

Nolato AB (publ) Annual Report 2012



Production of medical technology component in silicone.

2012 in brief

2012 was the best year to date in Nolato's history. Compared with the previous year, sales rose by 30% to SEK 3,874 million, with operating income (EBITA) up 52% to SEK 303 million and earnings per share up 53% to SEK 7.68. The growth in earnings resulted in a strong cash flow and continued low net debt, even after the acquisition of a British pharmaceutical packaging company.

First quarter

All three business areas showed an improvement. Nolato Telecom, which experienced a difficult 2011, began its recovery with an increase in sales of 11% during the first quarter compared with the same period during the previous year.

Second quarter

The strong growth continued during the second quarter, when Nolato Medical's sales rose by 34%, Nolato Telecom's by 70% and Nolato Industrial's by 9%. A British pharmaceutical packaging company was acquired in April, giving Nolato Medical a decidedly strong position in the European market.

Third quarter

The positive trend continued for two of the three business areas during the third quarter. Nolato Medical saw its sales rise by 31% and Nolato Telecom doubled its sales, while Nolato Industrial experienced a slowdown towards the end of the quarter, with a 4% dip in sales.

Fourth quarter

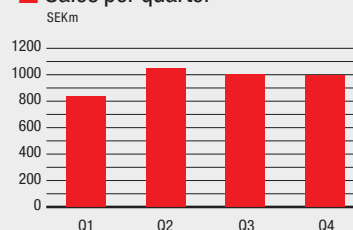
The rise in earnings and the reduced need for working capital meant a strong cash flow during the fourth quarter. Nolato Medical's sales rose by 35% and Nolato Telecom's by 90%, while Nolato Industrial's sales were down 3%.

Financial highlights

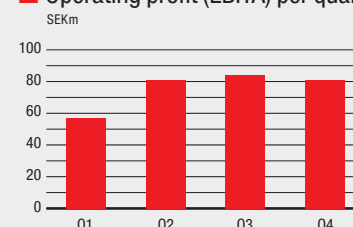
SEKm (unless otherwise specified)

	2012	2011
Net sales	3,874	2,977
Operating profit (EBITDA)	444	360
Operating profit (EBITA)	303	199
EBITA margin, %	7.8	6.7
Profit after financial income and expense	272	183
Profit after tax	202	132
Earnings per share, SEK	7.68	5.02
Adjusted earnings per share, SEK	8.13	5.28
Cash flow after investments, excl. acquisitions and disposals	317	112
Return on capital employed, %	19.5	13.9
Return on shareholders' equity, %	17.1	11.3
Equity/assets ratio, %	46	54
Net debt	78	82
Average number of employees	8,421	5,496

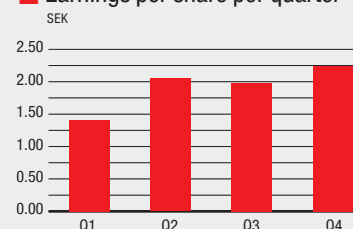
Sales per quarter



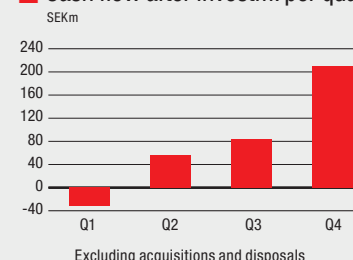
Operating profit (EBITA) per quarter



Earnings per share per quarter



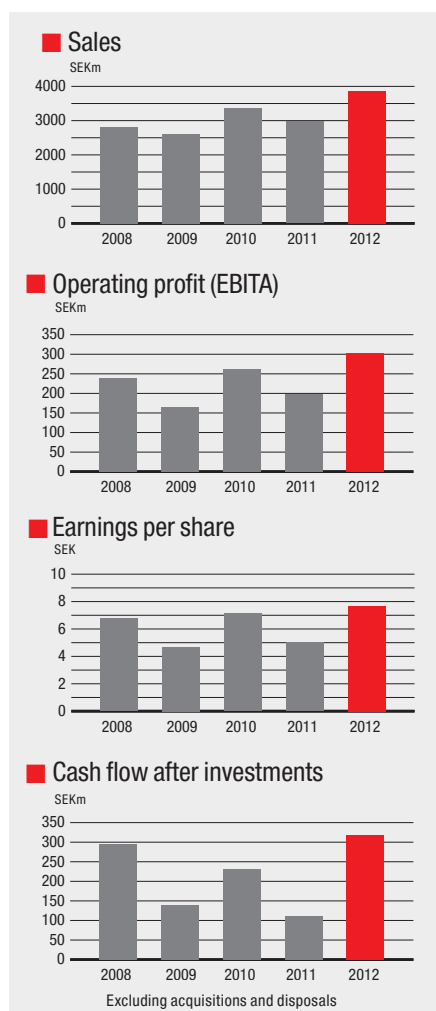
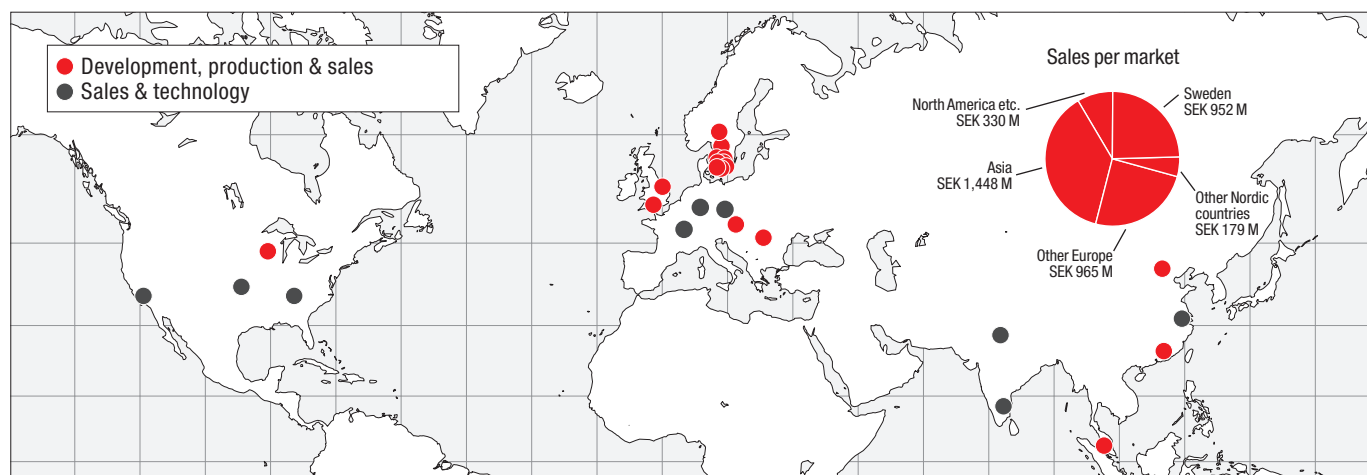
Cash flow after investm. per quarter



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The Nolato Group in brief



Our operations

Nolato is an accomplished supplier with broad technological expertise and far-reaching specialist knowledge. We offer high-tech product and product system development and manufacturing based on polymer materials (plastic, silicone, TPE and rubber) within three areas:

- medical devices (such as inhalers, insulin pens and catheter balloons)
- telecommunications components (subsystems for mobile phones, often with significant cosmetic content, as well as methods and materials for shielding electronics)
- products for industrial companies (such as packaging, hygiene products 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 to 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 cosmetic effects, designing components to facilitate the assembly process or reducing the product's environmental impact.

Our values

Taking responsibility is one of the cornerstones of our corporate culture, as well as being one of our Basic Principles. Topics relating to the environment, the working environment, social responsibility and ethics are therefore natural and integral aspects of our business activities.

Our employees

The average number of employees in 2012 was 8,421. Of these, 90 percent were outside Sweden.

Our shares

Nolato was listed on the stock exchange in 1984, and its B shares are listed on the NASDAQ OMX Nordic Exchange in the Stockholm Mid Cap segment, where they are included in 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's 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 abroad.



Micromoulding of medical technology component.

Nolato Medical

Financial highlights:	2012	2011
Sales SEKm	1,159	917
Operating profit EBITA SEKm	133	110
EBITA margin %	11.5	12.0
Average number of employees	932	719

Customer offering:

Development and manufacturing of polymer components and systems for medical technology and pharmaceutical customers, as well as plastic pharmaceutical packaging.

Geographic information:

Development, production and sales in Sweden, the UK, Hungary, the USA and China. Sales offices in Germany, France and the Czech Republic.

Success factors:

Medical understanding, broad technological offering, global production, robust quality and development expertise.

Customers include:

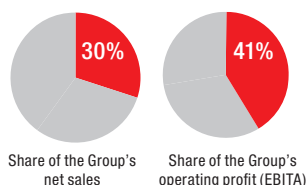
AstraZeneca, Boston Scientific, Coloplast, Gambro, Novo Nordisk, Takeda, Medtronic.

Volatility:

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

Product life cycle:

Long.



Subsystem to water resistant mobile phone.

Nolato Telecom

Financial highlights:	2012	2011
Sales SEKm	1,548	935
Operating profit EBITA SEKm	96	11
EBITA margin %	6.2	1.2
Average number of employees	6,741	4,052

Customer offering:

Design, development and manufacturing of components and subsystems for mobile phones, and products and systems for EMI shielding of electronics.

Geographic information:

Development, production and sales in China, Sweden and Malaysia. Sales and technology offices in the USA and India.

Success factors:

Creative development work, cutting-edge technology, advanced project management, fast production start-ups and high productivity.

Customers include:

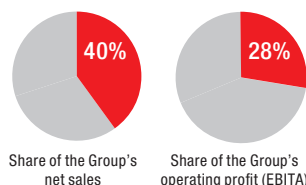
Alcatel-Lucent, BlackBerry, Ericsson, Huawei, Motorola, Nokia, Sony Mobile Communications.

Volatility:

High. Project-based operations.

Product life cycle:

Short.



Injection moulded and assembled flush panel.

Nolato Industrial

Financial highlights:	2012	2011
Sales SEKm	1,170	1,129
Operating profit EBITA SEKm	105	102
EBITA margin %	9.0	9.0
Average number of employees	743	720

Customer offering:

Development and manufacturing of components and product systems in plastic, TPE and rubber for customers in the automotive industry, hygiene, packaging, gardening/forestry, white goods and other selected industrial segments.

Geographic information:

Development, production and sales in Sweden, Hungary and Romania.

Success factors:

Technology, project management and productivity.

Customers include:

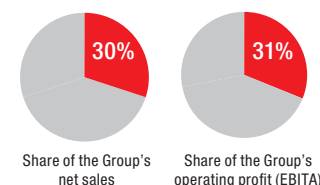
Atlas Copco, Brose, Haldex, Husqvarna, Lindab, MCT Brattberg, Sanitec, Scania, SKF, Volvo, Volvo Car.

Volatility:

Medium. Follows the Northern European industrial business cycle.

Product life cycle:

Medium/long.



A strong year for Nolato

Dear shareholders,

2012 was a strong year for Nolato. In fact, it was the best year since the company was founded in 1938.

Nolato Medical continued its steady growth, Nolato Telecom made a strong recovery following a difficult 2011, and Nolato Industrial won additional market shares. Total growth was 30%.

However, this solid growth does not happen by itself, but is the result of the constant development of our offering, working closely together with our customers, and – not least – a sharp focus on productivity and cost-efficiency.

The basic principle is simple: We must spend time on what creates value for our customers, and on what is important to the customer in the long term. As a supplier, we cannot afford any extravagances – anything that does not ultimately benefit our customers must be eradicated early on.

Since our customers constantly challenge us with new and tougher requirements, efficiency improvements are not just one-off events – they are a permanent, constant process. Similarly, sustained investments in technology and our own unique cutting-edge solutions are another important element of our efforts to strengthen our long-term market position.

Customer-focused business

Nolato's business is conducted in three customer-focused business areas, each of which addresses the industry-specific conditions required in order to succeed.

Our far-reaching decentralisation creates a sound basis for dedicated and motivated employees, while enabling us to make operational decisions in close contact with our customers.

We also attach great importance to what unites the Group and ensures that the whole is greater than the sum of its parts: Shared values, broad expertise in polymer technology and similar production technology.

Our three business areas often work together to create even more value for cus-

tomers. In this way, for example, both Nolato Medical and Nolato Industrial can offer their customers integrated electronics in medical devices, based on Nolato Telecom's expertise. And now that Nolato Industrial has identified a need for production in China, this can be achieved with a low level of risk-taking within the framework of our existing operations in Beijing. In the same way, Nolato Medical was able to start production in China a few years ago without having to make major investments.

This approach permeates the entire Group's everyday activities. With advanced technology, proactive project management, close cooperation and an unfailing focus on productivity and costs, we ensure that we remain competitive.

Our efforts have not gone unrecognised, and we have received a number of prestigious accolades from our customers, including being named best mechanical supplier by Sony Mobile Communications in 2012 for providing "*excellent support in technology, quality, cost and deliveries*" and winning Volvo Cars' *Award of Excellence – Cost Competitiveness* in 2011.

Sustained growth for Nolato Medical

Nolato Medical's operations, which focus on medical technology and pharmaceutical customers, feature a long-term approach combined with extremely strict requirements in terms of quality, safety and traceability. These operations have shown excellent improvements for many years, and the strategy is to create sustained growth, both organically and through acquisitions.

In April, we completed the acquisition of the British company Cope Allman Jaycare, which has now been renamed Nolato Jaycare. This acquisition represents a significant expansion of the business area's operations in pharmaceutical packaging, a much stronger position in the European market, access to a number of new production technologies and a considerably broader product range.

This is precisely the type of acquisition that we aim for. Adding new customers and new technologies enhances our existing operations and brings excellent benefits, with the overall

effect being greater than simply the acquired company.

Nolato Medical therefore remains focused on acquisitions. Having built up a broad technology base in recent years, we are now concentrating primarily on strengthening the business area's geographic platform.

Nolato is a company that drives consolidation of the supplier chain. As a result of increasingly complex product development, medical technology companies are constantly increasing the demands placed on their suppliers. In many cases, they also choose to outsource all or part of their production in order to concentrate on their core competences. This trend benefits us at Nolato, with broad expertise and our attractive geographical presence.

Strong upturn for Nolato Telecom

Nolato Telecom, which was affected by weak demand for its customers' products and the effects of the natural disasters in Japan and Thailand in 2011, experienced a very strong upturn in 2012. There was a steady inward flow of new projects throughout the year, and sales rose by 66%.

Operations in the mobile phone sector are project-based. This means that the most important parameters for us are not the overall market trend, but how the specific mobile phone projects in which we ourselves are involved are received by consumers.

We must consequently be skilled at dealing with rapid fluctuations. That fact that Nolato Telecom has coped well with this volatility in the last three years – thanks to our dedicated employees and highly flexible production structure – is proof of our capabilities in this respect.

A considerably more stable part of the business area's operations is based on the ever-increasing need to ensure that electronic equipment does not cause or suffer from interference with other electronic equipment. For many years, Nolato Telecom has succeeded in creating efficient solutions for shielding electronics from electromagnetic interference (EMI).

Today, Nolato is a leading supplier of shielding solutions in the telecommunications

sector. For example, many base stations in mobile networks globally are consequently equipped with our gaskets, which both shield the electronics against EMI and keep out dirt and moisture from these extremely exposed units at the tops of antenna masts.

We are now taking the next step by expanding our offering to include market segments other than telecommunications, with the aim of becoming a world-leading total supplier of shielding solutions.

A good year for Nolato Industrial

Nolato Industrial also enjoyed very good growth levels in 2012, despite a slowdown in the autumn. The business area tracks the Northern European industrial business cycle, and we have therefore prepared for a certain downturn in 2013 by adapting our production resources.

If productivity and a focus on costs are important elements of the entire Group's operations, they are absolutely vital to Nolato Industrial. Through constant improvements and lean manufacturing – involving a sharp focus on effective processes, reduced reject levels, shorter lead times and new solutions – we ensure that the fundamentals for sound competitiveness are in place. This also involves a high degree of technical expertise and proactive project management, which can support the customer from an early stage.

Having the necessary expertise and resources for early involvement in customers' product development is an important part of our overall ability to compete. Naturally, this is true not only for Nolato Industrial but also the rest of the Group. We are witnessing a clear trend of customers reducing supplier numbers, and of those players with the right expertise and resources to be involved in the entire process being best placed to win business.

We take responsibility

Taking responsibility has been a fundamental element of Nolato's core values right from the start. We therefore constantly work to ensure that these values permeate the entire business, not only in theory but especially in practice. We carry out regular training on sustainability issues and take a zero tolerance approach to divergences from our Code of Conduct.

To further strengthen our control mechanisms in this area, we have introduced a whistleblowing system enabling employees to report suspected irregularities without the



risk of reprisals or pressure. The system was trialled at three of our units in 2012, and will be rolled out throughout the Group in 2013.

I note that the Group-wide targets that we have set for our sustainability and social responsibility work are also bearing fruit. Not only are we gradually approaching these targets; there is much greater awareness about the importance of such issues to us all.

Standing prepared and strong

At the time of writing, there are many signs of a market downturn, for which we have made preparations and adaptations.

Nolato Medical and Nolato Telecom have a limited exposure to market fluctuations, while Nolato Industrial is highly dependent on the Northern European industrial business cycle due to its impact on customers' production volumes.

Our strong financial position gives us a firm foundation and enables our customers to feel secure in their choice of Nolato as supplier, even in times of recession.

Strategic priorities for 2013

For Nolato Medical, the overall strategic priorities for 2013 are a greater focus on system projects and a sustained focus on global expansion.

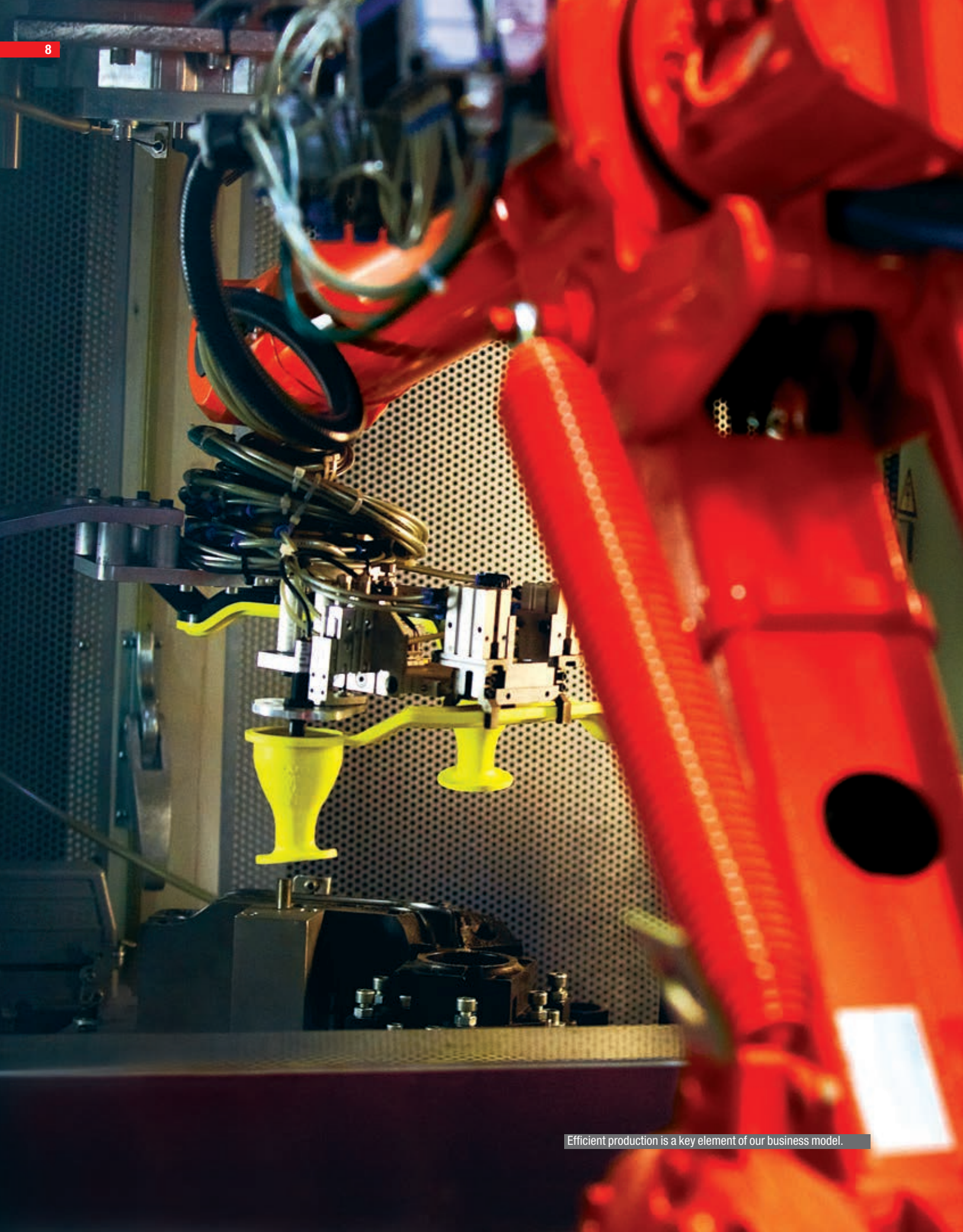
Nolato Telecom will maintain its focus on cutting-edge technologies and further developing profitable niche transactions, including in EMI shielding.

Finally, Nolato Industrial will continue to focus on market shares, productivity, costs and cash flow.

Nolato is well positioned to face the future, and we look forward to a new financial year – our seventy-fifth.

Torekov, March 2013


Hans Porat
President and CEO



Efficient production is a key element of our business model.

Our value-creating business model



Close and long-term cooperation

The companies within the Nolato Group develop and manufacture components and complete products in polymer materials (plastic, silicone, TPE and rubber) for customers in various market segments.

Some of the companies within the Group also develop, manufacture, market and sell their own polymer products, such as pharmaceutical packaging.

The business model is based on combining a high degree of expertise with close, long-term and innovative cooperation with our customers. With highly developed, leading polymer 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, close customer contact and flexible production capacity enable us to deal with changes in our business environment, quickly and effectively.

Our customer offering comprises most technologies within the field of polymers, and includes the entire value chain from concept development to product delivery. On pages 10 to 11, you can find a more detailed description

of our base technologies and those parts of the value chain within which we are active.

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 to achieve a better end-product.

We therefore 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, creating unique design solutions that make the product special, designing components to facilitate the forthcoming assembly process or reducing the product's environmental impact through creative solutions, new material choices and tailored production processes.

The value of three business areas

The value of three business areas is another key feature of our business model. The fact that all three business areas are affected differently by business cycle fluctuations, events in the wider world and market patterns means that they complement each other. Together, they thereby make up a whole which can

■ 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

stand more steady in times of financial turmoil and market uncertainty than any single business area could on its own. Combined with the Group's financial strength, this means greater security for our owners, our employees and of course our customers.

On page 13 you will find a summary of the business areas' industry-specific conditions that form this whole.

Our Basic Principles

Taking responsibility is one of the cornerstones of our corporate culture, as well as being one of our Basic Principles. Issues relating to the environment, the working environment, social responsibility and ethics are therefore natural and integral aspects of our business activities. A more detailed descrip-

tion of our sustainability work can be found on pages 26-29.

Quality and certifications

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. This comprehensive standard is supplemented by industry-specific certifications such as ISO 13485 (medical technology), ISO 15378 (pharmaceutical packaging) or ISO/TS 16949 (automotive), depending on the activity in question.

In addition to quality certification, all production units shall also be environmentally certified in accordance with ISO 14001. ■

■ Our base technologies



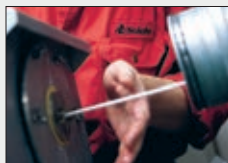
Injection moulding

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.



