of our ethical and compassionate principles.

Nolato's Environmental Policy

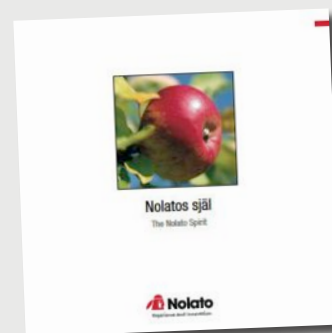
The Environmental Policy formalises the guidelines for regard for the environment in the Basic Principles.

Nolato's Quality Policy

The Quality Policy outlines the underlying focus of our quality work.

Nolato's Information Policy

The Information Policy governs the dissemination of information by the Group, including in relation to listing requirements.

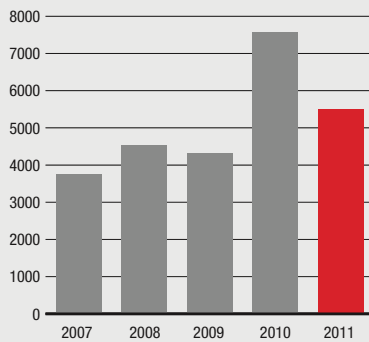
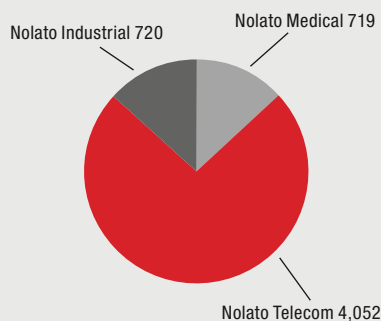
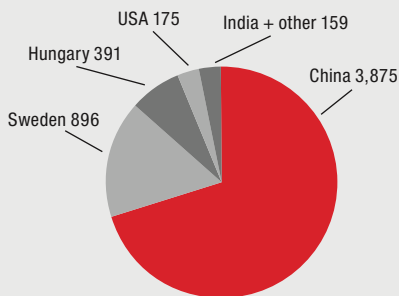


The five value and policy documents are compiled in the booklet the Nolato Spirit, which is available in the languages of the countries where Nolato operates.

In workplace meetings and new staff appointments, the Nolato Spirit is actively used as an aid to make all employees aware of the core values and guidelines applicable to their work at Nolato.

→ You can find the Nolato Spirit booklet at www.nolato.com/sustainability

■ Average number of employees

■ Employees per business area 2011
Year average■ Employees per country 2011
Year average

employees at Noloto in China were covered by collective agreements.

At the units in other countries, there are no unions or collective agreements, and this reflects the normal situation in these countries.

Working environment initiatives

For many years, our production units have had advanced systems for registering workplace accidents and undertaking corrective actions.

Most units have also systematically registered incidents (near misses) which could have led to a workplace accident.

Preventive working environment initiatives include risk analyses, working environment measurements, training, safety rounds and investments in technical protective measures. There are safety committees at all production units.

Further statistics about workplace accidents and incidents can be found in our separate sustainability report.

Zero tolerance of corruption

In accordance with our Code of Conduct and the Global Compact, Noloto's business methods shall be characterised by integrity and responsibility.

Noloto therefore has zero tolerance of bribery, corruption and cartel formation. These matters are complex, because the perception of what "normal business methods" are differs between countries and cultures.

We therefore work continuously with control and monitoring of the methods used by the units within the Group to conduct business by means of the following:

- Spreading shared values
- Ongoing monitoring of expenses/income
- Vigilance in business relationships
- Performing annual evaluations

Our evaluations show that there is nothing to suggest any deviations from the rules regarding bribery, corruption and cartel formation in 2011.

Increased evaluation of suppliers

In the 2010 annual report, we ascertained that Group activities regarding suppliers' fulfilment of our sustainability requirements must be developed further. We have therefore conducted advanced training and developed comprehensive checklists for supplier

assessments. In China, around 15 CSR auditors have been trained alongside one of our large customers in the mobile phone sector.

In 2011 around 200 suppliers were evaluated by means of questionnaires, and we conducted audits on site at suppliers' premises on 16 occasions, half of which were in China and South-East Asia. The result of these audits is positive and no significant deviations from our requirements have been registered.

The work relating to ensuring that suppliers continue to meet our requirements through monitoring and audits will intensify in 2012.

Active collaboration with customers

As a developer and manufacturer of polymer products and systems, many of our customers operate in industries where sustainability issues are high on the agenda. For example, customers require that we fulfil their codes of conduct, that we have introduced environmental management systems, that certain chemical substances are not permitted, that the products have environmental declaration and that recycled raw materials are used in certain products.

Customers conducted monitoring during the year at most of our production units to ensure that we are meeting the requirements. In general, we fulfil these requirements, but in certain cases a dialogue has commenced regarding improvement measures.

We learn from our customers' evaluation methods and in turn we forward the requirements into our own supplier chains.

Contacts with other stakeholders

Noloto also has many contacts regarding sustainability with other stakeholders of the Group. We continuously provide shareholders and other stakeholders with information about our sustainability work in articles in our company periodical Noloto Magazine, and we are in dialogue with analysts and investors to create full transparency into our work.

We arrange study visits, collaborate with schools and universities and support, for instance, sports associations in the regions where we operate. In this way, we also endeavour to strengthen Noloto's contacts with the local community.

Our separate sustainability report provides more information about this. ■

■ The Group's sustainability targets and outcome in 2011

Area	Sub-area	Overall targets	Outcome 2011
Environmental responsibility	Energy and climate	Energy consumption and emissions of greenhouse gases shall be reduced in relation to the Group's key ratios. As an intermediate target, every unit shall report energy targets for 2011 and carry out at least one energy efficiency project during the year.	■ Although several energy-efficiency measures have been implemented, the energy key ratio is unchanged in a five-year horizon. Carbon dioxide emissions have increased, chiefly due to new reports of carbon dioxide emissions from district heating purchased at the Beijing unit.
	Chemicals	Chemicals that are particularly hazardous to the environment or health shall be identified and phased out.	■ The target has been reached. Work with the identification and phasing out of chemicals is continually under way.
	Waste	The amount of waste produced shall be reduced in relation to the Group's key ratios. As an intermediate target, every manufacturing facility shall report waste targets for 2011 and carry out at least one waste-related project during the year.	■ Although measures for more efficient resource management have been taken at most units, waste amounts have increased slightly in relation to the Group's key ratios.
	Environmental management systems	Certified environmental management systems shall be introduced at all units. Company acquisitions and other changes may, however, mean that there are units at times that are not certified.	■ At the turn of the year, all but four units were certified. Nolato Contour was certified according to the requirements of ISO 14001 in March 2012 and Lövepac Converting in India in 2012. No certification activity is in progress at the smaller units in Malaysia and Romania.
	Environmentally friendly products	During 2011, Nolato shall take part in at least three projects aimed at reducing the environmental impact of new or existing products. These projects shall be carried out under Nolato's own management and/or together with customers or other partners.	■ The target has been reached.
Social responsibility	Ethical and compassionate principles	There shall be no cases of infringements of human rights, discrimination or forced labour. Active information shall continue to be provided to employees and new employees.	■ The target has been reached. Information for and training of employees in this area are continuously under way.
	Safe workplaces	Continued preventive work shall minimise the number of workplace-related accidents and illnesses. The reporting of incidents (near misses) at production units shall be improved.	■ The target has been reached in terms of preventive work. Incident reporting is now in place at the majority of units, but remains to be introduced at certain units.
Business partners and other stakeholders	Anti-corruption	There shall be no cases of bribery, corruption or cartel formation. Active information shall continue to be provided to employees and new employees.	■ The target has been reached. This is an area of great interest in many contexts and our preventive efforts are continuously under way.
	Suppliers	When entering into agreements with suppliers, requirements shall be imposed in relation to the environment and social responsibility. During 2011, Group-wide tools shall be devised for effective supplier evaluation. Every company shall have evaluated at least five sub-suppliers in 2011 with regard to the environment and sustainable development.	■ Significant initiatives have been implemented during the year. For instance, evaluation tools have been developed. We are actively furthering our efforts by means of monitoring and audits to ensure that suppliers meet our requirements.
	Customers	Customer requirements in relation to the environment and social responsibility shall be met by a comfortable margin. In 2011, collaborative projects with key customers on sustainability issues shall be developed further.	■ Customer requirements have largely been met. However, this is an area where both requirements and monitoring from many customers are on the rise.
	Society, investors and analysts	Reporting shall occur in accordance with the GRI, level B. Nolato shall continue to endorse the Global Compact. We shall achieve good results in evaluations by analysts and independent institutions through transparent information within the field of sustainability.	■ The reporting and endorsement targets have been met. However, we must be more active in terms of information about our sustainability initiatives, particularly in relation to working conditions in China and the demands we place on our suppliers.

→ Our detailed sustainability report is available at www.nolato.com/sustainability

Directors' report

Nolato is a high-tech developer and manufacturer of polymer product systems for leading customers working within fields such as medical technology, pharmaceuticals, hygiene, telecommunications, the automotive industry, white goods, gardening/forestry and furniture.

Nolato AB, the Group's parent company, is a limited company, corporate identity number 556080-4592, with its registered office in Torekov, Sweden. Its head office address is 269 04 Torekov.

The Group's operations take place within subsidiaries which are wholly owned by the Parent Company. In 2011, there were operational subsidiaries in Sweden, Hungary, Romania, China, India, Malaysia and the USA, and sales companies in France and Norway.

Three business areas

In order to ensure optimal conditions for specialisation and close cooperation with our customers, the Group is divided into three business areas: Nolato Medical, Nolato Telecom and Nolato Industrial.

Nolato Medical offers medical technology and pharmaceutical companies the development and production of components and complete products in plastic, silicone rubber, TPE and latex.

Nolato Telecom offers companies in the mobile phone sector design, development and production of components, complete products and specialist solutions, often with high demands in terms of cosmetic design.

Nolato Industrial offers companies in the automotive industry, white goods, gardening/forestry, hygiene, furniture and other selected areas development and production of components in plastic, rubber and TPE.

Operations in 2011

Consolidated sales for the Nolato Group totalled SEK 2,977 million (3,375) in 2011. Operating profit (EBITA) was SEK 199 million (262). Profit after net financial income/expense was SEK 183 million (243). Profit after tax was SEK 132 million (187), with earnings per share of SEK 5.02 (7.11).

Nolato Medical's sales rose by 13 percent to SEK 917 million (808). Organic growth was 7 percent excluding currency translation effects. The majority of the business area's customer segments experienced solid growth in volumes, and operations have performed in line with market growth.

Operating profit (EBITA) rose to SEK 110 million (100). The EBITA margin was 12.0 percent (12.4). Nolato Medical continues with its project and technology initiatives,

which brought about a slightly lower margin.

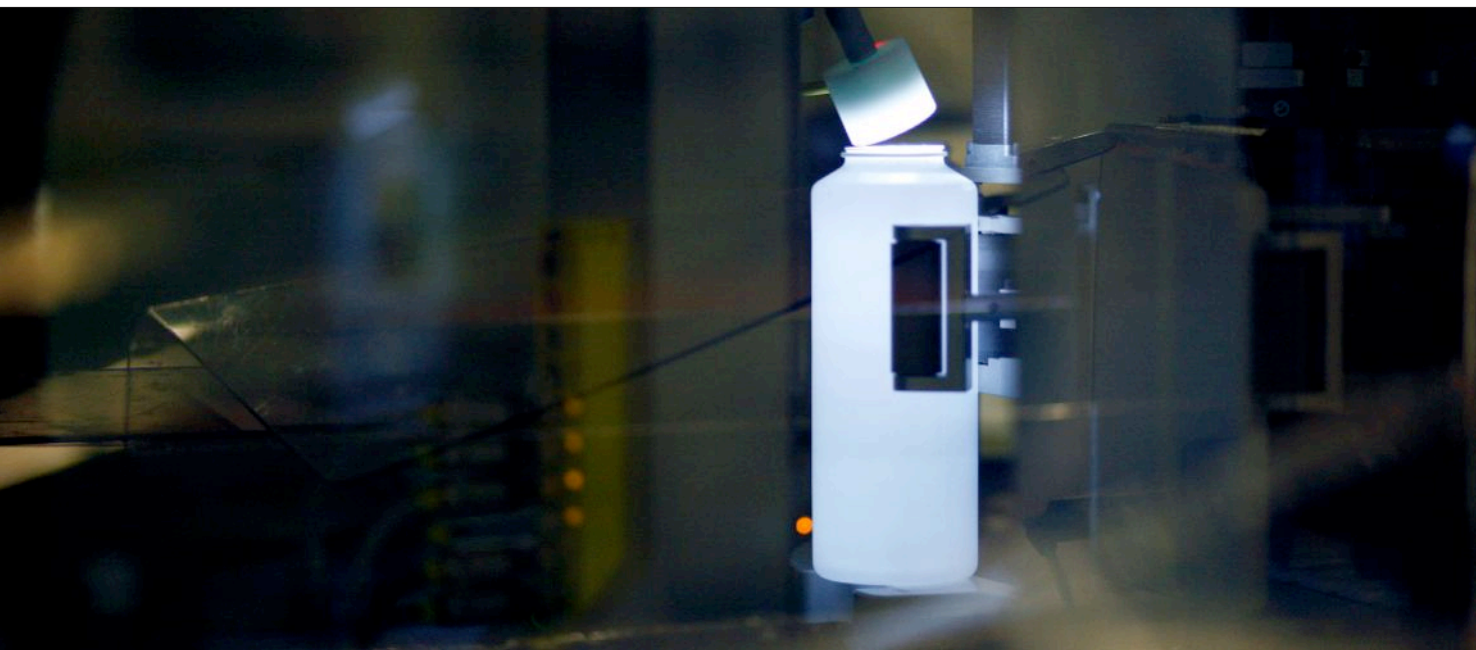
Nolato Telecom's sales dropped by 41 percent to SEK 935 million (1,575), of which onward sales of components (touchscreens) are included at approximately SEK 95 million (200). Excluding currency translation effects, sales fell by 37 percent. Following a strong start to the year, there was a sharp drop in demand for the existing product portfolio. Several start-ups of new projects were postponed or cancelled, partly because of an electronics components shortage following the natural disaster in Japan.

Operating profit (EBITA) fell to SEK 11 million (122). The EBITA margin was 1.2 percent (7.7).

Nolato Industrial's sales rose by 14 percent to SEK 1,129 million (994). Strong demand, market position gains and new products all contributed to higher sales. Excluding currency translation effects, sales rose by 16 percent.

Operating profit (EBITA) totalled SEK 102 million (79), with a strong EBITA margin of 9.0 percent (7.9). High capacity utilisation and a high productivity level had a positive impact on the margin.

In 2011, the business area set up a small production unit in Romania.



Comments on the consolidated income statement

Net sales

The Group's net sales totalled SEK 2,977 million (3,375) in 2011, a drop of 12 percent compared with 2010. Currency effects had a 3 percent negative impact on sales.

Nolato Medical continued to show healthy growth, with sales rising by 13 percent. Organic growth was 7 percent excluding currency translation effects.

Nolato Telecom's sales decreased 41 percent. Excluding currency translation effects, sales fell by 37 percent. Onward sales of components (touchscreens) are included at approximately SEK 95 million (200).

Nolato Industrial's sales rose by 14 percent. Excluding currency translation effects, sales rose by 16 percent.

Gross profit

Gross profit amounted to SEK 367 million (486), and decreased chiefly because of lower sales. Gross profit is sales minus the cost of goods sold. The cost of goods sold consists of production costs for materials and manufacturing salaries, as well as other production expenses.

As a percentage of sales, the gross margin was lower than in 2010, mainly because of low volumes and hence weak profitability for Nolato Telecom.

Total depreciation/amortisation rose to SEK 170 million, compared with SEK 154 million in 2010. This consisted mainly of depreciation of fixed assets in production, which is included in the cost of goods sold in the income statement at SEK 158 million (141). The increase in depreciation/amortisation is mainly due to fixed asset write-downs in the amount of SEK 25 million at Nolato Telecom.

Other operating income

Other operating income increased, primar-

ily because of one-off income from a bankruptcy payment.

Selling and administrative expenses

Selling and administrative expenses decreased compared to 2010 and amounted to SEK 216 million (236). These expenses consist of personnel costs and other costs associated with the sales organisation and administrative functions. In the previous year, the expenses were high due to acquisition activities and IT projects. The selling expenses also include costs for amortisation of intangible assets arising from acquisitions of SEK 9 million (9), and consist of amortisation of customer relationships that are assigned value in the acquisition analysis carried out in connection with acquisitions.

Operating profit

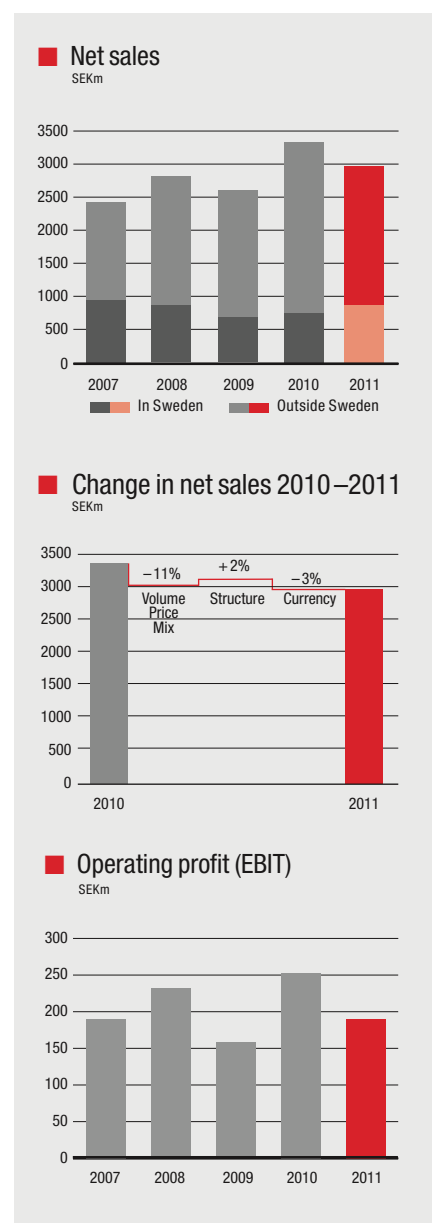
Operating profit was SEK 190 million (253). The reduction is chiefly an effect of lower sales and profit for business area Nolato Telecom.

Net financial income/expense

Net financial income/expense improved compared with 2010. The average level of debt was lower, which brought about an improvement in net financial income/expense. Profit after net financial income/expense was SEK 183 million (243).

Profit after tax

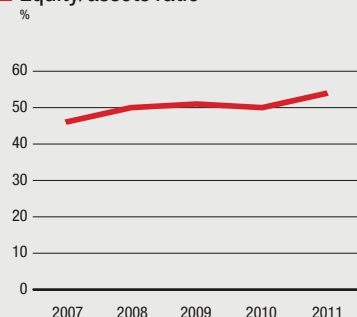
Profit after tax was SEK 132 million (187), with earnings per share of SEK 5.02 (7.11). The effective tax rate was 28 percent (23). The increased tax rate is due to a change in earnings between the countries in which the Group operates. The tax rates for subsidiaries in countries where the Group has significant operations are currently around 26 percent in Sweden, 15 percent in China, 19 percent in Hungary and 42 percent in the USA.



■ Return



■ Equity/assets ratio



Comments on the consolidated balance sheet

Assets

Total assets stood at SEK 2,144 million (2,350).

Fixed assets fell slightly because investments in the year were lower than depreciation.

Current assets in the form of inventories and accounts receivable decreased compared with 2010 as a result of lower sales.

Cash and bank balances decreased to SEK 124 million (239) despite increased cash flow before financing. The reduction was due to net amortisation of borrowings and higher dividend to shareholders.

Shareholders' equity

Shareholders' equity amounted to SEK 1,151 million (1,179). Shareholders' equity increased as a result of comprehensive income for 2011 of SEK 130 million including currency effects. Dividends in the amount of SEK 158 million were paid, there-

by reducing shareholders' equity. The equity/assets ratio at the end of the year was 54 percent (50). The return on shareholders' equity was 11.3 percent (16.5).

Liabilities

Accounts payable dropped compared with 2010 as a result of lower sales. The average total working capital requirement in relation to sales was 5.3 percent (4.1). Despite the lower capital employed, the reduction in earnings meant that the return on capital employed decreased to 13.9 percent (18.4).

Interest-bearing liabilities fell to SEK 206 million (273), since loan financing was amortised during the year. Interest-bearing assets totalled SEK 124 million (239), and net debt thereby increased to SEK 82 million (34).

Nolato has loan agreements of SEK 700 million, of which SEK 350 million matures at the end of 2012 and SEK 350 million in the middle of 2014. Of these amounts, SEK 587 million was unutilised at the close of 2011.

■ Financial position SEK million

	2011	2010
Interest-bearing liabilities, credit institutions	113	180
Interest-bearing pension liabilities	93	93
Total borrowings	206	273
Cash and bank	- 124	- 239
Net debt	82	34
Working capital	169	145
<i>As a percentage of sales (avg.) (%)</i>	<i>5.3</i>	<i>4.1</i>
Capital employed	1,357	1,452
<i>Return on capital employed (avg.) (%)</i>	<i>13.9</i>	<i>18.4</i>
Shareholders' equity	1,151	1,179
<i>Return on shareholders' equity (avg.) (%)</i>	<i>11.3</i>	<i>16.5</i>

Comments on the consolidated cash flow statement

Cash flow from operating activities

Cash flow before investments and disposals totalled SEK 246 million (370), affected mainly by lower earnings and an increased need for working capital. The change in working capital was a negative SEK 58 million (+30). The working capital requirement increased at the end of the year, chiefly in Nolato Telecom.

Cash flow from investment activities

Net investments affecting cash flow totalled SEK 134 million (286).

In 2010, the acquisition of Contour Plastics accounted for SEK 164 million of investments. Proceeds of SEK 18 million from the sale of property were received, which reduced net investments.

In 2011, gross investments in property, plant and equipment were SEK 131 million (137), and SEK 3 million (2) in intangible fixed assets.

Investments affecting cash flow excluding acquisitions and disposals are divided up between the Group's business areas as SEK 44 million (46) for Nolato Medical, SEK 24 million (64) for Nolato Telecom and SEK 66 million (29) for Nolato Industrial.

For Nolato Medical, investments have chiefly consisted of further machinery capacity in Sweden and Hungary, and construction in progress for the extension of

the factory in Hungary. Nolato Telecom's investments were low in 2011. The investments carried out consisted mainly of technology initiatives and investments in machinery replacement in China.

Nolato Industrial has carried out investments regarding further machinery capacity and for new projects. Investments have been made in Sweden, Hungary and Romania.

■ Investments SEK million	2011	2010
Capitalised dev. expenditure	3	1
Tenant rights	0	1
Buildings and land	13	3
Machinery and equipment	60	116
Construction in progress	58	18
Total investments	134	139

Affecting cash flow, excluding acquisitions and disposals.

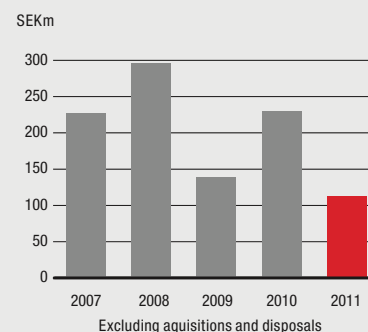
Cash flow after investment activities

Cash flow after investments totalled SEK 112 million (84, including acquisitions and property disposed of).

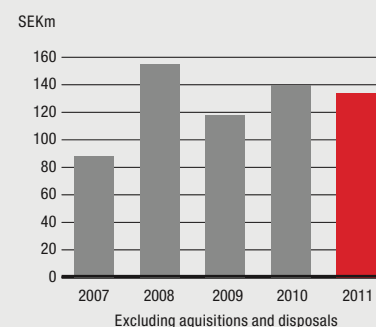
Cash flow from financing activities

Financing activities describe the Group's financing and dividends to shareholders, and totalled SEK -225 million (-10). This consists of net amortised loans of SEK -67 million (69 in borrowings) and dividends paid totalling SEK 158 million (79). In 2010, it was chiefly the acquisition of Contour Plastics in the USA that was financed.