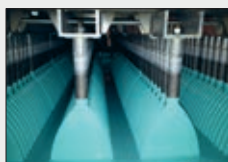
Injection blow moulding

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 for medical technology applications, such as catheters, and in manufacturing gaskets for EMC shielding in telecommunications.



Dip moulding

Dip moulding is used to manufacture breathing bags, ventilator bellows and catheter balloons from synthetic or natural rubber latex. Pre-heated formers are dipped into liquid latex rubber and products are shaped by the geometry of the formers.



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 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.



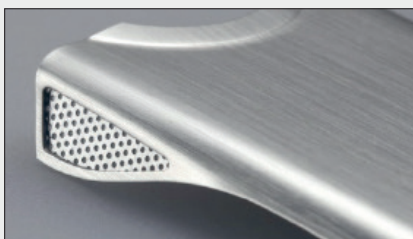
Choice of material

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



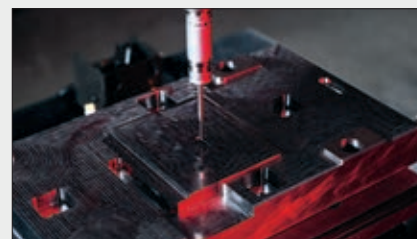
Construction

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, extrusion, dip moulding 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 the 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 or warehouses, or directly to their customers.

Financial targets and target achievement

EBITA margin

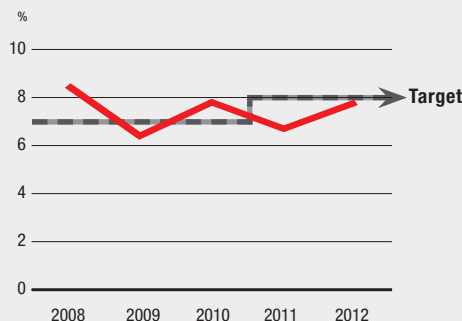
Target 8 percent

Outcome 7.8 percent

The target for the EBITA margin is that it shall be 8 percent over a business cycle.

The outcome for 2012 was 7.8 percent. Excluding a positive non-recurring item of SEK 7 million, the margin was 7.6 percent.

In the last five years, the EBITA margin has averaged 7.4 percent.



Return on capital employed

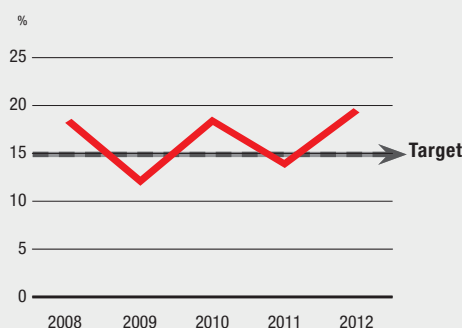
Target 15 percent

Outcome 19.5 percent

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

The outcome for 2012 was 19.5 percent.

In the last five years, return on capital employed has averaged 16.5 percent.



Equity/assets ratio

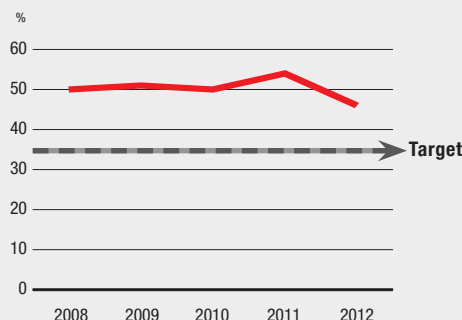
Target 35 percent

Outcome 46 percent

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

The outcome for 2012 was 46 percent.

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



Our financial targets

The Board of Nolato has established long-term financial targets for margin, return and equity/assets ratio. The Board annually establishes the level of those targets. The targets 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.

Growth

Nolato strives to achieve growth that is at least in line with growth within each market segment. In 2012, all three business areas met this target.

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

Nolato Telecom's sales were up 56% (adjusted for currencies). During 2012, the global mobile phone market contracted by 1.7% according to Gartner.

Nolato Industrial's sales rose by 5% (adjusted for currencies). This is a good deal higher than Swedish industrial production in general, which fell by 4.2% according to Statistics Sweden.

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 Telecom and Nolato Industrial may also be of interest if they bring new technology or new customer segments.

Nolato provides no forecast for 2013

As in previous years, we are not providing any forecast for 2013.

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. 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 within 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. ■

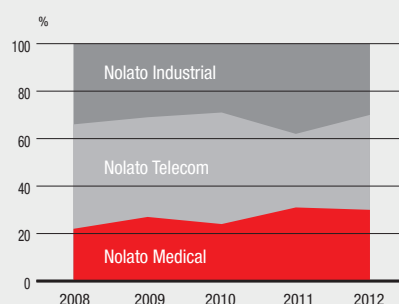
Three business areas that balance our operations

	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 Broad technology offering Global production Robust quality Development expertise	Creative development Cutting edge technology Adv. proj. management Fast production start-ups High productivity	Technology Project management Productivity
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

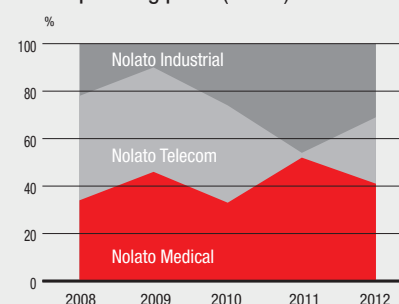
Strategic focus of the business areas

Nolato Medical – Growth market – Structural changes – Further internationalisation	→	■ Organic growth ■ Taking outsourcing projects ■ Global expansion and acquisitions
Nolato Telecom – Rapidly changing growth market – Project-related/volatile – Strong price pressure	→	■ Organic growth ■ Broadened customer base ■ Technology and project management
Nolato Industrial – Tracks the industrial business cycle – Fragmented market – Polymer materials gaining ground	→	■ Market share ■ Productivity ■ Cash flow

The business areas' share of net sales



The business areas' share of operating profit (EBITA)



Nolato Medical

Acquisition in the UK and continued good growth

Nolato Medical in brief



Head of Business Area:
Christer Wahlquist
Born in 1971
Employed 1996
Head of BA since 1 Oct 2005

Financial highlights:	2012	2011
Sales, SEKm	1,159	917
Operating profit (EBITA), SEKm	133	110
EBITA margin, %	11.5	12.0
Average number of employees	932	719

Customer offering:

Development and manufacturing of polymer components and systems for medical technology and pharmaceutical customers, as well as plastic pharmaceutical packaging.

Geographic information:

Development, production and sales in Sweden, the UK, Hungary, the USA and China. Sales offices in Germany, France and the Czech Republic.

Success factors:

Medical understanding, broad technological offering, global production, robust quality and development expertise.

Customers include:

AstraZeneca, Boston Scientific, Coloplast, Gambro, Novo Nordisk, Takeda, Medtronic.

Competitors include:

Bespak/Consort, Carclo, Gerresheimer, PhillipsMedisize, Nypro, Rexam, West Pharmaceuticals.

Volatility:

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

Product life cycle:

Long.

Market characteristics:

Large, global medical technology and pharmaceutical companies. Long-term development work, strict authority requirements, strict requirements in terms of quality, safety and traceability.

Market trends:

Customers are reducing the number of suppliers. Increased globalisation of projects. Greater focus on markets such as China and India. Increased outsourcing of production.

Nolato Medical saw sales rise to SEK 1,159 million (917), corresponding to growth of 26%. Adjusted for currencies and acquisitions, sales rose by 5%, which is in line with market growth.

Operating income (EBITA) rose to SEK 133 million (110). The EBITA margin was 11.5% (12.0).

Operations within packaging for pharmaceuticals and dietary supplements expanded in April 2012 with the acquisition of the British company Cope Allman Jaycare. This gave Nolato Medical access to a greater number of important pharmaceutical customers and a strong position in the British market, while at the same time enhancing its customer offering with new packaging types and production technologies.

The integration of the acquired company, which was been renamed Nolato Jaycare, has gone well and according to plan. Further information about the acquisition can be found in note 40 on page 67.

An expansion of the Hungarian plant was completed during the year, and production began in the fourth quarter. The 3,500 m²

extension includes a new clean room for medical technology production.

The business area's operations:

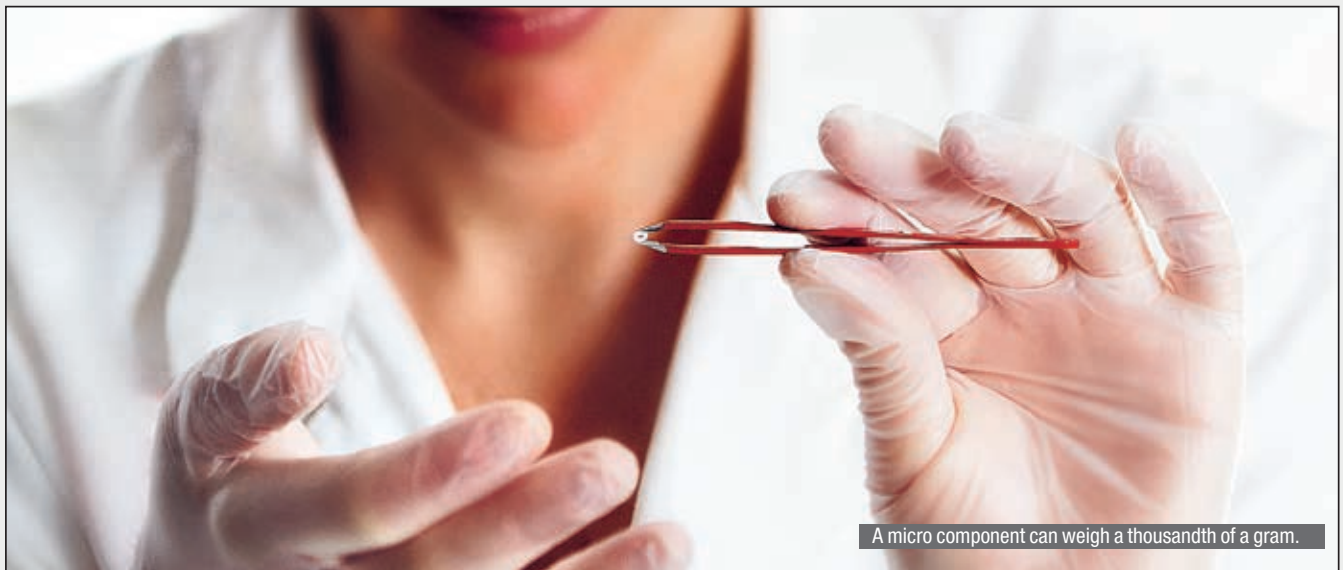
Components and systems within medical technology and pharmaceuticals

Components and systems for medical technology and pharmaceutical customers are the biggest operational area within Nolato Medical. This includes development and production for customers within fields such as diabetes treatment, drug delivery, asthma treatment, cardiology, medical analysis/diagnostics and home healthcare. These operations require in-depth insight into the specific circumstances that govern the customers' needs. Sound expertise and understanding of complex medical processes, quality assurance and risk analysis are crucial for success in this market.

Developing products for medical technology and pharmaceutical customers is normally an extremely time-consuming process which lasts for several years. On the other hand, the



The new clean room in the Hungarian factory.



A micro component can weigh a thousandth of a gram.

Advanced moulding of extremely small medical technology components

Micro injection moulding is a concept that Nolato Medical uses to manufacture extremely small medical technology components. A typical component can weigh a

thousandth of a gram, and can be smaller than a millimetre. Examples include components to attach pacemaker electrodes to the heart, or components for infusion sets,

insulin pumps and hearing aids. Customers place extreme requirements on aspects such as dimensional accuracy and cleanliness.

completed products have long product life cycles – in some cases almost twenty years. Nolato Medical has an extensive technological offering. This 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 operational area comprises the development, marketing and production of primary packaging for pharmaceuticals and dietary supplements. The products include both standard products and tailor-made packaging to meet specific customer requirements. The standard products are mainly sold in the Nordic region, the UK and the rest of Europe.

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 should be easy to open

for those who will use the medication, whilst still being difficult for children to open. In the dietary supplements market, the design of the packaging – and hence the opportunity to profile a product against its competitors – plays an important role.

Having previously focused on packaging for products in solid form, the acquisition now means that the customer offering includes packaging for all types of pharmaceuticals and dietary supplements: solids, liquids, creams and powders.

Production is carried out in both hygienic environments and clean rooms. Development and production take place in Sweden and the UK.

The business area's market

Components and systems within medical technology and pharmaceuticals

The market for medical technology products is growing globally by five to ten percent each year, and the market for pharmaceutical packaging by five to six percent.

This growth is being steered by the growing population of the planet which, thanks to ever greater access to medication and

Examples of products



Medical devices

Examples of therapy areas and products: Asthma (inhalers, check valves), diabetes (insulin pens, infusion sets), hearing aids (seals, ear-pieces), 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

Components and systems within medical technology and pharmaceuticals:

Nolato Beijing Medical

Beijing, China
MD Jörgen Karlsson

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

Pharmaceutical packaging:

Nolato Cerbo

Trollhättan, Sweden
MD Glenn Svedberg

Nolato Jaycare

Portsmouth & Newcastle, UK
MD Glenn Svedberg

■ Strategic objectives

2007 – 2012

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

2013 –

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

advanced care, is living longer and longer. This is resulting in increased pressure on healthcare costs in most countries. Hospitals are thus becoming emergency and diagnosis centres, while the actual care increasingly takes place in the home.

Since many medical technology products are thereby coming closer to the patients, it is important that the products do not signify illness, instead having an attractive design and well thought-out functions.

The products have to be used by people who are not healthcare experts, which also means higher design complexity with, for instance, integrated electronics. This places greater requirements on manufacturers, but also creates opportunities for suppliers with a high degree of technical expertise – like Nolato – to broaden their business by offering customers additional support from development to finished product.

As a result, manufacturers of medical technology products are reducing the number of suppliers used, leading to smaller, local companies being eliminated or taken over, while larger, global suppliers have the opportunity to advance their market positions. Medical technology companies are also choosing to outsource all or part of their production to a greater extent, thereby freeing up resources in order to concentrate on their core competences.

The mature markets in the USA and Western Europe are continuing to grow, although today's fastest growth in relative terms is seen in countries such as China and India. Medical

technology companies are therefore attaching greater importance to simpler products that are tailored to suit these markets, and require their suppliers to be able to meet their wishes for parallel production in various parts of the world.

Pharmaceutical packaging

Plastic packaging is the largest segment within the pharmaceutical packaging sector, accounting for around a third of the entire market. Manufacturers are also changing from glass packaging to plastic packaging, since plastic offers advantages in terms of reduced sound level and the risk of glass being broken during production, distribution and use, as well as lower energy consumption during production and distribution.

Generic manufacturers are growing more quickly than original pharmaceutical companies, as many important patents expire and alternative manufacturing of previously protected pharmaceuticals becomes possible. Generic manufacturers often use the same type of packaging as the original manufacturer, since this gives a quicker route to market. The technical and quality requirements for packaging remain, while generic manufacturers are most focused on costs. At the same time, growth within generic products leads to the market becoming both broader and larger, and this favours companies such as Nolato.

The large pharmaceutical manufacturers are constantly reviewing their processes, resulting in flexible, regional manufacturing units being set up to streamline logistics and



Automatic high-speed assembly of medical technology component.

shorten lead times, and to carry out regional adaptations. This development represents a threat for small, local packaging suppliers, but brings great opportunities for those suppliers who have the necessary resources to follow their customers out into the world.

Nolato's market position

Components and systems within medical technology and pharmaceuticals

Today, Nolato Medical is a top-flight player, with an excellent position in Northern Europe, North America and China. Nolato Medical boasts a world-leading position in terms of both liquid silicone injection moulding and the production of catheter balloons.

Pharmaceutical packaging

In terms of packaging for pharmaceuticals and dietary supplements, Nolato Medical now commands a leading position in the Scandinavian and British markets. The share of exports is greater than 50%, with the rest of Europe being the most important market. Nolato Medical is one of only a few suppliers in Europe with a comprehensive plastic packaging offering.

Continued development

Nolato Medical is positioned for further growth, both organically and through acquisitions.

Components and systems within medical technology and pharmaceuticals

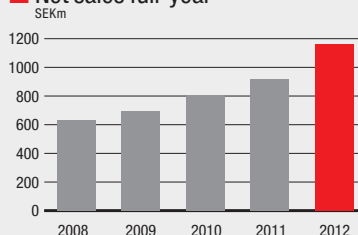
The geographic platform will continue to be reinforced by expanding production in low-cost countries and through further expansion and acquisitions in Western Europe and North America.

Pharmaceutical packaging

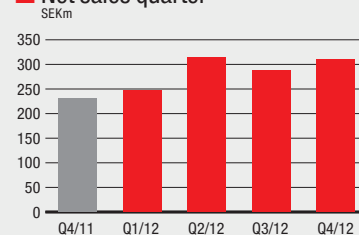
The integration of the British acquisition is continuing, with investment in new machinery and continuous improvements within the framework of lean manufacturing, as well as coordinating and strengthening the joint product platform, Nolato Medical Pharma Packaging. The product offering is constantly being expanded with new, user-friendly and safe packaging for pharmaceuticals and dietary supplements. ■

Nolato Medical: five-year review

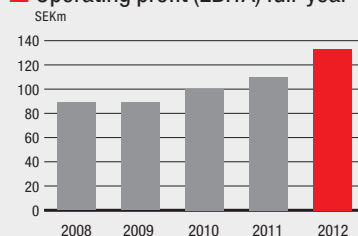
Net sales full-year



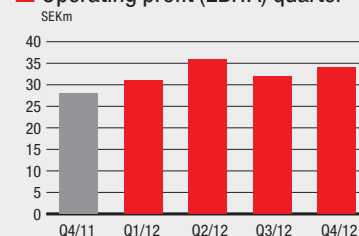
Net sales quarter



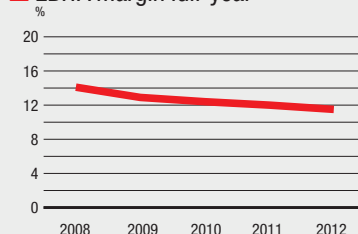
Operating profit (EBITA) full-year



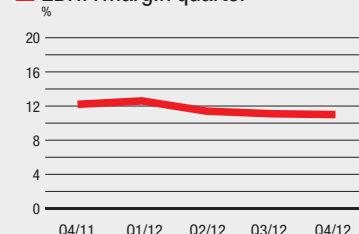
Operating profit (EBITA) quarter



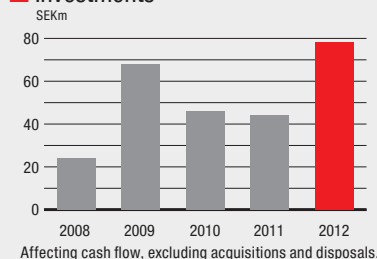
EBITA margin full-year



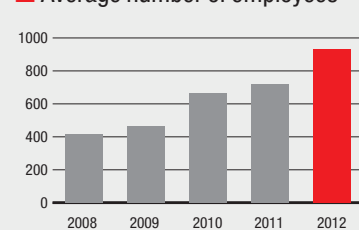
EBITA margin quarter



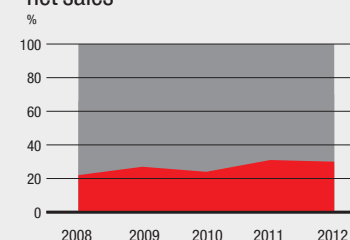
Investments



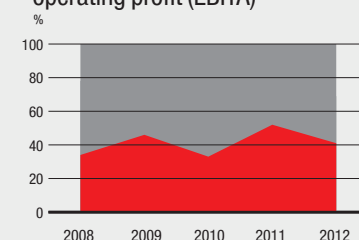
Average number of employees



Share of Group's net sales



Share of Group's operating profit (EBITA)



Nolato Telecom

Successful start-ups and strong growth

■ Nolato Telecom in brief



Head of Business Area:

Jörgen Karlsson
Born in 1965
Employed 1995
Head of BA since 1 March 2009

Financial highlights:

	2012	2011
Sales, SEKm	1,548	935
Operating profit (EBITA), SEKm	96	11
EBITA margin, %	6.2	1.2
Average number of employees	6,741	4,052

Customer offering:

Design, development and manufacturing of components and subsystems for mobile phones, and products and systems for EMI shielding of electronics.

Geographic information:

Development, production and sales in China, Sweden and Malaysia. Sales and technology offices in the USA and India.

Success factors:

Creative development work, cutting-edge technology, advanced project management, fast production start-ups and high productivity.

Customers include:

Alcatel-Lucent, BlackBerry, Ericsson, Huawei, Motorola, Nokia, Nokia Siemens Networks, Sony Mobile Communications, Xiaomi.

Competitors include:

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

Volatility:

High. Project-based operations.

Product life cycle:

Short.

Market characteristics:

A few large, global companies. These customers have high technological demands, extremely short development times and quick production start-ups.

Market trends:

Continued high importance of cosmetic effects and unique design solutions, as well as specialist functions such as water resistance. The physical size of mobile phones is growing. Greater need for EMI shielding.

Nolato Telecom reported very strong growth during 2012. Sales rose by 66% to SEK 1,548 million (935). Adjusted for currencies, sales rose by 56%. New customer project start-ups have been carried out as planned, and are gradually replacing the older product portfolio. Demand for the new products has been strong.

Operating income (EBITA) rose to SEK 96 million (11). The EBITA margin grew to 6.2% (1.2). The renewed product portfolio during the year, combined with high and relatively stable capacity utilisation from the second quarter onwards, have improved the margin.

In September, Nolato Telecom was named Sony Mobile Communications' best mechanical supplier, as "a stable, reliable partner which provides excellent support in technology, quality, cost and deliveries".

Within the field of electromagnetic interfer-

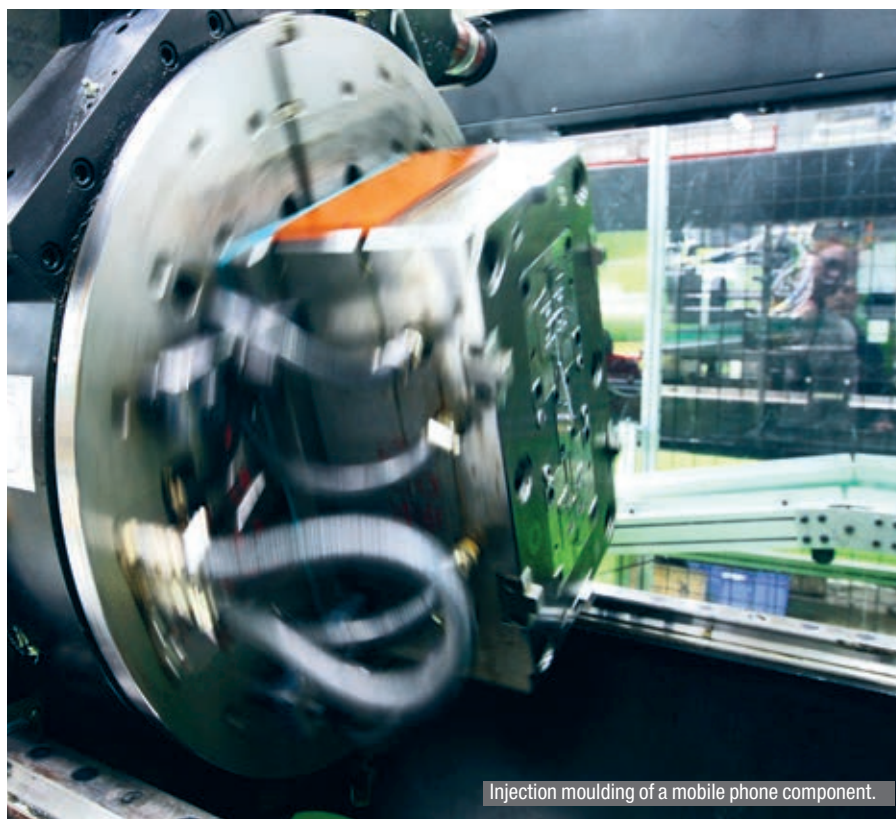
ence (EMI), operations in Beijing have been expanded in order to be able to deal with large shielding projects, with project start-ups in Sweden and volume production in China.

The business area's operations:

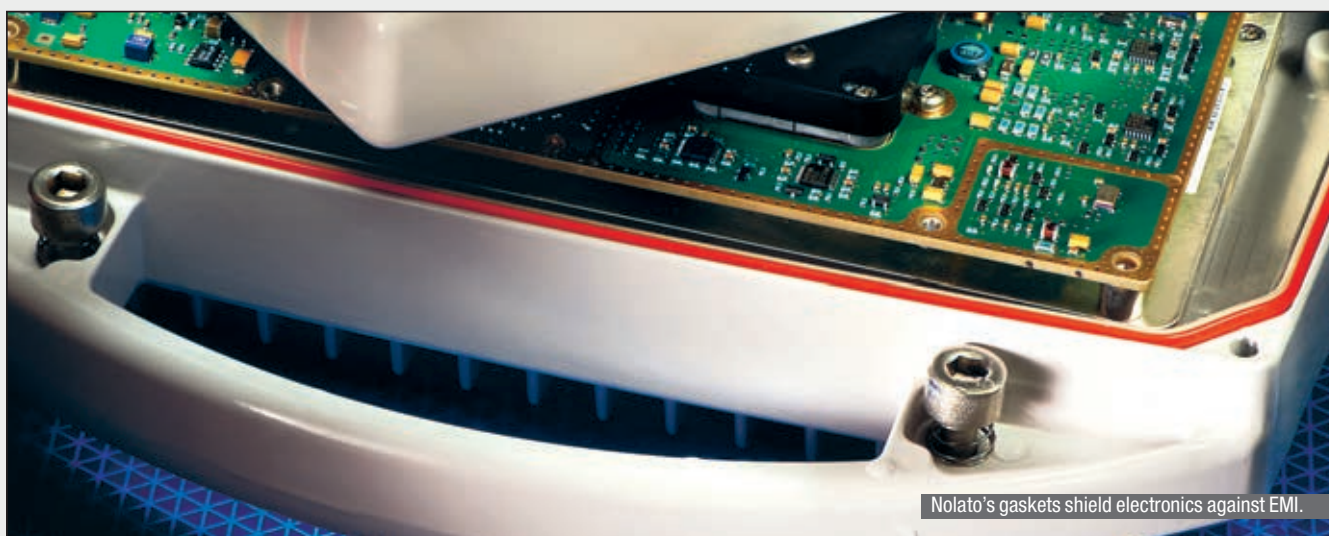
Components and subsystems for mobile phones

This is the biggest operational area within Nolato Telecom. It includes the development and production of complete mechanical modules and specialist components such as design elements, logos and speaker and microphone protection.

In highly simplified terms, a mechanical module can be described as the parts of a mobile phone that a user can see and touch, apart from the screen, and certain internal



Injection moulding of a mobile phone component.



Nolato's gaskets shield electronics against EMI.

Special gaskets protect the mobile phone networks against EMI

Today, electronic equipment is everywhere. This means a growing risk of electronics causing or suffering from interference with other electronics. The technical

term for this is EMI, or electromagnetic interference. To prevent EMI, for example in mobile network base stations, Nolato has developed various gaskets, which

both shield the electronics against EMI and keep out dirt and moisture from these extremely exposed electronic units at the tops of antenna masts.

components. During the mobile phone manufacturer's final assembly, the mechanical module is combined with the screen, circuit board, battery, antennas and software to form a complete phone.

These operations feature intensive product development, extremely short lead times and short product life spans. This places tough demands on Nolato Telecom's technology, project management and ability to adapt production resources quickly.

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 and Shenzhen, China.

EMI shielding

This area involves developing process solutions and material solutions for shielding electronics against electromagnetic interference (EMI). The products are used in applications such as mobile phone network base stations.

The business model is mainly based on licensing the application process and the sale of materials and equipment to local agents, primarily in Asia and India.

The development of technology and appli-

cation solutions and the production of the shielding material are carried out in Sweden. Shielding production under Nolato's own management takes place in Sweden, China and Malaysia.

The business area's market

In recent years, the playing field for components and system products for mobile phones has been reshaped by the emergence of the smartphone. The traditional mobile phone manufacturers still have control over technological development, but companies such as Google and Microsoft are attempting to launch their own products.

Mobile phones are now multifunctional devices, featuring cameras, integrated GPS, easy-to-use MP3 players, large colour screens, high battery capacity, low weight and high processing capacity to cope with a wealth of apps. They can also be used to make phone calls.

After a period when mobile phones became smaller and smaller, the new emphasis on multifunctional devices has meant that the trend is now returning towards larger mobile phones. Since the front consists mainly of a large screen, manufacturers' opportunities for

Examples of products

Components and subsystems for mobile phones

Injection-moulded, painted and decorated components for mobile phones, in certain cases integrated with touchscreens and other electronics ("mechanical modules"). Creative material and surface design with significant cosmetic and haptic content.

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



EMI shielding

Process and material solutions for shielding electronics against electromagnetic interference (EMI).

■ 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

2007 – 2012

- ✓ 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

2013 –

- ☐ Organic growth
- ☐ Extended customer base
- ☐ Technology and project management
 - Own niche technologies
 - Project management and ramp-ups
- ☐ Further development of the shielding business (EMI)
 - New markets
 - Acquisitions

creating a distinct identity are limited. Creative uniqueness when selecting materials and design effects has therefore become increasingly important.

At the same time, technological developments are imposing ever stricter requirements on aspects such as the functionality of the antennas. 4G/LTE, which more and more phones now support, require improved antenna functionality for fast data transfer. A growing number of antennas are also required to deal with different frequency bands and communication technologies, and so the trend is heading towards applying invisible antennas to the reverse of the phone.

In the near future, it is entirely possible that mobile phones – or multifunctional devices that can also be used to make phone calls – will have the highest processing capacity of all devices in a normal household. Phones will be used to control and monitor other equipment, such as TVs, fridges, heating, door locks and alarms.

Since we carry our phones around with us all the time, the requirements in terms of features such as shock resistance and watertightness will also increase.

Nolato's market position

Components and subsystems for mobile phones

Today, Nolato is a niche player in the mobile phone market, with a high degree of expertise relating to the design, development and

production of products within the high-end segment. As such, we are less dependent on the overall market trend and more dependent on how the mobile phone projects we are involved in sell to the end-consumer.

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

In comparison with these, Nolato Telecom is a small supplier, with a share of a few percent of the total market. Our niche is the upper segment of the market. We differentiate ourselves through technological cutting-edge expertise within the design, development and production of visible components for high-end phones, where customers place extremely high requirements on creative design, materials, appearance and feel.

Nolato Telecom is regarded by its customers as a highly competent partner within this segment, and is often awarded projects featuring advanced production technology and strict demands in terms of the cosmetic and tactile performance of components.

EMI shielding

Within EMI shielding, Nolato Telecom occupies a leading position as a supplier of silicone-based shielding for telecommunications.

Shielding is a field that is constantly growing as a result of the sharp increase in the number of units communicating with the rest of the world. Where once it was mainly peo-



Shielding operations in Beijing have been expanded to be able to deal with large projects.

ple who talked with each other via mobile phones, it is now very common for machines and equipment to provide information about their status or to be controlled remotely via the mobile phone network. Every such unit requires some form of shielding for electromagnetic compatibility, so that these units can be close to each other without causing or suffering from interference.

Shielding is also required in many other areas, for example in a modern car, in order for the large amount of electronics to be able to work together.

Continued development

Components and subsystems for mobile phones

Within components and subsystems for mobile phones, Nolato Telecom will continue to focus on high-end phones with high requirements in terms of creative design, materials, appearance and feel. This requires both continuous development of our own technologies for advanced surface treatment and the opportunity to keep introducing new and interesting design solutions that our customers find attractive.

EMI shielding

Within the shielding area, operations will be further expanded to include customer sectors other than telecommunications. The aim is to become a total supplier of shielding solutions. ■

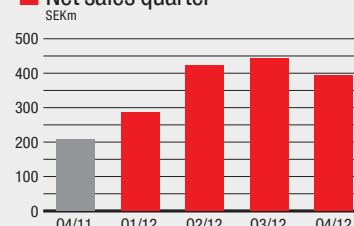


Nolato Telecom: five-year review

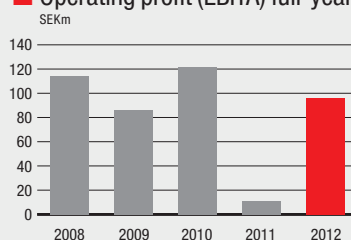
■ Net sales full-year



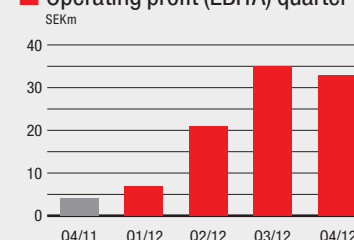
■ Net sales quarter



■ Operating profit (EBITA) full-year



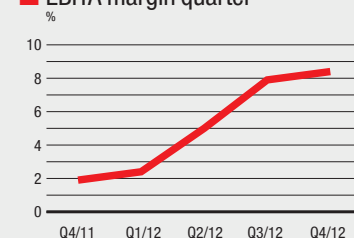
■ Operating profit (EBITA) quarter



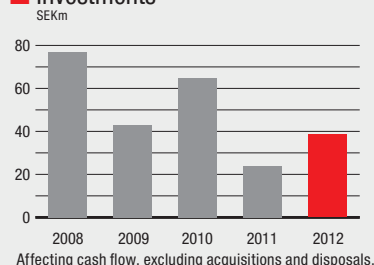
■ EBITA margin full-year



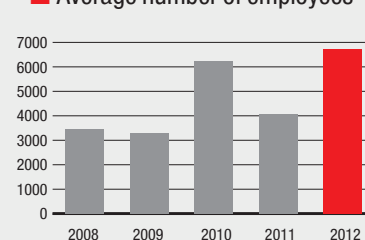
■ EBITA margin quarter



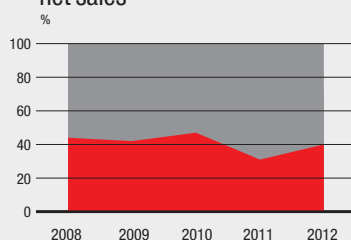
■ Investments



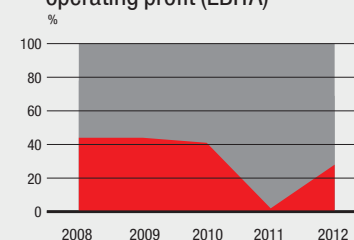
■ Average number of employees



■ Share of Group's net sales



■ Share of Group's operating profit (EBITA)



Nolato Industrial

Market position gains and highly productive operations

■ Nolato Industrial in brief



Head of Business Area:

Johan Arvidsson*

Born in 1969

Employed 1994

Head of BA since 15 Oct 2012

Financial highlights:

	2012	2011
Sales, SEKm	1,170	1,129
Operating profit (EBITA), SEKm	105	102
EBITA margin, %	9.0	9.0
Average number of employees	743	720

Customer offering:

Development and manufacturing of components and product systems in plastic, TPE and rubber for customers in the automotive industry, hygiene, packaging, gardening/forestry, white goods and other selected industrial segments.

Geographic information:

Development, production and sales in Sweden, Hungary and Romania.

Success factors:

Technology, project management and productivity.

Customers include:

Atlas Copco, Brose, Haldex, Husqvarna, Lindab, MCT Brattberg, Sanitec, Scania, SKF, Volvo, Volvo Car.

Competitors include:

Euroform, KB Components, Nypro, Plastunion, Talent Plastics.

Volatility:

Medium. Follows the Northern European industrial business cycle.

Product life cycle:

Medium/long.

Market characteristics:

Fragmented and diversified, with a large number of customers and a large number of suppliers.

Market trends:

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

* Hans Porat until 14 Oct 2012

Nolato Industrial's sales rose by 4% to SEK 1,170 million (1,129). Adjusted for currencies, sales rose by 5%. Market position gains, new products and healthy demand led to additional sales.

Operating profit (EBITA) totalled SEK 105 million (102), with a strong EBITA margin of 9.0% (9.0).

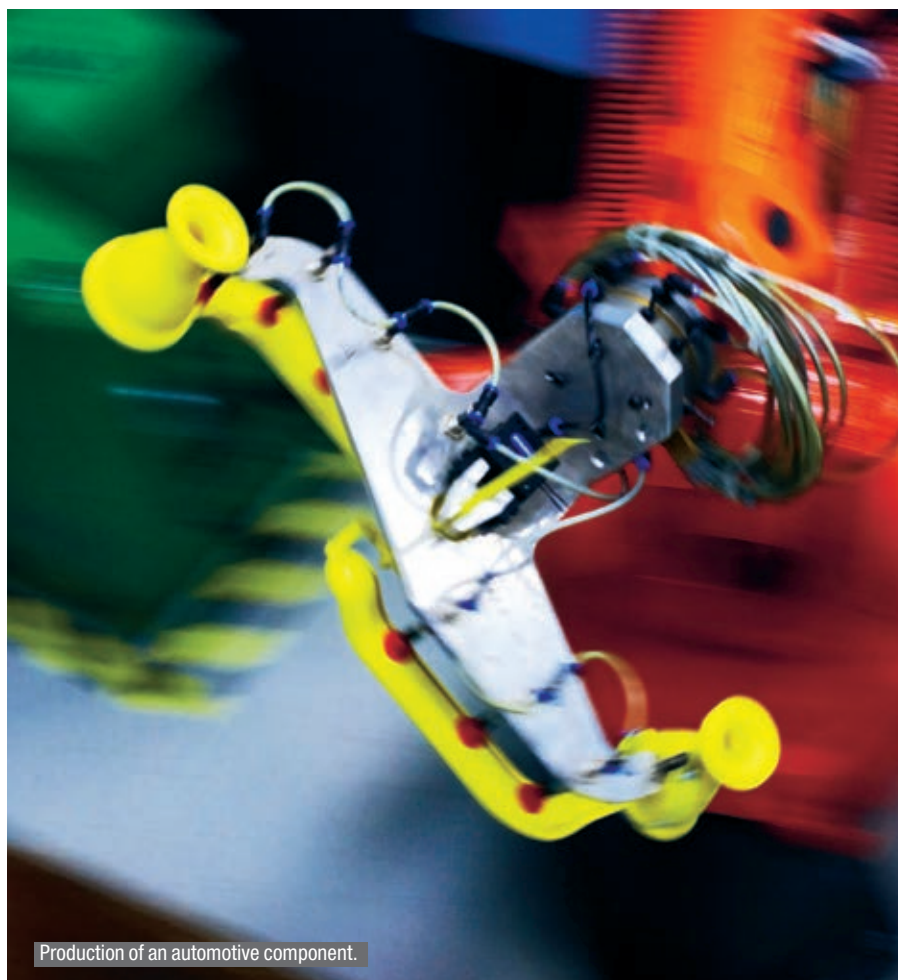
The production unit that was opened in Romania in 2011, focusing mainly on production within the hygiene sector, has shown good growth. The capacity of the Hungarian unit was expanded during the year to meet increased demand.

Nolato Industrial has identified a demand

for production in China, particularly to support existing European customers who have started their own production in Asia. Production will take place in connection with one of Nolato's existing production units in Beijing. Certification of this production unit in accordance with the automotive industry's ISO/TS16949 standard has commenced.

The business area's operations

Nolato Industrial's business concept is based on strong, specialist companies – six in Sweden, one in Hungary and one in Romania –



Production of an automotive component.



Straight to the customer's customer

A wall-mounted toilet is flushed by pressing buttons on a flush panel that is set into the wall above the toilet. The flush panel has a complex construction, and is produced in many different versions, finishes

and colours. Nolato has been involved in developing flush panels for Sanitec since 2006, and produces panels for brands such as Ifö, Ido, Kolo, Twyford, Allia and Selles. The panels are injection moulded,

surface treated, laser printed and assembled. They are then delivered as a finished product, packaged for retail and ready for the fitter to mount on the wall in the end-customer's bathroom.

which create business opportunities both individually and in cooperation with each other.

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

A high degree of technological expertise, strong project management and highly efficient production provide good conditions for working closely alongside customers in connection with development and production solutions. Through continuous improvements and a sharp focus on effective processes, reducing reject levels, shorter lead times and identifying new solutions, we ensure that the right conditions are created for good competitiveness.

The combined strength of the business area is also important. Joint purchasing, distributing resources between different units and the ability to coordinate resources for large customers or groups of customers all help to boost Nolato Industrial's competitiveness. At the same time, it is extremely important to safeguard each individual company's entrepreneurship, since this is where business is generated and, together with accurate estimates, profitability is created.

Operations are aimed mainly at larger industrial companies which attach great importance to suppliers' capacity for turnkey solutions in the form of support in development work, efficient production, high capacity, the right quality and reliable deliveries.

Automotive industry

The automotive industry, to which Nolato Industrial makes both direct deliveries and deliveries to tier-one suppliers, accounts for around a third of the business area's sales. Products include both interior fittings and technical components for engines and engine compartments.

Hygiene, packaging, gardening/forestry and white goods

This includes large, global industrial companies with continuous and comprehensive purchasing operations, high volumes and long product runs. Customers' purchasing operations are often integrated into larger, international organisations.

Other industries

This area primarily includes customers located close to the company in question. Here, too, there are large global customers with significant volumes, as well as companies that

Examples of products

Automotive industry

Gaskets for engines and exhaust systems, interior fittings, motor components, battery boxes, damping, fuel hoses.



Hygiene, packaging, garden/forestry and white goods

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



Other industries

High-voltage adapters, water membranes, ball retainers and storage seals for ball bearings, armrests for office chairs, 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

2007 – 2012

- ☒ Market share
- ☒ Productivity
- ☒ Cash flow

2013 –

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

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

The business area's market

The European market for conversion of polymer products is fragmented, consisting of almost 50,000 companies with combined sales of over EUR 50 billion. The typical company is family-owned, turning over SEK 20–35 million per year and operating in its 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 often done locally is due to the fact that the products in this market are normally 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, for example, over 700 manufacturers of polymer products in Sweden, of which two thirds have fewer than five employees.

Within plastic injection moulding, there are around thirty companies in Sweden with sales of more than SEK 50 million.

The total market contracted in 2012. According to Statistics Sweden, industrial

production in Sweden fell by 4.2% and automotive production by 16.6% compared with 2011.

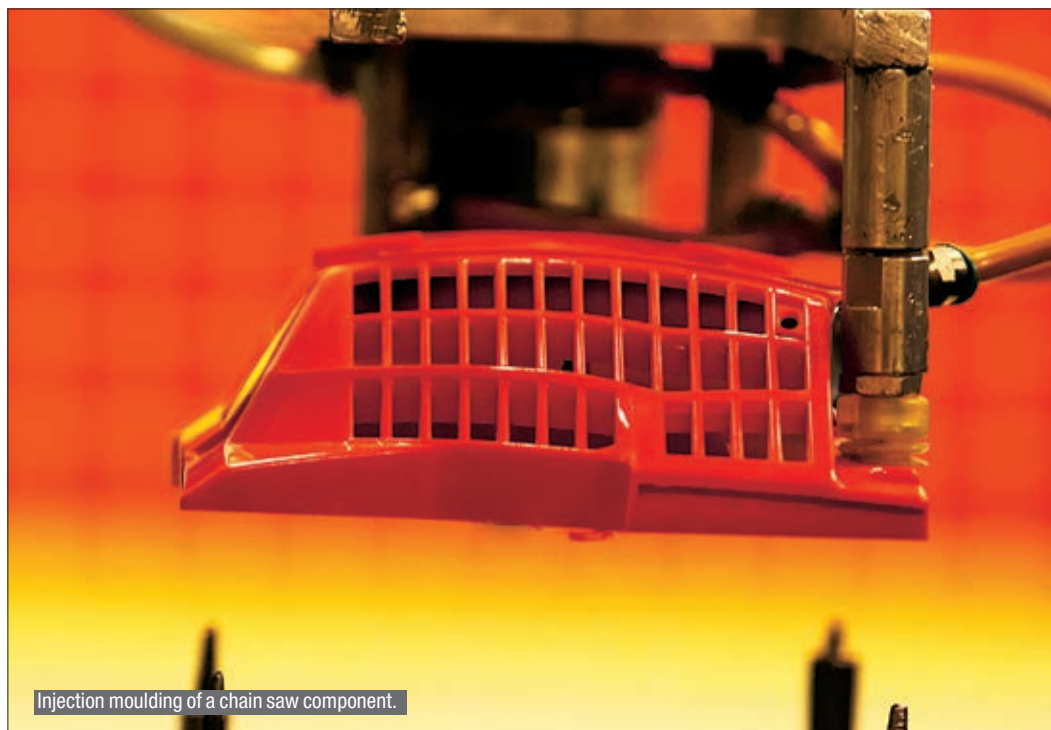
The market trend is heading towards increased use of plastic as a replacement for metal. This is particularly true in the automotive industry, where reduced fuel consumption and hence lower vehicle weight is of great importance. Low environmental impact is also an increasingly important factor in the choice of materials and processes.

The desire for 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 Nordic market is that the larger 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 a quarter of the business carried out by supplier companies with sales of over SEK 50 million. All



Injection moulding of a chain saw component.

of Nolato's companies are among the largest in the Swedish market, and overall Nolato Industrial is one of the very biggest players within its sector in the Nordic region.

In Central Europe, Nolato Industrial has a strong position as a quality supplier of products, particularly in the hygiene sector.

The size and stability of the companies within Nolato Industrial, together with their high levels of expertise and efficiency and their dedicated employees, help to create a strong market position. A high degree of automation and production efficiency means that Nolato Industrial's competitiveness is constantly improving.

Continued development

Nolato Industrial will maintain its strong commitment to the Nordic and Central European markets, but will also be able to offer customers a certain amount of production in China in 2013/14. There will be a focus on continuing to develop professionalism, project management, productivity and customer-oriented technology.