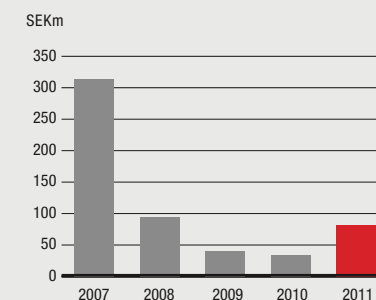
■ Cash flow after investments

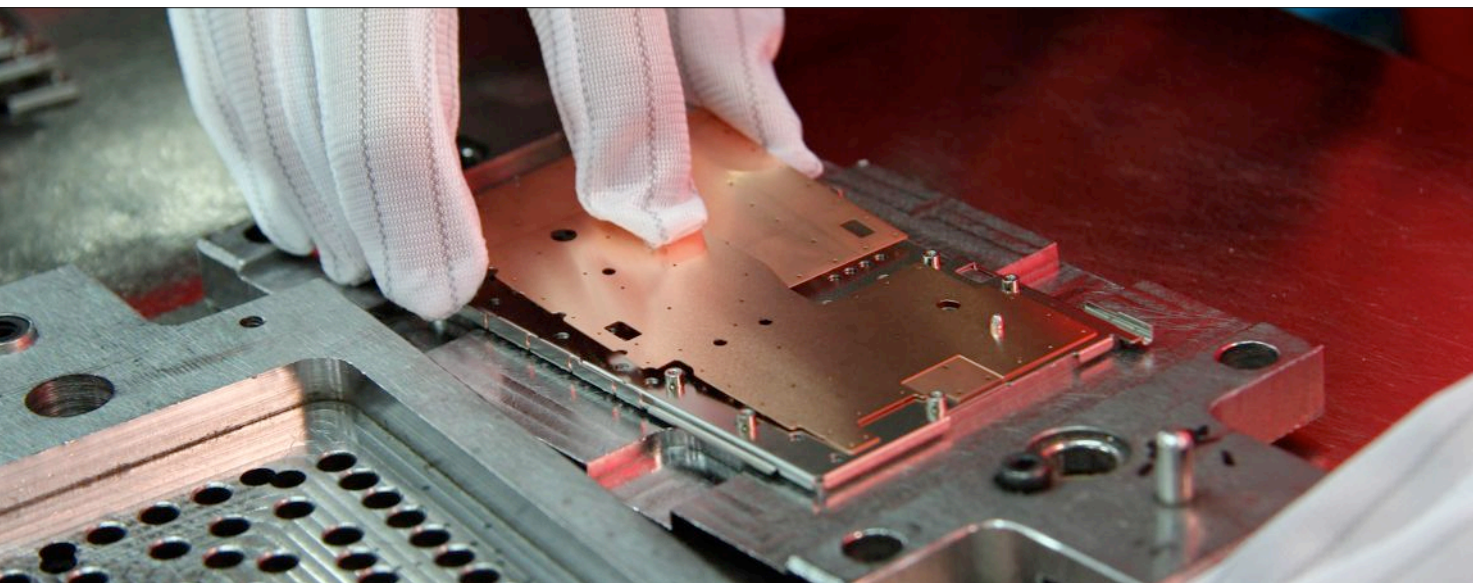


■ Investments



■ Net debt





The Parent Company

The Parent Company, Nolato AB, is a holding company which carries out joint Group management functions and financial and accounting functions.

Sales totalled SEK 19 million (23). The drop in sales is a result of lower costs levied on subsidiaries. Profit after financial income and expense was SEK 302 million (215). The rise in profit is mainly due to higher dividends from subsidiaries.

Employee information

The average number of employees at Nolato in 2011 was 5,496 (7,563), of which 898 (927) were in the Nordic region, 404 (362) in the rest of Europe, 175 (138) in the USA and 4,019 (6,136) in Asia. 84 percent (88) of employees worked outside the Nordic region.

71 percent (67) of the Group's total employees were women. At the European units, the proportion of female staff was 44 percent (44), 81 percent (73) at the Asian units, and 54 percent (47) in the USA.

Our equality work is carried out on a decentralised basis at each unit, in accordance with the individual companies' equality plans.

Social responsibility

At the end of the year, Nolato had 21 production units at 18 locations in Sweden, Hungary, Romania, China, India, Malaysia and the USA.

All of the units are wholly owned by Nolato, which enables a Group-wide way of dealing with matters relating to the environment, ethics and social responsibility.

In 2011, Nolato had a major focus on CSR in China. This applies in particular to the working conditions of employees, such as minimum age, salaries, overtime and remuneration for overtime.

In close collaboration with its large customers, Nolato has implemented measures aimed at not only meeting statutory requirements, but also at bringing the operations into complete harmony with Nolato's own ethical and social values.

In accordance with Nolato's Code of Conduct, all employees have the right to be represented by trade unions, and to collective agreements.

In Sweden and China, the majority of employees are covered by collective agreements. At the units in other countries, there are no unions or collective agreements, and this reflects the normal situation in these countries.

Environmental aspects

The Group's significant environmental aspects are the use of energy, raw materials and chemicals, emissions into the air and water, and waste. Systematic work is carried

out within the Group to reduce environmental impact and environmental risks, and to improve resource efficiency.

The majority of production units are certified according to ISO 14001 and external environmental audits were carried out during the year at all certified units. The Board reports on sustainability performance according to GRI guidelines, level B, and has endorsed the UN's Global Compact.

In Sweden, the Group carries out operations with notification obligations in accordance with the Swedish Environmental Code at all units. None of the units plan to renew any notifications in 2012.

The Group's units outside Sweden also require permits or are covered by similar requirements in accordance with environmental legislation in the country in question. There is no known requirement for any permit renewal in 2012.

Sales from operations with permit requirements and notification obligations make up all of Nolato's net sales.

In most cases, regular reports are submitted to the environmental authorities, and the supervisory authorities carry out inspections. No breaches of environmental legislation were registered in 2011. Neither were there any complaints from neighbours or other stakeholders.

A more detailed account of Nolato's sustainability work can be found on pages 26–29.

Nolato's complete sustainability report is available at www.nolato.se/hallbarhet.

Risks and risk management

Nolato's strategy includes continuously minimising operational risks through active and planned risk management, while still capitalising on the business opportunities that controlled risk-taking brings. The main features of risk management are identification, evaluation, governance, reporting, monitoring and control. For different types of significant risks, there are routines for accepting, reducing or eliminating the risk.

Operational risks

Operational risks arise in Nolato's day-to-day operations in connection with markets, customers, suppliers and production.

Market and customer risks

As a supplier, Nolato conducts operations that are highly dependent on customers' internal decisions and commercial performance. Factors among customers that we cannot influence, such as postponed or cancelled projects, higher or lower sales volumes and longer or shorter product life spans are therefore of great significance in terms of Nolato's sales and earnings.

It is not possible to eliminate this type of risk. However, through continual and close contact with our customers, we seek to minimise the consequences of such changes. The operations are conducted in three customer-focused business areas with different orientations, so market and customer risks can be managed in the way that benefits each business area best.

Nolato Medical

Nolato Medical's market has promising long-term potential for growth, and the business area has grown sharply in recent years. The market consists of large, global customers, featuring demanding development work, long product life spans and strict requirements in terms of quality and safety.

A customer-focused organisation, with good understanding of customers' specific requirements in combination with cutting-edge expertise in technology and project management and continuous customer and market monitoring, limits the risks that can arise in the operations.

Nolato Telecom

Nolato Telecom's market has few customers and is considerably more volatile, with vary-

ing production volumes, short development times and fast technology changeovers. Now that all our mobile phone-related production is based in Asia, the business area has a high degree of flexibility and therefore greater opportunities to deal with these conditions in a cost-effective manner.

Nolato Industrial

Nolato Industrial operates in a fragmented and diversified market, which closely tracks the fluctuations of the Northern European industrial business cycle. The market features a large number of customers and a large number of suppliers, which requires continuous cost cutting and productivity increases. Nolato Industrial deals with this through its cost-effective, highly productive plants in Sweden, Hungary and Romania.

Customer dependence

Nolato Telecom has a greater dependency on a small number of large customers, whereas other business areas' customer bases are broader.

The Group's revenues are mostly derived from medium-sized and large global industrial groups. These tend to be open when it comes to providing information, and Nolato constantly monitors their financial position. This minimises – but does not eliminate – the risk of bad debt losses and other financial problems.

Supplier risks

Supplier risks involve both the risk of a supplier being unable to deliver on time or at the right quality and the risk of changes to prices from a supplier that cannot be passed on to the customer.

For input goods and machinery, this risk is limited by the fact that there are a number of alternative suppliers.

In terms of components for Group-supplied system products, the choice of supplier is usually made in consultation with the customer. In some cases, changing supplier requires customer approval.

The price of plastic and rubber raw materials is dependent on oil prices and currency fluctuations, as well as factors such as production capacity and production costs in the intermediate processing stages.

Quantities of plastic raw materials vary from business area to business area. For Nolato Telecom, with its many thin-walled products, plastic only accounts for around

■ The aim of Nolato's risk management

- Reducing the risks in the Group's operations while enabling good business opportunities to be strengthened.
- Creating a high level of risk awareness throughout the entire organisation, from operational functions at company level to the Group management and Board.
- Supporting Nolato's Board and Group management in risk assessments.
- Creating, by means of an open and reliable information flow, a basis for continual evaluation of risks and opportunities.
- Contributing to constant improvements at all levels through continual evaluation and monitoring of risks.

5 percent of the selling price on average, while the corresponding figure is around 10–15 percent for Nolato Medical and 20–30 percent for Nolato Industrial.

In certain cases, changes in raw material prices are dealt with through customer agreements. The right to make adjustments applies to these agreements where material prices have changed beyond certain agreed levels, limiting sensitivity to changes in material prices.

The price of electricity is also included in this risk category, since the Group's production operations are relatively electricity-intensive. The risk of rising electricity prices is addressed by the Group entering into fixed price agreements for 20–80 percent of electricity requirements for the next four to twelve quarters, with the aim of evening out the effects of price changes.

Quality and production risks

Nolato supplies products in accordance with its customers' technical specifications and quality requirements. These are dealt with daily by skilled staff in the operational Group companies.

The biggest risks of deviations in quality and production normally arise in connection with new product start-ups. This is particularly true when launching major mobile phone projects, where there is a risk of quality and production disruption which could have an impact on the Group's earnings. In order to counteract any such disruptions, the Group follows an advanced concept involving established quality assurance requirements and checklists.

The risk of error in customer deliveries is reduced partly by efficient and reliable quality control systems, and partly through very close contact with each customer.

All units in the Group, except those in India, Malaysia and Romania, are certified in accordance with ISO 9001. Most of them are also certified in accordance with the standard for the automotive industry, ISO 16949, or the standard for medical technology, ISO 13485. Nolato Cerbo is certified in accordance with the standard for pharmaceutical packaging, ISO 15378.

Property damage and business interruption risks

In order to manage property damage and business interruption in the Group (follow-

ing, for instance, fire, explosion, natural disaster, damage to machinery, and so on), Nolato continuously works on a risk management programme.

The basis of Nolato's proactive strategy for managing and, over time, reducing property damage and business interruption risks is *the Nolato Risk Management Handbook* and *the Nolato Risk Classification*.

The Nolato Risk Management Handbook

The Risk Management Handbook is an internal management document that describes the Group's desired risk level and the strategy for managing risks in the Group's units. The main purpose of the Risk Management Handbook is to reduce the probability of significant damage and guarantee delivery reliability to customers.

In 2011, the Risk Management Handbook was launched at all of the Swedish companies.

As part of Nolato's work with risk management, inspections of the production units are carried out alongside risk engineers from Nolato's external risk management advisors. This ensures that the risks are managed in line with the handbook, and that local management is supported in its risk management work. The inspections are carried out in the context of long-term planning, based on continual visits to all units.

Four of the Swedish units were inspected in 2011.

The Nolato Risk Classification

The Risk Classification is used to gain an overview of the compliance of risk level and risk management at the plants with the level stipulated in the Nolato Risk Management Handbook.

The result of inspections carried out in 2011 indicated a generally decent risk level. Both large and small discrepancies have been identified. Each unit is working on constant improvements and developing action plans for managing these discrepancies, and hence reducing the risk level.

All risk management in the Nolato Group occurs based on a cost/benefit perspective. Key investments and large discrepancies are investigated and given an order of precedence at Group level so that they can be managed in a way that is optimal for the entire group.

Legal risks

Nolato works with external lawyers and consultants on legal issues. The Group also has internal policies and regulations relating to which agreements senior executives are authorised to enter into.

Nolato holds few patents and little in the way of pattern or trademark protection, which is typical of the type of operations carried out by the Group.

Nolato is not involved in any ongoing legal disputes of any significance.

There is one ongoing tax dispute relating to Group contributions to foreign companies. A full provision has been made for any negative outcome. The Group is not involved in any other ongoing tax cases of any significance.

Nolato has agreements with financial institutions which can be terminated in the event of any significant change in the ownership control of the Company.

Financial risks

Financial risks include foreign exchange, interest rate, financing, credit and liquidity risks, as well as insurable risks. In order to manage these risks, the Group operates according to a financial policy adopted by Nolato's Board of Directors.

The Group's financial management is centralised within its financial department, which provides sound internal control and management of the Group's financial risks.

Comments and an account of the Group's financial risk management can be found in Note 4 on pages 49–50.

Risks relating to sustainability

More demanding environmental legislation, taxes, fees and other environmental requirements can entail significant costs for industrial operations.

There are also risks from a business perspective relating to the environment and social responsibility, which have been identified in recent years, with a particular focus on production in developing countries.

Nolato carries out regular risk assessments in the field of sustainability in the countries where we operate. The aim is to identify new risks and/or costs relating to the environment, ethics and social responsibility as early on as possible.

Operations with permit requirements

Nolato's production units have the permits required for their operations, and no new requirements from authorities that would involve significant costs have been identified in the year's review.

The Group's units also meet the requirements of the REACH chemical legislation.

Contaminated land and hazardous substances

There has been no known occurrence of contaminated land, neither are there any requirements in terms of investigations or decontamination.

There is no occurrence of asbestos to any significant extent, or of PCB.

Making products more environmentally friendly

Society has a growing interest in environmentally friendly products, and one identifiable business risk is our product range including products that are no longer accepted by customers.

As a supplier, Nolato has limited possibilities of countering this risk, because most products are manufactured by assignment of customers. Nolato works in close collaboration with them and continuously monitors developments to be able to initiate the exchange of existing materials with new, more environmentally friendly alternatives.

Guidelines for the remuneration of senior executives

The guidelines for the remuneration of senior executives agreed on at the latest Annual General Meeting are detailed in Note 11 on pages 53–54. This note also explains what happens if these executives resign or are dismissed by the Company. The guidelines for the remuneration of senior executives are essentially the same as the Board's proposals for guidelines proposed to the 2012 Annual General Meeting.

Nolato's shares

Nolato AB was listed on the Stockholm Stock Exchange in 1984, and its B shares are listed in the Mid Cap segment and are included in the Industrials sector.

The share capital totals SEK 132 million, 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.

At the end of 2011, Nolato had 7,425 shareholders. Only one individual shareholder, Backahill AB, with 16.5 percent of the votes, represents at least one tenth of the number of votes for all shares in the Company.

On 20 September, Lannebo Fonder disclosed that it has increased its holding and now represents over 10 percent of the capital in Nolato. Lannebo Fonder thus became the second largest shareholder in Nolato.

At the end of the year, the five largest shareholder groups in Nolato were the Paulsson family with 12.1 percent (12.1) of the capital, Lannebo Fonder with 10.3 percent (7.3), the Jorlén family with 10.1 percent (10.1), the Boström family with 9.5 percent (9.5) and Svolder with 6.6 percent (5.1).

Nolato does not have any restrictions on the transferability of its shares as a result of legal provisions or the company's Articles of Association.

Full information about Nolato's shares and shareholders can be found on pages 70–71.

Corporate governance

Information about the company's management and the work of the Board during the year can be found in the corporate governance report on pages 72–77.

Proposed appropriation of profits

The profit at the disposal of the Annual General Meeting is as follows:

Retained earnings	SEK 317 million
Profit for the year	SEK 238 million
Total	SEK 555 million

The Board of Directors and the President and CEO propose that these earnings be appropriated as follows:

Div. to shareh. of SEK 5.00 per share	SEK 132 million
To be carried forward	SEK 423 million
Total	SEK 555 million

The proposed dividend is, in the view of the Board of Directors, justifiable with respect to 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.

Events after the end of the financial year

No significant events have occurred since the balance sheet date.

Future performance

Nolato's financial position remains strong, creating freedom and opportunities to act, while enabling our customers to feel secure in their choice of Nolato as supplier. Combined with a high level of technological expertise and professionalism, modern production units and customer-adapted geographic presence in Europe, Asia and North America, this constitutes an excellent platform for the future operations.

However, Nolato does not provide any earnings forecast because as a supplier, the Company conducts operations that are highly dependent on its customers' internal decisions and commercial performance. Factors among customers that we cannot influence, such as postponed or cancelled projects, higher or lower sales volumes and longer or shorter product life spans, are therefore of great significance in terms of Nolato's future performance. ■

Consolidated income statement

SEKm	Note	2011	2010
Net sales	6	2,977	3,375
Cost of goods sold	7	– 2,610	– 2,889
Gross profit		367	486
Other operating income	8	39	5
Selling expenses		– 72	– 76
Administrative expenses	9	– 144	– 160
Other operating expenses	10	—	– 2
		– 177	– 233
Operating profit	11,18	190	253
Financial income	14	3	1
Financial expenses	15	– 10	– 11
		– 7	– 10
Profit after financial income and expense		183	243
Tax	17	– 51	– 56
Profit for the year attributable to Parent Company shareholders		132	187
Depreciation/amortisation included at	12	170	154
Earnings per share before and after dilution (SEK)		5.02	7.11
Number of shares on 31 December (thousands)		26,307	26,307
Average number of shares (thousands)		26,307	26,307

Consolidated comprehensive income

SEKm	2011	2010
Profit for the year attributable to Parent Company shareholders	132	187
Other comprehensive income		
Translation differences for the year on translation of foreign operations	0	– 17
Changes in the fair value of cash flow hedges for the year	1	14
Changes in the fair value of cash flow hedges transferred to profit for the year	– 3	– 12
Tax attributable to fair value valuation of cash flow hedges	0	– 4
Tax on transfers to the income statement attributable to cash flow hedges	0	4
Total other comprehensive income	– 2	– 15
Comprehensive income for the year attributable to Parent Company shareholders	130	172

Consolidated balance sheet

SEKm	Note	2011	2010
Assets			
Fixed assets			
Intangible fixed assets	19	434	441
Property, plant and equipment	22	706	718
Other securities held as non-current assets		2	2
Other long-term receivables		1	1
Deferred tax assets	17	40	30
Total fixed assets		1,183	1,192
Current assets			
Inventories	24	236	222
Accounts receivable	25	521	616
Current tax assets		4	19
Other receivables		62	44
Derivative assets	33	0	3
Prepaid expenses and accrued income		14	15
Cash and bank		124	239
Total current assets		961	1,158
Total assets		2,144	2,350
Shareholders' equity and liabilities			
Shareholders' equity			
Share capital	26	132	132
Other capital contributed		228	228
Other reserves	27	20	22
Retained earnings		771	797
Total shareholders' equity		1,151	1,179
Long-term liabilities			
Provisions for pensions and similar obligations	29	93	93
Deferred tax liabilities	17	115	109
Other liabilities, interest-bearing		—	0
Other provisions	31	4	1
Total long-term liabilities		212	203
Current liabilities			
Accounts payable		407	433
Current interest-bearing liabilities	28	113	180
Customer advances		13	32
Current tax liabilities		2	13
Other liabilities		35	36
Derivative liabilities	33	1	0
Accrued expenses and deferred income	32	210	274
Total current liabilities		781	968
Total liabilities		993	1,171
Total liabilities and shareholders' equity		2,144	2,350
Pledged assets	36	0	0
Contingent liabilities	37	2	2

■ Changes in consolidated shareholders' equity

SEKm	Attributable to Parent Company shareholders				Total shareh. equity
	Share capital	Other capi- tal contrib'd	Other reserves	Retained earnings	
Opening balance, 1 January 2010	132	228	37	689	1,086
Comprehensive income for the year	—	—	– 15	187	172
Dividend for 2009	—	—	—	– 79	– 79
Closing balance, 31 December 2010	132	228	22	797	1,179
Opening balance, 1 January 2011	132	228	22	797	1,179
Comprehensive income for the year	—	—	– 2	132	130
Dividend for 2010	—	—	—	– 158	– 158
Closing balance, 31 December 2011	132	228	20	771	1,151

Consolidated cash flow statement

SEKm	Note	2011	2010
	39		
Operating activities			
Operating profit		190	253
<i>Adjustments for items not included in cash flow:</i>			
Depreciation/amortisation		170	154
Provisions		7	11
Capital gain/loss on disposals		0	-4
Unrealised exchange rate differences		-9	14
Other items		7	3
Pension payments		-5	-4
Provisions paid		-3	-1
Interest received		3	1
Interest paid		-10	-10
Realised exchange rate differences		-1	-2
Income tax paid		-45	-75
Cash flow from operating activities before changes in working capital		304	340
Cash flow from changes in working capital			
Changes in inventories		-11	7
Changes in accounts receivable		102	-35
Changes in accounts payable		-47	-28
Other changes in working capital		-102	86
		-58	30
Cash flow from operating activities		246	370
Investment activities			
Acquisition of intangible fixed assets		-3	-2
Acquisition of property, plant and equipment		-131	-137
Acquisition of operations, excluding liquid assets		—	-164
Sale of property, plant and equipment		0	18
Acquisition of other financial assets		0	-1
Cash flow from investment activities		-134	-286
Cash flow before financing activities		112	84
Financing activities			
Borrowings		23	189
Repayment of loans		-90	-120
Dividend paid		-158	-79
Cash flow from financing activities		-225	-10
Cash flow for the year		-113	74
Liquid assets, opening balance		239	172
Exchange rate difference in liquid assets		-2	-7
Liquid assets, closing balance		124	239

■ Parent Company income statement

SEKm	Note	2011	2010
Net sales	5	19	23
Other operating income	8	5	4
Selling expenses		– 9	– 15
Administrative expenses	9	– 37	– 43
		– 41	– 54
Operating profit	5,11,12,18	– 22	– 31
Profit from participations in Group companies	13	327	241
Financial income	14	18	9
Financial expenses	15	– 21	– 4
		324	246
Profit after financial income and expense		302	215
Appropriations	16	– 35	– 32
Tax	17	– 29	– 24
Profit for the year		238	159

■ Parent Company comprehensive income

SEKm	2011	2010
Profit for the year	238	159
Other comprehensive income		
Exchange rate difference on monetary items in relation to overseas net investment	– 2	– 2
Comprehensive income for the year	236	157

■ Parent Company changes in shareholders' equity

SEKm	Restricted equity		Unrestricted equity			Total sh. equity
	Share-capital	Statutory reserve	Translation reserve	Retained earnings	Profit for the year	
Opening balance, 1 January 2010	132	228	4	395	—	759
Profit for the year	—	—	—	—	159	159
Other comprehensive income for the year	—	—	– 2	—	—	– 2
Comprehensive income for the year	—	—	– 2	—	159	157
Appropriation of profits	—	—	—	159	– 159	—
Dividend for 2009	—	—	—	– 79	—	– 79
Closing balance, 31 December 2010	132	228	2	475	—	837
Opening balance, 1 January 2011	132	228	2	475	—	837
Profit for the year	—	—	—	—	238	238
Other comprehensive income for the year	—	—	– 2	—	—	– 2
Comprehensive income for the year	—	—	– 2	—	238	236
Appropriation of profits	—	—	—	238	– 238	—
Dividend for 2010	—	—	—	– 158	—	– 158
Closing balance, 31 December 2011	132	228	0	555	—	915

■ Parent Company balance sheet

SEKm	Note	2011	2010
Assets			
Intangible fixed assets			
Software	19	1	—
Property, plant and equipment			
Equipment	21	0	0
Financial assets			
Participations in Group companies	23	485	483
Receivables from Group companies	30	307	392
Other securities held as non-current assets		2	2
Deferred tax assets	17	6	6
Total fixed assets		801	883
Current assets			
Receivables from Group companies		404	235
Other receivables		15	15
Prepaid expenses and accrued income		1	1
		420	251
Cash and bank		39	105
Total current assets		459	356
Total assets		1,260	1,239
Shareholders' equity and liabilities			
Shareholders' equity			
<i>Restricted equity</i>			
Share capital (26,307,408 shares)	26	132	132
Statutory reserve		228	228
		360	360
<i>Unrestricted equity</i>			
Retained earnings		317	318
Profit for the year		238	159
		555	477
Total shareholders' equity		915	837
Untaxed reserves	35	160	125
Other provisions	31	4	2
Long-term liabilities			
Liabilities to Group companies	30	17	17
Current liabilities			
Liabilities to credit institutions	28	0	30
Accounts payable		1	1
Liabilities to Group companies		148	205
Current tax liabilities		4	—
Other liabilities		1	1
Accrued expenses and deferred income	32	10	21
Total current liabilities		164	258
Total shareholders' equity and liabilities		1,260	1,239
Pledged assets	36	—	—
Contingent liabilities	37	225	92

■ Parent Company cash flow statement

SEKm	Note	2011	2010
	39		
Operating activities			
Operating profit		– 22	– 31
<i>Adjustments for items not included in cash flow:</i>			
Unrealised exchange rate differences, etc.		0	– 3
Dividends from subsidiaries		223	82
Liquidation profit from subsidiaries		9	—
Interest received		18	9
Interest paid		– 21	– 4
Income tax paid		– 11	– 44
Cash flow from operating activities before changes in working capital		196	9
Changes in working capital			
Changes in operating receivables and operating liabilities		– 304	50
Cash flow from operating activities		– 108	59
Investment activities			
Acquisition of property, plant and equipment		0	—
Acquisition of financial assets		—	– 1
Shareholders' contribution		– 2	– 6
Cash flow from investment activities		– 2	– 7
Cash flow before financing activities		– 110	52
Financing activities			
Borrowings		—	30
Repayment of loans		– 30	– 119
Change in long-term intra-Group transactions		90	18
Dividend paid		– 158	– 79
Group contributions received		151	133
Group contributions paid		– 9	– 5
Cash flow from financing activities		44	– 22
Cash flow for the year		– 66	30
Liquid assets, opening balance		105	74
Exchange rate difference in liquid assets		0	1
Liquid assets, closing balance		39	105

Note 1 General information

Nolato is a high-tech developer and manufacturer of polymer product systems for leading customers in medical technology, telecommunications, hygiene, automotive products and other selected industrial sectors.