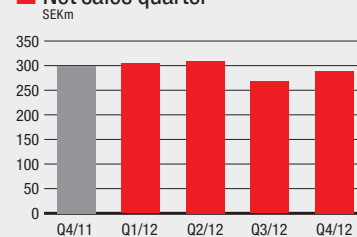
The business area's growth will mainly take place organically, but the acquisition of companies with unique technological expertise or with a strong position within a particular customer segment may also be of interest. ■

Nolato Industrial: five-year review

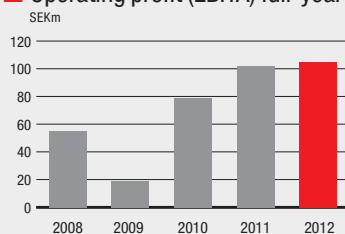
■ Net sales full-year



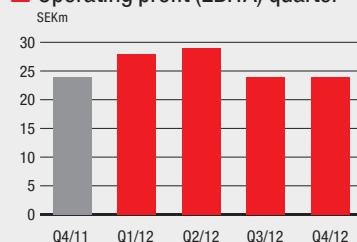
■ Net sales quarter



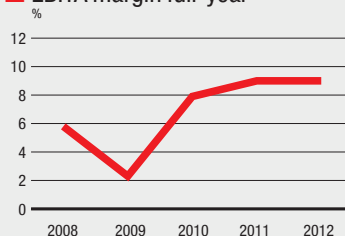
■ Operating profit (EBITA) full-year



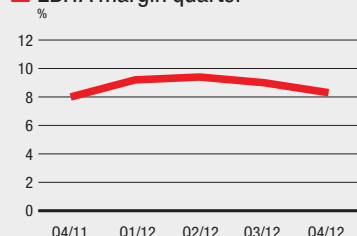
■ Operating profit (EBITA) quarter



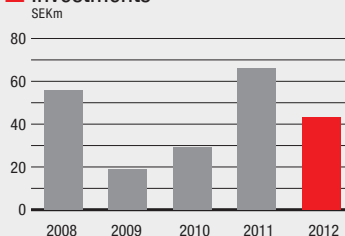
■ EBITA margin full-year



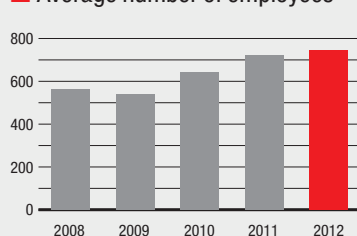
■ EBITA margin quarter



■ Investments

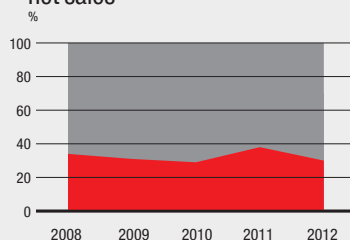


■ Average number of employees

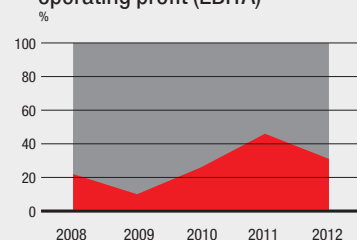


Affecting cash flow, excluding acquisitions and disposals.

■ Share of Group's net sales



■ Share of Group's operating profit (EBITA)



Sustainable development creates opportunities

■ 2012 in brief: sustainability/CSR

- Nolato Contour and Nolato Romania are certified in accordance with ISO 14001. Work begins on certifying Nolato Jaycare's two newly acquired units in the UK during 2013.
- An Employee Care Programme is launched at Nolato Beijing in China.
- Nolato Beijing receives an award for its safe working environment.
- Disabled employees are hired at Nolato Hungary.
- Nolato Hungary receives an award for its excellent working environment from the UN's European Agency for Safety and Health at Work and the Hungarian working environment authorities.
- A whistleblowing system is introduced to enable to employees to report any ethical or financial irregularities without the risk of reprisals.
- The process of phasing out hazardous chemicals continues.
- Robur approves Nolato's shares for investments in its sustainability funds.
- For the third year running, Nolato is awarded the highest grading in the Swedish business publication Veckans Affärer's Sustainable Portfolio.

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

Nolato has a long tradition of responsible business, and one of our Basic Principles is that efficient and profitable business operations must be combined with ethics, responsibility and environmental awareness.

Right from the start, we have therefore taken a very down-to-earth approach to the issues that are now combined under the concepts of sustainable development, social responsibility and CSR. It is obvious to us that the company should be a good neighbour and a good global citizen, and that we should take responsibility for what we do and always apply sound business ethics.

With time, the original, natural ideas within Nolato – of basing our operations on professionalism, good organisation and responsibility – have been developed into a carefully thought-out strategy for sustainability. This strategy is based on the fact that we are fully convinced that a future-oriented, responsible approach is not only necessary from a responsibility perspective, but also creates opportunities and thus benefits for our customers, ourselves and our owners:

- By making efficient use of materials, energy and water, we can achieve positive effects for both the environment and the Group's competitiveness.
- By dealing with environmental, working environment and social risks in a systematic manner, the Group's risks are reduced and these activities contribute towards a safer workplace.
- By being signed up to the UN's Global Compact and reporting on our sustainability work in accordance with the Global Report-

ing Initiative (GRI), we have access to effective tools, enabling us to report in a reliable manner on the way we deal with issues relating to ethics, responsibility and the environment.

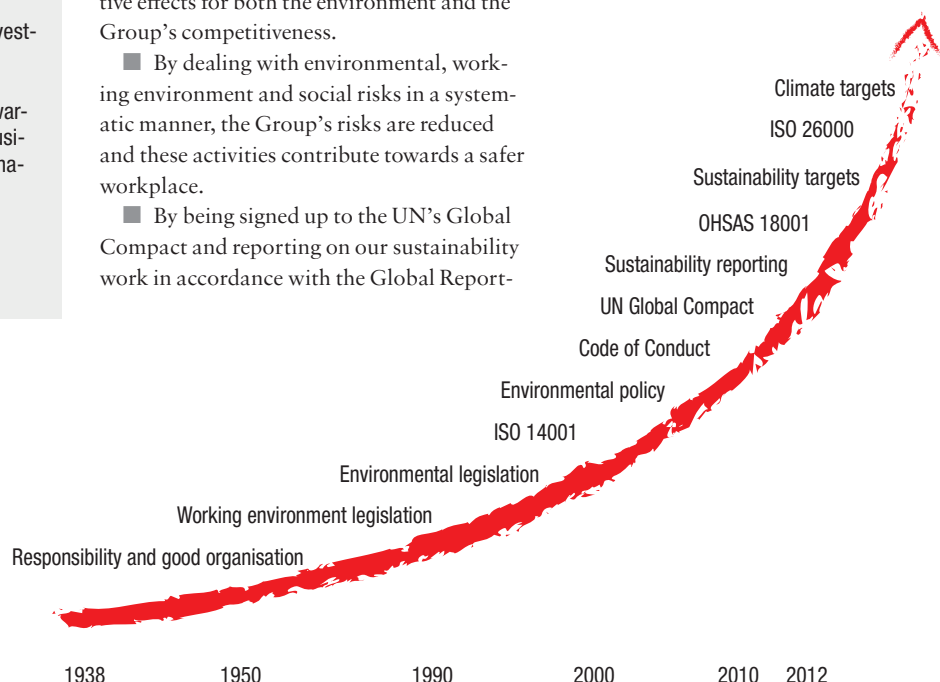
■ Certified environmental (ISO 14001) and working environment (OHSAS 18001) management systems are a natural element of our systematic approach to continuous improvements. We also apply the guidelines for social responsibility (ISO 26000).

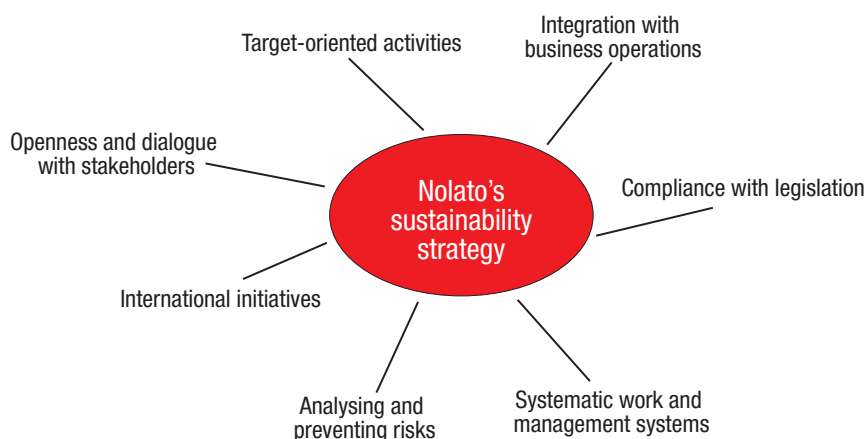
■ By being open in our communication, we make it easier for our customers, investors and other stakeholders to follow up on their requirements and to evaluate our work.

■ By working with sustainable development, we can identify and create business opportunities, for example through environmental adaptations for our products.

■ By making our employees aware of Nolato's Code of Conduct, they receive clear signals of the significance of our common values.

■ By working strategically and with clear Group targets, we are better able to achieve our ambitions within sustainable development and CSR.





Our sustainability strategy

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

Integration with business operations

Sustainability issues are integrated into Nolato's way of working. This involves areas such as investments, monitoring, external communication, company acquisitions, crisis and risk management, procedures, reporting and training. We have a clear responsibility for issues relating to the environment, the working environment, social responsibility and ethics. This responsibility comes from the Board of Directors, and is allocated to Group management and the management of the Group companies.

The Group's overall Code of Conduct and related documents must be adhered to. However, in accordance with Nolato's decentralised organisation, each individual unit has a relatively high degree of freedom to decide for themselves how to implement this work in everyday operations.

Compliance with legislation

One obvious element of our sustainability strategy involves complying with environmental and working environment legislation, and evaluating how future legislation could affect our operations. During 2012, there were no breaches of permits, conditions or any other relevant environmental legislation.

Systematic work and management systems

In the late 1990s, Nolato decided that certified environmental management systems in accordance with ISO 14001 should be in

place at all manufacturing units within the Group. The first unit was certified in 1998. The certification requirements also apply to new companies acquired by the Group. In 2012, Nolato Contour in the USA and Nolato Romania were both certified. Apart from the two British units, which were acquired in 2012 and which are intended to be certified in 2013, all our own production units are now certified.

A working environment management system (OHSAS 18001) is in place at Nolato Beijing, and the intention is that the system should be spread further within the Group.

We worked on the guidelines contained in the standard on social responsibility (ISO 26000) in 2012. This standard is based on seven fundamental concepts, and provides voluntary guidelines for what an organisation can do to contribute towards a sustainable future. Our separate sustainability report contains an overall self-declaration of how Nolato complies with ISO 26000.

Analysing and preventing risks

Our sustainability strategy also includes managing risks in a systematic manner. Regular risk assessments are carried out within Nolato in areas relating to sustainable development, and these risks are taken into account in connection with company acquisitions. More information about sustainable development risks can be found on page 37.

International initiatives

Nolato has signed up to the UN's ten principles relating to the environment, human rights and anti-corruption measures (the Global Compact) since 2008.

■ 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



We report on our work in an annual report to the UN, which is integrated into our sustainability report.

Openness and dialogue with stakeholders

Openness and dialogue with stakeholders is part of our sustainable development strategy. The Group's sustainability reporting meets the requirements of GRI. In practice, this means that strategy, dialogue with stakeholders and a number of key ratios are reported in accordance with GRI's guidelines at level B.

Target-oriented activities

In 2011, we established long- and short-term Group targets for sustainable development. The table on page 29 provides an overview of the main targets and the results achieved in relation to these in 2010-2012. Our sustainability report contains a detailed account of our work in connection with these targets.

Ahead of the 2014-2016 period, we are tightening up our targets in relation to energy consumption and carbon dioxide emissions. The new targets mean that both energy consumption and emissions will be reduced by ten percent in relation to Nolato's key ratios.

A focus on CSR in China

Many activities relating to sustainable development and CSR were carried out at Nolato's biggest unit in Beijing, China, during 2012. The work relating to the dedicated CSR group set up in 2011 has been developed, and a number of practical improvements have been implemented.

An Employee Care Programme was established in Beijing during 2012, with the aim of

improving employees' workplace satisfaction and assisting in the recruitment of qualified employees.

Customer and supplier evaluations

The Group's sustainable development targets include working with both customers and suppliers in connection with sustainable development issues.

During 2012, around a third of the Group's units were evaluated by customers, with good results. We ourselves have evaluated around 150 of our suppliers in relation to the environment and social responsibility.

Zero-tolerance on ethical issues

Nolato takes a zero-tolerance approach to bribery, corruption and cartel formation. We therefore work continuously with control and monitoring of the methods used by the units within the Group to conduct business, by disseminating and discussing our shared values in the form of our Basic Principles, Code of Conduct and policies.

We pay particular attention to ethical issues in our relationships with our partners. Standard business practice should be observed in each individual country, but if business methods do not comply with Nolato's Code of Conduct, we should refrain from doing business or take alternative relevant actions.

We carry out annual evaluations within this area, using UN Global Compact checklists. No code of conduct breaches have been identified.

To further strengthen our control mechanisms within this area, we have also intro-

duced a whistleblowing system whereby employees can report any irregularities they notice without the risk of reprisals or pressure. The system was trialled at three of our units in 2012, and will be rolled out throughout the group in 2013.

Continued work

We understand that the journey towards completely sustainable development will be a long and time-consuming one, and that there are also a number of circumstances over which we have no control. However, within those areas where we have influence, our sustainability work will continue unabated in accordance with the Group's overall strategy.

During 2013, we will work with measures including the following:

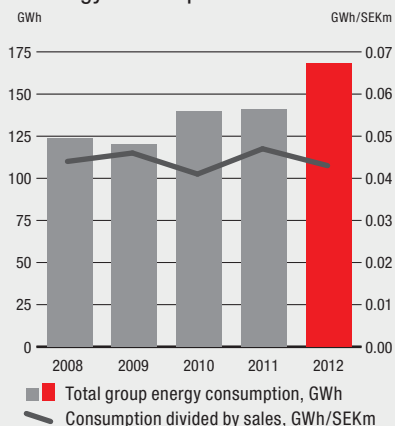
- Energy efficiency and reduced environmental impact. We are also introducing tighter Group targets within these areas.
- Improved resource efficiency, including through reduced waste.
- Making products more environmentally friendly through the use of new materials and production processes.
- Activities in relation to sustainable development and CSR within the Group's supplier chains.
- Introducing sustainability issues into the Group's strategic work.
- Stimulating the introduction of OHSAS 18001 and further developing our work in accordance with ISO 26000.
- Continuing to train our employees on issues relating to people, the environment and ethics. ■

■ Key Group sustainability targets and outcome, 2010–2012

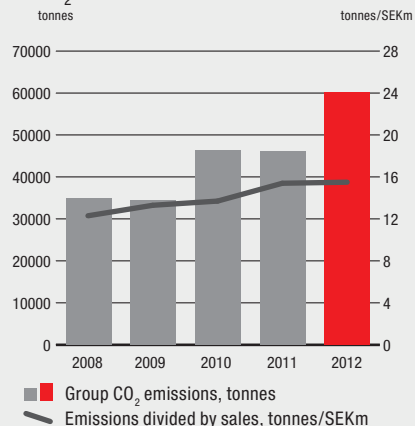
Environmental responsibility	2010	2011	2012	How things went
Reduced energy consumption (MWh/SEK M sales)	See diagram below			▲ Lower consumption in relation to sales, but more units and higher production increased overall consumption. Improved energy efficiency through measures relating to lighting, ventilation and equipment at most plants.
Reduced emissions of greenhouse gases (tonnes of CO ₂ /SEK M sales)	See diagram below			▶ More units and increased production resulted in higher emissions. Energy efficiency measures and installation of heat pumps reduced emissions.
Reduced weight of waste (tonnes/SEK M sales)	See diagram below			▼ Increased production volumes, more plants and more developed reporting resulted in increased weight of waste. Measures to reduce waste have been carried out, but have not compensated for the increased amount of waste.
ISO 14001 introduced at all units (% of total number of plants)	89	85	86	▲ Work has begun on introducing ISO 14001 at the newly acquired Nolato Jaycare in the UK. To be completed during 2013.
Social responsibility				
No infringements of human rights, discrimination or forced labour (number of cases)	0	0	0	▲ Information and training in connection with the Nolato Spirit have been carried out at most units. New employees are the main target group.
Minimise occupational accidents and work-related illnesses (cases with >1 day absence and cases per employee)	44 0.006	28 0.005	64 0.007	▼ More accidents compared with 2011. It is positive that many preventive measures have been carried out, and systems for recording near misses have been introduced at virtually all units.
Business partners and other stakeholders				
Counteract bribery, corruption and cartel formation (number of cases)	0	0	0	▲ An internal evaluation regarding the prevention of bribery based on the UN Global Compact shows additional action to prevent corruption. Whistle-blowing system introduced within the Group.
Improved evaluation of suppliers' sustainability work (% of number of plants carrying out environmental/social responsibility evaluations)	84/58	90/90	90/90	▲ Increased number of suppliers evaluated in relation to both the environment and social responsibility.

▲ Target achieved or positive trend for achieving target. ▶ Unchanged situation. ▼ Worsened situation.

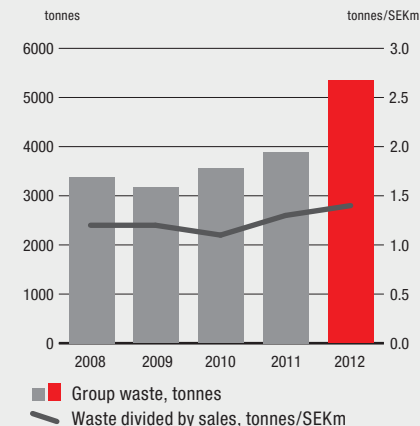
■ Energy consumption



■ CO₂ emissions



■ Waste



→ All Group targets are reported on in our detailed sustainability report (see www.nolato.com/sustainability).

Directors' report

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

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

The Group's operations take place within subsidiaries which are wholly owned by the Parent Company. In 2012 there were such companies in Sweden, the UK (acquired in April 2012), Hungary, Romania, China, India, Malaysia and the USA, and sales companies in France and Norway (net assets disposed of in July 2012).

Three business areas

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

Nolato Medical develops and manufactures polymer components and systems for customers working in medical technology and pharmaceuticals, as well as plastic pharmaceuticals packaging.

Nolato Telecom designs, develops and manufactures components and subsystems

for mobile phones, and products and systems for EMI shielding of electronics.

Nolato Industrial develops and manufactures components and product systems from plastic, TPE and rubber for customers working in the automotive industry, hygiene, packaging, gardening/forestry, white goods and other selected industrial segments.

Operations in 2012

In 2012, Group sales rose by 30 percent to SEK 3,874 million (2,977). Adjusted for currency and acquisitions, sales rose by 21 percent. Consolidated operating profit (EBITA) was SEK 303 million (199), equalling an EBITA margin of 7.8 percent (6.7). Adjusted for a non-recurring item in the fourth quarter, the EBITA margin was 7.6 percent (6.6). Profit after tax increased to SEK 202 million (132). Earnings per share, basic and diluted, were SEK 7.68 (5.02).

Nolato Medical's sales increased to SEK 1,159 million (917), equalling 26 percent growth. Adjusted for currency and acquisitions, sales increased 5 percent, which was in line with market growth.

Operating profit (EBITA) rose to SEK 133 million (110). The EBITA margin was 11.5 percent (12.0). The margin was affected by the acquisition. The British unit acquired in the spring is performing according to plan. The extension of the Hungarian factory is complete and production started in the fourth quarter.

Nolato Telecom's sales rose 66 percent to SEK 1,548 million (935), of which onward sales of components was SEK 0 million (95). Adjusted for currency and acquisitions, sales rose by 56 percent. Start-ups of new customer projects were implemented as planned and have gradually replaced the older product portfolio. Demand for the new products was strong.

Operating profit (EBITA) rose to SEK 96 million (11). The EBITA margin rose to 6.2 percent (1.2). Adjusted for a positive non-recurring item of SEK 7 million (2), the margin was 5.7 percent (1.0). The renewal of the product portfolio during the year combined with high and relatively stable capacity utilisation as of the second quarter improved the margin.

Nolato Industrial's sales rose by 4 percent to SEK 1,170 million (1,129). Adjusted for currency, sales rose by 5 percent. Advanced market positions, new products and robust demand until the end of the third quarter contributed to higher sales. From the end of the third quarter, customer demand lost momentum in a cyclical slowdown which the business area believes will persist during the beginning of 2013.

Operating profit (EBITA) totalled SEK 105 million (102), with a strong EBITA margin of 9.0 percent (9.0).

Comments on the consolidated income statement

Net sales

Consolidated net sales for 2012 totalled SEK 3,874 million (2,977) in 2011, a rise of 30 percent compared with 2011. Adjusted for currency and acquisitions, sales rose by 21 percent.

Nolato Medical continued to show healthy growth, with sales rising by 26 percent. Adjusted for currency and acquisitions, sales rose by 5 percent.

Nolato Telecom's sales rose 66 percent, of which onward sales of components (touch-screens) amounted to SEK 0 million (95). Adjusted for currency, sales increased by 56 percent.

Nolato Industrial's sales rose by 4 percent. Adjusted for currency, sales rose by 5 percent.

Gross profit

Gross profit was SEK 521 million (367) and rose mainly as an effect of higher 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 higher than in 2011, chiefly because of higher capacity utilisation and hence improved profitability for Nolato Telecom.

Total depreciation fell to SEK 157 million, compared with SEK 170 million in 2011. 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 137 million (158). The reduction in depreciation was mainly due to the impairment of fixed assets in 2011 in the amount of SEK 25 million at Nolato Telecom.

Other operating income

Other operating income consists mainly of a non-recurring item in the fourth quarter for Nolato Telecom of SEK 7 million. In the

previous year, other operating income consisted mainly of non-recurring income for Nolato Telecom from a bankruptcy payment.

Selling and administrative expenses

Selling and administrative expenses increased compared to 2011 and amounted to SEK 238 million (216). These expenses consist of personnel costs and other costs associated with the sales organisation, and administrative functions. The selling expenses also include costs for amortisation of intangible assets arising from acquisitions, which increased to SEK 16 million (9). They comprise amortisation of so-called customer relationships that are assigned value in the acquisition analysis in connection with acquisitions.

Operating profit

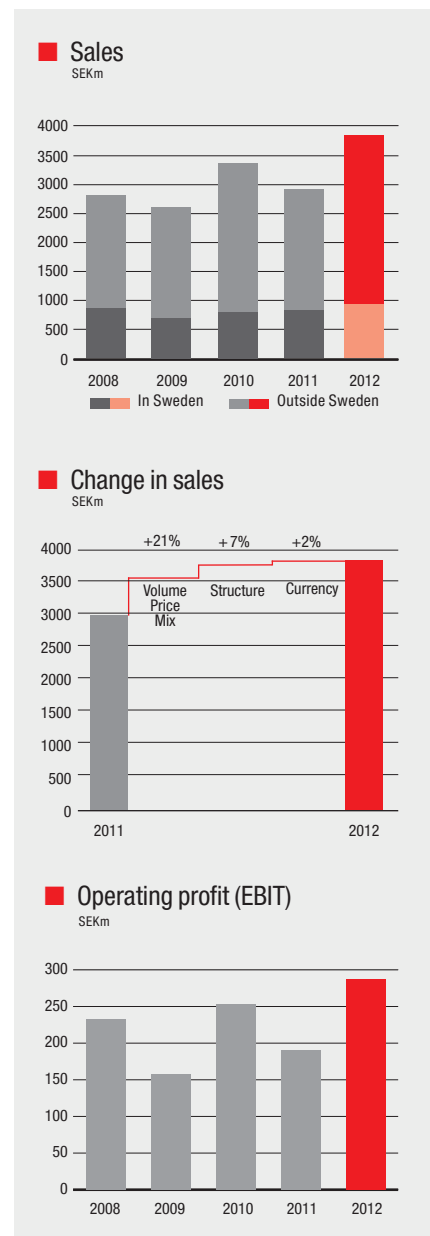
Operating profit rose sharply to SEK 287 million (190). The increase is mainly due to a strongly improved profit for Nolato Telecom, but other business areas also improved their earnings from 2011.

Net financial income/expense

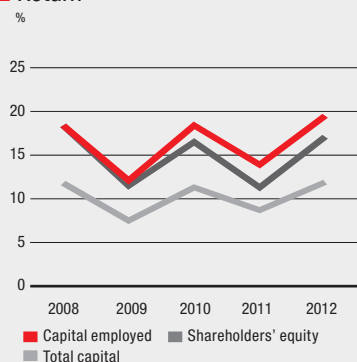
Net financial income/expense was affected by higher financial expenses than in 2011. The average debt level was higher, involving increased interest expenses, while net exchange rate differences were SEK -3 million (0). Profit after net financial income/expense was SEK 272 million (183).