The Parent Company Nolato AB, corporate identity number 556080-4592, is a limited company with its registered office in Torekov, Sweden. Its head office address is 269 04 Torekov, Sweden.

Nolato's B shares are listed on the NASDAQ OMX Nordic Exchange in the Stockholm Mid Cap segment and are included in the Industrials sector.

Note 2 Accounting and valuation principles

Compliance with standards and laws

The consolidated accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretations from the International Financial Reporting Interpretations Committee (IFRIC), as adopted by the EU. Recommendation RFR 1 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 the Parent Company's accounting principles.

Significant accounting principles applied

Apart from those exceptions described in further detail, the following accounting principles have been applied consistently to all periods presented in the Group's financial statements. The accounting principles have been applied consistently by the Group's companies. In addition, comparison figures have been reclassified in those cases where the principles have been changed in order to correspond with the figures presented in this year's financial statements, as described below.

Changes in the Group's accounting principles

Over the course of the year, the EU approved a number of new and amended IASB and IFRIC standards and statements, which entered into force during 2011. In those cases where the principles have been changed, the amended standards and statements have affected the Group's presentation of the financial statements and the reporting of operating segments.

New IFRS standards and interpretations not yet applied

IASB and IFRIC have issued new standards and statements which come into force for financial years beginning on 1 January 2012 or later. There are no plans for the early application of new or amended standards and statements for future application. An important amendment to IAS 19, applicable as of the financial year starting 1 January 2013 with retroactive application, is the disappearance of our current application of the corridor method as a mechanism to even out actuarial gains/losses. This change will have financial consequences in other consolidated comprehensive income. Other new and amended standards and statements have not been deemed to have any significant impact on the Group's financial reporting, and are therefore excluded from this account. Nolato will continue to evaluate the effects

and application of the new standards and statements during 2012.

Basis for preparing the financial statements

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 statements 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. In Nolato, these consist of currency derivatives 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 income and expenses is done only if this is required or expressly permitted.

Preparing the financial statements in accordance with IFRS requires that Group management makes judgements, estimates and assumptions which affect the application of accounting principles and the recognised amounts for assets, liabilities, income and expenses. Estimates and assumptions are based on historical experience and a number of other factors which seem reasonable given current conditions. The actual outcome may deviate from these estimates and assumptions. The estimates and assumptions are reviewed regularly. Changes to estimates are reported during the period when the change is made if the change only affects that period, or during the period when the change is made and future periods if the change affects both the current period and future periods.

Assumptions made by Group management in the application of IFRS standards which have a significant impact on the financial statements, and estimates made which may entail significant adjustments to the financial statements for the following year are described under Note 3, Significant estimates and judgements.

Business combinations and consolidation principles

The consolidated financial statements comprise the Parent Company, Nolato AB, and the subsidiaries in which Nolato AB has a direct or indirect controlling influence. Controlling influence is defined as the right to draw up a company's financial and operations strategies with a view to realising financial benefits. This is usually achieved if the holding corresponds to over 50 percent of the number of votes. Companies acquired or disposed of are included in profit for the year for the Group from the time of the acquisition up until the date when controlling influence ceases.

The consolidated financial statements have been prepared in accordance with IFRS 3 Business Combinations and by applying the acquisition 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 which 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. Transaction

costs on acquisitions are recognised under profit for the year in accordance with IFRS 3 for the Group. Amounts which cannot be allocated are reported as goodwill. Intra-Group transactions and balance sheet items and unrealised gains/losses on transactions between Group companies are eliminated. The accounting principles for subsidiaries have, where applicable, been changed to ensure the consistent application of consolidated accounting principles.

Translation of foreign currencies

Items included in the financial statements for the various units in the Group are valued in the currency used in the economic environment in which each company primarily operates. The Swedish krona (SEK), which is the Parent Company's functional currency and reporting currency, is used in the consolidated accounts. For subsidiaries, the local currency of their respective countries is used as the reporting currency, and this is considered to constitute the functional currency.

Transactions in foreign currencies are translated into the functional currency at the rate in effect on the transaction 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 under profit for the year.

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

- assets and liabilities are translated at the rate on the balance sheet date
- income and expenses are translated at the average rate of exchange for the financial year
- exchange rate differences that arise are reported as translation differences for the year in the translation of foreign operations under other comprehensive income.

Operating segments

An operating segment is a part of the Group that engages in business activities from which income can be generated and expenses incurred, and for which separate financial information is available. An operating segment's performance is also monitored by the company's highest executive decision-maker to evaluate the performance and make decisions about resources to be allocated to the operating segment. The Group's three operating segments are Nolato Medical, Nolato Telecom and Nolato Industrial. See Note 6 for a more detailed description of the breakdown and presentation of the operating segments.

Revenue recognition

Revenue is recognised when virtually all risks and rights associated with ownership are transferred to the buyer, which normally occurs in connection with delivery, and when the price has been established. The revenues are recognised at the fair value of what has been received or will be received, minus discounts awarded. Gains and losses on forward contracts entered into for hedging purposes are deducted from earnings together with the transaction to which the hedging relates.

Writedowns

On each reporting date, the Company evaluates if there is objective proof of impairment for a financial asset or group of assets. Objective proof consists partly of observable circumstances that have arisen and that have a negative impact on the possibility of recovering the acquisition value, and partly of a significant or prolonged reduction in the fair value of a financial investment classified as an available-for-sale financial asset.

The impairment for accounts receivable is established based on historical experiences of bad debt losses on similar receivables. Accounts receivable with impairment are recognised at the present value of expected future cash flows. Receivables with a short maturity are not discounted, however. The Company classifies accounts receivable as doubtful when they have fallen due for payment and when they are also deemed to be non-recoverable based on other information. Assets with an indeterminable useful life, goodwill, are not amortised but impairment-tested at least once a year or when there is an indication of impairment. Goodwill writedowns are not reversed.

Amortised assets are assessed based on a decline in value whenever events or changes in circumstances indicate that the recognised value may not be recoverable. A writedown is taken in the amount at which the recognised 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 impairment, assets are grouped at the lowest levels at which there are separately identifiable cash flows (cash-generating units). For cash-generating units, goodwill is written down first.

In calculating the value in use, future cash flows are discounted using a discount rate which takes into consideration the risk-free interest rate and the risk associated with the specific asset.

Writedowns of loan receivables and accounts receivable which are recognised at accumulated acquisition value, are reversed if a subsequent increase in the recoverable value can be objectively attributed to an event which occurred after the writedown was carried out.

Writedowns of other assets are reversed over profit for the year if there is an indication that there is no longer impairment and there has been a change in the assumptions which formed the basis for calculating the recoverable value.

A writedown is only reversed to the extent that the recognised value of the asset after reversal does not exceed the recognised value which the asset would have had if no writedown had been carried out, taking into account the depreciation/amortisation which would have applied at that time.

Government grants

Government grants are recognised 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 recognised profit during their useful life through lower depreciation or amortisation. Government grants relating to profit reduce the expenses to which the grants are related. Government grants related to assets are recognised in the cash flow statement under investment activities, while government grants related to profit are included in operating profit.

Financial income and expenses

Financial income consists of interest income on funds invested and dividend income.

Dividend income is recognised when the right to receive the dividend is established. Profit from the disposal of a financial instrument is recognised once the risks and benefits associated with ownership of the instrument have been transferred to the buyer and the Group no longer has control of the instrument.

Financial expenses consist of interest expenses on loans, the effect of breaking up the present value computation of provisions and the writedown of financial

assets. Borrowing costs are recognised in profit, except where they are directly attributable to the purchase, construction or production of assets which take a substantial period of time to complete for their intended use or sale.

Recognition of income taxes

Income taxes consist of current tax and deferred tax. Income taxes are recognised in profit for the year, except where the underlying transaction is recognised in other comprehensive income, in which case the related tax effect is recognised in other comprehensive income.

Current tax is tax that is payable or receivable in relation to the current year, with the application of the tax rates that have been decided, or decided in practice, as at the balance sheet date. Current tax also includes adjustments for current tax attributable to previous periods.

Deferred tax is calculated using the balance sheet method, taking temporary differences between recognised and tax-related values of assets and liabilities as the starting point. Temporary differences are not taken into account in consolidated goodwill, or for any difference that arises on initial recognition of assets and liabilities that are not business combinations which, at the time of the transaction, affect neither recognised nor taxable earnings. Temporary differences attributable to participations in subsidiaries that are not expected to be reversed within the foreseeable future are not taken into account either. The valuation of deferred tax is based on how underlying assets or liabilities are expected to be realised or regulated. Deferred tax is calculated using the application of the tax rates and tax rules that have been decided, or decided in practice, as at the balance sheet date.

Deferred tax assets in relation to deductible temporary differences and loss carry-forwards are only recognised to the extent that it is likely that these will be utilised. The value of deferred tax assets is reduced once it is no longer deemed likely that they can be utilised.

Any future income tax arising on dividends is recognised at the same time as when the dividend is recognised as a liability.

Earnings per share

Earnings per share are calculated based on the consolidated profit for the year attributable to the Parent Company's shareholders and on the weighted average number of shares outstanding during the year.

Intangible fixed assets

Intangible assets acquired in a business acquisition which are recognised separately from goodwill consist of customer relations, technical knowledge, trademarks and contracts.

Goodwill

Goodwill consists of the amount by which the consideration transferred 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 recognised as an intangible asset. Goodwill is not amortised but impairment-tested annually, and is recognised at acquisition value less accumulated writedowns. Any gain or loss from the disposal of a unit includes the remaining recognised value of the goodwill associated with the unit disposed of.

Goodwill is allocated to cash-generating units in impairment tests.

Acquired intangible assets are recognised 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.

Capitalised development expenditure

Product development expenditure is normally charged as operating expenses as it occurs, and is included in the cost of goods sold in the income statement. Activated development expenditure is amortised on a straight-line basis over the expected useful life from the point when use of the asset can commence. The amortisation period may not exceed ten years.

Development expenditure where the results of research or other knowledge are applied in order to achieve new or improved products is recognised as an asset in the balance sheet if the product is technically and commercially feasible and the Company has sufficient resources to complete the development and subsequently use or sell the product. The recognised value includes expenditure on materials, directly attributable salary expenditure and indirect expenditure which can be attributed to the asset in a reasonable and consistent manner. Other development expenditure is recognised as an expense in the income statement when it arises.

Customer relations

The Group's activated customer relations relate to assets acquired through the acquisition of the Cerbo Group, Medical Rubber AB and Nolato Contour, Inc. in the US. Straight-line amortisation is applied over the expected useful life, i.e. eight to ten years.

Property, plant and equipment

Property, plant and equipment are recognised within the Group at acquisition value after accumulated depreciation according to plan and any writedowns. Expenditure which is directly attributable to the purchase of the asset is included in the acquisition value. Insofar as there are investments which take a substantial period of time to complete an asset for its intended use or sale, directly attributable borrowing costs are also included in the acquisition value. Additional expenditure is added to the acquisition value only if it is likely that the future financial benefits associated with the asset will accrue to the Company and the acquisition value can be calculated reliably. All other additional expenditure is reported as an expense in the period when it arises. An additional expense is added to the acquisition value if the expense relates to replacing identified components or parts thereof. The expense is also added to the acquisition value in the event that a new component is created. Any undepreciated recognised values of replaced components or parts of components are eliminated and expensed in connection with replacing the component. Repairs are expensed on an ongoing basis.

There is no depreciation of land. Other assets are depreciated 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
IT	3 years
Other equipm., tools, fixtures and fittings	5 – 10 years

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

The recognised value of an item of property, plant and equipment is removed from the balance sheet on scrapping or disposal, or when no future financial benefits are expected from using or scrapping/disposing of the asset. Any gain or loss arising from scrapping or disposing of an asset consists of the difference between the selling price and the recognised value of the asset, with direct selling expenses deducted. Gains and losses are reported as other operating income/expense.

Leasing

In the consolidated financial statements, leasing is classified as either financial or operating leasing. Financial leasing exists where the financial risks and benefits associated with ownership are transferred in all significant respects to the lessee. If this is not the case, it is a matter of operating leasing. Assets held according to financial leasing agreements are recognised as fixed assets in the consolidated balance sheet. The obligation to pay future leasing fees is recognised as a liability. These assets are subject to depreciation according to plan, while the lease payments are recognised as interest and repayment of loans. Variable fees are expensed in the periods when they arise. Operating leasing fees are expensed over the term of the lease. Variable fees are expensed in the periods when they arise.

Inventories

Inventories are valued at the lower of the acquisition value and the net market value. The acquisition value of inventories is calculated by applying the first in, first out principle (FIFO), and includes expenditure arising on the acquisition of the inventory assets and on transporting them to their present location and condition. For finished goods and work in progress, the acquisition value includes a reasonable proportion of indirect costs based on normal capacity.

The net market value is the estimated selling price in the operating activities, after deductions for estimated costs for completion and for realising a sale.

Financial instruments

Recognition in and removal from the balance sheet

A financial asset or a financial liability is included in the balance sheet when the company becomes a party in accordance with the contractual agreements of the instrument. A receivable is included when the Company has delivered and there is a contractual obligation for the counterparty to pay, even if an invoice has not yet been sent. Accounts receivable are included in the balance sheet once the invoice has been sent. Liabilities are included once the counterparty has delivered and there is a contractual obligation to pay, even if an invoice has not yet been received. Accounts payable are included once an invoice has been received.

A financial asset is removed from the balance sheet once the rights in the agreement have been realised, or fallen due, or the company loses control of them. The same applies for part of a financial asset. A financial liability is removed from the balance sheet when the obligation in the agreement is met or is otherwise satisfied. The same applies for part of a financial liability.

A financial asset and a financial liability are offset and recognised at a net amount in the balance sheet only when there is a legal entitlement to offset the items and there is an intention to settle the items at a net amount or to realise the asset and settle the liability simultaneously.

Acquisitions and disposals of financial liabilities are recognised on the business day that constitutes the day when the company commits to acquire or dispose of the asset.

Classification and valuation

The Group classifies its financial instruments under one of the following categories: Derivatives used for hedge accounting, loan receivables and accounts receivable. The classification depends on the purpose for which the instrument was purchased. The classification of instruments is determined at the first reporting date.

Currency derivatives are valued at fair value and transaction charges are charged as expenses. Financial instruments that are not derivatives are initially recognised at acquisition value, corresponding to the instrument's fair value plus transaction charges.

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 at accrued acquisition value.

Liquid assets have been classified as loans and accounts receivable where the value is set at accrued acquisition value.

Recognition of derivative instruments and hedging measures

Currency futures are used to hedge a highly probable forecast transaction (cash flow hedge), and in this case hedge accounting is applied.

Hedge accounting does not apply to currency hedging in large investments in property, plant and equipment and for large internal long-term loan receivables issued by the Parent Company in a currency other than SEK, which are hedged for future repayment.

Cash flow hedging of forecast sales in foreign currency

The effective portion of changes in the fair value of derivative instruments which have been identified as cash flow hedges and which meet the conditions for hedge accounting is reported in other comprehensive income. Accumulated amounts in the hedging reserve are reversed to the profit for the year in those periods when the hedged item affects earnings (for instance, when a forecast sale took place).

When a hedge instrument matures or is sold, or when the hedge no longer meets the conditions for hedge accounting and there are accumulated gains or losses from hedging in other comprehensive income, those gains/losses remain in other comprehensive income and are entered as income at the same time as the forecast transaction is ultimately recognised under profit for the year.

When a forecast transaction is no longer expected to take place, the accumulated profit or loss recognised in other comprehensive income is immediately transferred to profit for the year.

Liquid assets

Liquid assets consist of cash assets and immediately available balances at banks and equivalent institutions, as well as short-term liquid investments maturing less than three months from the time of acquisition and which are exposed only to an insignificant risk of fluctuations in value.

Employee remuneration

Pension obligations

There are a number of both defined contribution and defined benefit pension schemes within the Group. In Sweden, employees are included in both defined benefit and defined contribution pension schemes. In other foreign subsidiaries at which employees are covered by pension schemes, these are defined contribution schemes.

In defined contribution schemes, the company pays defined contributions to a separate legal entity and has no obligation to make further contributions. Expenses

are charged to the consolidated profit as the benefits are earned.

In defined benefit schemes, remuneration to employees and former employees is payable based on their salary at the time they retired and the number of years earned. The Group bears the risk of ensuring that payments undertaken are made. Nolato's defined benefit schemes are unfunded. These PRI obligations are recognised in the balance sheet as provisions.

Pension expenses and pension obligations stemming from defined benefit schemes in Sweden 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. Independent actuaries perform the calculation annually. The Company's undertakings 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 housing bonds/government bonds with a maturity equal to that of such undertakings. The most important actuarial assumptions are provided in Note 29.

Actuarial gains and losses may arise in determining the present value of obligations. This arises either when the actual outcome deviates from the previous assumption, or when assumptions change. The portion of accumulated actuarial gains and losses at the close of the preceding year which exceeds 10 percent of the present value of the obligations is recognised in earnings over the employees' average remaining period of service in accordance with the corridor method. Interest on pension liabilities is recognised in net financial income/expense. Other components are recognised in operating profit.

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 Swedish Financial Reporting Board, UFR 3, this is a multiple-employer defined benefit scheme. For the 2011 financial year, the Company had no access to any information that would enable it to recognise this scheme as a defined benefit scheme. The ITP pension scheme (supplementary pensions for salaried employees), which is insured by Alecta, is thus recognised as a defined contribution scheme.

Share-based remuneration

The Group has a share-based remuneration scheme in which payment will ultimately be made in cash. The scope and conditions of the programme are detailed in Note 11 under Stock options programme. Remuneration is valued at fair value and recognised as an expense 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 cash-settled options is calculated according to the Black & Scholes model. At the date of valuation, the terms and conditions of the issued instruments are taken into account. The liability is revalued on each balance sheet date and at the time of cash settlement. All changes in the fair value of the liability are recognised in the income statement as a personnel cost.

The basis for provisioning and expensing social security contributions in relation to share-based remuneration is the fair value of the options at the date of valuation.

Bonus schemes

The provision for variable remuneration is based on the bonus policy established by the Board. The liability is included in the balance sheet when a reliable valuation can be carried out and when services have been rendered by the employee.

Severance pay

Severance pay is awarded when an employee's position is terminated prior to the normal retirement date. The Group reports the severance pay as a liability when it is demonstrably obliged to terminate employment according to a detailed formal plan without the possibility of rehire, and the employee does not carry out any services which bring financial benefits for the Company. Benefits which fall due after more than twelve months from the balance sheet date are discounted to present value.

Provisions

A provision differs from other liabilities in that there is uncertainty in relation to the payment date or the size of the amount in terms of settling the provision. A provision is recognised in the balance sheet when there is an existing legal or informal obligation as a result of an event that has occurred, and it is likely that an outward flow of financial resources will be required to settle the obligation and a reliable estimation of the amount can be made. Provisions are made at the amount that is the best estimate of what is required in order to settle the existing obligation on the balance sheet date. If the effect of when the payment will be made is significant, provisions are calculated by discounting the anticipated future cash flow at a rate of interest before tax which reflects current market assessments of the time value of the money and, if appropriate, the risks associated with the liability.

Restructuring

A provision for restructuring is recognised when there is an established detailed and formal restructuring plan, and the restructuring process has either begun or been publicly announced. No provision is made for future operating expenses.

Contingent liabilities

A contingent liability is recognised when there is a possible obligation deriving from events that have occurred and the occurrence of which is confirmed only by one or more uncertain future events, or when there is an obligation that is not recognised as a liability or provision on the grounds that it is not likely that an outward flow of resources will be required.

Cash flow statement

The cash flow statement was prepared using the indirect method. The recognised cash flow includes only transactions which involve payments made or payments received. Changes for the year in operating receivables and operating liabilities have been adjusted for effects of unrealised currency exchange rate fluctuations. Acquisitions and disposals are recognised in investment activities. The assets and liabilities attributable to the companies acquired or disposed of at the time of the change are not included in the statement of changes in working capital or in the change in balance sheet items recognised under financing activities.

The Parent Company's accounting principles

The Parent Company's annual report has been drawn up in accordance with the Swedish Annual Accounts Act (1995:1554) and the Swedish Financial Reporting Board's recommendation RFR 2, Accounting for Legal Entities. The Swedish Financial Reporting Board's statements relating to listed companies have also been applied. RFR 2 involves the Parent Company, in the annual report for the legal entity, applying all IFRS standards and statements adopted by the EU as far as possible within the framework of the Swedish Annual

Accounts Act and the Swedish Law on Safeguarding Pension Obligations, and in view of the relationship between accounting and taxation. The recommendation details which exceptions from and additions to IFRS shall apply.

Transaction charges attributable to the acquisition of shares in subsidiaries are included in the acquisition value of participations in Group companies in the balance sheet.

The accounting principles of the Parent Company otherwise comply with the consolidated accounting principles, with the following exceptions:

Classification and formats

The income statement and balance sheet have been produced for the Parent Company in accordance with the Swedish Annual Accounts Act's format, while the comprehensive income statement, the statement of changes in shareholders' equity and the cash flow statement are based on IAS 1 Presentation of Financial Statements and IAS 7 Cash Flow Statements. The differences compared with the consolidated reports that are evident in the Parent Company's income statements and balance sheets consist primarily of reporting financial income and expenses and the classification of shareholders' equity.