Profit after tax

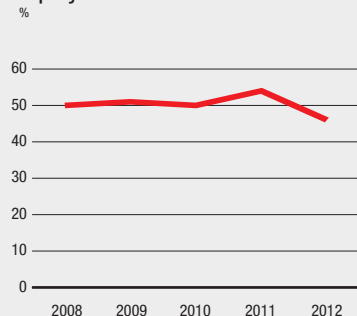
Profit after tax was SEK 202 million (132), with earnings per share of SEK 7.68 (5.02). The effective tax rate was 26 percent (28). The lower tax rate was mainly due to non-recurring effects connected with a forthcoming tax reduction in Sweden.



Return



Equity/assets ratio



Comments on the consolidated balance sheet

Assets

Total assets stood at SEK 2,634 million (2,144).

Fixed assets increased mainly because of higher intangible assets from the acquisition of Cope Allman Jaycare.

Current assets in the form of inventories and accounts receivable increased compared with 2011 as a result of higher sales.

Cash and bank balances increased to SEK 272 million (124). The strong cash flow, mainly in the fourth quarter, increased cash and cash equivalents.

Shareholders' equity

Shareholders' equity amounted to SEK 1,205 million (1,151). Shareholders' equity increased as a result of comprehensive income for 2012 of SEK 186 million including currency effects. Dividends in the amount of SEK 132 million were paid out, thus reducing shareholders' equity. The equity/assets ratio at

the turn of the year was 46 percent (54). The return on shareholders' equity was 17.1 percent (11.3).

Liabilities

Accounts payable rose compared with 2011 as a result of higher sales. The average total working capital requirement in relation to sales was 3.4 percent (5.3). Despite the higher capital employed, the improvement in earnings brought about a sharp increase in return on capital employed to 19.5 percent (13.9).

Interest-bearing liabilities increased, amounting to SEK 350 million (206) through loan financing chiefly of the acquisition. Interest-bearing assets increased at the same time to SEK 272 million (124), so net debt was relatively unchanged, at SEK 78 million (82).

Nolato has loan agreements of SEK 800 million, of which SEK 350 million matures in August 2014 and SEK 450 million at the turn of the year 2015/2016. Of these amounts, SEK 546 million was unutilised at the close of 2012.

Financial position SEK million

	2012	2011
Interest-bearing liabilities, credit institutions	255	113
Interest-bearing pension liabilities	95	93
Total borrowings	350	206
Cash and bank	-272	-124
Financial net debt	78	82
Working capital	93	169
<i>As a percentage of sales (avg.) (%)</i>	<i>3.4</i>	<i>5.3</i>
Capital employed	1,555	1,357
<i>Return on capital employed (avg.) (%)</i>	<i>19.5</i>	<i>13.9</i>
Shareholders' equity	1,205	1,151
<i>Return on shareholders' equity (avg.) (%)</i>	<i>17.1</i>	<i>11.3</i>

Comments on the consolidated cash flow statement

Cash flow from operating activities

Cash flow before investments and disposals rose sharply to SEK 476 million (246), affected mainly by the upbeat earnings trend and a reduced working capital requirement. The change in working capital was a positive SEK 89 million (–58). Reduced activity due to the Christmas holiday had a positive effect on the working capital requirement.

Cash flow from investment activities

Net investments affecting cash flow totalled SEK 335 million (134), of which the acquisition of Cope Allman Jaycare accounted for SEK 176 million.

In 2012, gross investments in property, plant and equipment were SEK 157 million (131), and SEK 2 million (3) in intangible fixed assets. The investments in property, plant and equipment chiefly comprised machinery and equipment, but also buildings and construction in progress.

Investments affecting cash flow excluding acquisitions and disposals are distributed across the Group's business areas as follows: SEK 78 million (44) for Nolato Medical, SEK 39 million (24) for Nolato Telecom and SEK 42 million (66) for Nolato Industrial.

At Nolato Medical, investments have chiefly comprised further machinery capacity in Sweden and Hungary, and the completion of the factory extension in Hungary. Nolato Telecom's investments were low in 2012. The

investments made consisted mainly of technology initiatives and investments in machinery replacement in China. Nolato Industrial has made investments in further machinery capacity and for new projects. The investments were made in Sweden and Hungary.

■ Investments SEKm	2012	2011
Capitalised developm. expenditure	0	3
Tenancy rights	2	0
Buildings and land	21	13
Machinery and equipment	77	60
Construction in progress	59	58
Total investments	159	134

Affecting cash flow, excluding acquisitions and disposals

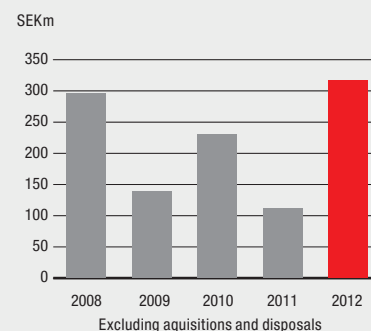
Cash flow after investment activities

Excluding acquisitions, cash flow after investments amounted to SEK 317 million (112), and including acquisitions to SEK 141 million (112).

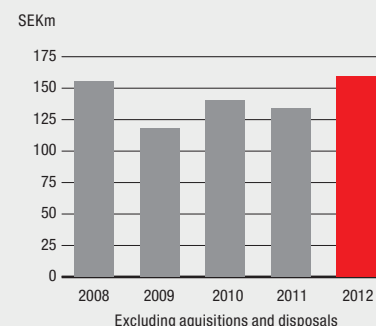
Cash flow from financing activities

Financing activities describe the Group's financing and dividends to shareholders, and totalled a net amount of SEK 12 million (–225). This consists of net borrowings of SEK 144 million (–67 amortised loans) and dividends paid totalling SEK 132 million (158). Borrowings mainly financed the acquisition.

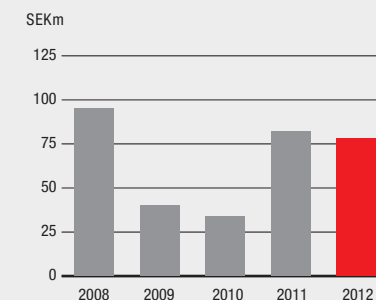
■ Cash flow after investments



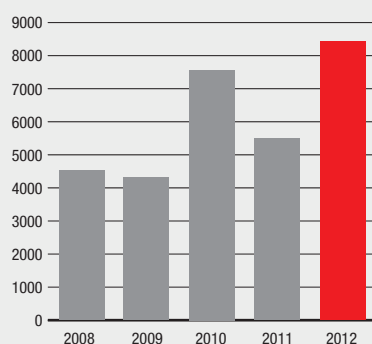
■ Investments



■ Net debt

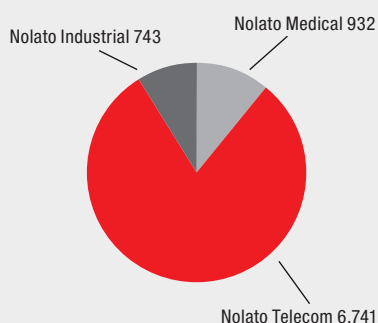


Average no. employees



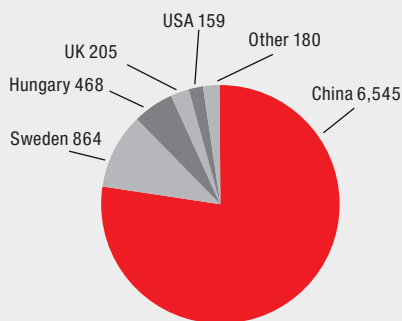
Employees by business area 2012

Average number of employees



Employees by country 2012

Average



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 (19). Profit after financial income and expense was SEK 7 million (137). The poorer outcome is mainly due to lower dividends from subsidiaries.

Employee information

The average number of employees at Nolato in 2012 was 8,421 (5,496), of whom 867 (898) were in the Nordic region, 696 (404) in the rest of Europe, 159 (175) in the USA and 6,699 (4,019) in Asia. 90 percent (84) of employees worked outside the Nordic region. 62 percent (71) of the Group's total employees were women. At the European units, the proportion of female staff was 39 percent (44), 68 percent (81) at the Asian units, and 34 percent (54) in the USA.

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 production units in Sweden, the UK, Hungary, Romania, China, Malaysia and the USA.

All of the units except the one in Malaysia are wholly owned by Nolato, which enables a Group-wide way of dealing with matters relating to the environment, ethics and social responsibility. In Malaysia, production is contracted from a collaboration partner and is subject to the same requirements as the Company's own units.

Pursuant to 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 a normal situation in these countries.

In order to increase possibilities of quickly obtaining information about breaches of the Group's code of conduct and other serious irregularities, a whistleblowing system has been introduced. It enables members of staff to raise the alarm without the risk of reprisals and pressure. In 2012 the system was tested at three units and will be introduced throughout the entire Group in 2013.

Environmental issues

The Group's significant environmental issues are the use of energy, raw materials and chemicals, emissions to air and water, and waste. Systematic work is carried out in 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 Group reports on sustainability performance according to GRI guidelines level B, and has endorsed the UN Global Compact.

In Sweden, the Group carries out operations with notification obligations in accordance with the Swedish Environmental Code at all units. One of the units plans to renew its notification in 2013.

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. At one of the units in Beijing, China, an application will be filed for an environmental permit for extended painting operations. At some other units outside Sweden, certain environmental permits will be routinely updated in 2013.

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 2012. Neither were there any complaints from neighbours or other stakeholders.

A more detailed account of Nolato's sustainability work can be found on pages 24–29.

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 span, are thus of great significance to Nolato's sales and profit.

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 a sound understanding of customers' specific requirements, combined with cutting-edge expertise in technology and project management, and constant 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 short product life cycles, varying production

volumes, short development times and fast technology changeovers. Now that all 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 decreases – but does not entirely 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 the constant 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 15–25 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 commissioning major mobile phone projects, where there is a risk of quality and productivity disruption which could affect Group 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 of the Group's production units are certified in accordance with ISO 9001. The majority of units are also certified in accordance with the standard for the automotive industry ISO/Ts 16949, the standard for medical technology ISO 13485 or 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 (due, for instance, to 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.

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.

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 2012 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 to the Group, nor 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.

In Sweden, some of the operations have been classified according to the Mifu method of the environmental authorities. The classification is administrative in nature and is not based on any actual sample-taking of land and ground water. None of the facilities are prioritised by the authorities for further measures. 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 the Company's 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 constantly 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 2013 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, there are 2,759,400 A shares and 23,548,008 B shares. The A shares entitle holders to ten votes and the B shares to one vote. All shares have equal rights to the assets and earnings of the company.

At the end of 2012, Nolato had 7,445 shareholders. Only one individual shareholder, Backahill AB with 16.5 percent of the number of votes, represents at least one tenth of the number of votes for all shares in the Company.

At the turn 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 10.7 percent (10.3), the Jorlén family with 10.0 percent (10.1), the Boström family with 9.5 percent (9.5) and Svolder with 5.7 percent (6.6).

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 profit	SEK 422 million
Profit for the year	SEK 117 million
Total	SEK 539 million

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

Div. to shareh. of SEK 6.00 per share	SEK 158 million
To be carried forward	SEK 381 million
Total	SEK 539 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	2012	2011
Net sales	6	3,874	2,977
Cost of goods sold	7	– 3,353	– 2,610
Gross profit		521	367
Other operating income	8	11	39
Selling expenses		– 82	– 72
Administrative expenses	9	– 156	– 144
Other operating expenses	10	– 7	—
		– 234	– 177
Operating profit	11,18	287	190
Financial income	14	0	3
Financial expenses	15	– 15	– 10
		– 15	– 7
Profit after financial income and expense		272	183
Tax	17	– 70	– 51
Profit for the year attributable to Parent Company shareholders		202	132
Depreciation/amortisation and impairment included at	12	157	170
Earnings per share, basic and diluted (SEK)		7.68	5.02
Number of shares on 31 December (thousand)		26,307	26,307
Average number of shares (thousand)		26,307	26,307

Consolidated comprehensive income

SEKm	2012	2011
Profit for the year attributable to Parent Company shareholders	202	132
Other comprehensive income		
Translation differences for the year on translation of foreign operations	– 17	0
Changes in the fair value of cash flow hedges for the year	1	1
Changes in the fair value of cash flow hedges transferred to profit for the year	0	– 3
Tax attributable to fair value measurement of cash flow hedges	0	0
Tax on transfers to the income statement attributable to cash flow hedges	0	0
Total other comprehensive income	– 16	– 2
Comprehensive income for the year attributable to Parent Company shareholders	186	130

Consolidated balance sheet

SEKm	Note	2012	2011
Assets			
Fixed assets			
Intangible fixed assets	19	553	434
Property, plant and equipment	22	735	706
Other securities held as non-current assets		2	2
Other long-term receivables		2	1
Deferred tax assets	17	35	40
Total fixed assets		1,327	1,183
Current assets			
Inventories	24	288	236
Accounts receivable	25	682	521
Current tax assets		1	4
Other receivables		48	62
Derivative assets	33	3	0
Prepaid expenses and accrued income		13	14
Cash and bank		272	124
Total current assets		1,307	961
Total assets		2,634	2,144
Shareholders' equity and liabilities			
Shareholders' equity			
Share capital	26	132	132
Other capital contributed		228	228
Other reserves	27	4	20
Retained earnings		841	771
Total shareholders' equity		1,205	1,151
Long-term liabilities			
Provisions for pensions and similar obligations	29	95	93
Deferred tax liabilities	17	114	115
Other liabilities, interest-bearing		1	—
Other provisions	31	23	4
Total long-term liabilities		233	212
Current liabilities			
Accounts payable		529	407
Current interest-bearing liabilities	28	254	113
Customer advances		25	13
Current tax liabilities		19	2
Other liabilities		35	35
Derivative liabilities	33	1	1
Accrued expenses and deferred income	32	333	210
Total current liabilities		1,196	781
Total liabilities		1,429	993
Total liabilities and shareholders' equity		2,634	2,144
Pledged assets	36	1	0
Contingent liabilities	37	2	2

■ Changes in consolidated shareholders' equity

SEKm	Attributable to Parent Company shareholders					
	Share-capital	Other capital contrib'd	Hedging reserves	Translation reserves	Retained earnings	Total shareh. equity
Opening balance, 1 January 2011	132	228	2	20	797	1,179
Profit for the year	—	—	—	—	132	132
Other comprehensive income for the year	—	—	– 2	0	—	– 2
Comprehensive income for the year	—	—	– 2	0	132	130
Dividend for 2010	—	—	—	—	– 158	– 158
Closing balance, 31 December 2011	132	228	0	20	771	1,151
Opening balance, 1 January 2012	132	228	0	20	771	1,151
Profit for the year	—	—	—	—	202	202
Other comprehensive income for the year	—	—	1	– 17	—	– 16
Comprehensive income for the year	—	—	1	– 17	202	186
Dividend for 2011	—	—	—	—	– 132	– 132
Closing balance, 31 December 2012	132	228	1	3	841	1,205

Consolidated cash flow statement

SEKm	Note	2012	2011
	39		
Operating activities			
Operating profit		287	190
<i>Adjustments for items not included in cash flow:</i>			
Depreciation/amortisation and impairment		157	170
Provisions		8	7
Capital gain/loss on disposals		2	0
Unrealised exchange rate differences		13	-9
Other items		1	7
Pension payments		-5	-5
Provisions paid		—	-3
Interest received		0	3
Interest paid		-14	-10
Realised exchange rate differences		-2	-1
Income tax paid		-60	-45
Cash flow from operating activities before changes in working capital		387	304
Cash flow from changes in working capital			
Changes in inventories		-34	-11
Changes in accounts receivable		-137	102
Changes in accounts payable		110	-47
Other changes in working capital		150	-102
		89	-58
Cash flow from operating activities		476	246
Investment activities			
Acquisition of intangible fixed assets		-2	-3
Acquisition of property, plant and equipment		-157	-131
Acquisition of operations, excluding cash and cash equivalents		-176	—
Sale of property, plant and equipment		0	0
Acquisition of other financial assets		0	0
Cash flow from investment activities		-335	-134
Cash flow before financing activities		141	112
Financing activities			
Borrowings		254	23
Repayment of loans		-110	-90
Dividend paid		-132	-158
Cash flow from financing activities		12	-225
Cash flow for the year		153	-113
Cash and cash equivalents, opening balance		124	239
Exchange rate difference in cash and cash equivalents		-5	-2
Cash and cash equivalents, closing balance		272	124

■ Parent Company income statement

SEKm	Note	2012	2011
Net sales	5	19	19
Other operating income	8	—	5
Selling expenses		– 7	– 9
Administrative expenses	9	– 42	– 37
Other expenses	10	– 3	—
		– 52	– 41
Operating profit	5,11,12,18	– 33	– 22
Profit from participations in Group companies	13	44	162
Financial income	14	25	18
Financial expenses	15	– 29	– 21
		40	159
Profit after financial income and expense		7	137
Appropriations	16	149	130
Tax	17	– 39	– 29
Profit for the year		117	238

■ Parent Company comprehensive income

SEKm	2012	2011
Profit for the year	117	238
Other comprehensive income		
Exchange rate difference on monetary items in relation to overseas net investment	– 1	– 2
Comprehensive income for the year	116	236

■ Parent Company changes in shareholders' equity

SEKm	Restricted equity		Translation reserve	Unrestricted equity		Total sh. equity
	Share-capital	Statutory reserve		Retained earnings	Profit for the year	
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	—	555	—	915
Opening balance, 1 January 2012	132	228	—	555	—	915
Profit for the year	—	—	—	—	117	117
Other comprehensive income for the year	—	—	– 1	—	—	– 1
Comprehensive income for the year	—	—	– 1	—	117	116
Appropriation of profits	—	—	—	117	– 117	—
Dividend for 2011	—	—	—	– 132	—	– 132
Closing balance, 31 December 2012	132	228	– 1	540	—	899

■ Parent Company balance sheet

SEKm	Note	2012	2011
Assets			
Intangible fixed assets			
Software	19	1	1
Property, plant and equipment			
Equipment	21	0	0
Financial assets			
Participations in Group companies	23	550	485
Receivables from Group companies	30	442	307
Other securities held as non-current assets		2	2
Other long-term receivables		0	0
Deferred tax assets	17	4	6
Total fixed assets		999	801
Current assets			
Receivables from Group companies		470	404
Other receivables		0	15
Prepaid expenses and accrued income		2	1
		472	420
Cash and bank		42	39
Total assets		1,513	1,260
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		422	317
Profit for the year		117	238
		539	555
Total shareholders' equity		899	915
Untaxed reserves	35	179	160
Other provisions	31	5	4
Long-term liabilities			
Liabilities to Group companies	30	17	17
Current liabilities			
Liabilities to credit institutions	28	254	0
Accounts payable		2	1
Liabilities to Group companies		125	148
Current tax liabilities		12	4
Other liabilities		1	1
Accrued expenses and deferred income	32	19	10
Total current liabilities		413	164
Total shareholders' equity and liabilities		1,513	1,260
Pledged assets	36	—	—
Contingent liabilities	37	110	225

■ Parent Company cash flow statement

SEKm	Note	2012	2011
	39		
Operating activities			
Operating profit		– 33	– 22
<i>Adjustments for items not included in cash flow:</i>			
Depreciation/amortisation and impairment		2	—
Provisions		0	—
Unrealised exchange rate differences		– 1	0
Dividends from subsidiaries		16	223
Liquidation profit from subsidiaries		—	9
Interest received		25	18
Interest paid		– 7	– 21
Income tax paid		– 29	– 11
Cash flow from operating activities before changes in working capital		– 27	196
Changes in working capital			
Changes in operating receivables and operating liabilities		– 28	– 304
Cash flow from operating activities		– 55	– 108
Investment activities			
Acquisition of intangible fixed assets		0	—
Acquisition of property, plant and equipment		—	0
Acquisition of financial assets		– 70	—
Shareholders' contribution		– 2	– 2
Cash flow from investment activities		– 72	– 2
Cash flow before financing activities		– 127	– 110
Financing activities			
Borrowings		254	—
Repayment of loans		—	– 30
Change in long-term intra-Group transactions		– 157	90
Dividend paid		– 132	– 158
Group contributions received		170	151
Group contributions paid		– 5	– 9
Cash flow from financing activities		130	44
Cash flow for the year		3	– 66
Cash and cash equivalents, opening balance		39	105
Exchange rate difference in cash and cash equivalents		0	0
Cash and cash equivalents, closing balance		42	39

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 2012. In those cases where the principles have been changed, the amended standards and statements have affected the Group's presentation of the financial statements.

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 2013 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 affect 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 2013.

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 recognised at their historical acquisition costs, except for certain financial assets and liabilities, which are measured at fair value. In Nolato, these consist of currency derivatives measured 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 cost 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 measured 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 measured 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 recognised in 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 recognised 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 having taken place, 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.

Impairment

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 cost, 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 loss-

es 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 impairment is not reversed.

Amortised assets are assessed based on a decline in value whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment is taken in the amount at which the carrying amount 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 impaired 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.

Impairment of loans receivable and accounts receivable which are recognised at amortised cost, are reversed if a subsequent increase in the recoverable value can be objectively attributed to an event which occurred after the impairment was carried out.

Impairment 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.

An impairment is only reversed to the extent that the carrying amount of the asset after reversal does not exceed the carrying amount which the asset would have had if no impairment 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 cost 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 impairment 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 sub-

stantial 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 measurement 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.

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 cost less accumulated impairment losses. Any gain or loss from the disposal of a unit includes the remaining carrying amount 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. Capitalised 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 carrying amount 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 capitalised customer relationships relate to assets acquired through the acquisition of the Cerbo Group, Medical Rubber AB, Nolato Contour Inc. in the US and Nolato Jaycare Ltd in the UK. Straight-line depreciation is applied over the expected useful life, i.e. six to ten years.

Property, plant and equipment

Property, plant and equipment are recognised within the Group at acquisition cost after accumulated depreciation according to plan and any impairment. Expenditure which is directly attributable to the purchase of the asset is included in the acquisition cost. 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 cost. Additional expenditure is added to the acquisition cost only if it is likely that the future financial benefits associated with the asset will accrue to the Company and the acquisition cost 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 cost if the expense relates to replacing identified components or parts thereof. The expense is also added to the acquisition cost in the event that a new component is created. Any undepreciated carrying amounts 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 carrying amount of an asset is impaired immediately to its recoverable value if the asset's carrying amount exceeds its expected recoverable value.

The carrying amount 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 carrying amount 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 measured at the lower of the acquisition cost and the net market value. The acquisition cost 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 cost 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 date when the company commits to acquire or dispose of the asset.

Classification and measurement

The Group classifies its financial instruments under one of the following categories: Derivatives used for hedge accounting, loans receivable 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 measured at fair value and transaction charges are charged as expenses. Financial instruments that are not derivatives are initially recognised at acquisition cost, 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 Noloto Group reports these receivables at amortised cost.

Cash and cash equivalents have been classified as loans and accounts receivable where the value is set at amortised cost.

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 loans receivable 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 recognised 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.

Cash and cash equivalents

Cash and cash equivalents 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. Noloto'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 measured 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. The change to IAS 19 regarding the removal of the corridor method will affect the opening balance of shareholders' equity at 01/01/2012 in the amount of SEK -33,826,430, and retroactive application will affect other comprehensive income in the amount of SEK -1,090,862 for the comparative year 2012 in the 2013 annual report. 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 2012 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 measured 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 measurement, 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 measurement.