Sales**Assigning joint Group expenses**

The Parent Company has the character of a holding company, in which expenses consist solely of invoicing for joint Group expenses, particularly personnel costs for Group staff and other joint Group overheads, such as insurance, licensing fees, etc. Invoicing is carried out when services are rendered or when other resources have been received by the counterparty.

Financial instruments

In view of the relationship between reporting and taxation, the rules on financial instruments and hedge accounting contained in IAS 39 are not applied within the Parent Company as a legal entity. The Parent Company does not therefore recognise the fair value valuation of currency futures/currency swaps in the balance sheet. Outstanding derivative instruments as at 31 December 2011 are described in Note 33.

Remuneration to employees**Defined benefit schemes**

Defined benefit pension schemes are insured through a policy held with Alecta. According to RFR 2, the defined benefit pension schemes are classified and recognised as defined contribution schemes, which means that premiums paid are charged to the income statement. Charges for the year to Alecta totalled SEK 247k (138). Within the Parent Company, a different basis than that set out in IAS 19 is applied when calculating and valuing the defined benefit schemes. The Parent Company follows the provisions of the Swedish Law on Safeguarding Pension Obligations and the regulations of the Swedish Financial Supervisory Authority, since this is a requirement for tax deduction rights. The main differences compared with the rules of IAS 19 are the manner in which the discount rate is established, the fact that the defined benefit obligations are calculated based on current salary levels without taking assumptions regarding future salary increases into consideration, and the fact that all actuarial gains and losses are recognised in the income statement when they arise.

Recognising income taxes

In the Parent Company, untaxed reserves are recognised gross as a liability in the balance sheet. Appropria-

tions are recognised as gross amounts in the income statement.

Group contributions for legal entities

The Swedish Financial Reporting Board has withdrawn UFR 2. Group contributions paid and received in the Parent Company are therefore recognised in the income statement as financial income or expense.

Property, plant and equipment

Fixed assets are recognised at acquisition value less accumulated depreciation according to plan, in the same way as for the Group. However, no borrowing costs are activated within the Parent Company. Depreciation has been calculated based on estimated useful life. The following depreciation periods have been used:

IT	3 years
Other equipment	5 years

Leasing

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

Note 3 Significant estimates and judgements

The Group management and the Board of Directors make estimates and assumptions about the future. These estimates and assumptions affect recognised assets, liabilities, income and expenses, as well as other information submitted, for instance contingent liabilities. These estimates are based on historical experience and the various assumptions that are deemed to be reasonable in the prevailing circumstances. Conclusions drawn in this way form the basis for decisions relating to the recognised values of assets and liabilities in those cases where these cannot be established by means of other information. Actual outcomes may differ from these judgements if other assumptions are made or other circumstances arise.

The areas which include such estimates and judgements that may have a significant impact on the Group's profit and financial position include:

Calculations regarding remuneration to employees

The value of pension obligations for defined benefit pension schemes is based on actuarial calculations on the basis of assumptions about discount rates, future salary increases, inflation and demographic circumstances. At the end of the year, pension liabilities amounted to SEK 93 million (91). Applicable accounting principles mean that actuarial gains and losses in defined benefit pension schemes are only entered in the income statement to the extent that they exceed or are less than 10 percent of the higher of the present value of the fair value of the defined benefit pension obligation and the fair value of the plan assets. At the end of the year, net unrecorded actuarial gains and losses stood at SEK -37 million (-22).

Impairment testing of goodwill and other assets

Goodwill impairment testing is carried out annually in connection with the year-end report or as soon as changes indicate that impairment will arise, for example a change in the business climate or a decision on the disposal or closure of operations. A writedown is carried out if the calculated value in use exceeds the

recognised value. An account of impairment testing for the year can be found in Note 19.

Other property, plant and equipment and intangible fixed assets are recognised at acquisition value less accumulated depreciation and any writedowns. Depreciation is carried out over the calculated useful life to an assessed residual value. The recognised value of the Group's fixed assets is tested as soon as changed circumstances show that there is impairment. The value in use is measured as the anticipated future discounted cash flow primarily from the cash-generating unit to which the asset belongs, but also in specific cases in relation to individual assets. A test of the recognised value of an asset is also carried out in connection with a decision being made on disposal. The asset is included at the lower of the recognised value and the fair value after deductions for selling expenses.

Note 4 Financial risk management

Operations are conducted on the basis of a financial policy established by the Board, which specifies rules and guidelines for how the various financial risks shall be dealt with. The following significant risks are identified in the financial policy: Foreign exchange risk, interest rate risk, financing risk, and credit and liquidity risk. Currency and interest rate derivatives are used as hedging instruments in accordance with the Board's guidelines.

As a net borrower and through its extensive operations outside Sweden, the Nolato Group is exposed to various financial risks. Nolato's financial policy specifies guidelines for how these risks should be managed within the Group. This policy outlines the aim, organisation and allocation of responsibilities of the Group's financial operations, and is designed to manage the described risks. The CFO initiates and, if necessary, proposes updates to the financial policy, and issues internal instructions in order to ensure compliance with the policy within operating activities. The Board then evaluates and adopts the proposed changes to the financial policy on an annual basis or as necessary.

The Group's financial management is centralised within the Group's financial department, and acts as a staff service body. The Group staff is responsible for the Group companies' external banking relationships, liquidity management, net financial income/expense and interest-bearing liabilities and assets, as well as for the Group-wide payment system, in the form of the internal bank. This centralisation involves significant economies of scale, a lower financing cost and better internal control and management of the Group's financial risks. Within the framework of the financial policy, there is the opportunity to utilise foreign exchange and interest rate instruments. During the year, trading was only carried out in currency derivatives.

Market risk

Market risk relates to the risk arising through commercial flows in foreign currencies emerging in the operations (transaction exposure), financing of working capital (interest rate risk) and foreign investments (translation risk).

Foreign exchange risk

Transaction exposure

Transaction exposure derives from the Group's sales and purchases in various currencies. This foreign ex-

change risk consists of both the risk of fluctuations in the value of financial instruments, i.e. accounts receivable and accounts payable, and the foreign exchange risk in anticipated and contracted payment flows.

In 2011, Nolato's sales to countries outside Sweden accounted for 70 percent (76). The largest flow currencies for the Swedish units were EUR, DKK and USD, with EUR and DKK being net outward flows and USD being a net inward flow. The Chinese operations had a net exposure largely in CNY/USD.

Nolato carries out short-term currency hedging for part of the Group's net exposure in foreign currencies. The aim of hedging the currency exposure is to even out fluctuations in earnings. According to this policy, Nolato shall hedge the net flow of the forecast inward and outward flow of currencies over a rolling twelve-month period. In the event that the net flow in an individual currency is less than SEK 10 million, there is no hedging requirement. The hedging levels for the flows in each currency shall be within the following intervals:

Interval	Hedged flow
1–3 months in the future	60–80%
4–6 months in the future	40–60%
7–9 months in the future	20–40%
10–12 months in the future	0–20%

Individual investments in machinery are hedged at 100 percent in the event that the currency flow has a countervalue exceeding SEK 1.5 million. The consolidated income statement includes exchange rate differences of SEK 3 million in operating profit.

Foreign exchange risks in financial flows relating to loans and investments in foreign currencies can be avoided by the Group's companies borrowing in local currencies or hedging these flows. According to this policy, any such hedging or risk-taking is decided on a case-by-case basis. Any hedging costs and any differences in interest rate levels between countries are taken into consideration in decisions on any possible risk-taking in relation to financial flows. During the year, there were exchange rate differences of SEK 0 million in net financial income/expense.

At the end of 2011, the Group had the following currency hedges in relation to anticipated payment flows in EUR, DKK and USD for 2012. The derivatives used are futures and currency swaps. The volume and scope of the contracts are stated below in nominal terms.

Net exposure in sales and purchasing in foreign currency

SEKm	12 month estimated net flows	Total hedging	Percentage	Average rate
DKK	2	2	69%	1.26
EUR	28	14	51%	9.22
USD	83	24	29%	6.76
Total	113	40	35%	

The contracts are included at fair value in the balance sheet, and the change in value is recognised in other comprehensive income. When the contracts are realised, the accumulated change in value is booked to the income statement. In 2011, the effect of the currency derivatives on operating profit was SEK –2 million (1).

The value of outstanding contracts not entered in the income statement at the end of 2011 is shown in Note 33, Derivative instruments.

Transaction exposure on 31 December

SEKm	12 month unhedged estimated net flows	Change in currency	Effect on earnings
DKK	0	+/- 5%	0
EUR	14	+/- 5%	1
USD	59	+/- 5%	3
Total	73		4

At the end of the year, the Group had SEK 73 million in unhedged assessed currency flows, including effects from currency hedges. A change in the value of the Swedish krona of +/-5 percent would have an impact of SEK 4 million on profit.

Translation exposure

Foreign exchange risks also exist in the translation of foreign subsidiaries' assets, liabilities and profit into the Parent Company's functional currency. This is known as translation exposure. Nolato's policy is that net investments in shareholders' equity in foreign currency shall not be currency-hedged. Translation differences reported in other comprehensive income are detailed in Note 27, Other reserves.

Translation exposure of net assets

SEKm	Net assets	Swedish krona 5% stronger
Nolato Romania, RON	– 2	0
Nolato USA, USD	10	0
Nolato Beijing, CNY	170	– 9
Nolato Lovepac Converting, CNY	19	– 1
Nolato Lovepac Converting India, INR	– 3	0
Nolato EMC Production Center, MYR	0	0
Nolato Kuala Lumpur, MYR	– 40	2
Nolato Hungary, EUR	104	– 5
Cerbo Norge, NOK	2	0
Cerbo France, EUR	0	0
Total	260	– 13

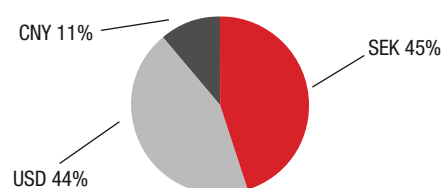
The Group has SEK 260 million in foreign net assets, mainly in China and Hungary. A five percentage point strengthening of the Swedish krona would have an impact of SEK –13 million on the net assets in the Group.

Interest rate risk

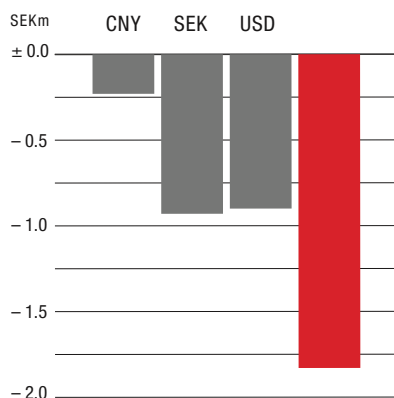
Interest rate risk is the risk that the Group's net interest income/expense will be weakened in the event of changes to market interest rates. Since Nolato is a net borrower, the Group is exposed to a risk of weakened net interest income/expense in the event of rising market interest rates. On 31 December, interest-bearing liabilities amounted to SEK 206 million (273). The fixed-interest term of the Group's loans and investments determines how quickly interest rate changes have an impact on earnings. The Group's policy states that the interest rate risk shall be limited by net borrowings (interest-bearing liabilities minus interest-bearing investments) exceeding SEK 300 million having a maturity structure in fixed-interest term intervals. Around half of the excess net debt shall fall due within a year, with the remainder falling due between one and three years.

The target for investing excess liquidity is to achieve the best possible return with regard to credit risk and the liquidity of the investments. The policy stipulates that investments may only be carried out in interest-bearing securities or bank deposits. The term of the investments may not exceed three months.

Breakdown of interest-bearing liabilities by currency



Interest rate effect on interest-bearing liabilities on 31 December



An increase in the interest rate of one percentage point based on the interest-bearing liabilities at the end of the year would result in additional interest expenses within the Group of SEK 2 million.

Financing risk

Financing risk relates to the risk of the Group having problems with access to borrowings. In order to maintain financial flexibility and meet the Group's capital requirements, contractual credit facilities are in place with various contract lengths. In part, this enables the financing of fluctuations and organic growth, and in part it enables the Group to stand prepared for large investments and acquisitions.

Nolato has total loan agreements of SEK 700 million, of which SEK 350 million matures at the end of 2012 and SEK 350 million matures in the middle of 2014.

Interest-bearing net debt on 31 December

	Outstanding amount (SEKm)	Future interest expense during the term outst.	Term outstanding (mo)	Remaining fixed interest period (mo)	Average interest (%)
Interest-bearing liabilities					
Bank loans, USD	90	0	2	2	1.2
Bank loans, CNY	23	2	12	12	8.2
Pension liability, SEK	93	—	—	—	4.6
Total	206	2			3.5

Interest-bearing assets

Liquid assets	- 124		0	0	2.1
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Total net debt**82**

As part of the financing of the Group's subsidiaries, the Parent Company has issued internal loans in EUR to Hungary and in USD to China and the USA. The repayment of these loans has been hedged according to the table below.

Subsidiary company	Currency swap	Selling price	Maturity date
Nolato Holding USA, Inc.	USD 9 m	6.9250	28 Dec 2012
Nolato Hungary Kft, Ungern	EUR 10 m	9.1125	28 Dec 2012
Nolato Mobile Comm.Polymers (Beijing) Ltd, Kina	USD 2 m	6.9250	28 Dec 2012

As part of the financing of the Group's Romanian subsidiary, the Parent Company has hedged an internal loan between Hungary and Romania using a currency swap of RON 9m/EUR 2m at a rate of 4.467 maturing on 28 December 2012.

On 31 December the Group's financial liabilities stood at SEK 628 million (738). The maturity structure for borrowings in relation to interest-bearing liabilities is shown in the table above. Non-interest-bearing liabilities are attributable primarily to accounts payable, with the term outstanding shown in the table below.

Maturity	< 1 month	Within 1–3 months	Within 4–12 months	> 1 year	Total
Accounts payable	222	144	40	1	407

Credit and liquidity risk

Credit risk can be divided up into commercial and financial counterparty risks. The commercial counterparty risk is the risk of one of the Group's customers becoming insolvent and that sales forecasts entered into or hedged flows cannot be realised. In terms of customers within Nolato Medical and Nolato Industrial, credit risk is limited to a certain degree through sales taking place in a large number of countries to a large number of customers, which diversifies the risk. Nolato Telecom has a greater dependency on a small number of customers. If any of these major customers were to suffer financial difficulties, the Group could sustain significant bad debt losses.

The Group's maximum exposure to credit risk is SEK 521 million (619), consisting of SEK 521 million (616) in accounts receivable and SEK 0 million (3) in currency derivatives.

Insurable risks

The Nolato Group has centralised insurance cover in terms of property and liability. In certain countries a local insurance policy is required, but in those cases where this does not meet the Group's minimum requirements there is coverage through an umbrella policy through Nolato AB's insurance.

Note 5 Purchasing and sales between Parent Company and subsidiaries

Parent Company	2011	2010
Sales of services to subsidiaries	19	23
Purchase of services from subsidiaries	- 10	- 15

Note 6 Operating segments

Information on operating segments

The Group's operations are monitored by the highest decision-makers (the Group management) on the basis of the three operational business areas: Nolato Medical, Nolato Telecom and Nolato Industrial.

Nolato Medical develops and manufactures advanced polymer products and product systems for medical technology and pharmaceutical customers. The market consists of large, global customers, featuring demanding development work, long product life spans and stringent requirements in terms of quality, traceability and safety. Nolato Medical has a strong position in the Nordic region and a growing position in the rest of Europe and the USA. Development and production are carried out in Sweden, Hungary, the USA and China. A more detailed presentation of the business area can be found on pages 14–17.

Nolato Telecom develops and manufactures system products for customers within the mobile phone sector. The market consists of a few large, global companies with high technological demands, extremely short development times and quick production start-ups. Nolato Telecom enjoys a strong position with selected customers. In 2011, development and production were conducted in China, India, Malaysia and Sweden. A more detailed presentation of the business area can be found on pages 18–21.

Nolato Industrial develops and manufactures products and product systems in plastic and rubber for customers in the automotive industry, white goods, gardening/forestry, furniture and other selected customer areas. The market is fragmented

and diversified, with a large number of customers and a large number of suppliers. Nolato Industrial has a strong position in the Nordic region and parts of Central Europe. Development and production are carried out in Sweden, Hungary and Romania. A more detailed presentation of the business area can be found on pages 22–25.

Directly attributable items and items which could be distributed among the segments in a reasonable and reliable manner have been included in the segments' profit, assets and liabilities. The recognised items in the operating segments are valued in accordance with the earnings, assets and liabilities monitored by the Group management.

Internal pricing between the Group's various segments is set according to the arm's length principle, i.e. between parties which are independent of each other, well-informed and have an interest in the transactions being carried out.

The assets in each business area consist of all operating assets used by the operating segment, primarily intangible fixed assets arising through business combinations, property, plant and equipment, inventories and accounts receivable. Liabilities assigned to operating segments include all operating liabilities, mainly accounts payable and accrued expenses.

Unallocated items in the balance sheet consist primarily of financial assets, interest-bearing receivables and liabilities, provisions and deferred tax assets/liabilities.

Unallocated items in the income statement are attributable to financial income, financial expenses and tax expenses.

The segments' investments in fixed assets include all investments other than investments in expendable equipment and low value equipment. All segments are established in accordance with Group accounting principles.

	Nolato Medical		Nolato Telecom		Nolato Industrial		Elimination		Total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
External sales										
External sales	915	807	934	1,575	1,128	993	—	—	2,977	3,375
Internal sales	2	1	1	—	1	1	– 4	– 2	—	—
Net sales	917	808	935	1,575	1,129	994	– 4	– 2	2,977	3,375
Profit										
Operating profit (EBITA)	110	100	11	122	102	79	– 24	– 39	199	262
Amort. of intangible assets arising from acq.	– 6	– 6	—	—	– 3	– 3	—	—	– 9	– 9
Unallocated expenses	—	—	—	—	—	—	—	—	—	—
Operating profit	104	94	11	122	99	76	– 24	– 39	190	253
Financial income									3	1
Financial expenses									– 10	– 11
Tax expenses for the year									– 51	– 56
Profit for the year									132	187
Receivables and liabilities										
The segments' assets	818	812	484	704	706	636	– 38	– 80	1,970	2,072
Unallocated assets ¹⁾									174	278
Total assets	818	812	484	704	706	636	– 38	– 80	2,144	2,350
The segments' liabilities	184	163	322	499	267	224	– 105	– 111	668	775
Unallocated liabilities									325	396
Total liabilities	184	163	322	499	267	224	– 105	– 111	993	1,171
Other information										
Investments	56	226	23	63	69	35	1		149	324
Depreciation and amortisation	59	53	43	54	43	44			145	151
Writedowns	—	—	25	3	—	—			25	3
Significant items, other than depr./amort. with no offsetting payments, writedowns and provisions	– 13	5	1	2	– 3	– 6			– 15	1

¹⁾ The reduction in 2011 is mainly due to lower cash and bank.

Cash flow from operations, allocated by segment

	Nolato Medical	Nolato Telecom	Nolato Industrial	2011 Total	Nolato Medical	Nolato Telecom	Nolato Industrial	2010 Total
Cash flow from operations before changes in working capital	162	78	142	382	106	142	93	341
Changes in working capital	- 22	8	- 19	- 33	19	15	- 11	23
Cash flow from operations	140	86	123	349	125	157	82	364
Unallocated items ¹⁾				- 103				6
Total cash flow from operations				246				370

Cash flow from investing activities, allocated by segment

	Nolato Medical	Nolato Telecom	Nolato Industrial	2011 Total	Nolato Medical	Nolato Telecom	Nolato Industrial	2010 Total
Acquisition of fixed assets ²⁾	- 44	- 24	- 66	- 134	- 210	- 65	- 29	- 304
Sale of fixed assets	—	—	—	—	—	13	5	18
Cash flow from investment activities	- 44	- 24	- 66	- 134	- 210	- 52	- 24	- 286

¹⁾ For 2011, the Group's change in working capital was SEK - 58 million and, allocated by business area, according to the above SEK - 33 million. The difference of SEK -25 million is included in the amount of SEK -103 million. Other unallocated items consist chiefly of operating loss of SEK 24 million (with the Parent Company accounting for the majority) income tax paid at SEK -45 million and other items such as pension payments, other provisions paid, interest received/paid, including certain parts of the items not affecting cash flow.

²⁾ Paid investments for the year in fixed assets, i.e. after adjustment for outstanding supplier invoices on the balance sheet date of SEK 15 million (1).

Information about geographic markets

In the Nordic region, which is the Group's domestic market, the Group manufactures and sells products from all three business areas. Elsewhere in Europe, the Group has manufacturing operations in Hungary for the Nolato Medical and Nolato Industrial business areas, and in Romania for the Nolato Industrial business area. In Asia, the Group carried out manufacturing during 2011 in China, India and Malaysia within Nolato Telecom. In North America, Nolato Contour Inc. which was acquired in 2010, carries out manufacturing in the Nolato Medical business area.

	Sweden		Other Nordic countr.		Other Europe		North America etc.		Asia		Group	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
External net sales	889	945	230	170	706	609	326	245	826	1,406	2,977	3,375
Assets	1,203	1,297	3	3	294	228	184	175	460	647	2,144	2,350
Average number of employees	896	924	2	3	404	362	175	138	4,019	6,136	5,496	7,563
Investments	71	63	—	—	50	14	8	186	20	61	149	324

Note 7 Research and development

Group	2011	2010
Development expenditure for customer-specific products	206	188
Total	206	188

The Group's development expenditure relates to developing customer-specific products in close collaboration with the customer. Product development costs are primarily charged to the income statement in the cost of goods sold when they arise.

Note 8 Other operating income

	Group		Parent Company	
	2011	2010	2011	2010
Bankruptcy payment	27	—	—	—
Exchange rate gains	3	—	5	4
Capital gain from sale of property	—	4	—	—
Others	9	1	—	—
Total	39	5	5	4

Note 9 Information on remuneration to auditors**The Company's auditing firm has received remuneration:**

SEK thousand	Group		Parent Company	
	2011	2010	2011	2010
<i>KPMG:</i>				
Auditing	2,018	2,005	495	465
Audit business other than auditing	280	318	210	177
Taxation duties	418	643	328	551
Other duties	733	564	671	524
Total	3,449	3,530	1,704	1,717

Auditing relates to reviewing the annual report and accounts, as well as the administration of the Board of Directors and the President and CEO, other duties required of the company's auditor and advisory services or other assistance resulting from observations in relation to such review or carrying out such other duties.

Note 10 Other operating expenses

	Group		Parent Company	
	2011	2010	2011	2010
Effect of exch. rate on receivables/liab., net	—	- 2	—	—
Others	—	0	—	—
Total	—	- 2	—	—

Note 11 Personnel

Average number of employees

	2011		2010	
	Number	Of which men	Number	Of which men
Parent Company				
Nolato AB, Torekov, Sweden	12	83%	6	67%
Group companies				
Cerbo France Sarl, France	1	0%	1	0%
Cerbo Norge A/S, Norway	2	0%	3	0%
Nolato Alpha AB, Kristianstad, Sweden	—	—	88	72%
Nolato Beijing Ltd, China	3,419	13%	5,470	27%
Nolato Cerbo AB, Trollhättan, Sweden	112	48%	100	52%
Nolato EMC Production Center SDN BHD, Malaysia	32	100%	1	100%
Nolato Gota AB, Götene, Sweden	105	60%	86	71%
Nolato Hungary Kft, Hungary	391	45%	361	44%
Lövepac Converting Ltd, China	456	45%	613	34%
Lövepac Converting Private Ltd, India	112	63%	52	100%
Nolato Contour, Inc., USA	175	46%	138	53%
Nolato Lövepac AB, Skånes Fagerhult, Sweden	36	69%	37	70%
Nolato MediTech AB, Hörby, Sweden	213	54%	291	47%
Nolato MediTor AB, Torekov, Sweden	73	48%	—	—
Nolato Plastteknik AB, Gothenburg, Sweden	105	64%	97	65%
Nolato Polymer AB, Torekov, Sweden	103	78%	100	72%
Nolato Romania Srl, Romania	12	50%	—	—
Nolato Silikonteknik AB, Hallsberg, Sweden	26	58%	28	71%
Nolato Sunne AB, Sunne, Sweden	111	74%	91	79%
Group total	5,496	29%	7,563	33%

Costs for remuneration to employees

Group	2011	2010
Salaries and remuneration, etc.	631	608
Pension expenses, defined benefit plans, Note 29	7	7
Pension expenses, defined contribution plans, Note 29	57	60
Social security contributions	117	125
Total	812	800

There are 131 (121) senior executives within the Group. Expensed remuneration and benefits for the senior executives during the year totalled SEK 93 million (77), of which SEK 10 million (10) relates to bonus.