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 measurement 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 cost 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 measurement of currency futures/currency swaps in the balance sheet. Outstanding derivative instruments as at 31 December 2012 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 401 k (247). 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. Appropriations 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 recognised as appropriations according to the alternative rule. The previous year has also been changed.

Property, plant and equipment

Fixed assets are recognised at acquisition cost less accumulated depreciation according to plan, in the same way as for the Group. However, no borrowing costs are capitalised in 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 carrying amounts 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 95 million (93). 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 -36 million (-37).

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. An impairment is carried out if the calculated value in use exceeds the carrying amount. 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 cost less accumulated depreciation and any impairment. Depreciation is carried out over the calculated useful life to an assessed residual value. The carrying amount of the Group's fixed assets is tested as soon as changed circumstances show that there is an impairment requirement. 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 carrying amount 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 carrying amount 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 exchange 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 2012, Nolato's sales to countries outside Sweden accounted for 75 percent (70). The largest flow currencies for the Swedish units were EUR and USD, with EUR 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 counter-value exceeding SEK 1.5 million. The consolidated income statement includes exchange rate differences of SEK –2 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 –3 million in net financial income/expense.

At the end of 2012, the Group had the following currency hedges in relation to anticipated payment flows in EUR and USD for 2013. 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
EUR	30	13	43%	8.81
USD	72	35	49%	6.88
Total	102	48	47%	

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 2012, the effect of the currency derivatives on operating profit was SEK 1 million (–2).

The value of outstanding contracts not entered in

the income statement at the end of 2012 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
EUR	17	+ / – 5%	1
USD	37	+ / – 5%	2
Total	54		3

At the end of the year, the Group had SEK 54 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 3 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	17	– 1
Nolato Jaycare, GBP	67	– 3
Nolato Beijing, CNY	197	– 10
Nolato Lovepac Converting, CNY	30	– 2
Nolato Lovepac Converting India, INR	– 14	1
Nolato EMC Prod. Center, MYR	1	0
Nolato Kuala Lumpur, MYR	– 39	2
Nolato Hungary, EUR	132	– 7
Cerbo Norge, NOK	2	0
Cerbo France, EUR	0	0
Total	391	– 20

The Group has SEK 391 million in foreign net assets, mainly in China, Hungary and the UK. A five percentage point appreciation of the Swedish krona would have an impact of SEK –20 million on the net assets in the Group.

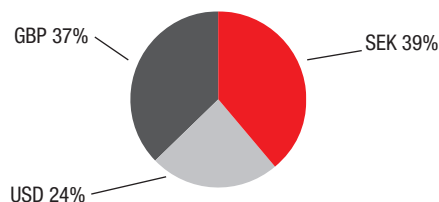
Interest rate risk

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 350 million (206). 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.

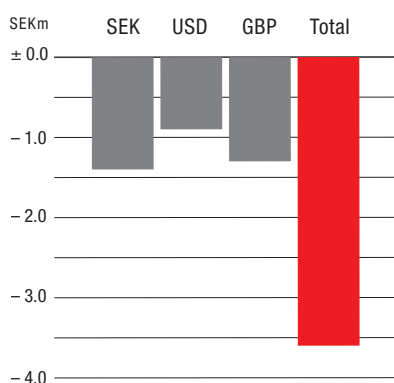
The target for investing excess liquidity is to achieve the best possible return with regard to credit risk and the liquidity of the investments. The policy stipulates

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 by 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 4 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 800 million, of which SEK 350 million matures on 01/08/2014 and SEK 450 million matures on 31/12/2015.

Interest-bearing net debt on 31 December

	Outstanding amount (SEKm)	Future interest expense during the term outst.	Term out-standing (mon)	Remaining fixed interest period (mon)	Average interest (%)
Interest-bearing liabilities					
Bank loans, USD	85	0	3	3	1.3
Bank loans, GBP	130	0	2	2	1.1
Bank loans, SEK	40	0	2	2	2.1
Pension liability, SEK	95	—	—	—	4.9
Total	350	0			2.3

Interest-bearing assets

Cash and cash equivalents	- 272		0	0	0.2
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Total net debt 78

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 the USA. The repayment of these loans has been hedged according to the table below.

Subsidiary company	Currency forward	Selling price	Maturity date
Nolato Holding USA, Inc.	7 MUSD	6.5755	30 Dec 2013
Nolato Hungary Kft, Hungary	10 MEUR	8.7380	30 Dec 2013

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 9 million/EUR 2 million at the rate of 4.7017 maturing 30/12/2013.

On 31 December the Group's financial liabilities stood at SEK 923 million (628). 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	285	232	10	2	529

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 685 million (521), consisting of SEK 682 million (521) in accounts receivable and SEK 3 million (0) 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	2012	2011
Sales of services to subsidiaries	19	19
Purchase of services from subsidiaries	- 3	- 10

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, the UK 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 and products and systems for EMI shielding of electronics. 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 2012, 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, hygiene, 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 measured 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	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
External sales										
External sales	1,159	915	1,541	934	1,169	1,128	5	—	3,874	2,977
Internal sales	0	2	7	1	1	1	– 8	– 4	—	—
Net sales	1,159	917	1,548	935	1,170	1,129	– 3	– 4	3,874	2,977
Profit										
Operating profit (EBITA)	133	110	96	11	105	102	– 31	– 24	303	199
Amort. of intang. assets arising from company acq.	– 13	– 6	—	—	– 3	– 3	—	—	– 16	– 9
Operating profit	120	104	96	11	102	99	– 31	– 24	287	190
Financial income									0	3
Financial expenses									– 15	– 10
Tax expenses for the year									– 70	– 51
Profit for the year									202	132
Receivables and liabilities										
The segments' assets	1,079	818	686	484	709	706	– 157	– 38	2,317	1,970
Unallocated assets ¹⁾									317	174
Total assets	1,079	818	686	484	709	706	– 157	– 38	2,634	2,144
The segments' liabilities	254	184	631	322	258	267	– 201	– 105	942	668
Unallocated liabilities									487	325
Total liabilities	254	184	631	322	258	267	– 201	– 105	1,429	993
Other information										
Investments	248	56	36	23	47	69	0	1	331	149
Depreciation and amortisation	72	59	41	43	44	43	0	0	157	145
Impairment	—	—	—	25	—	—	—	—	—	25
Significant items, other than depr./amort. with no offsetting payments, impairment and provisions	6	– 13	3	1	– 5	– 3	—	—	4	– 15

¹⁾ The increase in 2012 is mainly due to higher cash and bank.

Cash flow from operations, allocated by segment

	Nolato Medical	Nolato Telecom	Nolato Industrial	2012 Total	Nolato Medical	Nolato Telecom	Nolato Industrial	2011 Total
Cash flow from operations before changes in working capital	191	137	146	474	162	78	142	382
Changes in working capital	15	69	- 21	63	- 22	8	- 19	- 33
Cash flow from operations	206	206	125	537	140	86	123	349
Unallocated items ¹⁾				- 61				- 103
Total cash flow from operations				476				246

Cash flow from investing activities, allocated by segment

	Nolato Medical	Nolato Telecom	Nolato Industrial	2012 Total	Nolato Medical	Nolato Telecom	Nolato Industrial	2011 Total
Acquisition of fixed assets ²⁾	- 254	- 39	- 42	- 335	- 44	- 24	- 66	- 134
Sale of fixed assets	0	0	—	0	—	—	—	—
Cash flow from investment activities	- 254	- 39	- 42	- 335	- 44	- 24	- 66	- 134

¹⁾ For 2012, the Group's change in working capital was SEK 89 million and, allocated by business area, according to the above SEK 63 million. The difference of SEK 26 million is included in the amount of SEK -61 million. Other unallocated items consist chiefly of operating loss of SEK -31 million (with the Parent Company accounting for the majority) income tax paid at SEK -60 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 -4 million (15).

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 and sales for the Nolato Medical and Nolato Industrial business areas. In Asia, the Group has manufacturing and sales in Nolato Telecom and Nolato Medical, and in North America in the Nolato Medical business area.

	Sweden		Other Nordic countr.		Other Europe		North America etc.		Asia		Group	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
External net sales	952	889	179	230	965	706	330	326	1,448	826	3,874	2,977
Assets	1,196	1,203	1	3	548	294	170	184	719	460	2,634	2,144
Average number of employees	865	896	2	2	696	404	159	175	6,699	4,019	8,421	5,496
Investments	79	71	—	—	217	50	4	8	31	20	331	149

Note 7 Research and development

Group	2012	2011
Development expenditure for customer-specific products	248	206
Total	248	206

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

Note 8 Other operating income

	Group		Parent Company	
	2012	2011	2012	2011
Bankruptcy payment	—	27	—	—
Exchange rate gains	—	3	—	5
Others	11	9	—	—
Total	11	39	—	5

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

SEK thousand	Group		Parent Company	
	2012	2011	2012	2011
KPMG:				
Auditing	2,567	2,018	635	495
Audit business other than auditing	63	280	63	210
Taxation duties	481	418	179	328
Other duties	1,850	733	187	671
Total	4,961	3,449	1,064	1,704

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	
	2012	2011	2012	2011
Effect of exch. rate on receivables/liab., net	- 1	—	- 1	—
Acquisition expenses	- 6	—	—	—
Imp. int. rec. Group companies	—	—	- 2	—
Total	- 7	—	- 3	—

Note 11 Personnel

Average number of employees

Parent Company	2012		2011	
	Number	Of which men	Number	Of which men
Nolato AB, Torekov, Sweden	12	83%	12	83%
Group companies				
Cerbo France Sarl, France	1	0%	1	0%
Cerbo Norge A/S, Norway	2	50%	2	0%
Nolato Beijing Ltd, China	6,089	29%	3,419	13%
Nolato Cerbo AB, Trollhättan, Sweden	108	58%	112	48%
Nolato EMC Production Center SDN BHD, Malaysia	36	25%	32	100%
Nolato Gota AB, Götene, Sweden	103	66%	105	60%
Nolato Hertila AB, Åstorp, Sweden	25	60%	—	—
Nolato Hungary Kft, Hungary	468	47%	391	45%
Nolato Jaycare Ltd, UK	205	77%	—	—
Lövepac Converting Ltd, China	456	47%	456	45%
Lövepac Converting Private Ltd, India	118	90%	112	63%
Nolato Contour, Inc., USA	159	66%	175	46%
Nolato Lövepac AB, Skånes Fagerhult, Sweden	35	71%	36	69%
Nolato MediTech AB, Hörby, Sweden	201	57%	213	54%
Nolato MediTor AB, Torekov, Sweden	61	56%	73	48%
Nolato Plastteknik AB, Gothenburg, Sweden	96	71%	105	64%
Nolato Polymer AB, Torekov, Sweden	82	79%	103	78%
Nolato Romania Srl, Romania	23	35%	12	50%
Nolato Silikonteknik AB, Hallsberg, Sweden	35	74%	26	58%
Nolato Sunne AB, Sunne, Sweden	106	76%	111	74%
Total	8,421	38%	5,496	29%

Costs for remuneration to employees

Group	2012	2011
Salaries and remuneration, etc.	786	631
Pension expenses, defined benefit plans, Note 29	9	7
Pension expenses, defined contribution plans, Note 29	63	57
Social security contributions	154	117
Total	1,012	812

There are 149 (131) senior executives within the Group. Expensed remuneration and benefits for the senior executives during the year totalled SEK 112 million (93), of which SEK 11 million (10) relates to bonus.

Parent Company	2012	2011
Salaries and remuneration	25	18
Pension expenses, defined contribution plans	5	6
Social security contributions	8	5
Total	38	29

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 15 million (14), of which SEK 4 million (1) relates to bonus. Of the Parent Company's pension expenses, SEK 1.8 million (1.7) 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	2012		2011	
	Men	Women	Men	Women
Board members	60	5	47	4
Managing directors	15	—	16	—
Other senior executives	52	17	47	17
Total	127	22	110	21

Parent Company	2012		2011	
	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 2012

SEK thousand	Base salary/ Directors' fee ¹	Bonus ²	Stock options progr.	Other benefits ³	Pension premiums	Other remuneration ⁴	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	4,392	1,757	676	142	1,791	87	8,845
Other senior executives (3 people) ⁵	7,110	2,137	—	414	1,593	59	11,313
Total	12,602	3,894	676	556	3,384	146	21,258

Remuneration and other benefits during 2011

SEK thousand	Base salary/ Directors' fee ¹	Bonus ²	Stock options progr.	Other benefits ³	Pension premiums	Other remuneration ⁴	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

¹ Including remuneration for committee work.

² Bonus pertains to expensed remuneration for the financial year, payable in the following year.

³ Other benefits pertains to company cars.

⁴ Other remuneration relates to the President and CEO and other senior executives regarding previous holiday entitlements paid, and other remuneration.

⁵ Four people from 15 October 2012.

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 2012, Group management comprised three people and four people after 15 October, besides the CEO. They are Executive Vice President and CFO Per-Ola Holmström, President of Nolato Medical Christer Wahlquist, President of Nolato Telecom Jörgen Karlsson and, as of 15 October, President of Nolato Industrial Johan Arvidsson. 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 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 2012, the outcome for the President and CEO was 40 percent of base salary (0) and for other senior executives 27–40 percent of base salary (19).

Stock options programme

In the Group, there is a cash-based synthetic stock options programme for the President and CEO. The programme covers the period 01/04/2011 to 31/03/2014. The 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 of 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 did not make any cash payment and was allotted the 150,000 options directly when the agreement commenced.

The programme is expensed by means of allocation at ongoing revaluation of the liability to fair value, measured 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 676 k (225) and is recognised as an interim liability in the Parent Company. At the end of 2012, the total value of the bonus programme was deemed to be SEK 901 k (225) 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 2012, the pension premium was 40 percent of base salary (40).

Other senior executives have defined contribution pension schemes. For 2012, the average pension premium was 22 percent of base salary (33). 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, amortisation and impairment

Depreciation, amortisation and impairment are included in operating expenses as follows:

	Group		Parent Company	
	2012	2011	2012	2011
Customer relations	14	9	—	—
Tenancy rights	0	0	—	—
Capitalised development expenditure	0	2	—	—
Software	2	—	0	—
Buildings and land	16	15	—	—
Machinery and other technical facilities	110	135	—	—
Equipment, tools, fixtures and fittings	15	9	0	0
Impairment int. rec. Group companies	—	—	-2	—
Total	157	170	-2	0

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

Depreciation, amortisation and impairment have been allocated as follows:

	Group		Parent Company	
	2012	2011	2012	2011
Cost of goods sold	137	158	—	—
Selling expenses	17	10	—	—
Administrative expenses	3	2	0	0
Other operating expenses	—	—	-2	—
Total	157	170	-2	0

Impairment for the year 2011 of SEK 25 million is included in the cost of goods sold.

Note 13 Profit from participations in Group companies

Parent Company	2012	2011
Dividend received from Group companies	16	153
Anticipated dividend from Group companies	35	—
Impairment of participations in Group companies	-7	—
Liquidation profit from Group companies	—	9
Value adjustment of Group company receivables	—	0
Total	44	162

Note 14 Financial income

	Group		Parent Company	
	2012	2011	2012	2011
Interest income, Group companies	—	—	25	17
Interest income, bank deposits	0	3	0	0
Exchange rate differences	0	0	—	1
Total	0	3	25	18

All interest income is attributable to financial assets, which are measured at amortised cost.

Note 15 Financial expenses

	Group		Parent Company	
	2012	2011	2012	2011
Interest expenses, Group companies	—	—	-1	-3
Interest expenses, credit institutions	-4	-6	-3	-2
Interest expenses, pension liabilities	-5	-4	—	—
Impairment non-curr loan rec., Gp co.s*	—	—	-21	—
Other financial expenses	-3	0	-3	-1
Insurance recourse **	—	—	—	-15
Exchange rate differences	-3	0	-1	—
Total	-15	-10	-29	-21

* The Parent Company's long-term loan receivable on the subsidiary in India has been impaired to SEK 0.

** Relates to a bankruptcy payment of a previously credit-insured customer.

All interest expenses are attributable to financial liabilities, which are measured at amortised cost, with the exception of interest expenses on pension liabilities.

Note 16 Appropriations

Parent Company	2012	2011
Group contributions received	174	170
Group contributions paid	-6	-5
Reversal of tax allocation reserve	28	—
Allocation to tax allocation reserve	-47	-35
Total	149	130

Note 17 Tax

Recognised in the income statement

Group	2012	2011
Current tax expenses		
Tax expenses for the period	– 75	– 50
Adjustment for tax attributable to previous years	– 1	0
	– 76	– 50
Deferred tax income/expense		
Deferred tax in relation to temporary differences	– 1	– 7
Deferred tax attributable to unutilised loss carry-forwards	– 8	6
Deferred tax as a result of tax rate changes	15	—
	6	– 1
Total reported Group tax expense	– 70	– 51
Parent Company	2012	2011
Current tax expense (–) / income (+)		
Tax expense for the period	– 37	– 28
Adjustment for tax attributable to previous years	—	– 1
	– 37	– 29
Deferred tax income/expense		
Deferred tax in relation to temporary differences	– 2	0
Total reported Parent Company tax expense	– 39	– 29

Reconciliation of effective tax

Group	2012	2011
Profit before tax	272	183
Tax according to applicable Parent Company tax rate	– 71	– 48
Effect of other tax rates for foreign Group companies	– 4	– 12
Non-deductable expenses	– 4	– 3
Non-taxable income	—	10
Tax attributable to previous years	– 1	2
Effect of change in tax rates	15	—
Effect of non-capitalised deficits arising during the year	– 4	0
Standard interest on tax allocation reserve	– 1	0
Recognised effective tax	– 70	– 51

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

Parent Company	2012	2011
Profit before tax	156	267
Tax according to applicable Parent Company tax rate	– 41	– 70
Non-deductable expenses	– 8	– 3
Non-taxable income	12	45
Tax attributable to previous years	—	– 1
Effect of changed tax rates	– 1	—
Standard interest on tax allocation reserve	– 1	—
Recognised effective tax	– 39	– 29

Recognised in the balance sheet

Group	Deferred tax assets		Deferred tax liabilities		Net	
	2012	2011	2012	2011	2012	2011
Intangible assets	—	—	24	15	– 24	– 15
Property, plant and equipment	21	23	47	54	– 26	– 31
Financial assets	—	—	—	0	—	0
Inventories	7	7	—	—	7	7
Accounts receivable	1	2	—	—	1	2
Provisions for pensions	5	4	—	—	5	4
Tax allocation reserves	—	—	40	44	– 40	– 44
Others	3	14	5	21	– 2	– 7
Loss carry-forwards	0	9	—	—	0	9
Tax assets/liabilities	37	59	116	134	– 79	– 75
Offsetting	– 2	– 19	– 2	– 19	—	—
Tax assets/liabilities, net	35	40	114	115	– 79	– 75

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in the Group in relation to loss carry-forwards totalling SEK 47 million (36).

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	2012	2011
Other provisions	1	1
Others	3	5
Total deferred tax assets	4	6

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

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	—	—	—
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

Group	Balance as at 1 Jan 2012	Recognised in profit for the year	Recognised against other compreh. income	Acquisitions of business	Balance as at 31 Dec 2012
Intangible assets	-15	1	—	-10	-24
Property, plant and equipment	-31	7	-1	-1	-26
Financial assets	—	—	—	—	—
Inventories	7	—	—	—	7
Accounts receivable	2	-1	—	—	1
Provisions for pensions	4	1	—	—	5
Tax allocation reserves	-44	4	—	—	-40
Miscellaneous	-7	3	—	2	-2
Loss carry-forwards	9	-9	—	—	—
Total	-75	6	-1	-9	-79

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

Parent Company	Balance as at 1 Jan 2012	Recognised in profit for the year	Recognised against shareholders' equity	Balance as at 31 Dec 2012
Other provisions	1	0	—	1
Others	5	-2	—	3
Total	6	-2	—	4

Tax attributable to other comprehensive income

Group	2012	2011
Deferred tax attributable to cash flow hedges	0	0
Exchange rate differences in deferred tax	-1	5
Total	-1	5

Note 18 Expenses allocated by type of cost

	Group		Parent Company	
	2012	2011	2012	2011
Raw materials and supplies	-1,984	-1,411	—	—
Changes in inventories of finished goods and work in progress	62	-1	—	—
Costs for remuneration to employees	-1,012	-812	-38	-29
Energy costs	-116	-93	0	—
Other costs	-391	-339	-12	-17
Depr./amortisation and imp. losses	-157	-170	-2	0
Total	-3,598	-2,826	-52	-46

Note 19 Intangible assets

Group	Software	Tenancy rights	Customer rel. ¹	Cap. dev. exp.	Goodwill ¹	Total
ACQUISITION COST						
On 1 January 2011	—	—	79	27	386	492
Investments	—	—	—	3	—	3
Acquisitions	—	—	—	0	—	0
Translation differences	—	—	0	0	1	1
On 1 January 2012	—	—	79	30	387	496
Investments	0	2	—	0	—	2
Reclassifications	12	4	10	– 26	—	—
Acquisitions	—	—	41	—	102	143
Translation differences	—	– 1	– 2	– 1	– 6	– 10
On 31 December 2012	12	5	128	3	483	631
ACCUMULATED DEPRECIATION/AMORTISATION						
On 1 January 2011	—	—	– 32	– 19	—	– 51
Depreciation/amortisation for the year	—	—	– 9	– 2	—	– 11
Translation differences	—	—	0	0	—	0
On 1 January 2012	—	—	– 41	– 21	—	– 62
Depreciation/amortisation for the year	– 2	0	– 14	0	—	– 16
Reclassifications	– 5	– 4	– 9	18	—	—
Translation differences	—	0	0	—	—	0
On 31 December 2012	– 7	– 4	– 64	– 3	—	– 78
Book value 31 December 2011	—	—	38	9	387	434
Book value 31 December 2012	5	1	64	—	483	553

¹ Acquired

Goodwill impairment testing

Goodwill is impairment-tested annually and when there is an indication of impairment. The test is performed at the lowest cash-generating unit level, or groups of cash-generating units on which these assets can be verified. In most cases, this means the acquisition level. However, following integration, they can be transferred to part of another unit. For Nolato Medical, impairment testing has been performed at the segment level, and by legal company for Nolato Industrial. An impairment is recognised if the carrying amount 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, the UK 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 measurement. 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	2012	2011
Nolato Medical	380	284
Nolato Industrial	103	103
Total	483	387

Assumptions for establishing the discount rate

	2012	2011
Risk-free rate, %	1.7 / 1.9	1.9 – 2.0
Tax rate, %	22 / 24	26 – 40
Forecast period	3 years	3 years
Growth after forecast period, %	2	2
Applied discount rate before tax, %	8.5 / 9.2	8.0 – 9.6

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 and the assumptions given for Nolato Industrial are essentially applicable to the companies included in the segment. Impairment-tested operations in the Group are mainly in Sweden, the UK and the USA. Therefore, test assumptions have been relatively homogeneous, with adjustments for country-specific parameters. Even in a comparison between 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 carrying amount of all cash-generating units, and there is no impairment. Sensitivity analyses have been performed to evaluate whether reasonable unfavourable changes within the most relevant parameters would lead to an impairment. 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	2012	2011
Accumulated acquisition costs on 1 January	1	—
Investments	0	1
Accumulated acquisition costs on 31 December	1	1
Accumulated depreciation/amortisation on 1 January	—	—
Depreciation/amortisation	0	—
Accumulated depreciation/amortisation on 31 December	0	—
Carrying amount	1	1

Note 20 Leasing

Financial leases

Group	2012	2011
Acquisition cost, plant and machinery	2	—
Accumulated depreciation, plant and machinery	— 1	—
Carrying amount	1	—

The Group's financial leasing agreements are mainly attributable to machinery. Leasing fees charged to income for the year amounted to SEK 1 million (0), 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 expensed for the year totalled SEK 32 million (32). 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	1	47
Between 1 and 5 years	0	177
Longer than 5 years	—	25
Total	1	249

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	2012	2011
Accumulated acquisition costs on 1 January	2	2
Acquisitions	—	0
Accumulated acquisition costs on 31 December	2	2
Accumulated depreciation on 1 January	— 2	— 2
Depreciation	0	0
Accumulated depreciation on 31 December	— 2	— 2
Carrying amount	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 COST					
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 1 January 2012	477	1,700	199	62	2,438
Investments	21	67	9	55	152
In new companies on acquisition	—	28	6	—	34
Sales/disposals	—	– 23	– 2	—	– 25
Reclassifications	13	35	13	– 67	– 6
Translation differences	– 6	– 35	– 2	– 3	– 46
On 31 December 2012	505	1,772	223	47	2,547
ACCUMULATED DEPRECIATION					
On 1 January 2011	– 234	– 1,317	– 129	—	– 1,680
Depreciation for the year	– 15	– 110	– 9	—	– 134
Impairment losses for the year	—	– 25	—	—	– 25
Sales/disposals	—	121	20	—	141
Reclassifications	—	40	– 40	—	—
Translation differences	0	– 34	0	—	– 34
On 1 January 2012	– 249	– 1,325	– 158	—	– 1,732
Depreciation for the year	– 16	– 110	– 15	—	– 141
Sales/disposals	—	20	1	—	21
Reclassifications	– 4	8	2	—	6
Translation differences	1	31	2	—	34
On 31 December 2012	– 268	– 1,376	– 168	—	– 1,812
Book value 31 December 2011	228	375	41	62	706
Book value 31 December 2012	237	396	55	47	735

Impairment

Impairment for 2011 of machinery and other technical facilities in the amount of SEK 25 million relates to production equipment at Nolato Telecom. All impairment was charged to the cost of goods sold in the consolidated income statement.

Assets with retention of title

The Group's carrying amounts for machinery and other technical facilities include assets with financial leasing – see Note 20. These assets have a retention of title of SEK 1 million (0).

Note 23 Participations in Group companies

Parent Company	2012	2011
Acquisition cost on 1 January	833	831
Acquisitions	70	—
Shareholders' contribution	2	2
Disposals	—	—
Accumulated acquisition cost on 31 December	905	833
Accumulated impairment losses on 1 January	— 348	— 348
Impairment losses for the year	— 7	—
Accumulated impairment losses on 31 December	— 355	— 348
Carrying amount	550	485

	Particip. interest		Carr. amount	
The Parent Company's holdings	2012	2011	2012	2011
AB Cerbo Group, Trollhättan, Sweden	100%	100%	117	117
Lövepac Converting Ltd, China	100%	100%	9	9
Lövepac Converting Private Ltd, India	100%	100%	0	5
Nolato Alpha AB, Kristianstad, Sweden	100%	100%	12	12
Nolato EMC Production Center Sdn Bhd, Malaysia	100%	100%	0	0
Nolato Holding USA Inc., USA	100%	100%	0	0
Nolato Gota AB, Götene, Sweden	100%	100%	79	79
Nolato Hertila AB, Åstorp, Sweden	100%	100%	1	1
Nolato Holdings UK Ltd, UK	100%	100%	70	—
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 Produktions AB, Götene, Sweden	100%	100%	0	—
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			550	485

	Particip. interest	
Shares owned via Group companies	2012	2011
A/S Cerbo Norge, Norway	100%	100%
C A Portsmouth Ltd, UK	100%	—
Cerbo France Sarl, France	100%	100%
Kartongprodukter Berglund AB, Trollhättan, Sweden	100%	100%
Nolato Cerbo AB, Trollhättan, Sweden	100%	100%
Nolato Contour Inc, USA	100%	100%
Nolato Jaycare Ltd, UK	100%	—

Information on subsidiaries' corporate identity numbers and registered offices

A/S Cerbo Norge	926620762	Norway
AB Cerbo Group	556534-6870	Trollhättan, SE
C A Portsmouth Ltd	4338806	UK
Cerbo France Sarl	494591092 RCS	France
Kartongprodukter Berglund AB	556216-6818	Trollhättan, SE
Lövepac Converting (Beijing) Co., Ltd.	110000410302897	China
Lövepac Converting Private Ltd	U24297AP2009PTC064510	India
Nolato Alpha AB	556164-1050	Kristianstad, SE
Nolato Cerbo AB	556054-9270	Trollhättan, SE
Nolato Contour Inc	39-1683461	USA
Nolato EMC Production Center Sdn Bhd	876976-W	Malaysia
Nolato Gota AB	556054-1301	Götene, SE
Nolato Hertila AB	556545-5549	Åstorp, SE
Nolato Holding USA Inc	27-3000125	USA
Nolato Holdings UK Ltd	8010209	UK
Nolato Hungary Kft	0809005432	Hungary
Nolato Jaycare Ltd	598957	UK
Nolato Kuala Lumpur Sdn Bhd	702672-A	Malaysia
Nolato Lövepac AB	556120-6052	Sk Fagerhult, SE
Nolato MediTech AB	556309-0678	Hörby, SE
Nolato MediTor AB	556820-3565	Torekov, SE
Nolato Mobile Comm. Pol. (Beijing) Ltd	110000410152952	China
Nolato Plastteknik AB	556198-4385	Gothenburg, SE
Nolato Polymer AB	556380-2890	Torekov, SE
Nolato Romania S.R.L.	B24287770	Romania
Nolato Silikonteknik AB	556137-5837	Hallsberg, SE
Nolato Sunne AB	556101-2922	Sunne, SE
Nolato Torekov AB	556042-2858	Torekov, SE

Note 24 Inventories

Group	2012	2011
Raw materials and supplies	135	104
Products in manufacturing	51	42
Finished goods and goods for resale	102	88
Work in progress	—	2
Total	288	236

During the year, the Group impaired inventories by SEK 40 million (7). Impairment losses for the year are included in *Cost of goods sold* in the income statement.

During the year, reversed impairment losses totalled SEK 32 million (17). The reversal of previously impaired stocks is due to the fact that these items could be sold or were no longer deemed obsolete.

Note 25 Accounts receivable

Group	2012	2011
Accounts receivable	688	528
Deduction: Provision for decline in value of accounts receivable	– 6	– 7
Carrying amount	682	521

During the year, the Group reversed SEK 4 million (8) of provisions for decline in value of accounts receivable as at 1 January. Provisions for the year totalled SEK 3 million (7). The credit quality of accounts receivable not due and not impaired, and of other financial receivables is deemed to be good.

Total accounts receivable

	Total	Not due	Due		
			≤15 days	16–60 days	> 60 days
2012	688	560	99	26	3
2011	528	428	70	24	6

Accounts receivable, including provisions for decline in value

	Total	Not due	Due		
			≤15 days	16–60 days	> 60 days
2012	682	558	97	25	2
2011	521	422	70	24	5

At the end of 2012 and the end of 2011, 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 Dec 2011	26,307,408	SEK 5	SEK 131,537 k
Share capital, 31 Dec 2012	26,307,408	SEK 5	SEK 131,537 k

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.:

	2012	2011
Share capital	132	132
Other capital contributed	228	228
Translation reserve	3	20
Hedging reserve	1	0
Retained earnings, incl. net income	841	771
Total capital	1,205	1,151

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 2012 is shown below.

	2012		2011	
	Financial targets	Outcome	Financial targets	Outcome
EBITA margin	>8%	7.8%	>8%	6.7%
Return on capital employed	>15%	19.5%	>15%	13.9%
Equity/assets ratio	>35%	46.0%	>35%	54.0%

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 2012, the Board proposes SEK 3.50 per share (3.00) plus an extra dividend of SEK 2.50 per share (2.00), totalling SEK 6.00 per share (5.00) or SEK 158 million (132), corresponding to a payout ratio of 78 percent (100).

All Parent Company credits are subject to capital requirements, as detailed in Note 28 on page 63.

Note 27 Other reserves

Group	Hedging reserve	Transl. reserve	Total
Balance on 1 January 2011	2	20	22
<i>Cash flow hedges:</i>			
Gain from fair value measurement during the year	1	—	1
Tax from fair value measurement	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
Balance on 1 January 2012	0	20	20
<i>Cash flow hedges:</i>			
Gain from fair value measurement during the year	1	—	1
Tax from fair value measurement	0	—	0
Transfers to the income statement	0	—	0
Tax on transfers to the income statement	0	—	0
Translation differences	—	-17	-17
Balance on 31 December 2012	1	3	4

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 recognised 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	
	2012	2011	2012	2011
Short-term				
Bank loans	254	113	254	0
Total borrowings	254	113	254	0
Maturity dates for bank loan borrowings:				
Within 1 year	254	113	254	0
Between 2 and 5 years	—	—	—	—
More than 5 years	—	—	—	—
Total	254	113	254	0
Amounts reported, by currency:				
CNY	—	23	—	—
GBP	129	—	129	—
SEK	40	0	40	0
USD	85	90	85	—
Total	254	113	254	0

Interest-bearing liabilities

At the end of the year, the Group's interest-bearing liabilities excluding pension liability amounted to SEK 254 million (113). The average interest rate was 1.3% (2.6). The average fixed-interest term was 2 months (4).

	Group		Parent Company	
	2012	2011	2012	2011
Liabilities with floating interest rates	254	113	254	0
Total liabilities	254	113	254	0

Terms and repayment periods

Total credit lines granted within the Group amount to SEK 800 million (700). Of this amount, SEK 350 million (350) matures on 01/08/2014 and SEK 450 million on 31/12/2015. 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 terms 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	2012	2011
Defined benefit pension schemes	93,875	91,900
Other pension schemes	1,253	1,339
Total	95,128	93,239

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 thousand	2012	2011
Present value of unfunded obligations	129,901	128,837
Unrecognised actuarial losses	– 36,026	– 36,937
Net debt in the balance sheet	93,875	91,900

Fair value of the defined benefit pension schemes:

Group SEK thousand	2012	2011
Balance on 1 January	128,837	113,597
Benefits vested during the period	1,228	558
Interest expenses	4,574	4,247
Benefits redeemed	– 27	– 187
Pension payments	– 5,232	– 4,839
Actuarial gain (–)/loss (+)	521	15,461
Total	129,901	128,837

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

Group SEK thousand	2012	2011
Expenses related to service during the financial year	1,228	558
Interest expense	4,574	4,247
Actuarial losses reported for the year	1,432	825
Total expense for defined benefit pension schemes	7,234	5,630
Expense for defined contribution schemes	58,221	51,690
Expense for special employer's contribution and tax on returns	6,888	6,289
Total pension expense	72,343	63,609

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

Group SEK thousand	2012	2011
<i>Amounts charged to operating profit:</i>		
Cost of goods sold	1,372	322
Selling expenses	432	191
Administrative expenses	856	870
<i>Amounts charged to financial expenses:</i>		
Interest expenses	4,574	4,247
Total	7,234	5,630

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

Group SEK thousand	2012	2011
Net debt on 1 January accord. to the balance sheet adopted	91,900	91,296
Net expense reported in the income statement	7,234	5,630
Pension payments and benefits redeemed	– 5,259	– 5,026
Net debt on 31 December	93,875	91,900

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

Group %	2012	2011
Discount rate	3.40	3.60
Future annual salary increases	3.20	3.20
Future annual pension increases	1.90	2.00
Employee turnover	5.00	5.00

Historical values:

Present value of unfunded obligations on 31 December:

2012	2011	2010	2009	2008
129,901	128,837	113,597	114,306	111,779

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

2012	2011	2010	2009	2008
1,194	– 1,721	693	– 1,035	3,159

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 2012 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 5 million (4). Alecta's surplus can be allocated to policyholders and/or insured parties. On 31 December 2012, Alecta's surplus, in the form of the collective funding ratio, amounted to 129 percent (113). 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 2011	392
Change	– 85
On 1 January 2012	307
Change	135
On 31 December 2012	442

Liabilities to Group companies

Parent Company	
On 1 January 2011	17
Change	—
On 1 January 2012	17
Change	0
On 31 December 2012	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. The item of change referring to receivables from Group companies includes impairments of SEK 21 million for 2012.

Note 31 Other provisions

Group	Miscellaneous	Total
Amount on 1 January	4	4
Provisions for the year	19	19
Amounts claimed	0	0
Amount on 31 December	23	23

Provisions for the year include the addition of a reserve for restoring a rented property of SEK 9 million and a liability for an additional purchase price of SEK 8 million regarding acquisitions during the year.

Parent Company	Miscellaneous	Total
Amount on 1 January	4	4
Provisions for the year	1	1
Amounts claimed	—	—
Amount on 31 December	5	5

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

Note 32 Accrued expenses and deferred income

	Group		Parent Company	
	2012	2011	2012	2011
Salary liabilities	93	73	9	3
Social security contributions	38	32	4	3
Deliveries of goods received, not invoiced	94	36	—	—
Restructuring costs	0	1	—	—
Energy costs	12	9	0	—
Complaints	28	2	2	2
Maintenance	19	8	4	—
Royalties	3	3	—	—
Interest	1	—	0	—
Rents	6	1	—	—
Other items	39	45	0	2
Total	333	210	19	10

Note 33 Derivative instruments

Group	2012		2011	
	Assets	Liabilities	Assets	Liabilities
Currency forward contracts	3	1	0	1

Currency forward contracts

Currency forward contracts entered into but utilised are detailed in the table below. The market value at the close of 2012 was SEK 2 million (–1). The market value of contracts identified as cash flow hedges which meet the conditions for hedge accounting was SEK 1 million (–1). This value has been recognised in other comprehensive income. The remaining market value, SEK 1 million (0), has been recognised in the income statement. The market value of the currency forward contracts is set according to 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
EUR/SEK (net purch.)	13	8.81	0	0	0
USD/SEK (net sales)	– 35	6.88	2	1	1
Total	– 22		2	1	1

Gains and losses in other comprehensive income in relation to currency forward contracts on 31 December 2012 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 2012, the market value of unrealised derivatives was SEK 2 million (–1).

Note 34 Fair value of financial assets and liabilities

Group

Financial assets	Loans receivable and accounts receivable	Der. used in hedge accounting	Non-financial assets	2012 Total	Loans receivable and accounts receivable	Der. used in hedge accounting	Non-financial assets	2011 Total
Intangible assets	—	—	553	553	—	—	434	434
Property, plant and equipment	—	—	735	735	—	—	706	706
Other securities held as fixed assets	—	—	2	2	—	—	2	2
Other long-term receivables	—	—	2	2	—	—	1	1
Deferred tax assets	—	—	35	35	—	—	40	40
Inventories	—	—	288	288	—	—	236	236
Accounts receivable	682	—	—	682	521	—	—	521
Current tax assets	—	—	1	1	—	—	4	4
Other receivables	—	—	48	48	—	—	62	62
Derivative assets	—	3	—	3	—	0	—	0
Prepaid expenses and accrued income	—	—	13	13	—	—	14	14
Cash and bank	272	—	—	272	124	—	—	124
Total	954	3	1,677	2,634	645	0	1,499	2,144
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	—	—	95	95	—	—	93	93
Deferred tax liabilities	—	—	114	114	—	—	115	115
Other liabilities, interest-bearing	—	1	—	1	—	—	—	—
Other provisions	—	—	23	23	—	—	4	4
Accounts payable	—	529	—	529	—	407	—	407
Loans	—	254	—	254	—	114	—	114
Customer advances	—	25	—	25	—	13	—	13
Current tax liabilities	—	—	19	19	—	—	2	2
Other liabilities	—	—	35	35	—	—	34	34
Derivative liabilities	1	—	—	1	1	—	—	1
Accrued expenses and deferred income	—	—	333	333	—	—	210	210
Total	1	809	619	1,429	1	534	458	993

The fair value of value derivatives coincides with the carrying amount. 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 carrying amount of accounts receivable is deemed to coincide with the fair value because of the short maturity of these receivables.

Note 35 Untaxed reserves

Parent Company	2012	2011
Tax allocation reserves 2008	—	27
Tax allocation reserves 2009	45	45
Tax allocation reserves 2010	21	21
Tax allocation reserves 2011	32	32
Tax allocation reserves 2012	35	35
Tax allocation reserves 2013	46	—
Total	179	160

Note 36 Pledged assets

	Group		Parent Company	
	2012	2011	2012	2011
Chattel mortgages	—	—	—	—
Real estate mortgages	—	—	—	—
Assets with retention of title	1	0	—	—
Total	1	0	—	—

Note 37 Contingent liabilities

	Group		Parent Company	
	2012	2011	2012	2011
Guarantees on behalf of subsidiaries	—	—	110	225
Guarantee commitments, FPG/PRI	2	2	—	—
Other contingent liabilities	0	0	—	—
Total	2	2	110	225

Note 38 Related parties

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 (19), as detailed in Note 5, and relates primarily to assigning costs for joint Group services and overheads. The Parent Company is an internal bank for the Group companies, whereby intra-Group interest income of SEK 25 million (17) and interest expenses of SEK 1 million (3) have arisen in the Parent Company to the extent reported in Notes 14 and 15 on page 55. Interest on loans receivable 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 442 million (307) 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 51 million (153), of which SEK 35 million (0) refers to anticipated dividend and recovered intra-Group accounts receivable of SEK 0 million (0).

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 issued guarantees on behalf of Group companies worth SEK 110 million (225).

Note 39 Cash flow

	Group		Parent Company	
Reconciliation of cash and cash equivalents	2012	2011	2012	2011
<i>The following subcomp. are included in c.a.c.e.:</i>				
Cash and bank balances	230	85	0	0
Credit balance on Group account in Parent Company	42	39	42	39
Total c.a.c.e. rep. in the cash flow statement	272	124	42	39

Unutilised credit

On the balance sheet date, unutilised credit within the Group stood at SEK 546 million (587).

Note 40 Acquisition

The acquisition of Cope Allman Jaycare Ltd

Description of the company

Nolato has acquired the company Cope Allman Jaycare as part of the Group's strategic focus on the medical technology and pharmaceuticals area. It is a British firm working in pharmaceutical packaging, and provides Nolato Medical with a strengthened customer base and geographic expansion. The company has 270 employees at its facilities in Portsmouth and Newcastle in the UK. The company is part of the Nolato Medical business area. Following the acquisition, the company changed its name to Nolato Jaycare.

Description of the acquisition

Nolato acquired 100 percent of the shares in Cope Allman Jaycare, and obtained controlling influence. The company was acquired on 10 April and was consolidated by Nolato as of 1 April. An additional purchase price may be payable based on the earnings trend from the takeover until the end of Q1 2014. Earnings exceeding current levels are paid at around the same multiple as the initial purchase price. In the acquisition analysis, Nolato estimated that an additional purchase price of a further SEK 8 million will be payable. The acquisition was reported using the acquisition method, with the total purchase price being allocated among the assets acquired and liabilities assumed based on their fair values. Fair value was determined using generally accepted principles and methods. The purchase price comprises a cash payment for the initial purchase price, and a conditional purchase price. The acquisition contributed SEK 201 million to the Nolato Group's income in 2012, and had a marginal positive effect on the Group's earnings per share. Had the acquisition taken place on 1 January 2012, it would have contributed SEK 272 million to the Nolato Group's income and SEK 13 million to net profit, and would have had made a marginal positive contribution to the Group's earnings per share. The acquisition analysis of the company is, in its entirety, still preliminary and may be changed according to IFRS regulations.

Acquisition cost, goodwill and cash flow effects (preliminary)

Acquisition cost

Consideration transferred	199
Conditional purchase price	8
Less fair value of net assets acquired (as detailed below)	– 106
Goodwill	101

Goodwill arising in connection with the transaction consists of synergies that are expected to be achieved primarily as a result of increased sales volumes for the Nolato Group to customers in the UK from other companies in the Nolato Group. But also partly by means of lower costs through better purchasing terms from external suppliers, and other involvement at different levels in the Nolato Medical business area. The goodwill is not tax-deductible according to UK tax rules. Following the original acquisition analysis, the purchase price has been adjusted by SEK 2 million, which affects the size of the goodwill item by SEK –2 million.

Net assets	Balance sheet on acquisition date	Adj. to fair value	Fair value
Intangible fixed assets	—	41	41
Property, plant and equipment	33	—	33
Deferred tax assets	2	—	2
Current assets	70	2	72
Cash and cash equivalents	23	—	23
Provisions	– 10	—	– 10
Deferred tax liabilities	– 1	– 10	– 11
Current liabilities	– 44	—	– 44
Net assets acquired	73	33	106

Intangible fixed assets in the form of customer relationships have been estimated at SEK 41 million and will, for accounting purposes, be amortised over six years. The gross value, fair value and value expected to be settled for the balance sheet item accounts receivable amount to SEK 44 million in all cases. Acquisition costs of SEK 6 million have been expensed as other operating expenses.

Cash flow effects

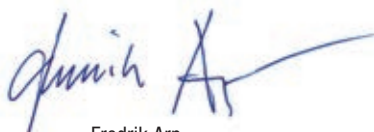
Cash paid acquisition value	199
Less acquired cash and cash equivalents	– 23
Net cash flow from the acquisition	176

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 4 March 2013. 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 25 April 2013.

Torekov, 4 March 2013



Fredrik Arp
Chairman of the Board



Gun Boström
Board member



Henrik Jorlén
Board member



Anna Malm Bernsten
Board member



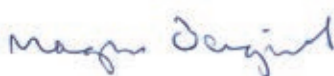
Erik Paulsson
Board member



Lars-Åke Rydh
Board member



Hans Porat
President & CEO



Magnus Bergqvist
Employee representative



Björn Jacobsson
Employee representative



Eva Norrman
Employee representative

My auditor's report was submitted on 8 March 2013.



Alf Svensson
Authorised public accountant

Auditor's report

To the annual meeting of the shareholders of Nolato AB, corp. id. 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 2012. 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 in accordance with the Annual Accounts Act and of the 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

My responsibility is to express an opinion on these annual accounts and consolidated accounts based on my audit. I conducted my audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that I 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 judgment, 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my 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 2012 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. 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 2012 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

I 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 my audit of the annual accounts and consolidated accounts, I have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Nolato AB for the year 2012.

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 or loss, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act.

Auditor's responsibility

My 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 my audit. I conducted the audit in accordance with generally accepted auditing standards in Sweden.

As basis for my opinion on the Board of Directors' proposed appropriations of the company's profit or loss, I 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 basis for my opinion concerning discharge from liability, in addition to my audit of the annual accounts and consolidated accounts, I 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. I 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.

I believe that the audit evidence I have obtained as above is sufficient and appropriate to provide a basis for my opinions.