Parent Company	2011	2010
Salaries and remuneration	18	17
Pension expenses, defined contribution plans	6	5
Social security contributions	5	6
Total	29	28

There are 4 (4) senior executives at the Parent Company. Expensed remuneration and benefits for senior executives at the Parent Company during the year totalled SEK 14 million (13), of which SEK 1 million (4) relates to bonus. Of the Parent Company's pension expenses, SEK 1.7 million (1.6) relates to the Board and the President and CEO. The Company's outstanding pension liabilities and obligations in relation to the Board and the President and CEO was SEK 0 million (0).

Gender distribution of senior executives

Group	2011		2010	
	Men	Women	Men	Women
Board members	47	4	40	5
Managing directors	16	—	15	—
Other senior executives	47	17	42	19
Total	110	21	97	24

Parent Company	2011		2010	
	Men	Women	Men	Women
Board members	6	3	6	3
President and CEO	1	—	1	—
Other senior executives	3	—	3	—
Total	10	3	10	3

Remuneration to the Board and senior executives

Remuneration and other benefits during 2011

SEK thousand	Base salary/ Directors' fee	Bonus*	Stock options progr.	Other benefits**	Pension premiums	Other remuneration***	Total
Chairman of the Board, Fredrik Arp	320	—	—	—	—	—	320
Board member, Gun Boström	140	—	—	—	—	—	140
Board member, Erik Paulsson	140	—	—	—	—	—	140
Board member, Henrik Jorlén	170	—	—	—	—	—	170
Board member, Lars-Åke Rydh	190	—	—	—	—	—	190
Board member, Anna Malm Bernsten	140	—	—	—	—	—	140
President and CEO, Hans Porat	4,224	—	5,853	133	1,712	115	12,037
Other senior executives (3 people)	5,998	1,158	—	270	1,965	56	9,447
Total	11,322	1,158	5,853	403	3,677	171	22,584

Remuneration and other benefits during 2010

SEK thousand	Base salary/ Directors' fee	Bonus*	Stock options progr.	Other benefits**	Pension premiums	Other remuneration***	Total
Chairman of the Board, Fredrik Arp	300	—	—	—	—	—	300
Board member, Gun Boström	130	—	—	—	—	—	130
Board member, Erik Paulsson	130	—	—	—	—	—	130
Board member, Henrik Jorlén	160	—	—	—	—	—	160
Board member, Lars-Åke Rydh	180	—	—	—	—	—	180
Board member, Anna Malm Bernsten	130	—	—	—	—	—	130
President and CEO, Hans Porat	4,032	1,613	—	124	1,636	51	7,456
Other senior executives (3 people)	5,617	2,247	—	249	1,951	117	10,181
Total	10,679	3,860	—	373	3,587	168	18,667

* Bonus pertains to expensed remuneration for the financial year, payable in the following year.

** Other benefits pertains to company cars.

*** Other remuneration relates to the President and CEO and other senior executives regarding previous holiday entitlements paid, and other remuneration.

Principles for remuneration and benefits

A director's fee is paid to the Chairman and members of the Board as decided by the Annual General Meeting. No director's fee is paid to employees of the Group or to employee representatives. Remuneration for the President and CEO and other senior executives is made up of a base salary, variable remuneration, other benefits and a pension. Other senior executives are individuals who, together with the President and CEO, constitute the Group management. In 2011, the Group management consisted of three people plus the President and CEO. These are CFO Per-Ola Holmström, President of Nolato Telecom Jörgen Karlsson and President of Nolato Medical Christer Wahlquist. For further information, see page 80.

Preparatory and decision-making procedure

The Board of Directors has appointed a Remuneration 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 and CEO, which have been presented to and approved by the Board. The committee has approved the remuneration of the Group management.

Bonus

Bonus paid to the President and CEO and other senior executives is based on the outcome of operating profit and return on capital employed. The maximum outcome is 40 percent of base salary. At the same time, the relevant profit centre must report positive earnings. In 2011, the outcome for the President and CEO was

0 percent of base salary (40) and for other senior executives an average of 19 percent of base salary (40).

Stock options programme

In the Group, there is a cash-based synthetic stock options programme for the President and CEO. The term of the first programme was between 1 February 2008 and 31 March 2011. The average share price in Q1 2011 was SEK 83.74 and deducting the initial price of SEK 48.00, the outcome was remuneration in the form of a cash settlement for the President and CEO of SEK 5,682k (35.74 x 150,000 x 1.06). The payment was settled in a pension premium, which is subject to a special employer's contribution instead of social security contributions, giving a 6 percent increase on the calculation above.

A new programme has commenced for the period 1 April 2011 to 31 March 2014. The new agreement entitles the President and CEO to a stock yield-based bonus, the value of which amounts to the difference between the average closing price for the Nolato share in Q1 2014, and 83.74 multiplied by 150,000, although a maximum of 50 percent of the accumulated monthly ordinary gross salary expensed during the period 1 April 2011 to 31 March 2014. The President and CEO makes no cash payment and is allotted 150,000 options directly when the agreement commences.

The programme is expensed by means of allocation at ongoing revaluation of the liability to fair value, valued according to the Black & Scholes model and taking into account the terms and conditions of the programme until payment is made. This remuneration can only be awarded to the President and CEO after the programme matures. The cost of the programme for the year (including social security contributions) has

been charged to the profit in the amount of SEK 225k (5,143) and is recognised as an interim liability in the Parent Company. At the end of 2011, the total value of the bonus programme was deemed to be SEK 225k including social security contributions.

Pensions

The retirement age for the President and CEO and other senior executives is 65. The President and CEO's pension premium amounts to 40 percent of pensionable salary, and follows a defined contribution pension scheme. Variable remuneration does not qualify as pensionable income. For 2011, the pension premium was 40 percent of base salary (40).

Other senior executives have defined contribution pension schemes. For 2011, the average pension premium was 33 percent of base salary (35). Variable remuneration does not qualify as pensionable income.

Severance pay

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

Note 12 Depreciation and amortisation

Depreciation and amortisation are included in operating expenses as follows:

	Group		Parent Company	
	2011	2010	2011	2010
Customer relations	9	9	—	—
Capitalised development expenditure	2	0	—	—
Buildings and land	15	18	—	—
Machinery and other technical facilities	135	119	—	—
Equipment, tools, fixtures and fittings	9	8	0	0
Total	170	154	0	0

In 2011, a writedown on production equipment in the amount of SEK 25 million was made in Nolato Telecom.

Depreciation and amortisation have been allocated as follows:

	Group		Parent Company	
	2011	2010	2011	2010
Cost of goods sold	158	141	—	—
Selling expenses	10	10	—	0
Administrative expenses	2	3	0	—
Other operating expenses	—	—	—	—
Total	170	154	0	0

Writedowns for the year of SEK 25 million (3) are included in the cost of goods sold.

Note 13 Profit from participations in Group companies

Parent Company	2011	2010
Dividend received from Group companies	153	153
Liquidation profit from Group companies	9	—
Group contributions received	170	151
Group contributions paid	– 5	– 9
Value adjustment of Group company receivables	0	21
Writedown of Group company shares	—	– 75
Total	327	241

Note 14 Financial income

	Group		Parent Company	
	2011	2010	2011	2010
Interest income, Group companies	—	—	17	8
Interest income, bank deposits	3	1	0	1
Exchange rate differences	0	0	1	—
Total	3	1	18	9

All interest income is attributable to financial assets, which are valued at accumulated acquisition value.

Note 15 Financial expenses

	Group		Parent Company	
	2011	2010	2011	2010
Interest expenses, Group companies	—	—	– 3	0
Interest expenses, credit institutions	– 6	– 4	– 2	– 3
Interest expenses, pension liabilities	– 4	– 4	—	—
Other financial expenses	0	– 3	– 1	– 1
Insurance recourse ^{*)}	—	—	– 15	—
Exchange rate differences	0	—	—	0
Total	– 10	– 11	– 21	– 4

^{*)} Relates to a bankruptcy payment of a previously credit-insured customer.

All interest expenses are attributable to financial liabilities, which are valued at accumulated acquisition value, with the exception of interest expenses on pension liabilities.

Note 16 Appropriations

Parent Company	2011	2010
Reversal of tax allocation reserve	—	—
Allocation to tax allocation reserve	– 35	– 32
Total	– 35	– 32

Note 17 Tax

Recognised in the income statement

Group	2011	2010
Current tax expenses		
Tax expenses for the period	– 50	– 64
Adjustment for tax attributable to previous years	0	3
	– 50	– 61
Deferred tax income/expense		
Deferred tax in relation to temporary differences	– 7	11
Deferred tax attributable to unutilised loss carry-forwards	6	– 5
Deferred tax as a result of tax rate changes	—	– 1
	– 1	5
Total reported Group tax expense	– 51	– 56
Parent Company	2011	2010
Current tax expense (–) / income (+)		
Tax expense for the period	– 28	– 26
Adjustment for tax attributable to previous years	– 1	0
	– 29	– 26
Deferred tax income		
Deferred tax in relation to temporary differences	0	2
Total reported Parent Company tax expense	– 29	– 24

Recognised in the balance sheet

Group	Deferred tax assets		Deferred tax liabilities		Net	
	2011	2010	2011	2010	2011	2010
Intangible assets	—	—	15	14	– 15	– 14
Property, plant and equipment	23	18	54	59	– 31	– 41
Financial assets	—	—	0	1	0	– 1
Inventories	7	8	—	—	7	8
Accounts receivable	2	2	—	—	2	2
Provisions for pensions	4	3	—	—	4	3
Tax allocation reserves	—	—	44	35	– 44	– 35
Others	14	15	21	18	– 7	– 3
Loss carry-forwards	9	2	—	—	9	2
Tax assets/liabilities	59	48	134	127	– 75	– 79
Offsetting	– 19	– 18	– 19	– 18	—	—
Tax assets/liabilities, net	40	30	115	109	– 75	– 79

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in the Group in relation to loss carry-forwards totalling SEK 36 million (87). These loss carry-forwards relate to the operations in Malaysia and India, and it is unlikely that they will be able to be used against future taxable gains.

Parent Company	2011	2010
Other provisions	1	1
Others	5	5
Total deferred tax assets	6	6

Reconciliation of effective tax

Group	2011	2010
Profit before tax	183	243
Tax according to applicable Parent Company tax rate	– 48	– 64
Effect of other tax rates for foreign Group companies	– 12	8
Non-deductable expenses	– 3	– 2
Non-taxable income	10	3
Tax attributable to previous years	2	3
Effect of change in tax rates	—	– 1
Effect of unactivated deficits arising during the year	0	– 3
Standard interest on tax allocation reserve	0	—
Recognised effective tax	– 51	– 56

The tax rate applicable to the Group's income is 26.3%.

Parent Company	2011	2010
Profit before tax	267	183
Tax according to applicable Parent Company tax rate	– 70	– 49
Non-deductable expenses	– 3	– 22
Non-taxable income	45	46
Tax attributable to previous years	– 1	0
Standard interest on tax allocation reserve	—	1
Recognised effective tax	– 29	– 24

Change in deferred tax in temporary differences and loss carry-forwards

Group	Balance as at 1 Jan 2010	Recognised in profit for the year	Recognised against other compreh. income	Acquisitions of business	Balance as at 31 Dec 2010
Intangible assets	-12	2	1	-5	-14
Property, plant and equipment	-44	5	-2	—	-41
Financial assets	-1	—	—	—	-1
Inventories	6	2	—	—	8
Accounts receivable	1	1	—	—	2
Provisions for pensions	3	—	—	—	3
Tax allocation reserves	-26	-9	—	—	-35
Miscellaneous	-11	9	-1	—	-3
Loss carry-forwards	8	-5	-1	—	2
Total	-76	5	-3	-5	-79

Group	Balance as at 1 Jan 2011	Recognised in profit for the year	Recognised against other compreh. income	Acquisitions of business	Balance as at 31 Dec 2011
Intangible assets	-14	-1	—	—	-15
Property, plant and equipment	-41	7	3	—	-31
Financial assets	-1	1	—	—	0
Inventories	8	-2	1	—	7
Accounts receivable	2	0	—	—	2
Provisions for pensions	3	1	—	—	4
Tax allocation reserves	-35	-9	—	—	-44
Miscellaneous	-3	-4	—	—	-7
Loss carry-forwards	2	6	1	—	9
Total	-79	-1	5	—	-75

Parent Company	Balance as at 1 Jan 2010	Recognised in profit for the year	Recognised against shareholders' equity	Balance as at 31 Dec 2010
Other provisions	3	-2	—	1
Others	1	4	—	5
Total	4	2	—	6

Parent Company	Balance as at 1 Jan 2011	Recognised in profit for the year	Recognised against shareholders' equity	Balance as at 31 Dec 2011
Other provisions	1	0	—	1
Others	5	0	—	5
Total	6	0	—	6

Tax attributable to other comprehensive income

Group	2011	2010
Deferred tax attributable to cash flow hedges	0	0
Exchange rate differences in deferred tax	5	-3
Total	5	-3

Note 18 Expenses allocated by type of cost

	Group		Parent Company	
	2011	2010	2011	2010
Raw materials and supplies	-1,411	-1,698	—	—
Changes in inventories of finished goods and work in progress	-1	22	—	—
Costs for remuneration to employees	-812	-800	-29	-28
Energy costs	-93	-104	—	—
Other costs	-339	-393	-17	-30
Depreciation/amortisation and writedowns	-170	-154	0	0
Total operating expenses	-2,826	-3,127	-46	-58

Note 19 Intangible assets

Group	Customer relations ¹⁾	Capitalised dev. exp. ²⁾	Goodwill ¹⁾	Total
ACQUISITION VALUE				
On 1 January 2010	67	25	463	555
Investments	—	2	—	2
Acquisitions	13	—	68	81
Translation differences	-1	0	-6	-7
On 1 January 2011	79	27	525	631
Investments	—	3	—	3
Reclassifications	—	0	—	0
Translation differences	0	0	1	1
On 31 December 2011	79	30	526	635
ACCUMULATED DEPRECIATION/AMORTISATION				
On 1 January 2010	-23	-20	-139	-182
Depreciation/amortisation for the year	-9	0	—	-9
Acquisitions	-1	—	—	-1
Translation differences	1	1	—	2
On 1 January 2011	-32	-19	-139	-190
Depreciation/amortisation for the year	-9	-2	—	-11
Translation differences	0	0	0	0
On 31 December 2011	-41	-21	-139	-201
Book value 31 December 2010	47	8	386	441
Book value 31 December 2011	38	9	387	434

¹⁾ Acquired

²⁾ Generated internally

Capitalised development expenditure

Capitalised development expenditure includes assets developed internally at a reported value of SEK 9 million (7). Previously capitalised and fully depreciated development expenditure is attributable to acquired assets.

Goodwill impairment testing

Goodwill is impairment-tested annually and when there is an indication of impairment. The test is performed on the lowest cash-generating unit level, or groups of cash-generating units on which these assets are verified for internal control. In most cases, this means the acquisition level. However, following integration, they can be transferred to part of another unit. In all cases, impairment testing has been carried out by legal company. A writedown is recognised if the reported value exceeds the recoverable value. The recoverable value is established based on calculations of useful life. A discounted cash flow model is used to estimate useful life. The estimate includes an important source of uncertainty because the estimates and assumptions used in the discounted cash flow model contain uncertainty about future events and market circumstances, so the actual outcome can differ significantly. The estimates and assumptions have, however, been reviewed by the management and coincide with internal forecasts and future outlook for the operations.

The discounted cash flow model includes forecasting future cash flow from operations including estimates regarding income volumes, production costs and requirements in terms of capital employed. Several assumptions are made, the most significant being the growth rate of income and the discount rate.

Forecasts of future operating cash flows are based on the following:

– budgets and strategic plans for a three-year period corresponding to management's estimates, as adopted by the board of each legal company, of future revenues and operating expenses, with the help of the outcome of previous years, general market conditions, industry trends and forecasts and other available information.
– after this, a final value is calculated based on a growth factor that corresponds to expected inflation in the country where the asset is used.

Impairment-tested operations in the Group are mainly in Sweden and the USA. Both of these countries are deemed to have largely similar expected inflation, which

is in line with the goals of central banks and similar institutions. It is assumed that relevant markets will grow in line with general inflation.

Forecasts of future cash flow from operations are adjusted to present value with a suitable discount rate. As a starting point, the discount rate takes the Nolato Group's marginal borrowing rate adjusted for the risk premium in the country concerned, if applicable, and the systematic risk in the cash-generating unit at the time of valuation. Management bases the discount rate on the inherent risk in the business in question and in similar industries.

Goodwill is allocated to Group segments as follows:

Group	2011	2010
Nolato Medical	284	283
Nolato Industrial	103	103
Total	387	386

Assumptions for establishing the discount rate

	2011	2010
Risk-free rate, %	1.9 – 2.0	3.2
Tax rate, %	26 – 40	26 – 40
Forecast period	3 years	3 years
Growth after forecast period, %	2	2
Applied discount rate before tax, %	8.0 – 9.6	8.9

In the impairment test in each segment, the discount rate has essentially been constructed segment by segment. The various legal companies in each segment are relatively similar in size, have the same type of customer segments with similar behaviour, and similar types of products. Therefore, the risk level for the legal companies is also deemed to be more or less the same. Impairment-tested operations in the Group are mainly in Sweden and the USA. Therefore, test assumptions have been relatively homogeneous, with adjustments for country-specific parameters. Also in a comparison between both of the different segments, it is deemed that the operations, markets and customers are relatively similar. Historical outcomes, risks and changes have been relatively similar in both of these business areas, which supports this conclusion, leading to assumptions for the tests, for instance risk premiums, being essentially the same for both segments.

Using these assumptions, the recoverable value exceeds the recognised value of all cash-generating units, and there is no impairment.

Sensitivity analyses have been performed to evaluate whether reasonable unfavourable changes for the most relevant parameters would lead to a writedown. The analyses focused on a deterioration in the average growth rate and an increase of 1 percentage point in the discount rate. These analyses did not give rise to any impairment indications.

Parent Company	2011	2010
Accumulated acquisition value on 1 January	—	—
Investments	1	—
Accumulated acquisition value on 31 December	1	—
Accumulated depreciation/amortisation on 1 January	—	—
Depreciation/amortisation	—	—
Accumulated depreciation/amortisation on 31 December	—	—
Recognised value	1	—

Note 20 Leasing

Financial leases

Group	2011	2010
Acquisition value, plant and machinery	—	3
Accumulated depreciation, plant and machinery	—	– 3
Recognised value	—	0

The Group's financial leasing agreements are mainly attributable to machinery. Leasing fees charged to income for the year amounted to SEK 0 million (1), and are reported in consolidated operating expenses. During the financial year, financial leasing agreements worth SEK 0 million (0) fell due. These financial leasing agreements are restricted by retention of title.

Operating leases

Operating leasing agreements consist mainly of rental contracts for production premises. Leasing fees charged to income for the year totalled SEK 32 million (31). The variable fees included in this do not add up to any significant amount. The operating leasing agreements are not restricted by index clauses or such terms that bring entitlement to extend or acquire the objects hired. However, there are restrictions on the right of disposal.

Leasing agreements where the Company is the lessee

	Financial leases	Operating leases
<i>Non-cancellable lease payments total:</i>		
Within 1 year	—	32
Between 1 and 5 years	—	124
Longer than 5 years	—	5
Total	—	161

Parent Company

The Parent Company does not have any significant operational leasing agreements. The Parent company rents office premises internally from Nolato Polymer AB. There are no financial leasing agreements.

Note 21 Equipment

Parent Company	2011	2010
Accumulated acquisition value on 1 January	2	2
Acquisitions	0	—
Accumulated acquisition value on 31 December	2	2
Accumulated depreciation on 1 January	– 2	– 2
Depreciation	0	0
Accumulated depreciation on 31 December	– 2	– 2
Recognised value	0	0

Note 22 Property, plant and equipment

Group	Buildings and land	Machinery and other technical facilities	Equipment, tools, fixtures and fittings	Construction in progress and advance payments	Total
ACQUISITION VALUE					
On 1 January 2010	443	1,626	134	39	2,242
Investments	1	116	5	17	139
In new companies on acquisition	37	51	16	—	104
Sales/disposals	– 7	– 25	– 4	—	– 36
Reclassifications	2	24	5	– 35	– 4
Translation differences	– 12	– 32	– 3	0	– 47
On 1 January 2011	464	1,760	153	21	2,398
Investments	13	66	9	58	146
Sales/disposals	—	– 121	– 20	0	– 141
Reclassifications	0	– 39	57	– 18	0
Translation differences	0	34	0	1	35
On 31 December 2011	477	1,700	199	62	2,438
ACCUMULATED DEPRECIATION					
On 1 January 2010	– 218	– 1,205	– 117	—	– 1,540
Depreciation for the year	– 15	– 119	– 8	—	– 142
In new companies on acquisition	—	– 35	– 10	—	– 45
Writedowns for the year	– 3	—	—	—	– 3
Sales/disposals	—	24	4	—	28
Reclassifications	—	4	—	—	4
Translation differences	2	14	2	—	18
On 1 January 2011	– 234	– 1,317	– 129	—	– 1,680
Depreciation for the year	– 15	– 110	– 9	—	– 134
Writedowns for the year	—	– 25	—	—	– 25
Sales/disposals	—	121	20	—	141
Reclassifications	—	40	– 40	—	0
Translation differences	0	– 34	0	—	– 34
On 31 December 2011	– 249	– 1,325	– 158	—	– 1,732
Book value 31 December 2010	230	443	24	21	718
Book value 31 December 2011	228	375	41	62	706

Writedowns

Writedowns for the year of machinery and other technical facilities in the amount of SEK 25 million relate to the writedown of production equipment at Nolato Telecom. All writedowns were charged to the cost of goods sold in the consolidated income statement.

Note 23 Participations in Group companies

Parent Company	2011	2010
Acquisition value on 1 January	831	973
Acquisitions	—	1
Shareholders' contribution	2	20
Disposals	—	– 163
Accumulated acquisition value on 31 December	833	831
Accumulated writedowns on 1 January	– 348	– 273
Writedowns for the year	—	– 75
Accumulated writedowns on 31 December	– 348	– 348
Recognised value	485	483

In 2011 Nolato Gejde AB changed names to Nolato Hertila AB and at the beginning of 2012, this company will acquire assets and liabilities from Nolato Polymer AB relating to the operations in Åstorp. Cerbo Polen Sp.z.o.o. was liquidated at the end of the year.

The Parent Company's holdings	Particip. interest		Carr. amount	
	2011	2010	2011	2010
AB Cerbo Group, Trollhättan, Sweden	100%	100%	117	117
Lövepac Converting Ltd, China	100%	100%	9	9
Lövepac Converting Private Ltd, India	100%	100%	5	3
Nolato Alpha AB, Kristianstad, Sweden	100%	100%	12	12
Nolato EMC Production Center Sdn Bhd, Malaysia	100%	100%	0	0
Nolato Holding USA Inc.	100%	100%	0	0
Nolato Gota AB, Götene, Sweden	100%	100%	79	79
Nolato Hertila AB, Åstorp, Sweden	100%	100%	1	1
Nolato Hungary Kft, Hungary	100%	100%	46	46
Nolato Kuala Lumpur Sdn Bhd, Malaysia	100%	100%	0	0
Nolato Lövepac AB, Skånes Fagerhult, Sweden	100%	100%	10	10
Nolato MediTech AB, Hörby, Sweden	100%	100%	19	19
Nolato MediTor AB, Torekov, Sweden	100%	100%	1	1
Nolato Mobile Comm. Polymers (Beijing) Ltd, China	100%	100%	91	91
Nolato Plastteknik AB, Gothenburg, Sweden	100%	100%	37	37
Nolato Polymer AB, Torekov, Sweden	100%	100%	5	5
Nolato Romania S.R.L., Romania	100%	100%	0	0
Nolato Silikonteknik AB, Hallsberg, Sweden	100%	100%	8	8
Nolato Sunne AB, Sunne, Sweden	100%	100%	33	33
Nolato Torekov AB, Torekov, Sweden	100%	100%	12	12
Carrying amount			485	483

Shares owned via Group companies	Particip. interest	
	2011	2010
A/S Cerbo Norge, Norway	100%	100%
Cerbo France Sarl, France	100%	100%
Cerbo Polen Sp.z.o.o., Poland	—	100%
Kartongprodukter Berglund AB, Trollhättan, Sweden	100%	100%
Nolato Cerbo AB, Trollhättan, Sweden	100%	100%
Nolato Contour, Inc., USA	100%	100%

Participations in joint ventures	Particip. interest	
	2011	2010
Nolato OPD Ltd, China *	50%	50%

* Does not carry out any direct operations.

Information on subsidiaries' corporate identity numbers and registered offices

A/S Cerbo Norge	926620762	Norway
AB Cerbo Group	556534-6870	Trollhättan, Sweden
Cerbo France Sarl	494591092 RCS	France
Kartongprodukter Berglund AB	556216-6818	Trollhättan, Sweden
Lövepac Converting (Beijing) Co., Ltd.	110000410302897	China
Lövepac Converting Private Ltd	U24297AP2009PTC064510	India
Nolato Alpha AB	556164-1050	Kristianstad, Sweden
Nolato Cerbo AB	556054-9270	Trollhättan, Sweden
Nolato Contour Inc	39-1683461	USA
Nolato EMC Prod. Center Sdn Bhd	876976-W	Malaysia
Nolato Gota AB	556054-1301	Götene, Sweden
Nolato Hertila AB	556545-5549	Åstorp, Sweden
Nolato Holding USA Inc	27-3000125	USA
Nolato Hungary Kft	0809005432	Hungary
Nolato Kuala Lumpur Sdn Bhd	702672-A	Malaysia
Nolato Lövepac AB	556120-6052	Sk Fagerhult, Sweden
Nolato MediTech AB	556309-0678	Hörby, Sweden
Nolato MediTor AB	556820-3565	Torekov, Sweden
Nolato Mobile Comm. Polym. (Beijing) Ltd.	110000410152952	China
Nolato OPD Ltd, Kina	110302010534069	China
Nolato Plastteknik AB	556198-4385	Gothenburg, Sweden
Nolato Polymer AB	556380-2890	Torekov, Sweden
Nolato Romania S.R.L.	B24287770	Romania
Nolato Silikonteknik AB	556137-5837	Hallsberg, Sweden
Nolato Sunne AB	556101-2922	Sunne, Sweden
Nolato Torekov AB	556042-2858	Torekov, Sweden

Note 24 Inventories

Group	2011	2010
Raw materials and supplies	104	82
Products in manufacturing	42	50
Finished goods and goods for resale	88	88
Work in progress	2	2
Total	236	222

During the year, the Group wrote down inventories by SEK 7 million (21). Writedowns for the year are included in cost of goods sold in the income statement.

During the year, reversed writedowns totalled SEK 17 million (6). The reversal of previously written down stocks is due to the fact that these items could be sold or were no longer deemed obsolete.

Note 25 Accounts receivable

Group	2011	2010
Accounts receivable	528	623
Deduction: Provision for decline in value of accounts receivable	- 7	- 7
Carrying amount	521	616

During the year, the Group reversed SEK 8 million (5) of provisions for decline in value of accounts receivable as at 1 January. Provisions for the year totalled SEK 7 million (7). The credit quality of accounts receivable not due and not written down, and of other financial receivables is deemed to be good.

Total accounts receivable

	Total	Not due	Due		
			≤15 days	16–60 days	> 60 days
2011	528	428	70	24	6
2010	623	545	46	26	6

Accounts receivable, including provisions for decline in value

	Total	Not due	Due		
			≤15 days	16–60 days	> 60 days
2011	521	422	70	24	5
2010	616	543	45	24	4

At the end of 2011 and the end of 2010, there was no credit insurance.

Note 26 Share capital

The share capital of Nolato AB totals SEK 132 million, 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	Quotient value	Share capital
Share capital, 31 December 2010	26,307,408	SEK 5	SEK 131,537,000
Share capital, 31 December 2011	26,307,408	SEK 5	SEK 131,537,000

Capital management

The Group aims to have a sound capital structure and financial stability.

“Capital” is defined as the Group’s total reported shareholders’ equity, i.e.:

	2011	2010
Share capital	132	132
Other capital contributed	228	228
Translation reserve	20	20
Hedging reserve	0	2
Retained earnings, incl. net income	771	797
Total capital	1,151	1,179

The Board aims to maintain a good balance between a high return which can be achieved through higher borrowing and the advantages and security offered by a sound capital structure. The Board sets the Group’s financial targets each year on the basis of this. These targets should be seen as average figures over a business cycle. The extent to which these targets were achieved for 2011 is shown below.

	2011		2010	
	Financial targets	Outcome	Financial targets	Outcome
EBITA margin	>8%	6.7%	>7%	7.8%
Return on capital employed	>15%	13.9%	>15%	18.4%
Equity/assets ratio	>35%	54.0%	>35%	50.0%

The Board’s dividend proposal shall take into consideration Nolato’s long-term development potential, financial position and investment requirements. The Board’s dividend policy means that the Board shall intend to propose a dividend which corresponds on average to at least 35 percent of profit after tax. For 2011, the Board proposes SEK 3.00 per share (3.00) plus an extra dividend of SEK 2.00 per share (3.00), totalling SEK 5.00 per share (6.00) or SEK 132 million (158), corresponding to a pay-out ratio of 100 percent (84).

All Parent Company credits are subject to capital requirements, as detailed in Note 28. Otherwise, the Group has no stated external capital requirements.

Note 27 Other reserves

Group	Hedging reserve	Transl. reserve	Total
Balance on 1 January 2010	0	37	37
<i>Cash flow hedges:</i>			
Gain from fair value valuation during the year	14	—	14
Tax from fair value valuation	– 4	—	– 4
Transfers to the income statement	– 12	—	– 12
Tax on transfers to the income statement	4	—	4
Translation differences	—	– 17	– 17
Balance on 31 December 2010	2	20	22
Balance on 1 January 2011	2	20	22
<i>Cash flow hedges:</i>			
Gain from fair value valuation during the year	1	—	1
Tax from fair value valuation	0	—	0
Transfers to the income statement	– 3	—	– 3
Tax on transfers to the income statement	0	—	0
Translation differences	—	0	0
Balance on 31 December 2011	0	20	20

Hedging reserve

The hedging reserve includes the effective portion of the accumulated net change in fair value of a cash flow hedging instrument attributable to hedged transactions which have not yet occurred. Transfers to the income statement of cash flow hedges have been carried against other operating expenses.

Translation reserve

The translation reserve includes all exchange rate differences arising on converting financial statements from foreign operations which have produced their financial statements in a currency other than that in which the Group's financial statements are produced. The Parent Company and the Group present their financial statements in Swedish kronor.

Note 28 Borrowings

	Group		Parent Company	
	2011	2010	2011	2010
Short-term				
Bank loans	113	180	0	30
Total borrowings	113	180	0	30
Maturity dates for bank loan borrowings:				
Within 1 year	113	180	0	30
Between 2 and 5 years	—	—	—	—
More than 5 years	—	—	—	—
Total	113	180	0	30
Amounts reported, by currency:				
CNY	23	—	—	—
SEK	0	30	0	30
USD	90	150	—	—
Total	113	180	0	30

Interest-bearing liabilities

At the end of the year, the Group's interest-bearing liabilities excluding pension liability amounted to SEK 113 million (180). The average interest rate was 2.6% (1.8). The average fixed-interest term was 4 months (2).

	Group		Parent Company	
	2011	2010	2011	2010
Liabilities with floating interest rates	113	180	0	30
Total liabilities	113	180	0	30

Terms and repayment periods

Total credit lines granted within the Group amount to SEK 700 million (700). Of this amount, SEK 350 million (350) matures on 31 December 2012 and SEK 350 million (350) on 30 June 2014. Pledged assets for the credit facilities amount to SEK 0 million (0). The credit facilities are conditional upon subsequent covenants. These include requirements in terms of financial key ratios for the Group, including net debt in relation to operating profit before depreciation/amortisation (EBITDA) and the equity/assets ratio. As at 31 December, all loan conditions were met. All loan agreements can be terminated by the other party in the event of any significant change in ownership control of the Company.

Note 29 Provisions for pensions and similar obligations

Group SEK thousand	2011	2010
Defined benefit pension schemes	91,900	91,296
Other pension schemes	1,339	1,294
Total	93,239	92,590

Defined benefit pension schemes

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

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

Group SEK thousands	2011	2010
Present value of unfunded obligations	128,837	113,597
Unrecognised actuarial losses	– 36,937	– 22,301
Net debt in the balance sheet	91,900	91,296

Fair value of the defined benefit pension schemes:

Group SEK thousand	2011	2010
Balance on 1 January	113,597	114,306
Benefits vested during the period	558	331
Interest expenses	4,247	4,275
Benefits redeemed	– 187	– 204
Pension payments	– 4,839	– 4,418
Actuarial gain (–)/loss (+)	15,461	– 693
Total	128,837	113,597

The amounts recognised in the income statement during the year for defined benefit pension schemes are as follows:

Group SEK thousand	2011	2010
Expenses related to service during the financial year	558	331
Interest expense	4,247	4,275
Actuarial losses reported for the year	825	949
Total expense for defined benefit pension schemes	5,630	5,555
Expense for defined contribution schemes	51,690	54,877
Expense for special employer's contribution and tax on returns	6,289	6,619
Total pension expense	63,609	67,051

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

Group SEK thousand	2011	2010
<i>Amounts charged to operating income:</i>		
Cost of goods sold	322	218
Selling expenses	191	211
Administrative expenses	870	851
<i>Amounts charged to financial expenses:</i>		
Interest expenses	4,247	4,275
Total	5,630	5,555

Changes in net debt for defined benefit pension schemes as reported in the balance sheet are as follows:

Group SEK thousand	2011	2010
Net debt on 1 January accord. to the balance sheet adopted	91,296	90,363
Net expense reported in the income statement	5,630	5,555
Pension payments and benefits redeemed	– 5,026	– 4,622
Net debt on 31 December	91,900	91,296

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

Group %	2011	2010
Discount rate	3.60	3.80
Future annual salary increases	3.20	3.20
Future annual pension increases	2.00	2.00
Employee turnover	5.00	5.00

Historical values:

Present value of unfunded obligations on 31 December:

2011	2010	2009	2008	2007
128,837	113,597	114,306	111,779	101,618

Gain (+)/loss (–) from the adjustment of experience-based parameters:

2011	2010	2009	2008	2007
– 1,721	693	– 1,035	3,159	– 1,077

Pension commitments within Alecta

Commitments regarding retirement pensions and family pensions for salaried employees in Sweden are secured through a policy with Alecta. According to a statement issued by the Swedish Financial Reporting Board, UFR 3, this is a multiple-employer defined benefit pension scheme. For the 2011 financial year, the Company had no access to any information that would enable it to recognise this scheme as a defined benefit scheme. The ITP pension scheme (supplementary pensions for salaried employees), which is insured by Alecta, is thus recognised as a defined contribution scheme. Charges for the year for pension insurance policies held with Alecta totalled SEK 4 million (6). Alecta's surplus can be allocated to policyholders and/or insured parties. On 31 December 2011, Alecta's surplus, in the form of the collective funding ratio, amounted to 113 percent (146). The collective funding ratio is determined by the market value of Alecta's assets as a percentage of the pension commitments calculated according to Alecta's actuarial calculation assumptions, which do not comply with IAS 19.

Note 30 Receivables and liabilities, Group companies

Receivables from Group companies

Parent Company	
On 1 January 2010	247
Change	145
On 1 January 2011	392
Change	– 85
On 31 December 2011	307

Liabilities to Group companies

Parent Company	
On 1 January 2010	18
Change	– 1
On 1 January 2011	17
Change	—
On 31 December 2011	17

All items relate to internal loans, for which interest is calculated on an ongoing basis in line with the market. There are no contractual regulated terms.

Note 31 Other provisions

Group	Miscellaneous	Total
Amount on 1 January	1	1
Provisions for the year	3	3
Amounts claimed	0	0
Amount on 31 December	4	4

Parent Company	Miscellaneous	Total
Amount on 1 January	2	2
Provisions for the year	2	2
Amount on 31 December	4	4

The amount under Miscellaneous relates to future employer's contribution for endowment insurance.

Note 32 Accrued expenses and deferred income

	Group		Parent Company	
	2011	2010	2011	2010
Salary liabilities	73	86	3	12
Social security contributions	32	38	3	5
Deliveries of goods received, not invoiced	36	62	—	—
Restructuring costs	1	6	—	—
Energy costs	9	7	—	—
Complaints	2	6	—	—
Maintenance	8	11	—	—
Other items	49	58	4	4
Total	210	274	10	21

Note 33 Derivative instruments

Group	2011		2010	
	Assets	Liabilities	Assets	Liabilities
Currency forward contracts	0	1	3	0

Currency forward contracts

Currency forward contracts entered into but unutilised are detailed in the table below. The market value on 31 December 2011 was SEK –1 million (3). The market value of contracts identified as cash flow hedges which meet the conditions for hedge accounting was SEK –1 million (2). This value has been reported in other comprehensive income. The remaining market value, SEK 0 million (1), has been reported in the income statement. The market value that formed the basis for valuation at fair value has been established based on directly observable market data which is not listed on an active market (level 2). Level 1: In accordance with prices listed on an active market for the same instrument. Level 2: Based on directly or indirectly observable market data which is not included in level 1. Level 3: Based on input data which is not observable in the market.

Currency	Nom. value in contract SEKm	Average rate (SEK)	Market value	Reported against inc. statement	Reported against other compr. income
DKK/SEK (net purch.)	2	1,26	0	0	0
EUR/SEK (net purch.)	14	9,22	0	0	0
USD/SEK (net sales)	– 24	6,76	– 1	0	– 1
Total	– 8		– 1	0	– 1

Gains and losses in other comprehensive income in relation to currency forward contracts on 31 December 2011 will be transferred to the income statement at various dates within one year of the balance sheet date.

Parent Company

According to the Parent Company's accounting principles, derivatives are not reported in the balance sheet. On 31 December 2011, the market value of unrealised derivatives was SEK –1 million (3).

Note 34 Fair value of financial assets and liabilities

Group

Financial assets	Loan receivables and accounts receivable	Der. used in hedge accounting	Non-financial assets	2011 Total	Loan receivables and accounts receivable	Der. used in hedge accounting	Non-financial assets	2010 Total
Intangible assets	—	—	434	434	—	—	441	441
Property, plant and equipment	—	—	706	706	—	—	718	718
Other securities held as fixed assets	—	—	2	2	—	—	2	2
Other long-term receivables	—	—	1	1	—	—	1	1
Deferred tax assets	—	—	40	40	—	—	30	30
Inventories	—	—	236	236	—	—	222	222
Accounts receivable	521	—	—	521	616	—	—	616
Current tax assets	—	—	4	4	—	—	19	19
Other receivables	—	—	62	62	—	—	44	44
Derivative assets	—	0	—	0	—	3	—	3
Prepaid expenses and accrued income	—	—	14	14	—	—	15	15
Cash and bank	124	—	—	124	239	—	—	239
Total	645	0	1,499	2,144	855	3	1,492	2,350
Financial liabilities	Der. used in hedge accounting	Other financial liabilities	Non-financial liabilities	Total	Der. used in hedge accounting	Other financial liabilities	Non-financial liabilities	Total
Provisions for pensions and similar obligations	—	—	93	93	—	—	93	93
Deferred tax liabilities	—	—	115	115	—	—	109	109
Other liabilities, interest-bearing	—	—	—	—	—	0	—	0
Other provisions	—	—	4	4	—	—	1	1
Accounts payable	—	407	—	407	—	433	—	433
Loans	—	114	—	114	—	180	—	180
Customer advances	—	13	—	13	—	32	—	32
Current tax liabilities	—	—	2	2	—	—	13	13
Other liabilities	—	—	34	34	—	—	36	36
Derivative liabilities	1	—	—	1	0	—	—	0
Accrued expenses and deferred income	—	—	210	210	—	—	274	274
Total	1	534	458	993	0	645	526	1,171

The fair value of value derivatives coincides with the recognised value. The fair value has been calculated by discounting the difference between the contractual forward rate and the forward rate that can be subscribed to on the balance sheet date for the remainder of the term of the contract. The recognised value of accounts receivable is deemed to coincide with the fair value because of the short maturity of these receivables.

Parent Company

Financial assets	Loan receivables and accounts receivable	Der. used in hedge accounting	Non-financial assets	2011 Total	Loan receivables and accounts receivable	Der. used in hedge accounting	Non-financial assets	2010 Total
Intangible assets	—	—	1	1	—	—	—	—
Property, plant and equipment	—	—	0	0	—	—	0	0
Participations in Group companies	—	—	485	485	—	—	483	483
Other securities held as fixed assets	—	—	2	2	—	—	2	2
Other long-term receivables	307	—	0	307	392	—	0	392
Deferred tax assets	—	—	6	6	—	—	6	6
Current tax assets	—	—	—	—	—	—	15	15
Other receivables	—	—	419	419	—	—	237	237
Prepaid expenses and accrued income	—	—	1	1	—	—	—	—
Cash and bank	39	—	—	39	105	—	—	105
Total	346	—	914	1,260	497	—	743	1,240
Financial liabilities	Der. used in hedge accounting	Other financial liabilities	Non-financial liabilities	Total	Der. used in hedge accounting	Other financial liabilities	Non-financial liabilities	Total
Other liabilities, interest-bearing	—	17	—	17	—	17	—	17
Other provisions	—	—	4	4	—	—	2	2
Accounts payable	—	1	—	1	—	1	—	1
Loans	—	0	—	0	—	30	—	30
Current tax liabilities	—	—	4	4	—	—	—	—
Other liabilities	—	—	149	149	—	—	206	206
Accrued expenses and deferred income	—	—	10	10	—	—	21	21
Total	—	18	167	185	—	48	229	277

Note 35 Untaxed reserves

Parent Company	2011	2010
Tax allocation reserves 2008	27	27
Tax allocation reserves 2009	45	45
Tax allocation reserves 2010	21	21
Tax allocation reserves 2011	32	32
Tax allocation reserves 2012	35	—
Total	160	125

Note 36 Pledged assets

	Group		Parent Company	
	2011	2010	2011	2010
Chattel mortgages	—	—	—	—
Real estate mortgages	—	—	—	—
Assets with retention of title	0	0	—	—
Total	0	0	—	—

Note 37 Contingent liabilities

	Group		Parent Company	
	2011	2010	2011	2010
Guarantees on behalf of subsidiaries	—	—	225	92
Guar. commitm., adv. payments fr. cust.	—	0	—	—
Guarantee commitments, FPG/PRI	2	2	—	—
Other contingent liabilities	0	0	—	—
Total	2	2	225	92

Note 38 Associates

The Parent Company has controlling influence over the subsidiaries, in accordance with the structure described in Note 23.

When delivering goods and services between Group companies, business terms and conditions and market pricing are applied. The scope of internal invoicing for joint Group services amounts to SEK 19 million (23), as detailed in Note 5, and relates primarily to assigning costs for joint Group services and overheads. The Parent Company serves as an internal bank for the Group companies, whereby intra-Group interest income of SEK 17 million (8) and interest expenses of SEK 3 million (0) have arisen in the Parent Company to the extent reported in Notes 14 and 15 on page 55. Interest on loan receivables and liabilities is calculated on an ongoing basis in line with the market rate. There are no contractually regulated durations. Intra-Group receivables at the Parent Company amount to SEK 307 million (392) and liabilities to Group companies amount to SEK 17 million (17).

During the year, the Parent Company received dividends from subsidiaries in the amount of SEK 153 million (153) and recovered intra-Group accounts receivable of SEK 0 million (21).

The Group's transactions with senior executives in the form of salaries and other remuneration, benefits, pensions and severance pay agreements with the Board and the President and CEO are detailed in Note 11 on pages 53–54.

From time to time, the Board member Erik Paulsson represents other 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. Otherwise, there are no known transactions with related parties.

The Parent Company has assumed guarantees on behalf of Group companies worth SEK 225 million (92).

Note 39 Cash flow

	Group		Parent Company	
	2011	2010	2011	2010
Reconciliation of liquid assets				
<i>The following subcomp. are included in liquid assets:</i>				
Cash and bank balances	85	134	0	0
Credit balance on Group account in Parent Company	39	105	39	105
Total liquid assets in the balance sheet	124	239	39	105
Total liquid assets rep. in the cash flow statement	124	239	39	105

Unutilised credit

On the balance sheet date, Unutilised credit within the Group stood at SEK 587 million (520).

Attestation and signatures of the Board

This Annual Report has been prepared in accordance with IFRS international accounting standards as adopted by the EU. It provides a true and fair presentation of the operations, financial position and earnings of the Group and the Parent Company, and describes the significant risks and uncertainty factors faced by the Parent Company and the companies included in the Group.

As indicated below, the Annual Report was approved for issue by the Board on 2 March 2012. The consolidated income statement and balance sheet and the Parent Company's income statement and balance sheet will be proposed for adoption at the Annual General Meeting on 24 April 2012.

Torekov, 2 March 2012



Fredrik Arp
Chairman of the Board



Gun Boström
Board member



Henrik Jorlén
Board member



Anna Malm Bernsten
Board member



Erik Paulsson
Board member



Lars-Åke Rydh
Board member



Hans Porat
President & CEO



Magnus Bergqvist
Employee representative



Björn Jacobsson
Employee representative



Eva Norrman
Employee representative

Auditor's report

To the annual meeting of the shareholders of **Nolato AB**, Corporate identity number **556080-4592**

Report on the annual accounts and consolidated accounts

I have audited the annual accounts and consolidated accounts of Nolato AB for the year 2011. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 30–68.

Responsibilities of the Board of Directors and the Managing Director for the annual accounts and consolidated accounts

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts and consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2011 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act, and the consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2011 and of its financial performance and cash flows in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. The Directors' report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the Parent Company and the Group.

Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have examined the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Nolato for the year 2011.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act.

Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

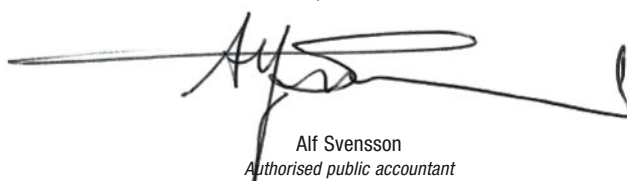
As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinions

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the Directors' report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Malmö, 2 March 2012



Alf Svensson
Authorised public accountant

Nolato's shares and shareholders

Share price performance

Nolato's B shares declined over the course of 2011 by 39 percent (+41) to a year-end price of SEK 50.75 (83.00).

The highest and lowest closing prices quoted on the NASDAQ OMX Nordic Exchange in 2011 were SEK 90.75 (9 March) and SEK 48.00 (25 September).

The market value of these shares as at 31 December 2011 was SEK 1,335 million (2,183).

In 2011, 7.8 million (11.1) Nolato shares were traded on the NASDAQ OMX Nordic Exchange, and 0.2 million on Burgundy. The turnover rate, i.e. the degree of liquidity, was 34 percent (47).

Listing

Nolato AB was listed on the Stockholm Stock Exchange in 1984, and its B shares are now listed on the NASDAQ OMX Nordic Exchange in the Stockholm Mid Cap segment and the Industrials sector.

There are no restrictions on the transferability of the shares as a result of legal provisions or the company's Articles of Association.