Opinions

I recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

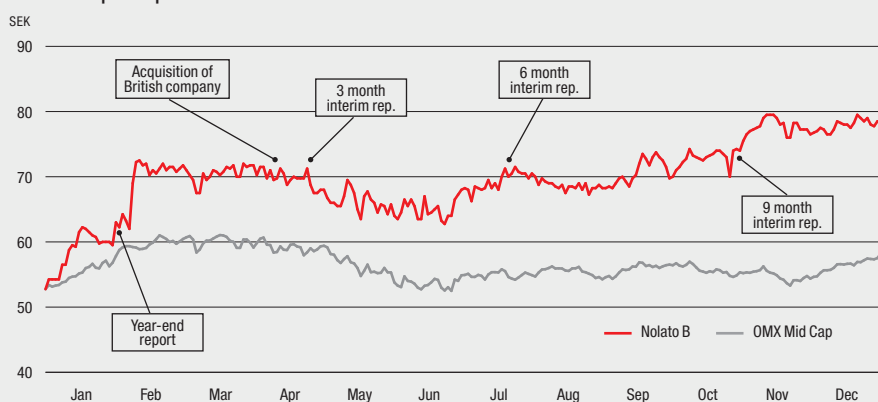
Malmö, 8 March 2013



Alf Svensson
Authorised public accountant

Nolato's shares and shareholders

Share price performance 2012



Share price performance 2008 – 2012



Per share data

	2012	2011	2010	2009	2008
Net earnings per share, SEK ¹	7.68	5.02	7.11	4.68	6.77
Shareholders' equity per share, SEK ²	46	44	45	41	40
Cash flow per share, SEK, excl. acquisitions and disposals	12.05	4.26	8.74	5.28	11.71
Share price at 31 December, SEK	78.50	50.75	83.00	59.00	32.00
Price/earnings ratio, times ³	10	10	12	13	5
Turnover rate, %	19	34	47	34	25
Dividend (2012 proposal), SEK	6.00	5.00	6.00	3.00	2.75
Yield (2012 proposal), % ⁴	7.6	9.9	7.2	5.1	8.6
Dividend as percentage of earnings per share (2012 prop.)	78	100	84	64	41
Average number of shares, thousand	26,307	26,307	26,307	26,307	26,307
Price/equity ratio per share, times	1.7	1.2	1.8	1.4	0.8
Market capitalisation 31 December, SEK million	2,065	1,335	2,183	1,552	842

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.

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.

Shares are also traded on the Burgundy stock exchange.

Share price performance

Nolato's B shares rose over the course of the year by 55% (+39), outperforming the Stockholm Stock Exchange (OMXS) average by 41 percentage points. These shares were listed at the end of 2012 at SEK 78.50 (50.75).

The highest closing price on the NASDAQ OMX Nordic Exchange during 2012 was SEK 79.50 (7–9 November and 14 December), and the lowest closing price was SEK 52.75 (2 January). The highest price paid during the year was SEK 81.50 (12 November), with a lowest price of SEK 51.50 (2 January).

The market value of these shares as at 31 December 2012 was SEK 2,065 million (1,335).

In 2012, 4.4 million (7.8) Nolato shares were traded on the NASDAQ OMX Nordic Exchange, and 0.1 million (0.2) on Burgundy. The turnover rate, i.e. the degree of liquidity, was 19% (34).

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.

Incentive programmes

Nolato does not have any current financial instrument programmes which involve any dilution in the number of shares.

Transferability

There are no restrictions on the transferability of the shares as a result of legal provisions or the company's Articles of Association.

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.

The Board of Directors proposes an ordinary dividend for 2012 of SEK 3.50 (3.00) per share, together with an extra dividend of SEK 2.50 (2.00), totalling SEK 6.00 per share (5.00), corresponding to SEK 158 million (132). The pay-out ratio for the ordinary dividend, i.e. the dividend in relation to net income, is 46%, and 78% in total.

The dividend yield is 7.6% in relation to the share price quoted on 31 December 2012. Over the last five years, the average yield from Nolato's shares has been 7.7%.

Active information disclosure

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.

Analysts

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

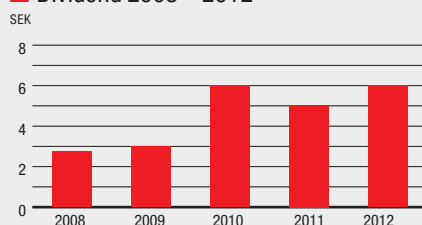
- ABG Sundal Collier – Per Lindberg
+44 207 905 5658
- Carnegie – Mikael Laséen
+46 8 5886 8721
- Redeye – Greger Johansson
+46 8 545 013 30

Current share and owner information

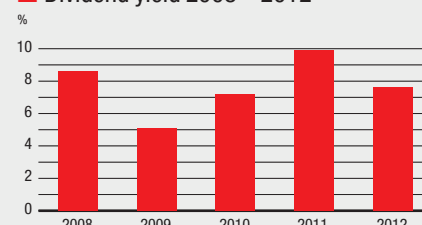
Current information about Nolato's shares and largest shareholders can be found on our website, www.nolato.com.

On the website you will also find all interim reports, annual reports and press releases since 1998.

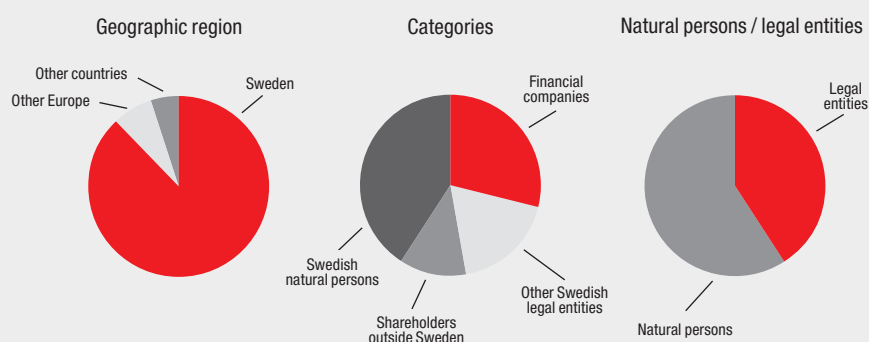
Dividend 2008 – 2012



Dividend yield 2008 – 2012



Breakdown of shareholders at 31 Dec 2012



The ten largest shareholders at 31 Dec 2012

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	2,807,712	10.67	5.49
Jorlén family	1,104,700	1,535,317	10.04	24.60
Boström family	835,500	1,653,670	9.46	19.57
Svolder	0	1,495,000	5.68	2.92
Skandia fonder	0	1,134,482	4.31	2.22
DnB - Carlson fonder	0	709,775	2.70	1.39
Odin fonder	0	679,636	2.58	1.33
Handelsbanken Fonder	0	638,325	2.43	1.25
Avanza Pension	0	387,137	1.47	0.76
Total for ten largest shareholders	2,759,400	13,413,629	61.47	80.19
Other shareholders (7,435)	0	10,134,379	38.53	19.81
Total	2,759,400	23,548,008	100.00	100.00

Breakdown of shareholdings by size at 31 Dec 2012

Holding	Number of shareholders	Number of A shares	Number of B shares	% of capital	% of votes
1 – 499	4,823	0	775,750	2.95	1.52
500 – 999	935	0	585,137	2.22	1.14
1,000 – 2,499	1,109	0	1,491,675	5.67	2.92
2,500 – 4,999	260	0	852,401	3.24	1.67
5,000 – 7,499	112	0	642,878	2.44	1.26
7,500 – 9,999	33	0	281,783	1.07	0.55
10,000 – 19,999	59	0	716,339	2.72	1.40
20,000 – 49,999	54	0	1,624,555	6.18	3.18
50,000 – 99,999	22	28,000	1,555,672	6.02	3.59
100,000 – 249,999	16	210,000	2,313,912	9.59	8.63
250,000 –	22	2,521,400	12,707,906	57.90	74.14
Total	7,445	2,759,400	23,548,008	100.00	100.00

Corporate governance report

Corporate governance

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 2012, Nolato had 7,445 shareholders. Only one individual shareholder, Backahill AB, with 16.5 percent of the votes, has a holding that 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 management and the auditors are normally present to answer any such questions.

The 2012 Annual General Meeting

The 2012 Annual General Meeting was held on 24 April 2012 in Grevie. 179 shareholders attended the Annual General Meeting, together representing 48.8 percent of the shares and 68.2 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 executives 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 2011 financial year.

Nomination Committee

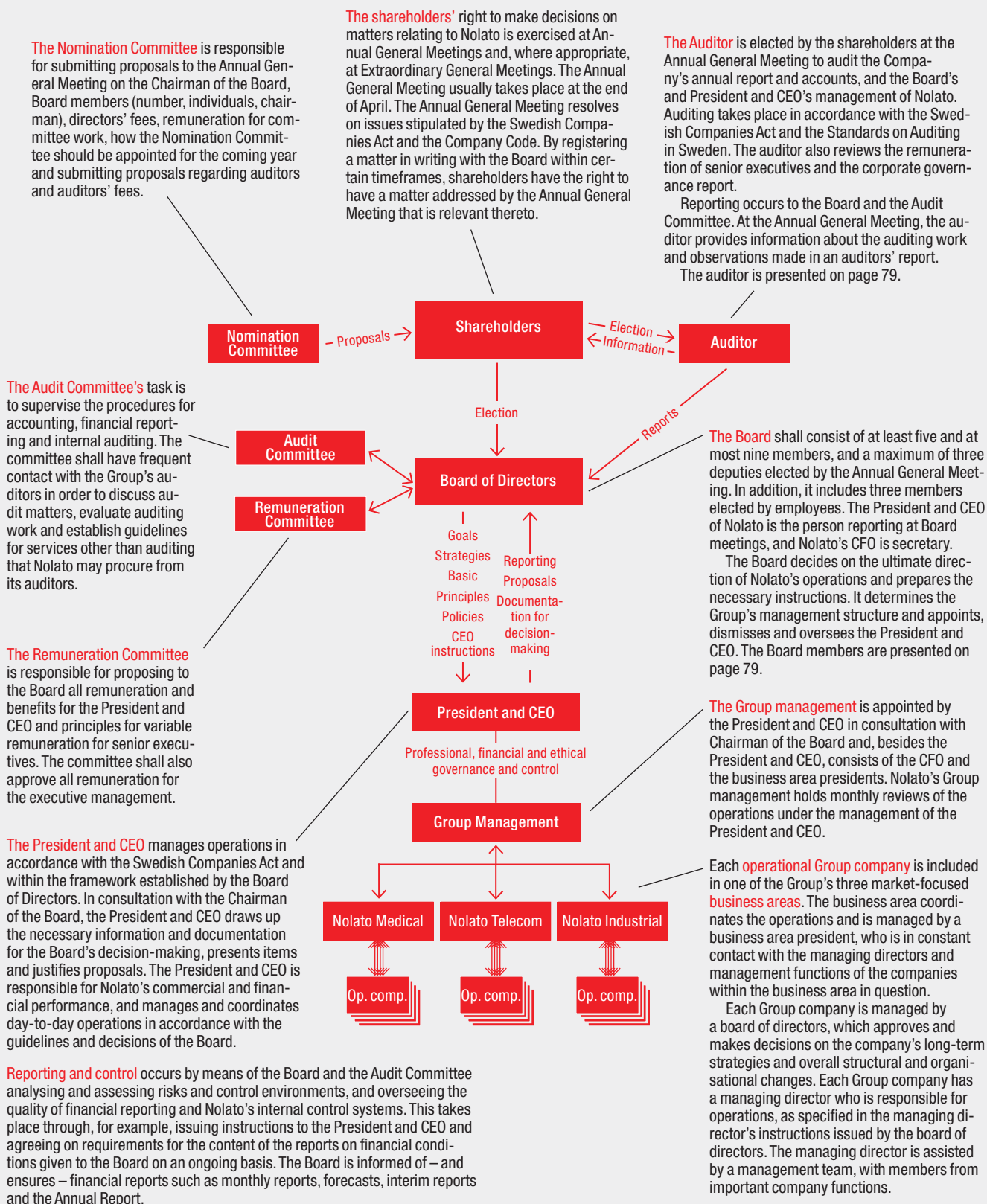
The 2012 Annual General Meeting resolved that the Nomination Committee ahead of the 2013 Annual General Meeting shall consist of one representative for each of the five largest shareholders in terms of votes as at the end of September 2012.

In accordance with this decision, the Nomination Committee ahead of the 2013 Annual General Meeting consists of Henrik Jorlén, chairman, Erik Paulsson, Gun Boström, Johan Lannebo (Lannebo Fonder) and Ulf Hedlundh (Svolder AB).

Since its inauguration and up until February 2013, the Nomination Committee held three meetings.

The Nomination Committee can be contacted by e-mailing: henrik.jorlen@gmail.com or by writing to: The Nolato Nomination Committee, c/o Henrik Jorlén, Kommendörsgatan 4, 269 77 Torekov, Sweden.

Schematic description of the Nolato Group's corporate governance



Auditors

At the 2012 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 the period until the next Annual General Meeting.

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 2012 on 5 February 2013. 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 and consultations in connection with acquisitions.

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 auditor regularly study the approved minutes from Nolato's Board meetings, and also has ongoing access to the monthly reports which the Board receives.

The auditor has audited the remuneration of senior management and reviewed the company's half-year report.

Nolato's auditor and the deputy auditor 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, improving its knowledge about Nolato and other-

wise 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 2012

Following the 2012 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 Bernsten, 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 Bernsten, 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 2012

During 2012, 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/fore-

casts, 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 five meetings in 2012. 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 2012.

Ahead of 2013, 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 2012

During 2012, 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
Erik Paulsson	–	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 2012 Annual General Meeting and ending with the 2013 Annual General Meeting, Board remuneration totalled SEK 1,100,000 excluding travel allowances (SEK 1,100,000), 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 2012, the current members of the Board received the following remuneration, which was paid in December 2012:

Fredrik Arp	SEK 320,000
Gun Boström	SEK 140,000
Henrik Jorlén	SEK 170,000
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), Per-Ola Holmström (CFO), Christer Wahlquist (President of Nolato Medical), Jörgen Karlsson (President of Nolato Telecom) and Johan Arvidsson (President of Nolato Industrial).

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 14–25.

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.com, 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.

■ Policy documents

The following overall policy documents for the Group have been established by the Board of Directors:

Nolato's Basic Principles

These define the common values platform for all Group operations.

Code of Conduct

This sets out the ethical and compassionate principles that Nolato employees are obliged to follow.

Environmental Policy

This governs the Group's environmental activities.

Financial Policy

This governs how financial risks should be dealt with within the Group.

IT Policy

This governs the Group's IT security structure.

Information Policy

This governs the dissemination of information by the Group, including in relation to listing requirements.

Insider Policy

This governs the application of reporting duties and the prohibition of short-term trading in accordance with the Swedish Insider Trading Act.

Quality Policy

This outlines the underlying focus of the Group's quality work.

Whistleblowing Policy

This governs the Group's procedures whereby employees can report serious misconduct.

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.

Policy documents

Nolato's group-wide regulations are defined in nine policy documents, as detailed in the box to the left. These documents are an important part of creating an effective control environment within Nolato.

The documents relating to the group's core values are based on the combination of ethical and professional values that Nolato has upheld for many years, and that are communicated to all employees, including in the form of a publication entitled "The Nolato Spirit".

In addition to these policy documents, 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 2012 on pages 72–77 and for this being prepared in accordance with the Swedish Annual Accounts Act.

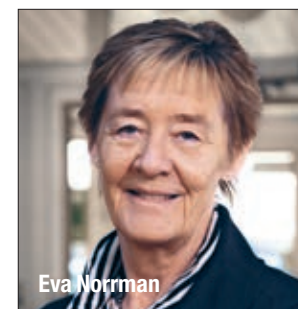
I have read the corporate governance report and, based on this reading and my knowledge about the Company and the Group, I believe that I have a sufficient basis for my opinion. This means that my statutory review of the corporate governance report is different in focus and considerably smaller in scope 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, 8 March 2013



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 24 April 2012, 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, Medioplast, 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

Member since 2010.
Shareholding in Nolato: 1,000 B.
Other directorships: Chairman of Scientific Solutions. Board member of Birdstep, Cellavision, Fagerhult, Matrisen, Medivir and Oatly.
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 Backahill, Brinova Fastigheter, Fabège, SkiStar and Wihlborgs Fastigheter. Board member of Platzer 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.

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).

Lars-Åke Rydh

Member since 2005.
Shareholding in Nolato: 2,000 B.
Other directorships: Chairman of OEM International, Nefab, Plastprint, SanSac and Schuchardt Maskin.
Board member of HL Display and Olja ek.för.
Previous experience: President and CEO of Nefab.
Born in 1953. Education: Master of Engineering.

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 2013 Annual General Meeting consists of Henrik Jorlén, Gun Boström, Erik Paulsson, Johan Lannebo (Lannebo Fonder) and Ulf Hedlundh (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 Bioinvent International, Diaverum, Lindéngruppen, Midsone and Peab.

Deputy auditor:

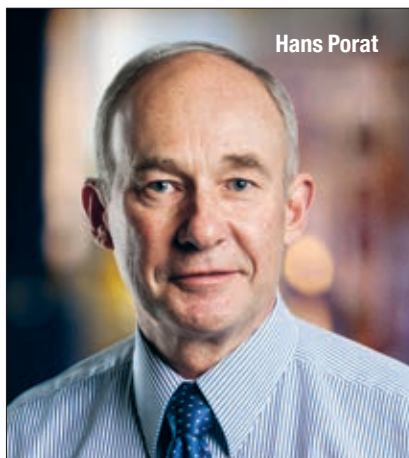
Camilla Alm, born in 1965.
Authorised public accountant, KPMG.
Deputy auditor of Nolato since 2008.
Shareholding in Nolato: 0.
Education: BSc (econ).
Other major clients: Wilh. Becker, Höganäs and Stena Fastigheter.

Shareholding in Nolato at 31 December 2012
incl. family and companies, according to Euroclear Sweden.

Group Management

Hans Porat

President and CEO since 2008.
Employed 2008.
Born in 1955.
Education: Master of Science (metallurgy).
Shareholding incl. family: 33,898 B.



Per-Ola Holmström

Executive Vice President and CFO since 1995.
Employed 1995.
Born in 1964.
Education: BSc (econ).
Shareholding incl. family: 20,154 B.



Christer Wahlquist

President of Nolato Medical since 2005.
Employed 1996.
Born in 1971.
Education: Master of Science, MBA.
Shareholding incl. family: 20,712 B.



Jörgen Karlsson

President of Nolato Telecom since 2009
and MD of Nolato Beijing since 2007.
Employed 1995.
Born in 1965.
Education: Polymer engineering.
Shareholding incl. family: 0.



Johan Arvidsson

President of Nolato Industrial since 2012
and President of Nolato Hungary since 2008.
Employed 1994.
Born in 1969.
Education: Master of Science.
Shareholding incl. family: 5,000 B.



Information to shareholders

Annual General Meeting

Shareholders are invited to attend Nolato's Annual General Meeting at 4:00 p.m. on Thursday 25 April 2013 at Grevieparken in Grevie, Sweden.

Light refreshments will be served after the Annual General Meeting.

Registering for the Annual General Meeting

Shareholders who wish to participate in the Annual General Meeting should be listed on the register of shareholders maintained by Euroclear Sweden AB on Friday 19 April 2013, and should register their intention to attend the Annual General Meeting with the Company no later than 12:00 p.m. on Friday 19 April 2013.

Attendees may register in one of the following ways:

- on www.nolato.com
- by faxing +46 431 442291
- by writing to Nolato AB,
SE 269 04 Torekov, Sweden

When registering, shareholders should provide their:

- name
- address
- phone number
- personal id or corporate id number
- number of shares
- name of any assistants
- name of any representatives

These details will be used only for the purposes of registering attendance and drawing up a register of voters.

For shareholders who will be represented by a representative, an original power of attorney should be sent when registering or, where the party holding power of attorney is a legal entity, proof of registration or other documentation demonstrating the authorisation of the company signatory.

Shareholders wishing to bring one or two assistants should register 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 be entitled 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 Friday 19 April 2013, shareholders must request re-registration by the manager in plenty of time.

Nomination committee

The Nomination Committee ahead of the 2013 Annual General Meeting consists of Henrik Jorlén, chairman, Erik Paulsson, Gun Boström, Johan Lannebo (Lannebo Fonder) and Ulf Hedlundh (Svolder AB).

The Nomination Committee can be contacted by e-mailing henrik.jorlen@gmail.com or by writing to: The Nolato Nomination Committee, c/o Henrik Jorlén, Kommendörs-gatan 4, 269 77 Torekov, Sweden.

Reporting documents

The reporting documents and the auditors' report will be available at the company's headquarters at Nolatovägen, 269 04 Torekov, Sweden by Wednesday 3 April 2013.

The documents will be sent to those shareholders requesting these.

Annual Report

The Annual Report is sent by post to those shareholders who have notified the Company that they wish to receive a copy.

The Annual Report is also available at the website, www.nolato.com, and can be ordered by phoning +46 431 442208 or at www.nolato.com.

Financial information 2013

All financial information will be posted at www.nolato.com as soon as it is published.

During 2013, financial information will be released as follows:

- Three-month interim report 2013:
25 April 2013
- Annual General Meeting:
25 April 2013
- Six-month interim report 2013:
19 July 2013
- Nine-month interim report 2013:
24 October 2013

Investor relations contact

Per-Ola Holmström
Executive Vice President and CFO
Phone +46 705 763340
E-mail per-ola.holmstrom@nolato.com

■ Five-year review

	2012	2011	2010	2009	2008
Sales and profit					
Net sales (SEK million)	3,874	2,977	3,375	2,602	2,824
Sales growth (%)	30	– 12	30	– 8	17
Percentage of sales outside Sweden (%)	75	70	76	73	68
Operating profit (EBITA) (SEK million)	303	199	262	166	240
Operating profit (EBIT) (SEK million)	287	190	253	158	232
Financial income and expense (SEK million)	– 15	– 7	– 10	– 10	– 16
Profit after financial income and expense (SEK million)	272	183	243	148	216
Profit for the year (SEK million)	202	132	187	123	178
Financial position					
Total assets (SEK million)	2,634	2,144	2,350	2,113	2,126
Shareholders' equity (SEK million)	1,205	1,151	1,179	1,086	1,058
Interest-bearing assets (SEK million)	272	124	239	172	168
Interest-bearing liabilities and provisions (SEK million)	350	206	273	212	263
Net debt (SEK million)	78	82	34	40	95
Equity/assets ratio (%)	46	54	50	51	50
Liquidity (%)	109	123	120	122	111
Debt/equity ratio (times)	0.3	0.2	0.2	0.2	0.2
Cash flow					
Cash flow from operations (SEK million)	476	246	370	257	451
Investment activities (SEK million)	– 335	– 134	– 286	– 118	– 143
Cash flow before financing activities (SEK million)	141	112	84	139	308
Profitability					
Return on total capital before tax (%)	11.9	8.7	11.3	7.5	11.8
Return on capital employed before tax (%)	19.5	13.9	18.4	12.1	18.4
Return on operating capital before tax (%)	22.6	15.5	21.6	13.9	19.7
Return on net shareholders' equity (%)	17.1	11.3	16.5	11.5	18.4
EBITA margin (%)	7.8	6.7	7.8	6.4	8.5
Profit margin (%)	7.0	6.1	7.2	5.7	7.6
Interest coverage ratio (times)	23	16	25	14	11
Share data (see also page 70)					
Earnings per share after tax (SEK)	7.68	5.02	7.11	4.68	6.77
Shareholders' equity per share (SEK)	46	44	45	41	40
Cash flow from operating activities per share (SEK)	18.09	9.35	14.06	9.77	17.14
Cash flow before financing activities excl. acq. and disp. per share (SEK)	12.05	4.26	8.74	5.28	11.71
Yield (2012 proposal) (%)	7.6	9.9	7.2	5.1	8.6
Dividend per share (2012 proposal) (SEK)	6.00	5.00	6.00	3.00	2.75
Personnel					
Number of employees (people)	8,421	5,496	7,563	4,308	4,531
Sales per employee (SEK thousand)	460	542	446	604	623
Profit after financial income and expense per employee (SEK thousand)	32	33	32	34	48



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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.

Extrusion

This is a method for continuously manufacturing products in strands, such as medical tubing.

Dip moulding

Dip moulding is used to manufacture breathing bags, ventilator bellows and catheter balloons from synthetic or natural rubber latex. Pre-heated formers are dipped into liquid latex rubber and products are shaped by the geometry of the formers.

Haptic technology/haptics

Designing a surface so that a function or cosmic 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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