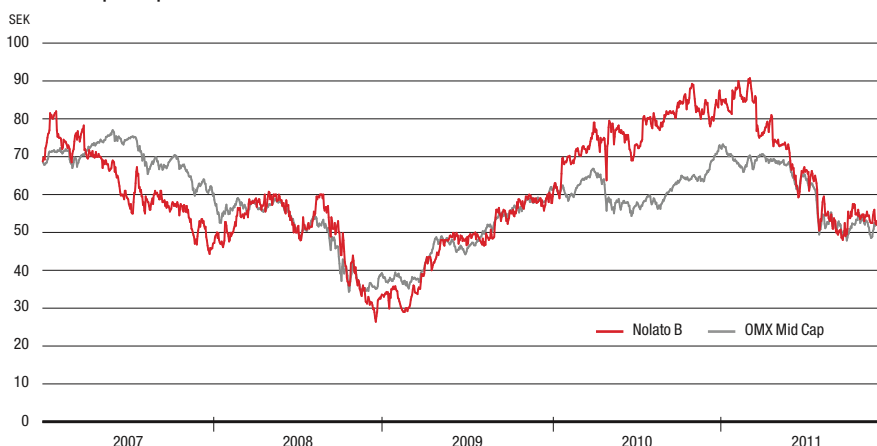
Share capital

The share capital of Nolato AB totals SEK 132 million, divided into 26,307,408 shares.

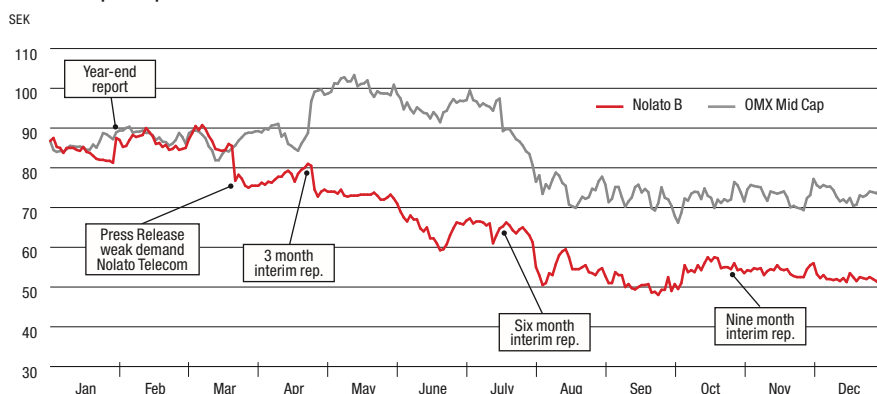
Of these, 2,759,400 are A shares and 23,548,008 are B shares. Each A share entitles the holder to ten votes, while a B share entitles the holder to one vote. All shares have equal rights to the assets and earnings of the company.

Nolato does not have any current financial instrument programmes which involve any dilution in the number of shares.

Share price performance 2007 – 2011



Share price performance 2011



Per share data

	2011	2010	2009	2008	2007
Net earnings per share, SEK ¹	5.02	7.11	4.68	6.77	5.70
Shareholders' equity per share, SEK ²	44	45	41	40	33
Cash flow per share, SEK	4.26	8.74	5.28	11.71	5.97
Share price at 31 December, SEK	50.75	83.00	59.00	32.00	45.90
Price/earnings ratio, times ³	10	12	13	5	8
Turnover rate, %	34	47	34	25	62
Dividend (2011 proposal), SEK	5.00	6.00	3.00	2.75	3.00
Yield (2011 proposal), % ⁴	9.9	7.2	5.1	8.6	6.5
Dividend as percentage of earnings per share (2011 prop.)	100	84	64	41	52
Average number of shares, thousand	26,307	26,307	26,307	26,307	26,307
Price/equity ratio per share, times	1.2	1.8	1.4	0.8	1.4
Market capitalisation 31 December, SEK million	1,335	2,183	1,552	842	1,208

Definitions

¹ Profit after tax divided by the average number of shares.

² Shareholders' equity divided by the number of shares.

³ Quoted share price on 31 December divided by net earnings per share.

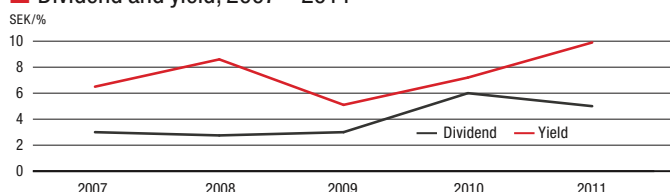
⁴ Dividend for the year divided by the market price quoted on 31 December.

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 dividend policy means that the Board intends to propose a dividend each year which corresponds on average to at least 35 percent of profit after tax.

For 2011, an ordinary dividend of SEK 3.00 (3.00) per share is proposed, together with an extra dividend of SEK 2.00 (3.00), totalling SEK 5.00 per share (6.00), corresponding to SEK 132 million (158). The payout ratio for the ordinary dividend is 60 percent, and 100 percent in total. The dividend yield is 9.9 percent in relation to the share price quoted on 31 December 2011. Over the last five years, the average yield from Nolato's shares has been 7.3 percent.

Dividend and yield, 2007 – 2011



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 – Per Lindberg, +44 207 905 5658
- Carnegie – Mikael Laséen, +46 8 5886 8721
- Swedbank – Susanna Karlsson-Li, +46 8 5859 3867
- Redeye – Greger Johansson, +46 8 545 013 30

Breakdown of shareholdings by size at 31 Dec 2011

Holding	Number of shareholders	Number of A shares	Number of B shares	% of capital	% of votes
1 – 499	4,781	0	767,006	2.92	1.50
500 – 999	949	0	597,004	2.27	1.17
1,000 – 2,499	1,118	0	1,515,868	5.76	2.96
2,500 – 4,999	265	0	864,606	3.29	1.69
5,000 – 7,499	107	0	620,131	2.36	1.21
7,500 – 9,999	34	0	295,923	1.12	0.58
10,000 – 19,999	61	0	772,985	2.94	1.51
20,000 – 49,999	49	0	1,455,593	5.53	2.85
50,000 – 99,999	23	28,000	1,639,649	6.34	3.75
100,000 – 249,999	18	210,000	2,685,610	11.01	9.36
250,000 –	20	2,521,400	12,333,633	56.46	73.42
Total	7,425	2,759,400	23,548,008	100.00	100.00

The ten largest shareholders at 31 Dec 2011

Shareholder	Number of A shares	Number of B shares	% of capital	% of votes
Paulsson family	819,200	2,372,575	12.13	20.66
Lannebo fonder	0	2,714,000	10.32	5.31
Jorlén family	1,104,700	1,542,952	10.06	24.62
Boström family	835,500	1,653,670	9.46	19.57
Svolder	0	1,738,013	6.61	3.40
Skandia fonder	0	1,246,372	4.74	2.44
DNB fonder	0	918,695	3.49	1.80
Odin fonder	0	679,636	2.58	1.33
Handelsbanken fonder	0	513,253	1.95	1.00
Avanza pension	0	439,219	1.67	0.86
Total for ten largest shareholders	2,759,400	13,818,385	63.01	80.99
Other shareholders	0	9,729,623	36.99	19.01
Total	2,759,400	23,548,008	100.00	100.00

Categories of shareholders at 31 Dec 2011

Shareholders	Number	% of all holders	% of capital	% of votes
Individuals	6,847	92.22	38.22	53.80
of which Sweden	6,773	91.22	37.71	53.54
Institutions	578	7.78	61.78	46.20
of which Sweden	408	5.41	51.49	40.90
Total	7,425	100.00	100.00	100.00

Sweden	7,175	96.64	89.20	94.44
Other Nordic countries	36	0.48	0.31	0.16
Rest of Europe	145	1.95	4.64	2.39
USA	41	0.55	4.60	2.37
Rest of world	28	0.38	1.25	0.64
Total	7,425	100.00	100.00	100.00

Category	Number of A shares	Number of B shares	% of capital	% of votes
Financial institutions	0	8,855,619	33.66	17.33
Banks	0	2,665	0.01	0.01
Sec. brok. co.s, securities co.s	0	2,263	0.01	0.00
Fund managers	0	5,833,639	22.17	11.41
Insurance co.s, pension institutions	0	1,241,985	4.72	2.43
Pension funds	0	18,238	0.07	0.04
Other financial institutions	0	1,756,829	6.68	3.44
Social security funds	0	80,939	0.30	0.16
Swedish state, municipalities	0	14,105	0.06	0.02
Interest organisations	0	167,428	0.64	0.33
Other Swedish legal entities	819,200	3,607,839	16.83	23.07
Holders outside Sweden	0	2,841,298	10.80	5.56
Swedish individuals	1,940,200	7,980,780	37.71	53.54
Total	2,759,400	23,548,008	100.00	100.00

Class of shares at 31 Dec 2011

	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

→ Current information about Nolato's shares can always be found at www.nolato.com

Corporate governance report

Corporate governance 2011

Nolato is a Swedish limited company. Its corporate governance is based on Swedish legislation, primarily the Swedish Companies Act, the regulations set out by NASDAQ OMX Nordic, the Swedish Code of Corporate Governance and the rules and recommendations issued by relevant organisations.

The Company's application of the Code

The Swedish Code of Corporate Governance is based on the principle *comply or explain*. This means that companies which apply the Code may deviate from specific rules, but must then provide explanations and reasons for each individual deviation.

Nolato deviates from points 2.4 and 7.3 of the Code.

Point 2.4 states that the majority of the Nomination Committee should consist of non-Board members, that no more than one of these Board members may be dependent in relation to the Company's major shareholders, and that the Chairman of the Nomination Committee should not be the Chairman of the Board or another Board member. Nolato's largest shareholders are of the opinion that the Company's ownership structure, with three families which hold around 65 percent of the votes, is best represented within the Nomination Committee by these shareholders together with other major shareholders. Since the representatives of these families have such a large shareholding, they have deemed it to be both natural and necessary that they should also be involved and exercise their shareholders' interests through representation on both the Company's Nomination Committee and the Board.

Point 7.3 states that the Audit Committee should consist of at least three Board members. The Board has decided that, in view of the composition and size of Nolato's Board, the Audit Committee would be best represented by two members.

Ownership

Nolato's B shares are listed on the NASDAQ

OMX Nordic Exchange in the Stockholm Mid Cap segment, where the shares are included in the Industrials sector.

The Company's A shares entitle the holder to ten votes, and the B share to one vote. All shares have the same rights to the assets and earnings of the Company.

At the end of 2011, Nolato had 7,425 shareholders. Only one individual shareholder, Backahill AB, with 16.5 percent of the votes, represents at least one tenth of the number of votes for all shares in the Company.

For further information about ownership, see the previous page.

Annual General Meeting

Shareholders entered in the register of shareholders on the dividend record date and registered within the timeframe stipulated by the notice of the Meeting are entitled to attend the Annual General Meeting, either in person or via a representative.

Resolutions at Annual General Meetings are normally passed by simple majority. On certain issues, as prescribed in the Swedish Companies Act, a specific minimum percentage of the shareholders present is required in order for the Annual General Meeting to achieve a quorum or a statutory voting majority.

The Annual General Meeting must be held within six months of the end of the financial year. At the Annual General Meeting, matters relating to subjects such as dividends, adopting the income statement and balance sheet, discharging the members of the Board and the President and CEO from liability, electing the Board members, the Chairman of the Board and, where appropriate, auditors, determining the fees payable to the Board and the auditors and agreeing on guidelines for the remuneration of senior executives and the principles for appointing the Nomination Committee are dealt with.

Shareholders also have the opportunity to ask questions about the Company and its development at the Annual General Meeting. All Board members, the Company's manage-

ment and the auditors are normally present to answer any such questions.

The 2011 Annual General Meeting

The 2011 Annual General Meeting was held on 27 April 2011 in Grevie. 146 shareholders attended the Annual General Meeting, together representing 45.5 percent of the shares and 72.0 percent of the votes.

Fredrik Arp, Gun Boström, Henrik Jorlén, Anna Malm Bernsten, Erik Paulsson, Hans Porat and Lars-Åke Rydh were re-elected as Board members.

Amongst other matters, the Annual General Meeting resolved on fees for the Board of Directors, remuneration guidelines for senior executive and principles for appointing the Nomination Committee.

The Annual General Meeting also resolved to adopt the income statement and balance sheet for Nolato AB and the consolidated income statement and balance sheet, and on the appropriation of profits. The Annual General Meeting discharged the members of the Board and the President and CEO from liability for the 2010 financial year.

Nomination Committee

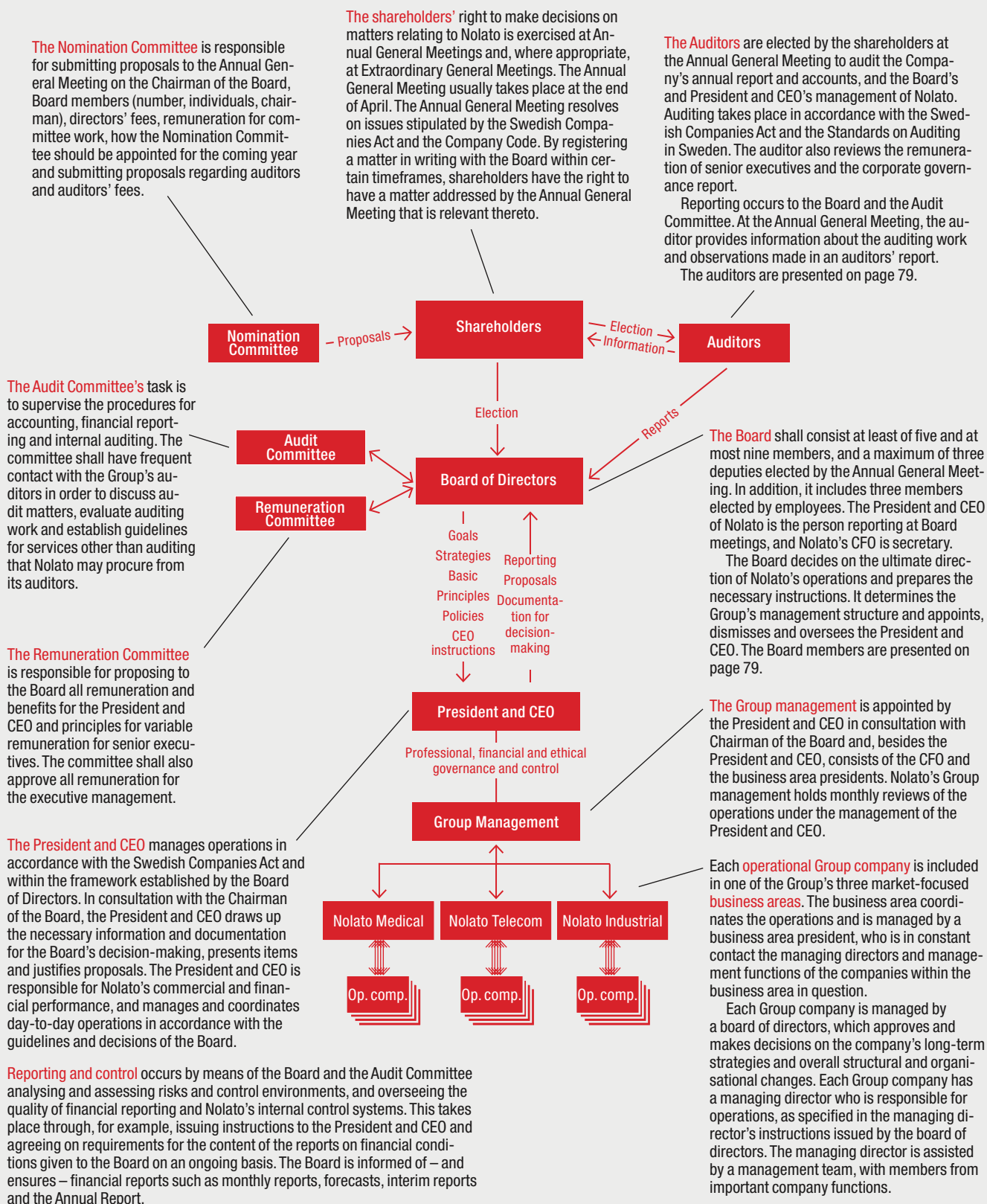
The 2011 Annual General Meeting resolved that the Nomination Committee ahead of the 2012 Annual General Meeting shall consist of one representative for each of the five largest shareholders in terms of votes as at the end of September 2011.

In accordance with this decision, the Nomination Committee ahead of the 2012 Annual General Meeting consists of Henrik Jorlén, chairman, (Jorlén family), Erik Paulsson (Paulsson family), Gun Boström (Boström family), Johan Lannebo (Lannebo Fonder) and Magnus Molin (Svolder AB).

Since its inauguration and up until February 2011, the Nomination Committee held one meeting.

The Nomination Committee can be contacted by writing to: The Nolato Nomination Committee, c/o Henrik Jorlén, Kommandörgatan 4, 269 77 Torekov, Sweden or by e-mailing henrik.jorlen@gmail.com

Schematic description of the Nolato Group's corporate governance



Auditors

At the 2008 Annual General Meeting, authorised public accountant Alf Svensson was elected as auditor of Nolato and authorised public accountant Camilla Alm Andersson was elected as deputy auditor, both for a mandate period of four years.

Both work for the accountancy company KPMG AB.

The auditor works according to an audit plan. Reports have been submitted to the Board, both during the course of the audit and when adopting the year-end report for 2011 on 1 February 2012. The auditor also participated in the Annual General Meeting, and described the audit work and observations made in an auditors' report.

Over the course of the year, the auditor carried out a number of consultancy commissions over and above the audit, relating primarily to accounting and taxation issues.

The external audit is conducted in accordance with generally accepted auditing practices. Annual reports for legal entities outside Sweden must be audited in accordance with statutory requirements and other applicable rules in the country in question, and in accordance with generally accepted auditing practices. Nolato's auditors regularly study the approved minutes from Nolato's Board meetings, and also have ongoing access to the monthly reports which the Board receives.

Nolato's auditors are presented on page 79.

The Board and its work

The working methods of the Board

The Board decides on the ultimate strategic direction of Nolato's operations and prepares the necessary instructions. It determines the Nolato Group's management structure and appoints, dismisses and oversees the President and CEO.

Principles were decided on at the Board's constituent meeting following the Annual General 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, profit, capital commitment, cash flow, the balance sheet, forecast monitoring and forecast updates.

The Chairman of the Board, Fredrik Arp, organises and leads the work of the Board so that this is carried out in accordance with the Swedish Companies Act, other legislation and regulations, applicable rules for listed companies (including the Swedish Code of Corporate Governance) and the Board's internal governance instruments. The Chairman of the Board monitors operations through ongoing contact with the President and CEO, and is responsible for other Board members receiving sufficient information and documentation for making decisions.

The Chairman of the Board is responsible for the Board being kept updated, improv-

ing its knowledge about Nolato and otherwise receiving the training required in order for the Board to be able to carry out its work in an effective manner. In addition, the Chairman of the Board ensures that the work of the Board is evaluated on an annual basis, and that the Nomination Committee is informed of the outcome of this evaluation.

Board composition in 2011

Following the 2011 Annual General Meeting, the Board consists of seven members elected at the Annual General Meeting: Fredrik Arp (Chairman of the Board), Gun Boström, Henrik Jorlén, Anna Malm Bernstein, Erik Paulsson, Hans Porat and Lars-Åke Rydh.

The Board also includes three employee representatives: Magnus Bergqvist, Björn Jacobsson and Eva Norrman. These each have a deputy: Ingegerd Andersson, Bo Eliasson and Håkan Svensson.

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

The Board members Anna Malm Bernstein, Lars-Åke Rydh and the Chairman of the Board Fredrik Arp are deemed by the Board to be independent of the Company's major shareholders.

From time to time, Erik Paulsson represents other 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 General Meeting, apart from the President and CEO, are independent in relation to the Company.

Further information about the members of Nolato's Board is provided on page 79.

The Board's work in 2011

During 2011, the Board held five meetings and a constituent meeting after the Annual General Meeting. Reviews of the Company's operations, markets and finances were standing items on the Board's agenda.

In addition to these points, the work of the Board during the year has focused primarily on investment discussions, market communication, acquisition processes, budgets/forecasts, financing and strategy discussions relating to the Company's operations during the most recent three-year period.

All decisions have been unanimous.

The Audit Committee

The members of the committee are Lars-Åke Rydh (chairman) and Henrik Jorlén, who were appointed by the Board. The work of the committee is regulated by specific rules of procedure, which have been adopted by the Board.

The Audit Committee held four meetings in 2011. Both members attended all meetings. Minutes were taken at all meetings.

The Remuneration Committee

The members of the committee are Fredrik Arp (chairman) and Henrik Jorlén, who were appointed by the Board. The committee held two meetings in 2011.

Ahead of 2012, the committee drew principles for variable remuneration and other remuneration and benefits for the President and CEO and senior executives, which the Board will propose to the Annual General Meeting for resolution.

Reporting and control

The Board and the Audit Committee analyse and assess risks and control environments, and oversee the quality of financial reporting and Nolato's internal control systems. This takes place through, for example, issuing instructions to the President and CEO, agreeing on requirements for the content of the reports on financial conditions given to the Board on an ongoing basis, and holding reviews together with the management and the auditors.

The Board is informed of – and ensures the quality of – financial reports such as monthly reports, forecasts, interim reports and the Annual Report, but has delegated the Company management with the task of ensuring the quality of presentation materials in connection with meetings held with the media, shareholders and financial institutions.

The Board is also informed of minutes drawn up by the Audit Committee and any observations, recommendations and proposed decisions and actions.

Board meeting attendance in 2011

During 2011, the Board members elected by the Annual General Meeting attended the following Board meetings:

	Feb	Apr	Jul	Oct	Dec
Fredrik Arp	x	x	x	x	x
Gun Boström	x	x	x	x	x
Henrik Jorlén	x	x	x	x	x
Anna Malm Bernsten	x	x	x	x	x
Erik Paulsson	x	x	x	x	x
Lars-Åke Rydh	x	x	x	x	x
Hans Porat	x	x	x	x	x

Board remuneration

For the period starting with the 2011 Annual General Meeting and ending with the 2012 Annual General Meeting, Board remuneration totalled SEK 1,100,000 excluding travel allowances (SEK 1,030,000), divided up as follows:

The Board:	
Chairman:	SEK 270,000
Board member:	SEK 140,000
The Audit Committee:	
Chairman:	SEK 50,000
Member:	SEK 30,000
The Remuneration Committee:	
Chairman:	SEK 50,000

Directors' fees are paid only to external members. Employees of the Company do not receive directors' fees.

During 2011, the current members of the Board received the following remuneration, which was paid in December 2011:

Fredrik Arp	SEK 320,000
Henrik Jorlén	SEK 170,000
Gun Boström	SEK 140,000
Anna Malm Bernsten	SEK 140,000
Erik Paulsson	SEK 140,000
Lars-Åke Rydh	SEK 190,000
Total	SEK 1,100,000

Other information

Group management

The Group management consists of Hans Porat (CEO of the Nolato Group and President of Nolato Industrial), Per-Ola Holmström (CFO), Christer Wahlquist (President of Nolato Medical) and Jörgen Karlsson (President of Nolato Telecom).

Further information about members of Group management can be found on page 80.

Business operations

All business operations within the Group are conducted by subsidiaries, in keeping with the decentralised culture that has always characterised Nolato. The operational subsidiaries are organised into three customer-focused business areas. Information about their organisation and operations is provided on pages 13–25.

Remuneration information

Information on fees, salaries, pensions and other benefits for the Board of Directors, the President and CEO and other senior executives can be found in Note 11 on pages 53–54.

Information for shareholders, etc.

Nolato reports to NASDAQ OMX Nordic, where the Company is quoted in the Stockholm Mid Cap segment. Information is provided in the form of quarterly reports and press releases in accordance with the requirements of the stock exchange and the information policy adopted by Nolato's Board of Directors.

Reports, press releases, the annual report and other information is available on Nolato's website www.nolato.se under Investor Relations.

The website provides up-to-date information about Nolato's corporate governance, for instance the current shareholdings of the Board, current Articles of Association and information about the Annual General Meeting and the largest shareholders.

The Board's description of the internal audit in relation to financial reporting

In accordance with the Swedish Companies Act and the Swedish Code of Corporate Governance, the Board is responsible for the Company's internal audit. The description does not constitute part of the formal Annual Report documents. In the description, the Board does not issue any statement on the effectiveness of the internal audit.

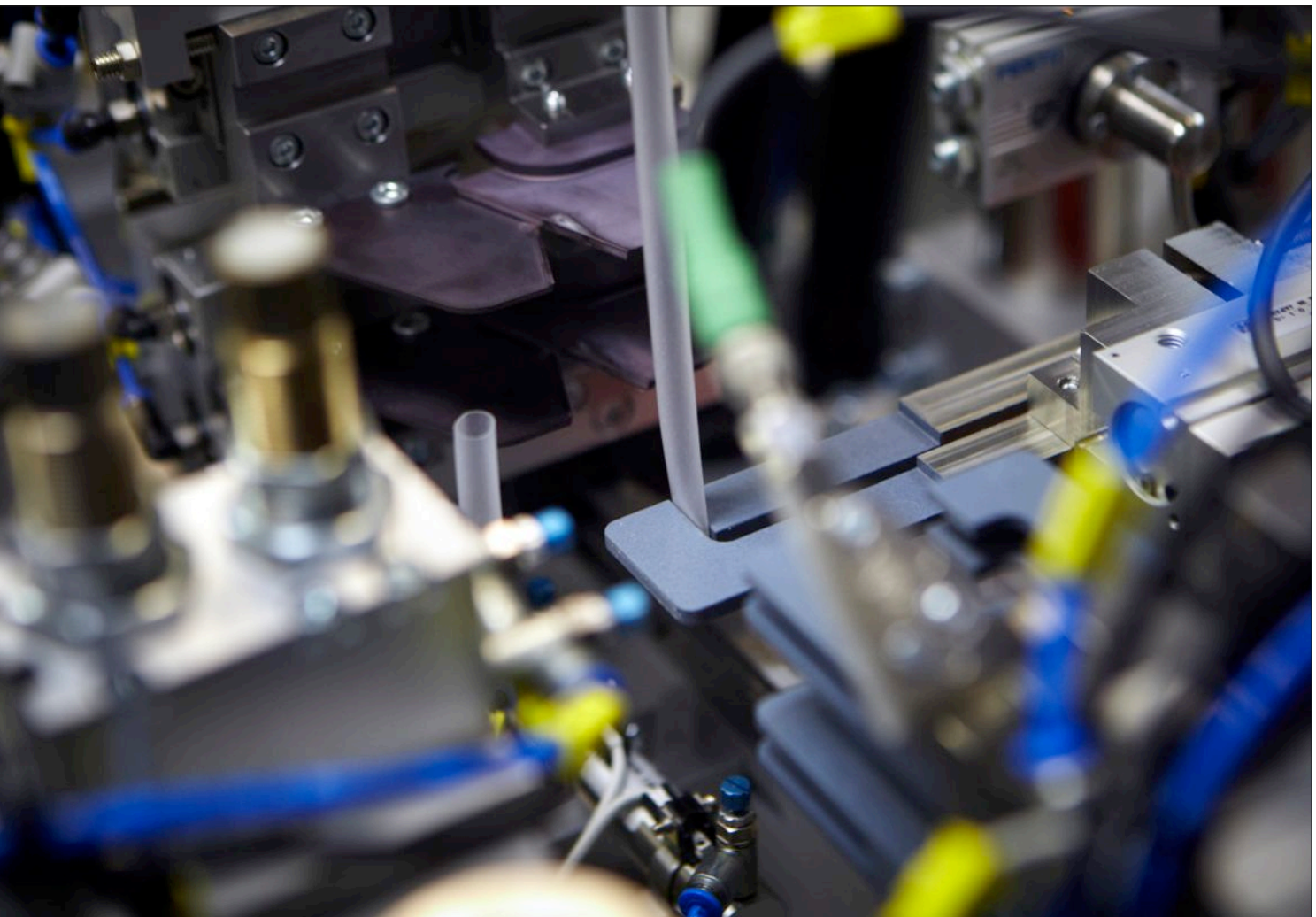
Nolato's internal audit in relation to financial reporting includes five main activities: creating a control environment, risk assessment, control activities, information and communication, and monitoring.

Control environment

Effective Board work forms the foundation for good internal auditing. The Board has established clear processes and rules of procedure for its work. One key element of the Board's work is deciding on and approving a number of fundamental policies, guidelines and frameworks for financial reporting. These include the Group's Code of Conduct, the information policy and the financial policy. The Board evaluates the operating activities' performance and results on an ongoing basis, via a reporting package which includes operating profit, rolling forecasts, the analysis of key figures and other significant operating and financial information.

Nolato has a simple legal and operational structure, with established management and internal audit systems. This enables the business to react swiftly in the event of changed conditions in the Group's market or in other areas. Operational decisions are taken at company or business area level, while decisions on overall strategy, focus, acquisitions, major investments and overall financial issues are taken by Nolato's Board and Group management.

Internal auditing in relation to Nolato's financial reporting is tailored to work within this organisation. Within the Group, there is a clear regulatory framework for delegating responsibility and authorisation, and this follows the Group structure. The basis for internal auditing in relation to financial reporting is a control environment consisting of the organisation, decision-making paths, authorisation and responsibilities



communicated, as well as the culture which the Board and the Company management communicates and works within.

This culture is formulated in the documents Nolato's Basic Principles, Nolato's Code of Conduct, Nolato's Environmental Policy, Nolato's Quality Policy and Nolato's Information Policy, and is described in the sustainability section on pages 26–29. These cultural declarations are an important element when it comes to creating an effective control environment within Nolato. They are therefore communicated to all employees, including in the form of a publication entitled "The Nolato Spirit", and are based on a set of values which Nolato has upheld for many years.

In addition to this, rules of procedure for the Board, and President and CEO instructions have been drawn up. These describe matters such as the distribution of work within the Board and the duties of the Chairman of the Board and the President and CEO.

Rules of procedure have also been drawn up for the managing director of each subsidiary.

Managers at various levels within the Company are responsible for dealing with internal auditing on an ongoing basis within their own particular areas of responsibility.

Risk assessment

The Company carries out a risk analysis of its financial reporting, which is evaluated and adopted by the Board. In connection with this risk analysis, income statement and balance sheet items are identified where there is a heightened inherent risk of serious errors.

Within the company's operations, these risks are mainly present in fixed assets, financial instruments, inventories, customer receivables, accrued expenses, taxes and revenue recognition.

These risk assessments are based on effects on financial reporting, the outcome of the income statement, business processes, external factors and the risk of fraud.

Control activities

Those risks which have been identified in relation to financial reporting are dealt with via the Company's control activities, e.g. authentication checks for IT systems and authorisation controls.

These operational-specific controls are

supplemented by detailed financial analyses of earnings, followed-up with business plans and forecasts, which provide an overall assessment of the quality of the reporting.

Information and communication

The Company's steering documents for financial reporting consist mainly of policies and guidelines, which are kept up-to-date and communicated via the relevant channels. Information is obtained from the subsidiaries through financial and operational reports to the boards of the subsidiaries, the business area management and the Group management.

There is a clear information policy for communication with external parties, which provides guidelines for the forms which this communication should take. The aim of the policy is to ensure that all information obligations are complied with in a correct and complete manner.

Monitoring

The President and CEO is responsible for internal auditing being organised and monitored in accordance with the guidelines established by the Board. Financial control is carried out by the Group financial function. Financial reporting is analysed in detail each month.

The Board has monitored the financial reporting at its meetings, and the Company's auditors have reported back their observations to the Board and the Audit Committee. The Audit Committee has received reports from the auditor on an ongoing basis, and monitors measures taken to improve or amend controls. The Board has received financial reports on a monthly basis, and the Company's financial situation has been addressed at each Board meeting.

The Board and the Audit Committee have reviewed all interim reports and the Annual Report prior to publication.

Internal audit

Nolato has a simple legal and operational structure, with established management and internal audit systems. The Board and the Audit Committee monitor the organisational assessment of internal auditing, including through contact with Nolato's auditors. In view of the above, the Board has chosen not to carry out any specific internal audit. ■

Auditor's statement on the corporate governance report

To the Annual General Meeting of Nolato AB, Swedish corporate identity number 556080-4592

It is the Board of Directors who are responsible for the corporate governance report for 2011 on pages 72–77 and for this being prepared in accordance with the Swedish Annual Accounts Act.

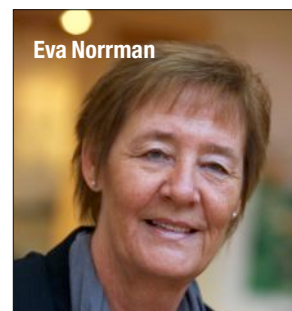
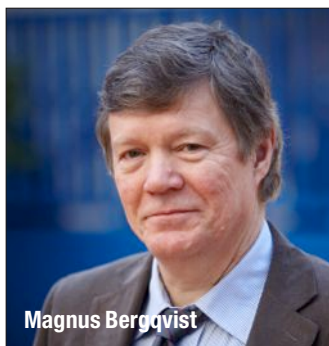
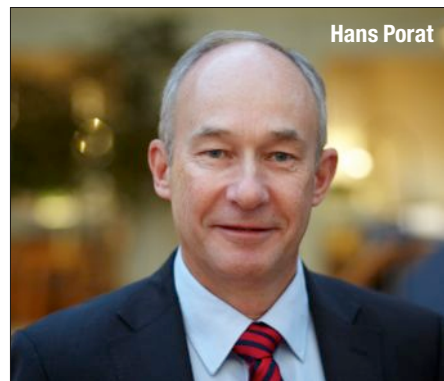
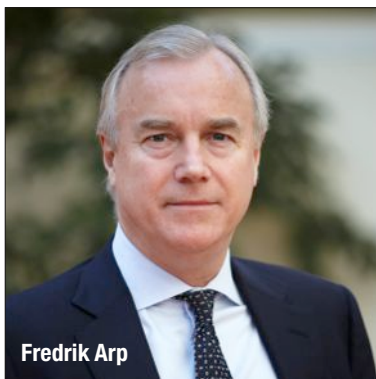
I have read the corporate governance report and, based on this reading and my knowledge about the Company and the Group, I believe that I have a sufficient basis for my opinion. This means that my statutory review of the corporate governance report is different in focus and considerably smaller in scope than the focus and scope of an audit conducted in accordance with the International Standards on Auditing and generally accepted auditing practices in Sweden.

I am of the opinion that a corporate governance report has been prepared, and that its statutory information complies with the Annual Report and consolidated accounts.

Malmö, 2 March 2012



Alf Svensson
Authorised public accountant



Nolato's Board

Nolato's Board of Directors consists of seven members elected by the Annual General Meeting, and three members and three deputies elected by the trade unions. At the Annual General Meeting on 27 April, 2011, the Board members Fredrik Arp, Gun Boström, Henrik Jorlén, Anna Malm Bernsten, Erik Paulsson, Lars-Åke Rydh and Hans Porat were re-elected. Fredrik Arp was elected Chairman of the Board.

Board members elected by the Annual General Meeting

Fredrik Arp, Chairman of the Board.

Member since 2009
and previously during the period 1998–1999.
Shareholding in Nolato: 3,000 B.
Other directorships: Chairman of the Board of Hilding Anders, Parques Reunidas and Qioptiq Group. Board member of Technogym.
Previous experience: CEO of Volvo Car, Trelleborg, PLM.
Born in 1953. Education: BSc (Econ) and Honorary Doctor of Economics.

Gun Boström

Member since 1971.
Shareholding in Nolato: 417,750 A and 445,800 B.
Previous experience: Various positions within the Nolato Group.
Born in 1942. Education: Engineering.

Henrik Jorlén

Member since 1974.
Shareholding in Nolato: 294,000 A and 47,950 B.
Previous experience: Management positions within the Nolato Group.
Born in 1948. Education: Commercial school.

Anna Malm Bernsten

CEO of Bernsten Konsult.
Member since 2010.
Shareholding in Nolato: 1,000 B.
Other directorships: Chairman of the Board of Scientific Solutions. Board member of Birdstep, Cellavision, Fagerhult, Matrisen and Medivir.
Previous experience: Management positions within sales and marketing at international companies, including Assa Abloy, GE Healthcare Life Science and Pharmacia & Upjohn.
Born in 1961. Education: Master of Engineering.

Erik Paulsson

Member since 2003.
Shareholding in Nolato: 609,200 A and 2,372,575 B.
Other directorships: Chairman of the Board of Fabegge, SkiStar, Backahill, Diös Fastigheter and Wihlborgs Fastigheter. Board member of Brinova Fastigheter.
Previous experience: Manager and entrepreneur within the construction and property industry since

1959. One of the founders of Peab and SkiStar, and active owner of a number of listed property companies.

Born in 1942. Education: Elementary school.

Lars-Åke Rydh

Member since 2005.
Shareholding in Nolato: 2,000 B.
Other directorships: Chairman of the Board of OEM International, CombiQ, Nefab, Plastprint, SanSac and Schuchardt Maskin. Board member of HL Display, Arla Plast and Olja ek.för.
Previous experience: President and CEO of Nefab.
Born in 1953. Education: Master of Engineering.

Hans Porat

President and CEO of Nolato.
Member since 2008.
Shareholding in Nolato: 33,898 B.
Previous experience: Management positions at ABB, Vice President of Trelleborg, CEO of Gadelius Japan.
Born in 1955.
Education: Master of Science (metallurgy).

Board members elected by employees

Magnus Bergqvist

LO employee representative since 1990.
Nolato Sunne AB.
Shareholding in Nolato: 0.
Born in 1955. Education: Upper secondary school.

Björn Jacobsson

LO employee representative since 2000.
Nolato Gota AB.
Shareholding in Nolato: 0.
Born in 1971. Education: Upper secondary school.

Eva Norrman

PTK employee representative since 1997, permanent staff since 2006.
Nolato Plastteknik AB.
Shareholding in Nolato: 0.
Born in 1951. Education: Nursing.

Deputies for Board members elected by employees

Ingegerd Andersson

LO employee representative since 2004.
Shareholding in Nolato: 0.
Born in 1951. Education: Upper secondary school.

Bo Eliasson

LO employee representative since 2004.
Shareholding in Nolato: 0.
Born in 1947. Education: Lower school certificate.

Håkan Svensson

PTK employee representative since 2009.
Shareholding in Nolato: 0.
Born in 1960. Education: Upper secondary school.

Nomination Committee

The Nomination Committee prior to the 2012 Annual General Meeting consists of Henrik Jorlén, Gun Boström, Erik Paulsson, Johan Lannebo (Lannebo Fonder) and Magnus Molin (Svolder).

Auditors

Ordinary auditor:

Alf Svensson, born in 1949.
Authorised public accountant, KPMG.
Auditor of Nolato since 2008.
Shareholding in Nolato: 0.
Education: BSc (econ).
Elected auditor of companies including Diaverum AB, Lindéngruppen AB, Midsona AB and Peab AB.

Deputy auditor:

Camilla Alm, born in 1965.
Authorised public accountant, KPMG.
Auditor of Nolato since 2008.
Shareholding in Nolato: 0.
Education: BSc (econ).
Other major clients: BE Group AB, AB Wilh. Becker, Kemira Kemi AB, Tigran Technologies AB and Stena Fastigheter AB.

Shareholding in Nolato at 31 December 2011
incl. family and companies, according to Euroclear Sweden.

Group Management

Hans Porat

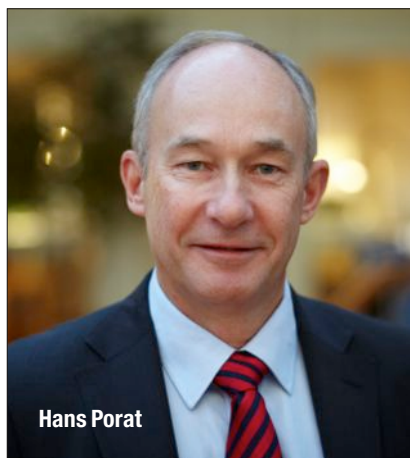
President and CEO, and President of Nolato Industrial since 2008.

Employed at Nolato since 2008.

Born in 1955.

Education: Master of Science (metallurgy).

Shareholding incl. family: 33,898 B.



Hans Porat

Per-Ola Holmström

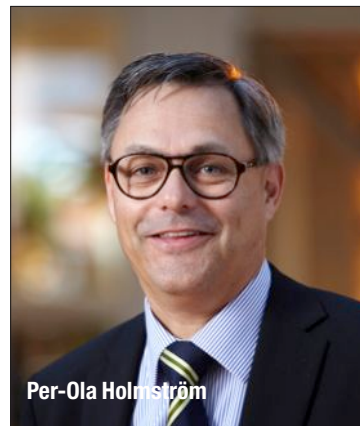
Executive Vice President and CFO since 1995.

Employed at Nolato since 1995.

Born in 1964.

Education: BSc (econ).

Shareholding incl. family: 20,154 B.



Per-Ola Holmström

Jörgen Karlsson

President of Nolato Telecom since 2009

and MD of Nolato Beijing since 2007.

Employed at Nolato since 1995.

Born in 1965.

Education: Polymer engineering.

Shareholding incl. family: 0.



Jörgen Karlsson

Christer Wahlquist

President of Nolato Medical since 2005.

Employed at Nolato since 1996.

Born in 1971.

Education: Master of Science, MBA.

Shareholding incl. family: 20,712 B.



Christer Wahlquist

Annual General Meeting and 2012 calendar

Annual General Meeting

Shareholders are invited to attend Nolato's Annual General Meeting at 4:00 p.m. on Tuesday 24 April 2012 at Idrottsparken in Grevie, Sweden.

Light refreshments will be served after the Annual General Meeting.

Registration

Shareholders who wish to participate in the Annual General Meeting should be listed on the register of shareholders maintained by Euroclear Sweden on Wednesday 18 April 2012, and should register their intention to attend the Annual General Meeting with the Company no later than 12:00 noon on Wednesday 18 April 2012.

Attendees may register in one of 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, 269 04 Torekov, Sweden.

When registering, shareholders should state their name, address, telephone number, civic registration number or corporate identity number, number of shares and, where appropriate, the names of 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 and, 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 their intention to do so before the cut-off date for shareholder registration.

Shareholders who, through the trust department of a bank or some other manager, have registered their shares in the name of a nominee, must temporarily register the shares in their own name in order to have the right to participate in the Annual General Meeting following registration. In order for this registration to be entered in the register of shareholders no later than 18 April 2012, shareholders must request re-registration by the manager in plenty of time.

Reporting documents

The reporting documents and the auditors' report will be available at the company's headquarters at Nolatovägen, 269 04 Torekov, Sweden by Monday 2 April 2012.

The documents will be sent to those shareholders requesting these.

Documents will also be available from Nolato's website, www.nolato.com, under Investor Relations.

Financial calendar

All financial information will be posted at www.nolato.com as soon as it is published.

During 2012, financial information will be released as follows:

- Three-month interim report 2012:
24 April 2012
- Annual General Meeting:
24 April 2012
- Six-month interim report 2012:
20 July 2012
- Nine-month interim report 2012:
24 October 2012

Annual Report

The Annual Report is sent by post to those shareholders who have notified the Company that they wish to receive a copy.

It is also available at www.nolato.com, and can be ordered by phoning +46 431 442208 or at www.nolato.com

IR contact

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■ Five-year review

	2011	2010	2009	2008	2007
Sales and profit					
Net sales (SEK million)	2,977	3,375	2,602	2,824	2,421
Sales growth (%)	- 12	30	- 8	17	- 10
Percentage of sales outside Sweden (%)	70	76	73	68	61
Operating profit (EBITA) (SEK million)	199	262	166	240	197
Operating profit (EBIT) (SEK million)	190	253	158	232	190
Financial income and expense (SEK million)	- 7	- 10	- 10	- 16	- 19
Profit after financial income and expense (SEK million)	183	243	148	216	171
Profit for the year (SEK million)	132	187	123	178	150
Financial position					
Total assets (SEK million)	2,144	2,350	2,113	2,126	1,918
Shareholders' equity (SEK million)	1,151	1,179	1,086	1,058	881
Interest-bearing assets (SEK million)	124	239	172	168	62
Interest-bearing liabilities and provisions (SEK million)	206	273	212	263	386
Net debt (SEK million)	82	34	40	95	314
Equity/assets ratio (%)	54	50	51	50	46
Liquidity (%)	123	120	122	111	131
Debt/equity ratio (times)	0.2	0.2	0.2	0.2	0.4
Cash flow					
Cash flow from operations (SEK million)	246	370	257	451	315
Investment activities (SEK million)	- 134	- 286	- 118	- 143	- 158
Cash flow before financing activities (SEK million)	112	84	139	308	157
Profitability					
Return on total capital before tax (%)	8.7	11.3	7.5	11.8	10.5
Return on capital employed before tax (%)	13.9	18.4	12.1	18.4	16.3
Return on operating capital before tax (%)	15.5	21.6	13.9	19.7	17.6
Return on net shareholders' equity (%)	11.3	16.5	11.5	18.4	18.0
EBITA margin (%)	6.7	7.8	6.4	8.5	8.1
Profit margin (%)	6.1	7.2	5.7	7.6	7.1
Interest coverage ratio (times)	16	25	14	11	8
Share data (see also page 70)					
Earnings per share after tax (SEK)	5.02	7.11	4.68	6.77	5.70
Shareholders' equity per share (SEK)	44	45	41	40	33
Cash flow per share (SEK)	4.26	8.74	5.28	11.71	5.97
Yield (2011 proposal) (%)	9.9	7.2	5.1	8.6	6.5
Dividend per share (2011 proposal) (SEK)	5.00	6.00	3.00	2.75	3.00
Personnel					
Number of employees (people)	5,496	7,563	4,308	4,531	3,760
Sales per employee (SEK thousand)	542	446	604	623	643
Profit after financial income and expense per employee (SEK thousand)	33	32	34	48	45



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■ Definitions

Return on total capital

Profit after financial income and expenses, plus financial expenses, as a percentage of average total capital according to the balance sheet.

Return on capital employed

Profit after financial income and expenses, plus financial expenses, as a percentage of average capital employed. Capital employed consists of total capital less non-interest-bearing liabilities and provisions.

Return on operating capital

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

Return on shareholders' equity

Profit after tax in relation to average shareholders' equity.

EBITA margin

Operating profit (EBITA) as a percentage of net sales.

Adjusted earnings per share

Profit after tax, excluding amortisation of intangible assets arising from acquisitions, divided by the average number of shares.

Cash flow per share

Cash flow before financing activities in relation to the average number of shares.

Liquidity

Total current assets divided by total current liabilities.

Net debt

Interest-bearing liabilities and provisions less interest-bearing assets.

Earnings per share

Profit after tax in relation to the average number of shares.

Interest coverage ratio

Profit after financial income and expenses, plus financial expenses, divided by financial expenses.

Operating profit (EBITDA)

Earnings before interest, taxes, depreciation and amortisation.

Operating profit (EBITA)

Earnings before interest, taxes and amortisation of intangible assets arising from acquisitions.

Operating profit (EBIT)

Earnings before interest and taxes.

Debt/equity ratio

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

Equity/assets ratio

Shareholders' equity as a percentage of total capital according to the balance sheet.

Profit margin

Profit after financial income and expenses as a percentage of net sales.

■ A few specialist terms used within the Nolato Group

Polymer materials

Materials such as plastic, silicone, rubber and thermoplastic elastomers (TPEs).

Injection moulding

A method for the production of polymer components. The material is injected under high pressure into a mould in which the component is made.

Injection blow moulding

Production technique whereby a container is first injection-moulded and then inflated so that a receptacle is formed. Injection blow moulding is used by Nolato in the production of pharmaceutical packaging.

Dipping

The product is manufactured by being dipped in liquid latex. Dipping is used by Nolato for manufacturing products such as breathing bags and catheter balloons.

Extrusion

This is a method for continuously manufacturing products in strands, such as medical tubing.

Haptic technology/haptics

Designing a surface so that a function or cosmetic effect can be felt.

Clean room

A room with extremely strict requirements in terms of the absence of dust particles, etc. Used by Nolato when producing medical technology components and mobile phone components.

Shielding

Technology for shielding electronics from electromagnetic interference, both internally between different electronic components and from external interference. This is achieved using silicone gaskets containing silver or nickel particles.

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